

## EMEA FX Talking: Selective opportunities

As elsewhere in the world, EMEA FX has been hit by the sharp sell-off in risk assets. However, we think hawkishness in Poland and the Czech Republic is underpriced and that these currencies can find some more support. Further afield, the rand has benefited by being off investors' radars this year, but could now start to take advantage of a softer dollar



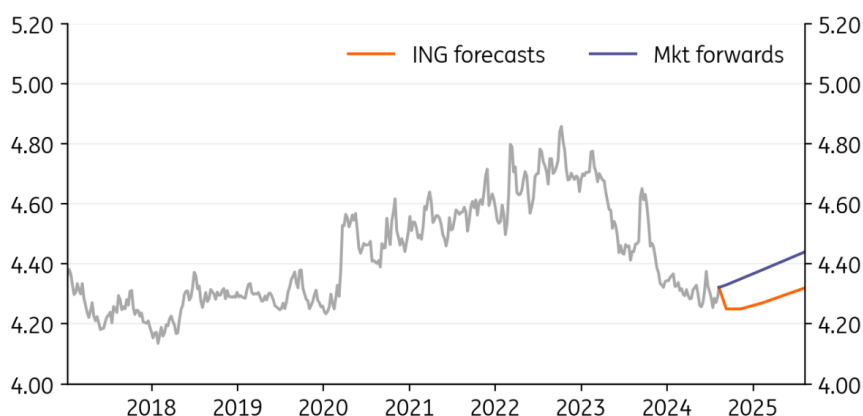
### Main ING EMEA FX Forecasts

	EUR/CZK	EUR/PLN	EUR/HUF
1M	25.29 ↑	4.25 ↓	390 ↓
3M	25.25 ↓	4.25 ↓	395 ↓
6M	25.20 ↓	4.27 ↓	390 ↓
12M	25.08 ↓	4.32 ↓	405 ↓

## EUR/PLN: Hoping for PLN recovery before election

	Spot	One month bias	1M	3M	6M	12M
EUR/PLN	4.3217	Mildly Bearish ↘	4.25	4.25	4.27	4.32

- EUR/PLN has been moving away from this year's lows of 4.25 since mid-July, largely owing to unsupportive global sentiment. The zloty proved relatively resilient though, likely due to low PLN speculative positioning since the emerging market selloff in June.
- The local fundamentals call for EUR/PLN to retest this year's lows in August / early September. The hawkish stance by the National Bank of Poland, driven by rising headline CPI, differs from central banks in developed markets, which are moving to decisive monetary easing in the remainder of 2024.
- Geopolitics is a risk for the zloty in 4Q24, i.e. the US election. This risk has been partially diminished by the recent turnaround in US polls. However, the market has already started to price political risk into the zloty, so there may not necessarily be a much bigger increase in EUR/PLN in 4Q24 than currently observed.



Source: Refinitiv, ING forecasts

## EUR/HUF: Forint stability remains NBH policy focus

	Spot	One month bias	1M	3M	6M	12M
EUR/HUF	395.5600	Mildly Bearish <span style="color:red">▼</span>	390.00	395.00	390.00	405.00

- Positioning in the HUF FX market was neutral in mid-July, according to NBH statistics. This was a fortunate situation given the global turmoil caused by ‘manic Monday’ on 5 August.
- The recent weakness of the forint is more likely a result of domestic factors, namely the significant downshift in the Hungarian interest rate path after the July rate-setting meeting.
- The central bank remains wary of FX movements, especially in the case of a non-linear reaction. In this respect, a breach of the psychologically important 400 EUR/HUF level is a clear risk event. A tug-of-war between HUF vs rate cut expectations should keep FX within a rather narrow range (388-400) for the rest of the year.



