THINK Economic and Financial Analysis

May 2026

FX Talking

Weatherproof markets

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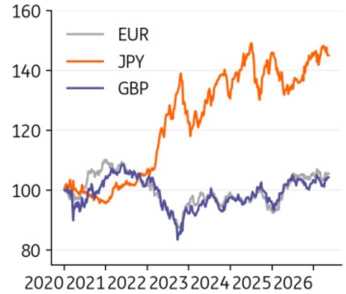
FX Talking

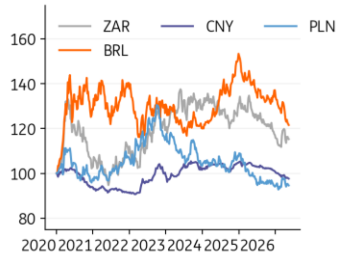
Weatherproof markets

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

Unlike the old market adage of 'sell in May and go away', it looks like investors will be heading off to the beach this summer overweight risk assets. This is largely being driven by the AI super-cycle and a view that both the US and Iran want a near term peace deal. The risk over the next couple of months, however, is that the fallout from this year's stagflationary shock lands in financial markets and the dollar stays stronger for longer.

With inflationary pressure set to intensify over the next quarter, currency trends will continue to be driven by the central bank reaction function. The G10 winners are proving and will continue to prove the currencies of Norway and Australia, buoyed by high rates and a good export mix. Underperformers will be those currencies with negative real rates and on the wrong side of the commodity ledger – notably the Japanese yen.

The dollar has delivered a middling performance so far but could enjoy some short-term gains as the market temporarily prices a Federal Reserve tightening cycle. Even though we expect a European Central Bank hike in June, EUR/USD could test the 1.15 region again as US inflation picks up at a time of stable US activity. But the house call of the US economy slowing this year, a risk premium re-emerging ahead of November midterms and a Fed cut in December means that we retain a 1.20 EUR/USD forecast for year-end.

Elsewhere, sterling faces a long hot summer of political risk, which could add to an already vulnerable picture. Talking of politics, we expect demand for Hungarian assets to remain strong after recent elections and also see the Czech koruna as a good store of value in Central and Eastern Europe. In Asia, the North-South FX divide is expected to continue and in Latin America, we think Brazil's high implied yields can keep the real strong despite local politics.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.17	→	159	↑	1.34	→
3M	1.18	↑	158	↑	1.34	→
6M	1.20	↑	155	↓	1.36	↑
12M	1.20	↑	152	↓	1.35	↑
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.87	→	24.30	↓	4.25	→
3M	0.88	↑	24.30	↓	4.24	↓
6M	0.88	→	24.20	↓	4.22	↓
12M	0.89	→	24.10	↓	4.25	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	6.78	↓	17.25	↓	5.00	↓
3M	6.75	↓	17.50	→	4.90	↓
6M	6.72	↓	17.50	↓	4.75	↓
12M	6.68	↑	17.25	↓	4.50	↓

↑ / → / ↓ 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	-1.4	-0.2	0.2	-2.8	0.4	-0.2
%YoY	4.2	8.8	3.6	-6.4	11.7	-1.6
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	-0.1	1.8	-1.1	0.2	1.7	-0.1
%YoY	-5.6	6.9	-10.7	-0.5	-7.9	-12.1

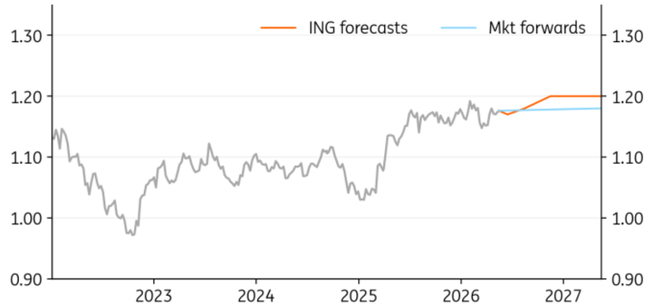
Source: Refinitiv, ING forecast

Developed markets

EUR/USD

Bracing for the bad news

Current spot: 1.1645



Source: Refinitiv, ING forecasts

- Risk assets and currency markets have shown remarkable resilience to the energy shock. And arguably the dollar should be trading stronger based on US energy independence, surging AI-driven investment and a less dovish sounding Fed. Those positives could well build over coming months as inflation ripples around the world and stagflation hits the eurozone.
- We cannot rule out EUR/USD trading down to 1.15 again over coming months, but this is not 2022. Natural gas prices are more contained and a June hike from the ECB should help EUR.
- Risk premia going back into the USD ahead of November Mid-terms and a Fed cut in December should bring EUR/USD to 1.20.

ING forecasts (mkt fwd)	1M 1.17 (1.1664)	3M 1.18 (1.1691)	6M 1.20 (1.1729)	12M 1.20 (1.1800)

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USD/JPY

The start of a long intervention campaign

Current spot: 158.41

Source: Refinitiv, ING forecasts

- It looks like the Bank of Japan sold around $70bn in FX intervention in late April/early May. 160 once again seems to be the line in the sand. However, FX intervention will likely prove less effective than in 2024 ($100bn sold) because: real interest rates are negative in Japan, speculators are far less short the yen and the Fed is not about to cut interest rates.
- We suspect this is the start of a long campaign to keep a lid on USD/JPY near 160. A BoJ rate hike to 1% in June, coupled with a signal of further tightening, would be supportive.
- USD/JPY only turns decisively lower when the dollar is ready to turn – and that looks like a second half 2026 story at the earliest.

ING forecasts (mkt fwd)	1M 159 (157.97)	3M 158 (157.24)	6M 155 (156.10)	12M 152 (153.91)

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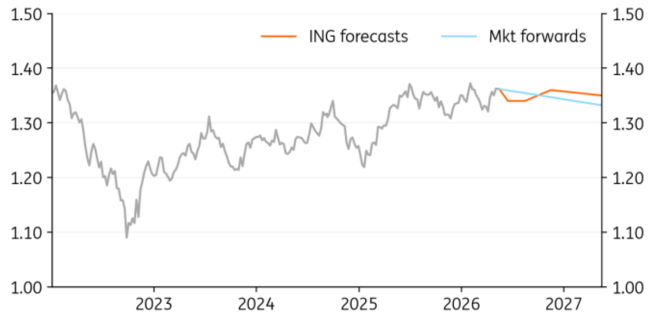
GBP/USD

A long, hot summer for the pound

Current spot: 1.3378



Source: Refinitiv, ING forecasts

- As we go to press, the UK political situation looks fluid. The Labour Party looks like it wants a new leader, but PM Starmer is vowing to fight on. This psychodrama could take two to three months to unfold if Andy Burnham – seen as the most negative sterling candidate – enters the race to replace Starmer.
- Status quo looks the best outcome for GBP if Starmer stays, or Wes Streeting is elected with a sensible Chancellor. Most other options are GBP negative as Labour policy is pulled leftwards.
- In addition, we believe far too many Bank of England hikes are priced into markets – we look for just one hike in June this year. That outcome can keep GBP/USD well contained in its range.

