

# EMEA FX Talking: CEE currencies are coping admirably

Even though a weaker EUR/USD is normally associated with CEE underperformance, this time, the currency bloc is performing better. This is helping the likes of the Polish zloty and the Czech koruna are the less dovish central bankers - after all they started their easing cycle much earlier than in the developed space. The Hungarian forint remains vulnerable, while the world's favourite carry currency - the Turkish lira - should continue to outperform its steep forward curve



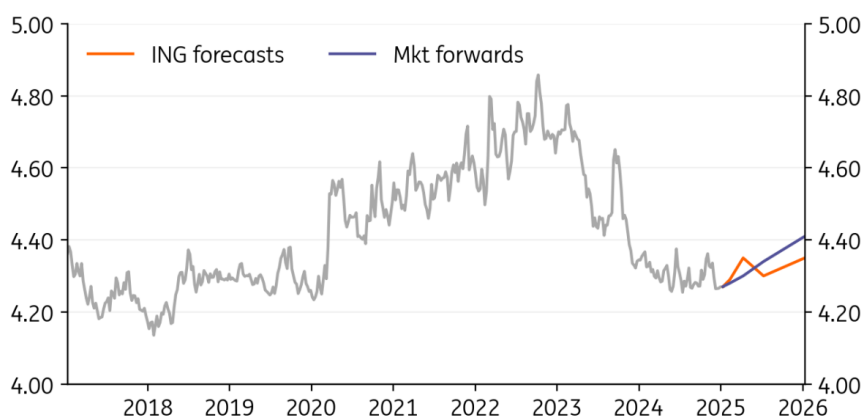
## Main ING EMEA FX Forecasts

	EUR/CZK	EUR/PLN	EUR/HUF
1M	25.10 ↓	4.29 ↑	415 →
3M	25.05 ↓	4.35 ↑	420 ↑
6M	25.00 ↓	4.30 ↓	412 ↓
12M	24.85 ↓	4.35 ↓	420 ↓

## EUR/PLN: Polish zloty is the most resilient to the Trump trade

	Spot	One month bias	1M	3M	6M	12M
EUR/PLN	4.2703	Neutral	4.29	4.35	4.30	4.35

- Poland’s zloty is outperforming despite the weak EUR/USD. PLN is holding its own against the strong USD, as EU funds are exchanged on the market and are stabilising EUR/PLN.
- Fundamentals support the zloty. The National Bank of Poland remains the most hawkish central bank in the region. Despite vocal MPC dissenters since December’s hawkish pivot, they can’t outvote Governor Adam Glapiński. In 2024, Poland was the only CEE-4 that delivered the expected GDP growth while others surprised very negatively. In 2025, the economy should continue to outperform.
- POLGBs face large supply, but we expect a limited yield rise from current levels, although ASW may widen further. Local banks might cover up to 60% of wholesale, local borrowing needs (vs. 74% in 2024). The Ministry of Finance can ease yield pressure by issuing FX debt, PLN T-Bills, or using RRF loans.

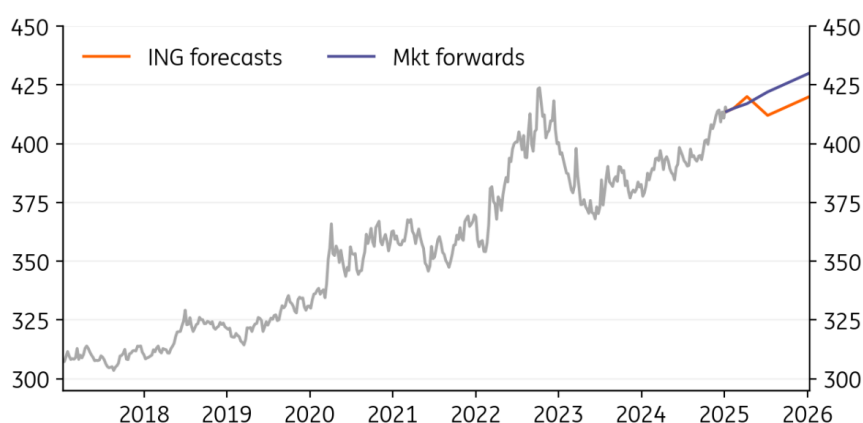


Source: Refinitiv, ING forecasts

## EUR/HUF: We expect the pressure on the forint to continue to mount

	Spot	One month bias	1M	3M	6M	12M
EUR/HUF	413.6700	Neutral	415.00	420.00	412.00	420.00

