

EMEA FX Talking: CEE in harm's way

Central and Eastern Europe looks vulnerable to Trump's forthcoming trade war. This is largely a function of the pressure set to be exerted on a weakened Germany and exposure – especially in the Czech Republic and Hungary – to the auto supply chain. The South African rand could outperform based on the domestic story, and the Turkish lira will remain popular



US President-elect Donald Trump and Viktor Orbán, Prime Minister of Hungary

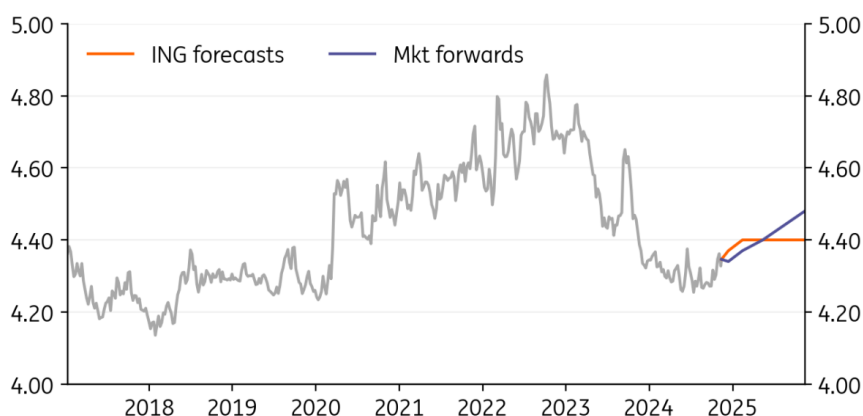
Main ING EMEA FX Forecasts

| | EUR/CZK | EUR/PLN | EUR/HUF |
|-----|---------|---------|---------|
| 1M | 25.30 ↓ | 4.37 ↑ | 413 ↑ |
| 3M | 25.25 ↓ | 4.40 ↑ | 415 ↑ |
| 6M | 25.20 ↓ | 4.40 ↑ | 415 ↓ |
| 12M | 25.00 ↓ | 4.40 ↓ | 420 ↓ |

EUR/PLN: PLN should gain in the year end

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|--------|------------------|------|------|------|------|
| EUR/PLN | 4.3332 | Mildly Bullish ↗ | 4.37 | 4.40 | 4.40 | 4.40 |

- Trump policy is negative for EMs, but Poland is outside most of those affected. The prospect of higher US CPI & yields, lower commodities prices and higher tariffs affect indebted economies that have issued a lot of USD debt, e.g., automotive economies in CEE region. Poland avoids most of these risks.
- Still, a stronger USD should hit CEE FX and PLN, reduce demand for EM debt & should increase Polish government bond yields. Unpredictable Trump proposals on Ukraine can also undermine private investment and Poland's GDP potential.
- The National Bank of Poland can push back against rate cuts in the short term, but after March 2025 may turn more dovish. The government can stabilise PLN by converting EU funds on market.

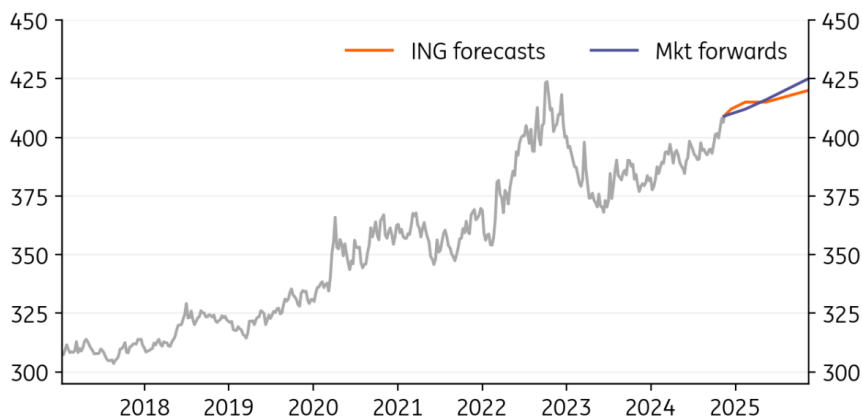


Source: Refinitiv, ING forecasts

EUR/HUF: Forint seeks a new anchor

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|----------|------------------|--------|--------|--------|--------|
| EUR/HUF | 408.7500 | Mildly Bullish ↗ | 412.00 | 415.00 | 415.00 | 420.00 |

- We have the answer to the question of the year (President-elect Trump), but many new questions have arisen. And with that, the Hungarian forint seems to be on a soul-searching journey.
- For now, 410 seems to be the new gravity line in EUR/HUF. With constant pressure from the dollar, the forint is unlikely to move too far to the stronger side. Meanwhile, local fiscal and monetary policy, politics and the development of the external balance can each provide a potential shock to push the HUF weaker.
- This kind of fragility and sensitivity suggests to us that EUR/HUF will slowly but surely drift towards 420 over the next 12 months, with a lot of volatility.

