

## FX Talking

August 2024

Has the Fed overcooked the tightening cycle?



**Chris Turner**

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

**Francesco Pesole**

Foreign Exchange Strategy  
francesco.pesole@ing.com

View all our research on Bloomberg at  
RESP INGX<GO>

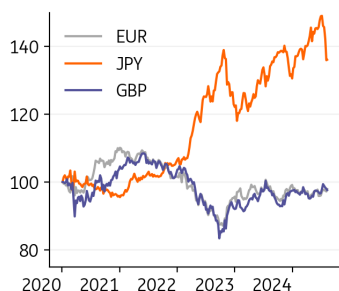
[www.ing.com/THINK](http://www.ing.com/THINK)



Follow us  
@ING\_Economics

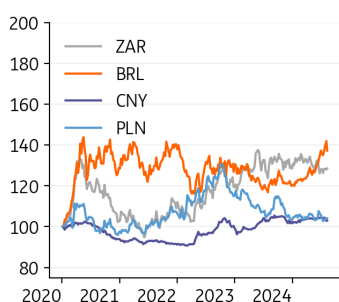
# Has the Fed overcooked the tightening cycle?

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

FX markets have seen a volatile summer as fears have grown over a sharper US slowdown. Has the Federal Reserve kept rates too high for too long? Well, our macro team have not lowered their growth forecasts and continue to look for a soft landing in the US, with weak recoveries in Europe and Asia. For FX markets this should mean a shift to some orderly dollar weakness from the disorderly position adjustment of recent weeks. [Watch: Turmoil, rate cuts and the dollar's expected decline](#)

Should equities settle a little, we expect to see EUR/USD re-connect with rate spreads and drift towards the 1.12 area before an expected 50bp Fed rate cut in September. For USD/JPY, the speculative market is now much better balanced than it was at the start of July. A more macro-driven environment favours targets in the 137/140 area.

Elsewhere in the G10, some calmer conditions should allow the badly hit Australian dollar and Norwegian krone to enjoy a strong recovery into September. We expect sterling to lag as it becomes clear the Bank of England is embarking on a decent easing cycle. And the Swiss franc should outperform as global interest rates move nearer to those in Switzerland.

Within EMEA, we prefer the Polish zloty, where the market under-prices the risk of a hawkish central bank. The Hungarian forint remains vulnerable, while the Czech koruna is showing more signs of stability. Amongst the high yielders, both the Turkish lira and the South African rand should outperform their forward curves.

Latam FX is less compelling than it was. We are still concerned over fiscal risks in Brazil, local politics in Mexico, and copper prices in Chile. Asian FX could start to perform a little better on the softer dollar story – but weak China growth remains a drag on the region.

## ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.12	↑	143	↓	1.30	↑
3M	1.10	→	140	↓	1.26	↓
6M	1.10	→	138	↓	1.25	↓
12M	1.10	↓	137	↓	1.25	↓

	EUR/GBP		EUR/CZK		EUR/PLN	
1M	0.86	→	25.29	→	4.25	↓
3M	0.87	↑	25.25	↓	4.25	↓
6M	0.88	↑	25.20	↓	4.27	↓
12M	0.88	↑	25.08	↓	4.32	↓

	USD/CNY		USD/MXN		USD/BRL	
1M	7.14	→	19.00	↑	5.60	↑
3M	7.10	→	19.00	→	5.50	↓
6M	7.08	↑	19.00	↓	5.50	↓
12M	7.05	↑	19.00	↓	5.50	↓

↑ / → / ↓ indicates our forecast for the currency pair is above/in line with/below the corresponding market forward or NDF outright

Source: Refinitiv, ING forecast

## FX performance

	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	0.8	-9.0	1.6	2.1	-2.5	0.9
%YoY	-0.6	1.6	-1.1	4.5	0.9	2.2

	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	-1.4	-1.2	0.4	1.5	1.0	2.4
%YoY	0.4	7.2	2.6	-2.8	-2.9	13.4

Source: Refinitiv, ING forecast

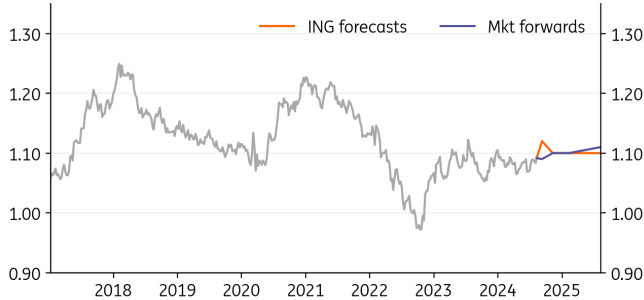


# Developed markets

## EUR/USD

A weaker dollar into US November elections

**Current spot: 1.0917**



Source: Refinitiv, ING forecasts

- Financial markets have taken the view that the Federal Reserve has left it too late to cut rates and that a US recession is likely. We are not as bearish as some but expect the Fed to start easing restrictive conditions with a 50bp rate cut on 18 September, followed by 25bp cuts in November and December. We see the policy rate dropping to 3.50% next summer. This should be broadly bearish for the dollar – though November US elections will be pivotal.
- Our near-term call is that equity markets and volatility settle, allowing EUR/USD to trade over 1.10 as it reconnects with rate spreads. In effect, we are looking for an orderly dollar decline.
- The eurozone economy does not look great, but we are now in a convergence story. 'US exceptionalism' is finally waning.

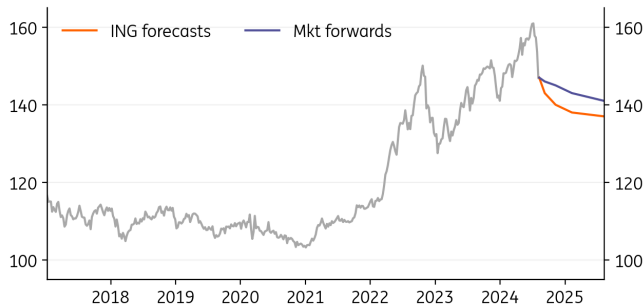
ING forecasts (mkt fwd)	1M 1.12 (1.0933)	3M 1.10 (1.0963)	6M 1.10 (1.1005)	12M 1.10 (1.1080)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## USD/JPY

From a disorderly to orderly decline

**Current spot: 146.99**



Source: Refinitiv, ING forecasts

- Japanese efforts to turn the USD/JPY bull turn around have been a little too successful. They exposed a 'fast money' community that at the start of July had been exceptionally short yen. And as is the case with carry trade strategies, a trend that was years in the making was reversed in a heartbeat. We think positioning is better balanced now and that a further drop will be orderly.
- Our call is that USD/JPY will revert to being driven by macro factors rather than by position adjustment. Lower growth and US rates, plus the Bank of Japan on a path to higher rates (next hike in October) should drag USD/JPY back to the 137/138 area.
- More Trump comments on the [need for a weak dollar](#) are also a risk.

