FX Talking

'You wanted a weaker dollar'

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FX Talking

'You wanted a weaker dollar'

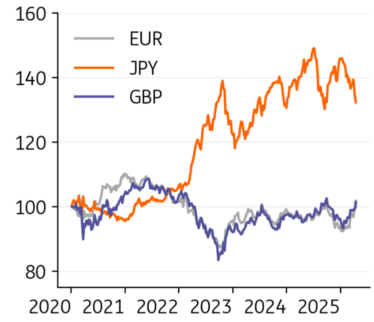
US President Donald Trump's wishes for a weaker dollar have been fulfilled – although with much collateral damage to the global economy and asset markets. In theory, tariffs would drive the dollar higher, and Washington would use newfound leverage to negotiate trading partners' currencies stronger. In practice, the US growth outlook has collapsed, and sharp dislocation in US asset markets has questioned the dollar's safe-haven role.

Baseline forecasts tend to have a limited shelf life. But here's what we're thinking. Tariff uncertainty looks likely to be with us for a few more months, and with sticky inflation tying the Fed's hands, asset markets could see some more volatility. An extreme risk premium going into the dollar could be worth something like 1.16/17 in EUR/USD and 138 for USD/JPY. 100bp of Fed easing in the second half should then calm risk assets.

Unless there is some surprise grand bargain between the US and China, expect the defensive yen and Swiss franc to continue performing well. An extra layer of interest here is whether Treasury Secretary Scott Bessent's trade negotiations with Japan and South Korea deliver some kind of agreement to strengthen their currencies. But certainly, the environment for FX intervention to limit currency strength is turning more adverse.

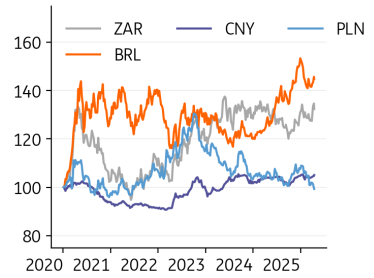
As for the renminbi, we continue to expect Chinese policymakers to resist devaluation pressures. Equally, we very much doubt they've been selling US Treasuries in retaliation. Looking at the broader EM complex, we note that CEE currencies have been performing quite well, and of the pack, we would favour the Czech koruna to continue to do well.

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	1.14	→	142	→	1.33	↑
3M	1.13	↓	140	↓	1.31	↓
6M	1.11	↓	142	↑	1.29	↓
12M	1.13	↓	138	→	1.30	↓
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.86	→	25.05	↓	4.29	↓
3M	0.86	→	25.00	↓	4.29	↓
6M	0.86	↓	24.95	↓	4.25	↓
12M	0.87	→	24.80	↓	4.25	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	7.32	↑	20.50	↑	5.90	↑
3M	7.35	↑	21.00	↑	6.00	↑
6M	7.30	↑	22.00	↑	6.25	↑
12M	7.25	↑	22.00	↑	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

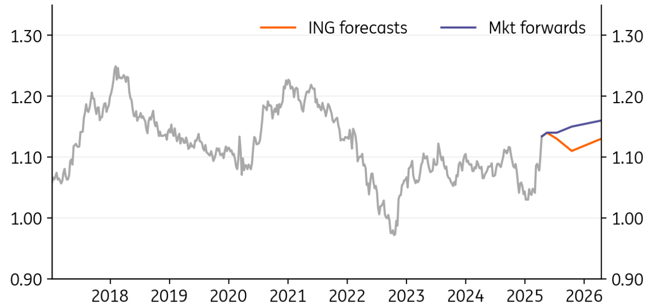
	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	3.6	-4.3	1.7	3.8	-0.1	-3.1
%YoY	6.7	-7.4	0.4	3.2	-1.4	0.5
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	1.3	-1.6	3.0	2.4	3.9	3.0
%YoY	1.1	3.2	4.0	-0.5	-0.7	13.0