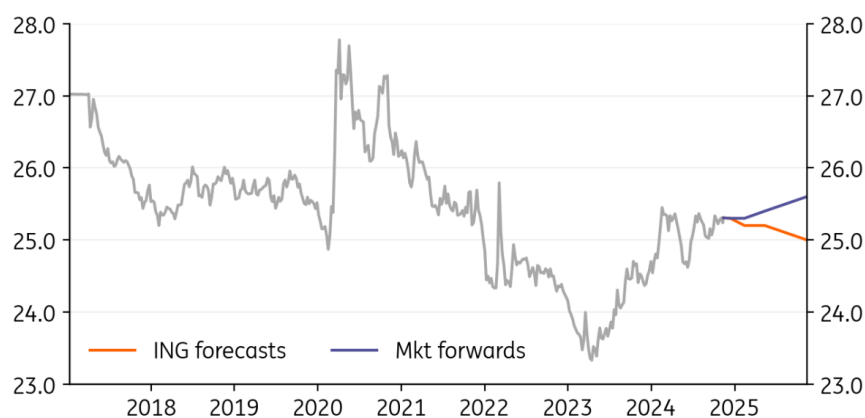


Source: Refinitiv, ING forecasts

EUR/CZK: A cautious approach to further easing will support koruna

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|----------------|-------|-------|-------|-------|
| EUR/CZK | 25.3100 | Neutral | 25.30 | 25.25 | 25.20 | 25.00 |

- The Czech currency weakened after the recent CNB rate cut. Still, inflation quickened for a third consecutive month, while the depreciated CZK will increase upward price pressure on imported items. The risk of inflation crossing the 3% threshold by year-end and flying above the target over the upcoming year will foster a cautious approach to a further reduction in the policy rate. We see a December pause as the most likely outcome, packed in a hawkish message. This will help CZK from January onwards.
- The caution will be reinforced by the unbroken price growth inertia in the service sector. Moreover, we observe robust services inflation while the Czech economy operates well below its potential. One can only wonder what will happen to the price dynamics once the currently negative output gap starts closing.

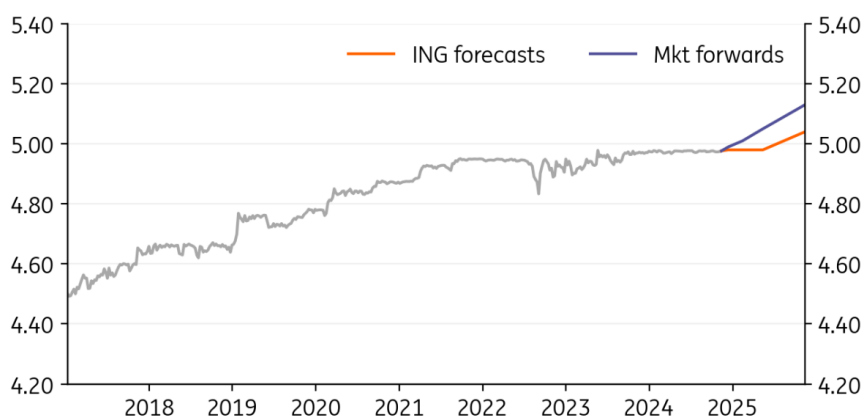


Source: Refinitiv, ING forecasts

EUR/RON: Slim chances of crossing 5.00 until third quarter of 2025

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|--------|----------------|------|------|------|------|
| EUR/RON | 4.9768 | Neutral | 4.98 | 4.98 | 4.98 | 5.04 |

- EUR/RON was yet again stable in the range of 4.9706 – 4.9845. The decline in excess interbank liquidity is potentially indicative of official offers accommodating higher FX pressures. The visible fiscal slippage, persistent wage growth and a stubborn services inflation require the National Bank of Romania to remain cautious with price pressures. So far, there have been no cracks on the 4.98 resistance.
- Indeed, GDP is set to grow visibly below potential in 2024, with exports particularly weak. But with new upside inflationary risks on the horizon – like a potentially more sizeable impact of this year’s drought and the possibility of higher energy bills ahead – the NBR is likely to favour the current FX levels for longer.
- All in all, we continue to expect the NBR to keep its tight grip on the currency until there is a clearer picture of the fiscal and inflation outlook.