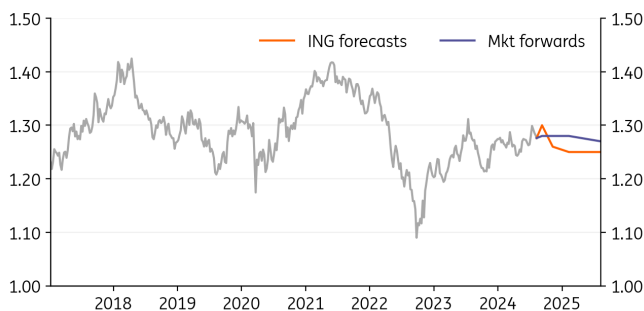
ING forecasts (mkt fwd)	1M 143 (146.25)	3M 140 (145.10)	6M 138 (143.38)	12M 137 (140.68)
-------------------------	-----------------	-----------------	-----------------	------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## GBP/USD

BoE finally pulls the trigger

**Current spot: 1.2760**



Source: Refinitiv, ING forecasts

- It took the Bank of England a while, but in August it finally started its easing cycle. No forward guidance was given – probably owing to the fact that it was only a 5-4 vote in favour of a cut. And the fact that the Chief Economist Huw Pill voted against the dovish Governor Andrew Bailey was notable.
- Yet subsequent speeches suggest that if services inflation can continue to trend lower, more cuts will be forthcoming. We look for 25bp cuts in November and December. This should keep GBP/USD relatively contained and largely sub-1.30.
- Speculators had also been running quite long sterling positions. We think BoE rate cuts can prompt some downsizing here.

ING forecasts (mkt fwd)	1M 1.30 (1.2765)	3M 1.26 (1.2769)	6M 1.25 (1.2766)	12M 1.25 (1.2749)
-------------------------	------------------	------------------	------------------	-------------------

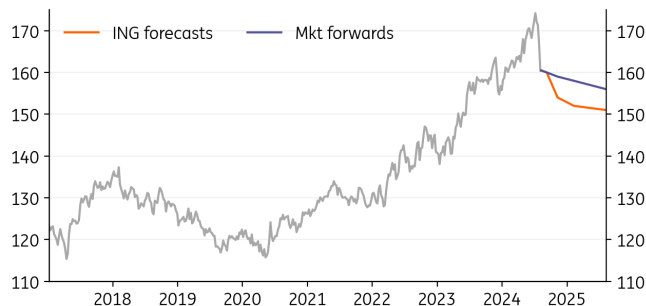
Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)



## EUR/JPY

More downside ahead

Current spot: 160.47



Source: Refinitiv, ING forecasts

- In addition to the BoJ swinging behind the need for a stronger yen, there has been a lot of political pressure as well. The ruling Japanese LDP party hold a leadership election in September and many candidates back a stronger yen to help fight against cost-of-living pressures. Expect to hear more on this subject shortly.
- In the eurozone, growth remains subdued – especially for those economies with larger manufacturing sectors such as Germany. No signs of a turnaround in China look set to keep eurozone growth risks biased towards the downside. We look for two further European Central Bank rate cuts in September and December.
- 165 may now prove the best level for the rest of this year.

ING forecasts (mkt fwd)	1M 160 (159.92)	3M 154 (159.08)	6M 152 (157.78)	12M 151 (155.87)
-------------------------	-----------------	-----------------	-----------------	------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## EUR/GBP

BoE versus ECB policy rate spread to halve

Current spot: 0.8556



Source: Refinitiv, ING forecasts

- The 1 August BoE rate cut and then some sharp position adjustment finally managed to turn the trend in EUR/GBP. Currently, the policy rate spread between the BoE and the ECB is 150bp. We expect this to halve into 2025 and should mean a gently higher EUR/GBP.
- In the UK, the 30 October budget from the new Labour government will be important. This could be restrictive and hit sterling with a tighter fiscal/looser monetary policy mix.
- The euro could have a rocky October too. Many governments across the region need to get budget consolidation plans into Brussels. Failure to do so could lead to bond market stress.

ING forecasts (mkt fwd)	1M 0.86 (0.8565)	3M 0.87 (0.8586)	6M 0.88 (0.8620)	12M 0.88 (0.8691)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## EUR/CHF

Spread compression to weigh

Current spot: 0.9446



Source: Refinitiv, ING forecasts

- It looks like G10 policy rates (ex-Japan) are going lower. We are looking for at least another 125bp of ECB easing into next summer, if not 175bp. Switzerland is closer to the zero-bound constraint, however, and markets are reluctant to price the Swiss National Bank policy rate below 0.50% - just 75bp lower from current levels. Spread compression could therefore weigh on EUR/CHF into 2025.
- We also think the SNB pays close attention to the real CHF. At the end of July, it was still some 4% off the highest levels seen in January 2024 and suggests the SNB may not emerge with strong verbal intervention until EUR/CHF is closer to the 0.91 area.
- Geopolitics also means EUR/CHF will struggle to stay above 0.95.

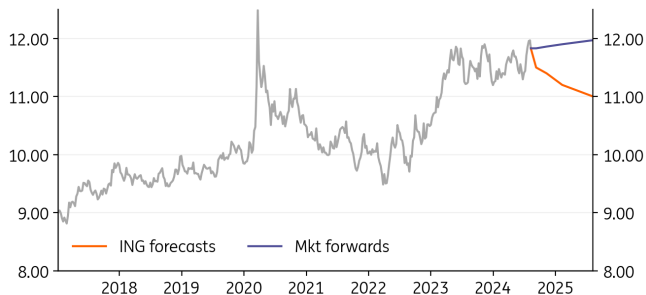
ING forecasts (mkt fwd)	1M 0.93 (0.9425)	3M 0.93 (0.9384)	6M 0.94 (0.9326)	12M 0.95 (0.9235)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## EUR/NOK

Don't lose hope on the krone

Current spot: 11.83



Source: Refinitiv, ING forecasts

- The demise of the Norwegian krone over the past month is a symptom of its low liquidity and very elevated beta to risk sentiment. But rate spreads and fundamentals incontestably indicate the path forward is towards 11.0 and not towards 12.0.
- Even if we stay positive on a medium-term NOK recovery, the risk of new selloffs remains elevated. US data, Fed hawkish surprises, and the US election are all potential triggers.
- Norges Bank will, in our view, delay a dovish turn and, ultimately, policy easing as long as possible to support NOK. If we are right with our Fed and risk sentiment calls, the krone can enjoy a nice rally before the US election.

