

## G10 FX Talking: The medium-term dollar bear trend develops

April is proving a decisive month for the dollar. Conviction levels are high that exceptional US growth has been eroded and that the dollar needs to come lower. Some fear also remains of Washington trying to force trading partners to accept stronger currencies. Expect the yen and the Swiss franc to stay in demand this quarter



US Capitol, Washington DC. Are US exceptionalism and the strong dollar a thing of the past?

### Main ING G10 FX Forecasts

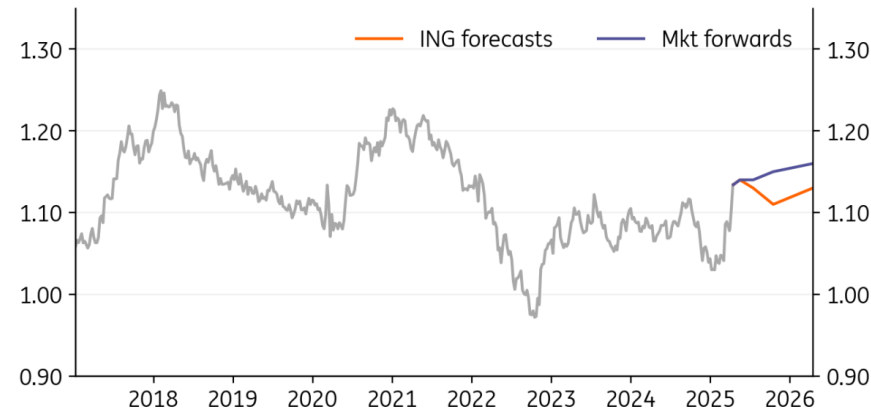
	EUR/USD	USD/JPY	GBP/USD
1M	1.14 →	142 →	1.33 ↑
3M	1.13 ↓	140 ↓	1.31 ↓
6M	1.11 ↓	142 ↑	1.29 ↓
12M	1.13 ↓	138 →	1.30 ↓

	EUR/GBP		EUR/CHF		USD/CAD	
1M	0.86	→	0.92	→	1.38	→
3M	0.86	→	0.92	→	1.39	↑
6M	0.86	↓	0.94	↑	1.40	↑
12M	0.87	→	0.95	↑	1.39	↑

EUR/USD: Range breakout

	Spot	One month bias	1M	3M	6M	12M
EUR/USD	1.1342	Mildly Bullish ↗	1.14	1.13	1.11	1.13

- From what we can gather, real money flows have been the big driver of the EUR/USD rally as investors either raise dollar hedge ratios or repatriate US assets completely. We are not major subscribers to the dollar having permanently lost its safe haven status, but acknowledge that lower US growth rates are coming and that Federal Reserve easing in the second half will hit the dollar broadly.
- We're thinking EUR/USD could trade in a volatile 1.12-1.16 range this quarter, where renewed bouts of US equity selling can see new EUR/USD highs hit. Expect volatility to remain high.
- However, the euro is now getting very strong for the European Central Bank, and the deposit rate being cut to 1.75% should restrain EUR/USD a little.

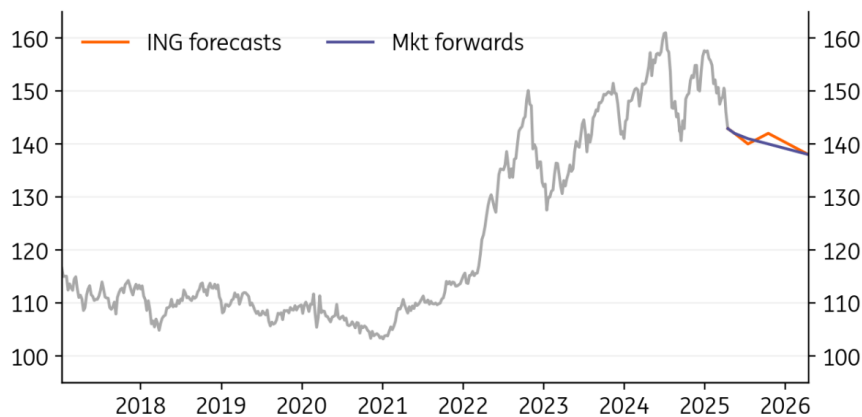


Source: Refinitiv, ING forecasts

## USD/JPY: Leading the charge lower in the dollar

	Spot	One month bias	1M	3M	6M	12M
USD/JPY	142.93	Mildly Bearish ▼	142.00	140.00	142.00	138.00

