

G10 FX Talking: Re-rating the euro

The big news over the last month has been European leaders embracing fiscal stimulus. The prospect of looser eurozone fiscal policy and relatively tighter ECB policy (we now think the terminal rate is 2.25%) has prompted a fully justified bullish re-appraisal of the euro. But big US tariffs coming next month could rain on the parade



Big US tariffs in April could rain on the bullish EUR/USD parade

Main ING G10 FX Forecasts

	EUR/USD	USD/JPY	GBP/USD
1M	1.07 ↓	147 ↓	1.26 ↓
3M	1.05 ↓	148 ↑	1.27 ↓
6M	1.07 ↓	150 ↑	1.27 ↓
12M	1.09 ↓	153 ↑	1.30 ↑

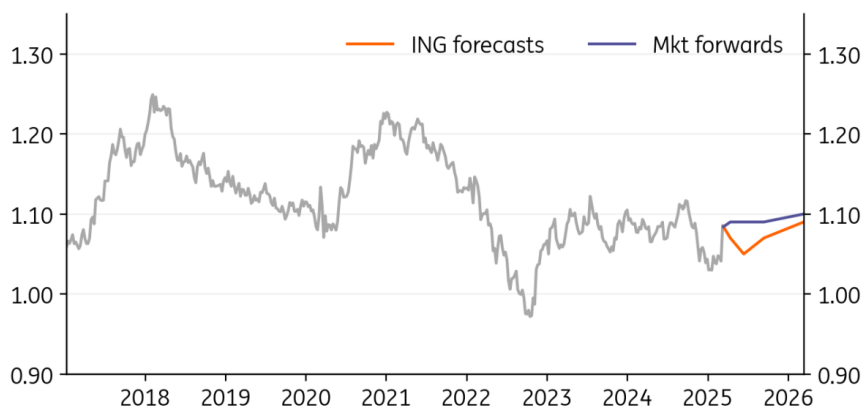
	EUR/GBP	EUR/CHF	USD/CAD
1M	0.85 ↑	0.95 ↓	1.42 ↓

3M	0.83	↓	0.95	→	1.45	↑
6M	0.84	↓	0.95	→	1.44	↑
12M	0.84	↓	0.95	↑	1.42	→

EUR/USD: Re-rating the euro

	Spot	One month bias	1M	3M	6M	12M
EUR/USD	1.0840	Mildly Bearish ↘	1.07	1.05	1.07	1.09

- Geopolitical events have forced us to revise our EUR/USD profile. In short, President Trump's withdrawal of Europe's security umbrella, Europe's response of fiscal stimulus and the re-rating of the ECB profile means that EUR/USD is unlikely to trade down to 1.00/1.02 after all. We see 1.05-1.10 as the new trading range.
- April will curb enthusiasm for the euro if the US imposes far-ranging 'reciprocal' tariffs on Europe. There is a good chance of universal tariffs as Washington seeks to level the global playing field for trade and address the \$1.2tr annual goods deficit.
- However, the dollar will stay vulnerable – especially to news on job losses and softening consumption trends.



Source: Refinitiv, ING forecasts

USD/JPY: Softer US macro and hawkish BoJ combine

	Spot	One month bias	1M	3M	6M	12M
USD/JPY	148.12	Mildly Bearish ▼	147.00	148.00	150.00	153.00

- USD/JPY has been at the forefront in the adjustment of US growth prospects. This year's 5% fall in the S&P 500 and the 50bp extension of the expected Fed easing cycle has seen USD/JPY trade well below 150. So far this has largely been a defensive, US-led move. But we think it's too early to call a US recession and a house call for higher US 10-year yields later this year should prove USD/JPY supportive.
- But the second quarter could be a tough time for risk assets as Trump pushes through with tariffs. At the same time we have a non-consensus call that the Bank of Japan will tighten 25bp in May.
- 145-150 looks the coming trading range.

