THINK Economic and Financial Analysis

FX Talking

January 2025

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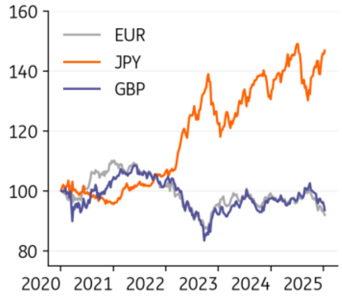
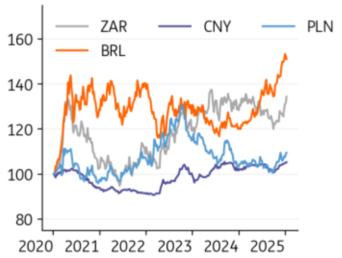
Trumps' currency, your problem

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

Adjusted for inflation, the Federal Reserve's measure of the broad, trade-weighted dollar is now at the highest levels since 1985. A stronger dollar this year is now very much a consensus call – but one with which it is hard to argue. Were it not enough that Trump's policy manifesto is clearly currency-positive, the dollar is also receiving support from strength in the US labour market. This questions whether the Fed needs to cut rates at all.

While the incoming US administration may not welcome this dollar appreciation, it may not be until corporate America starts to scream that Washington takes notice. Before then the focus on Washington's early use of tariffs and immigration controls – plus expectations of looser fiscal and regulatory policy – will all keep the dollar supported.

The combination of a stronger dollar and higher Treasury yields is crowding out financial flows to the rest of the world and is starting to cause problems. Brazil has already had to hike rates and use $30bn of its FX reserves as it fights to protect its local currency. And probably the most important FX market battleground right now is USD/CNY – where the People's Bank of China is still managing to hold the line even as depreciation pressure intensifies.

Using the tariff era of 2018-2019 as a template, we expect the dollar to stay strong all year. And given our call that the European Central Bank will be prepared to take the policy rate sub-neutral – perhaps as early as the second quarter – EUR/USD should be grinding towards parity.

It is going to be a difficult year for all activity and EM currencies – and certainly for any country running a trade surplus with the US. After the dollar, we think it may well be the defensive Japanese yen and Swiss franc which outperform.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.03	→	156	↓	1.23	↑
3M	1.03	→	156	↓	1.21	↓
6M	1.02	↓	157	↑	1.20	↓
12M	1.01	↓	160	↑	1.19	↓
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.84	→	25.10	↓	4.29	↑
3M	0.85	↑	25.05	↓	4.35	↑
6M	0.85	→	25.00	↓	4.30	↓
12M	0.85	↓	24.85	↓	4.35	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	7.34	↑	21.00	↑	6.10	↓
3M	7.31	↑	22.00	↑	6.15	↓
6M	7.33	↑	22.00	↑	6.25	↓
12M	7.40	↑	23.00	↑	6.25	↓

↑ / → / ↓ 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	-2.2	3.9	1.9	0.3	-3.3	1.6
%YoY	-6.5	9.0	-2.5	3.7	-7.9	7.4
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	1.0	3.1	0.9	-0.1	7.9	2.3
%YoY	2.3	12.3	9.1	-1.9	2.5	25.3

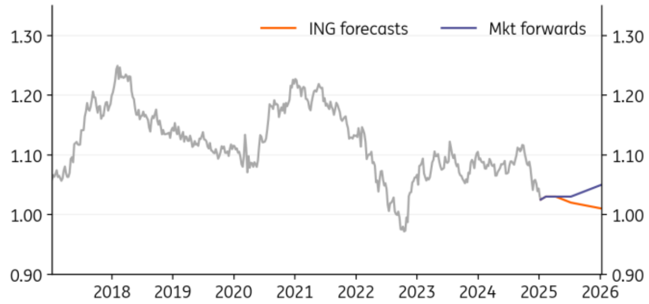
Source: Refinitiv, ING forecast

Developed markets

EUR/USD

Bracing for storm Trump

Current spot: 1.0250



Source: Refinitiv, ING forecasts

- There is a strong consensus that EUR/USD trades in a 1.00-1.05 range this year with a downside bias. Consensus is occasionally correct, and we expect the ratcheting up of US tariffs to again deliver the stronger dollar that we saw in 2018-19. US growth should remain stronger than major trading partners and yield spreads will remain dollar supportive on a less dovish Federal Reserve.
- The biggest risks to the EUR/USD bear trend come from: i) the new US administration trying to talk down the dollar, ii) a ceasefire in Ukraine or iii) US tariffs being much more selective.
- Europe remains mired in weak growth and weak leadership. Some fiscal support may emerge in the second half of the year with a new German government, but the EUR/USD bear trend should still dominate.

ING forecasts (mkt fwd)	1M 1.03 (1.0261)	3M 1.03 (1.0291)	6M 1.02 (1.0342)	12M 1.01 (1.0452)

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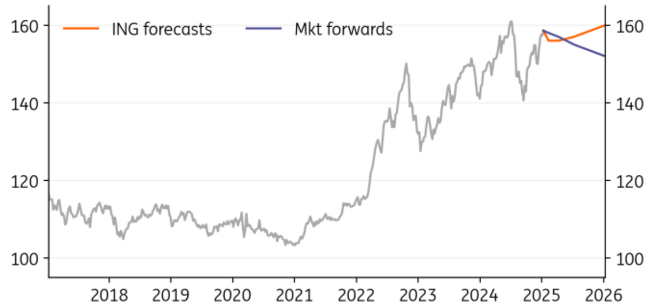
USD/JPY

Three hikes from the BoJ this year

Current spot: 158.60



Source: Refinitiv, ING forecasts

- USD/JPY is now firmly in the FX intervention zone of the 158-160 region. The Bank of Japan sold $35bn in that region last July and the mood music from Tokyo is that authorities are again ready to intervene. Driving that strength in USD/JPY has been the sharp rise in US Treasury yields as the term premium returns to the bond market. Our team expects US yields to stay firm all year – hence our 160 end-year call for USD/JPY.
- Within this supported environment we will see corrections, however. These will be related to intervention and BoJ rate hikes. We look for three 25bp hikes this year – the first potentially on 24 January.
- JPY is the most undervalued currency in our G10 fair value model.