- The defensive cover for the yen (its large current account and net foreign asset surplus) has seen USD/JPY lead the adjustment lower in the dollar. The negative correlation between US Treasury yields and the dollar is very rare, but it can happen. We doubt this correlation will be with us for a long time, but we suspect financial markets eventually shift to a lower USD/JPY and softer Treasury yields in the second half once the Fed starts cutting.
- A left-field risk is that Japan does somehow agree to deliver a weaker USD/JPY as part of US trade negotiations.
- We see scope for a Bank of Japan rate hike in July, though heavy losses in USD/JPY could be one of the risks that delays the hike this year.

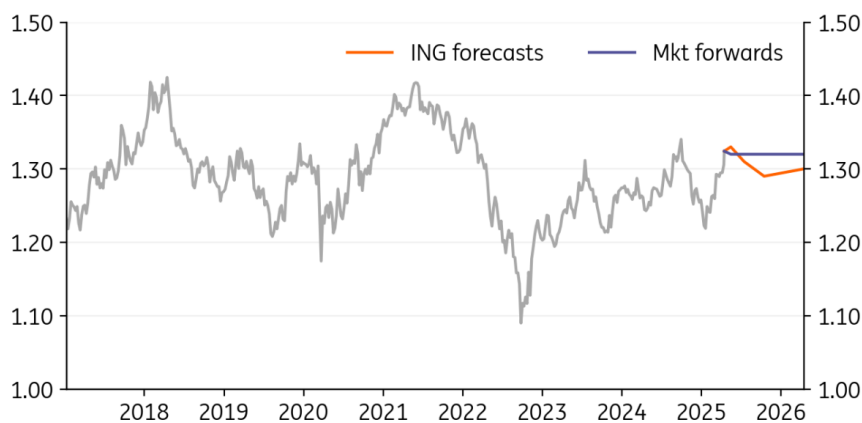


Source: Refinitiv, ING forecasts

## GBP/USD: Sterling enjoys its reserve currency status

	Spot	One month bias	1M	3M	6M	12M
GBP/USD	1.3244	Neutral	1.33	1.31	1.29	1.30

- GBP/USD has been bid up as the dollar trend dominates. We do think FX reserve managers will be cutting the dollar shares in their FX reserves this year. As one of the big five reserve currencies, sterling does benefit from the dollar diversification trade. GBP/USD is also very much driven by EUR/USD trends – where fiscal stimulus will be helping in Europe too.
- Domestically, we're waiting on the UK data to show whether unemployment is rising or inflation is falling. We think the market is right to forecast three more Bank of England cuts this year, starting in May.
- A wild card for GBP is the UK government getting closer to Europe as strategic alliances get withdrawn. The focus here is the customs union and whether momentum can build towards a deal.