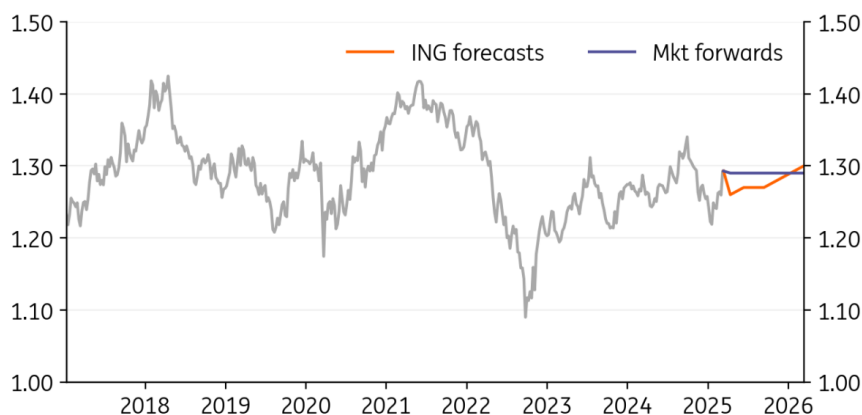


Source: Refinitiv, ING forecasts

GBP/USD: 26 March spring statement could undermine GBP

	Spot	One month bias	1M	3M	6M	12M
GBP/USD	1.2929	Bearish ▼	1.26	1.27	1.27	1.30

- The re-rating of European currencies has dragged GBP/USD higher. Important for this trend will be whether the German parliament approves the EUR500bn infrastructure bill in this current parliament – deadline 25 March. If not, some of the recent GBP gains will unwind.
- One of the big event risks for GBP will be the 26 March UK Spring statement. This could be a negative story as the Chancellor seeks to cut spending and meet fiscal rules. Tighter fiscal policy could see a dovish re-appraisal of BoE policy and hit the pound.
- 1.25-1.30 now looks the volatile range as GBP/USD is buffeted by both domestic and international factors.

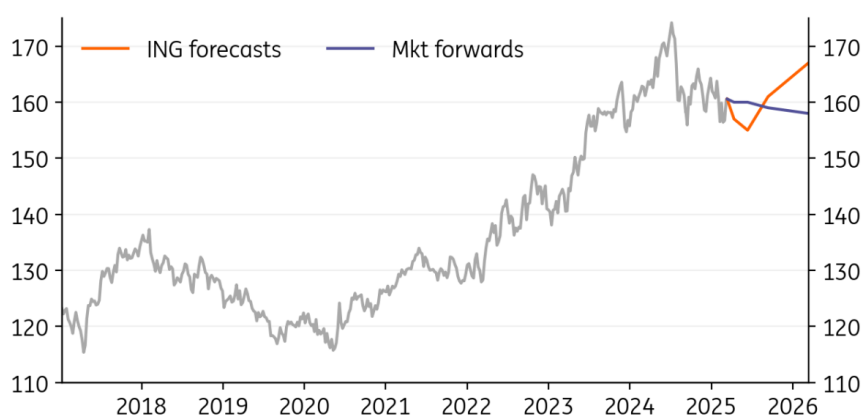


Source: Refinitiv, ING forecasts

EUR/JPY: Downside risks over coming months

	Spot	One month bias	1M	3M	6M	12M
EUR/JPY	160.5700	Bearish ↘	157.00	155.00	161.00	167.00

- EUR/JPY has defied its normally positive correlation with global equity markets as the implications of European government spending ripple through markets. Assuming German fiscal stimulus is passed, the euro should remain better supported and could get a lift if the ECB pauses its cutting cycle in April.
- However, April should prove a rocky month for risk assets as the US pushes ahead with tariffs. Importantly, Washington needs the tariff revenues to support its tax-cutting agenda. This argues that tariffs may not be negotiated away as quickly as some suggest.
- EUR/JPY should also be limited by the Bank of Japan story, where hikes expected in May and October will keep the yen in demand.

