

EMEA FX Talking: Forint strength is questioned

Some of the best performing currencies in the CEE region have started to hand back some of their gains as markets question whether central banks will have to turn more dovish. That's particularly been the case in Hungary. However, our call is that rate cuts are delayed, and the forint can continue to enjoy carry trade interest. CZK and ZAR should also do well



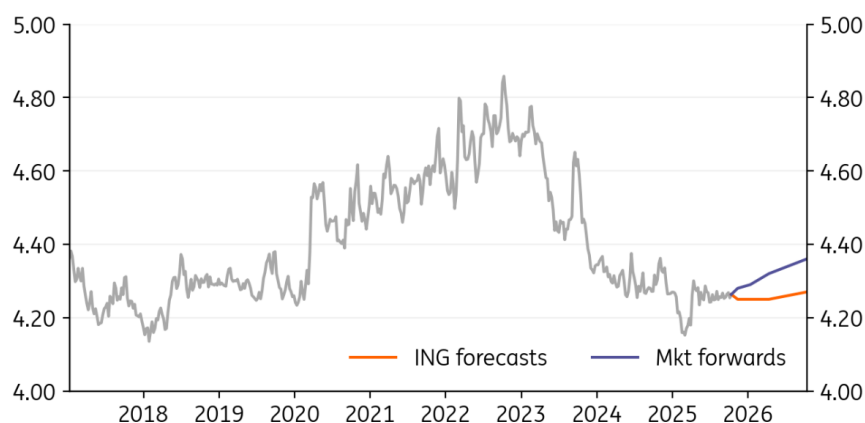
Main ING EMEA FX Forecasts

| | EUR/CZK | EUR/PLN | EUR/HUF |
|-----|---------|---------|---------|
| 1M | 24.25 ↓ | 4.25 ↑ | 390 ↓ |
| 3M | 24.25 ↓ | 4.25 ↑ | 385 ↓ |
| 6M | 24.25 ↓ | 4.25 ↑ | 390 ↓ |
| 12M | 24.15 ↓ | 4.27 ↑ | 390 ↓ |

EUR/PLN: Further stabilisation of the zloty

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|------|------------------|------|------|------|------|
| EUR/PLN | 4.27 | Mildly Bearish ▼ | 4.25 | 4.25 | 4.25 | 4.27 |

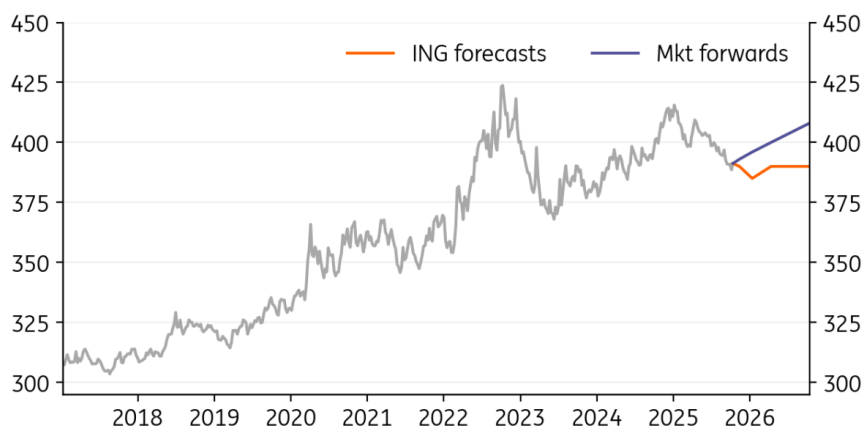
- The EUR/PLN exchange rate is hovering within a narrow range of 4.23-4.29. Despite a lower EUR/USD and political turmoil in France and Japan – along with its economic repercussions – the zloty has remained stable and once again has proven its resilience to global factors.
- We maintain a neutral outlook for the zloty. A positive carry trade remains the main argument for the zloty's resistance, along with a cautious approach by the Monetary Policy Council and GDP growth outlook clearly outperforming the CEE region.
- Downside risks to the zloty are linked to a possible escalation of a Russian hybrid war with NATO countries. Also, the cohabitation between the president and government from different political camps undermines any fiscal consolidation in the medium term.