ING forecasts (mkt fwd)	1M 156 (157.96)	3M 156 (156.95)	6M 157 (155.37)	12M 160 (152.39)

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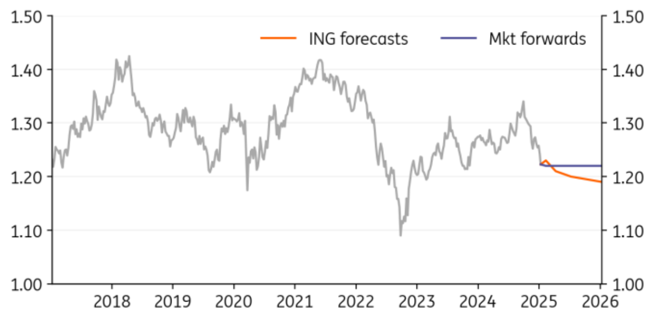
GBP/USD

The pound's outlook deteriorates

Current spot: 1.2227



Source: Refinitiv, ING forecasts

- We're cutting our GBP forecasts this month. While we do not think there is a sovereign crisis underway in the UK, we do think the rise in gilt yields will force a round of spending cuts from the government when it announces a spending review on 26 March. This is because the rise in gilt yields is challenging the fiscal rule of balancing the budget over a five-year horizon.
- Spending cuts in March could coincide with the turn lower in UK service price inflation and finally allow the Bank of England to cut rates more aggressively. The market prices 50bp of BoE rate cuts this year. We look for 100bp+ in cuts.
- Slightly overweight positioning also doesn't help the pound.

ING forecasts (mkt fwd)	1M 1.23 (1.2223)	3M 1.21 (1.2220)	6M 1.20 (1.2214)	12M 1.19 (1.2204)

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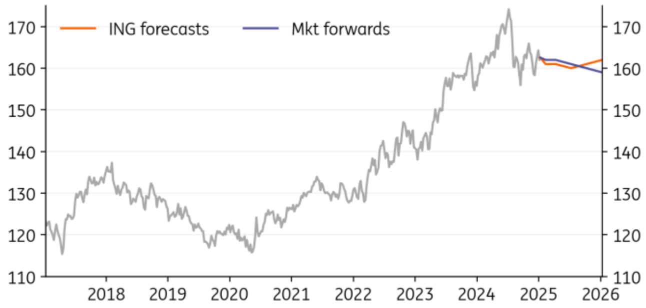
EUR/JPY

A slight downside bias here **Current spot: 162.54**



Source: Refinitiv, ING forecasts

- EUR/JPY has largely been rangebound since last July's yen carry trade unwind. 157-167 is the rough range. Looking purely at the reaction function of the BoJ or European Central Bank against a weaker currency, one can argue that the BoJ is more resistant to a weaker yen than the ECB is to a weaker euro - and that EUR/JPY should decline. That is our slight preference even though our forecasts are quite flat here.
- In Europe, let's also look out for European elections – where Germany goes to the polls on 23 February. The return of a CDU government could help the euro with a little more fiscal stimulus.
- Should the rise in US yields finally hit equities, EUR/JPY will drop.

ING forecasts (mkt fwd)	1M 161 (162.13)	3M 161 (161.52)	6M 160 (160.69)	12M 162 (159.26)

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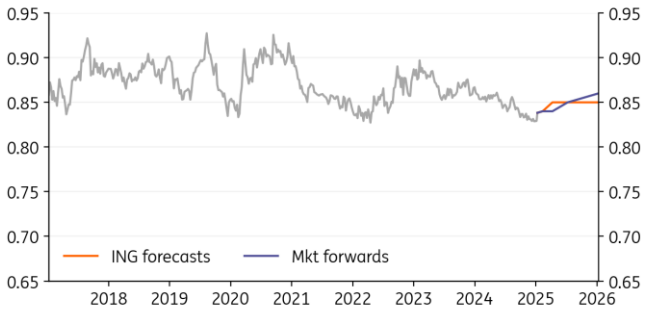
EUR/GBP

Market turns against the pound **Current spot: 0.8383**



Source: Refinitiv, ING forecasts

- We did not get carried away with downside forecasts for EUR/GBP last year, nor will we with upside forecasts this year. Yes, the recent gilt sell-off means UK fiscal consolidation is more likely now. But that probably makes EUR/GBP a 0.85 story rather than levels nearer 0.87/88.
- When it comes to BoE versus ECB market pricing of the 2025 easing cycles, the risks here are clearly to the upside for EUR/GBP. We think the BoE easing cycle will be far deeper than what is currently priced. Again, UK services inflation is key here.
- Though we do not think UK comparisons to Liz Truss/Sep 2022 are fully justified, the FX option market is far more alarmed.

ING forecasts (mkt fwd)	1M 0.84 (0.8395)	3M 0.85 (0.8422)	6M 0.85 (0.8468)	12M 0.85 (0.8564)

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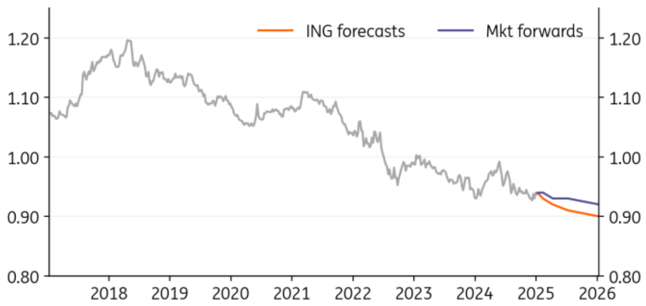
EUR/CHF

Switzerland could be toying with deflation in 2Q **Current spot: 0.9395**



Source: Refinitiv, ING forecasts

- EUR/CHF has stabilised above the 0.93 area helped by the modest bounce in EUR swap rates since early December. The latest Swiss National Bank FX intervention data – this time for 3Q24 – showed the SNB buying CHF728mn in FX. That's not a lot but is the highest since early 2022 and reflects the SNB's shift from being an FX seller in 2022-2024 as it used a stronger CHF to fight inflation, to an FX buyer.
- Suffice to say that the SNB is now fighting rather than welcoming CHF strength. However, we doubt the SNB can match the 125bp of cuts from the ECB this year and EUR/CHF should soften.
- The big wildcard here could be peace in Europe. Any lasting Ukraine ceasefire could be worth a 2-3% rally in EUR/CHF.

ING forecasts (mkt fwd)	1M 0.93 (0.9374)	3M 0.92 (0.9338)	6M 0.91 (0.9286)	12M 0.90 (0.9185)

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EUR/NOK

Norway's economic risks are limited

Current spot: 11.74

Source: Refinitiv, ING forecasts

- EUR/NOK realised volatility is easing back towards the pre-July levels. Norges Bank increased daily FX purchases to NOK 250m in January, but liquidity conditions in the NOK market have improved, as shown by the krone's small reaction to the bond selloff.
- Norway's exports to the US are a mere 3% of total exports, so the direct protectionism impact would be limited. The picture is more nuanced for geopolitics. A colder winter and Ukraine's gas pipeline halt bode well for Norway's exports, but any military threat to Europe would have an outsized negative effect on NOK.
- Norges Bank signalled a March cut. We expect one cut per quarter in 2025, but risks are tilted to a slightly more hawkish scenario. We retain a cautious, moderately bearish EUR/NOK view.