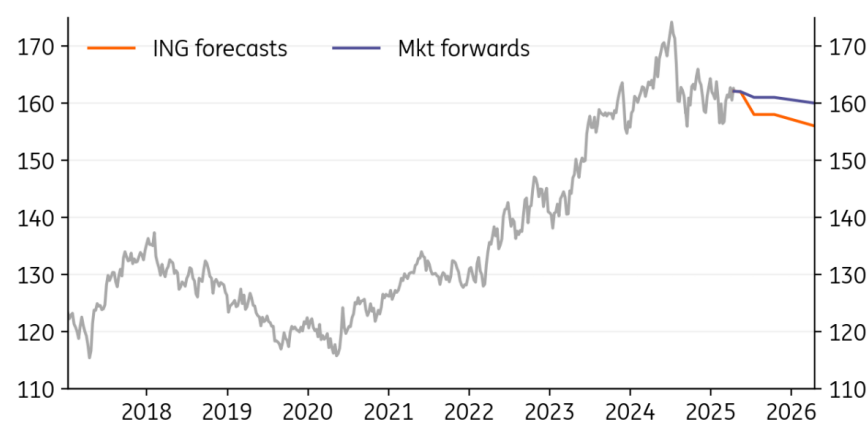


Source: Refinitiv, ING forecasts

EUR/JPY: Surprisingly steady

	Spot	One month bias	1M	3M	6M	12M
EUR/JPY	162.1000	Neutral	162.00	158.00	158.00	156.00

- EUR/JPY has continued to defy its normally positive correlation with global equity markets. The story here is the big sell-off in the dollar and the flight to the liquidity of both the euro and the yen. Equally, both the European and the Japanese are the big investor communities potentially repatriating assets from the US. Balance of Payments data may eventually confirm this.
- We do, however, think EUR/JPY has a downside bias since USD/JPY can fall further than the EUR/USD can rally. The yen is more undervalued in the medium term according to our models.
- Equally, the BoJ is still minded to hike rates and more minded to give Washington the stronger currency (weaker \$) that it craves.

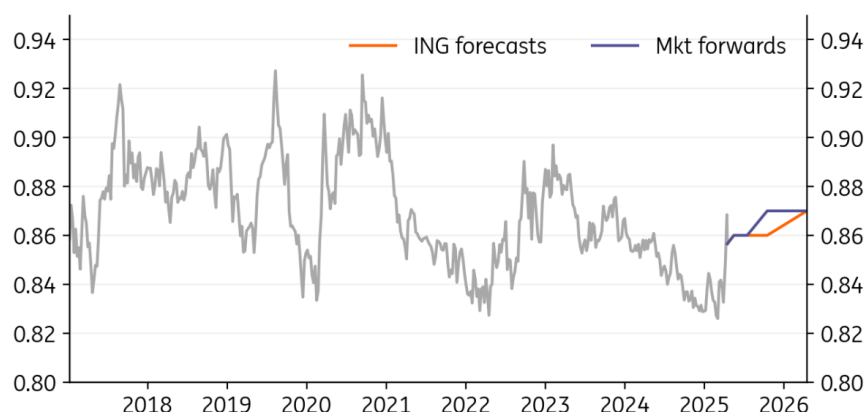


Source: Refinitiv, ING forecasts

## EUR/GBP: Raising the profile

	Spot	One month bias	1M	3M	6M	12M
EUR/GBP	0.8566	Mildly Bullish ↗	0.86	0.86	0.86	0.87

- EUR/GBP has been a lot stronger than most expected, largely as euro strength won through. Potentially hurting sterling, however, has been higher gilt yields – dragged higher by the Treasury sell-off. Any move back in 10yr gilts to 4.90/5.00% could trigger some more independent GBP weakness.
- A dovish ECB could keep EUR/GBP restrained in the near term. However, EUR/GBP should start marching higher again in 2026 when eurozone growth gets a lift from fiscal stimulus and the market could be starting to price an end-2026 ECB rate hike.
- The new EUR/GBP trading range could be something like 0.8500-0.8750 for the second quarter.

