

EMEA FX Talking: CEE may struggle to hold gains

Central and Eastern European currencies have been performing well, buoyed by wider interest rate differentials versus the eurozone and perhaps some path towards peace in Ukraine. We are not looking for significant further gains, however, with the Hungarian forint the most likely to reverse course



Budapest, Hungary

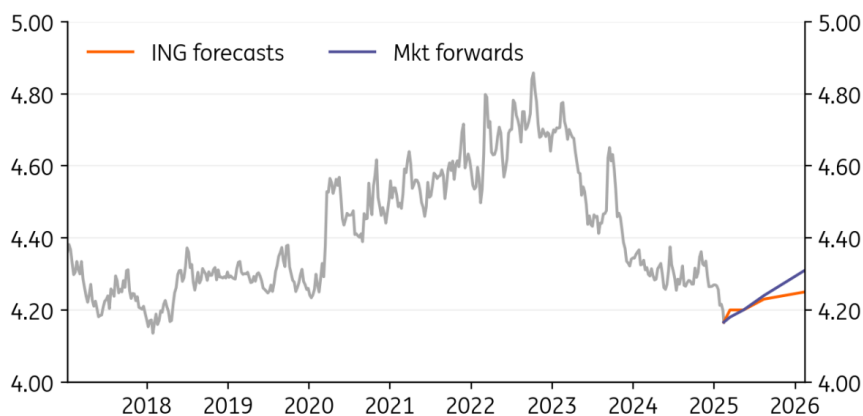
Main ING EMEA FX Forecasts

	EUR/CZK	EUR/PLN	EUR/HUF
1M	25.10 ↑	4.20 ↑	410 ↑
3M	25.05 ↓	4.20 →	408 ↑
6M	24.95 ↓	4.23 ↓	416 ↑
12M	24.80 ↓	4.25 ↓	422 ↑

EUR/PLN: Polish zloty the most resilient against Trump trade

	Spot	One month bias	1M	3M	6M	12M
EUR/PLN	4.1661	Mildly Bullish ↗	4.20	4.20	4.23	4.25

- PLN firmed to the strongest levels since 2018 vs the euro and may continue gaining towards 4.15/€ on NBP hawkishness and bets on a ceasefire in Ukraine that could reduce risk premium.
- The NBP governor maintained a hawkish bias in February and intends to keep rates on hold in the coming months, while the ECB's policy easing cycle is broadly expected to continue. The interest rate disparity is therefore moving in favour of the zloty.
- Some market participants speculate that the Munich Security Conference may bring a breakthrough re. a potential ceasefire agreement between Russia and Ukraine. That could potentially lift geopolitical risk premium from the PLN. However, such developments seem to be already partially priced in.

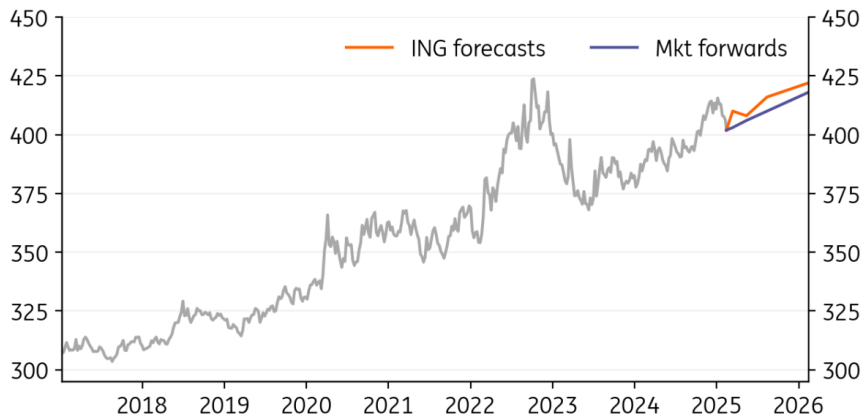


Source: Refinitiv, ING forecasts

EUR/HUF: Forint's fortunes could turn quickly

	Spot	One month bias	1M	3M	6M	12M
EUR/HUF	401.9600	Bullish ↗	410.00	408.00	416.00	422.00

