

## EMEA FX Talking: More CEE divergence

Currencies in the EMEA region continue to diverge. In the CEE space, we think the Polish zloty and Czech koruna have the best chances of taking advantage of European growth and domestic strength. We doubt the Hungarian forint needs to rally too much further. Elsewhere, South Africa's rand is vulnerable and the Turkish lira remains a favourite carry trade



We think the Polish zloty and Czech koruna look set to outperform within Central and Eastern Europe

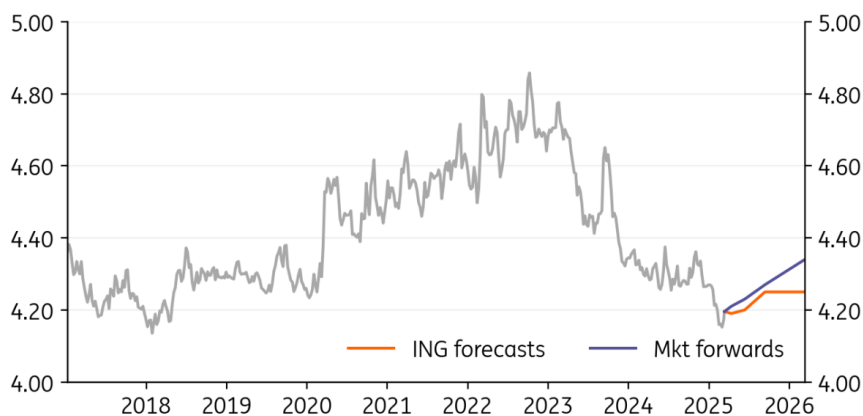
### Main ING EMEA FX Forecasts

	EUR/CZK	EUR/PLN	EUR/HUF
1M	25.05 ↓	4.19 ↓	405 ↑
3M	25.00 ↓	4.20 ↓	408 ↑
6M	24.90 ↓	4.25 ↓	415 ↑
12M	24.75 ↓	4.25 ↓	424 ↑

## EUR/PLN: PLN trades as the FX of a buffer-zone economy

	Spot	One month bias	1M	3M	6M	12M
EUR/PLN	4.1956	Neutral	4.19	4.20	4.25	4.25

- PLN firmed to the strongest levels since 2018 vs. the euro, but then pared gains after Trump’s suspension of support for Ukraine and effectively limiting the safety net for NATO in the EU.
- PLN is trading recently like the FX of the buffer-zone economy between NATO and Eastern Europe. The German fiscal plan and spike of defence spending lifted EUR/USD, but contrary to historical correlation PLN has not gained from the strong euro. Investors presumably lost confidence in a credible plan of rebuilding Ukraine, which has driven PLN up before.
- The Polish economy is resuming its recovery. Poland should stay as the EU growth leader in 2025 due to robust domestic demand and 2026 looks more optimistic for exporters given upward revisions of German and eurozone GDP. The hawkish central bank bias could see a limited easing cycle in the second half of 2025.

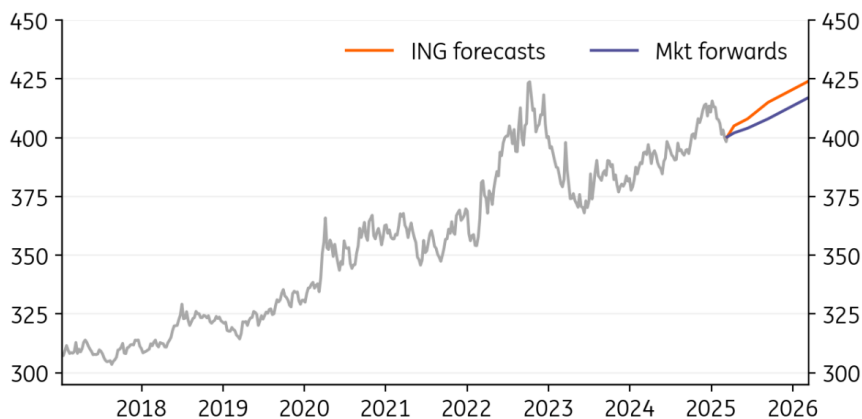


Source: Refinitiv, ING forecasts

## EUR/HUF: We remain bearish on the Hungarian forint

	Spot	One month bias	1M	3M	6M	12M
EUR/HUF	400.2500	Mildly Bullish ↗	405.00	408.00	415.00	424.00

- The forint has been hovering around 400 for a month now, in a positive mood driven mainly by global news. Locally, inflation continued to surprise on the upside with the February print.
- The market is again toying with the idea of a possible rate hike in Hungary. However, the impact of the government's new anti-inflation measures will only be felt in April's inflation print (if at all), which calls for more patience in monetary policy.
- In this respect, investors' expectations of a hawkish shift may be exaggerated and the first NBH meeting under Varga will be a disappointment with no talk of a rate hike, triggering a correction in the HUF. In the longer term, the fate of EU funds, budgetary developments and local politics all point to a bearish HUF story.



