

FX Talking

Cracks in the dollar's shield



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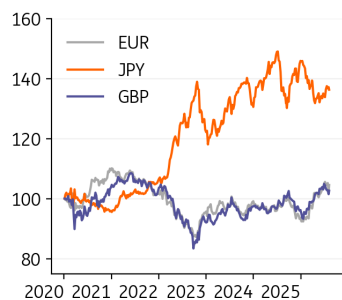
Last month, we were discussing how the solid US job market was giving Federal Reserve Chair Jerome Powell the confidence to resist political pressure to cut rates. Well, the huge downward revisions to the May and June jobs data have undermined both Powell's resistance and the dollar. We now look for three Fed rate cuts, starting in September, and a broadly weaker dollar.

We target EUR/USD and USD/JPY at 1.20 and 140, respectively, for year-end. Lower short-dated US rates are going to cut hedging costs and make it cheaper for the buy-side to raise hedge ratios on US assets. At the same time, speculation over the next Fed Chair and questions over US institutional strength will weigh on the dollar as well.

In Europe, it looks as though the European Central Bank has already or is very close to concluding its easing cycle. The Bank of England is proving a little more reticent to cut rates than most would have expected. In general, we look for most European currencies to be rallying against the dollar over the next 18 months and still see the Scandinavian currencies as undervalued. Our top pick within Europe, however, remains the Czech koruna.

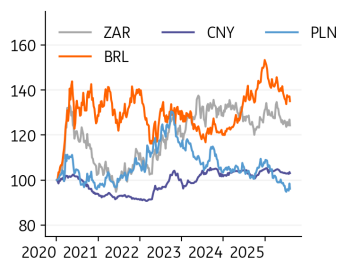
In the emerging market space, we expect the softer dollar trend and relatively low volatility to maintain interest in the carry trade. Outperforming regions/countries should be the likes of Latam and Turkey – although politics could resurface in the latter part of September. In Asia, the better external positions suggest North Asian currencies should outperform the South, even though spot currency gains may be modest.

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.17	→	145	↓	1.34	↑
3M	1.20	↑	140	↓	1.38	↑
6M	1.20	↑	137	↓	1.36	↑
12M	1.21	↑	136	↓	1.36	↑

	EUR/GBP		EUR/CZK		EUR/PLN	
1M	0.87	↑	24.55	→	4.25	↓
3M	0.87	→	24.50	↓	4.25	↓
6M	0.88	↑	24.45	↓	4.25	↓
12M	0.89	↑	24.35	↓	4.27	↓

	USD/CNY		USD/MXN		USD/BRL	
1M	7.15	↓	18.60	↓	5.60	↑
3M	7.12	↓	18.50	↓	5.70	↑
6M	7.10	↑	18.50	↓	5.70	↓
12M	7.05	↑	18.25	↓	5.80	↓

↑ / → / ↓ 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	-0.6	0.4	0.6	0.5	0.0	0.5
%YoY	6.7	0.4	0.8	0.8	0.2	-0.2

	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	0.0	0.9	-0.8	0.3	-0.5	0.2
%YoY	0.0	0.7	-0.3	-1.7	-3.8	-3.1

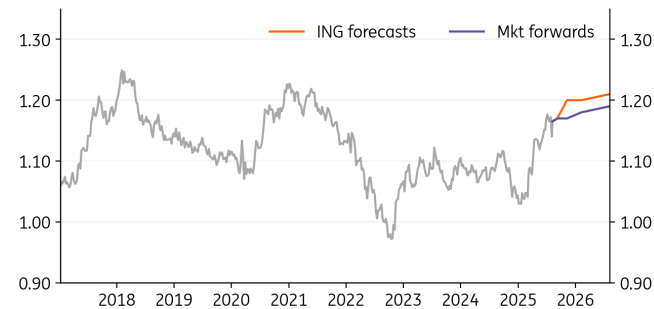
Source: Refinitiv, ING forecast



Developed markets

EUR/USD

Correction over



Source: Refinitiv, ING forecasts

Current spot: 1.1651

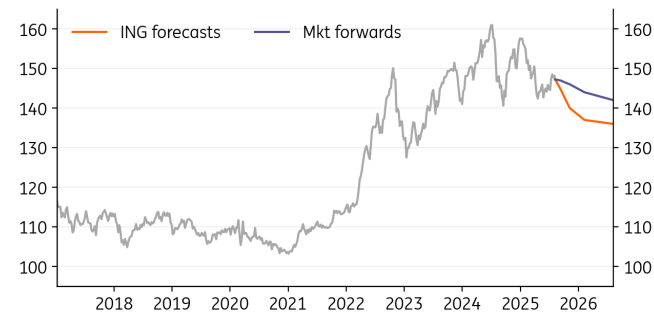
- The July US jobs report, especially the heavy back month revisions, severely undermined the Fed's position that the jobs market was 'solid'. The Fed's 21-23 August Jackson Hole event could now see the Fed formally swing behind policy easing. We now look for 25bp cuts at the Sep, Oct and Nov meetings.
- Lower short-dated US rates will now allow hedge ratios on US assets to be increased and likely see the dollar trend lower for the rest of the year. Sticky US inflation might lead to brief, corrective dollar rallies, but these should be the exception.
- Risks to our bullish call from 1.20 mainly come from: i) a very dovish ECB or ii) secondary sanctions on Russia prompting a large sell-off in emerging currencies and a weaker risk environment.

ING forecasts (mkt fwd)	1M 1.17 (1.1677)	3M 1.20 (1.1721)	6M 1.20 (1.1784)	12M 1.21 (1.1887)
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USD/JPY

BoJ hike in October should help the yen



Source: Refinitiv, ING forecasts

Current spot: 147.22

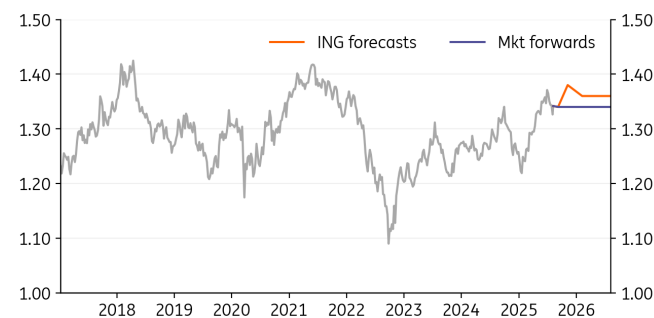
- USD/JPY fully participated in the jobs-triggered dollar sell-off last month and those recent highs near 151 may be the best levels for many quarters to come. As the year progresses, expect attention to turn back to the Japanese domestic story, where looser fiscal policy and better domestic demand should give the Bank of Japan confidence to hike 25bp in October.
- In terms of trade, Japan's deal with the US – especially 15% tariffs for the auto sector – is not seen as bad as others.
- Beyond the risks that sticky US inflation poses to our weaker dollar forecasts, we would add PM Ishiba's possible resignation and a new PM calling for the BoJ to go slow on rate hikes.

