

Watch: Why we still think EUR/USD can reach 1.20

One of the biggest questions we get from clients is how we can be so constructive about the euro, despite what's going on with Iran, the US, and the subsequent oil and gas shocks. ING's Francesco Pesole explains our FX team's thinking.

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We still think, despite everything, that the euro can rise to 1.20 against the dollar this year. Our FX Strategist, Francesco Pesole, says our team believes the Fed will look through this inflationary 'bump' driven by rising oil and gas prices and will cut rates twice again this year. And that will have an amplified effect on EUR/USD for several reasons. And while oil prices are set to remain elevated, we don't see the same risks for gas in Europe. So, the euro may trade lower in the short term, but should recover fairly strongly.

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