

EMEA FX Talking: Local challenges

Events in Romania have dominated CEE FX markets over the last month and have questioned the central bank's normally complete control of the exchange rate. Hungary's forint remains fragile, but the Czech koruna and Polish zloty should relatively outperform. In Turkey, policymakers are again focused on a variety of measures to support the lira



Runoff presidential candidates attending last week's live TV debate hosted by Euronews Romania, Bucharest

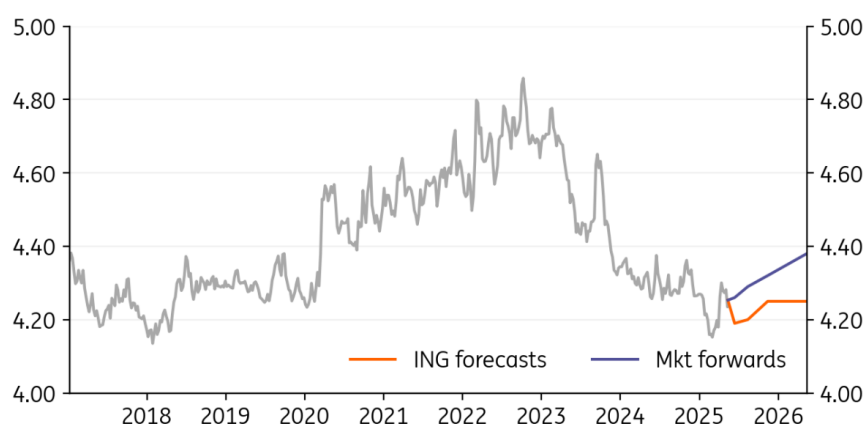
Main ING EMEA FX Forecasts

	EUR/CZK		EUR/PLN		EUR/HUF	
1M	24.95	↓	4.19	↓	408	↑
3M	24.95	↓	4.20	↓	410	↑
6M	24.85	↓	4.25	↓	418	↑
12M	24.75	↓	4.25	↓	422	↑

EUR/PLN: Trade wars and MPC pivot hit PLN, but only slightly

	Spot	One month bias	1M	3M	6M	12M
EUR/PLN	4.2532	Bearish ▼	4.19	4.20	4.25	4.25

- In April, the Polish zloty retreated from its strongest levels since 2018 vs the euro as US tariffs caused a risk-off mode. EUR/PLN briefly jumped from 4.16 to 4.30 as the Monetary Policy Council unexpectedly made a dovish pivot.
- Since then, EUR/PLN has traded in a tight range of 4.25–4.30 with a relatively low correlation with EUR/USD changes. We remain rather bullish on PLN as, in our opinion, market expectations regarding the scale of interest rate cuts in 2025 are exaggerated.
- From a fundamental point of view, the situation is supportive. The economy is resuming its recovery; in 2025, Poland should remain the EU growth leader due to robust domestic demand, and 2026 looks more optimistic for exporters given upward revisions of German and eurozone GDP.

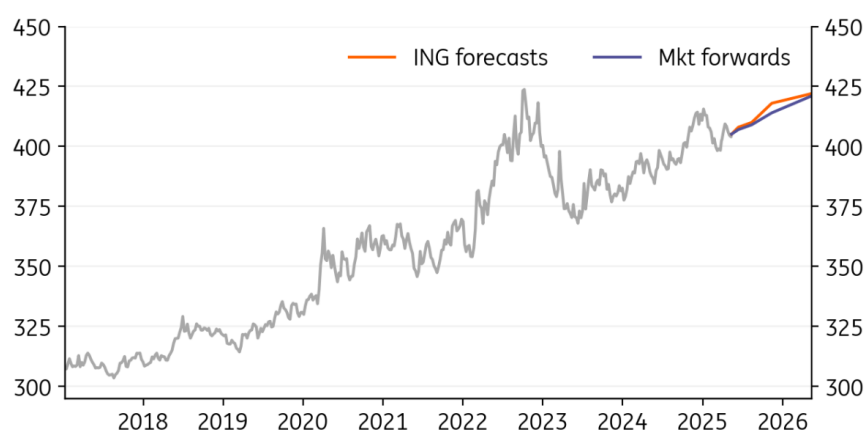


Source: Refinitiv, ING forecasts

EUR/HUF: Forint to drift slowly towards weaker levels

	Spot	One month bias	1M	3M	6M	12M
EUR/HUF	405.1200	Mildly Bullish 	408.00	410.00	418.00	422.00

