

EMEA FX Talking: A mixed story across the region

While interest rate markets are proving supportive for the Polish zloty and the Czech koruna, the outlook is not so clear-cut for the Hungarian forint, which will remain fragile. Elsewhere, expect investors to continue to chase carry in the Turkish lira. And we are starting to now think that the South African rand can surprise on the upside



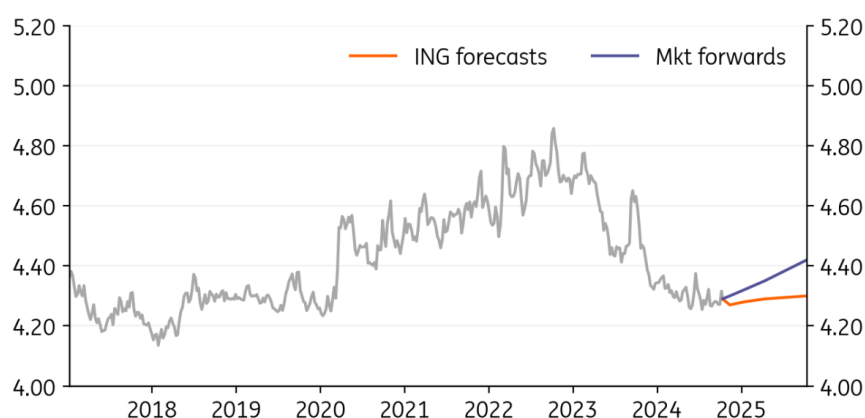
Main ING EMEA FX Forecasts

| | EUR/CZK | | EUR/PLN | | EUR/HUF | |
|-----|---------|---|---------|---|---------|---|
| 1M | 25.05 | ↓ | 4.27 | ↓ | 396 | ↓ |
| 3M | 25.00 | ↓ | 4.28 | ↓ | 395 | ↓ |
| 6M | 24.90 | ↓ | 4.29 | ↓ | 400 | ↓ |
| 12M | 24.75 | ↓ | 4.30 | ↓ | 400 | ↓ |

EUR/PLN: PLN should gain into year-end

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|--------|------------------|------|------|------|------|
| EUR/PLN | 4.2902 | Mildly Bearish ↘ | 4.27 | 4.28 | 4.29 | 4.30 |

- In a supportive external environment, we may see EUR/PLN re-testing this year's lows (around 4.25). Key central banks are already in easing mode, while persistently high core inflation and an upward adjustment in retail energy prices do not allow the National Bank of Poland to ease policy this year. Our estimates (based on other market variables such as swaps) show room for an even deeper EUR/PLN decline (closer to 4.20), but this would be temporary.
- We see the long term prospects for the zloty as mixed. The government should retain the option to stabilise the currency in the coming quarters, by converting EU funds into PLN on the market or at the NBP. This should offset risks to the zloty to a large extent after the NBP starts to catch up with core central banks with its own policy easing.

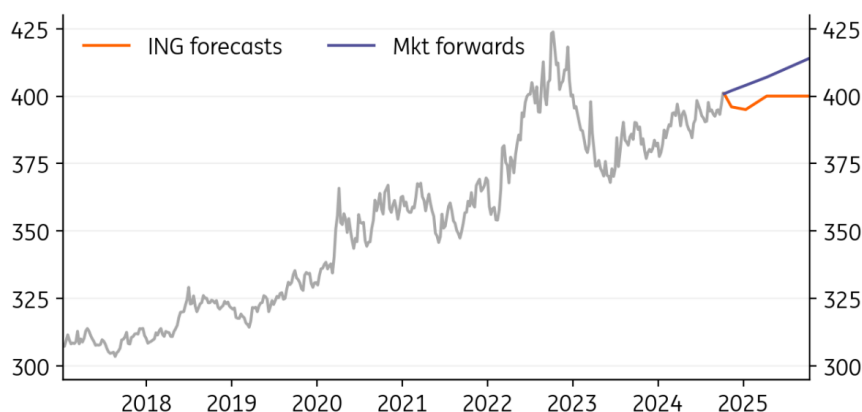


Source: Refinitiv, ING forecasts

EUR/HUF: NBH's forint sensitivity acts as a backstop for weakness

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|----------|------------------|--------|--------|--------|--------|
| EUR/HUF | 400.8700 | Mildly Bearish ▼ | 396.00 | 395.00 | 400.00 | 400.00 |

- The forint came under pressure during the recent global sell-off and broke the 400 EUR/HUF level for a few days in early October. A weaker forint also means a more hawkish central bank which, as in the last two years, acts as a backstop for FX weakness.
- Although we continue to see the 392-400 EUR/HUF range as the main playing field for the rest of the year, chances are visibly deteriorating for HUF to get into the lower part of this range.
- In the medium term, however, we expect the rate cut discussion to return. Moreover, the market sees the changes in NBH leadership as dovish, which will lead to a gradual weakening of the HUF next year with our range shifting to EUR/HUF 400-410.

