

EMEA FX Talking: CEE to continue outperforming forwards

Currencies in Central and Eastern Europe have started the year on the front foot. We're not looking for gains to be as spectacular as last year, but we do expect FX to outperform the forward curves. Elsewhere, expect the high-yield favourites of the South African rand and Turkish lira to stay supported



CEE FX should continue to outperform the forwards, buoyed by strong domestic growth stories

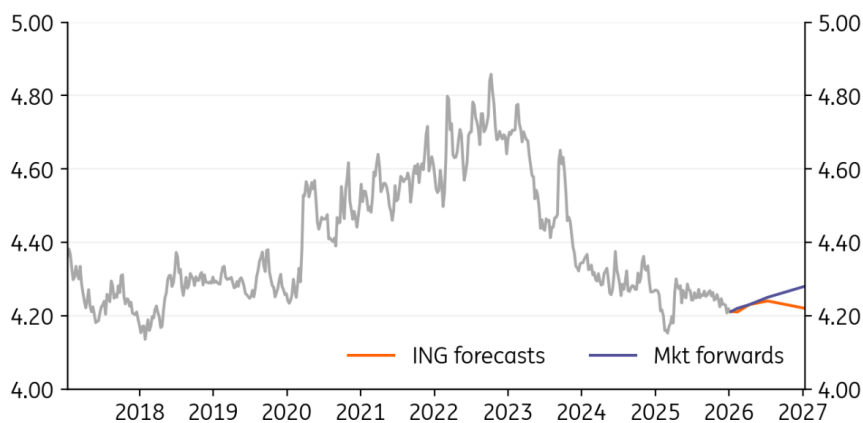
Main ING EMEA FX Forecasts

	EUR/CZK	EUR/PLN	EUR/HUF
1M	24.25 ↓	4.21 ↓	385 ↑
3M	24.25 ↓	4.23 →	390 ↑
6M	24.20 ↓	4.24 ↓	385 ↑
12M	24.10 ↓	4.22 ↓	385 ↑

EUR/PLN: Stabilisation at the beginning of 2026, outlook positive

	Spot	One month bias	1M	3M	6M	12M
EUR/PLN	4.21	Neutral	4.21	4.23	4.24	4.22

- The EUR/PLN slipped to 4.20 (nine-month low) in December, due to the economic outperformance of Poland vs the EU, aided by positive EM sentiment and the rise of EUR/USD. We are neutral short term with the risk skewed towards a stronger PLN as positive EM sentiment and Poland's strong GDP are set to continue due to the public investment boom. The rise of EUR/USD should offset the below consensus NBP cuts (3.25%).
- Current risks to the zloty remain linked to geopolitical factors, primarily the potential escalation of Russia's conflict with Europe and possible military provocations. In the medium term, changes to Poland's growth model and the effectiveness of German fiscal stimulus will be crucial for CEE economies and sentiment towards CEE FX.

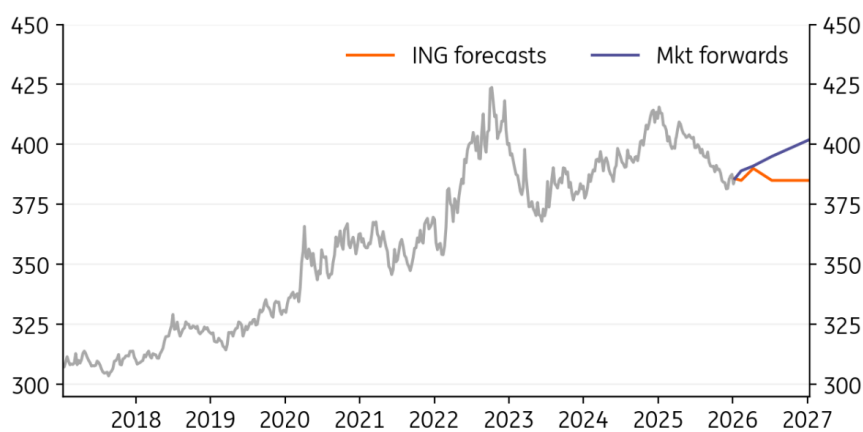


Source: Refinitiv, ING forecasts

EUR/HUF: The HUF rally fizzled out, giving way to stability

	Spot	One month bias	1M	3M	6M	12M
EUR/HUF	387.3500	Mildly Bearish ▼	385.00	390.00	385.00	385.00