- The forint has been enjoying the positive vibes of global sentiment lately, with a ceasefire in Gaza, still-fragile hopes for a peace deal in Ukraine and no US tariffs on the EU (yet).
- Locally, inflation reared its ugly head in January and the market's hawkish reassessment of Hungary's interest rate path also helped EUR/HUF towards 400.
- However, the underlying market perception remains negative, with the fate of EU funds, budgetary developments, local politics and potentially opportunistic monetary policy under the new regime posing a major risk ahead. We therefore see a correction higher in EUR/HUF, especially if a US-EU tariff war starts and dreams of peace in Ukraine are shattered.



Source: Refinitiv, ING forecasts

EUR/CZK: The convergence comeback will help Koruna

	Spot	One month bias	1M	3M	6M	12M
EUR/CZK	25.0500	Mildly Bullish ↗	25.10	25.10	24.90	24.80

- The Czech domestic currency is expected to benefit from a more potent interest rate differential vis-à-vis the euro rate in the coming quarters as the CNB is not forced to reduce the policy rate as sharply as the ECB, which is pressured by the eurozone economy’s underperformance. We also anticipate that the convergence of the Czech economy with its more advanced peers will resume after the weaker post-pandemic years. The process was intense in the price domain during the high inflation episode, while it returned to the wage segment in 2023. That said, the real growth differential towards the eurozone turned positive in mid-2024 after remaining in the negative territory for more than three years.
- We perceive such a development as a fundamental change set to blow fresh wind into the sails of the Czech currency. The hawkish message from policymakers when delivering the last rate reduction goes in the same direction, i.e., a gradual appreciation of the koruna against the single currency.

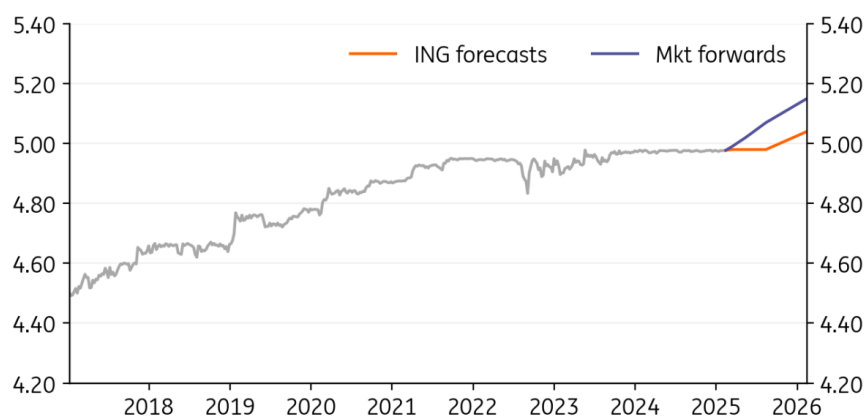


Source: Refinitiv, ING forecasts

EUR/RON: Currency stability to prevail

	Spot	One month bias	1M	3M	6M	12M
EUR/RON	4.9774	Neutral	4.98	4.98	4.98	5.04

- The EUR/RON traded yet again relatively flat between 4.97 and 4.98 for most of the previous month. The interbank liquidity surplus rose again above RON20bn In January, while FX swap yields moderated further through the month
- Various uncertainties in the political arena and on the fiscal front still prevail, keeping the risks for outflows in place. The interim presidency of Ilie Bolojan until the May elections, as well as the budget execution early on in the year, are key factors to watch.
- We continue to expect the NBR to remain firm on FX stability matters until the inflation outlook and the overall risks heatmap get clearer. Any window of opportunity for a small and smooth RON depreciation is likely a matter for the second half of 2025