EUR/HUF: We expect the HUF carry trade to remain popular

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|----------|------------------|--------|--------|--------|--------|
| EUR/HUF | 392.3300 | Mildly Bearish ▼ | 390.00 | 385.00 | 389.50 | 390.00 |

- EUR/HUF broke out of its recent comfort range of 388–392 following some government commentary on monetary policy. It remains to be seen whether the ultra-long positioning will change permanently, but the initial reaction shows that the market has faith in the National Bank of Hungary's hawkishness.
- Given our hawkish view on the central bank's interest rate path, we expect the market to ignore the recent noise and continue with its HUF buying trend until the end of the year, with an EUR/HUF forecast of 385.
- The upcoming general election in April 2026 will introduce a great deal of uncertainty and provide market players with ample opportunity to speculate wildly about the outcome. This could lead to higher volatility and, in our view, some HUF weakness.



EUR/CZK: Solid ground for the koruna while external risks matter

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|------------------|-------|-------|-------|-------|
| EUR/CZK | 24.3500 | Mildly Bearish ▼ | 24.25 | 24.25 | 24.25 | 24.15 |

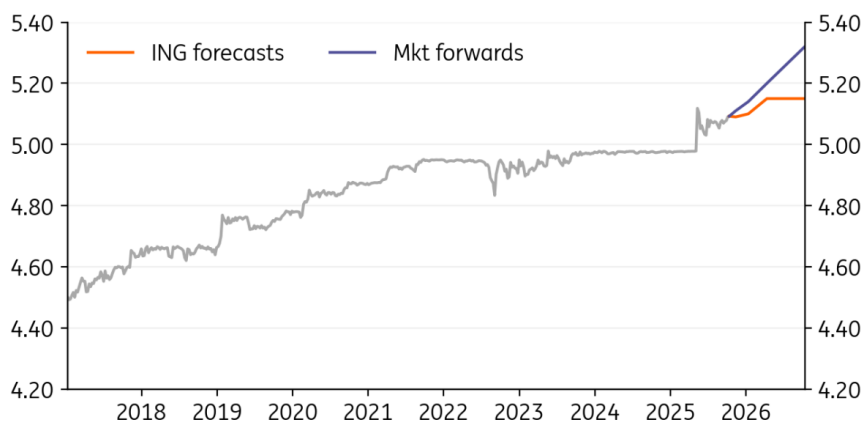
- The Czech National Bank’s monetary policy stance is likely to remain hawkish, with the persistently strong price growth in the services sector and robust rent dynamics not allowing for any relaxation at this point. Core inflation is set to remain elevated, potentially approaching the 3% threshold toward year-end, as strong wage growth gives households ample means to sustain spending. The Czech economy is just about to enter a more mature phase of the economic rebound, as industry somewhat stabilised during the first half of the year. Once the output gap turns positive, likely by the middle of next year, the overall environment is more prone to inflationary pressures, possibly linked to a re-tightening labour market.
- For sure, there’s a caveat: external risks to the Czech growth outlook are emerging at the border, namely from key eurozone trading partners. The German economy seems to have had another rough quarter in terms of growth performance, with industrial output tanking in August. France faces its own fiscal and political headwinds, and this may imply rather disappointing eurozone growth with repercussions for Czech exporters. So, if the German stabilisation so far proves driven solely by tariff-induced front loading, showing that there is no more gold in the mine, the CNB may face a double-edged sword. Still, for now, the koruna stands on solid ground, although we have more uncertainty than before.



EUR/RON: Stable RON remains on the frontline against price pressures

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|--------|----------------|------|------|------|------|
| EUR/RON | 5.0900 | Neutral | 5.09 | 5.10 | 5.15 | 5.15 |