ING forecasts (mkt fwd)	1M 145 (146.70)	3M 140 (145.75)	6M 137 (144.40)	12M 136 (142.22)
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GBP/USD

Dragged higher by the dollar



Source: Refinitiv, ING forecasts

Current spot: 1.3417

- We're bearish on the dollar into year-end and into 2026. GBP/USD may well lag a little given the domestic story. Here the fiscal situation in the UK remains tight and Chancellor Rachel Reeves needs to find a way to plug a £20-40bn hole in public finances at her next budget in November. Having ruled out hikes in the major taxes, her room for manoeuvre is quite limited and any changes to the fiscal rules would be treated as a sterling negative.
- Indeed, there are signs that tax hikes earlier this year are starting to bite in the labour market. The baseline is one more BoE cut this year to 3.75% and then policy down to 3.50% next year.
- We're relying on the broadly weaker dollar trend for GBP/USD gains.

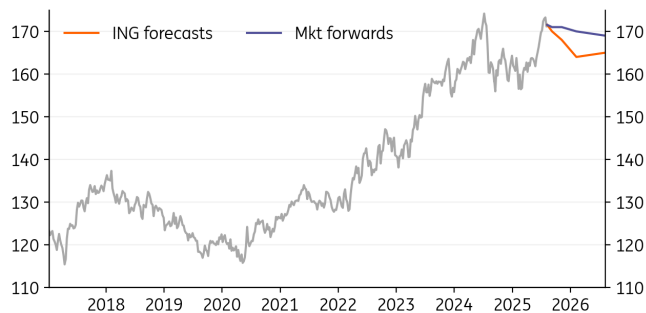
ING forecasts (mkt fwd)	1M 1.34 (1.3422)	3M 1.38 (1.3428)	6M 1.36 (1.3429)	12M 1.36 (1.3420)
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EUR/JPY

Pretty neutral

Current spot: 171.53



Source: Refinitiv, ING forecasts

- We note that EUR/JPY is again pressing long term resistance in the 170/175 area and that, on a medium-term basis, the yen is cheaper than the euro according to our models. We do tend to favour a lower EUR/JPY over the next twelve months, largely because the BoJ is hiking and perhaps the ECB has not finished easing. We think there is risk of one more ECB cut in September.
- With regard to eurozone growth, we're still waiting to see what impact this poor US-EU deal has on business and consumer confidence. Ideally, the removal of the uncertainty would lead to greater business investment and stronger domestic demand.
- Our confidence in a turn lower in EUR/JPY is fading a little, however. Japanese political uncertainty could be the wild card.

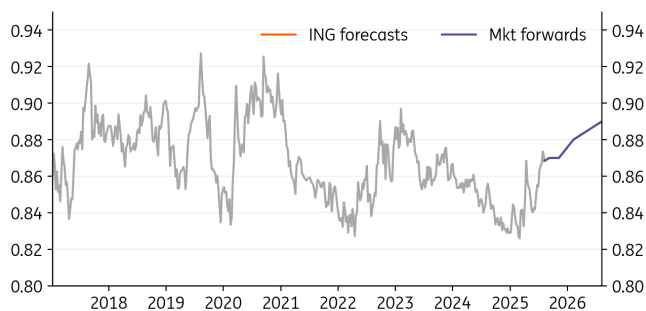
ING forecasts (mkt fwd)	1M 170 (171.31)	3M 168 (170.84)	6M 164 (170.18)	12M 165 (169.07)
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EUR/GBP

Keeping a close eye on the BoE

Current spot: 0.8685



Source: Refinitiv, ING forecasts

- Were it not for the recent BoE meeting, we would have slightly higher year-end forecasts for EUR/GBP. Here the BoE's August meeting saw it raise some doubts over how restrictive monetary policy actually was. This questions how low the bank rate needs to be cut next year.
- But our baseline view is that UK activity and inflation does turn lower – perhaps more in the first quarter of 2026 and sterling can stay offered against the euro for most of next year.
- At the same time, we expect the German fiscal expansion to be registering much more in eurozone growth next year. Thoughts of an early 2027 ECB rate hike should send EUR/GBP to 0.90.

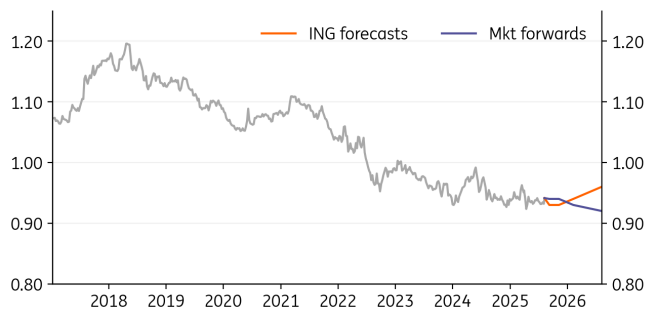
ING forecasts (mkt fwd)	1M 0.87 (0.8699)	3M 0.87 (0.8730)	6M 0.88 (0.8775)	12M 0.89 (0.8858)
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EUR/CHF

Switzerland the unlikely focus of Trump's ire

Current spot: 0.9413



Source: Refinitiv, ING forecasts

- It's not clear what prompted the US to threaten Switzerland with 39% tariffs. On the face of it could have been the \$40bn annual deficit the US runs with Switzerland. Or this high tariff is potentially being used as leverage for other deals – e.g. pharma.
- Nonetheless, should high tariffs stick, they will impact 60% of Swiss exports to the US or around \$26bn worth of goods. The Swiss government is preparing worker compensation schemes and presumably the Swiss National Bank will be under pressure to take rates negative.
- Progress on a Russia-Ukraine peace deal is a bullish wild-card for EUR/CHF – but a difficult factor to include in baseline forecasts.

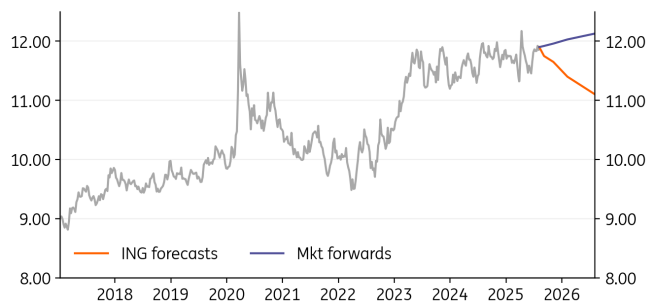
ING forecasts (mkt fwd)	1M 0.93 (0.9396)	3M 0.93 (0.9361)	6M 0.94 (0.9312)	12M 0.96 (0.9217)
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EUR/NOK

Gradual decline still possible

Current spot: 11.90



Source: Refinitiv, ING forecasts

- A strong euro continues to prevent EUR/NOK from entering any sustainable downward trend. A 7% YoY drop in Norway's June industrial production may be behind the latest NOK move lower.
- Norges Bank is likely to stay on hold in August. Inflation has rebounded, and the krone is significantly weaker since June's surprise cut. Forecasting future moves remains challenging due to inflation volatility, with pricing likely to shift quickly in response to surprises in underlying CPI, which jumped back above 3% in June.
- Our baseline remains two rate cuts by year-end—in September and December—which are broadly priced in. Combined with earlier Fed easing and potential dovish repricing in the EUR curve, we continue to find the bearish case for EUR/NOK compelling.