ING forecasts (mkt fwd)	1M 11.70 (11.75)	3M 11.70 (11.79)	6M 11.50 (11.84)	12M 11.40 (11.95)

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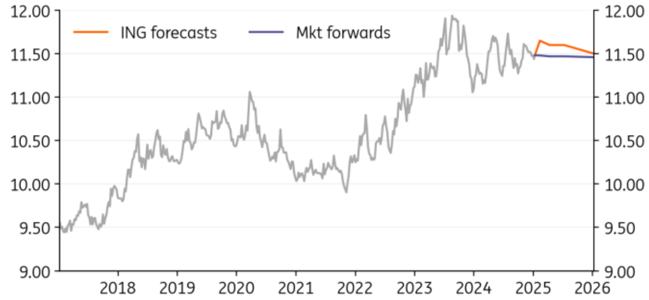
EUR/SEK

Krona should remain weak

Current spot: 11.48



Source: Refinitiv, ING forecasts

- We expect the Riksbank to cut by 25bp in January and another 25bp in March, reaching a terminal rate of 2.0%. Still, US aggressive protectionism could force some extra easing.
- Beyond short-term swings, the risks are more on the downside for the krona compared to the krone in 2025. This is not only due to the lower implied rates, but crucially because of SEK's higher sensitivity to a slowdown in global trade. Also, now that inflation appears in check in Sweden, the Riksbank could prove more tolerant to a weak krona – which also helps to absorb the trade shock.
- EUR/SEK vols are very cheap, and there is a case for wider swings once Trump takes office. However, we still target 11.50 in 2H.

ING forecasts (mkt fwd)	1M 11.65 (11.48)	3M 11.60 (11.47)	6M 11.60 (11.47)	12M 11.50 (11.46)

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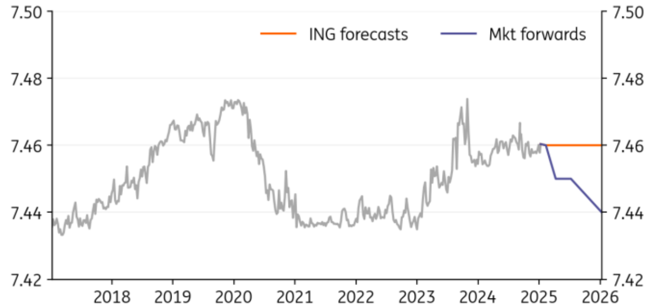
EUR/DKK

Black swan emerging

Current spot: 7.4604



Source: Refinitiv, ING forecasts

- EUR/DKK has faced some modest upward pressure of late, while staying close to the 7.46 peg centre line. That small Danish krone depreciation was probably a function of the Novo Nordisk stock sell-off before Christmas and Trump's military and economic threats to Denmark over Greenland.
- The Greenland dispute is emerging as a black swan risk for DKK, as an escalation could lead to pockets of disorderly DKK selling.
- The central bank should still use FX intervention as the first line of defence for DKK. Should that prove insufficient, it would face the tough decision to either soften the DKK or cut less than the ECB. The latter being a hard sell in the event of US tariff-led economic woes.

ING forecasts (mkt fwd)	1M 7.46 (7.4578)	3M 7.46 (7.4533)	6M 7.46 (7.4465)	12M 7.46 (7.4350)

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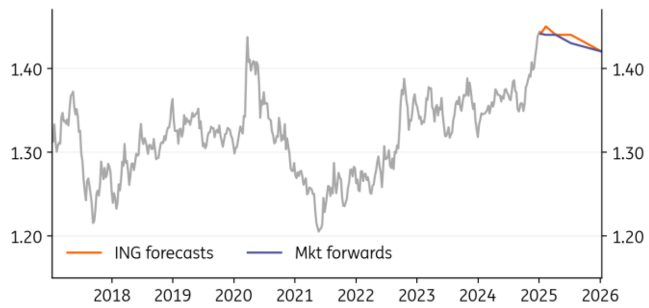
USD/CAD

Loonie's downturn may have only just started



Source: Refinitiv, ING forecasts

Current spot: 1.4412

- The loonie remains in a full-blown storm. Whoever replaces Justin Trudeau as prime minister would likely face a no-confidence vote quickly, and the chances of new elections before October are high. Conservatives are projected to win by a landslide.
- The political shake-up is unlikely to matter much for CAD as long as Trump's 25% tariff threat on Canada remains. Canada is reportedly preparing for retaliation with a list of selected US products that would asymmetrically damage US counterparts compared to Canadian consumers.
- We expect USD/CAD to move rapidly towards 1.50 if a North America trade war starts, as the Bank of Canada would need to cut more. Trump would probably complain about CAD weakness, but a CAD rebound will only happen if trade tensions abate.

ING forecasts (mkt fwd)	1M 1.45 (1.4397)	3M 1.44 (1.4364)	6M 1.44 (1.4313)	12M 1.42 (1.4209)

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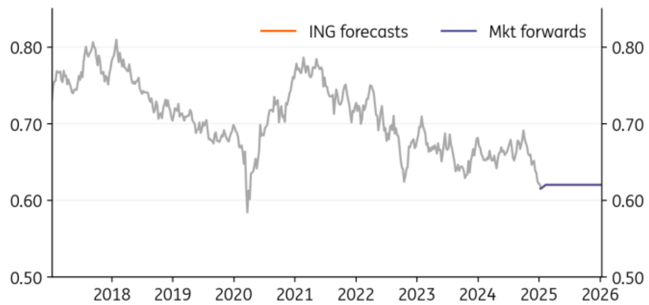
AUD/USD

Some respite possible



Source: Refinitiv, ING forecasts

Current spot: 0.6150

- The Australian dollar has been among the worst performers since Trump's re-election. The People's Bank of China's defence of the yuan has likely favoured a build-up of proxy shorts for China's sentiment in light of protectionism risk. Iron ore is another gauge of the potential impact on Chinese activity, and Australia's top export. We don't expect a sustainable rebound above 100$/MT this year.
- There is still a plausible scenario where Trump focuses on domestic themes at the start of his term and at least delays China tariffs. That would offer some respite to the battered AUD.
- We agree with markets that the chances of a February Reserve Bank of Australia rate cut are above 50%. Still, trimmed-mean CPI is above target, and if the tariff threat abates somewhat, easing can be pushed out further.