ING forecasts (mkt fwd)	1M 1.34 (1.3378)	3M 1.34 (1.3373)	6M 1.36 (1.3359)	12M 1.35 (1.3321)

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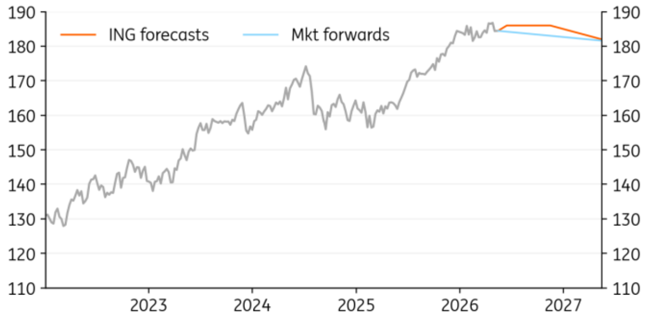
EUR/JPY

No confidence in fighting the trend **Current spot: 184.49**



Source: Refinitiv, ING forecasts

- With an inflation shock brewing, real interest rates are going to be increasingly important for currency markets. A June hike from the ECB, perhaps with a follow-up hike too, should manage to keep real euro rates neutral. Japan, on the other hand, faces deeply negative real interest rates with the fear that Japanese politicians are leaning on the BoJ to go slow.
- The above should mean a continuation in the longstanding EUR/JPY bull trend. Yet occasional bouts of BoJ FX intervention can probably keep the EUR/JPY upside quite limited.
- Were the global equity rally ever to take a raincheck, the euro – as a more pro-cyclical currency – would likely come under greater pressure.

ING forecasts (mkt fwd)	1M 186 (184.26)	3M 186 (183.83)	6M 186 (183.09)	12M 182 (181.61)

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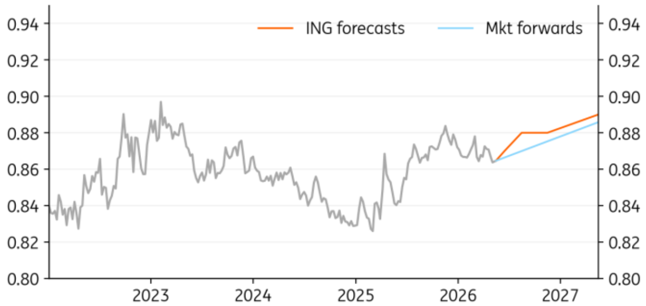
EUR/GBP

Sterling remains vulnerable **Current spot: 0.8705**



Source: Refinitiv, ING forecasts

- EUR/GBP remains reasonably contained despite the dangers of UK politics. Perhaps it is short sterling positioning preventing a greater rally in EUR/GBP, although it may be sterling's high yield (3.75%) and an interest in carry given falling FX volatility.
- Both the UK and the eurozone should be hit equally hard by the oil shock. And we suspect the ECB is more committed to a tightening cycle now given that, heading into this crisis, ECB policy was neutral, while BoE policy was already restrictive.
- Politics, weak growth and a mis-priced BoE cycle suggest sterling is more vulnerable this summer. Levels above 0.88 look the direction of travel for EUR/GBP.

ING forecasts (mkt fwd)	1M 0.87 (0.8719)	3M 0.88 (0.8742)	6M 0.88 (0.8780)	12M 0.89 (0.8858)

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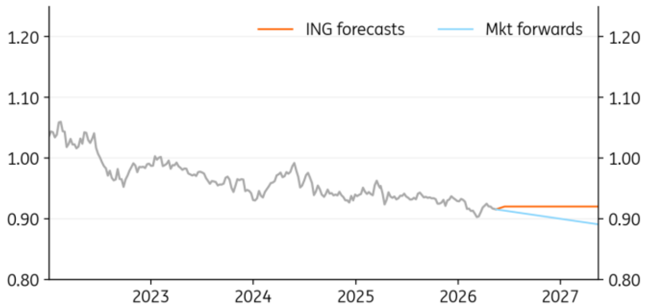
EUR/CHF

SNB's tries to sound relaxed over the strong franc **Current spot: 0.9139**



Source: Refinitiv, ING forecasts

- EUR/CHF has been quiet, although is unwinding some of the gains in March made when the Swiss National Bank warned of increased FX intervention. In speeches by SNB board members we are hearing mixed messages on the franc – saying that in real terms the franc has hardly moved against the euro or the dollar since 2020.
- We do, however, think they've drawn some line in the sand near 0.90 and we should see a pick-up in FX intervention when the 1Q26 data is released at the end of June.
- Switzerland is less exposed than the rest of Europe to the oil shock given the low energy intensity of its industry. A tough summer for the eurozone can keep EUR/CHF near 0.91/92.

ING forecasts (mkt fwd)	1M 0.92 (0.9120)	3M 0.92 (0.9084)	6M 0.92 (0.9025)	12M 0.92 (0.8907)

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EUR/SEK

Riksbank to stay put for now

Current spot: 10.97

Source: Refinitiv, ING forecasts

- Higher energy prices have caught up with SEK this month, but the upside volatility in EUR/SEK has remained broadly tamed.
- The Riksbank's minutes showed a slightly more hawkish tone than the April statement, but our call remains for no rate changes this year due to muted inflation. Any potential hike would likely need to wait until August or September and, in our view, would still require two ECB rate hikes.
- The wider short-term rate differential suggests a shallower EUR/SEK decline. But Sweden is less economically exposed to the energy shock than the eurozone, leaving us still a bit more constructive on SEK than EUR in 2H26.

ING forecasts (mkt fwd)	1M 10.90 (10.96)	3M 10.80 (10.96)	6M 10.70 (10.94)	12M 10.60 (10.92)

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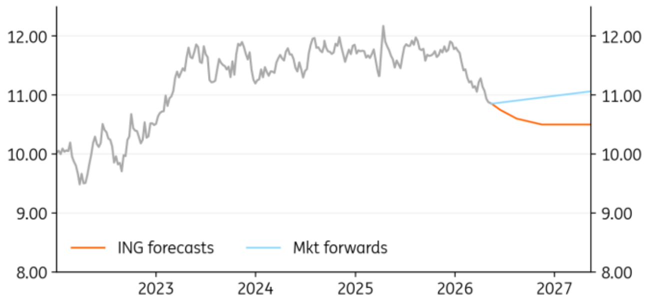
EUR/NOK

The favourite oil trade in G10

Current spot: 10.83



Source: Refinitiv, ING forecasts

- NOK has continued to rally on still high energy prices, resilient risk sentiment and a surprise rate hike by Norges Bank in May offering an even more attractive carry.
- Unlike EUR/USD, the largest beta in our short-term EUR/NOK model is oil, not equities. The pair is likely oversold by speculators, and any de-escalation headlines weighing on oil prices could trigger sharp spikes, as seen in early May.
- Still, we think EUR/NOK has more room to fall in the remainder of the year. Energy prices should land well above pre-war levels even after a peace deal, and even if we aren't fully convinced of another NB hike, carry will remain very negative.