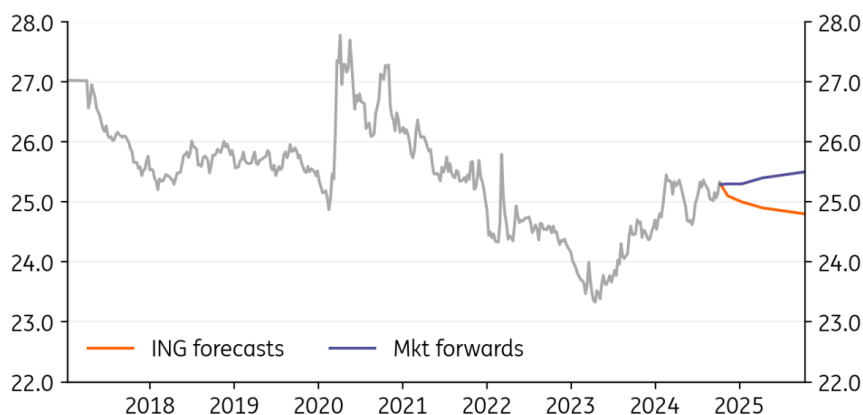


Source: Refinitiv, ING forecasts

EUR/CZK: Koruna drops alongside CEE peers

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|----------------|-------|-------|-------|-------|
| EUR/CZK | 25.2900 | Bearish ▼ | 25.10 | 25.00 | 24.90 | 24.80 |

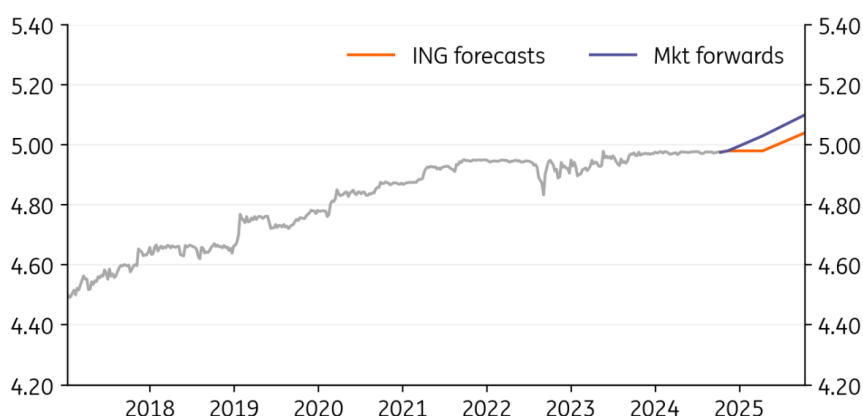
- The Czech koruna has weakened on the back of geopolitical risks and has been hovering around 25.35 EUR/CZK. Headwinds to global growth are not good news for the Czech currency, and a potential deterioration in the growth outlook will prevent the currency from returning to levels below 25 EUR/CZK in the coming months.
- At the same time, the domestic economic rebound is set to continue, driven by household spending. September CPI brought an upward surprise, contributing to a cautious approach to monetary policy easing - especially as consumer price growth could cross the 3% upper bound of the Czech National Bank's tolerance band in December or before. Both will contribute to a gradual koruna appreciation trend in the coming year, especially if we see a December pause in the current cutting cycle.



