

EMEA FX Talking: CEE outperforms emerging market peers

We discussed this theme in our [Directional Economics](#) update, but CEE currencies have so far weathered this market dislocation quite well. Diversified economies, decent domestic demand and EU money all provide support. Of the pack, we probably like the Czech koruna the most, given that the Czech National Bank has nearly finished easing



Prague, Czech Republic. Of the pack, we like the Czech koruna the most

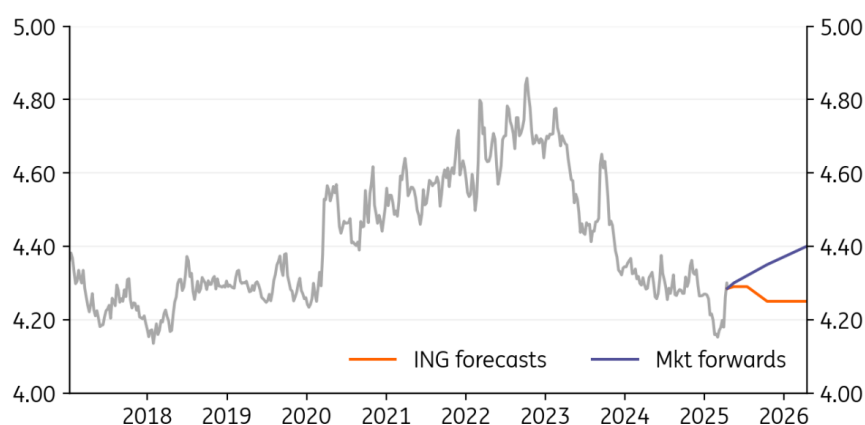
Main ING EMEA FX Forecasts

	EUR/CZK	EUR/PLN	EUR/HUF
1M	25.05 ↓	4.29 ↓	412 ↑
3M	25.00 ↓	4.29 ↓	408 ↓
6M	24.95 ↓	4.25 ↓	415 ↓
12M	24.80 ↓	4.25 ↓	424 ↓

EUR/PLN: Limited PLN weakening despite dovish NBP pivot

	Spot	One month bias	1M	3M	6M	12M
EUR/PLN	4.2841	Neutral	4.29	4.29	4.25	4.25

- Since the beginning of March, the Polish zloty lost 2% vs the euro, on the back of a dovish National Bank of Poland pivot, but more importantly, risk-off caused by US reciprocal tariffs. The currency was still quite resilient; the entire CE-4 block outperformed EM FX.
- The higher EUR/USD and capital repatriation from the US to Europe helped PLN and CE-4 FX, but also PLN's idiosyncratic factors. Exposure to US tariffs is rather limited (US is 6% of total exports), but the economy should keep outperforming the EU average as domestic demand will be a key growth driver in 2025-26.
- NBP can ease up to 125bp in 2025 and 75bp in 2026, but it starts from a position of the most restrictive monetary policy in CE-4. We see 2025-26 GDP growth above 3% limiting deeper easing.

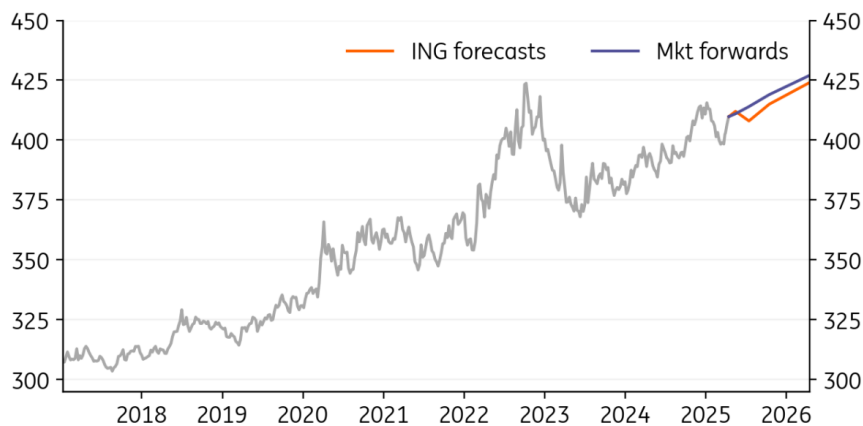


Source: Refinitiv, ING forecasts

EUR/HUF: Tactical and structural pressures on forint to persist

	Spot	One month bias	1M	3M	6M	12M
EUR/HUF	409.6700	Mildly Bullish ↗	412.00	408.00	415.00	424.00