ING forecasts (mkt fwd)	1M 10.75 (10.86)	3M 10.60 (10.89)	6M 10.50 (10.95)	12M 10.50 (11.06)

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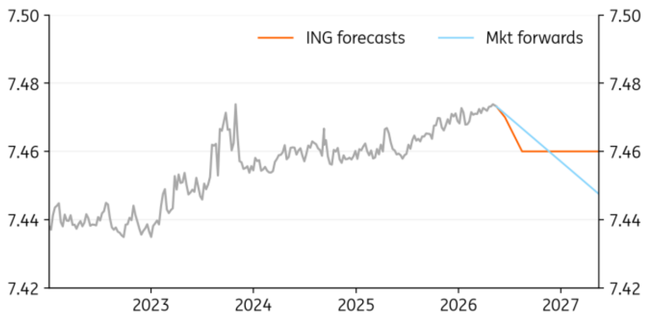
EUR/DKK

Testing new highs

Current spot: 7.4728



Source: Refinitiv, ING forecasts

- EUR/DKK broke above 7.4730 in April without triggering central bank intervention. This may indicate a higher tolerance for modest upside volatility: spot fluctuations are still very small (<0.2%) relative to the ERM II +/-2.25% band.
- Another interpretation is that the Danish central bank is gearing up to tighten more than the ECB - possibly as soon as June - to curb the main source of upside pressure, the roughly 40bp policy rate gap.
- We continue to expect that, through intervention or rate action, EUR/DKK will not trade sustainably above 7.4740 and ultimately expect a return to 7.460 later this year.

ING forecasts (mkt fwd)	1M 7.47 (7.4700)	3M 7.46 (7.4651)	6M 7.46 (7.4579)	12M 7.46 (7.4476)

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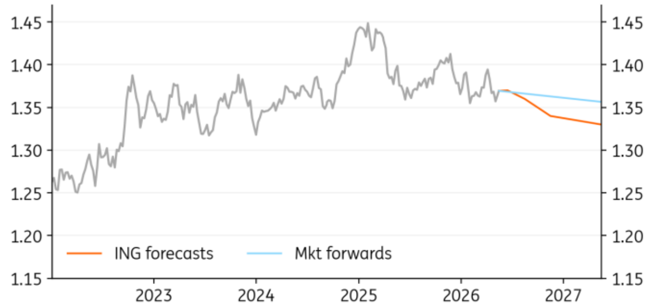
USD/CAD

Unexciting prospects for CAD **Current spot: 1.3742**



Source: Refinitiv, ING forecasts

- The rewidening in USD/CAD short-term rate differentials to November's highs is preventing the pair from depreciating in line with persistently high oil prices.
- Canadian unemployment jumped to 6.9% in April, driven by major full-time employment losses, and in our view reducing further chances of a rate hike by the Bank of Canada. Markets are still pricing in 35bp of tightening by year-end.
- USMCA renegotiations remain a key event risk for CAD this summer. The clearest USD-negative scenario would be a de-escalation in the Gulf, but lower oil prices would make CAD a laggard in G10. We see a 1.36-1.38 range in the coming months.

ING forecasts (mkt fwd)	1M 1.37 (1.3722)	3M 1.36 (1.3689)	6M 1.34 (1.3643)	12M 1.33 (1.3565)

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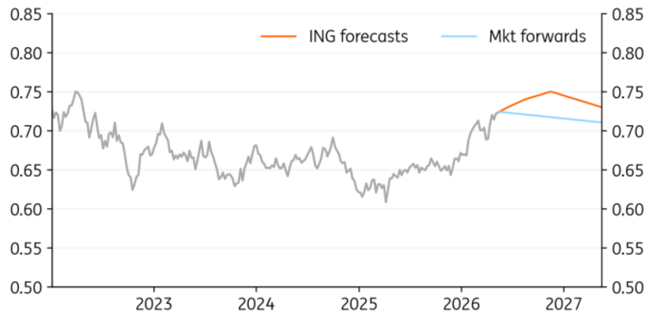
AUD/USD

Fundamentals remain solid **Current spot: 0.7169**



Source: Refinitiv, ING forecasts

- Despite the latest correction in AUD/USD, fundamentals keep pointing up, and we are sticking to our 0.750 year-end call.
- Australia remains very well positioned to benefit from higher commodity prices (both energy and metals) and improved US-China relations remove a major risk factor.
- Obviously, global risk sentiment remains the big determinant in AUD/USD fluctuations, even more so considering AUD is now the go-to currency for carry seekers in G10. We don't currently pencil in another a rate hike in Australia, but risks are on the hawkish side. We still think the Fed will cut rates before the end of the year, endorsing late-2026 bullishness on AUD/USD.

ING forecasts (mkt fwd)	1M 0.73 (0.7164)	3M 0.74 (0.7155)	6M 0.75 (0.7137)	12M 0.73 (0.7104)

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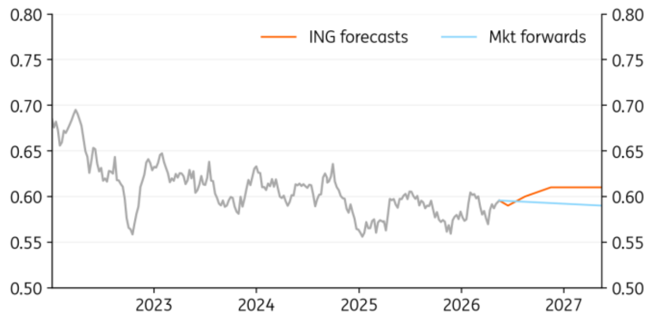
NZD/USD

Lagging AUD for longer **Current spot: 0.5857**



Source: Refinitiv, ING forecasts

- New Zealand's jobs market held up well in 1Q, with wages excluding overtime a tad hotter than expected at 0.5% QoQ.
- The Reserve Bank should hold rates on 27 May after its latest survey showed two-year inflation expectations at a rising but not yet alarming 2.53%. But hawkish pressure is building, and we still expect two hikes by year-end (pricing 80bp).
- It's hard to see NZD emerge as an attractive alternative to AUD just yet. Despite a much better positioning profile (AUD is quite overbought), it lacks carry and energy exposure. The outlook should improve in 2H once the central bank starts tightening, in our view.