EUR/RON: NBR on defence close to 4.98

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|--------|----------------|------|------|------|------|
| EUR/RON | 4.9755 | Neutral | 4.98 | 4.98 | 4.98 | 5.04 |

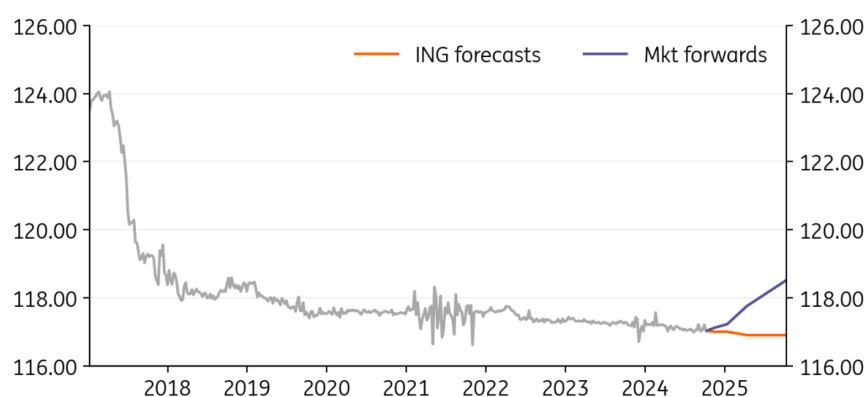
- As we move into the year-end there is little to make us believe that the current narrow trading range for the EUR/RON will change in the short term.
- We've had a mixed bag of data, with inflation somewhat above the National Bank of Romania's expectations, and GDP growth well below everyone's estimates. Overall, it appears that the arguments for maintaining the stability of the exchange rate still prevail.
- All told, we continue to expect the NBR to keep its tight grip on the currency, as evidenced by the increased turnover around 4.9750-4.9760. A break above 5.00 seems a matter for 2025.



EUR/RSD: Stay on course

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|----------|----------------|--------|--------|--------|--------|
| EUR/RSD | 117.0300 | Neutral | 117.00 | 117.00 | 116.90 | 116.90 |

- With inflation back within its 1.5%-4.5% target range and economic growth above expectations, the National Bank of Serbia decided to interrupt its cutting cycle in October, waiting for the effects of past easing to come into play.
- Uncertainties around the energy and primary commodities prices seem to be on the NBS's mind now, together with the risks for higher oil prices stemming from the Middle East conflict.
- On 4 October, S&P upgraded Serbia to a long-expected investment grade – a first in Serbia's history. This should be supportive for the currency, possibly prompting one-sided FX intervention from the NBS.



Source: Refinitiv, ING forecasts

USD/UAH: External environment keeps the hryvnia stable

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|----------------|-------|-------|-------|-------|
| USD/UAH | 41.2500 | Neutral | 41.20 | 41.50 | 41.70 | 42.00 |

- Ukraine's hryvnia remains range-bound against the dollar. This is likely to continue into year-end, as core central banks are to continue monetary easing. Large foreign aid is helping to shore up Ukraine's international reserves, allowing the central bank to stabilise the currency.
- However, the fundamentals behind the currency remain unsupportive, and uncertainty is very high. The war continues to take a toll on the economy, and the country has to cope with the energy deficit in the coming winter. Given the heavy current account deficit, the NBU is likely to allow for further gradual easing of the hryvnia, while stabilising the currency as reserves allow. In recent months, the NBU spent more than US\$2.5bn a month to shore up the currency against US\$40bn of overall reserves.



USD/KZT: Under further pressure and without state support

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|----------|---|--------|--------|--------|--------|
| USD/KZT | 484.4200 | Mildly Bullish ▲ | 490.00 | 490.00 | 490.00 | 495.00 |

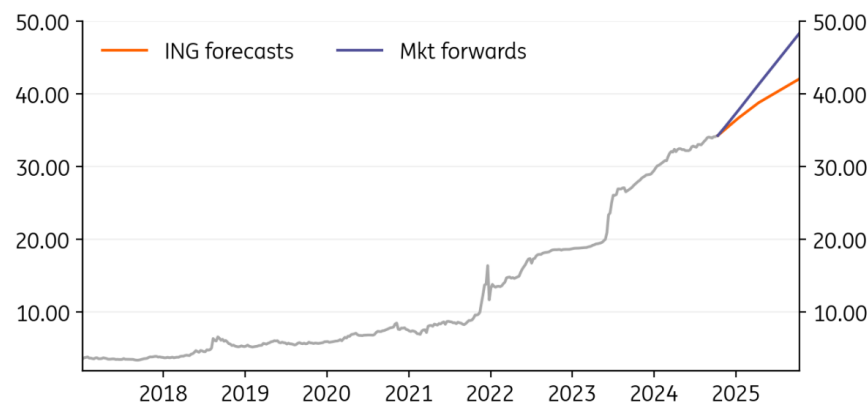
- USD/KZT traded close to 480 until the end of September, in line with our near-term expectations, but broke out into a 490-500 range at the very beginning of October amid a global rally in the US dollar, and ignoring the stronger oil price environment.
- The performance of Kazakhstan's tenge confirms our view that the local FX market is increasingly reliant on state capital flows. Balance of payments data shows net capital outflows by the government and central bank of US\$1.2 bn in 2Q24 after five consecutive quarters of net inflows.
- We do not exclude additional FX sales out of the sovereign fund (NFRK) until the year end to provide some support to KZT, but our medium-term expectations remain bearish.



