



# Currency Watch: What's Next for the TWD?

November 2025

Taiwan has recently been featured prominently in international media. Notably, *The Economist* magazine's latest cover showcased Taipei 101, focusing on Taiwan's currency exchange rate. On Nov 14 evening, the U.S. Treasury and Taiwan's Central Bank issued a joint statement. These developments have raised questions about the New Taiwan Dollar (TWD) and its outlook.

By Cathay SITE

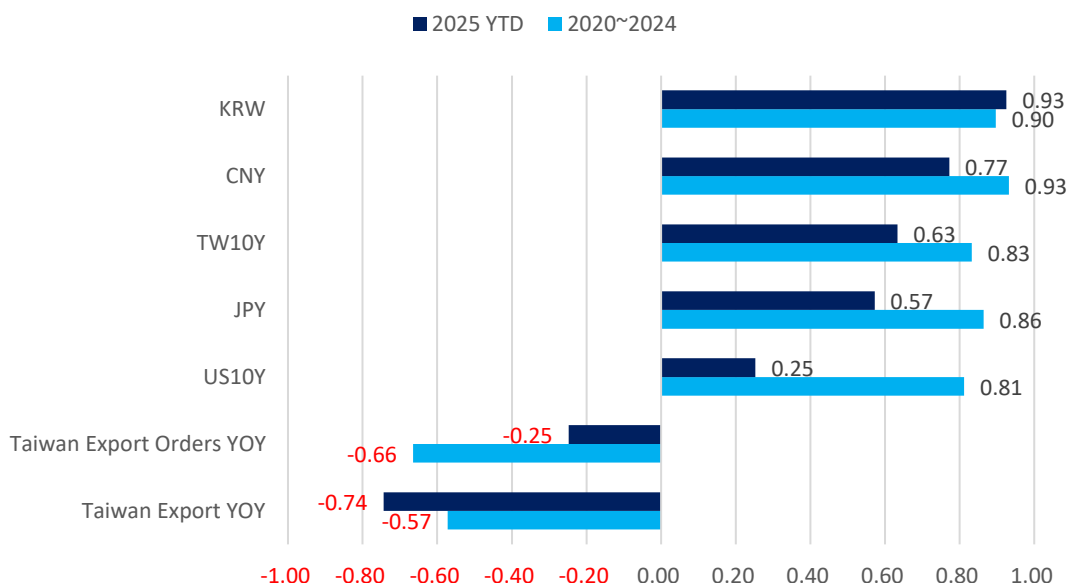
The joint statement immediately brought the Taiwan Central Bank's policies into focus. Taiwan Central Bank traditionally favors a low-interest-rate and a relatively stable exchange rate environment, which is often seen as beneficial for exporters.

## Key Drivers: Beyond Central Bank Intervention

The frequency of Central Bank interventions in the FX market has minimal direct impact on TWD trends. We believe the TWD's true trajectory is determined by below fundamental forces:

- **Asian Currency Correlation & Exports:** The TWD's strength is highly correlated with the performance of its regional peers and Taiwan's export health. The Korean Won (KRW), in particular, maintains a very high correlation with the TWD.

Chart1: Correlation with TWD

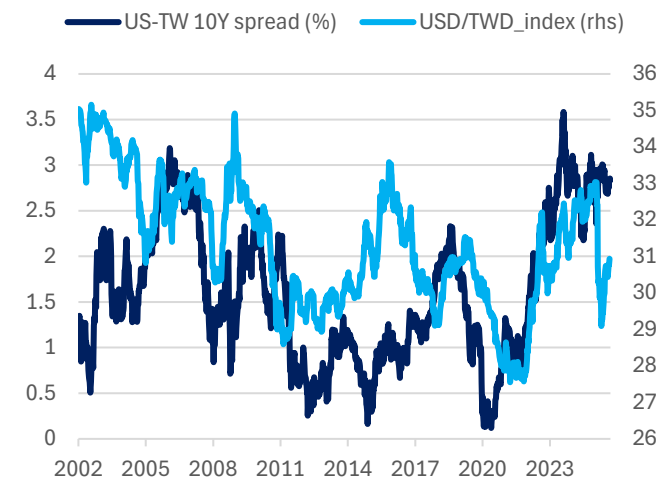


Source: Bloomberg

- **U.S. Federal Reserve (Fed) Policy:** A dovish Fed stance, indicated by lower U.S. interest rates or a higher probability of cuts, typically leads to a stronger TWD.