- The National Bank of Hungary's unexpected dovish shift in December eventually brought an end to the year-long rally in the forint. The new gravity line appears to be around 385, and it seems that the central bank has found its own 'happy place' there.
- As the market has already priced in two rate cuts for the first quarter of 2026, we believe the eventual start of the easing cycle will have a moderately negative impact on the forint.
- We expect volatility to rise as we approach the general election in spring 2026. However, we believe that the central bank will be as opportunistic as possible. A downside surprise in inflation, improving risk sentiment, or a dovish shift among major central banks could prompt the NBH to adopt a more dovish stance, potentially pushing the EUR/HUF exchange rate towards 390 in the coming months.

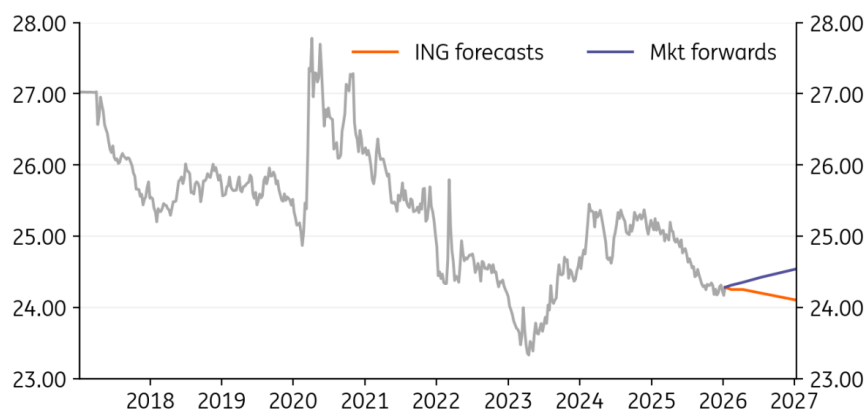


Source: Refinitiv, ING forecasts

EUR/CZK: Fundamentals will kick in after a short intermezzo

	Spot	One month bias	1M	3M	6M	12M
EUR/CZK	24.2800	Neutral	24.25	24.25	24.20	24.10

- The Czech economy is in a good place, with fixed investment expected to do as good a job as household consumption. Its projected growth outperformance relative to the eurozone strengthens the fundamental driver of the Czech koruna's resilience throughout 2026. At the same time, we see headline inflation dropping to 1.1% on average this year, pushed down by energy prices.
- When market participants see January's low inflation print and realise that monetary policy easing is likely to arrive sooner or later, the koruna's smooth ride will be interrupted in the first quarter. Yet we are looking at an economy with solid expansion and subdued inflation - who wouldn't want that? A robust real interest rate and a positive rate differential versus the ECB form the second pillar of the koruna's strength. Once the dust settles around the low January inflation reading, the koruna should be ready to embark on another appreciation journey.