- The Hungarian forint strengthened following the National Bank of Hungary's April rate-setting meeting, which was labelled as more hawkish than expected by the market.
- This was halted by disappointing GDP growth in the first quarter and further price curbs, which reignited market speculation about the possibility of easing. On top of that, recent rate cuts by the National Bank of Poland and the Czech National Bank add more weight to these discussions.
- However, we don't think this will change the NBH's stance. We predict range trading over the next three months, with EUR/HUF slowly drifting towards 410. A rising chance of fiscal slippage and downgrade talk will push HUF out of this range towards 420 in the medium term.



Source: Refinitiv, ING forecasts

EUR/CZK: Rates differential towards euro gained substantially in real terms

	Spot	One month bias	1M	3M	6M	12M
EUR/CZK	24.9500	Neutral	24.95	24.95	24.85	24.75

- The downward surprise in headline inflation for April, lower oil prices, and a stronger Czech koruna vs USD contributed to the recent base rate reduction and a less hawkish tone of the CNB. Still, the CZK is about to hold steady at just below 25 EUR/CZK for the upcoming months and will gradually appreciate thereafter. Broad fundamentals favour a stronger CZK, helped by real growth outperformance, a sound fiscal stance, and higher interest rates.
- The real CZK interest rate picked up to almost 2% in April when measured by headline CPI and is comfortably positive when assessed by core. For the euro, the real interest rate dropped to only 0.2% in the same month and turned negative when measured by core. This difference will likely get only more pronounced over the coming quarters, providing more oomph to CZK. We see the CNB delivering one more cut in August, but the potent core inflation will build a wall against further cuts.

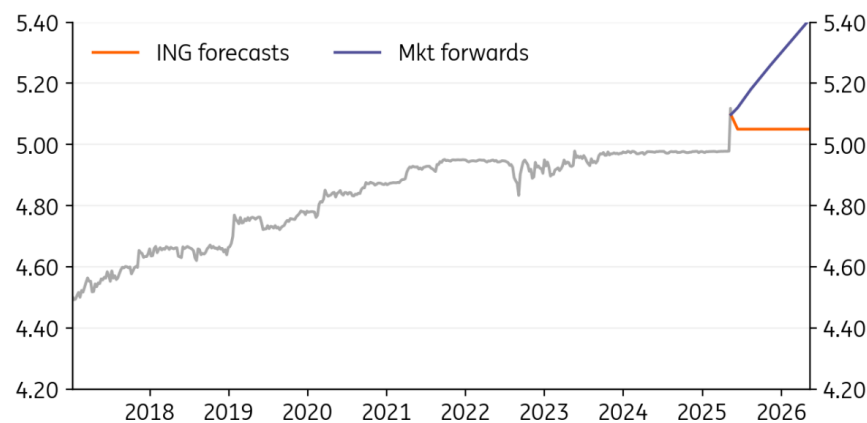


Source: Refinitiv, ING forecasts

EUR/RON: Fiscal and political uncertainties left their mark

	Spot	One month bias	1M	3M	6M	12M
EUR/RON	5.0975	Mildly Bearish ↘	5.05	5.05	5.05	5.05

- EUR/RON climbed above 5.00 and later on broke the relatively strong 5.10 resistance level. Heightened fiscal concerns, coupled with political turmoil, impacted market confidence negatively. We estimate the National Bank of Romania spent in the range of EUR6-8bn to prevent the pair from drifting much higher in early May.
- FX swap implied yields have already spiked well above the 7.50% Lombard facility level. The NBR will aim to prevent excessive weakness for the leu, but its reserves of firepower have their limits. Risks are skewed toward further RON weakness
- The possibility of EUR/RON testing 5.20 in the near term cannot be excluded, especially if EU funds are in danger or a rating downgrade materialises. Fiscal consolidation clarity, continuity of EU support, and a return to political stability remain key for the stability of the leu.