Source: Refinitiv, ING forecast

Developed markets

EUR/USD

Range breakout **Current spot: 1.1342**



Source: Refinitiv, ING forecasts

- From what we can gather, real money flows have been the big driver of the EUR/USD rally as investors either raise dollar hedge ratios or repatriate US assets completely. We are not major subscribers to the dollar having permanently lost its safe haven status, but acknowledge that lower US growth rates are coming and that Federal Reserve easing in the second half will hit the dollar broadly.
- We're thinking EUR/USD could trade in a volatile 1.12-1.16 range this quarter, where renewed bouts of US equity selling can see new EUR/USD highs hit. Expect volatility to remain high.
- However, the euro is now getting very strong for the European Central Bank, and the deposit rate being cut to 1.75% should restrain EUR/USD a little.

ING forecasts (mkt fwd)	1M 1.14 (1.1363)	3M 1.13 (1.1404)	6M 1.11 (1.1466)	12M 1.13 (1.1581)

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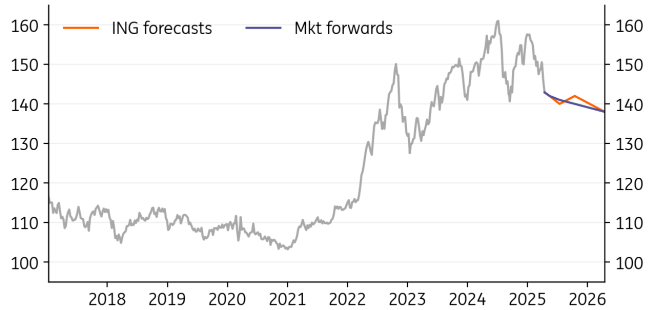
USD/JPY

Leading the charge lower in the dollar **Current spot: 142.93**



Source: Refinitiv, ING forecasts

- The defensive cover for the yen (its large current account and net foreign asset surplus) has seen USD/JPY lead the adjustment lower in the dollar. The negative correlation between US Treasury yields and the dollar is very rare, but it can happen. We doubt this correlation will be with us for a long time, but we suspect financial markets eventually shift to a lower USD/JPY and softer Treasury yields in the second half once the Fed starts cutting.
- A left-field risk is that Japan does somehow agree to deliver a weaker USD/JPY as part of US trade negotiations.
- We see scope for a Bank of Japan rate hike in July, though heavy losses in USD/JPY could be one of the risks that delays the hike this year.

ING forecasts (mkt fwd)	1M 142 (142.40)	3M 140 (141.47)	6M 142 (140.14)	12M 138 (137.79)

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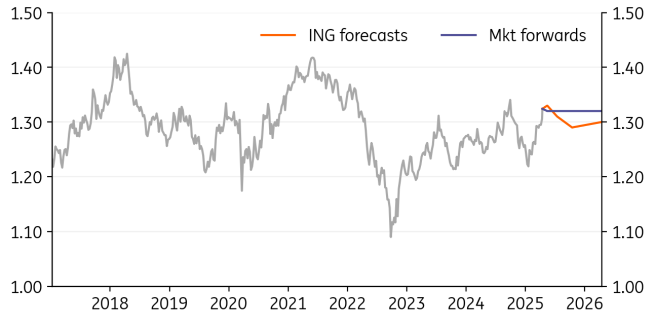
GBP/USD

Sterling enjoys its reserve currency status **Current spot: 1.3244**



Source: Refinitiv, ING forecasts

- GBP/USD has been bid up as the dollar trend dominates. We do think FX reserve managers will be cutting the dollar shares in their FX reserves this year. As one of the big five reserve currencies, sterling does benefit from the dollar diversification trade. GBP/USD is also very much driven by EUR/USD trends – where fiscal stimulus will be helping in Europe too.
- Domestically, we're waiting on the UK data to show whether unemployment is rising or inflation is falling. We think the market is right to forecast three more Bank of England cuts this year, starting in May.
- A wild card for GBP is the UK government getting closer to Europe as strategic alliances get withdrawn. The focus here is the customs union and whether momentum can build towards a deal.