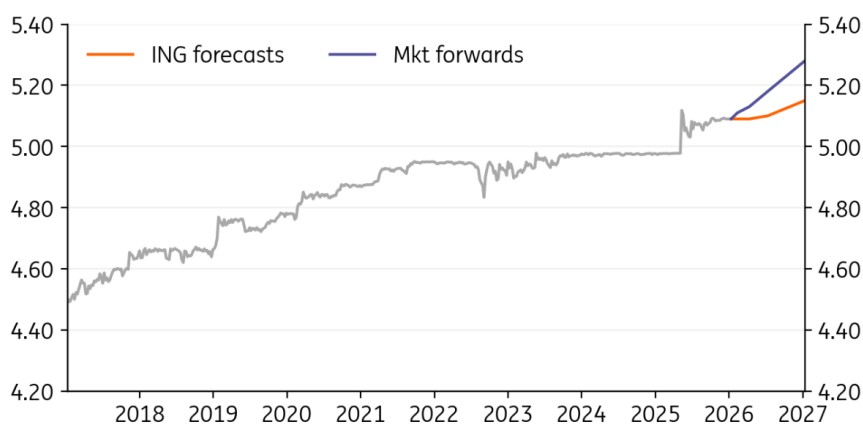


Source: Refinitiv, ING forecasts

EUR/RON: Stability to prevail around 5.09

	Spot	One month bias	1M	3M	6M	12M
EUR/RON	5.0900	Neutral	5.09	5.09	5.10	5.15

- EUR/RON dynamics: Year-end saw buying pressure in EUR/RON, likely influenced by bond market factors. However, strong offers emerged in the 5.0930–5.0950 range, and the pair ended the year close to our 5.09 forecast.
- Fiscal and liquidity context: The budget deficit stood at -6.4% of GDP in November and likely just below -8.4% in December. This drove a substantial liquidity injection from the Ministry of Finance in December - around RON 30bn or more - pushing carry rates well below the 5.50% deposit facility level.
- Outlook: We expect the pair to remain within its current range and close the year near 5.15, as inflation trends do not warrant a more accommodative stance from the central bank on currency movements.

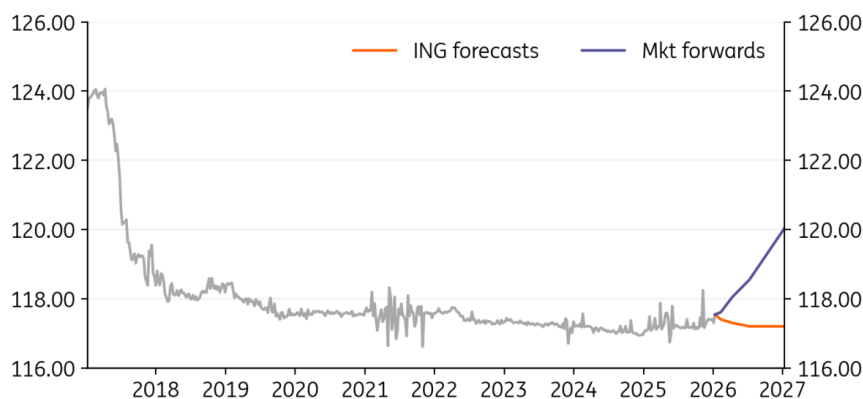


Source: Refinitiv, ING forecasts

EUR/RSD: RSD unlikely to move significantly from current levels

	Spot	One month bias	1M	3M	6M	12M
EUR/RSD	117.3200	Neutral	117.40	117.30	117.20	117.20

- EUR/RSD traded mostly sideways though early January, hovering mostly between the 117.25 – 117.40 range. While the outlook on the NIS refinery shutdown situation has improved, with a temporary restart as of mid-January and a potential deal by the end month end, the situation remains uncertain.
- In the background, the positive fundamentals are backed by strong investments, with the Expo 2027 infrastructure buildup to be now doubled by the beginning of the long-awaited Belgrade metro development. On the fiscal side, the deficit is expected to remain at 3.0% this year, with public debt staying below 50%.
- At its December meeting, the National Bank of Serbia (NBS) kept the key rate in place at 5.75%. We continue to believe that FX stability should remain a key focus ahead, with the Bank buying a net EUR 145mn as of November, visibly lower compared to October after it sold EUR 210mn through the month to prevent outflows and keep the pair stable.

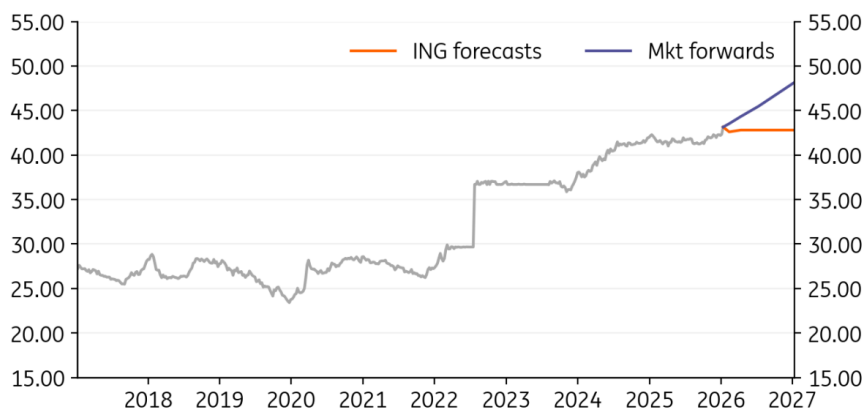


Source: Refinitiv, ING forecasts

USD/UAH: Ongoing war still the biggest threat to hryvnia

	Spot	One month bias	1M	3M	6M	12M
USD/UAH	43.2900	Mildly Bearish ↘	42.60	42.80	42.80	42.80