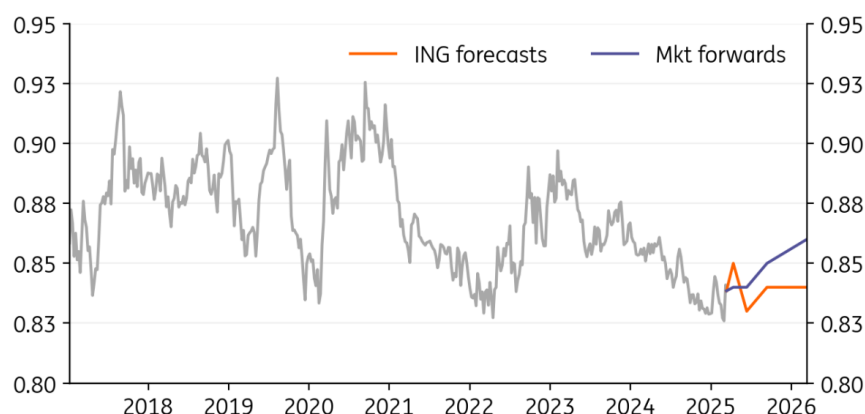


Source: Refinitiv, ING forecasts

EUR/GBP: Volatile in ranges

	Spot	One month bias	1M	3M	6M	12M
EUR/GBP	0.8385	Bullish 	0.85	0.83	0.84	0.84

- EUR/GBP looks likely to continue to bounce around in ranges. The first big, positive event risk is the 26 March UK Spring statement. Spending cuts could send EUR/GBP to 0.85. We should see the US announce some significant tariffs on 2 and 3 April. EUR/GBP normally gets hit on tariff news given the UK's smaller goods exposure to the US when compared to the eurozone's large and problematical trade surplus with the US.
- Politics will also have some bearing over the medium term. The UK Labour government needs to demonstrate the UK's improved growth potential and can do so by closer ties with Europe.
- Consensus expects EUR/GBP at 0.83 in 1Q26 and a 0.80-86 range.



Source: Refinitiv, ING forecasts

EUR/CHF: European growth profile prompts revisions

	Spot	One month bias	1M	3M	6M	12M
EUR/CHF	0.9577	Neutral	0.95	0.95	0.95	0.95

- Fortunately for the Swiss National Bank, the re-rating of eurozone growth prospects and what it means for ECB policy now mean that the SNB will have less need to take the policy rate back into negative territory. The market now prices one final SNB cut to 0.25% this summer. With Swiss CPI getting very close to zero, the SNB will remain in a dovish mode and will resist CHF strength.
- Our eurozone team are yet to make some major upward revisions to growth prospects – meaning that we’re not yet ready to call a major re-appraisal in EUR/CHF to the 1.00/1.05 area.
- But upside risks to EUR/CHF are building should European fiscal stimulus arrive in its entirety – or a Ukraine ceasefire materialise.

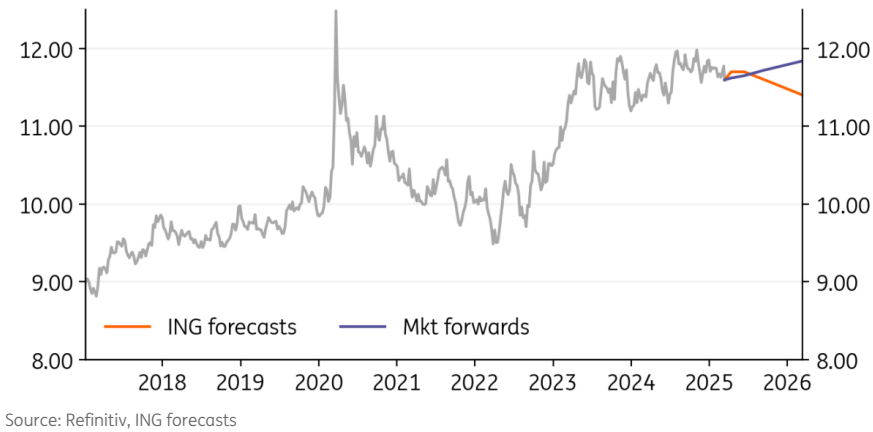


Source: Refinitiv, ING forecasts

EUR/NOK: Norges Bank cut in doubt

	Spot	One month bias	1M	3M	6M	12M
EUR/NOK	11.6000	Mildly Bullish ▲	11.70	11.70	11.60	11.40

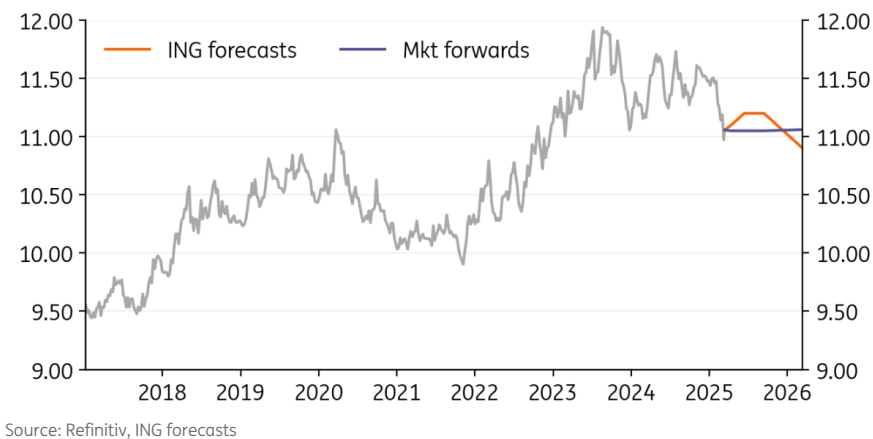
- Norway's inflation jumped unexpectedly in February. Headline CPI rose 3.6% year-on-year and underlying CPI to 3.4%, the hottest prints since second quarter 2024.
- Norges Bank had repeatedly signalled a rate cut on 26 March, but markets and consensus are now split. It's going to be a very close call, and while we still think a cut is marginally more likely, we expect it to be accompanied by a hawkish narrative.
- The Norwegian krone has found support from the hawkish repricing, but soft commodity prices are probably preventing it to rally much more on the eurozone's growth re-rating and Ukraine peace deal hopes. We see a broadly stable EUR/NOK ahead.