ING forecasts (mkt fwd)	1M 1.33 (1.3243)	3M 1.31 (1.3245)	6M 1.29 (1.3246)	12M 1.30 (1.3240)

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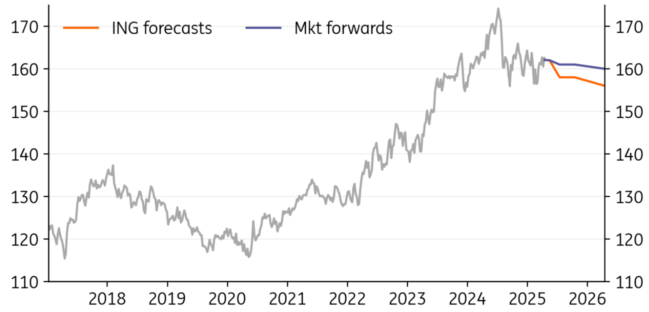
EUR/JPY

Surprisingly steady

Current spot: 162.10



Source: Refinitiv, ING forecasts

- EUR/JPY has continued to defy its normally positive correlation with global equity markets. The story here is the big sell-off in the dollar and the flight to the liquidity of both the euro and the yen. Equally, both the European and the Japanese are the big investor communities potentially repatriating assets from the US. Balance of Payments data may eventually confirm this.
- We do, however, think EUR/JPY has a downside bias since USD/JPY can fall further than the EUR/USD can rally. The yen is more undervalued in the medium term according to our models.
- Equally, the BoJ is still minded to hike rates and more minded to give Washington the stronger currency (weaker $) that it craves.

ING forecasts (mkt fwd)	1M 162 (161.81)	3M 158 (161.34)	6M 158 (160.68)	12M 156 (159.57)

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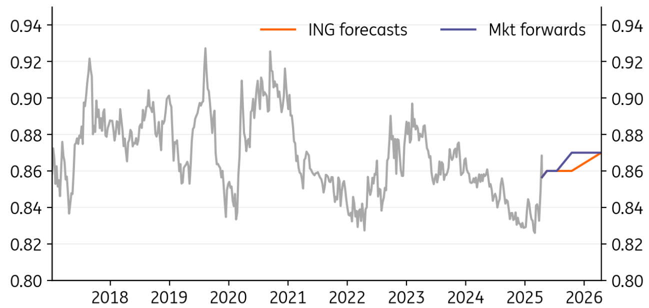
EUR/GBP

Raising the profile

Current spot: 0.8566



Source: Refinitiv, ING forecasts

- EUR/GBP has been a lot stronger than most expected, largely as euro strength won through. Potentially hurting sterling, however, has been higher gilt yields – dragged higher by the Treasury sell-off. Any move back in 10yr gilts to 4.90/5.00% could trigger some more independent GBP weakness.
- A dovish ECB could keep EUR/GBP restrained in the near term. However, EUR/GBP should start marching higher again in 2026 when eurozone growth gets a lift from fiscal stimulus and the market could be starting to price an end-2026 ECB rate hike.
- The new EUR/GBP trading range could be something like 0.8500-0.8750 for the second quarter.

ING forecasts (mkt fwd)	1M 0.86 (0.8581)	3M 0.86 (0.8610)	6M 0.86 (0.8657)	12M 0.87 (0.8747)

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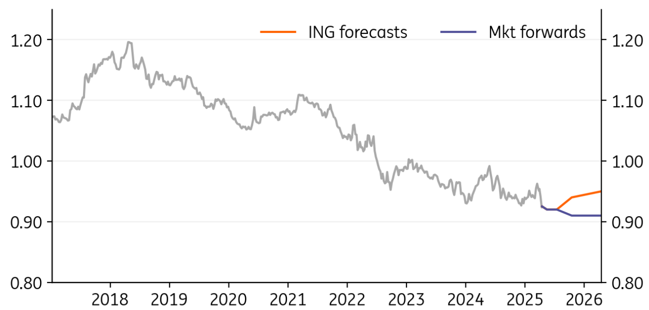
EUR/CHF