- Since the US election, EUR/HUF has been strongly driven by EUR/USD and the market's view of "Trumponomics", putting pressure on the forint. The latest tariff story (6 Jan) is clear evidence of this sensitivity.
- While the end of the year was positive for the forint, as usual, fragility reared its head at the beginning of the new year, pushing the forint to a two-year low of 416 against the euro.
- We see only downside surprises in the local economy, which the market will view as dovish amid the change in central bank leadership in March. As a result, we expect the pressure on the forint to continue and forecast EUR/HUF to move towards 420 in 1Q25.

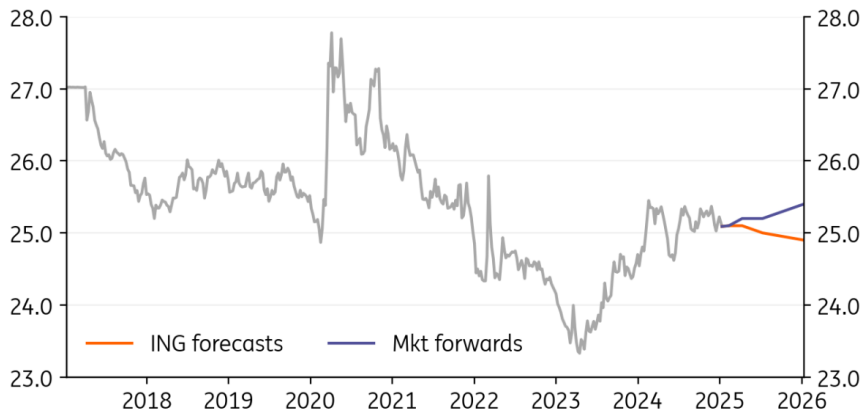


Source: Refinitiv, ING forecasts

## EUR/CZK: Hawkish CNB and outperforming economy will help CZK

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

- Czech inflation crossed the 3% upper bound of the central bank's inflation target tolerance band in December, prompting policymakers to maintain a hawkish tone. With both headline and core rates likely remaining only somewhat below the 3% threshold in January, further policy rate reduction will not be carried out in haste. Combined with the Czech economy outperforming the eurozone, this implies conditions favourable to a gradual CZK appreciation against the EUR over coming quarters
- Protracted weakness in industry represents a risk to the Czech economic rebound, yet the same holds for the entire eurozone. The causes of the protracted underperformance have common roots across Europe. A scenario of slower growth in Czechia carries the asymmetric risk of protracted weakness in the koruna versus the dollar.

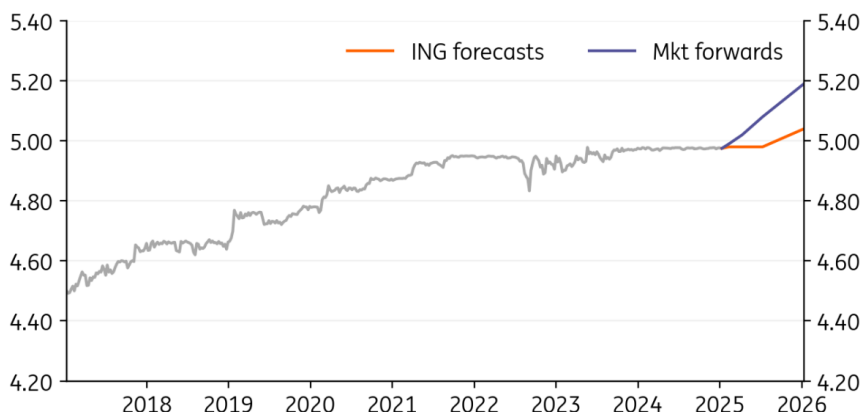


Source: Refinitiv, ING forecasts

### EUR/RON: FX stability likely to continue

	Spot	One month bias	1M	3M	6M	12M
EUR/RON	4.9754	Neutral	4.98	4.98	4.98	5.04

- The EUR/RON traded slightly above 4.97 for most of the previous month. The interbank liquidity surplus fell below RON 20bn for the first time since December 2022, while FX swap yields remained elevated, suggesting official offers protecting the leu.
- While presidential election re-run dates have been set for May this year, various uncertainties in the political arena and on the fiscal front still prevail, keeping the risk of outflows in place.
- We continue to expect the central bank to keep its tight grip on the currency until the inflation outlook and the overall risk heatmap become much clearer.