- Following the National Bank of Hungary's March rate-setting meeting, the forint began to drift away from its peers. Investors' expectations of even tighter monetary policy were exceeded.
- Then came the tariff saga, where the Hungarian forint was caught up in the enormous market turbulence, depreciating by more than 3% MoM against the EUR by mid-April. Sooner or later, investors will start to expect a hawkish stance from the NBH, which will provide a safety net for the Hungarian currency.
- But this correction won't last long. Longer term, the fate of EU funds, fiscal risks related to local politics and upcoming election uncertainty all point to a structurally bearish HUF story.



Source: Refinitiv, ING forecasts

EUR/CZK: Solid expansion against rising uncertainty secures koruna's safety

	Spot	One month bias	1M	3M	6M	12M
EUR/CZK	25.0600	Neutral	25.05	25.00	24.95	24.80

- Our inflation outlook has been revised marginally downward, mainly due to fuel and energy prices. The recent strengthening of the Czech koruna vs USD implies cheaper imports. Core inflation is set to remain robust as households enjoy lower energy bills. The Czech National Bank will be met with food and core inflation remaining potent as the economy faces uncertainty.
- We see a direct adverse effect of 0.2ppt on GDP growth and an indirect impact via confidence channels of another 0.2ppt from the global trade war. Still, Czech growth is set to outperform the eurozone's and will support CZK over the coming quarters. The rate differential towards the ECB will also boost CZK, as the CNB can be more nuanced when finishing the task of easing.

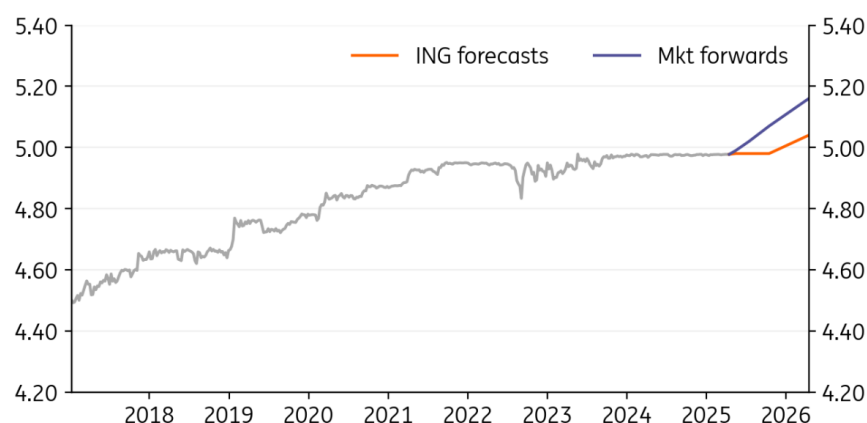


Source: Refinitiv, ING forecasts

EUR/RON: More clarity needed before any further changes

	Spot	One month bias	1M	3M	6M	12M
EUR/RON	4.9775	Neutral	4.98	4.98	4.98	5.04

- EUR/RON remained yet again between 4.97 and 4.98 through the previous month. The interbank liquidity surplus picked up for a fourth consecutive month in March, reaching RON33bn in February, while FX swap yields slightly reversed their declining trend but still remained close to levels seen in November 2024.
- Internal demand dynamics, fiscal adjustments and political uncertainties continue to dominate the local picture, adding risks to the outlook. We expect inflation to average around 5.2% through the year and we maintain our fiscal deficit forecast of 7.0% at this stage.
- We don't see policymakers loosening their grip on EUR/RON until fiscal and external risks picture gets clearer. A small and smooth Romanian leu depreciation, in line with some prudent rate cuts, are our base case for the second half of 2025, although delays towards 2026 are not out of the question.