Tough times for the SNB

Current spot: 0.9247



Source: Refinitiv, ING forecasts

- The sharp sell-off in global equity markets and the search for a non-dollar safe haven has seen the Swiss franc perform very well. The Swiss National Bank faces the twin challenges of a) reluctantly cutting the policy rate to 0% when it meets in June and b) facing constraints on FX intervention.
- One of the reasons the CHF may be doing so well is the intervention story. Washington's key call to trade partners is to stop preventing your currencies from appreciating. Switzerland briefly faced a 31% 'reciprocal' tariff and could be bounced back there if it undertakes persistent FX intervention.
- We see downside risks in the second quarter if risk assets remain vulnerable.

ING forecasts (mkt fwd)	1M 0.92 (0.9229)	3M 0.92 (0.9195)	6M 0.94 (0.9147)	12M 0.95 (0.9061)

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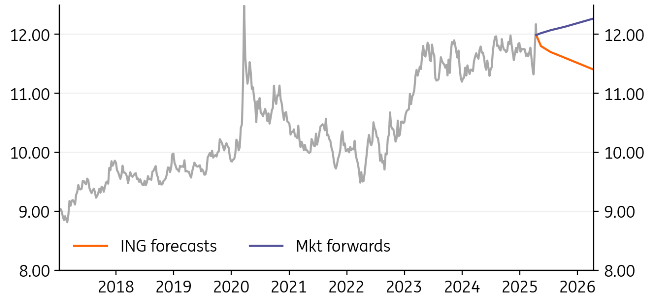
EUR/NOK

Peak may be past us **Current spot: 12.00**



Source: Refinitiv, ING forecasts

- The tariff-linked market turmoil has led to a sharp deterioration in FX liquidity conditions. The Norwegian krone is the least liquid G10 currency and, like in the 2020 market crash, the hardest hit.
- FX volatility may start to abate from here as reciprocal tariffs are paused and China has received some key exemptions. Accordingly, we may have seen the peak in EUR/NOK at 12.20.
- EUR/NOK short-term fair value is around 11.75. The liquidity risk premium (of around 2% now) can be gradually unwound if FX liquidity starts to improve. Oil prices have also started to rebound, and Norges Bank may not cut until June, given high inflation. Daily FX purchases could be cut to zero in May and even negative in June, which would help NOK liquidity improve.

ING forecasts (mkt fwd)	1M 11.80 (12.02)	3M 11.70 (12.07)	6M 11.60 (12.13)	12M 11.40 (12.27)

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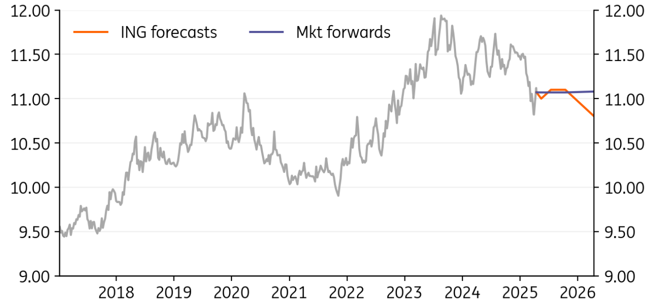
EUR/SEK

SEK on firmer footing **Current spot: 11.07**



Source: Refinitiv, ING forecasts

- We estimate EUR/SEK is broadly in balance with its near-term drivers at the 11.00 handle. However, the Swedish krona has tended to trade on the rich side, and risks are skewed to the downside for EUR/SEK as record repatriation flows tend to exacerbate SEK rallies.
- After revising our ECB terminal rate call to 1.75%, we now anticipate the Riksbank will cut one last time in June, to 2.0%. Market pricing largely mirrors our ECB and RB calls, so we don't expect major rate differential changes affecting EUR/SEK.
- Swedes' deleveraging of USD equity and fixed income positions is reinforcing the krona's role as a proxy trade for better EU-US relative sentiment. Should the market turmoil epicentre move from the US to Europe, SEK would be in trouble, but a gradual EUR/SEK decline remains our baseline scenario for now.