ING forecasts (mkt fwd)	1M 0.59 (0.5863)	3M 0.60 (0.5873)	6M 0.61 (0.5886)	12M 0.61 (0.5900)

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Emerging markets

EUR/PLN

Zloty supported by interest hike expectations

Current spot: 4.2438

Source: Refinitiv, ING forecasts

- Despite the turmoil in the Middle East, the EUR/PLN exchange rate is trading within a narrow range of 4.23–4.30. The relatively low volatility of the zloty reflects limited sensitivity of Poland's GDP and energy supply to the US-Iran war and renewed rate hikes expectation
- Although we do not expect any interest rate changes in 2026, it is likely that, until the beginning of July (important Monetary Policy Council meeting due to the new macro projections), markets will not fully price them out. As a result, these expectations will act as a shield against risk-off.
- We remain neutral on the zloty. Domestic fundamentals are still supportive of the Polish currency. GDP should outperform the rest of CEE and the high public investment agenda is starting. On 8 May, S&P maintained its ratings and outlook. Current risks are linked to geopolitical factors.

ING forecasts (mkt fwd)	1M 4.25 (4.2505)	3M 4.24 (4.2612)	6M 4.22 (4.2789)	12M 4.25 (4.3202)

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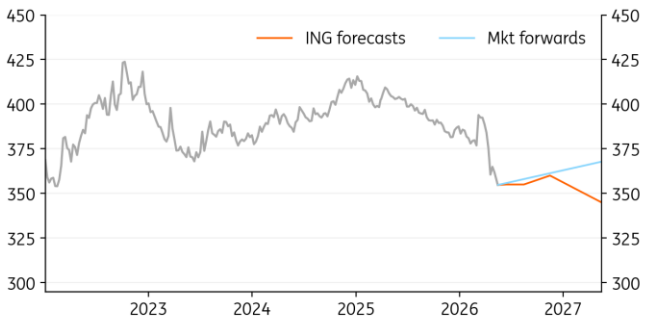
EUR/HUF

The forint has found a sweet spot for now

Current spot: 358.88



Source: Refinitiv, ING forecasts

- Investors have become extremely optimistic about HUF since the election results opened the door to a pro-EU political transition. However, it seems that the market has finally found a sweet spot for the forint, at least in the short term.
- The National Bank of Hungary reduced the interest rate on FX swaps providing euro liquidity by 50bp to 5.25%. This has put further strain on the markets, creating a path towards an earlier-than-expected cut in the base rate, which contrasts with our 'on-hold' forecast.
- Yet, positive headlines related to EU funds, the restoration of checks and balances, and more news on budget consolidation and euro adoption mean that we wouldn't rule out EUR/HUF testing and breaking through 350 in the next 12 months.

ING forecasts (mkt fwd)	1M 355 (360.01)	3M 355 (361.52)	6M 360 (364.05)	12M 345 (367.78)

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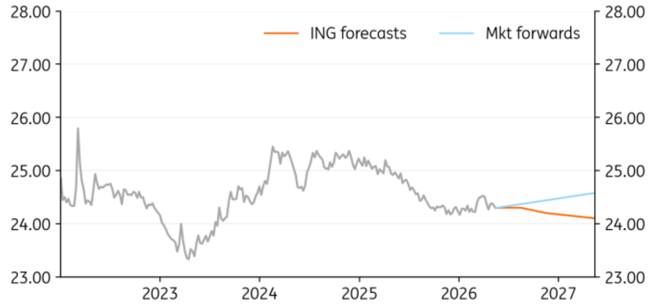
EUR/CZK

Interest rate and growth differentials favour the koruna

Current spot: 24.32



Source: Refinitiv, ING forecasts

- The koruna is set to carry on in its strengthening trend and erase previous limited losses before the summer ends. The Czech economy should continue to expand despite pressures induced by elevated energy prices and Hormuz blockade.
- The Czech National Bank is expected to keep rates steady – even as inflation gains momentum – so as not to undermine economic activity. We think the Czech economy will likely bend but not break.
- The Czech real interest rate is set to remain positive, which is in stark contrast to the eurozone's real interest rate, which slipped into the negative territory in March already. With a rates differential of above 1ppt in nominal and almost 2ppt in real terms, we remain positive on the koruna.

ING forecasts (mkt fwd)	1M 24.30 (24.35)	3M 24.30 (24.40)	6M 24.20 (24.47)	12M 24.10 (24.58)

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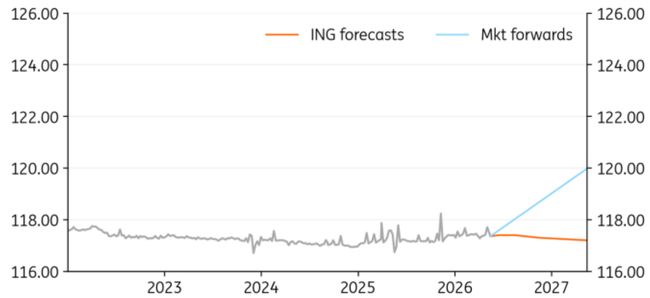
EUR/RSD

No major changes in sight

Current spot: 117.42



Source: Refinitiv, ING forecasts

- EUR/RSD traded mostly sideways again this month, staying within a narrow 117.33–117.49 range. An uncertain outcome related to the NIS refinery has persisted – negotiations reportedly continue. The revised proposal from Hungary's Mol Group failed to meet the Serbian authorities' expectations.
- Solid investment activity related to the EXPO 2027 event should continue to support growth this year and improve the productive potential. Meanwhile, double-digit wage growth should continue to benefit private consumption.
- The National Bank of Serbia (NBS) held the key rate unchanged at 5.75% at its May meeting – continuing to highlight stagflationary pressures stemming from the ongoing Middle East tensions. FX stability is likely to remain a key focus ahead. In January-April, the NBS sold EUR1,205m to keep the pair stable.