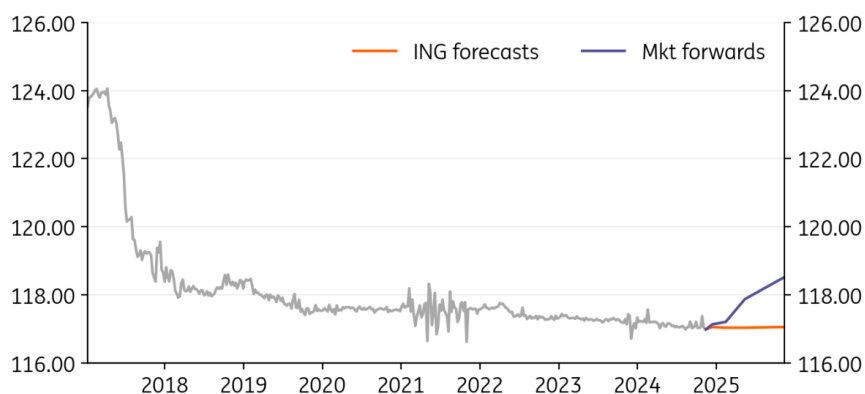


Source: Refinitiv, ING forecasts

EUR/RSD: Stability likely to persist

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|----------|----------------|--------|--------|--------|--------|
| EUR/RSD | 116.9800 | Neutral | 117.05 | 117.03 | 117.03 | 117.05 |

- EUR/RSD continued on a stable path close to the 117.00 level. Key recent positives stem from the recent announcement of an investment-oriented fiscal spending package over the next two years. This is ahead of the EXPO 2027 event, which builds over the recent investment grade rating, growing tourism and a good fiscal track record.
- Further interventions from the NBS likely cushioned against appreciation pressures on the dinar. In October, the Bank bought another EUR 225m net, reaching an YTD total of EUR 1990m net. FX reserves reached a new record high of EUR 28.3bn at end-October.
- These levels offer the NBS increased policy flexibility in the quarters ahead. We expect no policy changes at the December meeting and an extended stability of the pair, as the NBS will likely continue to cushion the FX impact of capital inflows.

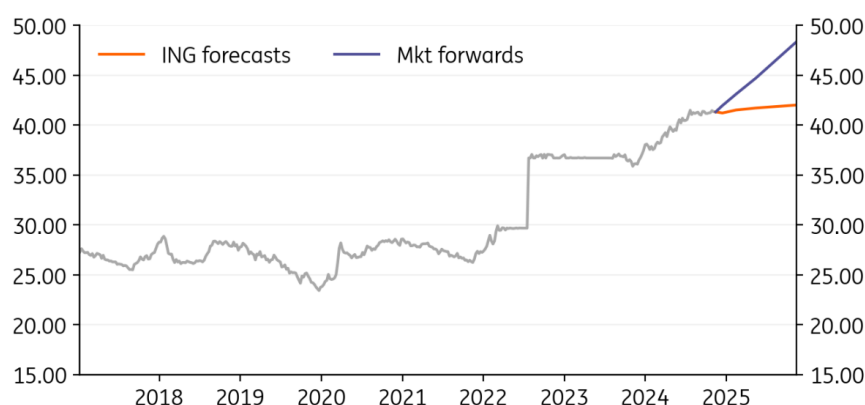


Source: Refinitiv, ING forecasts

USD/UAH: NBU preserves the sustainability of the FX market

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|----------------|-------|-------|-------|-------|
| USD/UAH | 41.3100 | Neutral | 41.20 | 41.50 | 41.70 | 42.00 |

- The hryvnia rate against the dollar remains stable as it is supported by elevated NBU FX interventions (US\$28bn YTD in 2024 compared to US\$23bn in the same period of the last year). This is likely to continue in the year end, as core central banks continue monetary easing while NBU kept its key policy rate at 13% in October, and a hike may be needed to anchor inflation expectations, fuelled by the recent uptick in inflation to 9.7%YoY.
- The economy remains burdened by the ongoing war, and uncertainty heightened by the outcome of US elections. Given heavy current account deficit and UAH's real appreciation due to higher inflation, the NBU is likely to allow for gradual easing of the hryvnia, while stabilizing the currency as reserves allow (nearly US\$37 as of late October). They are to be boosted by ERA Loans from G7, based on profits from frozen Russian assets.