ING forecasts (mkt fwd)	1M 11.00 (11.07)	3M 11.10 (11.07)	6M 11.10 (11.07)	12M 10.80 (11.08)

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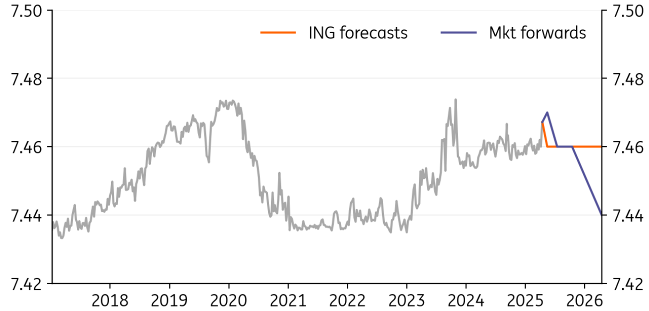
EUR/DKK

FX interventions back on the table **Current spot: 7.4673**



Source: Refinitiv, ING forecasts

- EUR/DKK is trading at its highest since 2020 as poor liquidity conditions asymmetrically favour the euro vs the krone. The question is whether the Danmarks Nationalbank has done or will do anything about it.
- There is a possibility DN intervened to sell FX in April; intervention data is released in early May. However, EUR/DKK is only 0.1% above the 7.46 level, and recent history hints that deviations should be at least 0.2% (often 0.3%) to trigger intervention.
- DN can also cut less than the ECB to support DKK. But with the Danish economic outlook deteriorating, lower rates are likely welcome. FX intervention should still be the first line of defence.

ING forecasts (mkt fwd)	1M 7.46 (7.4659)	3M 7.46 (7.4624)	6M 7.46 (7.4554)	12M 7.46 (7.4436)

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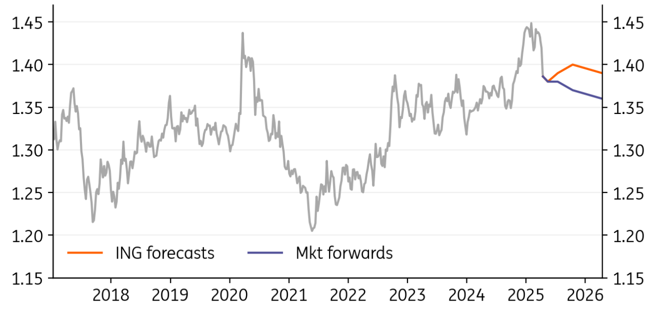
USD/CAD

Keeping risk premium on for longer

Current spot: 1.3852



Source: Refinitiv, ING forecasts

- We are releasing this note on the day the Bank of Canada announces policy, and we narrowly expect a hold. That does not have major implications for USD/CAD.
- The Fed-BoC gap has only moved around 20bp in favour of CAD in April, which is not enough to justify USD/CAD below 1.40. But our view is that USD will continue discounting soft growth expectations for longer, which can justify the USD risk premium.
- The direction of the US-Canada trade relationship will be the main determinant of CAD moves ahead. Canada elects a new government at the end of April; Liberal leader Mark Carney is slightly ahead in the polls. Whoever wins promises to fight Trump on trade, and risks that new tariffs will be threatened ahead of very tricky USMCA renewal talks leave CAD at risk of corrections.

