

FX Daily: Prospects of Ukraine peace starting to show

We've been here before, but prospects of a peace deal in Ukraine are starting to show in FX. CEE FX is holding last week's gains, and EUR/CHF is now also edging back above 0.93. Lower energy prices should be supportive for the euro. Further progress on peace discussions and potentially a softer Fed Beige Book on Wednesday could see EUR/USD hold 1.1500



Cautious optimism on a peace deal in Ukraine has lifted EUR/CHF above 0.95

📉 USD: Some potential dollar downside this week

In a week thinned by Thursday's US Thanksgiving Day holiday, there will be much attention on Ukraine peace talks. We have been here several times before, but it seems like the pressure of sanctions has Russia slightly more interested in a peace deal than usual. Latest reports suggest the US is backing away from supporting Russia's maximalist demands, and Ukrainian President Volodymyr Zelenskyy may be on his way to Washington later this week to talk directly with US President Donald Trump. Details are scarce from the current peace talks in Geneva, but the mood music is cautiously optimistic.

CEE FX had been rallying on this US-Russia peace plan late last week, and today we are also seeing

EUR/CHF edge above 0.93. Recall that EUR/CHF collapsed on the Russian invasion in 2022. We're also seeing natural gas and oil prices close to the lows of the year – the reverse of the 2022 supply shock. This should all be welcome news for global growth prospects, should peace talks progress further, and a mild dollar negative if it generates a re-rating of European growth prospects and softens the advantage of US energy independence.

Away from politics, the dollar focus this week will be on emerging US data and the release of the Federal Reserve's Beige Book on Wednesday evening. When it comes to data, the September retail sales data released tomorrow should be quite strong, but the market will probably have more interest in the Beige Book. Here, any anecdotal evidence from the Fed's 12 reporting districts that the slowdown in employment is broadening could put the notion of a Fed December rate cut back on the agenda. On Friday, remarks made by New York Fed President John Williams suggesting that he favours another cut in December moved markets. In fact, market pricing of a December cut seems to have spiked back to 75%, and questions why the dollar is not a little weaker this morning.

We think the combination of promising Ukraine peace talks and the Beige Book poses downside risks to the dollar this week. This means that DXY resistance at 100.25/35 may hold after all.

Chris Turner

EUR: Lower energy prices are welcome

Headlines this morning show European natural gas dropping below EUR30/mwh for the first time since May 2024. This will be very welcome news for the European manufacturing industry. This comes at a time when the manufacturing sector continues to weigh on the broader composite business PMIs in the region, and as Germany considers energy subsidies. The fall in energy prices has led to the euro's terms of trade index rising to its highest level of the year – a clearly positive development for the euro. We are a little surprised to see EUR/USD still languishing not far from 1.1500 – but perhaps investors are more comfortable expressing euro-positive views through EUR/CHF than EUR/USD. Still, we think events this week could firm up the floor in EUR/USD at 1.1500.

On today's calendar is the German Ifo index. November PMI data for Germany released on Friday was mildly disappointing, so let's see what happens to the key expectations component of the Ifo, which is expected at 91.6 today.

If there are any further positive developments on the Ukraine peace plan, EUR/CHF could easily correct up to 0.9400/9450 in thinning year-end markets.

Chris Turner

GBP: Holding steady into the budget

On Friday, we estimated that the risk premium – or where EUR/GBP and 10-year Gilts should be trading relative to typical financial variables – was at around 0.5% and 10bp, respectively. Our baseline going into Wednesday's budget is that sterling's upside is probably quite limited on a credible/tight budget and that there is some sterling downside on the view that the 2026 Bank of England easing cycle is under-priced.

We favour EUR/GBP again finding support in the 0.8760/70 area pre-budget.

Chris Turner

CEE: Progress on peace deal would give FX a boost amid current scepticism

This week, we should see more economic data from the region after a rather quiet last week. Still, the main focus will be on the peace agreement talks between Ukraine and Russia. Here, we see discussion on specific points of the agreement and some openness on both sides, suggesting a greater chance of progress than ever.

At the same time, betting sites do not show a significant increase in the probability of peace, with a 33% chance by the end of 2026's first quarter, similar to this summer, indicating some scepticism after previous failures. However, this would also suggest that CEE FX has more potential to rally in the event of progress here, supporting the bullish case for the Hungarian forint and Polish zloty.

In the CEE region, today sees the publication of labour market and industrial production figures in Poland, and tomorrow sees retail sales. On Wednesday in the Czech Republic, the new parliament will discuss the state budget for next year. The incoming government is criticising the draft of the previous government, but it seems that this proposal could eventually be approved without major changes. At the same time, we might hear more details about the key energy price subsidy that could push headline inflation in January below the Czech National Bank's inflation target.

On Friday, Poland will publish November inflation. We expect another drop from 2.8% to 2.6% year-on-year, providing room for further downward adjustments in the policy rate; another 25bp cut in December is highly probable. In the Czech Republic, GDP data for the third quarter of 2025 is at risk of some downward revision after a surprisingly strong 2.7% YoY reading.

Frantisek Taborsky

Author

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

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