Source: Refinitiv, ING forecasts

## EUR/CZK: Growth outperformance and hawkish CNB to foster koruna

	Spot	One month bias	1M	3M	6M	12M
EUR/CZK	25.1000	Neutral	25.05	25.00	24.90	24.75

- Both headline CPI and wage growth recently came in above the Czech National Bank forecast. Robust real wage gains can further drive consumer spending. Thus, price dynamics in the service sector should remain above what is consistent with the overall inflation target. The CNB should keep a relatively hawkish stance as it advances toward the base rate landing runway.
- Czech industry seems to bottom out as the malaise of recent years gradually recedes. Moreover, the new geopolitical reality in Europe is driving the willingness of many countries to fulfil their NATO spending pledge. The Czech Republic's traditional strength in the defence sector is a positive impulse for the industry in the not-so-distant future. The Czech economy is about to outperform the eurozone in terms of growth. Add the solid fiscal stance and relatively sound debt levels, and you end up with a recipe for a strengthening koruna scenario.

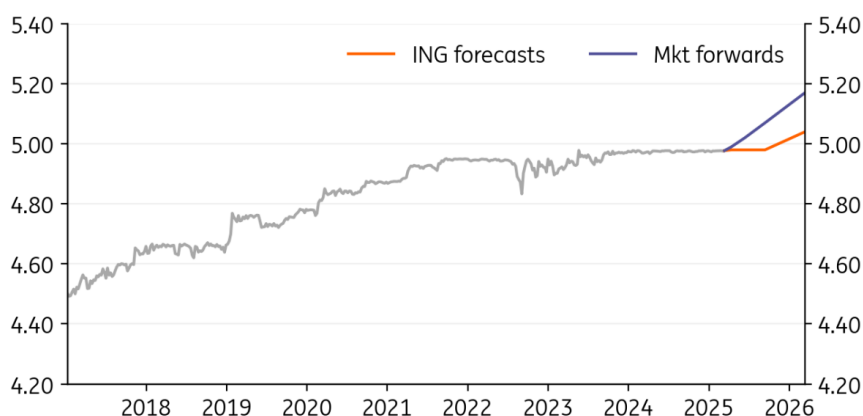


Source: Refinitiv, ING forecasts

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

	Spot	One month bias	1M	3M	6M	12M
EUR/RON	4.9775	Neutral	4.98	4.98	4.98	5.04

- EUR/RON continued to trade between 4.97 and 4.98 through the previous month. The interbank liquidity surplus picked up for the second consecutive month in February, reaching RON29bn in February, while FX swap yields pushed further back towards levels seen in November 2024.
- Fiscal and political uncertainties continue to prevail, although recent judiciary decisions likely brought more predictability for the latter. An elevated deficit early in the year complicates the fiscal picture ahead.
- We think that the National Bank of Romania is likely to maintain the FX stability status quo until confidence in the fiscal situation and inflation risks become clearer. A small and smooth RON depreciation is likely a matter for the second half of 2025, should the external and internal risks moderate until then.

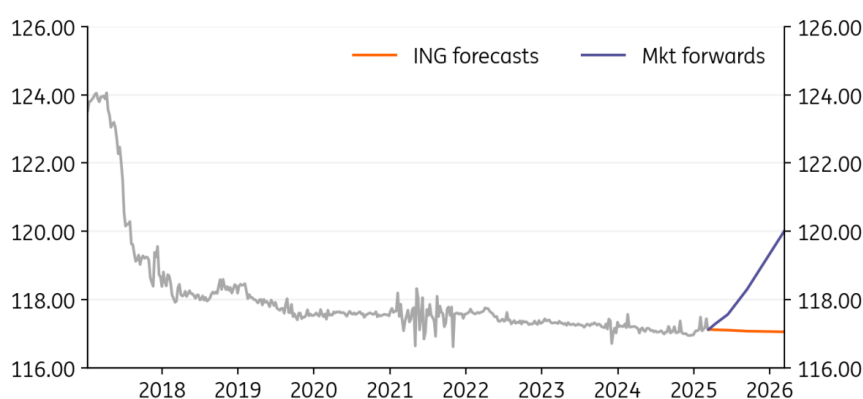


Source: Refinitiv, ING forecasts

## EUR/RSD: Not many changes envisioned ahead

	Spot	One month bias	1M	3M	6M	12M
EUR/RSD	117.1200	Neutral	117.11	117.10	117.07	117.05

- The EUR/RSD pair traded yet again at levels slightly above 117.00 in the last 30 days. Serbia continues to benefit from improving infrastructure, FDIs, and the recent investment grade rating.
- The political and social arena remains tense, with some outflows pressures potentially more visible if it weren't for the National Bank of Serbia FX stability policy. FX reserves fell marginally to EUR28.8bn in February.
- We think the NBS will retain its tight grip on the currency and our view is that the exchange rate will remain close to 117.00.