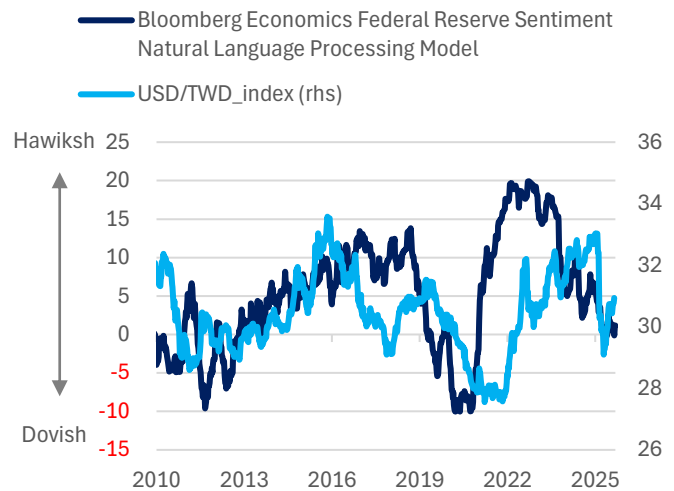


Chart 2: Stronger TWD as US-TW spread narrows



Source: Bloomberg

Chart3: Stronger TWD with a dovish Fed stance



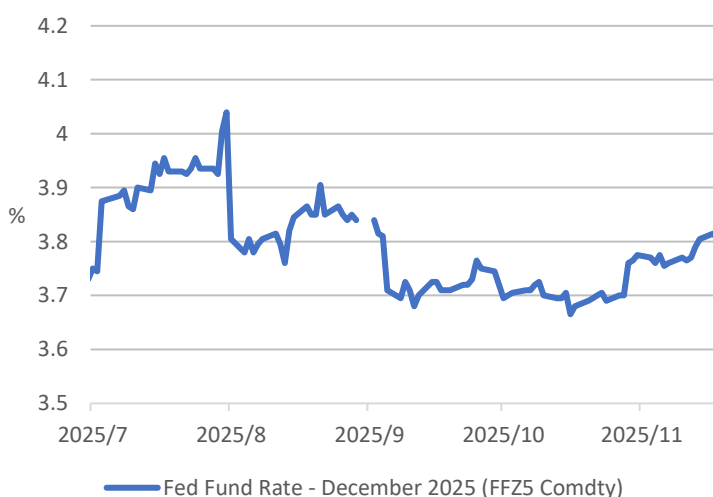
Source: Bloomberg

### Near-term Outlook : Limited Appreciation Ahead

Between now and the end of the year, we project limited upside for the TWD. The primary factors suppressing aggressive appreciation are:

- **Fed Uncertainty:** The Fed's final meeting of 2025 (Dec 10–11) is clouded by incomplete economic data (employment and inflation), making rate decisions unpredictable. This has recently pushed the U.S. 10-year Treasury yield higher, supporting the U.S. Dollar (USD).
- **USD Resilience:** The probability of a December Fed rate cut has declined, giving the USD near-term support.

