

EMEA FX Talking: Some diverging trends in CEE

Central and Eastern European currencies are starting to show divergence as some central banks - particularly in Poland and the Czech Republic - turn a little less dovish. Expect Hungary's forint to remain fragile, however, and the Turkish lira to remain a popular carry trade. Were it not for the advent of Trump, we would like South Africa's rand too



Warsaw, Poland

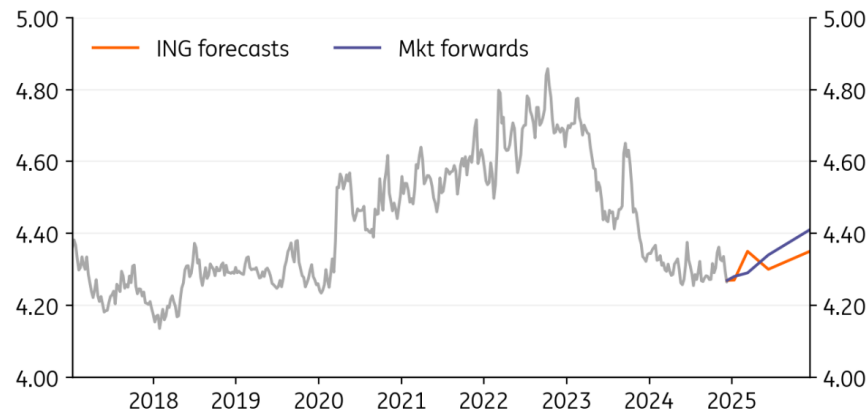
Main ING EMEA FX Forecasts

	EUR/CZK		EUR/PLN		EUR/HUF	
1M	25.05	↓	4.27	↓	413	↑
3M	25.00	↓	4.35	↑	417	↑
6M	25.00	↓	4.30	↓	412	↓
12M	24.85	↓	4.35	↓	422	↓

EUR/PLN: PLN most resilient to Trump trade

	Spot	One month bias	1M	3M	6M	12M
EUR/PLN	4.2637	Neutral	4.27	4.35	4.30	4.35

- We highlighted that Poland fundamentally avoids many of the risks associated with Trump for emerging markets. However, in November, the EUR/PLN exchange rate ignored USD gains and instead adjusted through the USD/PLN rate. The zloty was the best-performing CEE currency. In addition to the fundamentals, the exchange of EU funds in the market provided support, and the National Bank of Poland remains the most hawkish central bank in the region.
- The GDP soft patch in 2H24 and likely deeper European Central Bank easing did not prevent the NBP from a hawkish pivot in December, which undermines our 100bp call for 2025 cuts. Our main concern for 2025 is not a stronger USD, but the record-high supply of POLGBs. The low bid-to-cover ratios indicate that supply will require more concessions to be absorbed. On the positive side, Polish GDP is expected to outperform the EU in 2024-25, and the reconstruction of Ukraine may also benefit the PLN.

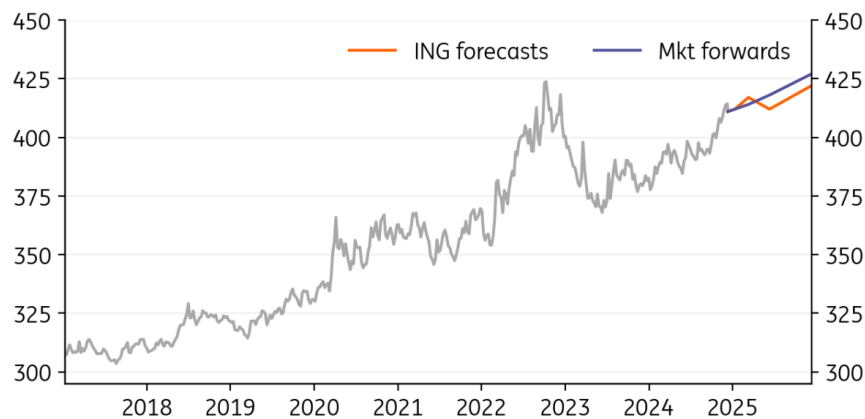


Source: Refinitiv, ING forecasts

EUR/HUF: Forint to reach new lows in 2025

	Spot	One month bias	1M	3M	6M	12M
EUR/HUF	410.7900	Mildly Bullish 	412.00	417.00	412.00	422.00