Source: Refinitiv, ING forecasts

## EUR/CZK: Market doesn't fully accept CNB's view

	Spot	One month bias	1M	3M	6M	12M
EUR/CZK	25.2300	Neutral	25.30	25.20	25.20	25.10

- The Czech koruna has recovered after the soft 25bp cut in early August and hawkish comments from Czech policymakers. Moreover, the CNB's new Summer Forecast has shown an upward revision in the policy rate trajectory on the whole projection horizon, which is expected to further support the Czech currency.
- Czech growth prospects have worsened, according to hard and soft data. We consider it difficult for real growth to accelerate to 2.8% next year when real rates remain above 2% for the next four quarters, as forecast by the Czech National Bank. Doubts about elevated rates & lukewarm economic performance should keep EUR/CZK above 25.
- Conversely, potential rate reductions from the Fed and ECB in the coming months would enhance the appeal of the koruna. A more pronounced appreciation of the Czech currency becomes a distinct possibility in such a scenario.

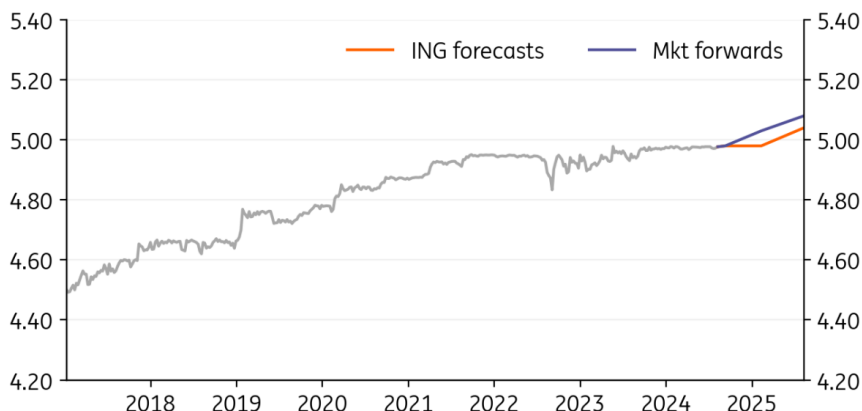


Source: Refinitiv, ING forecasts

### EUR/RON: 4.98 remains the end of the range

	Spot	One month bias	1M	3M	6M	12M
EUR/RON	4.9771	Neutral	4.98	4.98	4.98	5.04

- EUR/RON remained stable just below 4.98. Somewhat increased turnover as the pair approached this level can be indicative of official offers. So far, there have been no cracks in the 4.98 resistance and we continue to think that FX depreciation is unlikely to be on the table in the short run.
- With the National Bank of Romania cutting rates twice over the summer and carry levels below the new 5.50% deposit facility, we could see a small uptick in the upside pressure on the pair. This might even be welcomed by the NBR as it could offer the opportunity to reduce some of the abundant surplus liquidity in the local banking system.
- All told, the chances of crossing the 5.00 level in the short term are still slim, we think.

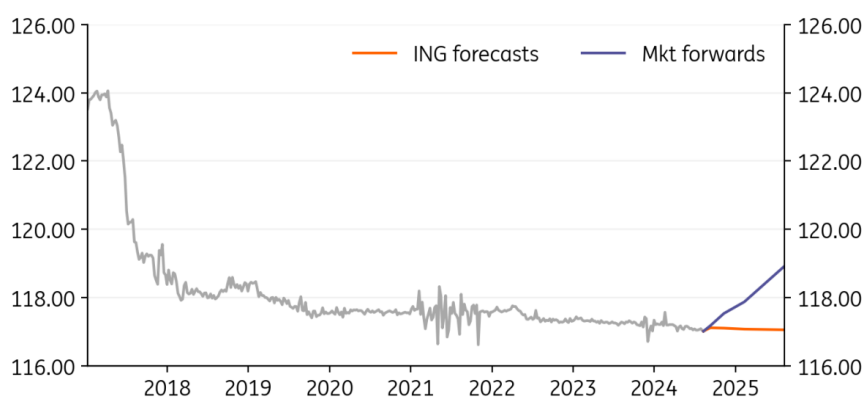


Source: Refinitiv, ING forecasts

## EUR/RSD: Tightly managed floating

	Spot	One month bias	1M	3M	6M	12M
EUR/RSD	117.0100	Neutral	117.11	117.10	117.07	117.05

- EUR/RSD remained very stable close to the 117.00 level, greatly helped by the National Bank of Serbia’s massive EUR695 intervention in June to buy euro. This was the largest monthly purchase since June 2019.
- The FX intervention pushed the FX reserves of the NBS to a record high of EUR27.5bn at the end of June. This is likely to offer comfort to the NBS to move further with rate cuts. We have revised our year-end policy rate to 5.50% from 6.00%.
- In essence, we expect a pretty flat profile for the pair, with the capital inflows’ impact on the currency likely to remain muted through official intervention.



