

# EMEA FX Talking: Monetary divergence starts to emerge

CE4 currencies are starting to see some divergence as central bankers change tack. We look for continuing outperformance of the Czech koruna, where the Czech National Bank could become one of the most hawkish banks in the region. A dovish turn in Poland and the weak economy in Hungary favour more rate cuts here, and underperformance of the zloty and forint



## Main ING EMEA FX Forecasts

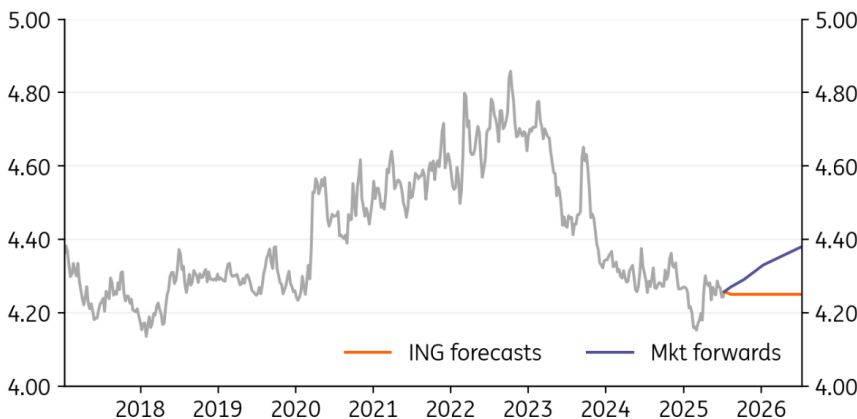
	EUR/CZK	EUR/PLN	EUR/HUF
1M	24.60 ↓	4.25 ↓	403 ↑
3M	24.55 ↓	4.25 ↓	405 ↑
6M	24.50 ↓	4.25 ↓	410 ↑

12M	24.40 ↓	4.25 ↓	420 ↑
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### EUR/PLN: Zloty refrains from gains despite higher EUR/USD

	Spot	One month bias	1M	3M	6M	12M
EUR/PLN	4.257	Neutral	4.25	4.25	4.25	4.25

- Poland’s zloty remains stable but has failed to appreciate despite fresh highs in EUR/USD. Most of the adjustment has occurred via USD/PLN, reflecting broader dollar weakness rather than zloty strength. EUR/PLN has underperformed both the HUF and CZK in response to the presidential elections in Poland, with the right-wing candidate’s surprise win, and political polarisation undermining fiscal consolidation, despite a deficit of over 6% of GDP.
- The EUR/PLN exchange rate is moving around the 4.25 level (200-day moving average) in range-bound trading (4.24 – 4.25). The National Bank of Poland surprised with a July cut along with the governor’s dovish pivot. We have a lower NBP rate forecast with the terminal rate at 3.5%, which would place the NBP as the most dovish central bank in CEE, and that is why the last tender showed a 1.6 bid cover on the Polish government bonds auction.

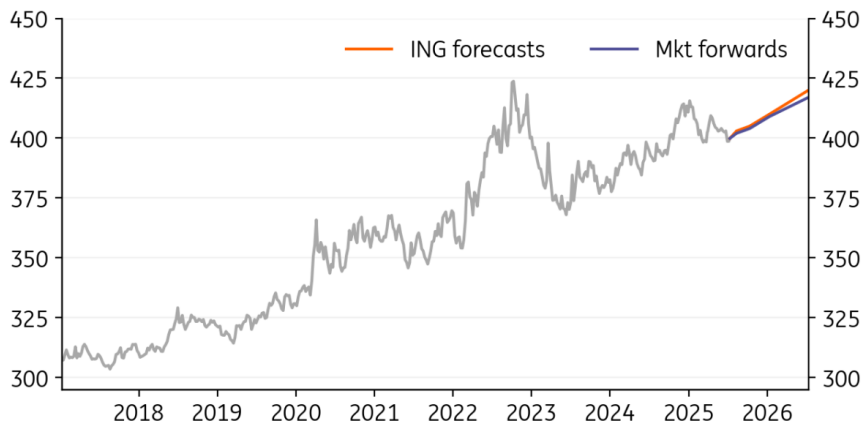


Source: Refinitiv, ING forecasts

## EUR/HUF: Forint enjoys a period of calm before the storm

	Spot	One month bias	1M	3M	6M	12M
EUR/HUF	399.8800	Mildly Bullish ↗	403.00	405.00	410.00	420.00