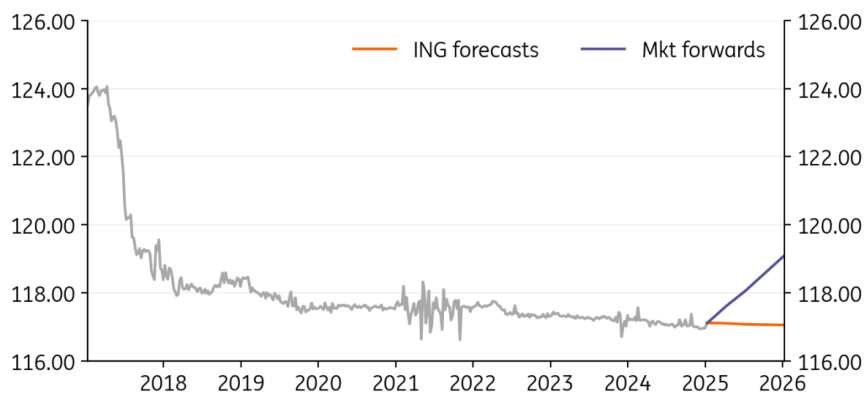


Source: Refinitiv, ING forecasts

## EUR/RSD: No major changes in sight yet

	Spot	One month bias	1M	3M	6M	12M
EUR/RSD	117.1100	Neutral	117.11	117.10	117.07	117.05

- The EUR/RSD exchange rate moved slightly above 117.00 through the month, reversing the dinar’s small appreciation in Nov-Dec. Serbia benefits from the recent investment grade rating, growing tourism and FDIs, as well as a solid fiscal record.
- The central bank likely continued to mitigate appreciation pressures on the dinar through most of the month. That said, risks related to US sanctions on energy matters could have also weighed on the currency more recently. By the end of November, foreign exchange reserves had reached a new record high of EUR 28.7 billion.
- All in all, we think that the National Bank of Serbia will likely continue to preserve FX stability ahead. We expect the exchange rate to remain stable close to 117.00

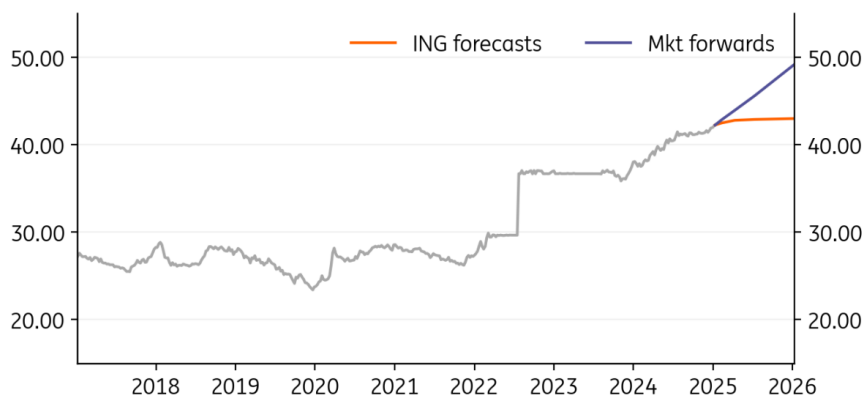


Source: Refinitiv, ING forecasts

## USD/UAH: Rising FX reserves and interest rate hike support hryvnia

	Spot	One month bias	1M	3M	6M	12M
USD/UAH	42.2600	Mildly Bullish <span style="color: green;">↗</span>	42.50	42.80	42.90	43.00

- The hryvnia has weakened moderately on the back of the large external trade gap and increased demand for foreign currencies, while rising FX reserves and the National Bank of Ukraine's interest rate hike supported FX sustainability. International reserves increased by 9.7% month-on-month to US\$43.8bn in December. This resulted from US\$9.5bn in inflows of external financial aid and US\$5.3bn in net FX sales. The NBU raised its key policy rate by 50bp to 13.5% in December in response to a sharp acceleration of inflation. The NBU's decision was a hawkish signal aimed at ensuring a gradual deceleration of inflation to the 5% target.
- The economy remains burdened by the ongoing full-scale war, disruptions in electricity supply, shortages of workers and uncertainty related to the stance of the Trump administration on ending the war in Ukraine. To prevent UAH's real appreciation due to higher inflation, the NBU is likely to allow for a gradual weakening of the hryvnia, while keeping the currency generally stable. The record-high FX reserves cover 5.5 months of imports.