EUR/SEK: Krona's rally looks overdone

	Spot	One month bias	1M	3M	6M	12M
EUR/SEK	11.0600	Mildly Bullish ↗	11.10	11.20	11.20	10.90

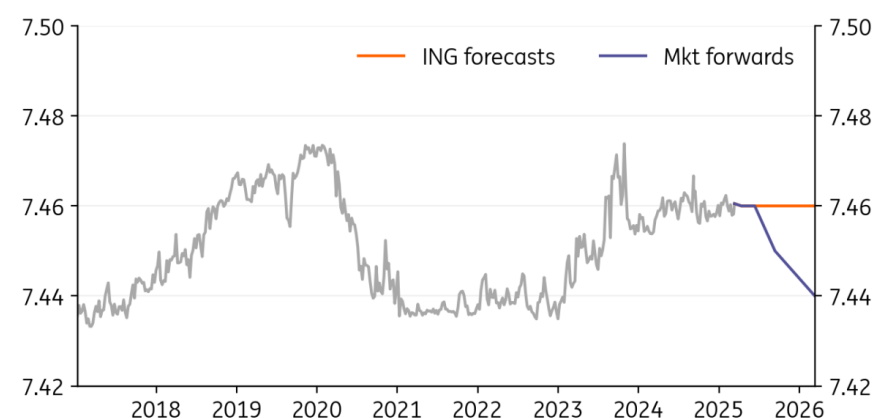
- The Swedish krona's stellar performance has sent EUR/SEK into marked undervaluation territory (around 2.5% in our estimates). That suggests SEK is currently embedding a big deal of positives, and new rallies will be hard to sustain.
- The Riksbank may not want to rule anything in or out, but hotter inflation and an improved EU outlook suggest a hold at the March meeting. We have changed our baseline view and forecast no more rate cuts by the Riksbank.
- We expect a worsening of EU sentiment (to which SEK has a higher beta than EUR) on the back of US tariffs in April. That can favour a reset higher in EUR/SEK, we think around 11.10-11.30.



EUR/DKK: Still very steady

	Spot	One month bias	1M	3M	6M	12M
EUR/DKK	7.4605		7.46	7.46	7.46	7.46

- Greenland's political events did not impact DKK, and threats to the peg with the euro remain very low.
- EUR/DKK has been under some very modest pressure while remaining very close to the 7.46 central peg level.
- We see no reason to expect a divergence from the recent stability in EUR/DKK, and we therefore expect the Danish central bank to keep cutting in line with the ECB (we think only once more in 2025) and refrain from intervening in the FX market.

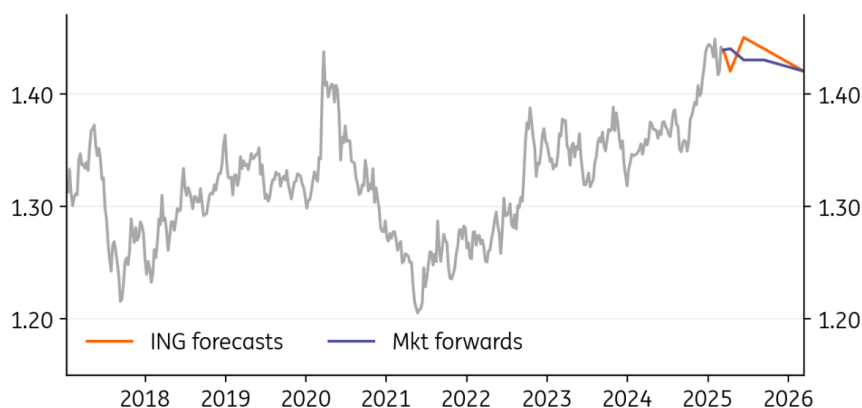


Source: Refinitiv, ING forecasts

USD/CAD: Trade tensions can escalate further

	Spot	One month bias	1M	3M	6M	12M
USD/CAD	1.4389	Mildly Bearish ↘	1.42	1.45	1.44	1.42