- The forint has benefited from the positive global sentiment in the last month. However, even in this favourable environment, the EUR/HUF gravity line remained at 400.
- The uptick in June's headline inflation convinced some market players of the central bank's ongoing hawkish rhetoric, but even with some rate repricing, the HUF wasn't able to break below 398.
- Given the deteriorating outlook for the Hungarian economy, the market will again take the opportunity to price in more rate cuts later this year. We anticipate a period of stability in the short term, but remain bearish in the medium term, expecting EUR/HUF to hit 410 by the end of the year.

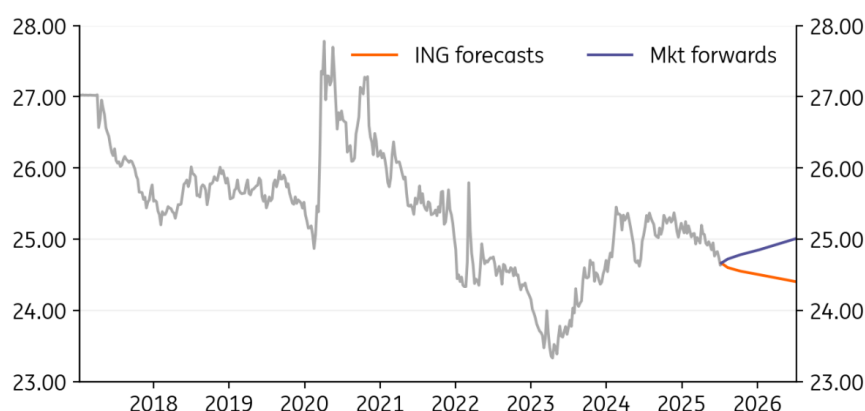


Source: Refinitiv, ING forecasts

## EUR/CZK: Growth and rates differential make the koruna shine

	Spot	One month bias	1M	3M	6M	12M
EUR/CZK	24.6600	Mildly Bearish ↘	24.60	24.55	24.50	24.40

- The Czech economy is set to maintain its growth performance edge over the eurozone. Fundamental forces linked to the real economic performance will continue to provide fair wind to the sails of the koruna. Indeed, the Czech economy may soon be powered by mighty engines of solid household spending, a booming construction sector, and perhaps a bottoming-out industry, preserving tight labour market conditions.
- The rate differential against the euro has been trending upward in nominal terms since mid-last year and switched to positive territory in real terms at the beginning of this year. Moreover, the CNB understands that domestic inflationary pressures have increased in both number and magnitude, which will foster the hawkishness of the board. With CNB rate stability as a baseline scenario, while the ECB cuts in September, the koruna will stay bid.