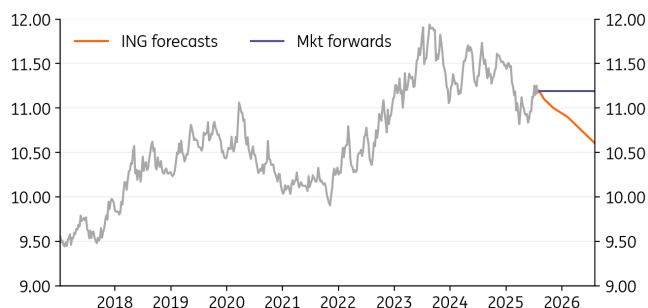
ING forecasts (mkt fwd)	1M 11.75 (11.92)	3M 11.65 (11.96)	6M 11.40 (12.03)	12M 11.10 (12.13)
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EUR/SEK

US-EU deal weighs on SEK

Current spot: 11.19



Source: Refinitiv, ING forecasts

- Last month, we viewed market pricing for Riksbank cuts as too dovish. Since then, we've seen a hawkish repricing in the SEK 2-year swap rate to just above 2%. Still, EUR/SEK has struggled to move lower, as rising EUR rates and the EU-US deal—perceived as a setback for the EU's export-orientated economies—have offset SEK support.
- While our baseline remains no further Riksbank cuts, recent macro data have tilted risks more to the dovish side. Core CPIF has slowed to 3.1%, and second-quarter GDP came in below expectations.
- The fundamental case for a lower EUR/SEK remains broadly intact, though with more uncertain timing. SEK is more attractive vs USD, especially if a Russia-Ukraine truce materialises.

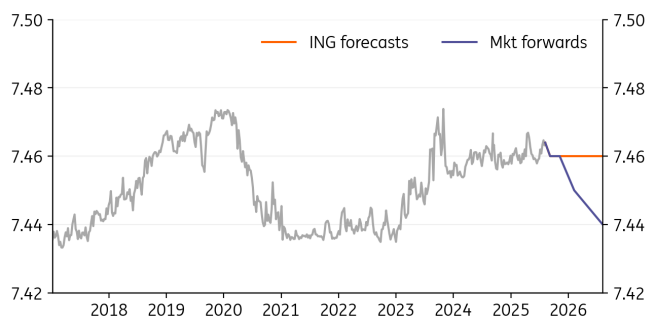
ING forecasts (mkt fwd)	1M 11.10 (11.19)	3M 11.00 (11.19)	6M 10.90 (11.19)	12M 10.60 (11.19)
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EUR/DKK

Slight upward drift

Current spot: 7.4639



Source: Refinitiv, ING forecasts

- EUR/DKK started to drift slightly on the upside relative to the 7.46 anchor in the past weeks. But these are small moves, unlikely to generate any concerns at the Danish central bank.
- Our ECB call has become more uncertain following latest ECB communication. A September cut remains our base case for both the eurozone and Denmark, but risks are skewed to a later move, or no cuts at all.

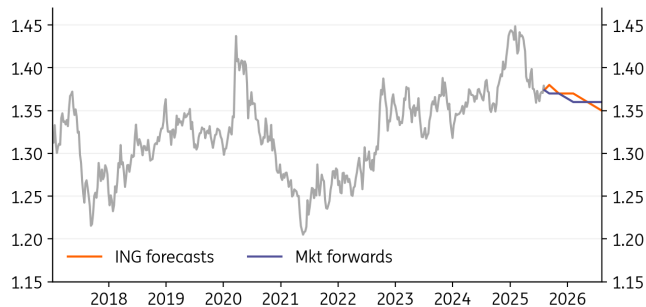
ING forecasts (mkt fwd)	1M 7.46 (7.4616)	3M 7.46 (7.4568)	6M 7.46 (7.4500)	12M 7.46 (7.4382)
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USD/CAD

Dovish BoC repricing can continue

Current spot: 1.3740



Source: Refinitiv, ING forecasts

- USD/CAD had been steadily advancing towards our near-term target of 1.390 before the US payrolls data reversed its course.
- We are flattening our USD/CAD profile due to emerging downside risks for USD. That said, the loonie remains broadly unattractive, and we expect further weakness in the crosses.
- Markets have begun to converge with our dovish Bank of Canada view: a December rate cut is now priced in. We expect it could come sooner, followed by another cut—which is not yet reflected in pricing. Risks tied to existing and potential new sectoral tariffs on Canada may still be underappreciated, and US-Canada trade negotiations have so far proved disappointing.

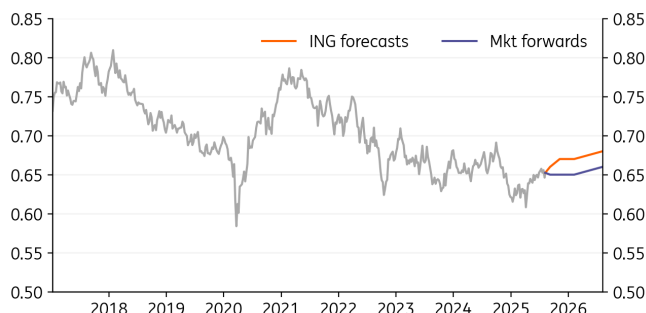
ING forecasts (mkt fwd)	1M 1.38 (1.3719)	3M 1.37 (1.3679)	6M 1.37 (1.3628)	12M 1.35 (1.3552)
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AUD/USD

Aussie looks in a good spot

Current spot: 0.6523



Source: Refinitiv, ING forecasts

- Australia has dodged US reciprocal tariffs (keeping the 10% rate), and pharma exports to the US (likely to be hit by duties soon) are only worth US\$1.4bn annually. What matters more for Australian export stability is China's commodities demand, which is holding up well – as demonstrated by the recent rally in iron ore prices.
- The Reserve Bank of Australia is likely to cut rates to 3.60% on 12 August following a rise in unemployment to 4.3% and a slowdown in inflation to 2.1% in the second quarter. Markets prefer to err on the dovish side of pricing, with 63bp of easing expected for the three remaining meetings this year.
- We only expect 50bp of easing by year-end, and we think AUD is well positioned to benefit from further USD weakening.

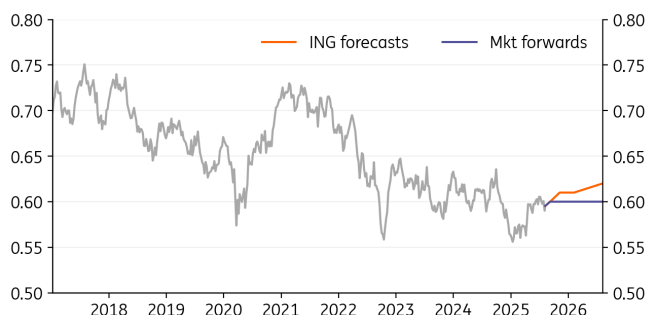
ING forecasts (mkt fwd)	1M 0.66 (0.6528)	3M 0.67 (0.6534)	6M 0.67 (0.6544)	12M 0.68 (0.6554)
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NZD/USD

NZD can lag AUD

Current spot: 0.5954



Source: Refinitiv, ING forecasts

- The NZD curve prices in 42bp of Reserve Bank of New Zealand easing by year-end, close to our forecast for 25bp reductions in August and November.
- New Zealand has been hit by a 15% reciprocal tariff on exports to the US, which are worth around 2% of GDP and 12% of total exports. Meat and dairy are the main components and are not expected to be subject to additional sectoral tariffs.
- NZD appears in a worse position than AUD from a fundamental perspective and we see a decent case for a break above 1.10 in AUD/NZD. But our bearish USD call for the remainder of the year means NZD/USD can make its way back to 0.60 soon.