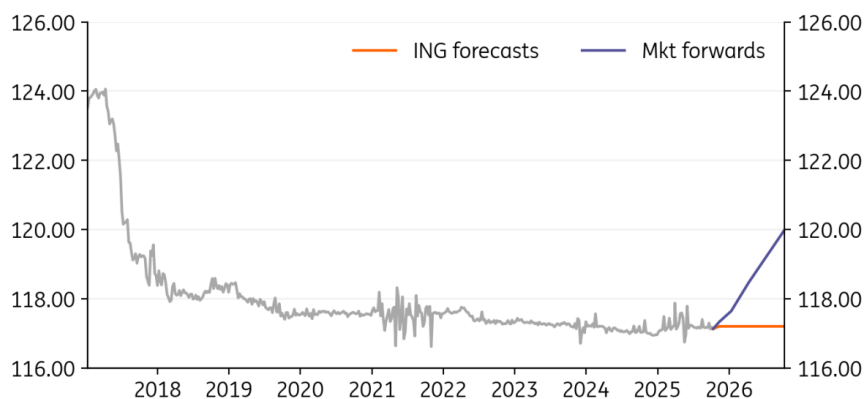
- EUR/RON has edged slightly higher towards the 5.09-5.10 area. Still-persistent external imbalances and some speculative flows have likely been at play. Risks stemming from the fiscal, political and inflation developments continue to dominate the narrative.
- The current push towards maximising the investment cycle gains remains key ahead, especially as this year’s fiscal deficit is set to remain elevated yet again (the latest target agreed with the EU Commission sits at 8.4% of GDP). Consumers are currently [hitting the brakes](#), which is already visible in import data. This brings downside risks for budget revenues ahead but is also set to moderate the trade imbalances.
- Our monetary policy base case with the National Bank of Romania keeping rates on hold until May 2026 remains in place. Afterwards, we expect a total of 100bp of rate cuts through 2026. It’s hard to picture the NBR tolerating additional inflationary pressures given the current spike in prices, and we see the pair remaining broadly stable at 5.10 through year-end and gradually up to only 5.15 through 2026.



EUR/RSD: No large changes expected despite intensifying pressures

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|----------|----------------|--------|--------|--------|--------|
| EUR/RSD | 117.1300 | Neutral | 117.20 | 117.20 | 117.20 | 117.20 |

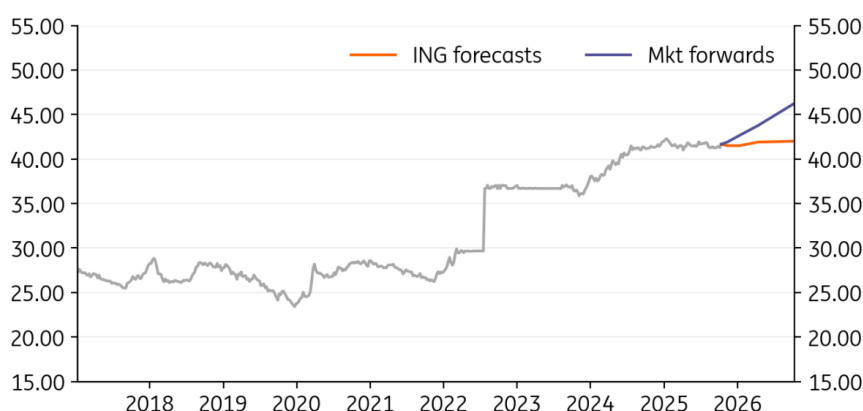
- EUR/RSD traded most of the previous month in the 117.10–117.20 range. Robust macro fundamentals underpinned by strong investments and prudent fiscal policy continue to remain at play. That said, risks are to the downside now given the persistent protests and the recent decision in favour of NIS refinery sanctions.
- At its October meeting, the National Bank of Serbia held the key rate steady at 5.75%, as global uncertainties continue to pose key risks ahead. Energy price pressures could come into the spotlight in the near term. Headline inflation eased lower to 4.7% in August, getting closer to the NBS's 3±1.5% target band.
- FX stability should remain a key focus down the line. While the current fundamentals remain a strength, a temporary worsening of the situation could come into play if the sanctions on NIS feed through to prices and prevent optimal levels of production more broadly.



USD/UAH: Hryvnia in a narrow range trading

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|---|-------|-------|-------|-------|
| USD/UAH | 41.6600 | Mildly Bearish ▼ | 41.50 | 41.50 | 41.90 | 42.00 |