ING forecasts (mkt fwd)	1M 0.62 (0.6150)	3M 0.62 (0.6152)	6M 0.62 (0.6155)	12M 0.62 (0.6164)

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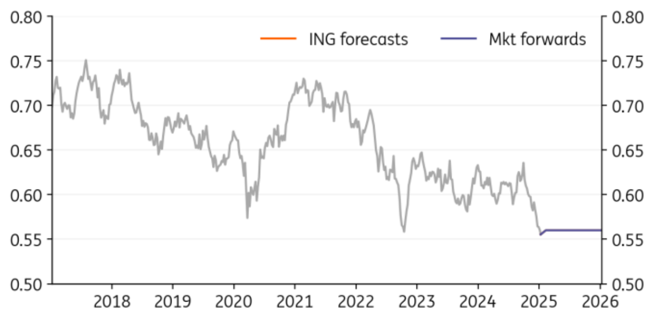
NZD/USD

Dovish RBNZ caps the upside



Source: Refinitiv, ING forecasts

Current spot: 0.5554

- The November Reserve Bank of New Zealand rate projections embed another 50bp cut in February, taking rates to 3.75%. Markets remain more dovish on easing after that, pricing in a terminal rate around 3.0% versus the RBNZ's 3.25-3.50%.
- We are a bit more concerned than markets on non-tradeable inflation (still at 4.9%), but pricing will still largely depend on Trump's protectionism.
- Like AUD, NZD could benefit from some delay in China tariffs, at least in the near term. However, the radically more dovish RBNZ relative to the RBA makes it harder for NZD to stage a sustained recovery.

ING forecasts (mkt fwd)	1M 0.56 (0.5554)	3M 0.56 (0.5560)	6M 0.56 (0.5574)	12M 0.56 (0.5608)

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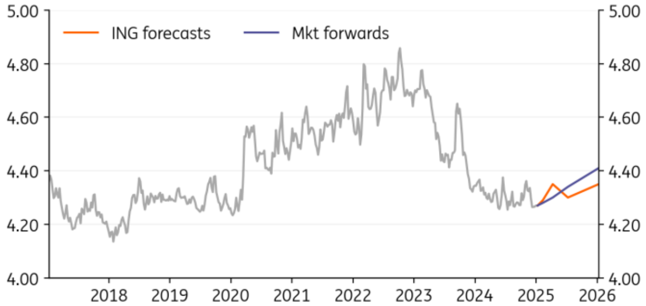
Emerging markets

EUR/PLN

Polish zloty is the most resilient to the Trump trade



Source: Refinitiv, ING forecasts

Current spot: 4.2703

- Poland's zloty is outperforming despite the weak EUR/USD. PLN is holding its own against the strong USD, as EU funds are exchanged on the market and are stabilising EUR/PLN.
- Fundamentals support the zloty. The National Bank of Poland remains the most hawkish central bank in the region. Despite vocal MPC dissenters since December's hawkish pivot, they can't outvote Governor Adam Glapiński. In 2024, Poland was the only CEE-4 that delivered the expected GDP growth while others surprised very negatively. In 2025, the economy should continue to outperform.
- POLGBs face large supply, but we expect a limited yield rise from current levels, although ASW may widen further. Local banks might cover up to 60% of wholesale, local borrowing needs (vs. 74% in 2024). The Ministry of Finance can ease yield pressure by issuing FX debt, PLN T-Bills, or using RRF loans.

ING forecasts (mkt fwd)	1M 4.29 (4.2809)	3M 4.35 (4.3030)	6M 4.30 (4.3388)	12M 4.35 (4.4114)

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EUR/HUF

We expect the pressure on the forint to continue to mount

Source: Refinitiv, ING forecasts

Current spot: 413.67

- Since the US election, EUR/HUF has been strongly driven by EUR/USD and the market's view of "Trumponomics", putting pressure on the forint. The latest tariff story (6 Jan) is clear evidence of this sensitivity.
- While the end of the year was positive for the forint, as usual, fragility reared its head at the beginning of the new year, pushing the forint to a two-year low of 416 against the euro.
- We see only downside surprises in the local economy, which the market will view as dovish amid the change in central bank leadership in March. As a result, we expect the pressure on the forint to continue and forecast EUR/HUF to move towards 420 in 1Q25.

ING forecasts (mkt fwd)	1M 415 (414.88)	3M 420 (417.43)	6M 412 (421.56)	12M 420 (430.15)

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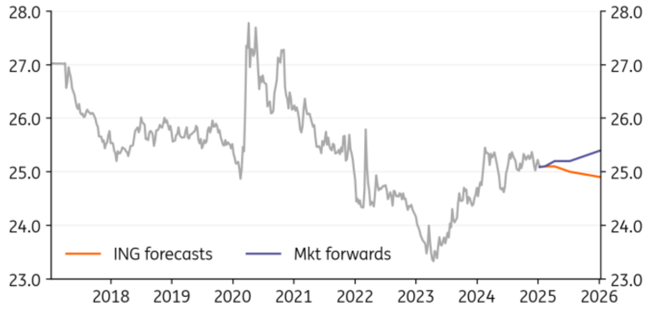
EUR/CZK

Hawkish CNB and outperforming economy will help CZK

Current spot: 25.09



Source: Refinitiv, ING forecasts

- Czech inflation crossed the 3% upper bound of the central bank's inflation target tolerance band in December, prompting policymakers to maintain a hawkish tone. With both headline and core rates likely remaining only somewhat below the 3% threshold in January, further policy rate reduction will not be carried out in haste. Combined with the Czech economy outperforming the eurozone, this implies conditions favourable to a gradual CZK appreciation against the EUR over coming quarters
- Protracted weakness in industry represents a risk to the Czech economic rebound, yet the same holds for the entire eurozone. The causes of the protracted underperformance have common roots across Europe. A scenario of slower growth in Czechia carries the asymmetric risk of protracted weakness in the koruna versus the dollar.

ING forecasts (mkt fwd)	1M 25.1 (25.11)	3M 25.1 (25.16)	6M 25.0 (25.23)	12M 24.9 (25.37)

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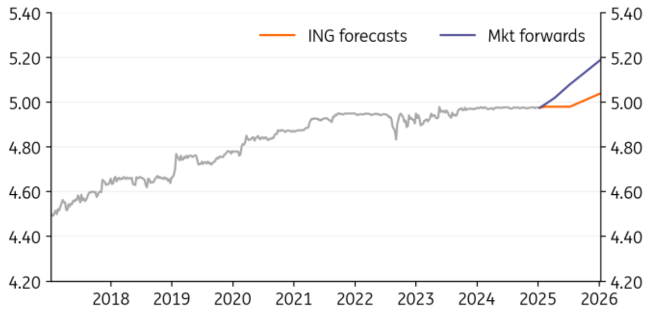
EUR/RON

FX stability likely to continue

Current spot: 4.9754



Source: Refinitiv, ING forecasts

- The EUR/RON traded slightly above 4.97 for most of the previous month. The interbank liquidity surplus fell below RON 20bn for the first time since December 2022, while FX swap yields remained elevated, suggesting official offers protecting the leu.
- While presidential election re-run dates have been set for May this year, various uncertainties in the political arena and on the fiscal front still prevail, keeping the risk of outflows in place.
- We continue to expect the central bank to keep its tight grip on the currency until the inflation outlook and the overall risk heatmap become much clearer.