ING forecasts (mkt fwd)	1M 0.60 (0.5960)	3M 0.61 (0.5973)	6M 0.61 (0.5989)	12M 0.62 (0.6011)
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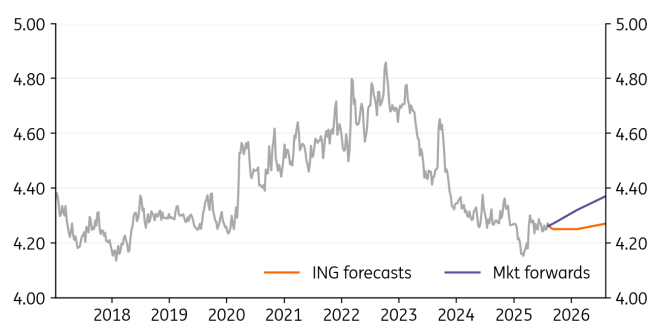


Emerging markets

EUR/PLN

Zloty at risk from MPC stance after the summer

Current spot: 4.2615



Source: Refinitiv, ING forecasts

- Despite volatility in the global FX markets thanks to the trade war saga, and with mounting pressure on the Fed to cut rates, the Polish zloty remained relatively unchanged. Even the unexpected Monetary Policy Council decision to cut rates in July did not trigger a sell-off in the zloty. The EUR/PLN exchange rate is still around the 4.27 level in range-bound trading (4.23–4.30).
- The positive carry trade is the main argument responsible for PLN strength. However, as inflation drops close to the central bank's target we expect the MPC will continue to cut interest rates, making the zloty less attractive. The fundamentals of the economy remain solid and the GDP dynamics should outperform the CEE region - but the high deficit and political spending race undermines the bid for Polish government bonds.

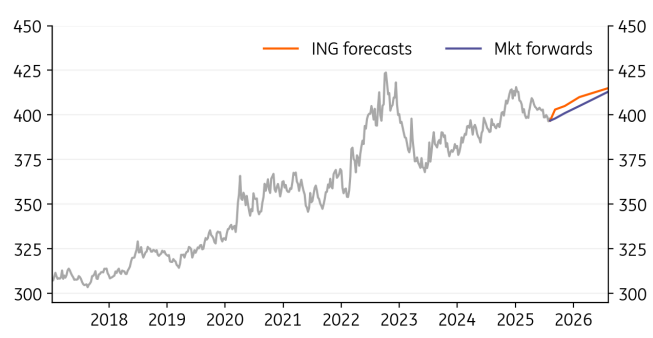
ING forecasts (mkt fwd)	1M 4.25 (4.2726)	3M 4.25 (4.2935)	6M 4.25 (4.3222)	12M 4.27 (4.3718)
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Mateusz Sutowicz, mateusz.sutowicz@ing.pl

EUR/HUF

Summer calm supports forint, but risks loom ahead

Current spot: 396.80



Source: Refinitiv, ING forecasts

- At the end of July, the forint enjoyed the lowest EUR/HUF levels since September 2024, and we have only returned to the 399-400 range because of the July rally in the US dollar.
- If markets return to a risk-on mood, we can't rule out further moves below 399 in the short term. However, the market has largely priced out rate cuts recently, supporting stronger FX, and we don't see room for another durable boost from this side soon.
- Conversely, the macro story suggests rather dovish market sentiment despite our flat base rate forecast. In particular, lower inflation prints in the summer will put pressure on EUR/HUF to return to the 405-410 level in the second half of this year.

ING forecasts (mkt fwd)	1M 403 (398.31)	3M 405 (401.19)	6M 410 (405.19)	12M 415 (413.32)
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Péter Virovác, peter.virovac@ing.com

EUR/CZK

Growth performance and inflationary risks help CZK

Current spot: 24.52



Source: Refinitiv, ING forecasts

- The economic rebound remains on track in the Czech Republic, despite the erratic impact of net exports. Consumption continues to be propelled by robust wage growth, and the construction boom will also help household budgets. Industrial production growth has remained in the black since February, suggesting that manufacturing has put the worst behind it. Growth outperformance will provide solid ground for the koruna.
- The Czech National Bank's easing cycle is likely over, as future inflationary pressures take centre stage. The possibility of overheating in the housing market, driving core inflation, and the potential for a German upswing, bring the next CNB hiking cycle into view. Both the real economy and monetary stringency point to further, yet gradual, koruna appreciation.

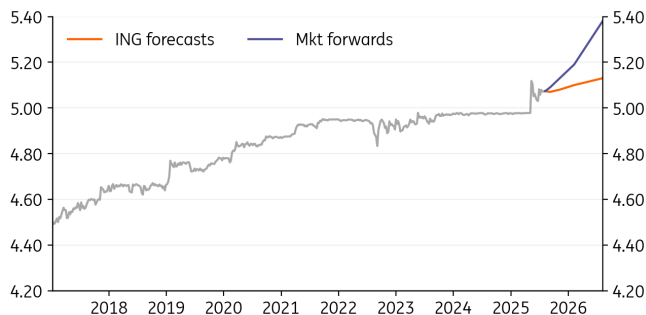
ING forecasts (mkt fwd)	1M 24.55 (24.55)	3M 24.50 (24.61)	6M 24.45 (24.68)	12M 24.35 (24.86)
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David Havrlant, David.havrlant@ing.com

EUR/RON

EUR/RON steady as S&P reaffirms rating

Current spot: 5.0735



Source: Refinitiv, ING forecasts

- EUR/RON continues to trade quietly within the 5.07–5.0850 range, suggesting a period of consolidation. This appears to be a comfort zone for the pair, with limited market catalysts and subdued volatility following the post-election normalisation.
- S&P reaffirmed Romania's investment-grade rating (BBB-) with a negative outlook on 23 July, citing persistent fiscal risks despite recent consolidation efforts. The adoption of the fiscal package has helped ease short-term concerns, but structural imbalances remain a medium-term concern.
- The NBR has kept its key rate unchanged at 6.50% in July, and we expect this stance to persist through year-end. Short-term moves in EUR/RON are likely to remain contained within the 5.05–5.10 band, with the pair seen ending the year near 5.10.

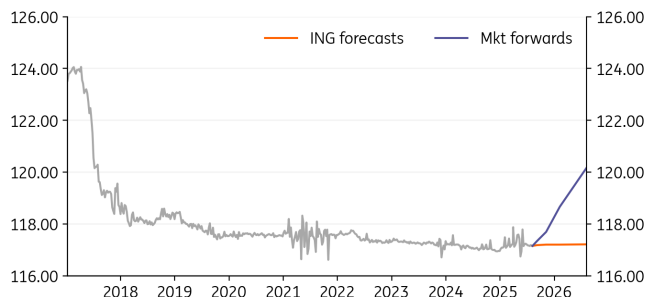
ING forecasts (mkt fwd)	1M 5.07 (5.0911)	3M 5.08 (5.1278)	6M 5.10 (5.1858)	12M 5.13 (5.3813)
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Valentin Tataru, valentin.tataru@ing.com

EUR/RSD

Policy caution supports dinar stability

Current spot: 117.15



Source: Refinitiv, ING forecasts

- EUR/RSD has remained stable, trading in a tight 117.10–117.20 range through early August. This reflects Serbia's robust macroeconomic fundamentals, including steady infrastructure investment and prudent fiscal policy.
- At its July meeting, the National Bank of Serbia held the key policy rate steady at 5.75%, maintaining its cautious stance amid global uncertainties. Headline inflation stood at 4.6% in June, printing just outside of the NBS's 3±1.5% target band for the first time since January this year.
- We expect the NBS to maintain its focus on exchange rate stability. With no major shifts anticipated in EUR/RSD, consistent policy and strong fundamentals should keep the pair anchored near current levels.