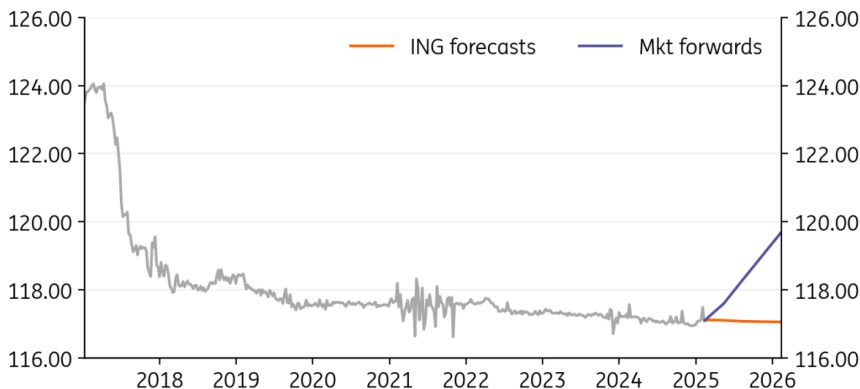


Source: Refinitiv, ING forecasts

EUR/RSD: Large changes ahead are unlikely for now

	Spot	One month bias	1M	3M	6M	12M
EUR/RSD	117.1000		117.11	117.10	117.07	117.05

- EUR/RSD remained stable at levels slightly above the 117.00 mark through the previous month. Fundamentally, Serbia benefits from the recent investment grade rating, growing tourism and FDIs, as well as its fiscal discipline.
- Potential outflows stemming from the recent political instability episode could have likely been more visible on the pair if it weren't for the NBS FX stability policy. FX reserves stood at EUR29bn at the end of January, falling slightly compared to December.
- All told, we expect the NBS to continue to preserve FX stability ahead. We expect the exchange rate to remain stable close to 117.00

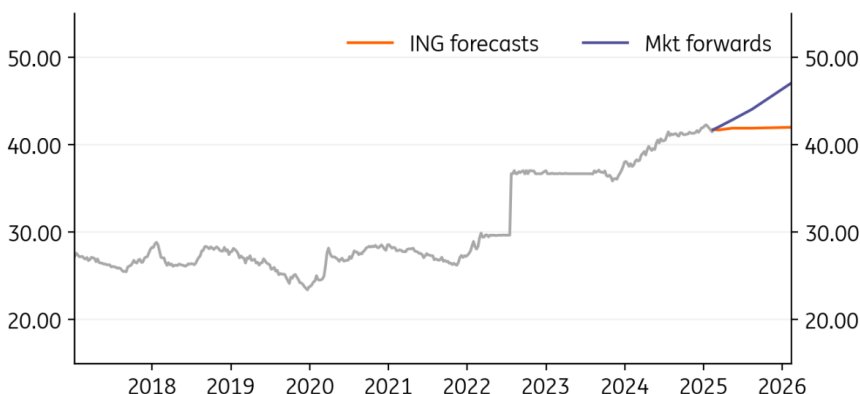


Source: Refinitiv, ING forecasts

USD/UAH: High FX and interest rate hike ahead of geopolitical events

	Spot	One month bias	1M	3M	6M	12M
USD/UAH	41.7200	Neutral	41.70	41.90	41.90	42.00

- The hryvnia exchange rate against the dollar has remained broadly stable, supported by high FX reserves and the National Bank of Ukraine’s interest rate hike of 100bp in January, following a 50bp hike in December. The decision resulted from a need to further tighten interest rate policy to ensure the attractiveness of hryvnia assets, keep inflation expectations under control and steer inflation through the sustained slowdown towards the 5% target. Given that inflation reached 12% in December, the NBU stated that curbing the price pressure is likely to require a further tightening of interest rate policy moving forward.
- The economy remains burdened by the ongoing full-scale war. The Trump administration is to hold consultations on ending the war in the context of the Munich Security Conference in mid-February. The NBU is likely to allow for a gradual weakening of the hryvnia while keeping the currency generally stable.