- The forint moved into a higher trading range in November. HUF positioning has been heavily short recently, especially after Moody's downgraded the outlook to negative. However, this move was offset by a Fitch outlook upgrade to stable. And December has barely begun.
- Rating agencies' decisions are a perfect example of the chaos swirling around Hungary's economy. Nevertheless, we see a chance for a positioning-based tactical HUF relief rally into year-end.
- In the medium term, however, we expect EUR/HUF to continue to grind higher towards 420, as significant changes in economic policy-making and further debate with the EU are on the horizon.

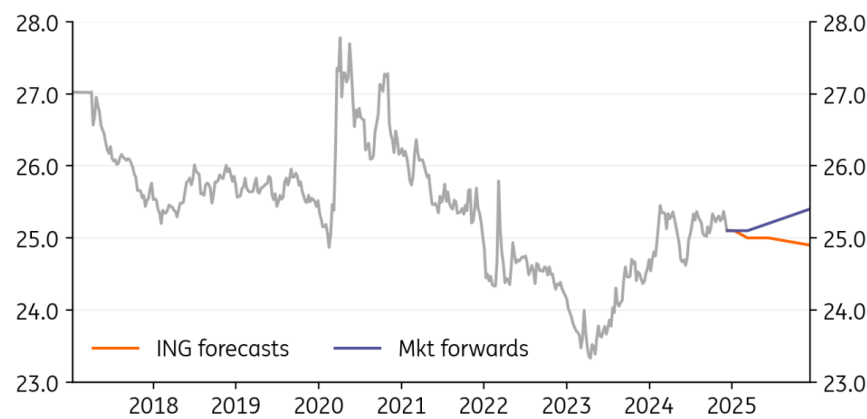


Source: Refinitiv, ING forecasts

EUR/CZK: Inflation risks to drive CNB caution and support the koruna

	Spot	One month bias	1M	3M	6M	12M
EUR/CZK	25.0900	Neutral	25.10	25.00	25.00	24.90

- The Czech koruna strengthened recently as central bank members admitted that pausing is an option at the December meeting. Household consumption and both nominal and real wage growth came in stronger than the recent CNB forecast. Rising property prices, meanwhile, will likely exert upward pressure on the market and imputed rents in the first half of the year. Thus it seems reasonable to see January's inflation breakdown before continuing with further rate cuts.
- If the central bank pauses at the next meeting, the currency will likely appreciate towards 25 EUR/CZK. With inflation expected to exceed 3% in December and remain elevated next year, policymakers are likely to prioritise price stability over economic expansion. Moreover, the Czech recovery seems to be broadly on track even though European industry acts as a drag. The continued expansion will support the koruna over the medium term.