USD/TRY: Inflation data impacts CBT timing

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|----------------|-------|-------|-------|-------|
| USD/TRY | 34.2900 | Neutral | 35.10 | 36.70 | 38.80 | 42.10 |

- The de-dollarisation trend has resumed following the Central Bank of Turkey’s actions in August. These moves have eased any possible depreciation pressure on the lira from Turkish residents because of the accelerated FX-protected deposit (KKM) unwind.
- Given this backdrop, the CBT recovered its FX reserves losses in September, following pressure in August, thanks to renewed foreign appetite and a resumption of de-dollarisation among residents. Global financial conditions are likely to be supportive for foreign inflows as the Fed has started its easing cycle with a 50bp cut in September.
- The changes in the September MPC statement suggest that the CBT is cautiously setting the scene for rate cuts. However, following the latest inflation print, some market participants are now expecting the CBT to delay easing to early 2025. We see room to cut in December, though a delay should not be ruled out.



Source: Refinitiv, ING forecasts

USD/ZAR: Things are looking up

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|----------------|-------|-------|-------|-------|
| USD/ZAR | 17.4600 | Neutral | 17.75 | 17.50 | 17.50 | 17.50 |

- Not currently reflected in the valuation of the rand are several positive developments for South Africa. Business confidence is bucking the global trend and edging higher as electricity network improvements deliver more stable supply. And we're really interested in this 'Two-Pot' pension reform where retail can access a third of their pot early. This seems to be far more ordered than what was seen in Chile and could add 0.5% to South Africa's GDP next year.
- The SARB cut rates 25bp to 8.00% in September and is aiming for 7.00% next year – all because inflation is well-behaved.
- If South Africa can dodge the bullet of a Trump trade war with China then the rand could prove a standout performer into 2025.

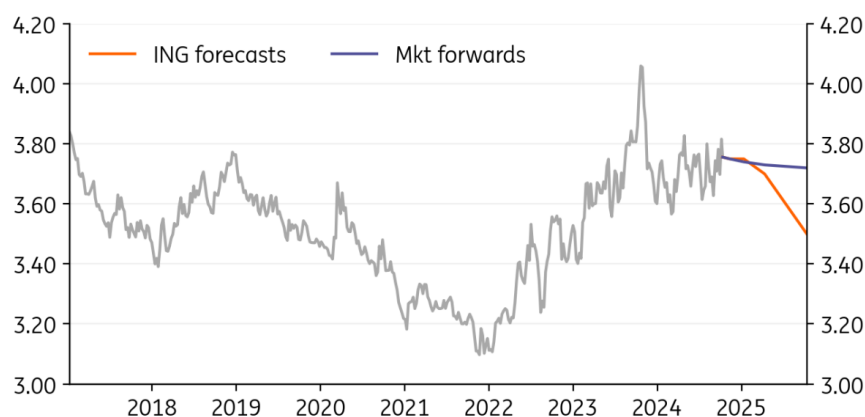


Source: Refinitiv, ING forecasts

USD/ILS: Shekel remains contained

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|--------|----------------|------|------|------|------|
| USD/ILS | 3.7557 | Neutral | 3.75 | 3.75 | 3.70 | 3.50 |

- USD/ILS continues to trade in a remarkably stable 3.60-3.80 in spite of the ongoing conflict. Israeli authorities now expect the conflict to continue at a high intensity into early 2025 – prompting the central bank to cut its growth and raise its inflation forecasts. Israel's year-to-date budget deficit is also near 8% of GDP and its sovereign CDS has widened 40bp over the last month.
- We wonder whether central bank intervention is being used to keep USD/ILS in its range. Market stability is one of the central bank's core objectives now. However, monthly FX reserve data releases suggest no intervention has been seen so far.
- It is very hard to see a re-rating of the shekel until there is a lot more certainty in the region.



Source: Refinitiv, ING forecasts

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