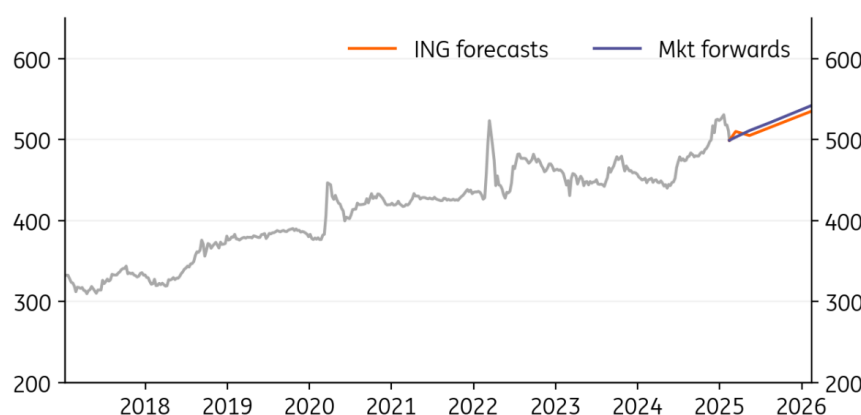


Source: Refinitiv, ING forecasts

USD/KZT: Sensitivity to external flows remains high

	Spot	One month bias	1M	3M	6M	12M
USD/KZT	498.8500	Neutral	510.00	505.00	515.00	535.00

- The USD/KZT exchange rate has recovered by 5% since the beginning of the year, tracking the dynamics of the Russian rouble, which appreciated by 6% against the US dollar.
- The direction of the KZT exchange rate aligned with our expectations, but the magnitude was larger than anticipated, underscoring the vulnerability of Kazakhstan’s domestic FX market to capital flows from the country’s trade partners.
- Kazakhstan’s domestic fundamentals are supportive of the KZT in the near term, as a net capital inflow of US\$3 bn into the state sector in Q4 2024 has yet to be fully absorbed. However, in the long term, we remain cautious about the KZT due to the planned reduction in FX sales from the sovereign fund.

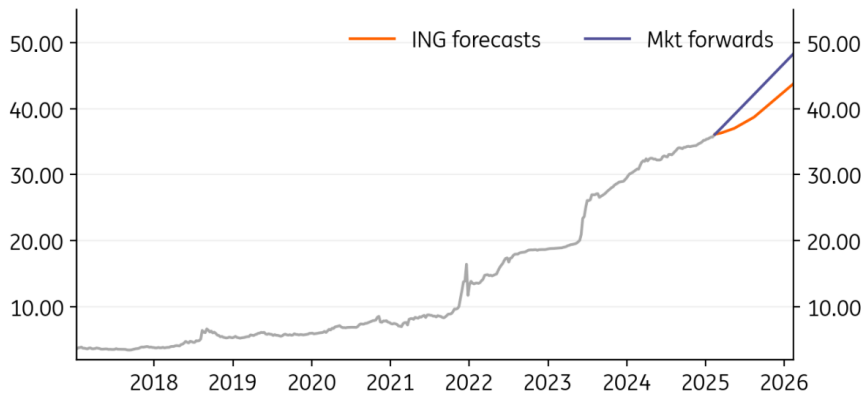


Source: Refinitiv, ING forecasts

USD/TRY: TRY continues to outperform

	Spot	One month bias	1M	3M	6M	12M
USD/TRY	36.1200	Mildly Bullish ↗	36.30	37.00	38.70	43.80

- Following the January inflation data and expected further impact of administrative price hikes in the February figure, we now see year-end inflation at 27.0% YoY.
- Given rising inflationary pressures in the near term, the CBT will likely maintain its strong focus on the FX path and credit growth restrictions. We expect another 250bp cut in March from the CBT and for the key rate to be at 29.00% at the end of the year, assuming headline inflation is at 27% in December.
- Despite the onset of gradual FX carry deterioration, TRY continues to outperform other EM currencies. We believe that, at least in the coming months, FX should behave well given some upside in recent inflation prints, turning the central bank more cautious, and maintaining its usual trajectory of nominal appreciation.