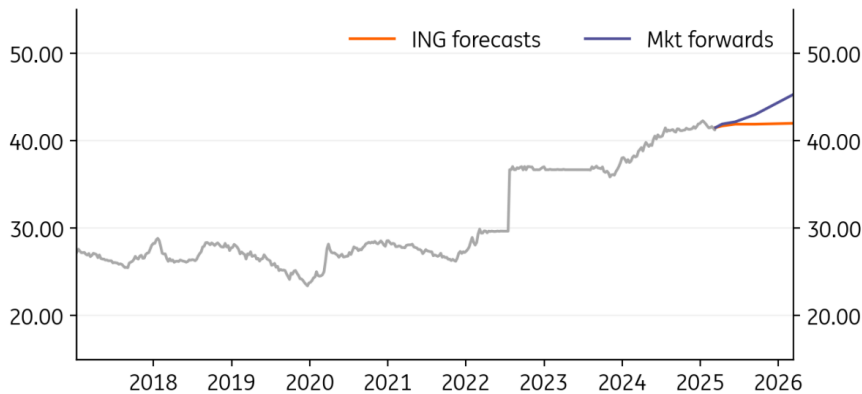


Source: Refinitiv, ING forecasts

## USD/UAH: Another interest rate hike amid geopolitical tensions

	Spot	One month bias	1M	3M	6M	12M
USD/UAH	41.5200	Mildly Bullish <span style="color: green;">↗</span>	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 early March to 15.5%. The NBU signalled decisive actions going forward to ensure the attractiveness of hryvnia assets and lower inflation expectations (CPI accelerated to 12.9% year-on-year in January and further to 13.4% in February).
- The economy remains burdened by the ongoing full-scale war, but due to the US administration pressure on Ukraine and Russia, there are prospects for a ceasefire. External aid is to be sufficient this year, as G7 countries started to disburse funds from ERA loans. The NBU is likely to allow for a slight weakening of the hryvnia, while using the UAH exchange rate as an inflation anchor.



Source: Refinitiv, ING forecasts

### USD/KZT: Supported by geopolitical hopes and FX interventions

	Spot	One month bias	1M	3M	6M	12M
USD/KZT	498.6200	Mildly Bearish <span style="color:red">▼</span>	490.00	495.00	520.00	535.00

- USD/KZT recovered 5% in January-February and continued its appreciation streak into March, primarily due to the strong rouble. At times of shocks, Kazakhstan's currency tracks the rouble with a 50% sensitivity due to close trade ties with Russia.
- The near-term context is favourable for the tenge given the recent rate hike, ongoing monthly FX sales of \$0.5-1.0bn from the sovereign fund for fiscal purposes, and additional net \$0.25-0.5bn by the central bank, reflecting its domestic gold purchases.
- KZT still seems overpriced relative to the long-term fair value. The chronic account deficit coupled with the likely reduction in the state support to the FX market amid fiscal consolidation, may exert pressure on the tenge over the next 12 months.

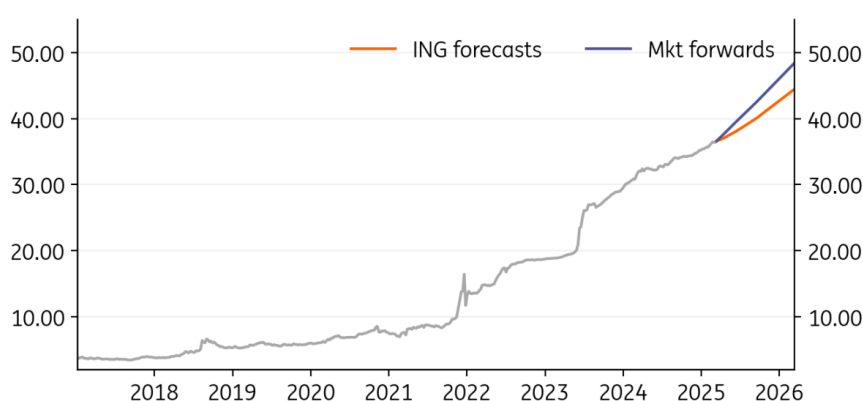


Source: Refinitiv, ING forecasts

## USD/TRY: Another normalisation step from the CBT

	Spot	One month bias	1M	3M	6M	12M
USD/TRY	36.6100	Mildly Bullish ↗	37.00	38.10	40.00	44.50

- In February, local demand for FX increased with sentiment turning negative along with companies' FX purchases given the Central Bank of Turkey's decision to accelerate unwinding of KKM as legal entities will no longer be able to open or renew these accounts. However, this negative sentiment was short-lived.
- As a step to normalise the currency market further, the CBT also reduced exporters' FX surrender requirements from 30% to 25%. While the bank sees a slower reserve accumulation, it continues to have strong control on the currency given offshore swap restrictions and continued FX purchases from exporters.
- The lira seems unconcerned with the CBT cutting cycle despite three 250bp rate cuts since last December. Our baseline remains that TRY will continue to appreciate in real terms.