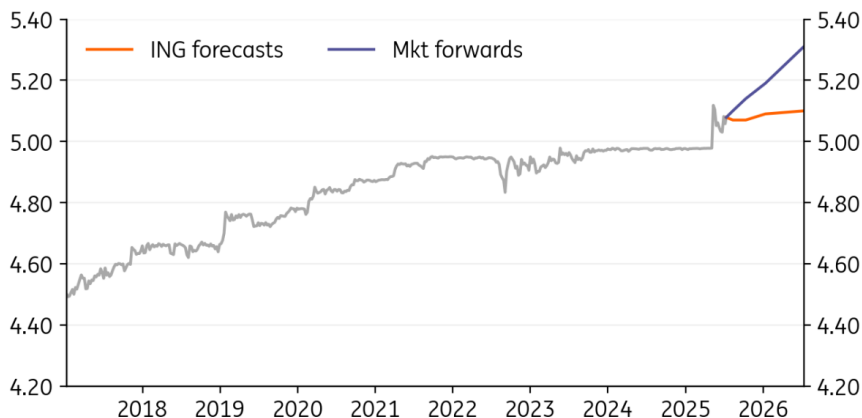


Source: Refinitiv, ING forecasts

## EUR/RON: Fiscal uncertainties partly cleared

	Spot	One month bias	1M	3M	6M	12M
EUR/RON	5.0787	Neutral	5.07	5.07	5.09	5.10

- EUR/RON has drifted gradually higher over the past month, moving from the 5.02–5.03 area to around 5.07–5.08, as market dynamics normalised in the post-election environment.
- The adoption of the fiscal package has helped ease concerns, with markets responding positively. Still, structural imbalances – particularly the trade deficit – remain a source of medium-term pressure on the RON.
- The National Bank of Romania has maintained a steady hand and we expect the key rate to remain on hold for the rest of the year, though interbank liquidity should gradually improve. We continue to see the pair ending the year near 5.10, with short-term moves likely contained within a more volatile 5.05–5.10 range.

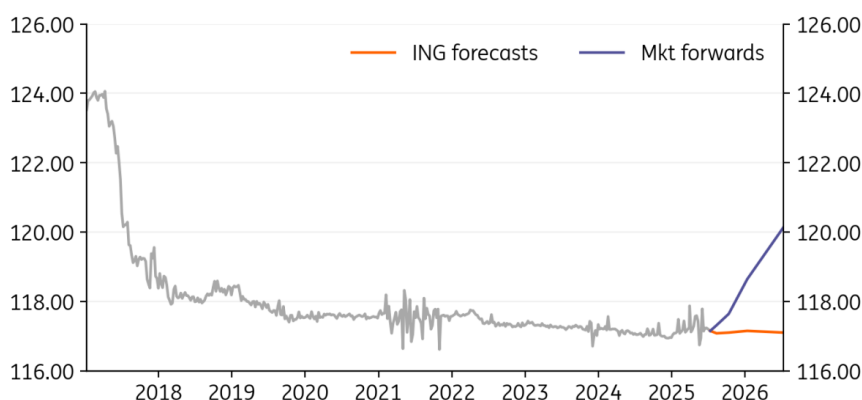


Source: Refinitiv, ING forecasts

### EUR/RSD: Dinar anchored by policy caution

	Spot	One month bias	1M	3M	6M	12M
EUR/RSD	117.1500	Neutral	117.08	117.10	117.15	117.10

- EUR/RSD has remained remarkably stable around 117.20 over the past month, supported by solid macro fundamentals and continued fiscal discipline. Infrastructure investment remains a key growth driver, while social tensions pose limited downside risks.
- Against expectations, the National Bank of Serbia kept the key policy rate unchanged at 5.75% in its July meeting, reaffirming its cautious stance amid stable inflation and balanced risks. FX market stability has been maintained with minimal intervention.
- We continue to expect the NBS to preserve currency stability through the forecast horizon, with no major deviations from current levels anticipated.