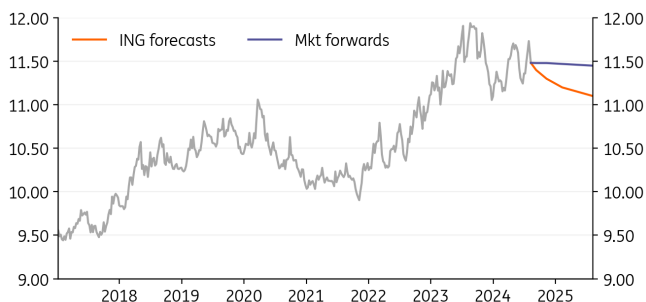
ING forecasts (mkt fwd)	1M 11.50 (11.83)	3M 11.40 (11.86)	6M 11.20 (11.90)	12M 11.00 (11.97)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, franceso.pesole@ing.com

## EUR/SEK

Riksbank cuts are all priced in

Current spot: 11.48



Source: Refinitiv, ING forecasts

- The recovery of the krona after July's selloff should allow the Riksbank to carry on with one cut per policy meeting this year. Markets are pricing in exactly that (100bp by year-end) meaning SEK's short-term swap rates should not fall much further.
- If anything, there is a risk that inflation disappointments in the eurozone prolong the ECB pause and lead the RB to deliver only 75bp this year. Also, Swedish inflation can be quite volatile and may cause a slowdown in the easing cycle.
- We expect a weaker EUR/SEK on the back of improved risk sentiment, but the pair should find more support compared to EUR/NOK on the back of SEK's deteriorated rate profile.

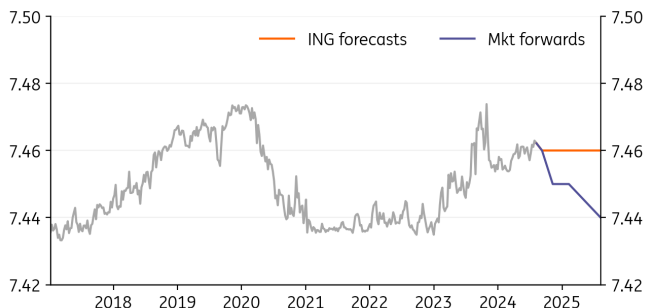
ING forecasts (mkt fwd)	1M 11.40 (11.48)	3M 11.30 (11.48)	6M 11.20 (11.47)	12M 11.10 (11.45)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, franceso.pesole@ing.com

## EUR/DKK

Trading at the highs

Current spot: 7.4621



Source: Refinitiv, ING forecasts

- EUR/DKK is trading around nine-month highs (7.462), but remains comfortably close to the 7.460 central peg level.
- Danmarks Nationalbank hasn't intervened in the FX market since January 2023 and the stability in EUR/DKK suggests no action will be needed in the near term.
- DN will most likely follow the ECB in its forthcoming moves, which include two 25bp cuts by year-end, in our view. We remain confident with our projection for a stable EUR/DKK around 7.46.

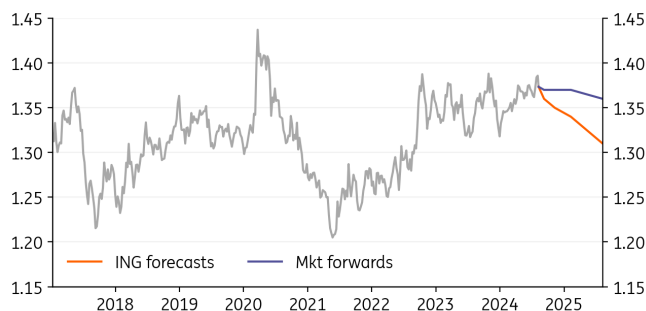
ING forecasts (mkt fwd)	1M 7.46 (7.4597)	3M 7.46 (7.4549)	6M 7.46 (7.4481)	12M 7.46 (7.4365)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, franceso.pesole@ing.com

## USD/CAD

BoC easing should not stop

Current spot: 1.3735



Source: Refinitiv, ING forecasts

- The loonie is the “safe-haven” among high-beta currencies, meaning it suffers less during risk-off periods but tends to underperform in broad-based USD declines, especially if driven by worsening US macro news.
- Incidentally, the Bank of Canada has continued to cut rates in line with our call. With the Fed now expected to cut 100bp by year-end, the BoC may cut 25bp at each of the last three meetings of 2024. After all, the CPI picture has improved dramatically in Canada while the jobs market has loosened.
- We retain a gradual downward-sloping profile for USD/CAD in line with the broader USD call and as BoC cuts are fully priced in. Also, CAD is in a fundamentally safer position compared to almost any other pro-cyclical currency in a Trump 2.0 scenario.

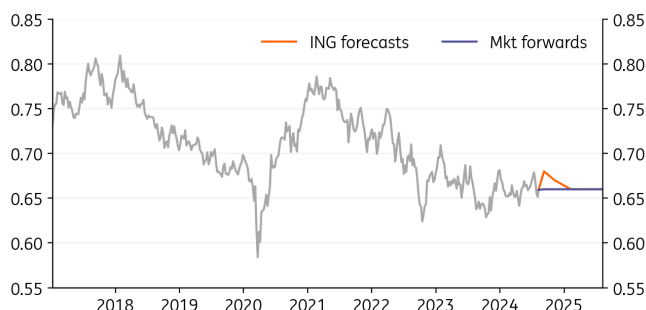
ING forecasts (mkt fwd)	1M 1.36 (1.3723)	3M 1.35 (1.3698)	6M 1.34 (1.3670)	12M 1.31 (1.3628)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

## AUD/USD

A rally is still on the cards

Current spot: 0.6593



Source: Refinitiv, ING forecasts

- The AUD OIS curve still includes one rate cut by year-end. That is surely possible if Australian inflation eases and the Fed cuts big, but for now, the Reserve Bank of Australia is maintaining the threat of raising rates. It is one of the reasons why the Aussie dollar can perform well in the near term.
- The RBA should have tightened policy more, and we still cannot exclude that there will be another hike if we see more acceleration in monthly CPI prints.
- All of that means AUD may remain one of the market’s favourite currencies to play risk-on waves this summer, and 0.68 still looks within reach. However, the risks associated with a potential Trump re-election mean a less optimistic outlook over the medium term.