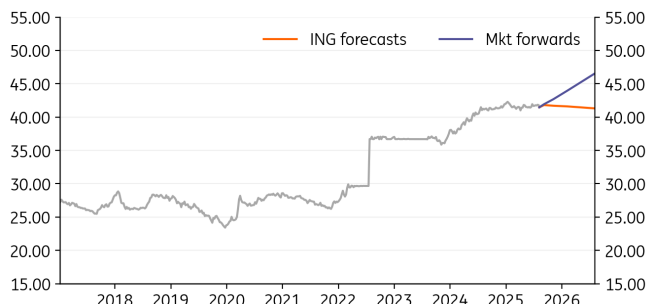
ING forecasts (mkt fwd)	1M 117.18 (117.34)	3M 117.20 (117.69)	6M 117.20 (118.66)	12M 117.21 (120.17)
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USD/UAH

Another month of insignificant hryvnia fluctuation

Current spot: 41.46



Source: Refinitiv, ING forecasts

- For another month, the hryvnia's exchange rate against the dollar has remained broadly stable (tight range of 41.0–41.8) amid inflows from international aid. According to the National Bank of Ukraine, this year alone Ukraine is expected to receive external financial assistance of around USD54bn, of which the country has already received less than half.
- Although the NBU left interest rates unchanged in July, the central bank's previous efforts to tighten monetary policy have contributed to the stabilisation of the hryvnia. Notably, the latest NBU forward guidance - reflecting the revised macroeconomic forecast - indicates a sustained pause in the key policy rate at 15.5%, its highest level since 2023.

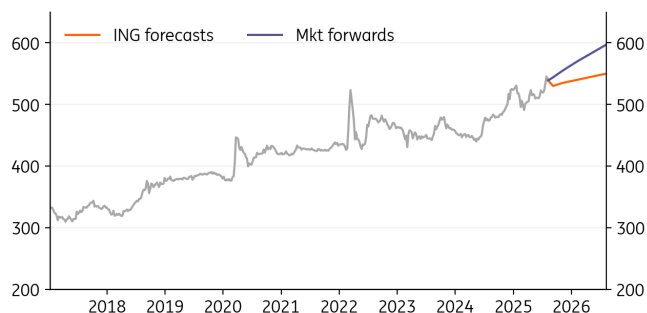
ING forecasts (mkt fwd)	1M 41.80 (41.93)	3M 41.70 (42.68)	6M 41.60 (43.97)	12M 41.30 (46.57)
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USD/KZT

State capital flows fail to support FX market

Current spot: 539.03



Source: Refinitiv, ING forecasts

- The tenge weakened by 3.9% to 541 per US dollar in July despite a benign macro backdrop, triggering emergency FX interventions of US\$126m. The total net government net FX sales went up to US\$1.4bn in July from US\$1.0-1.1 bn in the preceding months.
- The balance of payments for 2Q25 shows that state capital inflows are being increasingly outweighed by the mounting current account deficit and weakening private capital inflows.
- The double-digit growth in oil production in the second quarter, including 18% YoY in June, may eventually be converted into exports, potentially supporting the tenge in the near term. But longer-term strengthening is less likely given the structural BoP challenges.

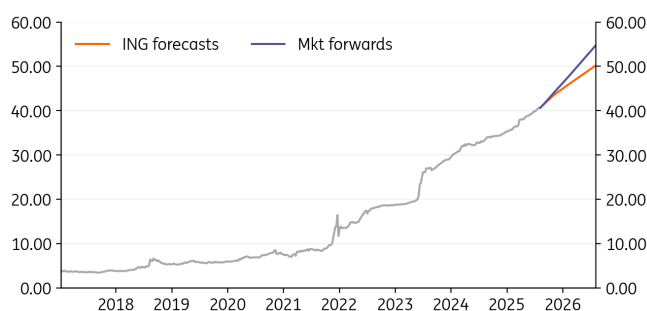
ING forecasts (mkt fwd)	1M 530 (544.20)	3M 535 (554.50)	6M 540 (569.77)	12M 550 (597.05)
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Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

A more rapid TRY depreciation recently

Current spot: 40.64



Source: Refinitiv, ING forecasts

- Recent movements in the USD/TRY exchange rate suggest a quicker pace of lira depreciation, with an average monthly increase of 1.8% in the last three months. The depreciation is even more pronounced when looking at the FX basket (50:50 EUR/USD), which saw increases of 2.9% in June and 2.6% in July.
- Accordingly, the lira's real effective exchange rate has turned more supportive for Turkey's competitiveness. In fact, the CPI-based REER has declined from above 75 in January 2025 to 69.4 as of July. The possibility of the Central Bank of Turkey accelerating its interest rate cuts can weigh on the lira. Even in such a scenario, relatively high real interest rates, and ongoing de-dollarisation tendencies will continue to support the lira.
- Additionally, the CBT is not likely to allow a rapid TRY depreciation, as this would undermine its disinflation strategy and could potentially trigger renewed dollarisation. We think the CBT appears prepared to manage any potential FX pressures that might arise from a faster pace of rate cuts in the coming months.

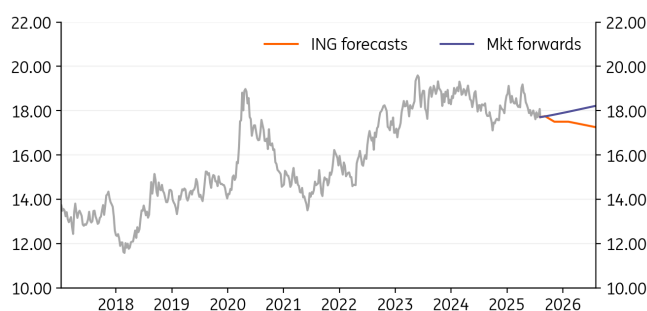
ING forecasts (mkt fwd)	1M 41.70 (41.76)	3M 43.60 (44.17)	6M 45.90 (47.66)	12M 50.25 (54.83)
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Muhammet Mercan, muhammet.mercan@ing.com.tr

USD/ZAR

SARB unilaterally shifts to new 3% inflation target

Current spot: 17.71



Source: Refinitiv, ING forecasts

- At its meeting in late July, it seems the South African Reserve Bank has unilaterally taken the decision to shift to a 3% inflation target from a 3-6% range prior. In theory this decision should have been taken in conjunction with the Finance Ministry but may well get confirmed in October.
- The SARB models that a 3% target will deliver a stronger ZAR and allow policy rates to be cut another 125bp – far more than if a 4.5% CPI target were retained. This story has been helping flows into the local bond market – SAGB yields are at a three-year low.
- 30% US tariffs will be a hit to the SA auto and agricultural sector and will likely keep growth low and unemployment high.