ING forecasts (mkt fwd)	1M 117.40 (117.61)	3M 117.40 (118.10)	6M 117.30 (118.58)	12M 117.20 (119.98)

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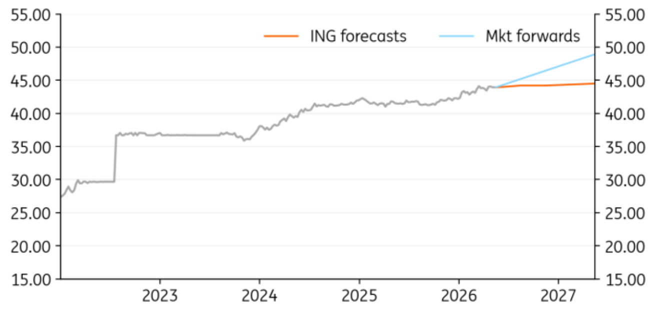
USD/UAH

National Bank of Ukraine's efforts to help the hryvnia

Current spot: 44.15



Source: Refinitiv, ING forecasts

- The USD/UAH exchange rate has reversed from the record highs reached after the US-Iran conflict triggered a risk-off sentiment. On the one hand, the global FX environment has become more favourable; on the other hand, the efforts of the central bank have helped to strengthen the hryvnia.
- In April, Ukraine's international reserves decreased further by 7.3%, mainly due to FX interventions and, to a lesser extent, FX debt repayments (to the IMF). Nevertheless, despite this decline, international reserves, according to the NBU, remain sufficient to maintain FX market stability.
- The macro environment remains challenging due to the ongoing war. However, the latest update of the NBU's macroeconomic forecast shows that GDP growth in Ukraine should accelerate next year (to 2.8%, from 1.3% in 2026), while inflation is expected to decline further.

ING forecasts (mkt fwd)	1M 44.00 (44.40)	3M 44.20 (45.20)	6M 44.20 (46.48)	12M 44.50 (48.94)

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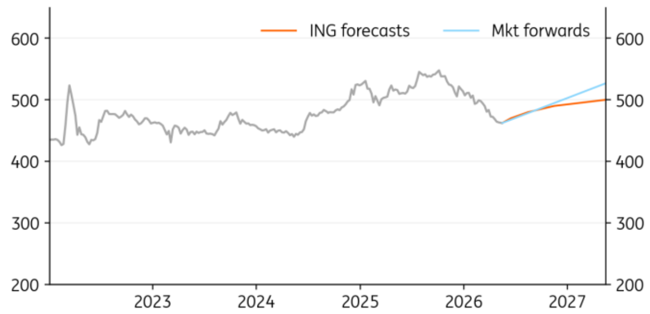
USD/KZT

Portfolio inflows give an extra lift

Current spot: 469.54



Source: Refinitiv, ING forecasts

- The tenge keeps strengthening, having appreciated 5% since the renewed tensions in the Middle East, even as the oil price has largely stabilised last month after the initial spike.
- KZT's reliance on portfolio inflows is growing, as net inflow reached $0.4 bn in 1Q26, double the 2025 quarterly average, while the recently announced Euroclear connection and debt issuance plans should give a further boost.
- Kazakhstan's cautious monetary policy and high real interest rates should be supportive of continued portfolio flows, helping to offset the persistent current account deficit and a potential cut in the FX sales from the sovereign fund.

ING forecasts (mkt fwd)	1M 470 (474.76)	3M 480 (485.27)	6M 490 (500.74)	12M 500 (526.76)

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USD/UZS

Stable despite the extended halt in gold exports

Current spot: 12045.36

Source: Refinitiv, ING forecasts

- The soum continues to show stability, despite the double pressure on the trade balance from higher oil imports and a halt in gold exports since October 2025.
- Similar to Kazakhstan, Uzbekistan's FX market is seeing increased support from net portfolio inflows, which increased by $1.3bn to $4.4bn in 2025, and the capital account is likely to be supported by the ongoing privatization programme.
- High real interest rates and the impending restart of gold exports later in the year reinforce our constructive view on the Uzbekistani soum for the near term. In the longer run, addressing elevated CPI and the twin deficits will be key.

ING forecasts (mkt fwd)	1M 12000 (12030.00)	3M 12100 (12160.00)	6M 12100 (12320.00)	12M 12350 (12730.00)

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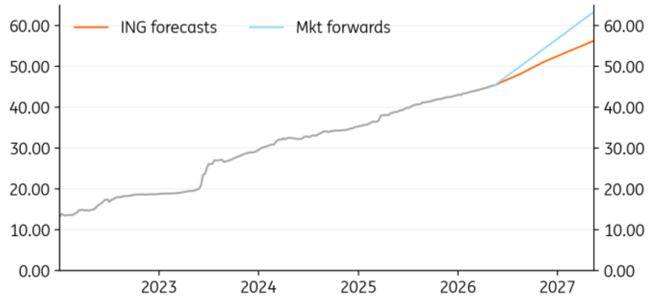
USD/TRY

An appropriate adjustment in the pace of TRY depreciation

Current spot: 45.54



Source: Refinitiv, ING forecasts

- Reserve dynamics, which came under pressure in March due to foreign outflows, have stabilised since early April, supported by prospects of de-escalation and a ceasefire. However, an outright rate hike remains possible should reserve pressures intensify or retail demand strengthen. The CBT has also recalibrated and slightly accelerated the pace of lira depreciation.
- This adjustment appears appropriate given the renewed strengthening in the real effective exchange rate since the start of the year. At its April MPC meeting, the bank remained silent, likely reflecting a partial recovery in reserves alongside concerns about moderating growth. The decision indicates a preference to preserve policy flexibility under evolving geopolitical conditions.
- In the near term, the CBT is expected to maintain a wait-and-see approach before deciding whether to reduce the effective cost of funding toward the policy rate. However, rising energy prices, moderating growth prospects, and persistent dollarisation risks create a challenging environment, limiting the central bank's room to implement any meaningful rate cuts.

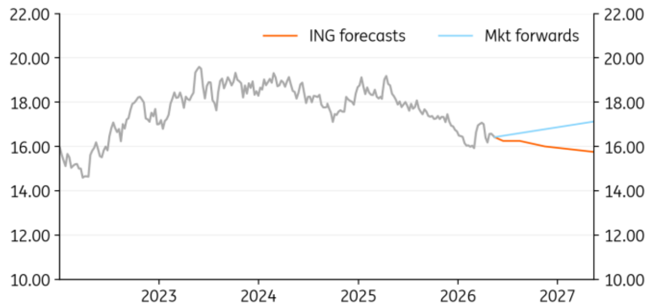
ING forecasts (mkt fwd)	1M 46.30 (46.82)	3M 48.05 (49.60)	6M 51.20 (54.00)	12M 56.30 (63.40)

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

USD/ZAR

South Africa Reserve Bank easing cycle curtailed

Current spot: 16.59



Source: Refinitiv, ING forecasts

- USD/ZAR is consolidating alongside most EMFX as markets still try to price an early end to hostilities in Iran. Portfolio flows into South Africa – especially into the bond market – correlate well with global EM flows. Notably the latter have held up well. However, the SA bond story is not as attractive as it was, since the market now prices 100bp of hikes in the 6.75% policy rate.
- The SARB seems confident that CPI can remain in its 3% +/- 1% target. But a severe scenario could see 6% CPI and the policy rate hiked to 8%. El Nino in 2H26 also poses upside risks to CPI.
- Growth is seen in the 1-2% range and based on the ZAR's carry and our global dollar view, we're bearish USD/ZAR into 2027.