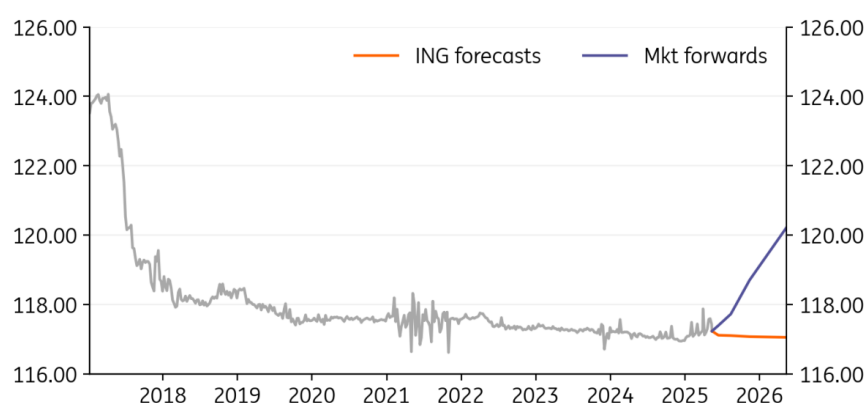


Source: Refinitiv, ING forecasts

EUR/RSD: No major changes envisioned ahead

	Spot	One month bias	1M	3M	6M	12M
EUR/RSD	117.2300	Mildly Bearish 	117.11	117.10	117.07	117.05

- EUR/RSD continued to move sideways at levels slightly above 117.20. Expanding infrastructure and a solid, IMF-anchored fiscal policy continue to keep the country's prospects in good shape.
- However, social tensions have also continued, bringing some downside risks for economic activity. The National Bank of Serbia has used its firepower to mute some outflow pressures throughout 2025, selling EUR955bn in January-March to keep the pair stable.
- Overall, we think that policymakers will continue to favour currency stability in the foreseeable future, and we don't expect any major deviations from the 117.20 level ahead.

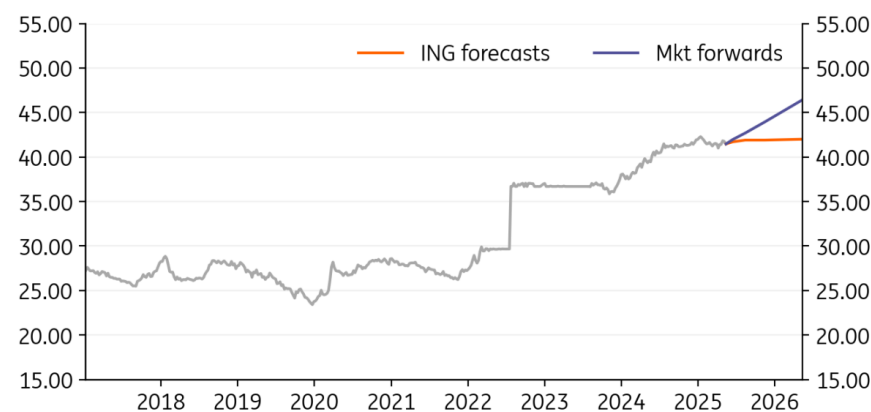


Source: Refinitiv, ING forecasts

USD/UAH: MNB maintains the key rate, but lowers GDP forecast

	Spot	One month bias	1M	3M	6M	12M
USD/UAH	41.4700	Mildly Bullish 	41.70	41.90	41.90	42.00

- The hryvnia exchange rate against the dollar has remained broadly stable in a tight range of 41.0-41.8. In April, the National Bank of Ukraine kept the key policy rate unchanged at 15.5% after a 100bp hike in February. According to the NBU, higher rates helped tame household demand for FX and reduced central bank interventions.
- At its April meeting, the NBU slightly lowered its growth forecasts for Ukraine's economy. The bank expects GDP growth this year at 3.1% YoY (versus 3.6% YoY previously). In 2026 and 2027, GDP growth is expected to accelerate to 3.7%-3.9% on the back of higher investment in reconstruction, recovered production, and robust consumer demand. Private investment and consumption will offset the impact of fiscal consolidation. However, much still depends on the prospect of a ceasefire.