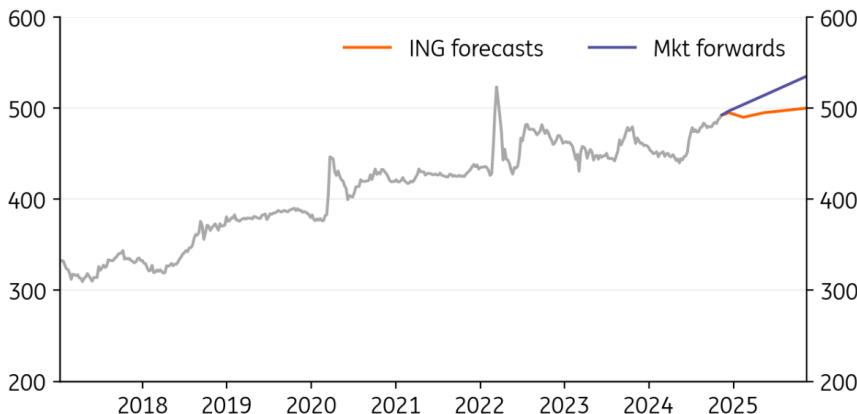


Source: Refinitiv, ING forecasts

USD/KZT: Global USD rally adds to domestic pressure factors

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|----------|----------------|--------|--------|--------|--------|
| USD/KZT | 492.5700 | Neutral | 495.00 | 490.00 | 495.00 | 500.00 |

- USD/KZT remained weak at around 490 in October, in line with our near-term expectations, but appreciated to the middle of the 490-500 range in the first half of November, as the US elections reinforced the global pressure on EM FX.
- Last month's weakness in KZT took place despite an increase in the FX sales out of NFRK, the sovereign fund, from \$0.9bn in September to \$1.3bn in October, suggesting a deterioration in the current account and/or private capital flows.
- We lowered our medium-term outlook on KZT mainly due to a changed USD trajectory, but reiterate that Kazakhstan's potential fiscal consolidation, if delivered upon, could serve as additional pressure factor.

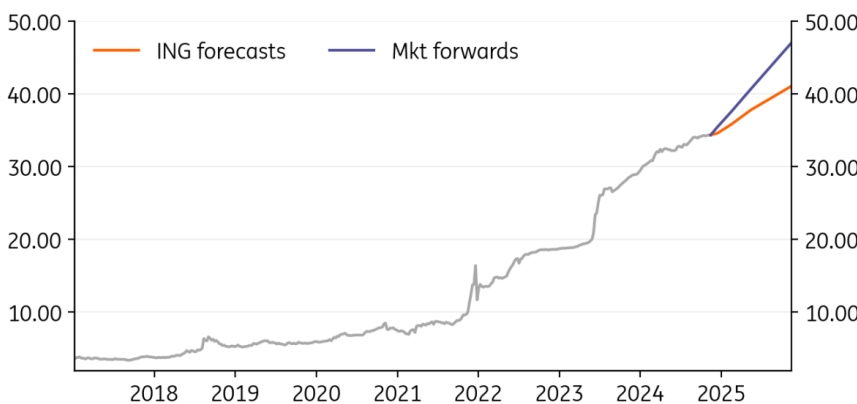


Source: Refinitiv, ING forecasts

USD/TRY: CBT pushes inflation forecasts up for 2025

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|----------------|-------|-------|-------|-------|
| USD/TRY | 34.3700 | Neutral | 34.60 | 35.80 | 37.80 | 41.10 |

- The CBT has slowed down real TRY appreciation, with USD/TRY almost unchanged in October and outperforming its EM peers, by slowing down the pace of FX purchases. Accordingly, it purchased US\$7.0bn in October vs US\$11.9bn in September and an average of US\$23.3bn of FX per month in the April-July period.
- In the CBT's inflation report, the shared forecasts that function as intermediate targets are substantially revised upwards, implying a significant delay in the disinflation process and sending a negative signal, though they are now more realistic.
- While focusing on structural challenges on food and rent inflation, the CBT's relatively positive assessment of the October data and projected inflation path imply that if accompanied by a benign November release, a rate cut in December should not be fully ruled out, in our view.