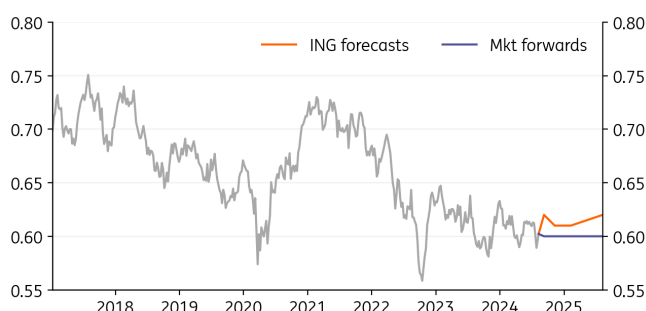
ING forecasts (mkt fwd)	1M 0.68 (0.6599)	3M 0.67 (0.6607)	6M 0.66 (0.6611)	12M 0.66 (0.6607)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

## NZD/USD

RBNZ may not jump the gun

Current spot: 0.6022



Source: Refinitiv, ING forecasts

- An August Reserve Bank of New Zealand rate cut looks like a 50-50 event. The RBNZ turned dovish in July, but non-tradable CPI, employment growth and wage inflation were all above the May projections for 2Q.
- We narrowly favour a hold in August but see a greater chance that the RBNZ will cut 50bp in October, after the Fed has moved first. Ultimately, with over 90bp of easing priced in by year-end, the difference between a hawkish cut and a dovish hold may not be huge: we still think easing bets can be trimmed by year-end.
- We remain bullish on NZD/USD in the near term. A move above 0.61 is a tangible possibility ahead of a 50bp rate cut by the Fed in September and thanks to risk sentiment stabilisation.

ING forecasts (mkt fwd)	1M 0.62 (0.6023)	3M 0.61 (0.6022)	6M 0.61 (0.6020)	12M 0.62 (0.6020)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

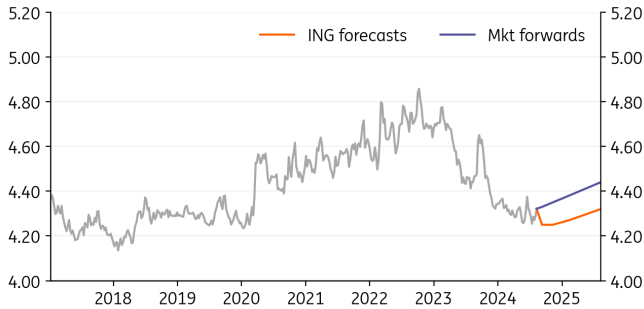


# Emerging markets

## EUR/PLN

Hoping for PLN recovery before the US election

**Current spot: 4.3217**



Source: Refinitiv, ING forecasts

- EUR/PLN has been moving away from this year's lows of 4.25 since mid-July, largely owing to unsupportive global sentiment. The zloty proved relatively resilient though, likely due to low PLN speculative positioning since the emerging market selloff in June.
- The local fundamentals call for EUR/PLN to retest this year's lows in August / early September. The hawkish stance by the National Bank of Poland, driven by rising headline CPI, differs with central banks in developed markets, which are moving to decisive monetary easing in the remainder of 2024.
- Geopolitics is a risk for the zloty in 4Q24, i.e. the US election. This risk has been partially diminished by the recent turnaround in US polls. However, the market has already started to price political risk into the zloty, so there may not necessarily be a much bigger increase in EUR/PLN in 4Q24 than currently observed.

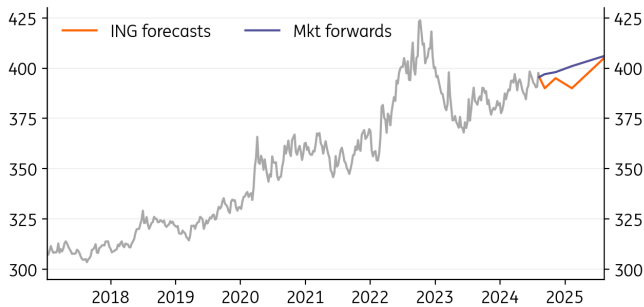
<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 4.25 (4.3294)	<b>3M</b> 4.25 (4.3469)	<b>6M</b> 4.27 (4.3786)	<b>12M</b> 4.32 (4.4398)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Piotr Poplawski, piotr.poplawski@ing.pl

## EUR/HUF

Forint stability remains focus of monetary policy

**Current spot: 395.56**



Source: Refinitiv, ING forecasts

- Positioning in the HUF FX market was neutral in mid-July, according to NBH statistics. This was a fortunate situation given the global turmoil caused by 'manic Monday' on 5 August.
- The recent weakness of the forint is more likely a result of domestic factors, namely the significant downshift in the Hungarian interest rate path after the July rate-setting meeting.
- The central bank remains wary of FX movements, especially in the case of a non-linear reaction. In this respect, a breach of the psychologically important 400 EUR/HUF level is a clear risk event. A tug-of-war between HUF vs rate cut expectations should keep FX within a rather narrow range (388-400) for the rest of the year.

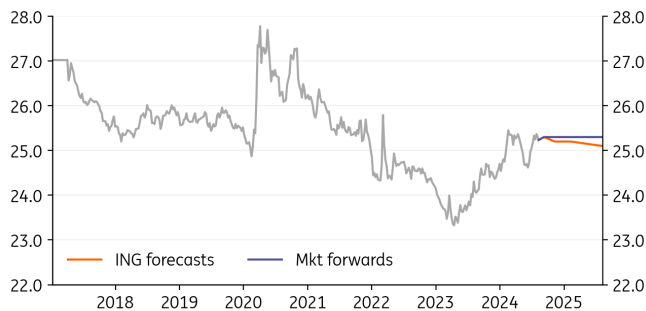
<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 390 (396.54)	<b>3M</b> 395 (398.47)	<b>6M</b> 390 (401.05)	<b>12M</b> 405 (406.35)
--------------------------------	------------------------	------------------------	------------------------	-------------------------

Péter Virovác, peter.virovacz@ing.com

## EUR/CZK

Market doesn't fully accept CNB's view of rates

Current spot: 25.23



Source: Refinitiv, ING forecasts

- The Czech koruna has recovered after the soft 25bp cut in early August and hawkish comments from Czech policymakers. Moreover, the CNB's new Summer Forecast has shown an upward revision in the policy rate trajectory on the whole projection horizon, which is expected to further support the Czech currency.
- Czech growth prospects have worsened, according to hard and soft data. We consider it difficult for real growth to accelerate to 2.8% next year when real rates remain above 2% for the next four quarters, as forecast by the Czech National Bank. Doubts about elevated rates & lukewarm economic performance should keep EUR/CZK above 25.
- Conversely, potential rate reductions from the Fed and ECB in the coming months would enhance the appeal of the koruna. A more pronounced appreciation of the Czech currency becomes a distinct possibility in such a scenario.

ING forecasts (mkt fwd)	1M 25.3 (25.25)	3M 25.2 (25.28)	6M 25.2 (25.28)	12M 25.1 (25.34)
-------------------------	-----------------	-----------------	-----------------	------------------

David Havrlant, David.havrlant@ing.com

## EUR/RON

4.98 remains the end of the range

Current spot: 4.9771



Source: Refinitiv, ING forecasts

- EUR/RON remained stable just below 4.98. Somewhat increased turnover as the pair approached this level can be indicative of official offers. So far, there have been no cracks in the 4.98 resistance and we continue to think that FX depreciation is unlikely to be on the table in the short run.
- With the National Bank of Romania cutting rates twice over the summer and carry levels below the new 5.50% deposit facility, we could see a small uptick in the upside pressure on the pair. This might even be welcomed by the NBR as it could offer the opportunity to reduce some of the abundant surplus liquidity in the local banking system.
- All told, the chances of crossing the 5.00 level in the short term are still slim, we think.