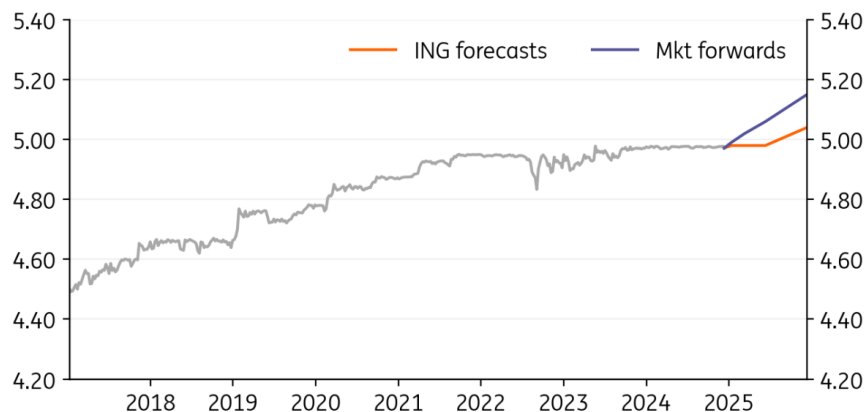


Source: Refinitiv, ING forecasts

EUR/RON: 4.98 remains strong resistance

	Spot	One month bias	1M	3M	6M	12M
EUR/RON	4.9709	Neutral	4.98	4.98	4.98	5.04

- The EUR/RON has been stable at close to 4.98 but the sharp drop in the interbank liquidity surplus, which led to a spike in FX swap yields, along with the increased turnover around 4.9770, suggest official offers protecting the leu.
- The intermediary resolution of the political situation with the Constitutional Court cancelling the first round of the presidential elections has brought more two-sided flows into the market.
- All told, we continue to expect the National Bank of Romania to keep a tight grip on the currency until there is a clearer picture of the fiscal and inflation outlook, with political risks adding to the overall risk picture.

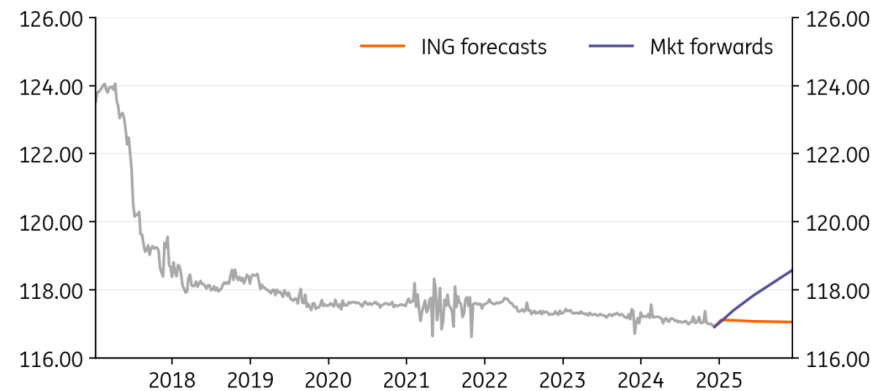


Source: Refinitiv, ING forecasts

EUR/RSD: Stability to persist

	Spot	One month bias	1M	3M	6M	12M
EUR/RSD	116.9800	Neutral	117.11	117.10	117.07	117.05

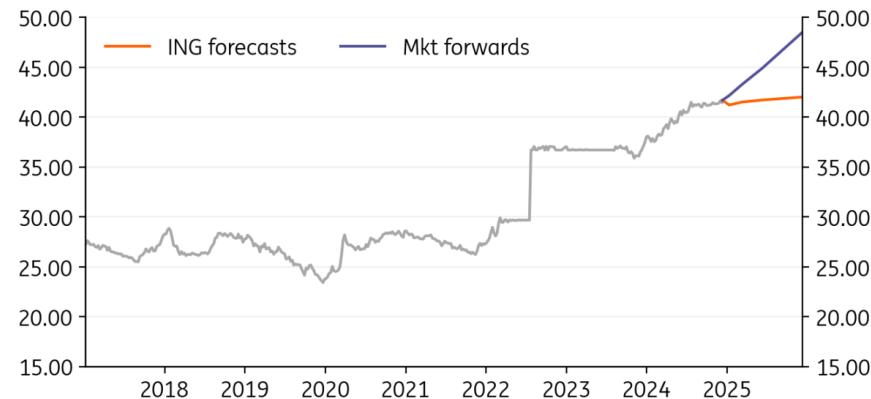
- The EUR/RSD exchange rate has remained stable, hovering around the 117.00 mark. This stability builds on the country's recent investment grade rating, increasing tourism, and a solid fiscal track record.
- The National Bank of Serbia likely mitigated appreciation pressures on the dinar through further interventions. By the end of October, foreign exchange reserves had reached a new record high of EUR 28.3 billion.
- These reserve levels provide the NBS with significant policy flexibility in the coming quarters. We anticipate the first rate cut to come in 1Q25 and expect the exchange rate to remain stable at close to 117.00