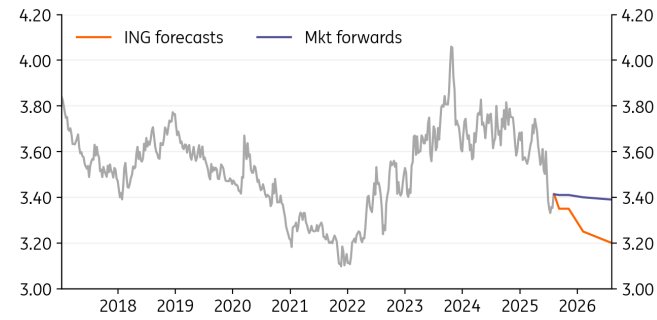
ING forecasts (mkt fwd)	1M 17.75 (17.74)	3M 17.50 (17.82)	6M 17.50 (17.95)	12M 17.25 (18.22)
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Chris Turner, chris.turner@ing.com

USD/ILS

Shekel holds onto 2025 gains

Current spot: 3.4130



Source: Refinitiv, ING forecasts

- USD/ILS has corrected alongside the dollar complex in July and should presumably drop again if we're right about a weaker dollar in August. Reduced sovereign risk premia after the joint US/Israeli attack on Iran is still helping and any ceasefire in Gaza will be viewed through the lens of improving Israel's supply side challenges – particularly with the stretched labour force.
- Last month the Bank of Israel kept rates at 4.50% and seemed to welcome the strong shekel in weighing on inflation. The market prices a 75bp easing cycle over the next year.
- USD/ILS has in the past been a high beta trade on the global dollar trend and should be back on the lows at 3.25/30 by year-end.

ING forecasts (mkt fwd)	1M 3.35 (3.4120)	3M 3.35 (3.4085)	6M 3.25 (3.4018)	12M 3.20 (3.3914)
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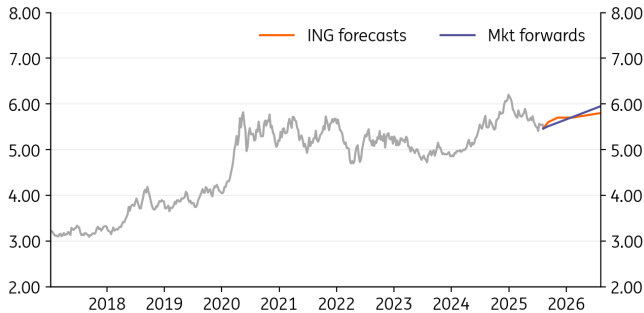


LATAM

USD/BRL

Scope for escalation

Current spot: 5.4604



Source: Refinitiv, ING forecasts

- Unlike many nations trying to cut deals with Washington, Brazil is bristling at the political interference from the north. Here, the White House is hanging a 50% tariff on Brazil for rule of law transgressions – largely related to former President Jair Bolsonaro. President Lula sees resistance to President Trump as a domestic vote winner and the scope for tariff escalation looks large.
- Yet the still promising carry trade environment and the softer dollar are keeping the high-yielding BRL well supported. A 5.40-5.75 trading range looks set to continue.
- But Brazilian elections in 2026 and the risk of fiscal giveaways will prove a drag on the real – hence the 5.80 levels we see next year.

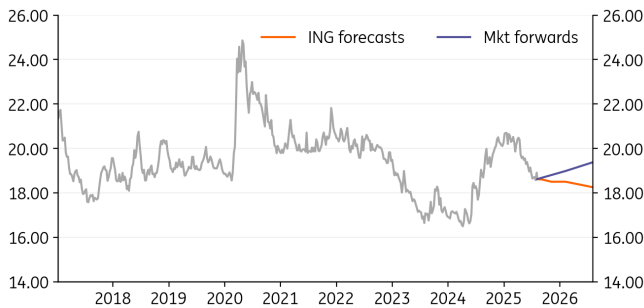
ING forecasts (mkt fwd)	1M 5.60 (5.5054)	3M 5.70 (5.5895)	6M 5.70 (5.7060)	12M 5.80 (5.9530)
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USD/MXN

Carry trade dominates over trade uncertainty

Current spot: 18.62



Source: Refinitiv, ING forecasts

- The dovish turn in the dollar has put the focus squarely back on carry trades this summer. The peso does well in this environment with its 8% implied yields. The market now prices only a modest 25-50bp of further Banxico easing and given historic spread levels Banxico may only now cut alongside the Fed.
- On trade, the USMCA seems to cover around 50% of Mexican exports to the US, but there is still focus on the auto and steel sector – plus the threat of 30% tariffs on everything else. The transactional approach from Washington suggests deals get cut.
- Invariably there will be strong corrective spikes in USD/MXN after a period of low volatility, but the bias is 18.00 medium term.

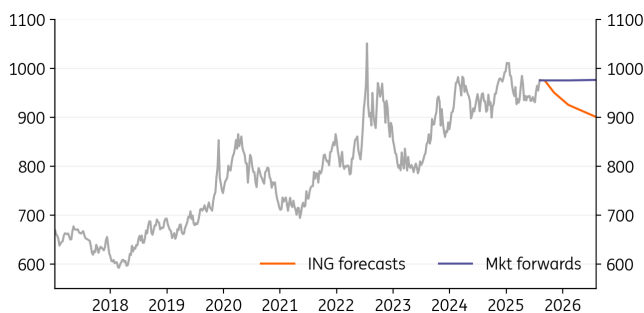
ING forecasts (mkt fwd)	1M 18.60 (18.68)	3M 18.50 (18.80)	6M 18.50 (18.98)	12M 18.25 (19.38)
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Chris Turner, chris.turner@ing.com

USD/CLP

FX intervention campaign to limit CLP gains

Current spot: 975.19



Source: Refinitiv, ING forecasts

- After a period of uncertainty, it looks as though events could be resolving in a positive way for Chile. US copper tariffs have exempted Chile's refined copper exports and the local mining company, Codelco, seems to be happy with the outcome. While a brief dip in copper prices might be seen as the market recovers from pre-tariff distortions, our analysts think copper should be supported into 2026 on tight markets. This is CLP positive.
- We are not more bullish on the peso since the central bank has just announced a new FX reserve building programme of US\$25m per day for three years – to a total of US\$18.5bn. This is partially to offset a US\$14bn IMF credit facility expiring next year.