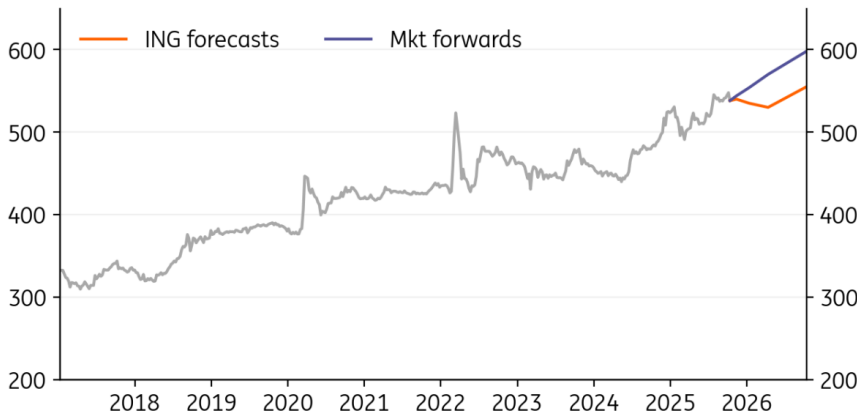
- The situation in the hryvnia market remained stable, partly due to measures previously taken by the National Bank of Ukraine (including a 250bp hike of the key policy rate over the past year) to ensure interest in hryvnia-denominated assets. As a result, net FX demand from households was restrained and the hryvnia exchange rate fluctuated moderately with a tendency to appreciate. The volume of NBU interventions declined in August and was more than offset by external aid disbursements.
- Even though the USD/UAH exchange rate moves in a tight range, significant risks associated with the ongoing war and its consequences persist. These include mounting pressure on public finances as the conflict continues. Therefore, major risks to the FX market remain valid.



USD/KZT: FX market may find support until year-end

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|----------|---|--------|--------|--------|--------|
| USD/KZT | 538.2100 | Mildly Bullish ▲ | 540.00 | 535.00 | 530.00 | 555.00 |

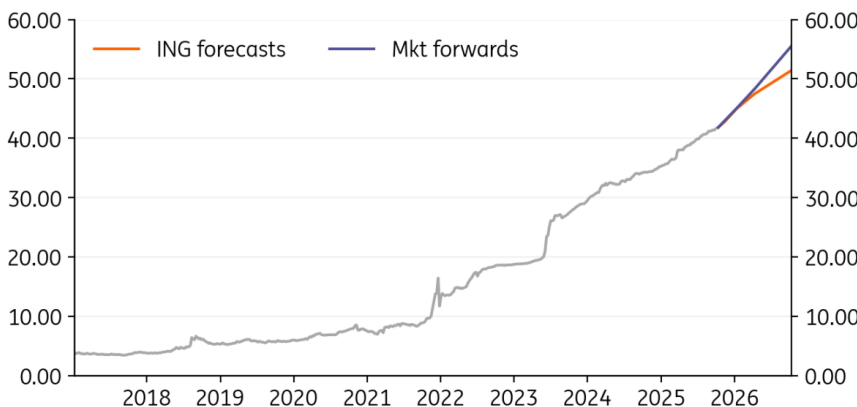
- The tenge lost 1.9% to the US dollar in September, underperforming our expectations, but recovered around 1.4% in the first week of October, following the decision by the central bank to ramp up domestic FX sales to reflect higher gold prices.
- Together with the operations of the sovereign fund, the monthly amount of net FX sales by the government and the central bank should increase to \$1.5bn in October from c.\$1.0bn monthly volumes in the previous couple of months.
- We expect the domestic FX market to find support thanks to the higher state FX sales and possible improvement in the current account on the back of higher oil production and exports. Our longer-term view remains cautious.



USD/TRY: Surprise inflation spike complicates rate-cut path

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|------------------|-------|-------|-------|-------|
| USD/TRY | 41.8300 | Mildly Bullish ↗ | 42.75 | 45.00 | 47.50 | 51.45 |

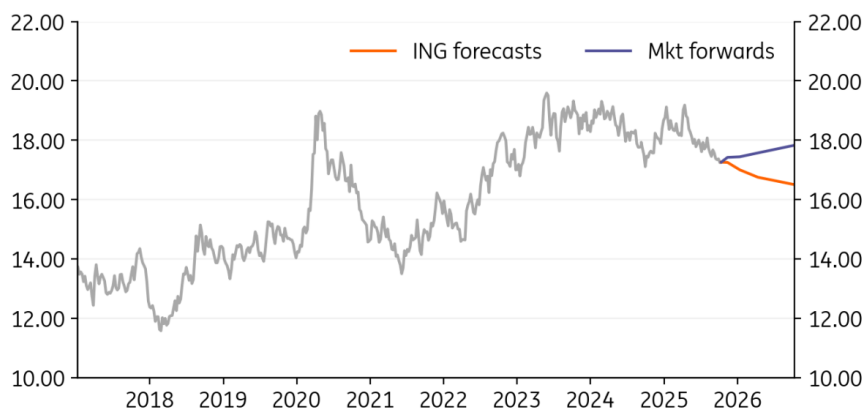
- Stronger-than-expected inflation data for September shows the impact of structural factors and reaffirms the ongoing difficulties in achieving services disinflation, which requires a marked improvement in price-setting behaviour and in inflation expectations. With no unforeseen shocks for the rest year, we think annual inflation should be 30.5% by the end of 2025.
- Forward guidance from the central bank points to continued rate cuts, while the scale of any further cuts will be shaped by residents' portfolio preferences and inflation trends in addition to economic activity levels and the trajectory of reserves.
- A lack of a significant improvement in the underlying inflation trend (in three-month moving average terms) shows upside risks to the Central Bank of Turkey's inflation projections and will lead the bank to reconsider the pace of rate cuts. Given this backdrop, we expect 150bp cuts at the last two MPC meetings, bringing the policy rate to 37.5% in December, but risks are on the upside given possible negative inflation surprises and political news flow.