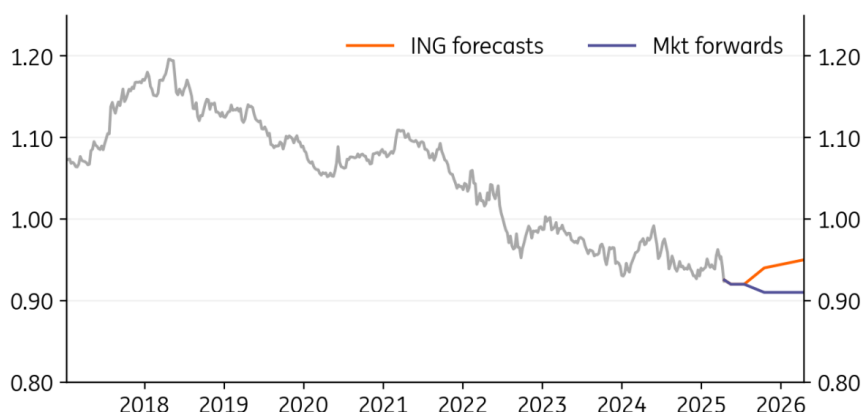


Source: Refinitiv, ING forecasts

## EUR/CHF: Tough times for the SNB

	Spot	One month bias	1M	3M	6M	12M
EUR/CHF	0.9247	Mildly Bearish ↘	0.92	0.92	0.94	0.95

- The sharp sell-off in global equity markets and the search for a non-dollar safe haven has seen the Swiss franc perform very well. The Swiss National Bank faces the twin challenges of a) reluctantly cutting the policy rate to 0% when it meets in June and b) facing constraints on FX intervention.
- One of the reasons the CHF may be doing so well is the intervention story. Washington's key call to trade partners is to stop preventing your currencies from appreciating. Switzerland briefly faced a 31% 'reciprocal' tariff and could be bounced back there if it undertakes persistent FX intervention.
- We see downside risks in the second quarter if risk assets remain vulnerable.



Source: Refinitiv, ING forecasts

## EUR/NOK: Peak may be past us

	Spot	One month bias	1M	3M	6M	12M
EUR/NOK	12.0000	Mildly Bearish ▼	11.80	11.70	11.60	11.40

- The tariff-linked market turmoil has led to a sharp deterioration in FX liquidity conditions. The Norwegian krone is the least liquid G10 currency and, like in the 2020 market crash, the hardest hit.
- FX volatility may start to abate from here as reciprocal tariffs are paused and China has received some key exemptions. Accordingly, we may have seen the peak in EUR/NOK at 12.20.
- EUR/NOK short-term fair value is around 11.75. The liquidity risk premium (of around 2% now) can be gradually unwound if FX liquidity starts to improve. Oil prices have also started to rebound, and Norges Bank may not cut until June, given high inflation. Daily FX purchases could be cut to zero in May and even negative in June, which would help NOK liquidity improve.

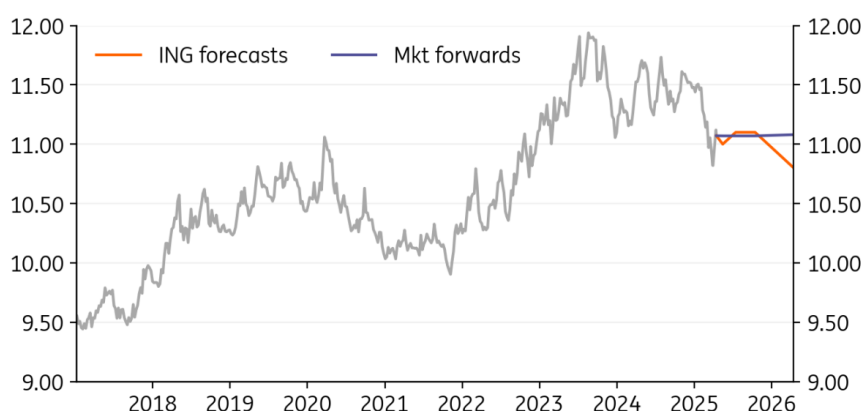


Source: Refinitiv, ING forecasts

## EUR/SEK: SEK on firmer footing

	Spot	One month bias	1M	3M	6M	12M
EUR/SEK	11.0700	Mildly Bearish ↘	11.00	11.10	11.10	10.80