USD/UAH: Rising international reserves support the FX market

	Spot	One month bias	1M	3M	6M	12M
USD/UAH	41.5500	Neutral	41.20	41.50	41.70	42.00

- The hryvnia rate against the dollar remains broadly stable as it is supported by elevated central bank FX interventions (US\$30.5bn YTD in 2024 compared to around US\$26 in the same period of the last year). This is likely to continue into the year-end, as core central banks continue monetary easing while the National Bank of Ukraine is set to keep its key policy rate at 13% in December. This hawkish stance aims to control inflation expectations, driven by the rise to 9.7% YoY in October and potential acceleration to double digits.
- The economy remains burdened by the ongoing war, severe disruptions in electricity provision, and uncertainty related to Trump’s stance on ending the war. To prevent UAH’s real appreciation due to higher inflation, the NBU is likely to allow for a gradual easing of the hryvnia, while keeping the currency broadly stable. FX reserves grew by 9.1% in November to US\$39.9bn, boosted by large inflows from the World Bank (US\$4.8bn), the US (US\$1.4bn), and other partners.



USD/KZT: Volatility heightened due to regional spillovers

	Spot	One month bias	1M	3M	6M	12M
USD/KZT	511.1200	Mildly Bearish ▼	505.00	500.00	505.00	510.00

- USD/KZT experienced a sharp 4.3% drop during 28 November – 3 December and recovered around 3% in the rest of the week to 508. This spike in volatility reflects the spillover effect from the new round of sanctions on Russia and respective moves in the rouble.
- To stabilise the local market, the National Bank of Kazakhstan had to increase the key rate by 100bp to 15.25% contrary to previous expectations of keeping the rate on hold, and to announce emergency FX interventions.
- We do not exclude a further recovery in KZT in the coming weeks but retain our longer-term cautious view on the local currency due to the weakening trend in the balance of payments.

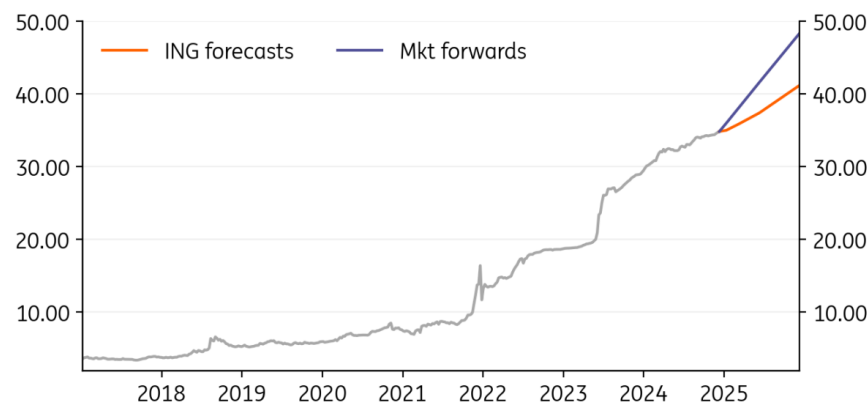


Source: Refinitiv, ING forecasts

USD/TRY: Nearing to the rate cut cycle

	Spot	One month bias	1M	3M	6M	12M
USD/TRY	34.8400	Neutral	35.00	35.90	37.40	41.20

- The Central Bank of Turkey's communication suggested that we are nearing a gradual rate-cutting cycle, implying a December move as a real possibility. The revised guidance links rate cuts to both realised and expected inflation, indicating that the bank will closely monitor real rates. It anticipates a significant contribution from enhanced coordination of fiscal policy to the disinflation process.
- We expect a 250bp cut from the bank this month, though do not rule out a smaller move given the higher-than-expected November figure, implying continuing challenges to disinflation efforts.
- Despite the start of rate cuts, we expect the lira to continue to appreciate in real terms as the CBT seems inclined to keep the currency stable and even allow a nominal decline at times to support disinflation.

