Asia FX Talk

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A keen eye on Japanese Yen strength

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Market Highlights

The focus in our part of the world is still on the ongoing strength in the Japanese Yen, while also keeping an eye out on other global factors such as spikes in oil, the US Treasury's buyback plans, coupled with importantly US CPI later this week. We saw some volatility over the past day in USD/JPY, with the pair falling to as low as 152.88, and settling around 153.26 at the time of writing. The macro data out of Japan was slightly mixed, with stronger than expected labour cash earnings growth of 4.7%yoy but this also came with some modest downside surprise in the final estimates of GDP. Overall, these numbers do not seem to have changed the pricing of BOJ rate hike for September, with markets essentially fully priced for a 25bps hike, and with the focus of the markets likely to be on the BOJ's communication for the longer-term rate path. Meanwhile, US Treasury Secretary Scott Bessent challenged traders and the market to counter his efforts to strengthen the Yen, essentially saying he has more information than others on what Japanese policymakers and the BOJ will do.

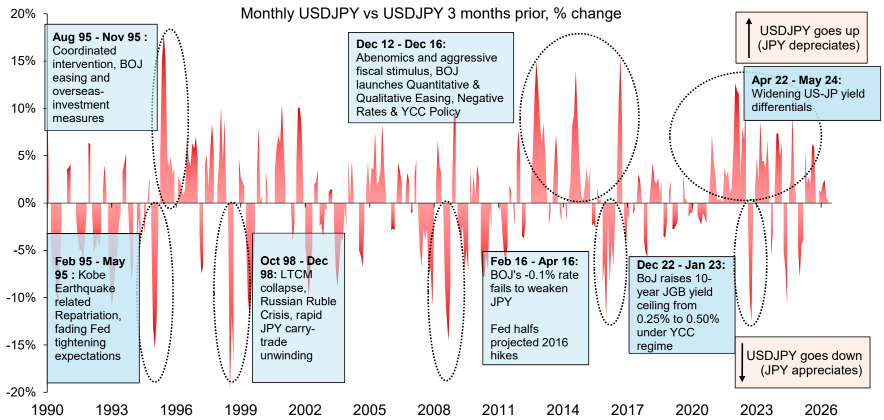
Looking back at history, sharp moves lower in USD/JPY of 10% or more are not uncommon, but whether this happens due more to domestic factors, or external drivers such as risk-off episodes and with that a sharp pick-up in vol also matter for other markets. So far, the moves are more consistent with domestic drivers in Japan as the dominant factor, and as such EM in general and also carry trades have remained very resilient, but this is still a risk to watch for moving forward.

Ahead Today

G3: *US Mortgage Applications*

Asia: *China CPI, PPI, Malaysia industrial production*

CHART 1: HISTORICAL MOVES IN USD/JPY OF 10% OR MORE ARE NOT UNCOMMON, BUT WHETHER THIS HAPPENS DUE TO DOMESTIC FACTORS OR EXTERNAL DRIVERS SUCH AS RISK-OFF EPISODES ALSO MATTER



Source: Bloomberg, MUFG GMR.

In Asia, China's exports for August remained strong at 25%yoy while Taiwan's CPI inflation print was above the 2% alert threshold, although both prints were a touch below consensus expectations. The export numbers from China continues to be helped by the AI boom and high-tech goods, and while this is certainly a regional trend as well the key story in China remains one of bifurcation between very strong exports, improvements in technology capabilities, but juxtaposed with still soft domestic demand. We will also have CPI and PPI numbers, coupled with monetary and financing data for China later this week which should continue to speak to those themes. Meanwhile, Taiwan's CPI inflation could give some breathing room for the CBC to hold rates for now, but the path moving forward will also be important to see if the central bank turns more hawkish moving forward. Overall, we think both USD/CNY and USD/TWD should continue to move lower, with still low FX volatility in the former. We are positive on TWD in particular and the currency should be helped moving forward by the fading of dividend outflow season, stabilising hedge ratios from lifers, strong AI activity, coupled with the possibility of CBC tilting more hawkish from here.

INDICATIVE RATES 8-Sep-2026

FOREIGN EXCHANGE

	Asia	% Chg	London close 6pm	New York close 5pm		Close	% Chg
USDJPY	154.17	-1.44	154.27	153.98	INDU	52786.07	-1.18
EURJPY	179.01	-1.55	179.32	178.99	NKY	65269.33	-1.70
EURUSD	1.1611	-0.12	1.1624	1.1624	DAX	26007.63	0.00
GBPUSD	1.3526	-0.05	1.3537	1.3541	UKX	10811.66	-0.10
USDSGD	1.2664	-0.05	1.2650	1.265	STI	5767.45	-0.43
USDTHB	32.942	0.09	32.898	32.908	SET	1621.89	0.19
USDMYR	4.0625	0.40	**OTHER INDICATORS**		KLCI	1714.40	-0.02
USDIDR	17630	-0.06	DXY Curncy	98.787	JCI	6686.44	1.01
USDPHP	62.630	0.04			PSEi	6105.99	0.37
USDINR	94.8275	0.36	GT2 Govt	4.395	SENSEX	75577.58	-0.73
USDKRW	1343.20	-0.28	GT10 Govt	4.790	KOSPI	6954.52	-0.58
USDTWD	31.545	-0.01	GTJPY2Y Govt	1.845	TWSE	47105.78	-0.47
AUDUSD	0.7210	0.12	GTJPY10Y Govt	2.891	AS51	8920.81	-1.00
USDHKD	7.8416	0.01	GTDEM10Y Govt	3.365	HSI	25317.18	-0.38
USDCNY	6.7108	0.00	CO1 Comdty	97.92	SHCOMP	3940.55	0.20
USDVND	25997	-0.18	XAU Curncy	4355.99	VNINDEX	1830.44	0.48

FX estimated closing. % Chg & bps chg indicate daily changes versus prior trading day. Sources: Bloomberg
** As of 4:30pm, Beijing Time*

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