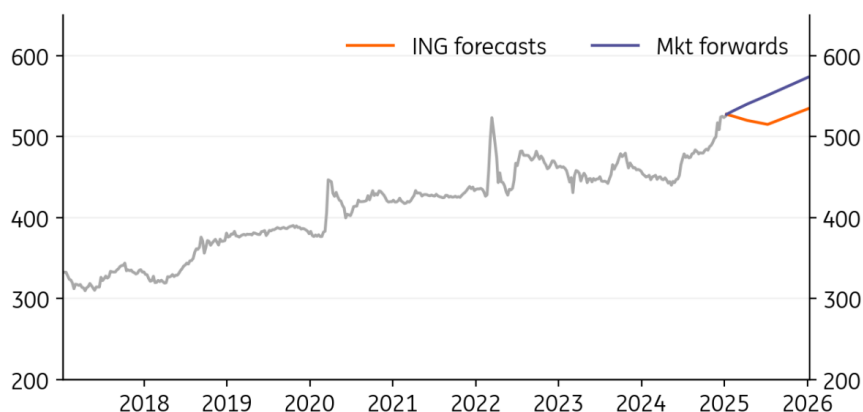


Source: Refinitiv, ING forecasts

## USD/KZT: Weaker on external factors

	Spot	One month bias	1M	3M	6M	12M
USD/KZT	527.4200	Neutral	525.00	520.00	515.00	535.00

- Kazakhstan's tenge continued to depreciate in December, losing around 1.5% to the level of 524 at year-end 2024. The global appreciation of the US dollar by 2.6% was offset by \$0.9bn in fiscally driven state FX sales and \$0.3bn of emergency FX support from the central bank.
- For January 2025, the central bank is guiding for a reduction in FX sales out of the sovereign fund to \$750-850m, but the external environment appears less hostile so far.
- We do not exclude some recovery in KZT in the coming weeks, but the high dependence of KZT on the externalities such as regional and global geopolitics raises uncertainties surrounding near-term forecasting. The longer-term KZT trend appears bearish assuming fiscal consolidation and lower FX sales.

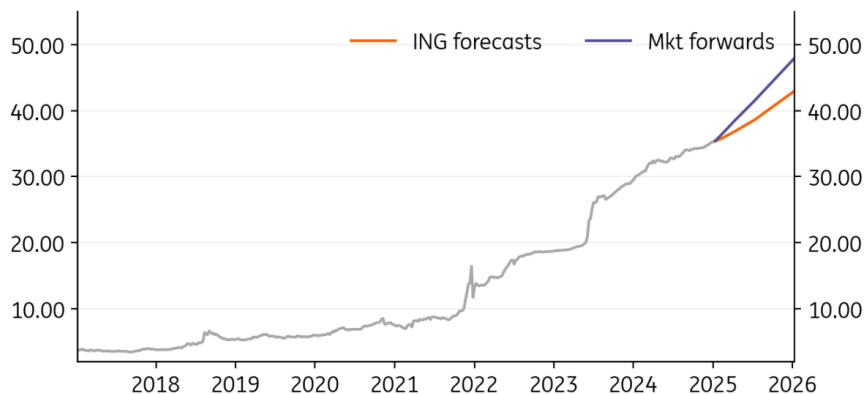


Source: Refinitiv, ING forecasts

## USD/TRY: Prudent and data-dependent

	Spot	One month bias	1M	3M	6M	12M
USD/TRY	35.3900	Mildly Bullish <span style="color: green;">↗</span>	35.80	36.85	38.60	43.00

- A lower than expected 30% hike in the minimum wage, implying a measured 1ppt additional impact on headline inflation and eight planned MPC meetings in 2025 versus 12 originally, hinting at a larger size of rate cuts per meeting, resulted in a large 250bp cut last month. We expect the Central Bank of Turkey to continue rate cuts with another 250bp move in January.
- In the new year, the Turkish lira has returned to its previous trend of nominal depreciation but the first days of the new year, on the other hand, show USD/TRY stability below the 35.400 level. Although a period of gradual FX carry deterioration has begun, TRY still far outperforms any alternatives in the EM space.
- Moreover, the central bank seems to be confidently in control of the situation with the credibility of the disinflationary process improving. Overall, we thus believe that TRY should remain the main carry trade in the EM space this year. We expect 36.85 USD/TRY for the end of 1Q and 43.00 for the year-end.