ING forecasts (mkt fwd)	1M 16.25 (16.64)	3M 16.25 (16.72)	6M 16.00 (16.85)	12M 15.75 (17.13)

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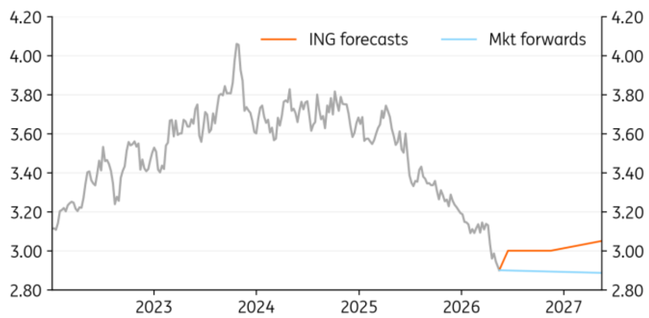
USD/ILS

Don't chase USD/ILS lower

Current spot: 2.9091



Source: Refinitiv, ING forecasts

- USD/ILS continues to trade well below 3.00. The global equity rally and low risk premia is being blamed for the shekel strength – though as we have said before, tech capital raising may be a driving factor here. The Bank of Israel notes that domestic institutional investors were the big USD/ILS sellers in the first quarter ($5bn), after having sold $13bn in 4Q25.
- Normally the BoI would have intervened a lot by now, but that has not been the case – perhaps limited by Washington.
- But what seems clear is that the BoI will react to ILS strength at some point. That is why the market has priced in nearly 100bp of BoI rate cuts over the next six months.

ING forecasts (mkt fwd)	1M 3.00 (2.9087)	3M 3.00 (2.9063)	6M 3.00 (2.9015)	12M 3.05 (2.8865)

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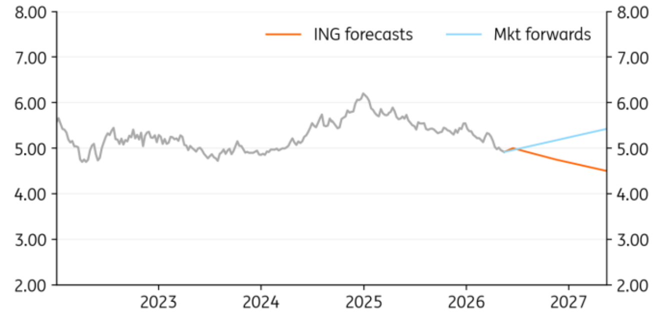
LATAM

USD/BRL

Politics rears its ugly head **Current spot: 4.9851**



Source: Refinitiv, ING forecasts

- The BRL has been one of the top performers, buoyed by high real rates, elevated implied yields (13% p.a.) for carry and its net energy exports. The question now is whether authorities want to slow the BRL rally? Recently they've allowed $0.5bn of their $90bn+ short dollar forward book to roll off.
- Presidential candidates Lula and Bolsonaro are neck-and-neck in the polls ahead of October elections. Bolsonaro has recently been embarrassed by links to the man behind the Banco Master fraud scandal, but there is no suggestion of illegality.
- The central bank is still happy to cut rates. But an expected easing cycle to the 12% area has been scaled back to 13.75%.

ING forecasts (mkt fwd)	1M 5.00 (5.0317)	3M 4.90 (5.1057)	6M 4.75 (5.2142)	12M 4.50 (5.4230)

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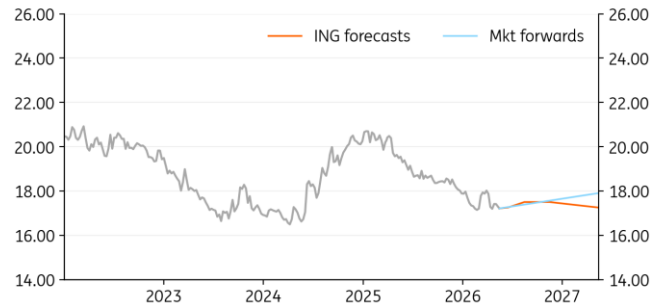
USD/MXN

Banxico easing cycle is over **Current spot: 17.33**



Source: Refinitiv, ING forecasts

- Banxico's 25bp rate cut to 6.50% in May generated two dissenters for unchanged rates. The statement points to comfort with unchanged rates now and the market prices around 100bp of tightening over the next twelve months. Real rates at 2%+ leave the peso reasonably sheltered during the current inflation shock. And Banxico's views of weak domestic demand suggest the risks of second-round effects are limited.
- That leaves MXN as a relative EM high-yielder. But we doubt local authorities want USD/MXN to trade substantially under 17.00 – having previously covered short FX positions there.
- USMCA renegotiation this summer could cause MXN volatility

ING forecasts (mkt fwd)	1M 17.25 (17.38)	3M 17.50 (17.46)	6M 17.50 (17.60)	12M 17.25 (17.90)

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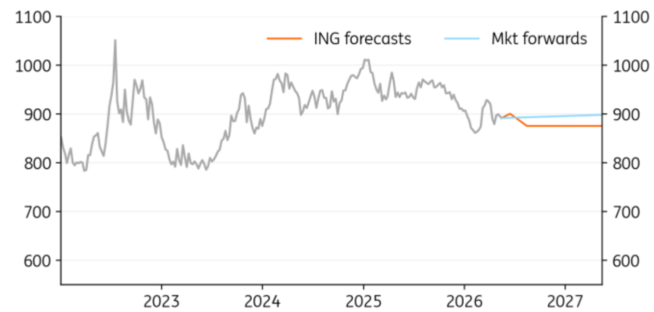
USD/CLP

Copper rally offsets the energy shock **Current spot: 896.47**



Source: Refinitiv, ING forecasts

- As a net energy importer, the peso was hit in March. But now the big rally in copper means that Chile's terms of trade are at their highs of the year. Our commodity team's view is that this copper rally may peak this summer ahead of a US ruling on refined copper products. And Chile's production may be hit later in the year on sulphuric acid shortages.
- The macro story might be a little CLP bearish in that the new right-wing government is looking to scale back on public expenditure. The central bank would like to cut rates if it can.
- New government policies and a corporate tax cut may help investment, but ultimately copper's path will dominate CLP.