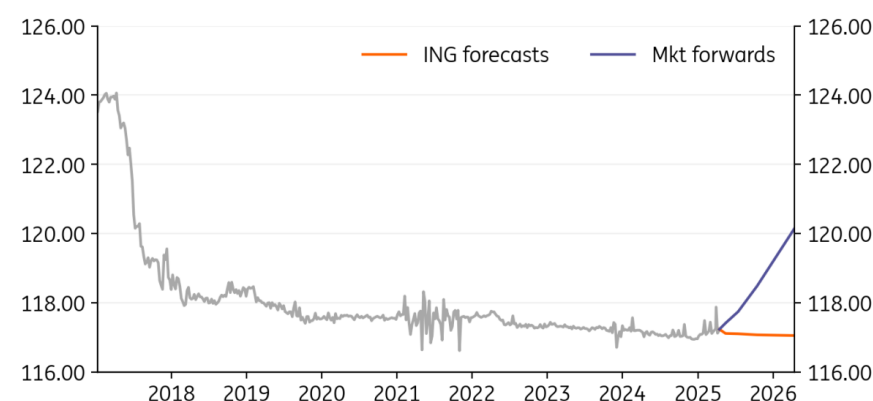


Source: Refinitiv, ING forecasts

EUR/RSD: Stability likely to continue

	Spot	One month bias	1M	3M	6M	12M
EUR/RSD	117.2400	Neutral	117.11	117.10	117.07	117.05

- EUR/RSD continued to trade at levels slightly above 117.00. Fundamentally, Serbia's macro prospects remain in good shape as the country improves its infrastructure and ranks higher on foreign investors' radars, benefiting from its IG rating.
- That said, tensions stemming from the political and social arena could bring some short-term hiccups. Had it not been for the National Bank of Serbia's interventions, outflow pressures could have proved more visible. The NBS sold EUR955bn in January-March to maintain the pair's stability.
- All told, we expect policymakers to hold their firm grip on the currency at this stage and we don't foresee major deviations from the 117.00 levels ahead.

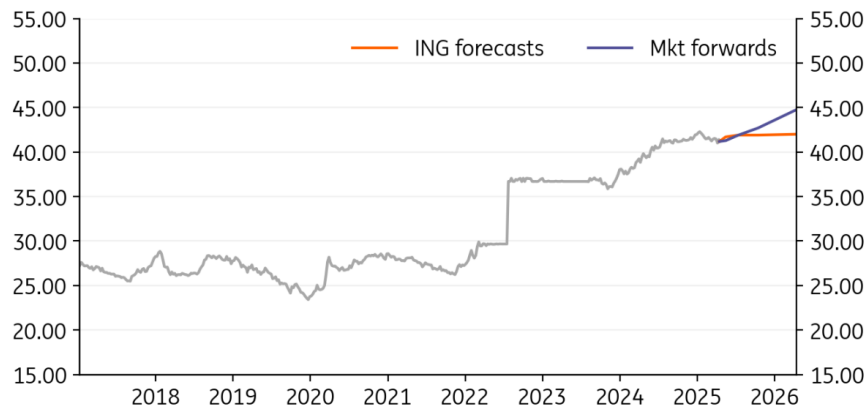


Source: Refinitiv, ING forecasts

USD/UAH: International aid keep high FX reserves

	Spot	One month bias	1M	3M	6M	12M
USD/UAH	41.1800	Mildly Bullish ▲	41.70	41.90	41.90	42.00