- The USD/UAH spiked to a record high of 43.1, driven by seasonality and the ongoing war (destruction of power production and distribution, logistical facilities, labour shortage), which have undermined GDP.
- To ensure the attractiveness of the hryvnia and the sustainability of the FX market, the National Bank of Ukraine decided to keep the policy rate unchanged in December (at 15.5%). International aid also helped, with FX reserves reaching an historic high.
- The outcome of peace negotiations could be important, but the challenge is overcoming the remaining hurdles afterwards. The peace deal seems ready, but the toughest issues remain unresolved, i.e. the border lines and the Zaporizhzhia nuclear power plant.



Source: Refinitiv, ING forecasts

USD/KZT: External uncertainties reinforce our cautious stance

	Spot	One month bias	1M	3M	6M	12M
USD/KZT	510.6500	Mildly Bullish ↗	515.00	530.00	545.00	560.00

- The Kazakhstani tenge appreciated by 1% against the US dollar in December, ending the year at 507, very close to our expectations, followed by a flat start to the year, in line with seasonality.
- Oil production and export growth seems to have moderated towards the end of the year, while FX sales by the central bank and the government declined by \$0.3bn month-on-month to \$1.3bn in December and is guided to shrink further to \$1.1bn in January.
- The VAT rate hike which took effect this year, may lead to a temporary decline in consumption and imports, but the positive effect for KZT could be offset by a projected decline in FX sales from the sovereign fund (due to the narrowing of the budget deficit). Meanwhile, renewed uncertainties surrounding risk appetite and oil reinforce our cautious long-term view on KZT.

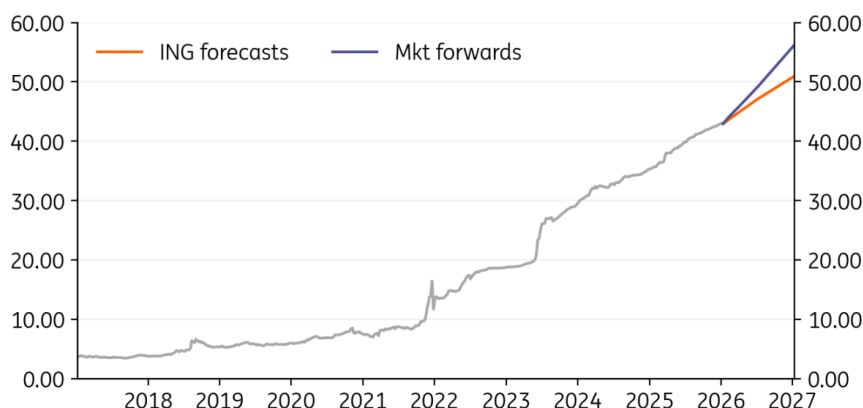


Source: Refinitiv, ING forecasts

USD/TRY: Central bank to maintain gradual easing path

	Spot	One month bias	1M	3M	6M	12M
USD/TRY	43.1100	Mildly Bullish ↗	43.70	45.10	47.20	51.00

- Disinflation in 2025 was slower, with food and services the culprits. When looking at 2026: i) FX will likely remain supportive of disinflation as the Central Bank of Turkey reiterated that the FX regime will be maintained ii) the government raised the minimum wage by 27.0%, but there should not be a significant adjustment in inflation forecasts iii) administrative price hikes seem to be close to the CBT's target for this year.
- On the flip side, the update of CPI weights by TurkStat and path of global commodity prices - particularly oil - increase uncertainty about the outlook. Given this backdrop, we expect 2026 inflation at 22%, and the policy rate at 27%. Risks are on the upside.
- The CBT aims to increase its OMO portfolio to a nominal TRY 450bn in 2026, up by 72%. However, the size is quite small in comparison to domestic debt servicing at TRY5.0 tln. This expansion will be spread over time without distorting the yield curve. Liquidity injected through purchases will be sterilised.