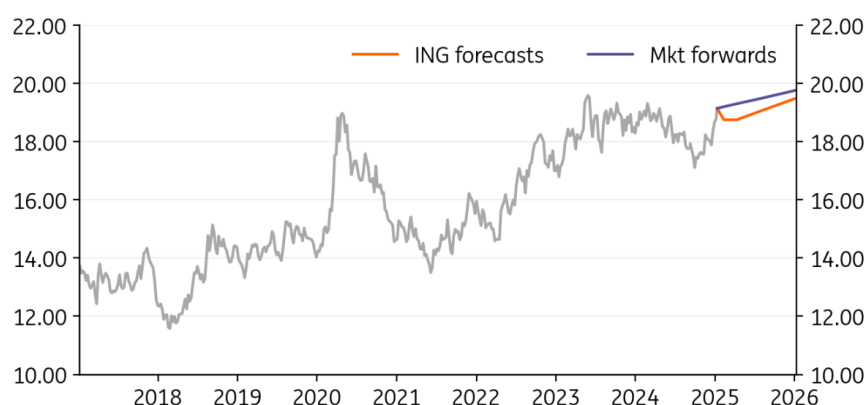
Source: Refinitiv, ING forecasts



## USD/ZAR: ZAR buyers retreat

	Spot	One month bias	1M	3M	6M	12M
USD/ZAR	19.1400	Mildly Bearish <span style="color:red">↘</span>	18.75	18.75	19.00	19.50

- Last year, the rand had been outperforming, but that has changed this year. The weight of the incoming Trump policy is taking its toll on all China-linked markets – including the rand. What has not helped the rand was the soft 3Q24 GDP figure, which contracted by 0.3% quarter-on-quarter. This dented the narrative that electricity production was driving a better activity story.
- However, we are not too bearish on the rand this year. Domestic demand should get some support from pension reform and the current account deficit looks manageable at 1% of GDP.
- The market now only expects the central bank to cut rates to the 7.25% area from the current level of 7.75%.

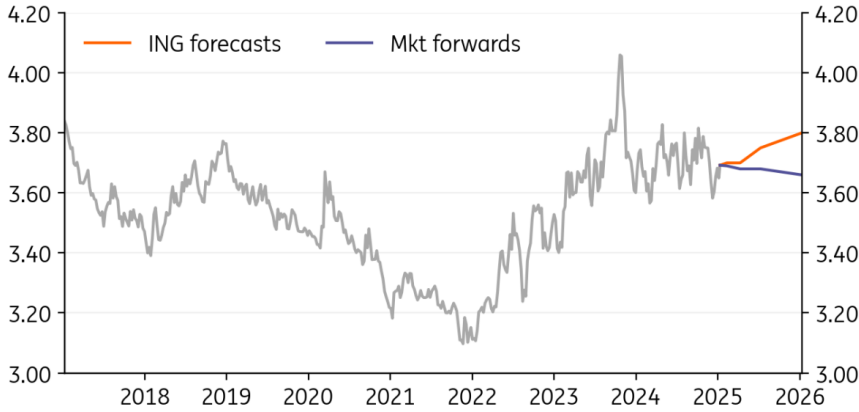


Source: Refinitiv, ING forecasts

## USD/ILS: Strong dollar trend will limit USD/ILS downside

	Spot	One month bias	1M	3M	6M	12M
USD/ILS	3.6922	Neutral	3.70	3.70	3.75	3.80

- After trading close to 3.55 on the Lebanese ceasefire in December, USD/ILS is now back to 3.65. The broad dollar trend is dominating here. In the past, we have seen that USD/ILS does have a high beta on the global dollar trend. And given our bullish call on the dollar this year we think 3.75/3.80 levels are possible.
- Locally, the central bank is operating off the view that the war will lessen in intensity after 1Q this year. Its research staff expect GDP growth to bounce back to 4% this year from just 0.6% last year. This assumes that labour market constraints will lessen.
- Markets price modest Bank of Israel rate cuts of 50bp in the second half of the year taking the policy rate to 4.00%.



Source: Refinitiv, ING forecasts

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