ING forecasts (mkt fwd)	**1M** 1.38 (1.3829)	**3M** 1.39 (1.3787)	**6M** 1.40 (1.3732)	**12M** 1.39 (1.3638)

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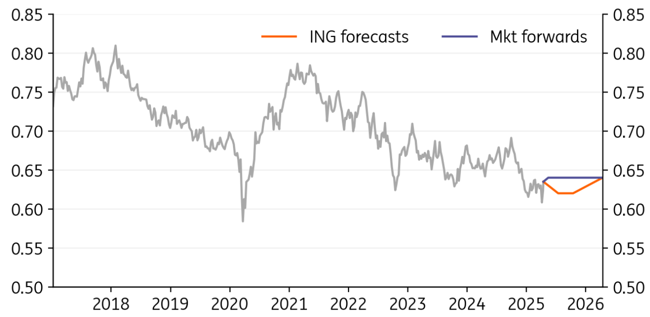
AUD/USD

Still the most vulnerable

Current spot: 0.6355



Source: Refinitiv, ING forecasts

- After a 6% temporary drop, AUD/USD is back at pre-liberation day levels. But the Aussie dollar is significantly weaker in the crosses, and the rebound has mostly been driven by the USD confidence crisis.
- AUD remains the key barometer of the US-China trade spat. While Trump's next move on trade has proven hard to predict, it is clear that tariffs on China are stickier than elsewhere. That places AUD in a still unfavourable situation.
- The Reserve Bank of Australia is widely expected to cut in May, although a 50bp cut (which is 40bp priced in) looks a bit too aggressive. Anyway, the RBA is a marginal driver of AUD, which remains more vulnerable than any other G10 currencies due to its China-proxy character.

ING forecasts (mkt fwd)	**1M** 0.63 (0.6357)	**3M** 0.62 (0.6362)	**6M** 0.62 (0.6371)	**12M** 0.64 (0.6389)

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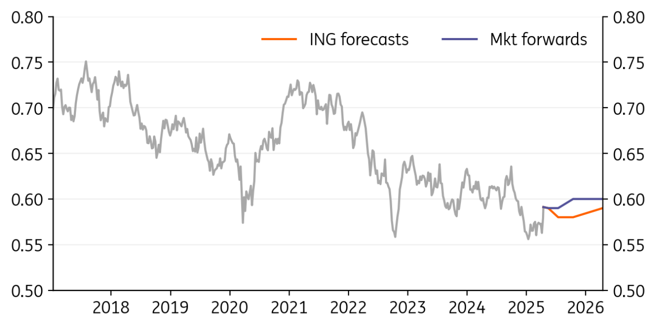
NZD/USD

A lower beta to AUD

Current spot: 0.5919



Source: Refinitiv, ING forecasts

- Markets have consolidated the view that the New Zealand dollar is not as exposed to tariffs as AUD. That's due to Australia's largest reliance on China demand. New Zealand exports more than Australia to the US in GDP terms (2.2% vs 0.9%), but both countries were only hit by the base 10% tariff rate even before the 90-day pause.
- The Reserve Bank of New Zealand remains very open to cutting rates again. We expect either 50bp or 75bp of additional easing, with a bias towards 75bp as the Bank has shown much more focus on growth than inflation.
- Front-end rates aren't affecting FX much anyway. We expect NZD to continue trading as a lower beta version of AUD when it comes to trade headlines.

ING forecasts (mkt fwd)	**1M** 0.59 (0.5924)	**3M** 0.58 (0.5934)	**6M** 0.58 (0.5950)	**12M** 0.59 (0.5976)

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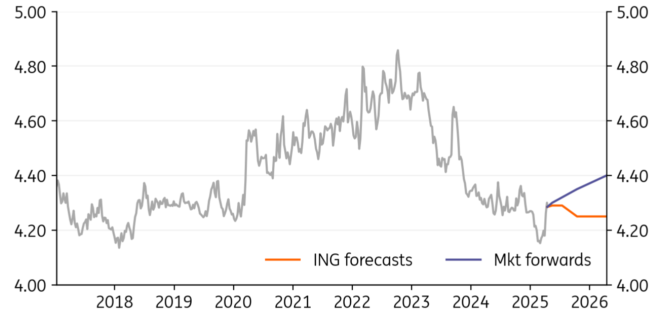
Emerging markets