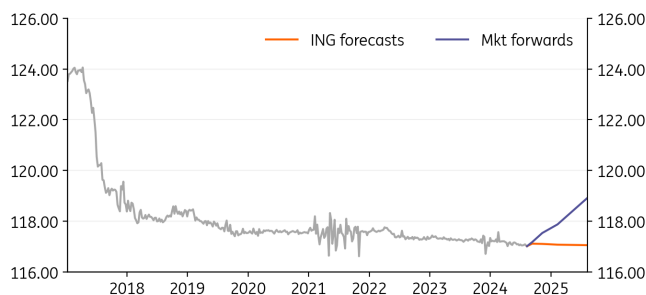
ING forecasts (mkt fwd)	1M 4.98 (4.9844)	3M 4.98 (4.9989)	6M 4.98 (5.0270)	12M 5.04 (5.0807)
-------------------------	------------------	------------------	------------------	-------------------

Valentin Tataru, valentin.tataru@ing.com

## EUR/RSD

Tightly managed floating

Current spot: 117.01



Source: Refinitiv, ING forecasts

- EUR/RSD remained very stable close to the 117.00 level, greatly helped by the National Bank of Serbia's massive EUR695 intervention in June to buy euro. This was the largest monthly purchase since June 2019.
- The FX intervention pushed the FX reserves of the NBS to a record high of EUR27.5bn at the end of June. This is likely to offer comfort to the NBS to move further with rate cuts. We have revised our year-end policy rate to 5.50% from 6.00%.
- In essence, we expect a pretty flat profile for the pair, with the capital inflows' impact on the currency likely to remain muted through official intervention.

ING forecasts (mkt fwd)	1M 117.11 (117.17)	3M 117.10 (117.53)	6M 117.07 (117.87)	12M 117.05 (118.92)
-------------------------	--------------------	--------------------	--------------------	---------------------

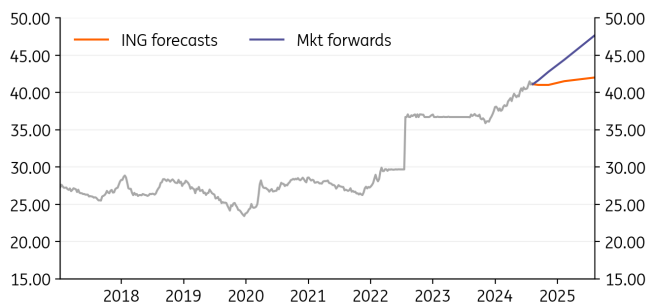
Valentin Tataru, valentin.tataru@ing.com



## USD/UAH

UAH gains likely over, medium term risks remain

Current spot: 41.09



Source: Refinitiv, ING forecasts

- The hryvnia managed to recover some of the early July losses in recent weeks, but we do not see much scope for further gains. Global sentiment remains unsupportive to EM and the US presidential elections may prove an additional risk, as Trump's stance on Russian aggression is a major unknown. Assuring continued foreign aid has already proven challenging this year.
- Medium term fundamentals behind the currency remain unfavourable as the Russian war continues. Easing delivered by the National Bank of Ukraine since mid-2023 suggests that the central bank is not overly focused on stabilising the hryvnia, as long as inflation is under control. We do not expect the massive current account deficit to improve any time soon.

ING forecasts (mkt fwd)	1M 41.00 (41.60)	3M 41.00 (42.77)	6M 41.50 (44.37)	12M 42.00 (47.69)
-------------------------	------------------	------------------	------------------	-------------------

Piotr Poplawski, piotr.poplawski@ing.pl

## USD/KZT

In search of temporary support

Current spot: 477.12



Source: Refinitiv, ING forecasts

- Kazakhstan's tenge ended last month at 475 to \$1, in line with our expectations, but the intra-month performance was volatile in a 475-480 range, and given the recent volatility on the global market it is likely to remain that way in the near-term.
- In July, the National Bank of Kazakhstan cut the key rate by 25bp amid a slowdown in CPI, in line with expectations, as well as previous national and regional trends. In terms of real rates, this move shouldn't lower Kazakhstan's competitiveness vs. peers.
- We continue to expect KZT to remain driven primarily by the FX sales out of NFRK, the sovereign wealth fund. The likely increase in such sales from \$420m in June to \$500-600m in July and August should limit the depreciation pressure, but our longer-term bearish view remains.

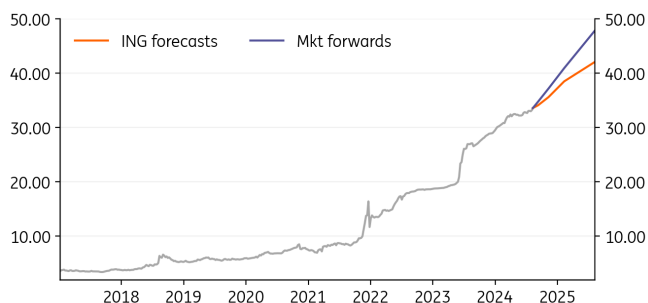
ING forecasts (mkt fwd)	1M 475 (480.64)	3M 480 (487.32)	6M 480 (497.41)	12M 485 (516.54)
-------------------------	-----------------	-----------------	-----------------	------------------

Dmitry Dolgin, dmitry.dolgin@ingbank.com

## USD/TRY

Inflation path and CBT policy in focus

Current spot: 33.58



Source: Refinitiv, ING forecasts

- The Central Bank of Turkey's FX reserves have continued to rise, driven by sharp reverse currency substitution among residents and foreign inflows. The bank has also terminated the deposit transaction of US\$5bn carried out with the Saudi Fund for Development. External liabilities have recently improved by approximately US\$7bn through the reduction of deposit balances, though swaps with global central banks remain flat.
- The unwinding of FX-protected lira deposit accounts will likely accelerate in coming weeks given i) a reduction in the maximum interest rate for these accounts from 40% to 35% and ii) the removal of tax incentives on this product for corporates and individuals.
- While these developments indicate continued de-dollarisation in the economy, the recent shift in the global environment could lead to volatility in the near term. The inflation path and inflation expectations will remain the focus, while the CBT is likely to continue with macro prudential measures, if needed.