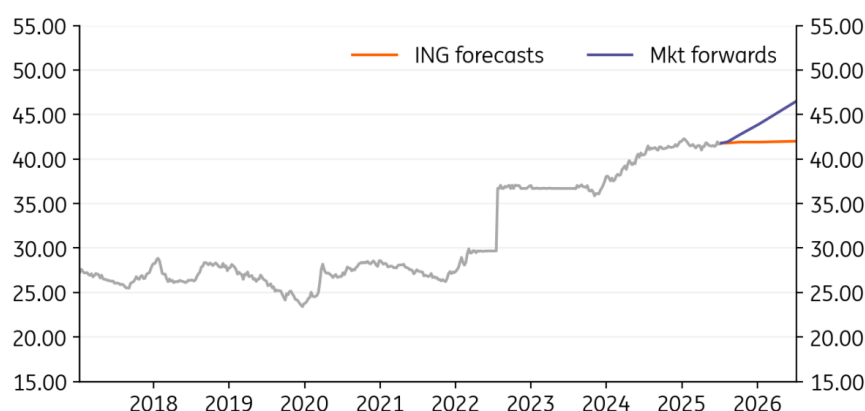


Source: Refinitiv, ING forecasts

## USD/UAH: Inflation finally down in June, FX reserves still rising

	Spot	One month bias	1M	3M	6M	12M
USD/UAH	41.7800	Neutral	41.80	41.90	41.90	42.00

- The stability of the hryvnia's exchange rate against the dollar has been maintained in June, supported by a solid increase of international reserves to US\$45.1bn, up 1.2% month-on-month from US\$44.5bn in May. Ukraine received substantial inflows of hard currencies from Canada, the EU, and via World Bank accounts (US\$4.1bn in total), while selling around US\$3.0bn on the FX market. The remaining flows were debt repayments and valuation effects.
- The National Bank of Ukraine kept rates unchanged at 15.5%, supporting the hryvnia. This should bring inflation on a downward path. June's CPI reading of 14.3% year-on-year confirmed it passed the local peak in May (15.9%), and momentum slowed to 0.8% month-on-month from 1.3% in May.



Source: Refinitiv, ING forecasts

## USD/KZT: Strengthening was short-lived, as expected

	Spot	One month bias	1M	3M	6M	12M
USD/KZT	523.7700	Neutral	525.00	530.00	540.00	545.00

- The tenge has depreciated to 518 per US dollar, slightly underperforming our expectations. The spike in oil prices was short-lived, making domestic pressure factors more pronounced.
- Total FX sales by the sovereign fund and the central bank are guided to recover from US\$1.0bn in June to US\$1.1bn in July as lower fiscal transfers should be offset by increased FX sales by the central bank.
- In our view, KZT depreciation is likely in the medium term, reflecting structural trade balance issues as well as a probable reduction in FX sales by the government. Meanwhile, near-term strengthening is not excluded given the recent increase in oil production, which has not yet translated into higher exports.

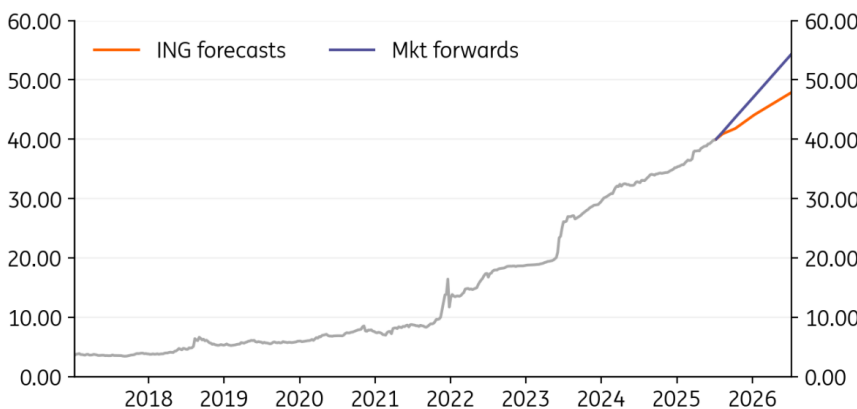


Source: Refinitiv, ING forecasts

### USD/TRY: Risks to keep the Central Bank of Turkey prudent

	Spot	One month bias	1M	3M	6M	12M
USD/TRY	40.0400	Mildly Bullish <span style="color: green;">↗</span>	40.90	41.80	44.10	47.90

- Improvement in headline inflation continued in June with another decline to 35.05% year-on-year by 36bp over the previous month as food inflation declined across processed and unprocessed groups. However, the rise in energy inflation driven by higher oil prices, higher-than-expected core inflation and the rise in services inflation momentum indicate continuing risks to the outlook.
- Disinflation will likely continue in the near term thanks to the slowdown in domestic demand, decline in inflation expectations as well as favourable base effects, however, exchange rate stability has remained the key given recent political news.
- While the CBT is likely to start a rate cut cycle in July, it will remain cautious in the current environment with the possibility of additional developments on the political front. Thus, higher real rates and the move in EUR/USD should help the lira further.