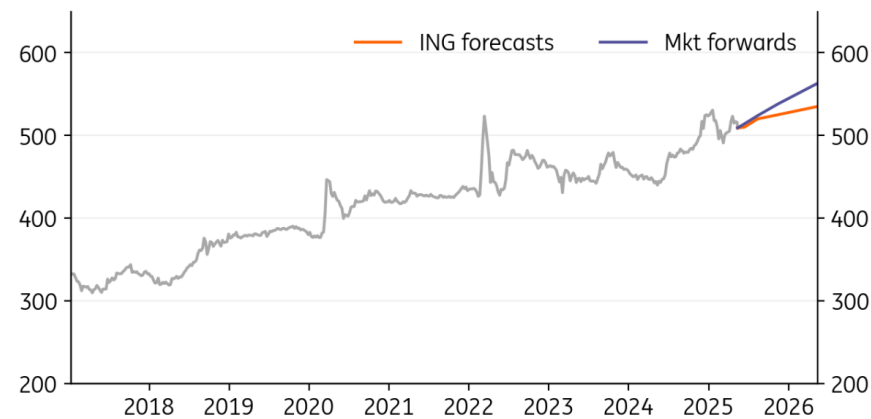


Source: Refinitiv, ING forecasts

USD/KZT: Calibrating our enthusiasm due to oil-related woes

	Spot	One month bias	1M	3M	6M	12M
USD/KZT	509.1000	Neutral	510.00	520.00	525.00	535.00

- The tenge managed to appreciate from the 520-525 range in mid-April to 510-515 by 13 May, in line with the direction and the level we expected – but the last round of appreciation was triggered by unexpected relief from US-China trade talks.
- Given the guidance from the National Bank of Kazakhstan, the total FX sales by the sovereign fund and the central bank should total US\$1.3 bn in May, roughly the same as in April.
- We lower our [outlook](#) for Kazakhstan’s fiscal and external balance due to changes in the house view on oil, but continue to expect the state FX sales to partially offset the external negativity at least in 2025.

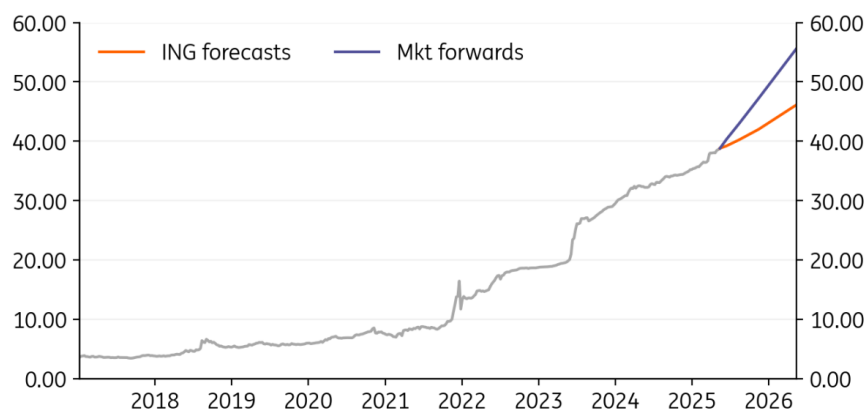


Source: Refinitiv, ING forecasts

USD/TRY: The CBT has prioritised financial stability

	Spot	One month bias	1M	3M	6M	12M
USD/TRY	38.8000	Mildly Bullish ↗	39.20	40.25	42.00	46.15

- The deterioration in inflation expectations has been relatively contained after the volatility in March, but the Central Bank of Turkey has prioritised financial stability after large FX reserve depletion.
- It has announced several measures, including an across-the-board 200bp hike in FX reserve requirements, an increased surrender for exporters from 25% to 35% until end-July, and the introduction of a higher monthly conversion target for the Turkish lira deposit share of corporates for banks. These moves aim to encourage a switch from FX to TRY and start rebuilding FX reserves. The evolution of reserves, in addition to CPI prints and residents' portfolios, will be key for judging TRY appetite.
- A change in the CBT's funding composition towards 1-week repo auctions and a fall in the effective funding rate towards the policy rate will provide evidence on the timing of rate cuts.