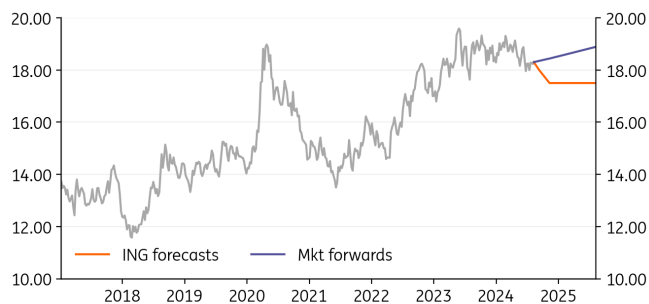
ING forecasts (mkt fwd)	1M 34.10 (34.77)	3M 35.60 (37.18)	6M 38.50 (40.93)	12M 42.10 (47.89)
-------------------------	------------------	------------------	------------------	-------------------

Muhammet Mercan, muhammet.mercan@ing.com.tr

## USD/ZAR

Underweight positions in South Africa have helped

Current spot: 18.30



Source: Refinitiv, ING forecasts

- Unlike for many high yield emerging currencies, late July and early August did not prove too painful for the rand. That probably was a function of global investors running underweight positions in South Africa into the May/June election period.
- Now that the dust is settling on South African politics, the investment mood is a little positive. The national unity government now has a substantial majority in parliament and the hope is that the junior member (DA) can nudge the ANC towards some more market-friendly policy.
- Real rates near 3% can keep the rand relatively supported and 17.50 levels could be on the cards if Fed Funds are cut to 3.50%.

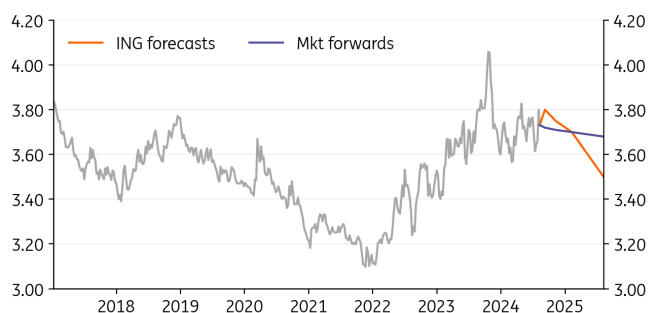
ING forecasts (mkt fwd)	1M 18.00 (18.35)	3M 17.50 (18.44)	6M 17.50 (18.59)	12M 17.50 (18.89)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## USD/ILS

Risk premium to stay in the shekel

Current spot: 3.7314



Source: Refinitiv, ING forecasts

- Our bias towards a weaker dollar into and through September may not help the shekel that much. That is because investors are likely to keep a risk premium on Israel amid fears of a response from Hezbollah/Iran to the recent (presumed) Israeli attacks in Beirut and Tehran. In its working assumptions, the Bank of Israel expects the war to continue at its same intensity through the rest of 2024 and only to subside early next year.
- In terms of the macro story, growth forecasts are being lowered, while it sounds like inflation is heading in the wrong direction and rate cuts are not on the table this year.
- The possibility of tighter fiscal policy as well (budget deficit to be cut to 4% from 6.6% of GDP this year) sounds shekel negative.

ING forecasts (mkt fwd)	1M 3.80 (3.7235)	3M 3.75 (3.7123)	6M 3.70 (3.6973)	12M 3.50 (3.6751)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)



# LATAM

## USD/BRL

### High-rate economy may cause fiscal trouble

**Current spot: 5.5476**



Source: Refinitiv, ING forecasts

- The Brazilian real has been hit nowhere near as hard as Mexico's peso during the recent bout of deleveraging. Yet USD/BRL still touched a three-year high at 5.80. Lower US interest rates later this year should provide some support to BRL, but we remain worried by the domestic story. High rates may hit fiscal accounts.
- In particular, it looks like Brazil's easing cycle is over with the selic rate at 10.50%. The market now prices rate hikes to 11% by year-end and up to 12% into next summer. The government is facing refinancing costs at 12% at a time of fiscal concern.
- In late August we should hear what the government plans to do to hit its fiscal targets. This is a negative event risk for the BRL.

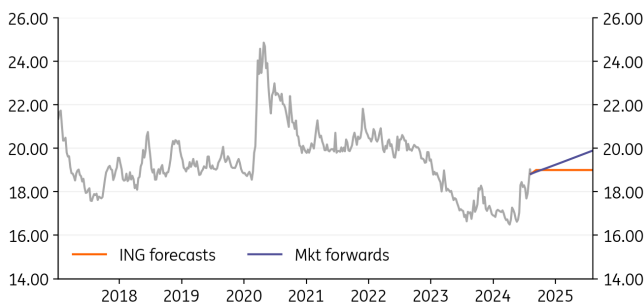
<b>ING forecasts (mkt fwd)</b>	<b>1M 5.60 (5.5700)</b>	<b>3M 5.50 (5.6086)</b>	<b>6M 5.50 (5.6723)</b>	<b>12M 5.50 (5.8430)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## USD/MXN

### Peso not as attractive as it was

**Current spot: 18.82**



Source: Refinitiv, ING forecasts

- It looks like the spike higher to 20.21 on 5 August marks an important top and represented 'capitulation' by many investors as the yen surged and equities sold off. However, we are not yet comfortable about forecasting a sustained move under 18.50 given event risks over coming months. The first is political risk, where Mexico's new parliament will consider constitutional reforms in September. Will these be watered down?
- November US presidential elections also raise the threat of new tariffs on Mexico from any new Trump administration.
- If the Fed cuts as we expect (to 3.50% next summer) Banxico should be able to cut rates to the 9.00% area from 10.75% today.

<b>ING forecasts (mkt fwd)</b>	<b>1M 19.00 (18.92)</b>	<b>3M 19.00 (19.09)</b>	<b>6M 19.00 (19.36)</b>	<b>12M 19.00 (19.90)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## USD/CLP

### Copper taking its toll

**Current spot: 935.50**



Source: Refinitiv, ING forecasts

- Chile has a strong sovereign credit rating, but we see the currency dragged around by its largest export – copper. As discussed previously, the glut of Chinese finished copper is weighing on copper demand globally. At current levels of copper (\$8700/MT) USD/CLP looks fairly priced at 950. An extension in the copper sell-off could drag USD/CLP towards 1000.
- In July, Chile's central bank refrained from cutting rates another 25bp to 5.50%. However, it sounded like it wants to cut and the market prices 4.75% next year. Chile's real rates are quite low.
- Growing fears of US recession are not great for copper. And despite lower US rates/softer dollar, we see CLP staying subdued.