ING forecasts (mkt fwd)	1M 900 (896.27)	3M 875 (896.23)	6M 875 (896.52)	12M 875 (897.72)

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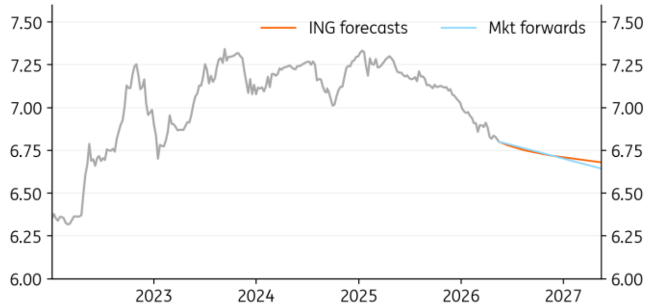
Asia

USD/CNY

CNY strength breaks another psychological barrier

Current spot: 6.8106



Source: Refinitiv, ING forecasts

- USD/CNY broke below the psychological 6.80 in May, opening the way to test the lower end of our fluctuation band. We believe the next key level will be 6.70, the lowest level since the People's Bank of China (PBoC) began to emphasise currency stability in 2023.
- Appreciation has continued despite less favourable macro drivers. The PBoC's countercyclical factor moved further negative, implying pushback against appreciation. US-China rate spreads also widened as US yields rose.
- We are holding our 6.70-7.05 fluctuation band forecast, with downside risks. We have pushed back our PBoC rate cut view to 4Q, which can help further CNY strength in the interim.

ING forecasts (mkt fwd)	1M 6.78 (6.7949)	3M 6.75 (6.7675)	6M 6.72 (6.7252)	12M 6.68 (6.6441)

Lynn Song, lynn.song@asia.ing.com

USD/KRW

Portfolio inflows are limited in the near term

Current spot: 1496.54

Source: Refinitiv, ING forecasts

- The Middle East uncertainty has increased volatility while KRW has weakened again mostly due to foreigners' net selling of KOSPI.
- KOSPI gained almost 80% YTD, we expect some institutional investors to continue to rebalance their KOSPI portfolio, which will likely cap KRW appreciation at around 1,450 even if geopolitical tensions ease. Our projected trading range remains between 1,450 and 1,550 in near term.
- The Bank of Korea is expected to raise rates by 50bp in 2H26, possibly beginning as early as July, supported by surprisingly solid growth and mounting inflationary pressures. A narrowing yield gap with the Fed should be favourable to KRW in 2H26.

ING forecasts (mkt fwd)	1M 1475 (1495.29)	3M 1450 (1492.94)	6M 1425 (1488.94)	12M 1425 (1482.64)

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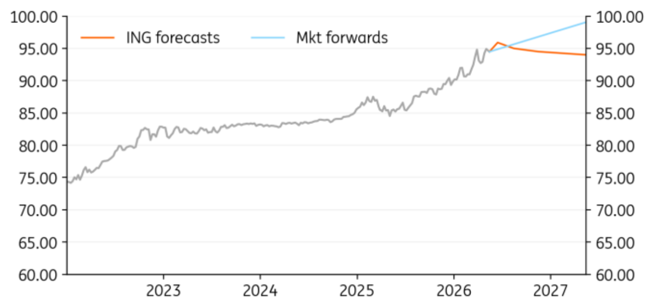
USD/INR

Weakness in INR likely to persist

Current spot: 95.97



Source: Refinitiv, ING forecasts

- INR is likely to remain under pressure as India's external position weakens further due to higher oil imports resulting in a wider current account deficit. FII outflows from the equity markets and weak FDI inflows are unlikely to bridge the deficit.
- Rate hikes aren't historically used to help the currency and should be delayed as inflationary pressures remain subdued, reflecting the limited pass-through of global oil prices.
- However, policymakers are considering boosting FX inflows, via a possible revival of a 2013-style FCNR(B) deposit scheme - which previously raised around USD25bn. The effectiveness hinges on the rate differential with comparable US instruments.

ING forecasts (mkt fwd)	1M 95.90 (96.26)	3M 95.00 (96.78)	6M 94.50 (97.57)	12M 94.00 (99.06)

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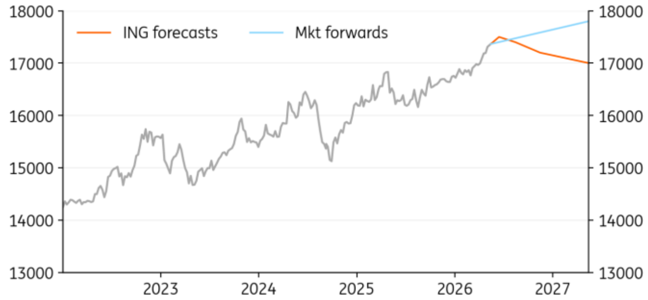
USD/IDR

Rate hike likely as IDR weakens sharply **Current spot: 17465**



Source: Refinitiv, ING forecasts

- Foreign demand for Indonesian bonds rebounded in April, with net inflows recovering to USD0.8bn, helped by Bank Indonesia's liquidity injections and moderate inflation. However, equity outflows remained high at around USD1bn for a second straight month.
- BI has also raised yields on its short-term rupiah bills to attract foreign portfolio flows and help IDR. Outstanding SRBI rose by IDR USD7bn MoM in April - the most since July 2024.
- However, low oil reserves, falling FX reserves, a widening current account deficit, and seasonal dividend outflows are likely to keep the IDR trading on the soft side. We expect a 25bp BI hike this quarter to defend the currency.

ING forecasts (mkt fwd)	1M 17500 (17488)	3M 17400 (17534)	6M 17200 (17625)	12M 17000 (17800)

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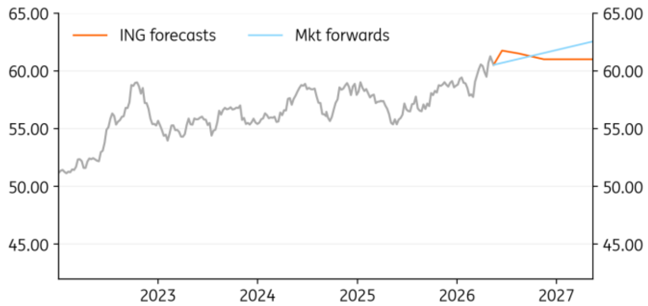
USD/PHP

The weakest link in Asia **Current spot: 61.66**



Source: Refinitiv, ING forecasts

- The latest data points suggest inflation risks are now outweighing growth concerns. In this context, we do not see the weak GDP print deterring Bangko Sentral ng Pilipinas from hiking in June.
- We continue to expect a front-loaded but measured tightening cycle, worth 75bp in 2026. While this could provide some near-term support to the PHP, the currency's trajectory will remain closely tied to oil price dynamics.
- With oil prices projected to average close to USD100/bbl in 3Q, pressures on the current account deficit are likely to persist. Higher political uncertainty with the impeachment of the vice president can further push out reforms and growth recovery.