ING forecasts (mkt fwd)	1M 975 (974.89)	3M 950 (974.85)	6M 925 (974.89)	12M 900 (976.34)
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Chris Turner, chris.turner@ing.com

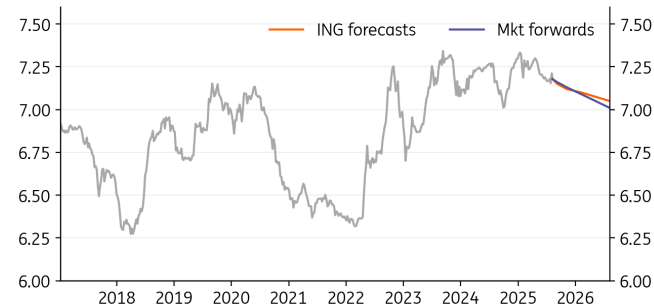


Asia

USD/CNY

CNY's steady nature allowed outperformance in July

Current spot: 7.1788



Source: Refinitiv, ING forecasts

- USD/CNY remained one of the most stable currency pairs against the dollar, with last month's trading range only slightly expanding to 7.15-7.20.
- After two months at broadly neutral levels, the People's Bank of China countercyclical factor moved towards pushing back against depreciation in the past month. US-China yield spreads narrowed after jobs data pushed US yields lower while Chinese yields rose.
- The CNY remains one of the lowest volatility currencies against the dollar this year, and this is unlikely to change in the near term. We continue to hold our call for a 7.00-7.40 fluctuation band for the year. Moving forward, we expect the CNY to enter a gradual appreciation trend as yield spreads narrow further.

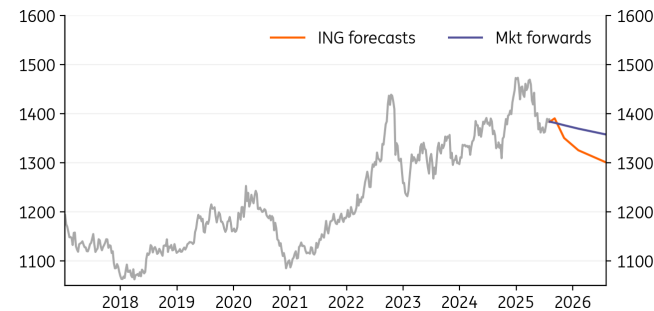
ING forecasts (mkt fwd)	1M 7.15 (7.1616)	3M 7.12 (7.1306)	6M 7.10 (7.0880)	12M 7.05 (7.0053)
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Lynn Song, lynn.song@asia.ing.com

USD/KRW

Temporary weakness in KRW is expected

Current spot: 1383.10



Source: Refinitiv, ING forecasts

- After the Korea-US trade agreement, markets initially improved but reacted negatively to the government's equity tax proposal, causing the KOSPI to drop over 5%. Investors are watching for potential changes to the tax plan; this may limit KRW gains.
- The Bank of Korea is expected to stand pat in August. Housing prices appear to be stabilising, yet it is still too early to tell.
- Rising concerns over the US recession also may put further pressure on the KRW. We expect a weaker won temporarily until there are clearer signs of a Fed cut in September.

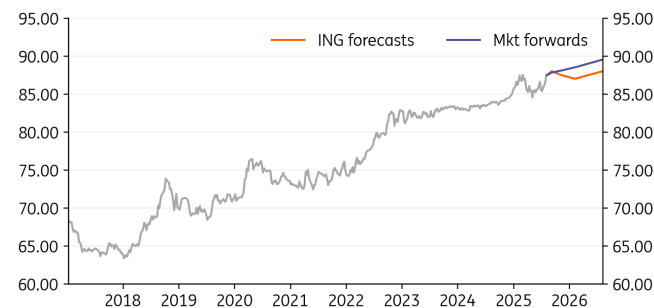
ING forecasts (mkt fwd)	1M 1390 (1380.74)	3M 1350 (1375.94)	6M 1325 (1368.90)	12M 1300 (1356.89)
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Min Joo Kang, min.joo.kang@asia.ing.com

USD/INR

INR could continue to underperform on trade uncertainty

Current spot: 87.47



Source: Refinitiv, ING forecasts

- INR was the worst performer in the region last month, weighed down by volatile oil prices and lack of a trade deal with the US that was largely expected to be in favour of India. Instead, India received the highest tariff rate of 25% in the region.
- Given the US accounts for almost 18% of India's exports, the 25% tariff rate could have a meaningful impact on GDP growth. However, we think it's likely that both nations will continue the negotiations, using levers such as reducing imports from Russia.
- In the interim, uncertainty could weaken investor sentiment as also reflected in FII outflows in July. REER undervaluation and RBI intervention should limit the damage to INR.

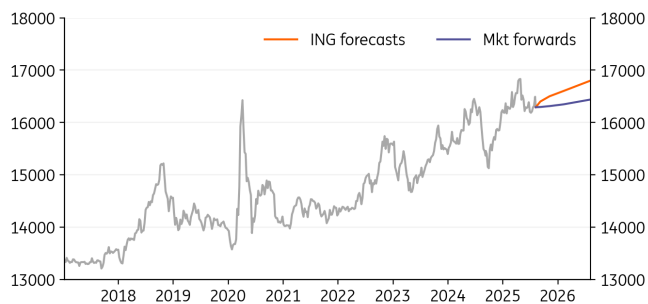
ING forecasts (mkt fwd)	1M 88.00 (87.82)	3M 87.50 (88.08)	6M 87.00 (88.51)	12M 88.00 (89.53)
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Deepali Bhargava, deepali.bhargava@ing.com

USD/IDR

IDR is stabilising, helped by foreign inflows

Current spot: 16290



Source: Refinitiv, ING forecasts

- Real rate differentials between Indonesia and the US remain one of the key drivers of the currency pair, and that has been coming down as IDR 10-year real rates have corrected. Weakness in the rupiah could persist given high sensitivity to rate differential
- While Indonesia remains less exposed to tariffs in general because of its low value-add exposure to exports to the US, its commitment to import large amounts of energy and agriculture goods from the US will add to current deficit widening. At the same time, FDI inflows have also remained soft.
- What's been helping IDR stabilise is FII inflows in debt that have gained momentum that could be sustained given Bank Indonesia's dovish bias. That, together with IDR undervaluation on a REER basis should mean a stable USD/IDR in the near term.

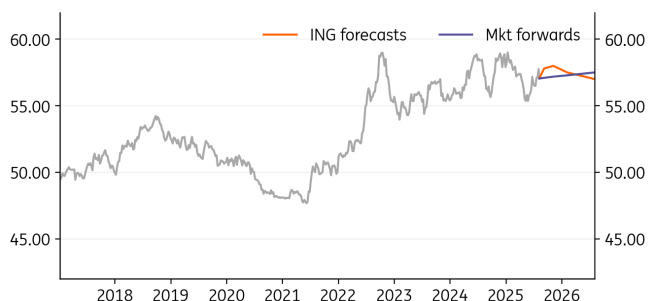
ING forecasts (mkt fwd)	1M 16400 (16295)	3M 16500 (16312)	6M 16600 (16345)	12M 16800 (16438)
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USD/PHP

Headwinds from over-valuation and wider twin deficits

Current spot: 57.05



Source: Refinitiv, ING forecasts

- The tariff rate for the Philippines, set at 19%, was both higher than our expectations and higher than the announcement on 'Liberation Day'. This has put downside risks to our 2025 GDP growth forecast of 5.5%.
- Consumer price index inflation came in at 0.9% year-on-year in July, lower than consensus expectations, driven by lower food prices. We maintain our forecast for two more 25bp rate cuts in the third and fourth quarters, ending 2025 at 4.75%, driven by softer inflation.
- REER overvaluation and twin deficit concerns will continue to remain headwinds for the local currency. Given our expectations of still large rate cuts and BSP's increasing tolerance for currency weakness, we expect the PHP to trade with a weakening bias.