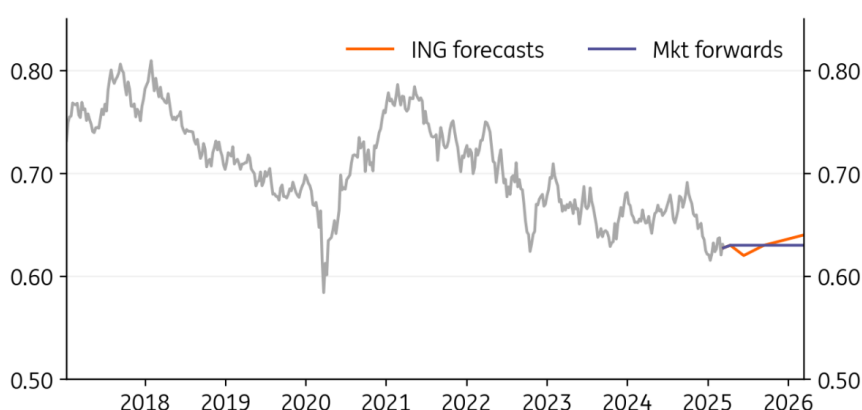
- All indications are that the US-Canada trade spat can keep escalating. Neither Canadian Conservatives nor Liberals (now led by Mark Carney) are pitching a soft-touch approach on trade ahead of likely elections this spring, and Trump has responded aggressively to retaliations from Canada.
- The Bank of Canada cut rates again in March. We expect only one additional cut by the BoC, as inflationary risks are rising and there may be tolerance for a slowdown if largely caused by tariffs.
- Our preference remains for USD/CAD to trade around or above 1.45 in the second quarter as the USD recovers some ground and the trade risk premium remains in place. A gradual decline to 1.40 may only be a story for the second half of 2025.



AUD/USD: Profile revised higher

	Spot	One month bias	1M	3M	6M	12M
AUD/USD	0.6274	Neutral	0.63	0.62	0.63	0.64

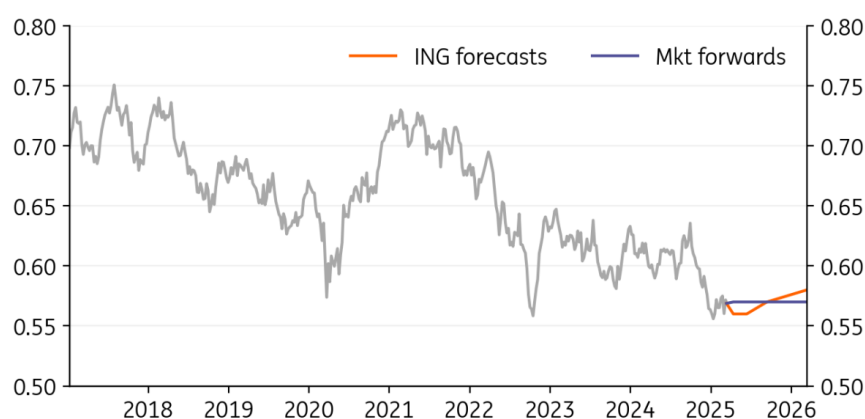
- We have adjusted our AUD/USD profile higher in line with our updated, less bullish USD view. However, the balance of risks remains tilted to the downside for AUD – which is the preferred China proxy trade in G10 – as trade sentiment deteriorates.
- Markets (and ourselves) are torn between two and three cuts by the Reserve Bank of Australia this year. Our baseline forecast is for three cuts but admit that the needle is turning towards a less dovish scenario as growth and inflation are proving stronger than expected.
- We expect explorations below 0.62 in AUD/USD throughout 2Q as tariff risks peak. But, if 2H25 starts to bring trade tension de-escalation, AUD should be among the biggest winners.



NZD/USD: Reserve Bank of New Zealand set to cut in April

	Spot	One month bias	1M	3M	6M	12M
NZD/USD	0.5688	Neutral	0.56	0.56	0.57	0.58

- Markets are pricing in another 75bp of RBNZ easing this year and a 3.0% terminal rate. We are slightly less dovish and forecast 50bp as inflation may prove an issue down the road.
- Still, a 25bp reduction on 9 April remains rather likely. The only key data release before the meeting is the 4Q GDP, which is expected at 0.4% QoQ following two quarters of contraction. 1Q CPI and employment data are due in mid-April and early May, and we have less conviction on another cut on 28 May.
- We don't see a very compelling case for AUD-NZD divergence in the coming months, and we have revised our NZD/USD numbers higher in line with AUD/USD.



Source: Refinitiv, ING forecasts

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