ING forecasts (mkt fwd)	1M 4.98 (4.9882)	3M 4.98 (5.0184)	6M 4.98 (5.0756)	12M 5.04 (5.1942)

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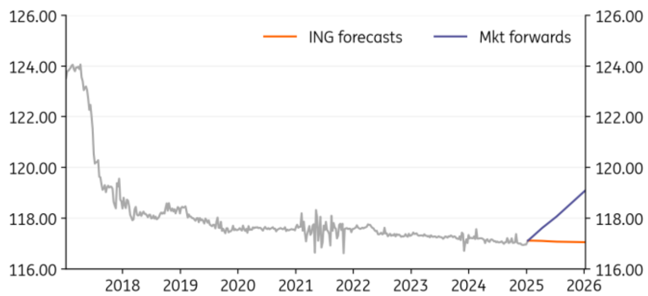
EUR/RSD

No major changes in sight yet

Current spot: 117.11



Source: Refinitiv, ING forecasts

- The EUR/RSD exchange rate moved slightly above 117.00 through the month, reversing the dinar's small appreciation in Nov-Dec. Serbia benefits from the recent investment grade rating, growing tourism and FDIs, as well as a solid fiscal record.
- The central bank likely continued to mitigate appreciation pressures on the dinar through most of the month. That said, risks related to US sanctions on energy matters could have also weighed on the currency more recently. By the end of November, foreign exchange reserves had reached a new record high of EUR 28.7 billion.
- All in all, we think that the National Bank of Serbia will likely continue to preserve FX stability ahead. We expect the exchange rate to remain stable close to 117.00

ING forecasts (mkt fwd)	1M 117.11 (117.28)	3M 117.10 (117.61)	6M 117.07 (118.06)	12M 117.05 (119.10)

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USD/UAH

Rising FX reserves and interest rate hike support hryvnia

Current spot: 42.26

Source: Refinitiv, ING forecasts

- The hryvnia has weakened moderately on the back of the large external trade gap and increased demand for foreign currencies, while rising FX reserves and the National Bank of Ukraine's interest rate hike supported FX sustainability. International reserves increased by 9.7% month-on-month to US$43.8bn in December. This resulted from US$9.5bn in inflows of external financial aid and US$5.3bn in net FX sales. The NBU raised its key policy rate by 50bp to 13.5% in December in response to a sharp acceleration of inflation. The NBU's decision was a hawkish signal aimed at ensuring a gradual deceleration of inflation to the 5% target.
- The economy remains burdened by the ongoing full-scale war, disruptions in electricity supply, shortages of workers and uncertainty related to the stance of the Trump administration on ending the war in Ukraine. To prevent UAH's real appreciation due to higher inflation, the NBU is likely to allow for a gradual weakening of the hryvnia, while keeping the currency generally stable. The record-high FX reserves cover 5.5 months of imports.

ING forecasts (mkt fwd)	1M 42.50 (42.88)	3M 42.80 (43.94)	6M 42.90 (45.60)	12M 43.00 (49.22)

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USD/KZT

Weaker on external factors

Current spot: 527.42

Source: Refinitiv, ING forecasts

- Kazakhstan's tenge continued to depreciate in December, losing around 1.5% to the level of 524 at year-end 2024. The global appreciation of the US dollar by 2.6% was offset by $0.9bn in fiscally driven state FX sales and $0.3bn of emergency FX support from the central bank.
- For January 2025, the central bank is guiding for a reduction in FX sales out of the sovereign fund to $750-850m, but the external environment appears less hostile so far.
- We do not exclude some recovery in KZT in the coming weeks, but the high dependence of KZT on the externalities such as regional and global geopolitics raises uncertainties surrounding near-term forecasting. The longer-term KZT trend appears bearish assuming fiscal consolidation and lower FX sales.

ING forecasts (mkt fwd)	1M 525 (531.75)	3M 520 (540.22)	6M 515 (551.06)	12M 535 (574.05)

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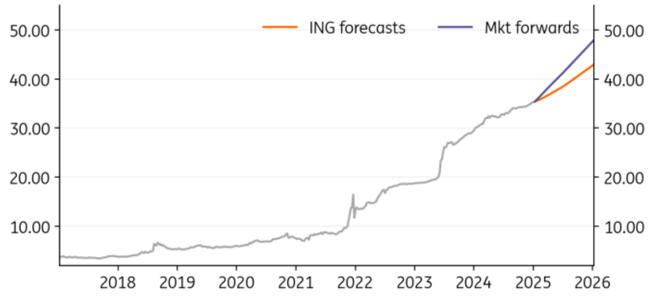
USD/TRY

Prudent and data-dependent **Current spot: 35.39**



Source: Refinitiv, ING forecasts

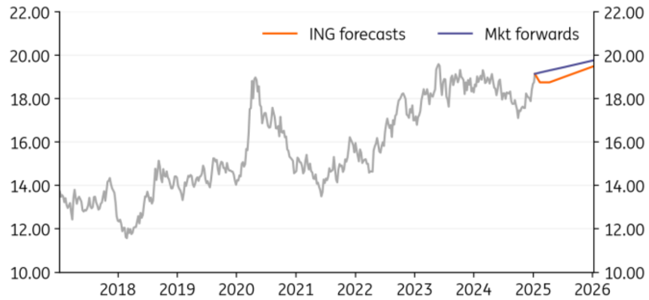
- A lower than expected 30% hike in the minimum wage, implying a measured 1ppt additional impact on headline inflation and eight planned MPC meetings in 2025 versus 12 originally, hinting at a larger size of rate cuts per meeting, resulted in a large 250bp cut last month. We expect the Central Bank of Turkey to continue rate cuts with another 250bp move in January.
- In the new year, the Turkish lira has returned to its previous trend of nominal depreciation but the first days of the new year, on the other hand, show USD/TRY stability below the 35.400 level. Although a period of gradual FX carry deterioration has begun, TRY still far outperforms any alternatives in the EM space.
- Moreover, the central bank seems to be confidently in control of the situation with the credibility of the disinflationary process improving. Overall, we thus believe that TRY should remain the main carry trade in the EM space this year. We expect 36.85 USD/TRY for the end of 1Q and 43.00 for the year-end.

ING forecasts (mkt fwd)	1M 35.80 (36.43)	3M 36.85 (38.49)	6M 38.60 (41.51)	12M 43.00 (47.99)

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

USD/ZAR

ZAR buyers retreat **Current spot: 19.14**



Source: Refinitiv, ING forecasts

- Last year, the rand had been outperforming, but that has changed this year. The weight of the incoming Trump policy is taking its toll on all China-linked markets – including the rand. What has not helped the rand was the soft 3Q24 GDP figure, which contracted by 0.3% quarter-on-quarter. This dented the narrative that electricity production was driving a better activity story.
- However, we are not too bearish on the rand this year. Domestic demand should get some support from pension reform and the current account deficit looks manageable at 1% of GDP.
- The market now only expects the central bank to cut rates to the 7.25% area from the current level of 7.75%.