<b>ING forecasts (mkt fwd)</b>	<b>1M 950 (935.80)</b>	<b>3M 950 (936.51)</b>	<b>6M 950 (938.00)</b>	<b>12M 950 (942.55)</b>
--------------------------------	------------------------	------------------------	------------------------	-------------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

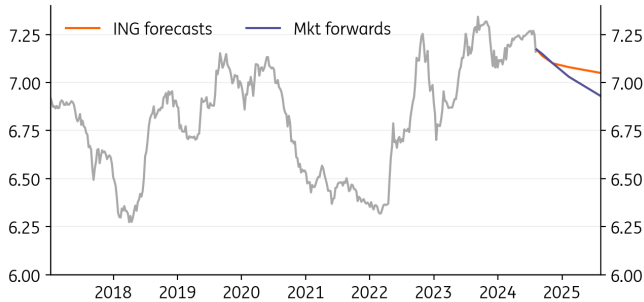


# Asia

## USD/CNY

Near-term weakness ahead of monetary policy moves

Current spot: 7.1719



Source: Refinitiv, ING forecasts

- The unwinding of carry trades caused some volatility for the Chinese yuan over the past month. USD/CNY moved sharply lower to as low as 7.12 at one point before rebounding to 7.18.
- China-specific factors are more balanced toward CNY depreciation given weak growth, capital outflows and potential easing by the People's Bank of China, but appear to be outweighed by external factors.
- Yield spreads and PBoC fixing remain the two major factors for the CNY price. Yield spreads will move more in favour of the CNY once the Fed cuts get underway but will still take some time before the inversion is over. PBoC fixing continues to resist rapid movements in either direction.

ING forecasts (mkt fwd)	1M 7.14 (7.1463)	3M 7.10 (7.0968)	6M 7.08 (7.0313)	12M 7.05 (6.9276)
-------------------------	------------------	------------------	------------------	-------------------

Lynn Song, [lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

## USD/KRW

KRW is likely to remain volatile in the short term

Current spot: 1364.51



Source: Refinitiv, ING forecasts

- The usual positive correlation between the Korean won and the KOSPI has broken down so far this year. The tech-led export recovery is prominent, but not a dominant factor in KRW movements.
- Volatility will remain for the time being, but the KRW will welcome any rate cuts from the Fed while the Bank of Korea may delay its cuts from October due to a rebound in home prices and in household debt.
- As long as there are no clear signs of a recession in the US, the KRW will show further strength. But uncertainty over US politics and policies will limit further gains in the KRW below 1300 level.

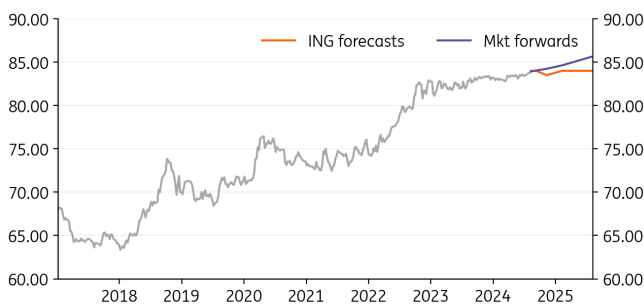
ING forecasts (mkt fwd)	1M 1350 (1361.84)	3M 1320 (1356.84)	6M 1300 (1349.29)	12M 1300 (1338.79)
-------------------------	-------------------	-------------------	-------------------	--------------------

Min Joo Kang, [min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

## USD/INR

RBI gearing up to cut

Current spot: 83.95



Source: Refinitiv, ING forecasts

- The Indian rupee has been virtually oblivious to recent market turmoil, staying firm when all other Asian currencies were slumping, and weakening as the rest recovered. This could reflect some reserve building by the Reserve Bank of India, but reserves weren't in bad shape before, so it really isn't clear what is going on.
- The RBI left rates on hold at its 8 August meeting. But there are increasing signs that it is gearing up to ease.
- Inflation remains broadly stable aside from seasonal food price fluctuations, so there isn't much to stop them cutting at coming meetings since real policy rates are very high.

ING forecasts (mkt fwd)	1M 84.00 (84.03)	3M 83.50 (84.23)	6M 84.00 (84.63)	12M 84.00 (85.67)
-------------------------	------------------	------------------	------------------	-------------------

Rob Carnell, [robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)



## USD/IDR

### IDR gains as global rates outlook shifts

**Current spot: 15925**



Source: Refinitiv, ING forecasts

- The Indonesian rupiah is up about a percent and a half so far this month, which encompasses all the US payrolls-related turmoil. That puts it at the top end of the Asia pack, just behind the Malaysian ringgit which is up 2.4% over the same period.
- The IDR had been one of the weaker currencies in the first half of the year, and so this could simply reflect a bit of catch up.
- With inflation still respectably low, and the external rates outlook getting increasingly dovish, Bank Indonesia may follow its regional peers by trimming its high policy rates, but we expect them to be cautious and lag behind others.

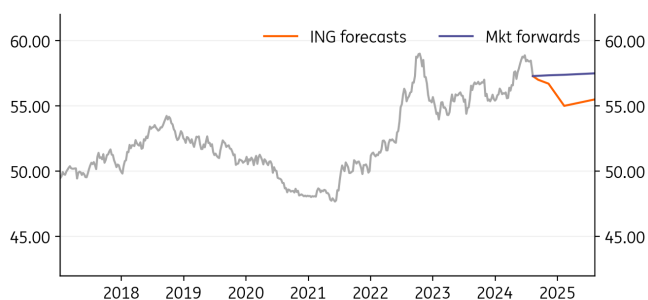
<b>ING forecasts (mkt fwd)</b>	<b>1M 15850 (15939)</b>	<b>3M 15500 (15972)</b>	<b>6M 15250 (16035)</b>	<b>12M 15000 (16188)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

**Rob Carnell, robert.carnell@asia.ing.com**

## USD/PHP

### Higher inflation dampens rate cut prospects

**Current spot: 57.28**



Source: Refinitiv, ING forecasts

- The Philippine peso has made decent gains in August so far, just lagging behind the IDR. As well as the general global rates and FX outlook, the PHP has benefited from a dampening of local rate cut expectations after higher-than-expected July inflation.
- There could be an additional boost to the PHP from reports that the Philippines is in talks to rejoin the JPMorgan EM bond index.
- So far this year, the PHP has had one of the strongest coefficients with respect to changes in the Japanese yen, so we might anticipate further JPY gains to pull the PHP along faster than some of its regional peers.

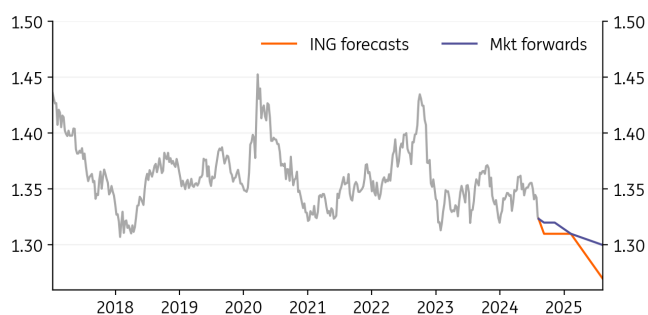
<b>ING forecasts (mkt fwd)</b>	<b>1M 57.00 (57.30)</b>	<b>3M 56.70 (57.34)</b>	<b>6M 55.00 (57.38)</b>	<b>12M 55.50 (57.49)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

**Rob Carnell, robert.carnell@asia.ing.com**

## USD/SGD

### MAS could follow regional peers later in the year

**Current spot: 1.3234**



Source: Refinitiv, ING forecasts

- As you might expect, the Singapore dollar has been an upper mid-table performer in the Asian FX league in the month-to-date.
- Not a great deal has changed for the Singapore macroeconomy in recent weeks. The activity data remains a bit soft, and inflation has inched slightly lower, but remains around 3% year-on-year on a core basis, even if the headline rate has dropped to 2.4%.
- The latest meeting of the Monetary Authority of Singapore left all parameters of the SGD Nominal Effective Exchange Rate target unchanged, but there is a chance that we could see some shift in October, especially if other regional central banks are beginning to trim.