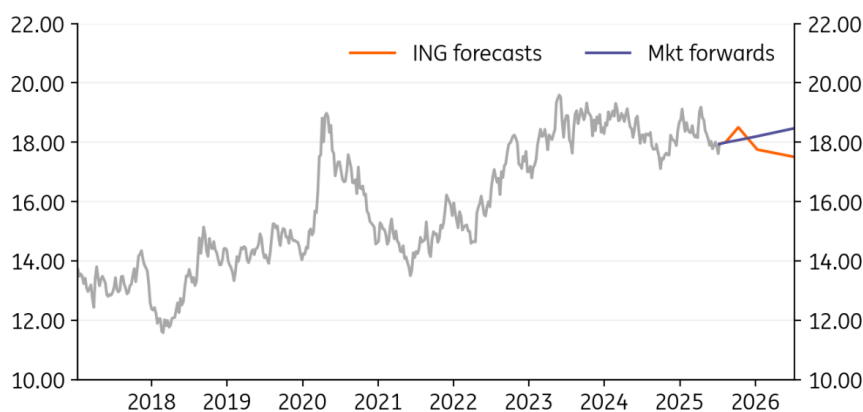


Source: Refinitiv, ING forecasts

## USD/ZAR: New inflation target, tariffs and Treasuries

	Spot	One month bias	1M	3M	6M	12M
USD/ZAR	17.9400	Neutral	18.00	18.50	17.75	17.50

- USD/ZAR is correcting off a recent low near 17.50 – some stability in the dollar is helping as is the news that South Africa’s US tariff rate remains at 30%. President Ramaphosa believes that the 30% tariff rate can be cut, though not guaranteed.
- Yet the rand has found a lot of support from heightened speculation that the SARB will shift to a new 3% inflation target. This compares to 4.5% currently. This speculation has seen inflation expectations derived via the 20-year inflation-linked bonds drop to 5.8% from 7.20% and triggered strong demand for ZAR debt. This should be a medium-term positive for the rand.
- The reason we have 18.50 in our three-month profile is the call for a third quarter US Treasury sell-off to 4.75%. This is negative for the high yielders.

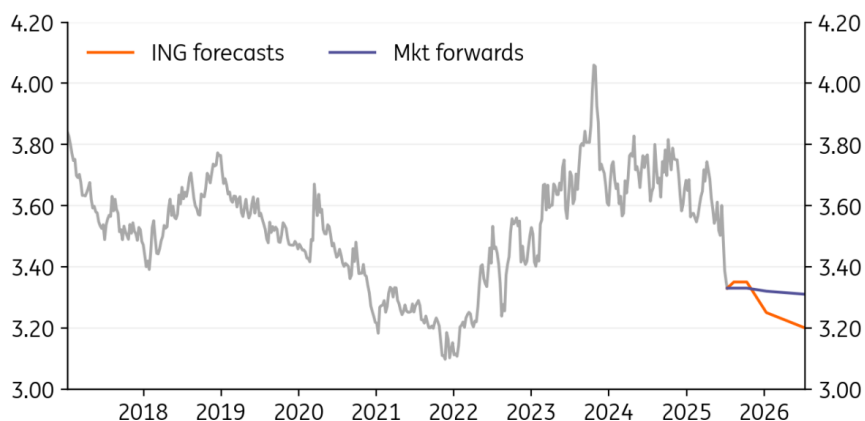


Source: Refinitiv, ING forecasts

## USD/ILS: Israel sovereign risk repriced

	Spot	One month bias	1M	3M	6M	12M
USD/ILS	3.3298	Neutral	3.35	3.35	3.25	3.20

- Operation Rising Lion and Operation Midnight Hammer (US bombing of Iran’s nuclear sites) have prompted a dramatic re-pricing of Israeli sovereign risk. The 5 yr CDS has been marked down to 85bp from 125bp and the shekel has rallied 7% – on the view that US intervention has proved a game-changer for Middle East politics. In effect, the risk premium has come out of the shekel and USD/ILS has reconnected with the weak \$ story.
- The Bank of Israel is tolerating shekel strength because inflation is above target and any large-scale FX intervention would interfere with US discussions on trade, where tariffs could be 17%.
- We’re cutting our long-term USD/ILS forecasts based on geopolitics.



Source: Refinitiv, ING forecasts

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