- We estimate EUR/SEK is broadly in balance with its near-term drivers at the 11.00 handle. However, the Swedish krona has tended to trade on the rich side, and risks are skewed to the downside for EUR/SEK as record repatriation flows tend to exacerbate SEK rallies.
- After revising our ECB terminal rate call to 1.75%, we now anticipate the Riksbank will cut one last time in June, to 2.0%. Market pricing largely mirrors our ECB and RB calls, so we don't expect major rate differential changes affecting EUR/SEK.
- Swedes' deleveraging of USD equity and fixed income positions is reinforcing the krona's role as a proxy trade for better EU-US relative sentiment. Should the market turmoil epicentre move from the US to Europe, SEK would be in trouble, but a gradual EUR/SEK decline remains our baseline scenario for now.



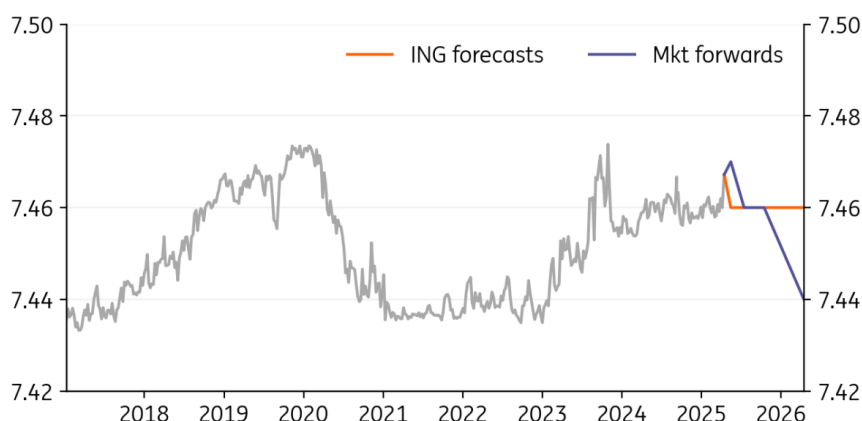
Source: Refinitiv, ING forecasts

## EUR/DKK: FX interventions back on the table

	Spot	One month bias	1M	3M	6M	12M
EUR/DKK	7.4673	Neutral	7.46	7.46	7.46	7.46

- EUR/DKK is trading at its highest since 2020 as poor liquidity conditions asymmetrically favour the euro vs the krone. The question is whether the Danmarks Nationalbank has done or will do anything about it.
- There is a possibility DN intervened to sell FX in April; intervention data is released in early May. However, EUR/DKK is only 0.1% above the 7.46 level, and recent history hints that deviations should be at least 0.2% (often 0.3%) to trigger intervention.
- DN can also cut less than the ECB to support DKK. But with the Danish economic outlook deteriorating, lower rates are likely welcome. FX intervention should still be the first line of defence.





## USD/CAD: Keeping risk premium on for longer

	Spot	One month bias	1M	3M	6M	12M
USD/CAD	1.3852	Neutral	1.38	1.39	1.40	1.39

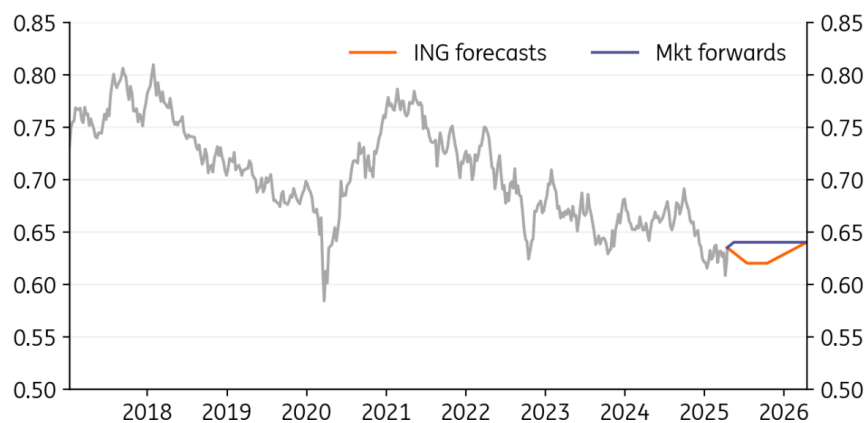
- We are releasing this note on the day the Bank of Canada announces policy, and we narrowly expect a hold. That does not have major implications for USD/CAD.
- The Fed-BoC gap has only moved around 20bp in favour of CAD in April, which is not enough to justify USD/CAD below 1.40. But our view is that USD will continue discounting soft growth expectations for longer, which can justify the USD risk premium.
- The direction of the US-Canada trade relationship will be the main determinant of CAD moves ahead. Canada elects a new government at the end of April; Liberal leader Mark Carney is slightly ahead in the polls. Whoever wins promises to fight Trump on trade, and risks that new tariffs will be threatened ahead of very tricky USMCA renewal talks leave CAD at risk of corrections.