ING forecasts (mkt fwd)	1M 61.75 (61.71)	3M 61.50 (61.83)	6M 61.00 (62.08)	12M 61.00 (62.55)

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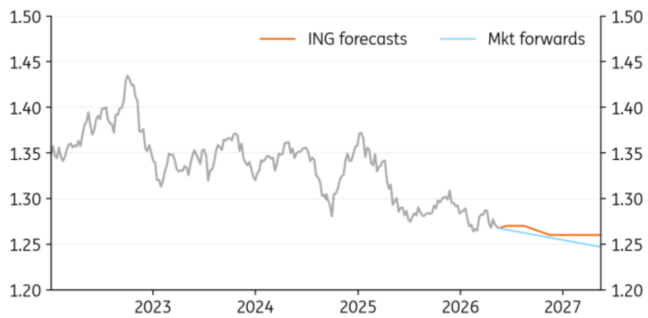
USD/SGD

Outperformance likely to continue **Current spot: 1.2787**



Source: Refinitiv, ING forecasts

- Growth activity in Singapore's externally oriented sectors has so far remained broadly resilient. Strong export performance is consistent with the robust momentum in AI-related exports observed in other Asian economies, like Taiwan and Korea.
- We think there is still room to tighten, especially since our forecasts for both CPI inflation and GDP growth sit slightly above the midpoints of the Monetary Authority of Singapore's target ranges.
- The SGD NEER is trading near the top of its band (about 1.5% above midpoint) and is likely to remain firm. MAS's focus on limiting volatility, alongside a bias toward further tightening, should continue to support the SGD in the near term.

ING forecasts (mkt fwd)	1M 1.27 (1.2757)	3M 1.27 (1.2706)	6M 1.26 (1.2627)	12M 1.26 (1.2469)

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USD/TWD

Rangebound pattern remains for now | **Current spot: 31.51**

Source: Refinitiv, ING forecasts

- USD/TWD has continued to trade in a relatively narrow band of 31.3-31.7 over the past month. Policymakers acknowledged FX intervention in April, stating exchange rate stability and inflation management rather than export competitiveness.
- A widening US-Taiwan yield spread has been enough to offset broadly positive TWD domestic factors such as record current account surpluses and strong foreign net buying of equities.
- Moving forward, the rangebound activity may continue, but we hold a slight appreciation bias. The Central Bank of the Republic of China may need to deal with higher inflation in coming months, and we have pencilled in a rate hike in 3Q, which could support the TWD.

ING forecasts (mkt fwd)	**1M** 31.30 (31.45)	**3M** 31.20 (31.34)	**6M** 31.00 (31.17)	**12M** 30.70 (30.84)

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ING foreign exchange forecasts

EUR cross rates	Spot	1M	3M	6M	12M	USD cross rates	Spot	1M	3M	6M	12M
Developed FX											
EUR/USD	1.16	1.17	1.18	1.20	1.20						
EUR/JPY	184	186	186	186	182	USD/JPY	159	159	158	155	152
EUR/GBP	0.87	0.87	0.88	0.88	0.89	GBP/USD	1.34	1.34	1.34	1.36	1.35
EUR/CHF	0.91	0.92	0.92	0.92	0.92	USD/CHF	0.79	0.79	0.78	0.77	0.77
EUR/SEK	10.99	10.90	10.80	10.70	10.60	USD/SEK	9.45	9.32	9.15	8.92	8.83
EUR/NOK	10.85	10.75	10.60	10.50	10.50	USD/NOK	9.33	9.19	8.98	8.75	8.75
EUR/DKK	7.47	7.47	7.46	7.46	7.46	USD/DKK	6.43	6.38	6.32	6.22	6.22
EUR/CAD	1.60	1.60	1.60	1.61	1.60	USD/CAD	1.38	1.37	1.36	1.34	1.33
EUR/AUD	1.63	1.60	1.59	1.60	1.64	AUD/USD	0.71	0.73	0.74	0.75	0.73
EUR/NZD	1.99	1.98	1.97	1.97	1.97	NZD/USD	0.58	0.59	0.60	0.61	0.61
EMEA											
EUR/PLN	4.25	4.25	4.24	4.22	4.25	USD/PLN	3.65	3.63	3.59	3.52	3.54
EUR/HUF	360.2	355	355	360	345	USD/HUF	309.8	303	301	300	288
EUR/CZK	24.33	24.30	24.3	24.2	24.1	USD/CZK	20.93	20.8	20.6	20.2	20.1
EUR/RSD	117.38	117.40	117.40	117.30	117.20	USD/RSD	100.95	100.34	99.49	97.75	97.67
EUR/UAH	51.30	51.48	52.16	53.04	53.40	USD/UAH	44.11	44.00	44.20	44.20	44.50
EUR/KZT	548.2	549.9	566.4	588.0	600.0	USD/KZT	469.3	470	480	490	500
EUR/UZS	13942.0	14040.0	14278.0	14520.0	14820.0	USD/UZS	11990.0	12000	12100	12100	12350
EUR/TRY	53.05	54.17	56.70	61.44	67.56	USD/TRY	45.55	46.3	48.05	51.2	56.3
EUR/ZAR	19.39	19.01	19.18	19.20	18.90	USD/ZAR	16.68	16.25	16.25	16.00	15.75
EUR/ILS	3.40	3.51	3.54	3.60	3.66	USD/ILS	2.92	3.00	3.00	3.00	3.05
LATAM											
EUR/BRL	5.87	5.85	5.78	5.70	5.40	USD/BRL	5.05	5.00	4.90	4.75	4.50
EUR/MXN	20.21	20.18	20.65	21.00	20.70	USD/MXN	17.38	17.25	17.50	17.50	17.25
EUR/CLP	1053.50	1053	1033	1050	1050	USD/CLP	906.00	900	875	875	875
Asia											
EUR/CNY	7.92	7.93	7.97	8.06	8.02	USD/CNY	6.81	6.78	6.75	6.72	6.68
EUR/IDR	20695	20475	20532	20640	20400	USD/IDR	17465	17500	17400	17200	17000
EUR/INR	111.59	112.20	112.10	113.40	112.80	USD/INR	95.97	95.90	95.00	94.50	94.00
EUR/KRW	1744.26	1726	1711	1710	1710	USD/KRW	1500.05	1475	1450	1425	1425
EUR/PHP	71.74	72.25	72.57	73.20	73.20	USD/PHP	61.70	61.75	61.50	61.00	61.00
EUR/SGD	1.49	1.49	1.50	1.51	1.51	USD/SGD	1.28	1.27	1.27	1.26	1.26
EUR/TWD	36.71	36.62	36.82	37.20	36.84	USD/TWD	31.57	31.30	31.20	31.00	30.70

Source: Refinitiv, ING

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