Chart 4: Market-Implied Fed Fund Rate in December 2025



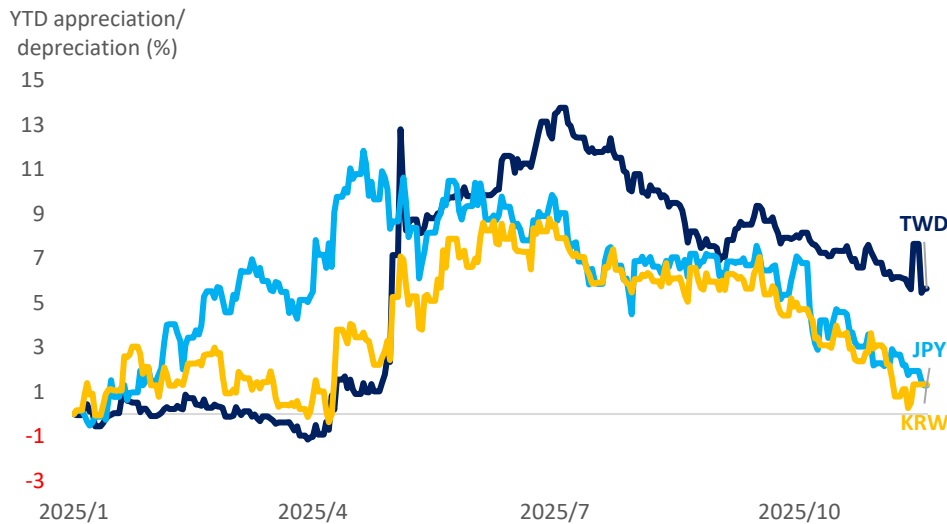
Source: Bloomberg

- **Equity Volatility:** Recent significant foreign institutional investor selling in the Taiwan stock market acts as a short-term headwind for the TWD.



- **Regional Currency Weakness:** Asian currencies are facing broad downward pressure. Due to high interest rate differentials and ongoing accommodative monetary policy, the JPY continues to trend weaker, having recently breached the ¥150 mark against the USD. Meanwhile, foreign investment is pulling back, and domestic political uncertainties are mounting, driving the KRW to its lowest level since early 2009.

**Chart 5: TWD is unlikely to stay strong alone**



Source: Bloomberg

### Medium-Term Perspective

The major structural shift impacting the TWD is forecast for the second half of 2026. As the composition of the Federal Reserve changes next year, particularly after the June FOMC meeting, the overall consensus is expected to tilt more dovish, increasing the likelihood of TWD strengthening as U.S. rates trend lower.

**Table 1: FOMC Composition**

FOMC	2025		2026	
Voting Members	Chair	Powell	Chair	Powell
	Vice Chair	Jefferson	Vice Chair	Jefferson
	Vice Chair for Supervision	Bowman	Vice Chair for Supervision	Bowman
	Governor	Barr	Governor	Barr
	Governor	Cook	Governor	Cook
	Governor	Waller	Governor	Waller
	Governor	Miran	Governor	Miran
	New York President	Williams	New York President	Williams
	Chicago President	Goolsbee	Cleveland President	Hammack
	Boston President	Collins	Philadelphia President	Paulson
	St. Louis President	Musalem	Dallas President	Logan
Next Year's Voting Members	Kansas City President	Schmid	Minneapolis President	Kashkari
	Cleveland President	Hammack	Chicago President	Goolsbee
	Philadelphia President	Paulson	Richmond President	Barkin
	Dallas President	Logan	Alantas President	Bostic
Others	Minneapolis President	Kashkari	San Francisco President	Daly
	Richmond President	Barkin	Boston President	Collins
	Alantas President	Bostic	St. Louis President	Musalem
	San Francisco President	Daly	Kansas City President	Schmid

Dovish Hawkish

Source: Compiled by Cathay SITE



In the near term, the U.S. dollar is likely to remain supported. Market expectations for a December Fed rate cut have fallen below 50%, currently around 42%. While the TWD may hold its ground in the immediate term, structural changes in Fed leadership and policy next year are expected to lead to more pronounced currency movements in 2026 for the New Taiwan Dollar.

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