Source: Refinitiv, ING forecasts

## USD/UAH: UAH gains likely over, medium term risks remain

	Spot	One month bias	1M	3M	6M	12M
USD/UAH	41.0900	Neutral	41.00	41.00	41.50	42.00

- The hryvnia managed to recover some of the early July losses in recent weeks, but we do not see much scope for further gains. Global sentiment remains unsupportive to EM and the US presidential elections may prove an additional risk, as Trump’s stance on Russian aggression is a major unknown. Assuring continued foreign aid has already proven challenging this year.
- Medium-term fundamentals behind the currency remain unfavourable as the Russian war continues. Easing delivered by the National Bank of Ukraine since mid-2023 suggests that the central bank is not overly focused on stabilising the hryvnia, as long as inflation is under control. We do not expect the massive current account deficit to improve any time soon.



Source: Refinitiv, ING forecasts

### USD/KZT: In search of temporary support

	Spot	One month bias	1M	3M	6M	12M
USD/KZT	477.1200	Neutral	475.00	480.00	480.00	485.00

- Kazakhstan’s tenge ended last month at 475 to \$1, in line with our expectations, but the intra-month performance was volatile in a 475-480 range, and given the recent volatility on the global market it is likely to remain that way in the near-term.
- In July, the National Bank of Kazakhstan cut the key rate by 25bp amid a slowdown in CPI, in line with expectations, as well as previous national and regional trends. In terms of real rates, this move shouldn’t lower Kazakhstan’s competitiveness vs. peers.
- We continue to expect KZT to remain driven primarily by the FX sales out of NFRK, the sovereign wealth fund. The likely increase in such sales from \$420m in June to \$500-600m in July and August should limit the depreciation pressure, but our longer-term bearish view remains.

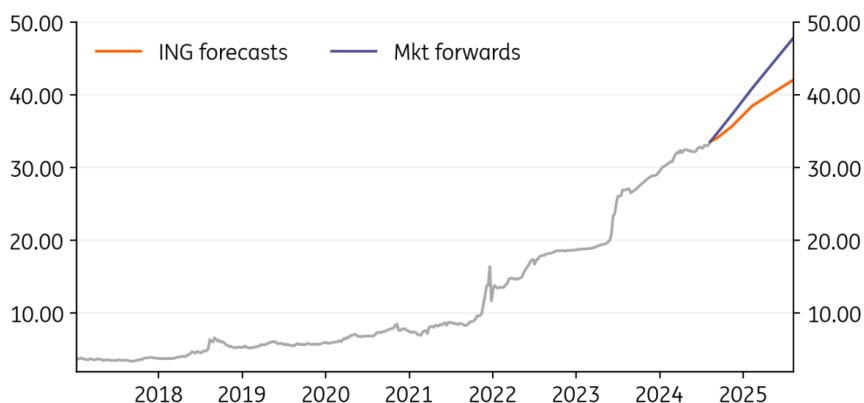


Source: Refinitiv, ING forecasts

## USD/TRY: Inflation path and CBT policy in focus

	Spot	One month bias	1M	3M	6M	12M
USD/TRY	33.5800	Neutral	34.10	35.60	38.50	42.10

- The Central Bank of Turkey's FX reserves have continued to rise, driven by sharp reverse currency substitution among residents and foreign inflows. The bank has also terminated the deposit transaction of US\$5bn carried out with the Saudi Fund for Development. External liabilities have recently improved by approximately US\$7bn through the reduction of deposit balances, though swaps with global central banks remain flat.
- The unwinding of FX-protected lira deposit accounts will likely accelerate in coming weeks given i) a reduction in the maximum interest rate for these accounts from 40% to 35% and ii) the removal of tax incentives on this product for corporates and individuals.
- While these developments indicate continued de-dollarisation in the economy, the recent shift in the global environment could lead to volatility in the near term. The inflation path and inflation expectations will remain the focus, while the CBT is likely to continue with macro-prudential measures, if needed.