- The hryvnia's exchange rate against the dollar has remained broadly stable in a tight range of 41.0-41.8, thanks to higher FX reserves (+5.6% in March) and the National Bank of Ukraine's 100bp hike to 15.5%. The NBU signalled decisive actions going forward to ensure the attractiveness of UAH assets, and in March, central bank net FX sales decreased by 12.5% MoM. Another rate hike in April may be justified given that CPI inflation accelerated to 14.6% YoY in March.
- The economy remains burdened by the ongoing full-scale war. In 2024, real GDP grew by 2.9% but slowed down from 5.3% in 2023 due to the worsening security situation, severe labour and power shortages, and poor harvest. However, the prospects of a ceasefire this spring and a peace agreement later this year should help the economy in the mid-term.



USD/KZT: State support to FX to partially mitigate external pressures

	Spot	One month bias	1M	3M	6M	12M
USD/KZT	516.9500	Mildly Bearish	510.00	505.00	515.00	535.00

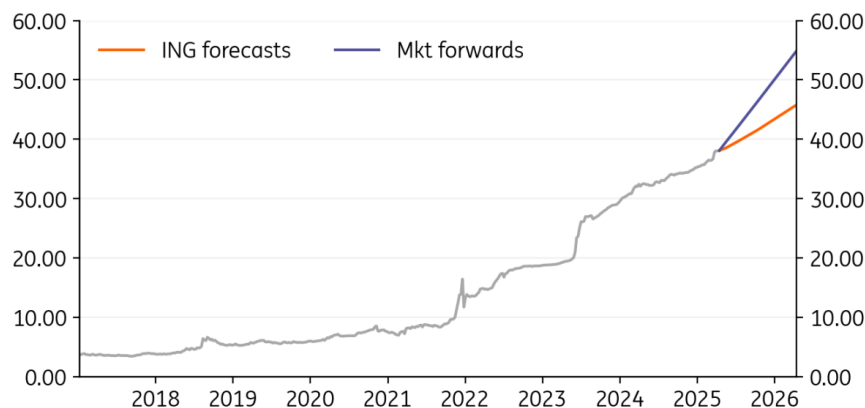
- After remaining in the 490-500 range in March, USD/KZT fell into the 510-520 range in early April on a mix of news, including escalation of global trade tensions and higher uncertainty over Kazakhstan's oil exports amid pressures from OPEC+ and Russia over production quotas and CPC pipeline throughput.
- Given the guidance from the National Bank of Kazakhstan, total FX sales by the sovereign fund and the central bank should increase by c. \$200m MoM in April, to c. \$1.2 bn vs 2024's c. \$0.7bn monthly average.
- While the domestic fiscal and monetary policy framework should remain supportive for the tenge in the medium term, external trade factors – especially surrounding oil exports – remain a significant factor of heightened volatility.



USD/TRY: Central Bank of Turkey's firm grip on exchange rate

	Spot	One month bias	1M	3M	6M	12M
USD/TRY	38.0900	Mildly Bullish 	38.50	39.70	41.60	45.80

- Turkey's political volatility has somewhat dented investor confidence, while authorities are prioritising market stability. Policymakers have signalled no change in their policy stance, with Finance Minister Mehmet Şimşek reaffirming commitment to the economic programme, and the CBT acting quickly to raise its ON lending rate and signalling a further tightening of the policy stance at an unscheduled meeting.
- The CBT has also actively utilised its FX reserves. In recent months, the Turkish lira was the most attractive carry trade opportunity in emerging markets, leading to significant long positions by foreign investors. These positions, being particularly vulnerable to volatility, were largely unwound. Given policymakers' firm stance, the earlier departure of some foreign investors and a hike to the baseline 10%, Trump's tariff announcement had a limited direct impact.
- Overall, we continue to hold the view that the CBT possesses the incentives and tools necessary to stabilize the situation and maintain FX stability.