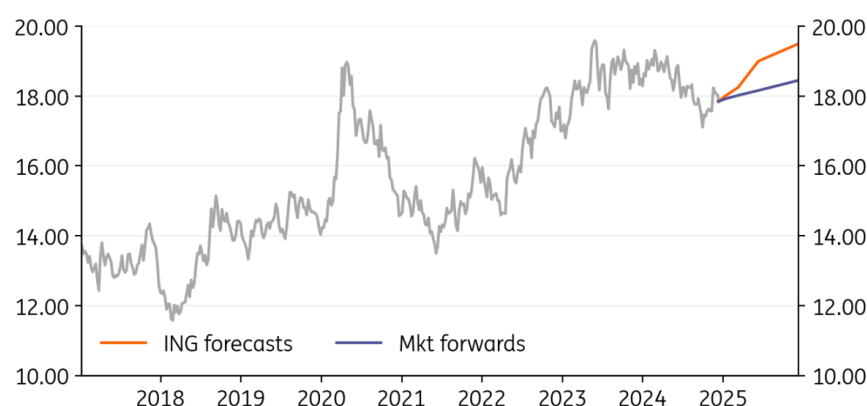


Source: Refinitiv, ING forecasts

USD/ZAR: Local story is quite ZAR-supportive

	Spot	One month bias	1M	3M	6M	12M
USD/ZAR	17.8700	Mildly Bullish 	18.00	18.25	19.00	19.50

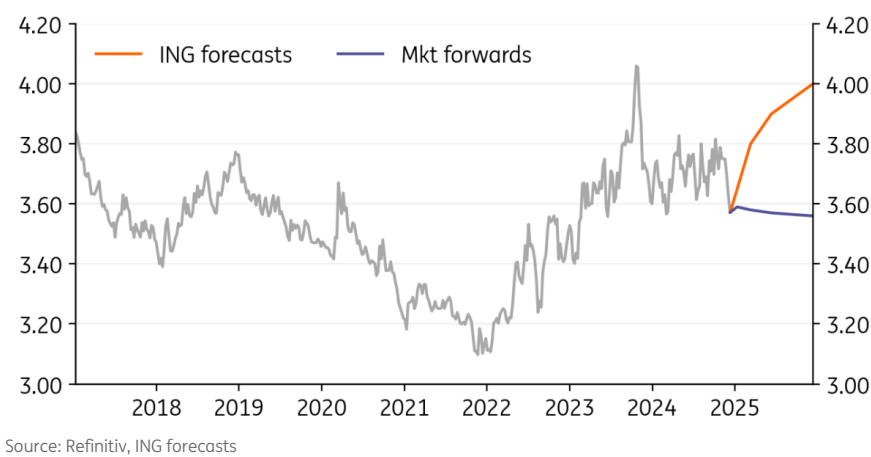
- The rand continues to outperform in a difficult environment for EM currencies, helped by some domestic positives. These include reforms in the transport and electricity sectors as well as the introduction of the 'Two-Pot' pension reform which allows early access to some pensions. Business confidence is now at the highest levels since early 2022.
- While we would like to be bullish on the rand, two major headwinds exist. The first is US tariff rates against China and what that means for Chinese demand for industrial raw materials – South Africa's key exports.
- The second is higher US rates, where US 10-year bond yields up at 5.50% in late 2025 stand to cause major problems for EM.



USD/ILS: Lebanon ceasefire triggers shekel recovery

	Spot	One month bias	1M	3M	6M	12M
USD/ILS	3.5912	Mildly Bullish 	3.65	3.80	3.90	4.00

- The late November Israeli ceasefire on its Lebanese front, plus the more recent fall of the Assad regime in Syria has seen USD/ILS trade sub-3.60. Those bullish on the shekel argue that the decline in military activities can alleviate some of the fiscal pressure on Israel and prompt a sovereign upgrade next year.
- Our problem with arguing for a much lower USD/ILS is the broad dollar trend. We are dollar bulls into 2025 and expect USD/ILS will be dragged back to the 3.80/90 area as President-elect Trump super-charges the US economy.
- The Bank of Israel would like to cut interest rates (now 4.50%). But the war has delivered a supply shock & inflation is sticky.



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