ING forecasts (mkt fwd)	1M 18.75 (19.20)	3M 18.75 (19.30)	6M 19.00 (19.45)	12M 19.50 (19.77)

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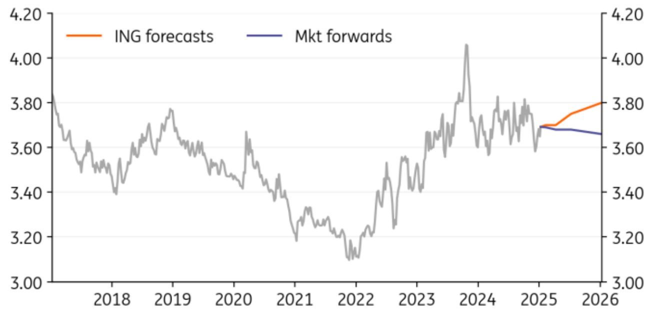
USD/ILS

Strong dollar trend will limit USD/ILS downside **Current spot: 3.6922**



Source: Refinitiv, ING forecasts

- After trading close to 3.55 on the Lebanese ceasefire in December, USD/ILS is now back to 3.65. The broad dollar trend is dominating here. In the past, we have seen that USD/ILS does have a high beta on the global dollar trend. And given our bullish call on the dollar this year we think 3.75/3.80 levels are possible.
- Locally, the central bank is operating off the view that the war will lessen in intensity after 1Q this year. Its research staff expect GDP growth to bounce back to 4% this year from just 0.6% last year. This assumes that labour market constraints will lessen.
- Markets price modest Bank of Israel rate cuts of 50bp in the second half of the year taking the policy rate to 4.00%.

ING forecasts (mkt fwd)	1M 3.70 (3.6898)	3M 3.70 (3.6845)	6M 3.75 (3.6760)	12M 3.80 (3.6559)

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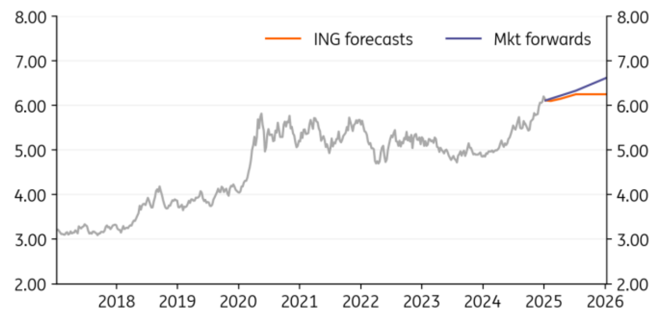
LATAM

USD/BRL

Central bank tries to support the FX market — **Current spot: 6.1117**



Source: Refinitiv, ING forecasts

- In the absence of decisive fiscal action from the government, it has been left to the central bank – BACEN – to support the real. BACEN hiked 100bp in December to 12.25% and has promised two further 100bp hikes over the next two meetings. In addition, it has undertaken close to $30bn of FX intervention – the largest in over a decade. USD/BRL has stabilised around the 6.10 area for the time being, but the strong dollar environment suggests a trend change is unlikely. Higher US Treasury yields don't help.
- On the fiscal side, consensus expects the budget deficit to stay around 7-8% of GDP this year. Elections in 2026 question whether the government will address fiscal concerns at all.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	6.10 (6.1502)	6.15 (6.2158)	6.25 (6.3348)	6.25 (6.6212)

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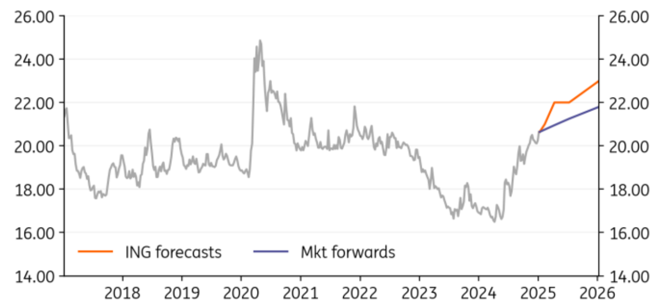
USD/MXN

Peso remains vulnerable — **Current spot: 20.64**



Source: Refinitiv, ING forecasts

- We think the peso remains vulnerable this year as the new US Trump administration tries to squeeze out concessions. Were the US to go ahead with across-the-board tariffs on Mexico of 25%, studies suggest it could knock anywhere between 1% and 3% of Mexican GDP. Autos, energy and agriculture would be the main sectors in trouble as supply chains get disrupted.
- Banxico is trying to look through FX volatility and continue with its easing cycle. The policy rate is 10% now and is expected to be cautiously cut to 8.75-9.00% should conditions allow.
- Higher volatility US policymaking suggests the peso will not benefit from carry trade inflows this year. We are bearish on MXN.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	21.00 (20.75)	22.00 (20.95)	22.00 (21.25)	23.00 (21.80)

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USD/CLP

No surprises being above 1000/$ — **Current spot: 1011.10**

Source: Refinitiv, ING forecasts

- USD/CLP has crossed the 1000 threshold again. In our 2025 FX outlook, we had felt that Chile's peso would be one of the weakest Latam currencies this year, based on exposure to China and low real rates in Chile. On the latter, the policy rate is now 5% and the central bank expects inflation to nudge up to 5% at the start of the year. The market struggles to see any more easing now.
- Expect increased US pressure on China through the year to keep weighing on the CLP. The problem for Chile is that its FX reserves are quite modest – and it can't intervene as heavily as Brazil.
- The only slight positive for CLP is that Chile's copper exports are picking up after investments in some of the old infrastructure.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	1015 (1011.45)	1025 (1012.33)	1050 (1013.90)	1050 (1018.68)

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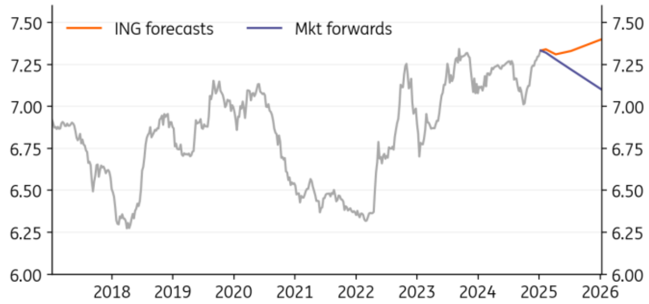
Asia

USD/CNY

PBoC continues to hold the line as pressure mounts



Source: Refinitiv, ING forecasts

Current spot: 7.3327

- After holding the line at 7.30 in December, China's yuan continued to weaken at the start of the new year, with the USD/CNY drifting higher to around 7.33 at the time of writing. The PBoC continued to promote currency stabilisation.
- Domestically, the key development last month was policymakers abandoning the intervention in the CGB market, allowing yields to fall. This widened the US-China yields to historical highs and is adding to short-term CNY depreciation pressure. Additionally, policymakers continued to signal upcoming monetary easing.
- Trump's upcoming inauguration and potential tariff developments are a risk for the CNY in the near term. Our baseline case has 7.40 as the upper bound of this year's fluctuation band, with an upside risk to 7.50. We don't expect intentional large-scale devaluation as a response to tariffs.