USD/ZAR: Metals boom and new inflation target drive ZAR gains

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|---|-------|-------|-------|-------|
| USD/ZAR | 17.4400 | Mildly Bearish ↘ | 17.25 | 17.00 | 16.75 | 16.50 |

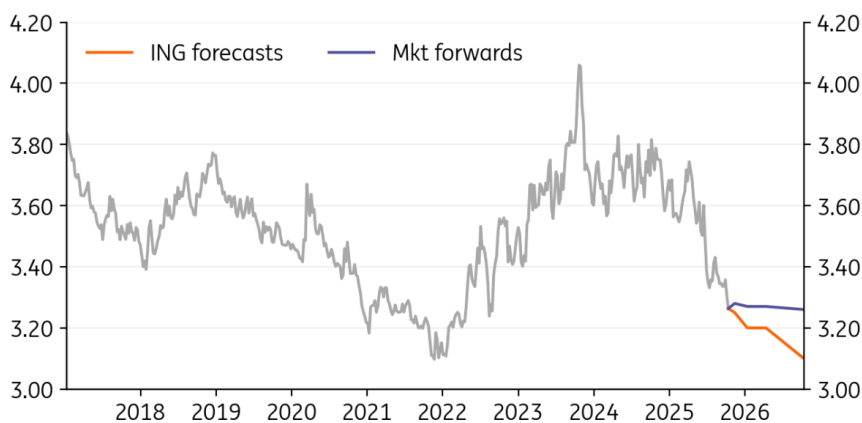
- Three major themes are driving the rand stronger and none of them look like turning anytime soon. The first is the ongoing appreciation by investors of the central bank pursuing a new 3.0% inflation target compared to 4.5% previously. Credibility gains here have seen 10-year local currency bond yields fall 200bp this year, while local equities are up 35%+ year-to-date.
- The second is the rally in precious metals. As a big metals' exporter, South Africa's terms of trade are surging. There's no sign that this demand will turn around.
- The last factor is the global carry trade and the high ZAR policy rate. The SARB is thinking about a cut from 7.00% - but only a 50bp reduction is seen over the next six to twelve months.



USD/ILS: Newfound optimism

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|--------|---|------|------|------|------|
| USD/ILS | 3.2900 | Mildly Bearish ▼ | 3.25 | 3.20 | 3.20 | 3.10 |

- The prospect of a peace deal to end the war in Gaza is helping the shekel push to the highs of the year. On a macro level, an end to the fighting would help to alleviate labour supply challenges and help inflation come in lower as supply constraints ease. Modelling an end to the war in first quarter 2026, the Bank of Israel research team forecasts GDP growth expanding to 4.7% next year from 2.5% this year. Those forecasts could be revised higher.
- We mentioned last month that capital raising by Israeli tech firms could be bringing in \$3bn per quarter – a theme which will continue as tech shares remain buoyant.
- There’s no sign yet the Bank of Israel is prepared to fight shekel strength with FX intervention. US Treasury warnings may be discouraging it. We see USD/ILS pressured into December.



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Author

Mateusz Sutowicz

Senior Economist, Poland
mateusz.sutowicz@ing.pl

Peter Virovacz

Chief Economist, Hungary
peter.virovacz@ing.com

David Havrlant

Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Valentin Tataru

Chief Economist, Romania
valentin.tataru@ing.com

Dmitry Dolgin

Chief Economist, CIS
dmitry.dolgin@ing.de

Muhammet Mercan

Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

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