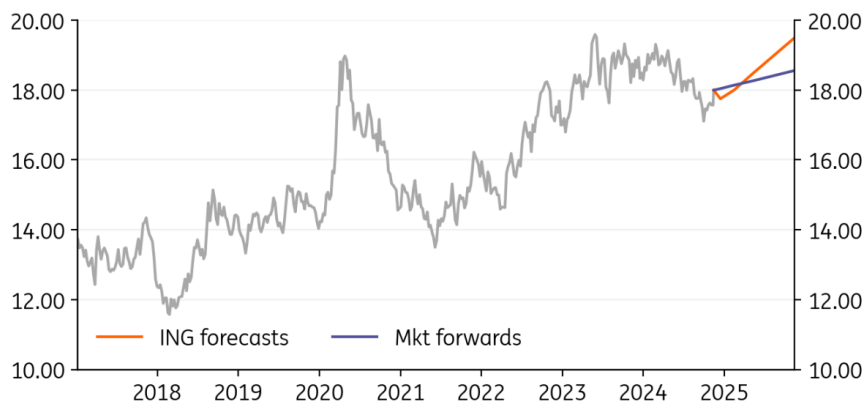


Source: Refinitiv, ING forecasts

USD/ZAR: No getting away from the trade war

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|----------------|-------|-------|-------|-------|
| USD/ZAR | 17.9900 | Neutral | 17.75 | 18.00 | 18.50 | 19.50 |

- Last month we were discussing some of South Africa's positives such as the improvement in electricity production and business sentiment. And the rand has actually out-performed within EMEA despite the Trump win and what it means for SA's key export market – China.
- However, there is no getting away from the fact that China stands squarely in the firing line of Trump trade policy. And given our calls for dollar strength, trade wars plus US 10-year yields going higher through 2025, \$/ZAR looks like it will head to 20.
- What may keep the rand supported in the short term is high real rates (near 4%) and the view it may take time for tariffs to hit.

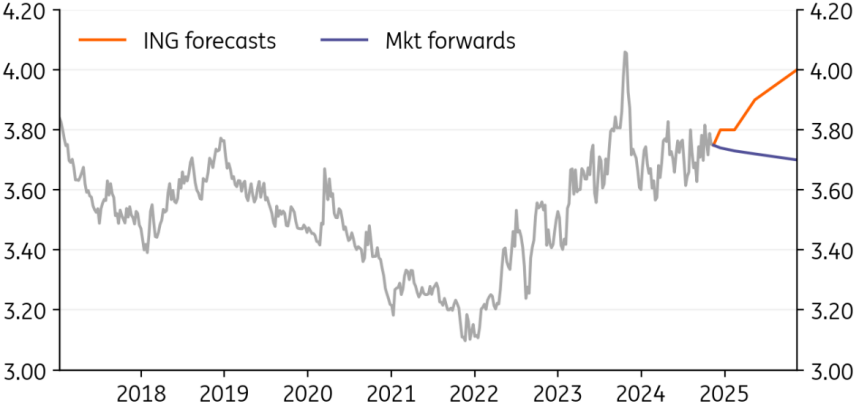


Source: Refinitiv, ING forecasts

USD/ILS: Broader dollar story suggests a move to 4.00 next year

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|--------|------------------|------|------|------|------|
| USD/ILS | 3.7464 | Mildly Bullish ↗ | 3.80 | 3.80 | 3.90 | 4.00 |

- USD/ILS remains remarkably well-contained – now in a 3.70-3.80 range. Domestically, Israeli authorities expect the war to continue at a high intensity into early 2025. This has an ongoing impact by raising inflation and depressing growth. However, the Bank of Israel forecasts GDP growth rising to 3.8% next year from 0.5% this year. Capacity constraints remain a key story for Israel.
- Since last month, Israel's sovereign CDS has corrected lower as the government has pushed through some budget reform. However, the length of the war and whether Trump can prove a peacemaker will have the bigger say in Israel's fiscal story.
- Broad dollar strength in 2025 suggests \$/ILS will head to 4.00.



Source: Refinitiv, ING forecasts

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