ING forecasts (mkt fwd)	1M 7.34 (7.3163)	3M 7.31 (7.2822)	6M 7.33 (7.2248)	12M 7.40 (7.1010)

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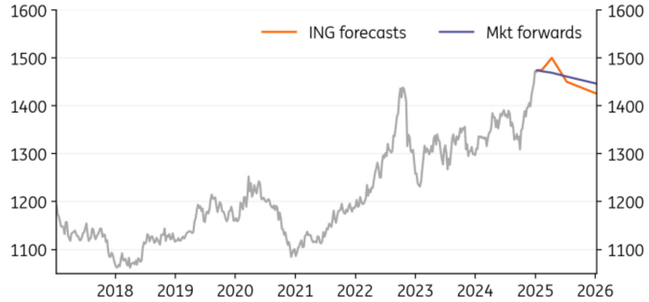
USD/KRW

Uncertainty over politics continues to pressure the won



Source: Refinitiv, ING forecasts

Current spot: 1473.93

- USD/KRW surged to almost 1,470 on the back of the political turmoil and the plane crash. Meanwhile, FX reserves rose slightly in December, suggesting no significant smoothing operations taken by the Bank of Korea so far. This indicates that the BoK's near-term priority is to support growth with rate cuts.
- The National Pension Service appears to be involved in FX hedging recently, but it is unlikely to change the won's depreciation trend.
- The KRW will remain weak even as the domestic political situation stabilises as macroeconomic conditions should bring further weakness in 1H25 – plus BoK rate cuts.

ING forecasts (mkt fwd)	1M 1475 (1472.37)	3M 1500 (1468.52)	6M 1450 (1461.46)	12M 1425 (1445.66)

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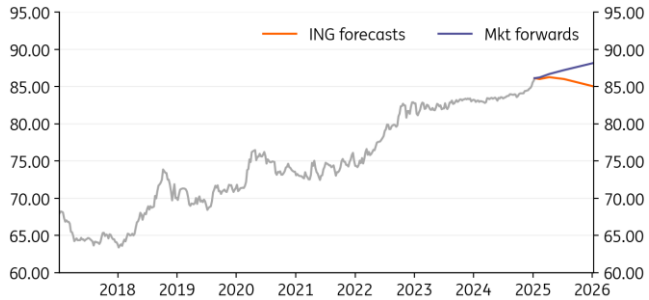
USD/INR

More downside pressure on INR in the near term



Source: Refinitiv, ING forecasts

Current spot: 86.11

- After trading in a very narrow range for most of 2023 and 2024, USD/INR finally trended higher and rose by about 1.3% last month as most Asian currencies faced depreciation pressure.
- The Reserve Bank of India intervened extensively in the FX market last year but the appointment of a new central bank governor last month has raised market expectations of a less active intervention approach to smooth the rupee's volatility, especially as the recent GDP growth numbers for 3Q24 came in much lower than expected.
- While the views of the central bank governor are not known yet, the recent equity market correction, FII outflows and overvaluation of the INR suggest that the rupee will continue to face downward pressure in the near term.

ING forecasts (mkt fwd)	1M 86.00 (86.21)	3M 86.25 (86.67)	6M 86.00 (87.20)	12M 85.00 (88.17)

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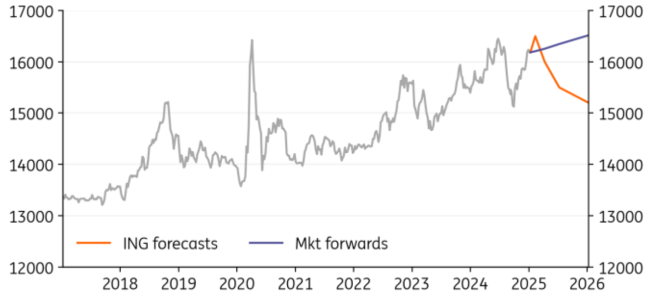
USD/IDR

Weaker IDR given higher sensitivity to rate differential



Source: Refinitiv, ING forecasts

Current spot: 16185

- Indonesia's rupiah was one of the weakest Asian currencies last month as higher US treasury yields and the resultant lower rate differential vs. IDR rates exerted downward pressure on the rate sensitive IDR.
- Bank Indonesia continued to tread cautiously in its rate-cutting cycle by extending the pause in the December policy meeting and focusing on IDR stability as risks to inflation remain muted.
- Lower-than-expected budget deficit targets for 2025 allayed fears of a large expansion in government spending. Lower dependence on foreign investors for fiscal deficit funding should overall be a positive for IDR. However, USD strength is likely to be the dominant factor impacting IDR in the near term.

ING forecasts (mkt fwd)	1M 16500 (16207)	3M 16000 (16255)	6M 15500 (16347)	12M 15200 (16518)

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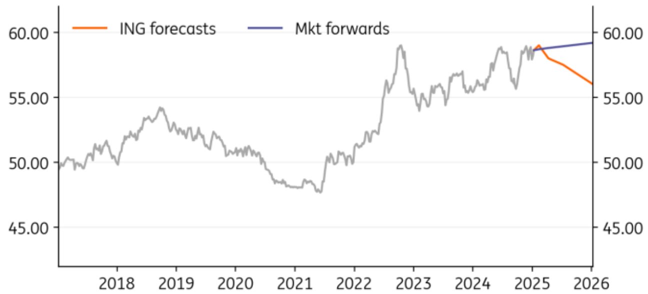
USD/PHP

Likely to trade in a range



Source: Refinitiv, ING forecasts

Current spot: 58.63

- The Philippine peso continued to be one of the best performers in Asia last month, falling by just 0.7% in the month after hitting a lows of 59.0. The central bank has historically defended the 59.00 level and the recent price action confirmed that.
- Domestically, President Marcos' 2025 budgeted spending exceeded expectations and sparked debates around misallocation, misaligned government spending priorities and a lack of transparency.
- BSP cut policy rates by another 25bp in December, in line with our expectations and we continue to expect further easing. Fiscal debate, policy rate cuts and USD strength suggest near-term pressure on PHP should return.