## AUD/USD: Still the most vulnerable

	Spot	One month bias	1M	3M	6M	12M
AUD/USD	0.6355	Mildly Bearish ↘	0.63	0.62	0.62	0.64

- After a 6% temporary drop, AUD/USD is back at pre-liberation day levels. But the Aussie dollar is significantly weaker in the crosses, and the rebound has mostly been driven by the USD confidence crisis.
- AUD remains the key barometer of the US-China trade spat. While Trump's next move on trade has proven hard to predict, it is clear that tariffs on China are stickier than elsewhere. That places AUD in a still unfavourable situation.
- The Reserve Bank of Australia is widely expected to cut in May, although a 50bp cut (which is 40bp priced in) looks a bit too aggressive. Anyway, the RBA is a marginal driver of AUD, which remains more vulnerable than any other G10 currencies due to its China-proxy character.

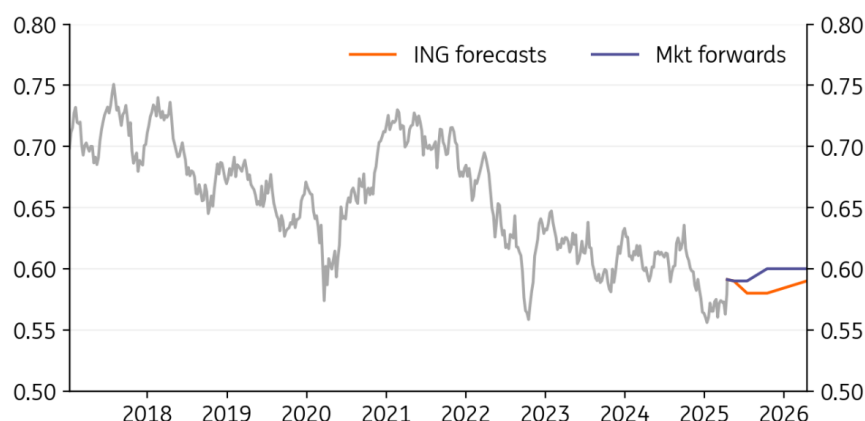


Source: Refinitiv, ING forecasts

## NZD/USD: A lower beta to AUD

	Spot	One month bias	1M	3M	6M	12M
NZD/USD	0.5919	Neutral	0.59	0.58	0.58	0.59

- Markets have consolidated the view that the New Zealand dollar is not as exposed to tariffs as AUD. That's due to Australia's largest reliance on China demand. New Zealand exports more than Australia to the US in GDP terms (2.2% vs 0.9%), but both countries were only hit by the base 10% tariff rate even before the 90-day pause.
- The Reserve Bank of New Zealand remains very open to cutting rates again. We expect either 50bp or 75bp of additional easing, with a bias towards 75bp as the Bank has shown much more focus on growth than inflation.
- Front-end rates aren't affecting FX much anyway. We expect NZD to continue trading as a lower beta version of AUD when it comes to trade headlines.



Source: Refinitiv, ING forecasts

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