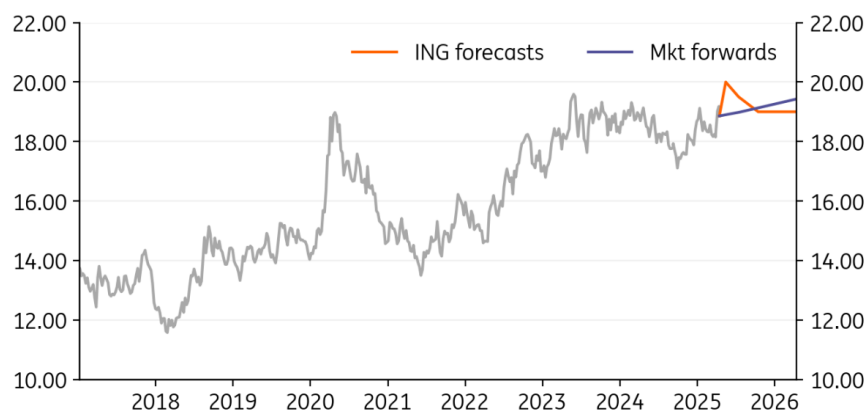


Source: Refinitiv, ING forecasts

USD/ZAR: Tariffs, a global trade war and a split government

	Spot	One month bias	1M	3M	6M	12M
USD/ZAR	18.8500	Bullish ↗	20.00	19.50	19.00	19.00

- As a commodity-producing currency with strong links to China, the rand is being hit hard in the global trade war. As we mentioned before, the local central bank modelled a scenario of 10% global tariffs and estimated that USD/ZAR could trade to 21.00. At the same time, South Africa has been hit with 30% reciprocal tariffs (paused) from Trump and is also being threatened with the loss of duty-free access to the US through the African Growth and Opportunity Act (AGOA).
- Unless this tariff story turns around, 21.00 looks the 2Q bias.
- A split in South Africa's Govt of National Unity doesn't help.

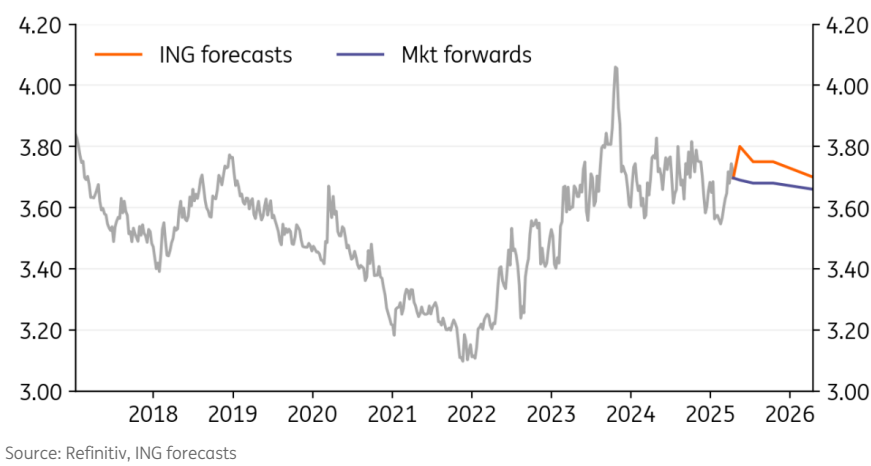


Source: Refinitiv, ING forecasts

USD/ILS: Shekel finds a little support

	Spot	One month bias	1M	3M	6M	12M
USD/ILS	3.6956	Bullish ↗	3.80	3.75	3.75	3.70

- As a friend of Trump's, Israel would have been a little disappointed to receive a 17% rate in the first round of reciprocal tariffs. However, the Bank of Israel forecasts that even with these tariffs, the economy can still grow 3.5% this year and 4.0% next year. Helping growth should be the reduction in supply side constraints, assuming that the war is less intensive.
- USD/ILS briefly traded over 3.80 in early April, but the shekel looks to have good demand there and always has an interventionist central bank to help limit FX losses if need be.
- The policy rate is 4.50% now and should be cut to 4.00% on the assumption that a global trade war is deflationary for most.



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