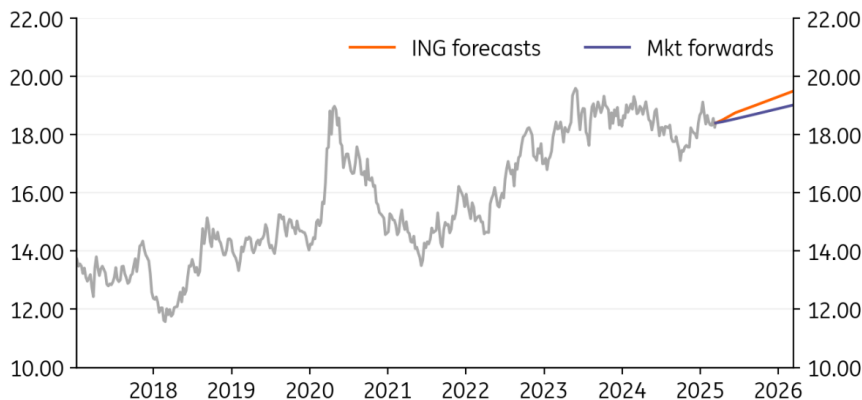


Source: Refinitiv, ING forecasts

## USD/ZAR: Growing pains in the 10-party coalition

	Spot	One month bias	1M	3M	6M	12M
USD/ZAR	18.4000	Mildly Bullish ↗	18.50	18.75	19.00	19.50

- As elsewhere, the flip-flopping on tariffs has created an unsettled environment for USD/ZAR. Support has been broken at 18.50, but South Africa could suffer from US tariffs directly for several reasons, be they 'reciprocal' or for having pursued Israel through the ICJ or indirectly as the US intensifies pressure on China. To reiterate, SARB has modelled where USD/ZAR could trade on 10% global tariffs and a trade war. 21 was the answer.
- Domestically the focus has been on the failure to present a new budget. The DA party refuses to back the ANC's proposed VAT hikes. Any breakdown in the 10-party coalition is a ZAR negative.
- The SARB has the policy rate at 7.50% and is still minded to cut.

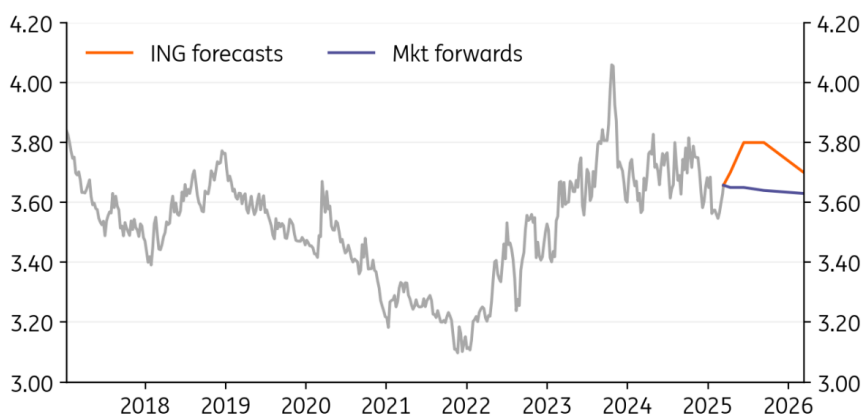


Source: Refinitiv, ING forecasts

### USD/ILS: Shekel keeping an eye on tech stocks

	Spot	One month bias	1M	3M	6M	12M
USD/ILS	3.6574	Mildly Bullish <span style="color: green;">↗</span>	3.70	3.80	3.80	3.70

- USD/ILS has found support at 3.55 and we favour risks to the upside over coming months. We think the dollar could still strengthen a little as President Trump pursues his trade agenda. And typically, inflation-permitting, Israeli authorities have sought to keep the shekel competitive – especially if global trade wars erupt and global demand trends are subdued.
- Investors in the shekel will also keep one eye on tech stocks. These comprise up to 35% weightings in some Israeli equity benchmarks measures and any further correction in the AI-boom risks weighing on the shekel.
- Domestically, the hope will be that the welcome ceasefire can ease labour supply pressures and contribute to GDP growth this year. After 1% growth last year, consensus expects 3.5% in 2025.



Source: Refinitiv, ING forecasts

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