ING forecasts (mkt fwd)	1M 59.00 (58.70)	3M 58.00 (58.80)	6M 57.50 (58.93)	12M 56.00 (59.20)

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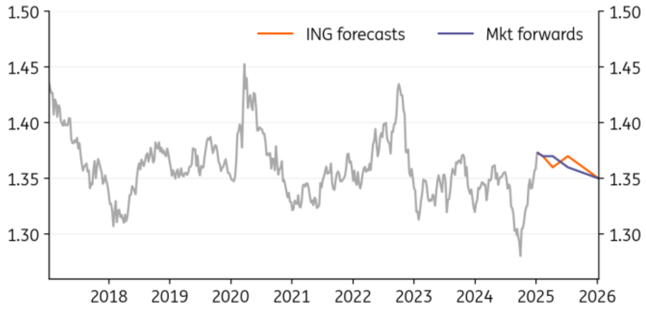
USD/SGD

SGD should underperform as policy easing comes closer



Source: Refinitiv, ING forecasts

Current spot: 1.3729

- The Singapore dollar has faced higher depreciation pressures amid USD strength. It continues to be one of the most vulnerable currencies to US tariff implementation, given the economy is highly export driven.
- Moreover, the strong growth-strong inflation picture that the economy witnessed in 2024 is turning. We expect GDP growth to slow down in 2025 driven by slower export growth. Core CPI inflation moderated to a three-year low of 1.9% year-on-year in November from 2.1% in October.
- Given this backdrop, monetary policy easing by the central bank cannot be ruled out in January. The recent drop in SGD NEER has already loosened policy but an explicit slope reduction might take longer and materialise only by April 2025 when core inflation sustainably falls below 2%.

ING forecasts (mkt fwd)	1M 1.37 (1.3714)	3M 1.36 (1.3683)	6M 1.37 (1.3633)	12M 1.35 (1.3531)

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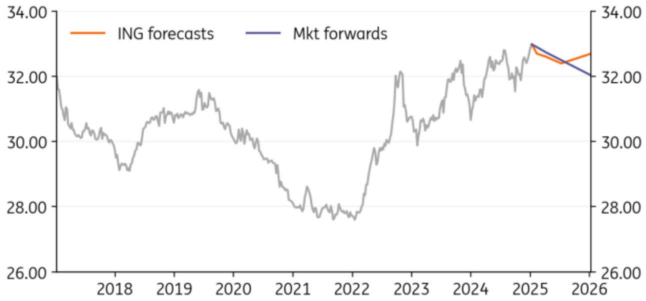
USD/TWD

Equity inflows helped soften depreciation pressure



Source: Refinitiv, ING forecasts

Current spot: 32.99

- The USD/TWD pair mostly followed the USD trend over the past month, with the Taiwan dollar weakening to as much as 32.9. The fluctuation range was relatively minor at 32.4-32.9.
- Domestic drivers of the TWD were generally slightly TWD-positive over the last month. US-Taiwan yield spreads peaked in December and narrowed to start 2025, while equity market flows swung from net outflows to minor net inflows over the past month.
- The TWD has fared better than many Asian currencies in the last several months after underperforming for much of 2024, as equity market inflows have helped offset some of the outflows caused by wide yield spreads.

ING forecasts (mkt fwd)	1M 32.70 (32.90)	3M 32.60 (32.73)	6M 32.40 (32.50)	12M 32.70 (32.03)

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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	1.02	1.03	1.03	1.02	1.01						
EUR/JPY	163	161	161	160	162	USD/JPY	159	156	156	157	160
EUR/GBP	0.84	0.84	0.85	0.85	0.85	GBP/USD	1.22	1.23	1.21	1.20	1.19
EUR/CHF	0.94	0.93	0.92	0.91	0.9	USD/CHF	0.92	0.90	0.89	0.89	0.89
EUR/NOK	11.74	11.70	11.70	11.50	11.40	USD/NOK	11.46	11.36	11.36	11.27	11.29
EUR/SEK	11.48	11.65	11.60	11.60	11.50	USD/SEK	11.20	11.31	11.26	11.37	11.39
EUR/DKK	7.46	7.46	7.46	7.46	7.46	USD/DKK	7.28	7.24	7.24	7.31	7.39
EUR/CAD	1.48	1.49	1.48	1.47	1.43	USD/CAD	1.44	1.45	1.44	1.44	1.42
EUR/AUD	1.67	1.66	1.66	1.65	1.63	AUD/USD	0.62	0.62	0.62	0.62	0.62
EUR/NZD	1.85	1.84	1.84	1.82	1.80	NZD/USD	0.56	0.56	0.56	0.56	0.56
EMEA											
EUR/PLN	4.27	4.29	4.35	4.3	4.35	USD/PLN	4.17	4.17	4.22	4.22	4.31
EUR/HUF	413.7	415	420	412	420	USD/HUF	403.6	403	408	404	416
EUR/CZK	25.09	25.10	25.05	25	24.85	USD/CZK	24.48	24.4	24.3	24.5	24.6
EUR/RON	4.98	4.98	4.98	4.98	5.04	USD/RON	4.85	4.83	4.83	4.88	4.99
EUR/RSD	117.11	117.11	117.10	117.07	117.05	USD/RSD	114.20	113.70	113.69	114.77	115.89
EUR/UAH	43.32	43.78	44.08	43.76	43.43	USD/UAH	42.26	42.50	42.80	42.90	43.00
EUR/KZT	543.4	540.8	535.6	525.3	540.4	USD/KZT	527.4	525	520	515	535
EUR/TRY	36.32	36.87	37.96	39.37	43.43	USD/TRY	35.39	35.80	36.85	38.60	43.00
EUR/ZAR	19.61	19.31	19.31	19.38	19.70	USD/ZAR	19.14	18.75	18.75	19.00	19.50
EUR/ILS	3.78	3.81	3.81	3.83	3.84	USD/ILS	3.69	3.70	3.70	3.75	3.80
LATAM											
EUR/BRL	6.26	6.28	6.33	6.38	6.31	USD/BRL	6.11	6.10	6.15	6.25	6.25
EUR/MXN	21.16	21.63	22.66	22.44	23.23	USD/MXN	20.64	21.00	22.00	22.00	23.00
EUR/CLP	1036.33	1045	1056	1071	1061	USD/CLP	1011.10	1015	1025	1050	1050
Asia											
EUR/CNY	7.52	7.56	7.53	7.48	7.47	USD/CNY	7.33	7.34	7.31	7.33	7.40
EUR/IDR	16676	16995	16480	15810	15352	USD/IDR	16185	16500	16000	15500	15200
EUR/INR	88.26	88.58	88.84	87.72	85.85	USD/INR	86.11	86.00	86.25	86.00	85.00
EUR/KRW	1510.71	1519	1545	1479	1439	USD/KRW	1473.93	1475	1500	1450	1425
EUR/PHP	60.09	60.77	59.74	58.65	56.56	USD/PHP	58.63	59.00	58.00	57.50	56.00
EUR/SGD	1.41	1.41	1.40	1.40	1.36	USD/SGD	1.37	1.37	1.36	1.37	1.35
EUR/TWD	33.81	33.68	33.58	33.05	33.03	USD/TWD	32.99	32.70	32.60	32.40	32.70

Source: Refinitiv, ING

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