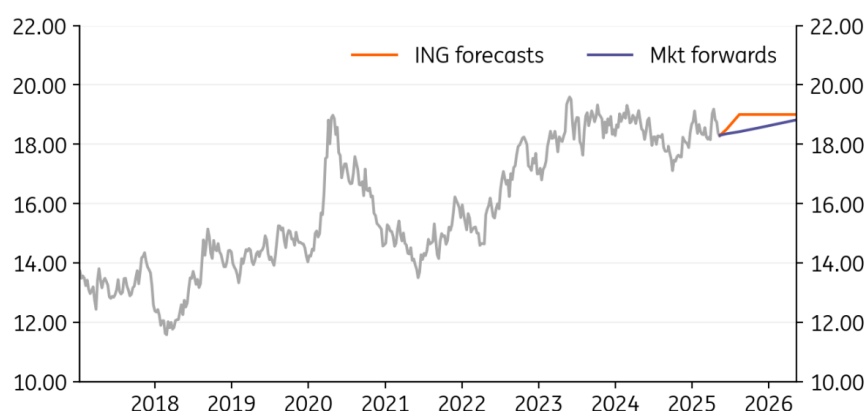


Source: Refinitiv, ING forecasts

USD/ZAR: Rand survives budget test

	Spot	One month bias	1M	3M	6M	12M
USD/ZAR	18.3000	Mildly Bullish 	18.50	19.00	19.00	19.00

- The rand is the second best-performing EM currency over the last month. That's a function of both international and local currency stories. On the international side, we've seen some welcome de-escalation in the tariff story, plus China taking some initiatives to support domestic demand.
- More important, perhaps, has been the decision from the African National Congress (ANC) to try to keep the ruling 10-party coalition together by withdrawing its planned VAT hike to address budget shortfalls.
- The rand may now do a little better than previously thought, and its strength should allow the South African Reserve Bank more leeway to cut rates. We should see 50bp of easing this year.

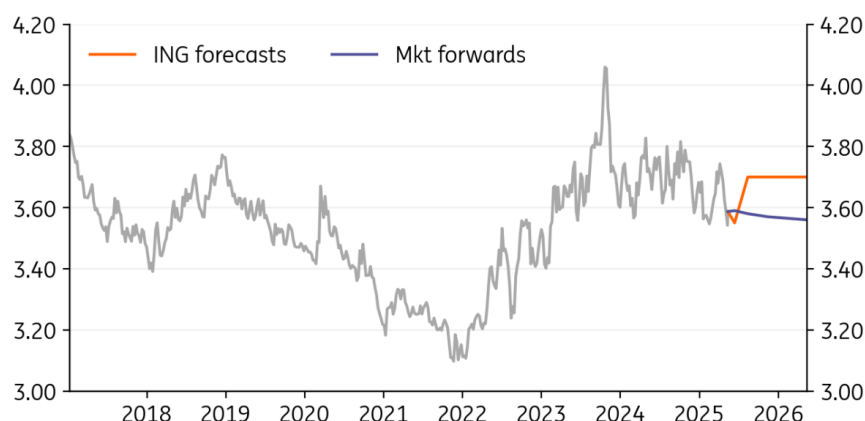


Source: Refinitiv, ING forecasts

USD/ILS: Shekel strengthens, will the BoI allow more strength?

	Spot	One month bias	1M	3M	6M	12M
USD/ILS	3.5870	Neutral	3.55	3.70	3.70	3.70

- The shekel has done well over the last month, and USD/ILS is now near 3.50 – the lower end of a two-year trading range. Historically, the Bank of Israel has been quite interventionist in FX and has wanted to avoid too strong a shekel, which would hurt the export sector. But with inflation stubbornly above its 1-3% target band for so long, perhaps the BoI will now be more tolerant of shekel strength?
- Domestically, the Israeli economy is expected to grow around 3-4%, so there is not a pressing need for a cut in the 4.50% policy rate. The market, however, is pricing close to 50bp of cuts this year.
- A sustained intensification of the war risks higher CPI again.



Source: Refinitiv, ING forecasts

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