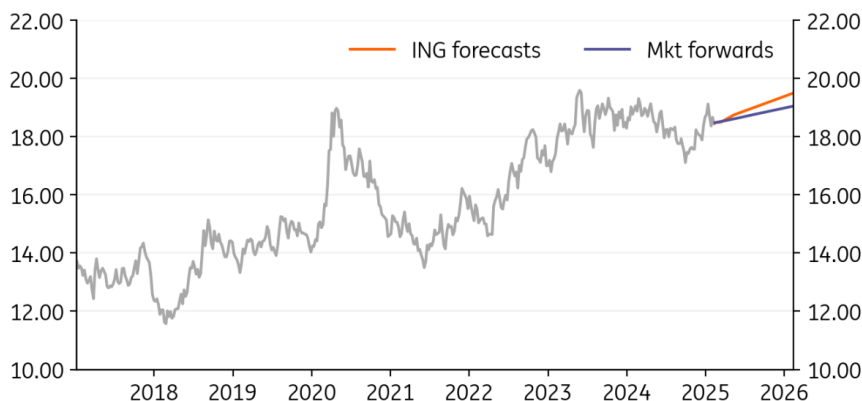


Source: Refinitiv, ING forecasts

USD/ZAR: Tariffs could be coming to South Africa

	Spot	One month bias	1M	3M	6M	12M
USD/ZAR	18.4700	Neutral	18.50	18.75	19.00	19.50

- Unfortunately for South Africa, US tariffs could be coming its way. Trump has already frozen aid to South Africa in response to what it says is the expropriation of land owned by white farmers. Equally, Washington does not like South Africa’s pursuit of Israel through the International Criminal Court. Indeed, it does seem that South Africa could start to suffer from its BRICS alignment.
- Last month, South Africa’s Reserve Bank cut the policy rate to 7.50%. A further 25bp cut is priced by the market this summer – even though 4Q24 GDP is expected to bounce back.
- Interestingly, SARB has modelled where USD/ZAR could trade on 10% global tariffs and a trade war. 21 was the answer.

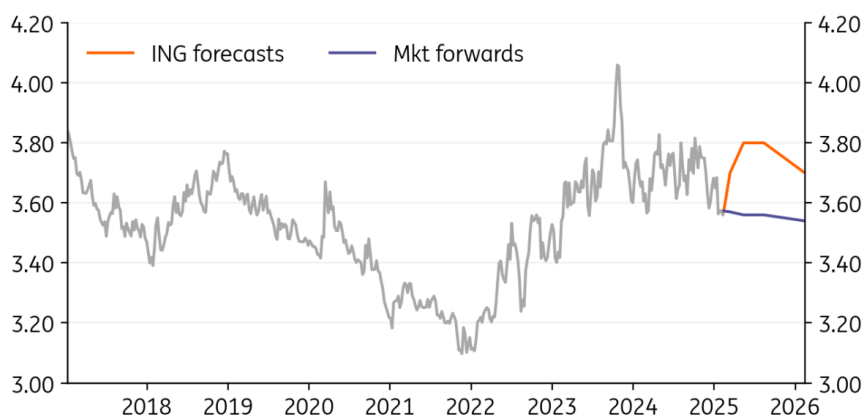


Source: Refinitiv, ING forecasts

USD/ILS: Hard to get too bullish on the shekel

	Spot	One month bias	1M	3M	6M	12M
USD/ILS	3.5701	Mildly Bullish ↗	3.70	3.80	3.80	3.70

- The welcome news of a ceasefire in Gaza has seen \$/ILS press but not sustain a break below the 3.55 area. While investors are bullishly re-appraising Israeli asset markets – e.g., Israel’s sovereign CDS has come in from 150bp to 90bp – we doubt \$/ILS needs to trade below 3.50. That’s because globally we are seeing a strong dollar trend and Israeli authorities may not welcome a much stronger shekel at a time of uncertain global demand.
- Consensus expects a better 2025 for Israel’s economy. GDP is seen at 3.5% versus -1.5% in 2024 and CPI at 2.9% versus 3.1%, with the security situation key for labour supply.
- 75bp of easing is expected in the 4.50% policy rate – in 2H25.



Source: Refinitiv, ING forecasts

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