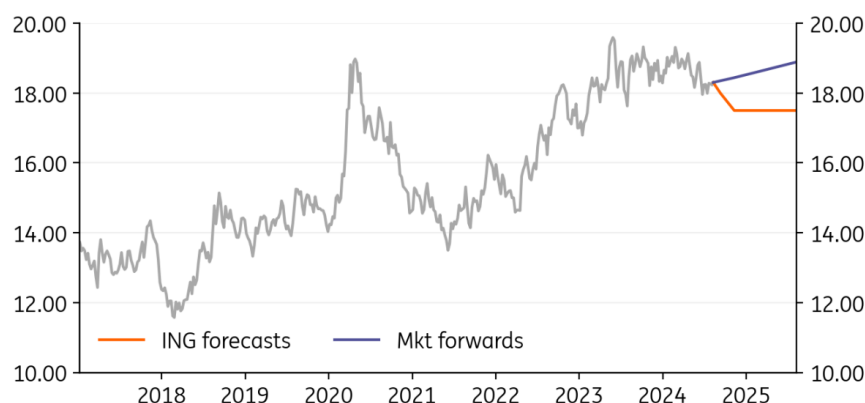


Source: Refinitiv, ING forecasts

## USD/ZAR: Underweight positions in South Africa help

	Spot	One month bias	1M	3M	6M	12M
USD/ZAR	18.3000	Mildly Bearish <span style="color:red">↘</span>	18.00	17.50	17.50	17.50

- Unlike for many high-yield emerging currencies, late July and early August did not prove too painful for the rand. That probably was a function of global investors running underweight positions in South Africa into the May/June election period.
- Now that the dust is settling on South African politics, the investment mood is a little positive. The national unity government now has a substantial majority in parliament and the hope is that the junior member (DA) can nudge the ANC towards some more market-friendly policy.
- Real rates near 3% can keep the rand relatively supported and 17.50 levels could be on the cards if Fed Funds are cut to 3.50%.



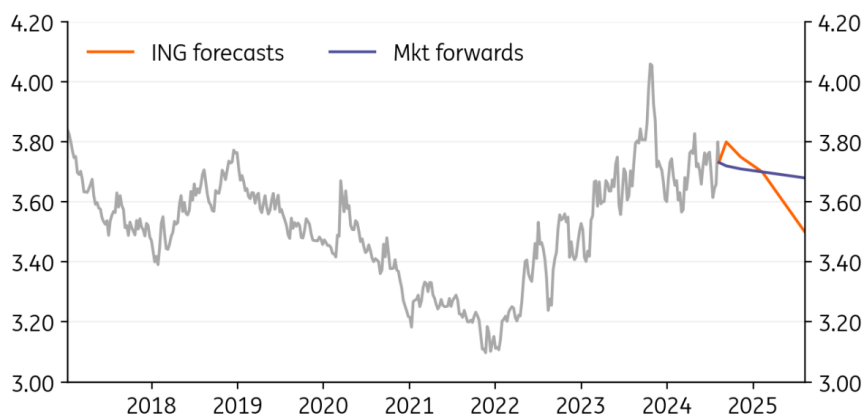
Source: Refinitiv, ING forecasts

## USD/ILS: Risk premium to stay in the shekel

	Spot	One month bias	1M	3M	6M	12M
USD/ILS	3.7314	Mildly Bullish <span style="color:green">↗</span>	3.80	3.75	3.70	3.50

- Our bias towards a weaker dollar into and through September may not help the shekel that much. That is because investors are likely to keep a risk premium on Israel amid fears of a response from Hezbollah/Iran to the recent (presumed) Israeli attacks in Beirut and Tehran. In its working assumptions, the Bank of Israel expects the war to continue at its same intensity through the rest of 2024 and only to subside early next year.
- In terms of the macro story, growth forecasts are being lowered, while it sounds like inflation is heading in the wrong direction and rate cuts are not on the table this year.
- The possibility of tighter fiscal policy as well (budget deficit to be cut to 4% from 6.6% of GDP this year) sounds shekel negative.





Source: Refinitiv, ING forecasts

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