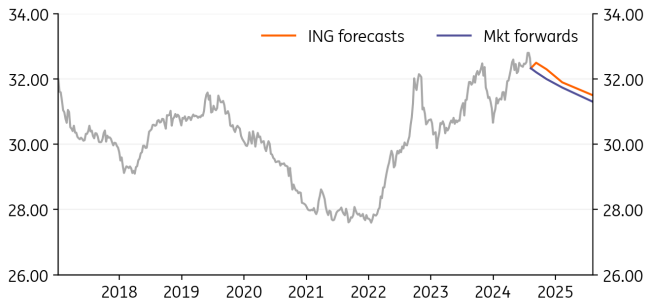
<b>ING forecasts (mkt fwd)</b>	<b>1M 1.31 (1.3215)</b>	<b>3M 1.31 (1.3177)</b>	<b>6M 1.31 (1.3120)</b>	<b>12M 1.27 (1.3025)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

**Rob Carnell, robert.carnell@asia.ing.com**

## USD/TWD

Net inflows have driven the appreciation

**Current spot: 32.33**



Source: Refinitiv, ING forecasts

- The Taiwan dollar moved a little weaker over the past month, with USD/TWD inching up to around 32.9 before pulling back to around 32.7. As expected, the dividend payment season in July and August contributed to depreciation pressure.
- The pullback of the Taiex led to foreign fund flows shifting to net outflows over the past month, contributing to depreciation pressure on the Taiwan dollar.
- US rate cuts should move the yield spread to provide some reprieve for the TWD, and the TWD should move generally stronger over the medium term. The US elections represent a window of risk worth monitoring in November.

<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 32.50 (32.21)	<b>3M</b> 32.30 (32.00)	<b>6M</b> 31.90 (31.74)	<b>12M</b> 31.50 (31.30)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Lynn Song, [lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

**ING foreign exchange forecasts**

EUR cross rates	Spot	1M	3M	6M	12M	USD cross rates	Spot	1M	3M	6M	12M
<b>Developed FX</b>											
EUR/USD	1.09	1.12	1.10	1.10	1.10						
EUR/JPY	160.6	160	154	152	151	USD/JPY	147.15	143	140	138	137
EUR/GBP	0.86	0.86	0.87	0.88	0.88	GBP/USD	1.28	1.30	1.26	1.25	1.25
EUR/CHF	0.94	0.93	0.93	0.94	0.95	USD/CHF	0.87	0.83	0.85	0.85	0.86
EUR/NOK	11.82	11.50	11.40	11.20	11.00	USD/NOK	10.83	10.27	10.36	10.18	10.00
EUR/SEK	11.48	11.40	11.30	11.20	11.10	USD/SEK	10.52	10.18	10.27	10.18	10.09
EUR/DKK	7.462	7.460	7.460	7.460	7.460	USD/DKK	6.84	6.66	6.78	6.78	6.78
EUR/CAD	1.50	1.52	1.49	1.47	1.44	USD/CAD	1.373	1.36	1.35	1.34	1.31
EUR/AUD	1.66	1.65	1.64	1.67	1.67	AUD/USD	0.66	0.68	0.67	0.66	0.66
EUR/NZD	1.81	1.81	1.80	1.80	1.77	NZD/USD	0.60	0.62	0.61	0.61	0.62
<b>EMEA</b>											
EUR/PLN	4.32	4.25	4.25	4.27	4.32	USD/PLN	3.96	3.79	3.86	3.88	3.93
EUR/HUF	395.5	390.00	395.00	390.00	405.00	USD/HUF	362.3	348	359	355	368
EUR/CZK	25.22	25.3	25.3	25.2	25.1	USD/CZK	23.10	22.6	23.0	22.9	22.8
EUR/RON	4.98	4.98	4.98	4.98	5.04	USD/RON	4.56	4.45	4.53	4.53	4.58
EUR/RSD	117.0	117.1	117.1	117.1	117.1	USD/RSD	107.2	104.6	106.5	106.4	106.4
EUR/UAH	44.87	45.9	45.1	45.7	46.2	USD/UAH	41.10	41.00	41.00	41.50	42.00
EUR/KZT	520.7	532.0	528.0	528.0	533.5	USD/KZT	476.8	475	480	480	485
EUR/TRY	36.54	38.19	39.16	42.35	46.31	USD/TRY	33.48	34.10	35.60	38.50	42.10
EUR/ZAR	19.99	20.2	19.3	19.3	19.3	USD/ZAR	18.31	18.00	17.50	17.50	17.50
EUR/ILS	4.07	4.26	4.13	4.07	3.85	USD/ILS	3.73	3.80	3.75	3.70	3.50
<b>LATAM</b>											
EUR/BRL	6.06	6.27	6.05	6.05	6.05	USD/BRL	5.55	5.60	5.50	5.50	5.50
EUR/MXN	20.51	21.3	20.9	20.9	20.9	USD/MXN	18.80	19.00	19.00	19.00	19.00
EUR/CLP	1021.15	1064	1045	1045	1045	USD/CLP	935.50	950	950	950	950
<b>Asia</b>											
EUR/CNY	7.83	8.00	7.81	7.79	7.76	USD/CNY	7.17	7.14	7.10	7.08	7.05
EUR/IDR	17353	17752	17050	16775	16500	USD/IDR	15925	15850	15500	15250	15000
EUR/INR	91.62	94.1	91.9	92.4	92.4	USD/INR	83.94	84.00	83.50	84.00	84.00
EUR/KRW	1490.53	1512	1452	1430	1430	USD/KRW	1365.45	1350	1320	1300	1300
EUR/PHP	62.52	63.8	62.4	60.5	61.1	USD/PHP	57.28	57.0	56.7	55.0	55.5
EUR/SGD	1.44	1.47	1.45	1.44	1.40	USD/SGD	1.32	1.31	1.32	1.31	1.27
EUR/TWD	35.36	36.4	35.5	35.1	34.7	USD/TWD	32.39	32.5	32.3	31.9	31.5

Source: Refinitiv, ING

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“**ING**”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies). The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is deemed authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. The nature and extent of consumer protections may differ from those for firms based in the UK. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <https://www.ing.com>.