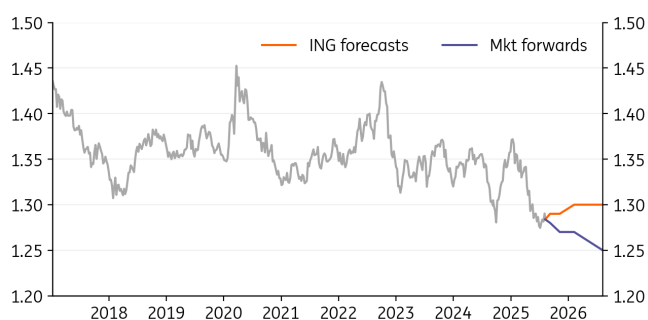
ING forecasts (mkt fwd)	1M 57.80 (57.10)	3M 58.00 (57.19)	6M 57.50 (57.29)	12M 57.00 (57.51)
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USD/SGD

SGD outperformance to fade gradually

Current spot: 1.2838



Source: Refinitiv, ING forecasts

- The Monetary Authority of Singapore opted to keep its monetary policy unchanged, highlighting that the risk of a sharp near-term slowdown in global growth has receded. This has raised the bar for further monetary policy easing this year.
- The SGD NEER continues to hover at the top of its policy band, pushing the currency's overvaluation to new highs. With MAS striking a less dovish tone and strong FDI inflows supporting the external balance, the SGD is likely to stay firm – unless we see a meaningful rebound in the USD (DXY).

On the rates side, SORA has corrected notably over the past two months due to ample domestic liquidity. However, MAS's more neutral stance suggests that the downside in SORA may now be limited, potentially establishing a floor for short-term rates.

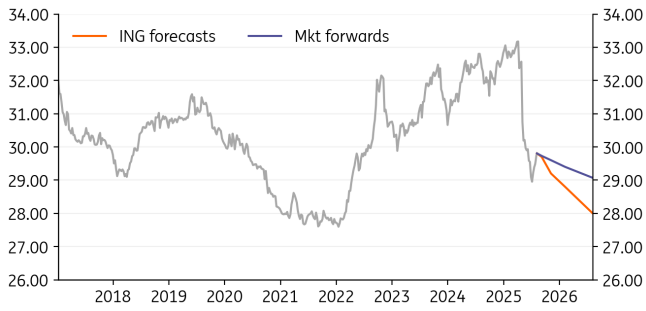
ING forecasts (mkt fwd)	1M 1.29 (1.2807)	3M 1.29 (1.2748)	6M 1.30 (1.2665)	12M 1.30 (1.2526)
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USD/TWD

TWD unwound some recent gains amid dollar rebound

Current spot: 29.80



Source: Refinitiv, ING forecasts

- The TWD was generally on a weakening trajectory over the past month, with the USD/TWD rising from the lows of 28.8 to briefly breaking over 30.
- Domestic drivers of the TWD were neutral to slightly positive for the TWD. Equity market net inflows slowed slightly but remained well positive, and yield spreads were little changed over the past month. We had another month of strong data, which suggests that the odds of a CBC move in the September meeting are low.
- At this juncture, risks once again look balanced toward TWD strengthening over the next few months, especially if we get a more dovish Fed.

ING forecasts (mkt fwd)	1M 29.70 (29.73)	3M 29.20 (29.60)	6M 28.80 (29.40)	12M 28.00 (29.07)
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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	1.17	1.17	1.20	1.20	1.21						
EUR/JPY	172	170	168	164	165	USD/JPY	147	145	140	137	136
EUR/GBP	0.87	0.87	0.87	0.88	0.89	GBP/USD	1.34	1.34	1.38	1.36	1.36
EUR/CHF	0.94	0.93	0.93	0.94	0.96	USD/CHF	0.81	0.79	0.78	0.78	0.79
EUR/NOK	11.90	11.75	11.65	11.40	11.10	USD/NOK	10.21	10.04	9.71	9.50	9.17
EUR/SEK	11.19	11.10	11.00	10.90	10.60	USD/SEK	9.60	9.49	9.17	9.08	8.76
EUR/DKK	7.46	7.46	7.46	7.46	7.46	USD/DKK	6.41	6.38	6.22	6.22	6.17
EUR/CAD	1.60	1.61	1.64	1.64	1.63	USD/CAD	1.37	1.38	1.37	1.37	1.35
EUR/AUD	1.79	1.77	1.79	1.79	1.78	AUD/USD	0.65	0.66	0.67	0.67	0.68
EUR/NZD	1.96	1.95	1.97	1.97	1.95	NZD/USD	0.60	0.60	0.61	0.61	0.62
EMEA											
EUR/PLN	4.27	4.25	4.25	4.25	4.27	USD/PLN	3.66	3.63	3.54	3.54	3.53
EUR/HUF	398.1	403	405	410	415	USD/HUF	340.6	344	338	342	343
EUR/CZK	24.57	24.55	24.5	24.45	24.35	USD/CZK	21.05	21.0	20.4	20.4	20.1
EUR/RON	5.08	5.07	5.08	5.10	5.13	USD/RON	4.35	4.33	4.23	4.25	4.24
EUR/RSD	117.16	117.18	117.20	117.20	117.21	USD/RSD	100.58	100.15	97.67	97.67	96.87
EUR/UAH	48.32	48.91	50.04	49.92	49.97	USD/UAH	41.46	41.80	41.70	41.60	41.30
EUR/KZT	580.1	620.1	642.0	648.0	665.5	USD/KZT	539.0	530	535	540	550
EUR/TRY	47.41	48.79	52.32	55.08	60.80	USD/TRY	40.63	41.70	43.60	45.90	50.25
EUR/ZAR	20.71	20.77	21.00	21.00	20.87	USD/ZAR	17.70	17.75	17.50	17.50	17.25
EUR/ILS	4.01	3.92	4.02	3.90	3.87	USD/ILS	3.41	3.35	3.35	3.25	3.20
LATAM											
EUR/BRL	6.37	6.55	6.84	6.84	7.02	USD/BRL	5.46	5.60	5.70	5.70	5.80
EUR/MXN	21.69	21.76	22.20	22.20	22.08	USD/MXN	18.63	18.60	18.50	18.50	18.25
EUR/CLP	1135.88	1141	1140	1110	1089	USD/CLP	975.00	975	950	925	900
Asia											
EUR/CNY	8.37	8.37	8.54	8.52	8.53	USD/CNY	7.18	7.15	7.12	7.10	7.05
EUR/IDR	18954	19188	19800	19920	20328	USD/IDR	16290	16400	16500	16600	16800
EUR/INR	102.28	102.96	105.00	104.40	106.48	USD/INR	87.48	88.00	87.50	87.00	88.00
EUR/KRW	1614.46	1626	1620	1590	1573	USD/KRW	1382.98	1390	1350	1325	1300
EUR/PHP	66.85	67.63	69.60	69.00	68.97	USD/PHP	57.11	57.80	58.00	57.50	57.00
EUR/SGD	1.50	1.51	1.55	1.56	1.57	USD/SGD	1.28	1.29	1.29	1.30	1.30
EUR/TWD	34.88	34.75	35.04	34.56	33.88	USD/TWD	29.81	29.70	29.20	28.80	28.00

Source: Refinitiv, ING

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