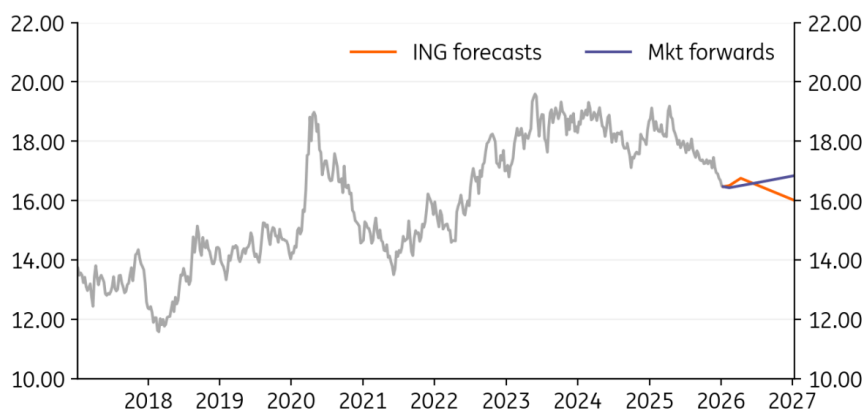


Source: Refinitiv, ING forecasts

USD/ZAR: Rand powers ahead

	Spot	One month bias	1M	3M	6M	12M
USD/ZAR	16.3900	Neutral	16.50	16.75	16.50	16.00

- The rand delivered on all the optimism expected of it late last year and we've seen USD/ZAR drop to the lowest levels since summer 2022. EM investors still very much like the rand story, which embodies high real interest rates and more importantly, explosive terms of trade growth, where the precious metals rally has buoyed South Africa's external position.
- The market expects the central bank to cut the 6.75% policy rate by 50bp this year. Local SAGBs 10-year yields fell nearly 300bp last year – but could have another 50bp further to go we think.
- Looking at the inflation-adjusted rand, it is still 30% away from its 2010 highs – and the rand does not look particularly overvalued.

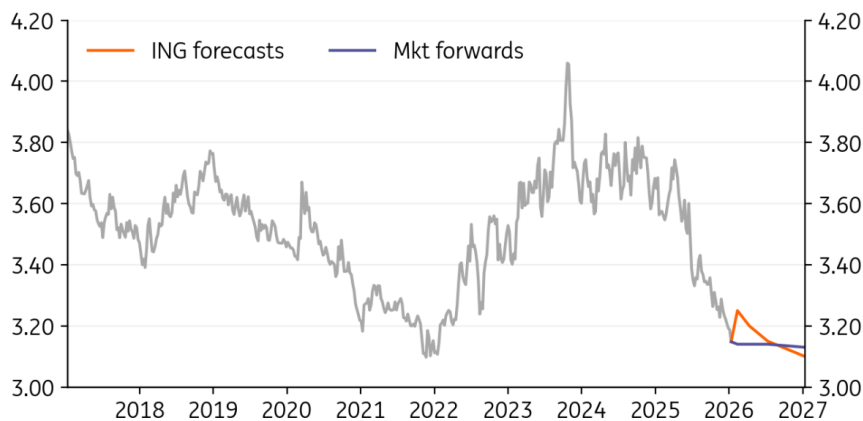


Source: Refinitiv, ING forecasts

USD/ILS: Bank of Israel delivers a surprise rate cut

	Spot	One month bias	1M	3M	6M	12M
USD/ILS	3.1400	Neutral	3.25	3.20	3.15	3.10

- Like many other EM currencies, the shekel continues to perform very well. However, it is not a high yielder and instead looks to be driven by direct investment flows, including capital raises by the Israeli tech sector. That said, the ongoing ceasefire is allowing GDP forecasts to be revised up – where the Bank of Israel sees GDP at 5.5% this year versus 2.8% in 2025.
- In January, the BoI surprised with an early 25bp rate cut to 4.00%. It cited encouraging inflation, now that the ceasefire is easing constraints in the labour market. More cuts are expected.
- However, we think the strong ILS may be a bigger factor – where the real trade-weighted shekel is close to multi-decade highs.



Source: Refinitiv, ING forecasts

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