EUR/PLN

Limited PLN weakening despite dovish NBP pivot

Current spot: 4.2841



Source: Refinitiv, ING forecasts

- Since the beginning of March, the Polish zloty lost 2% vs the euro, on the back of a dovish National Bank of Poland pivot, but more importantly, risk-off caused by US reciprocal tariffs. The currency was still quite resilient; the entire CE-4 block outperformed EM FX.
- The higher EUR/USD and capital repatriation from the US to Europe helped PLN and CE-4 FX, but also PLN's idiosyncratic factors. Exposure to US tariffs is rather limited (US is 6% of total exports), but the economy should keep outperforming the EU average as domestic demand will be a key growth driver in 2025-26.
- NBP can ease up to 125bp in 2025 and 75bp in 2026, but it starts from a position of the most restrictive monetary policy in CE-4. We see 2025-26 GDP growth above 3% limiting deeper easing.

ING forecasts (mkt fwd)	1M 4.29 (4.2969)	3M 4.29 (4.3188)	6M 4.25 (4.3487)	12M 4.25 (4.4000)

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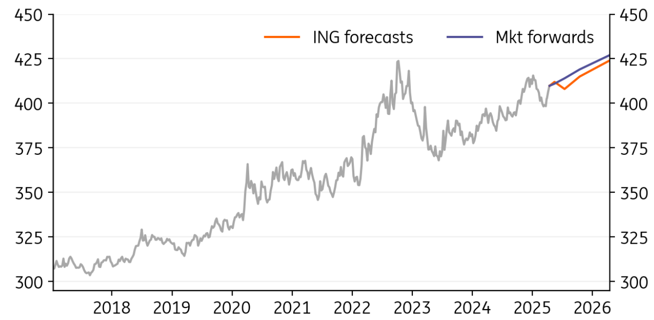
EUR/HUF

Tactical and structural pressures on forint to persist

Current spot: 409.67



Source: Refinitiv, ING forecasts

- Following the National Bank of Hungary's March rate-setting meeting, the forint began to drift away from its peers. Investors' expectations of even tighter monetary policy were exceeded.
- Then came the tariff saga, where the Hungarian forint was caught up in the enormous market turbulence, depreciating by more than 3% MoM against the EUR by mid-April. Sooner or later, investors will start to expect a hawkish stance from the NBH, which will provide a safety net for the Hungarian currency.
- But this correction won't last long. Longer term, the fate of EU funds, fiscal risks related to local politics and upcoming election uncertainty all point to a structurally bearish HUF story.

ING forecasts (mkt fwd)	1M 412 (411.14)	3M 408 (413.91)	6M 415 (418.62)	12M 424 (427.34)

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EUR/CZK

Solid expansion against rising uncertainty secures koruna's safety

Current spot: 25.06

Source: Refinitiv, ING forecasts

- Our inflation outlook has been revised marginally downward, mainly due to fuel and energy prices. The recent strengthening of the Czech koruna vs USD implies cheaper imports. Core inflation is set to remain robust as households enjoy lower energy bills. The Czech National Bank will be met with food and core inflation remaining potent as the economy faces uncertainty.
- We see a direct adverse effect of 0.2ppt on GDP growth and an indirect impact via confidence channels of another 0.2ppt from the global trade war. Still, Czech growth is set to outperform the eurozone's and will support CZK over the coming quarters. The rate differential towards the ECB will also boost CZK, as the CNB can be more nuanced when finishing the task of easing.

ING forecasts (mkt fwd)	1M 25.05 (25.09)	3M 25.00 (25.14)	6M 24.95 (25.22)	12M 24.80 (25.36)

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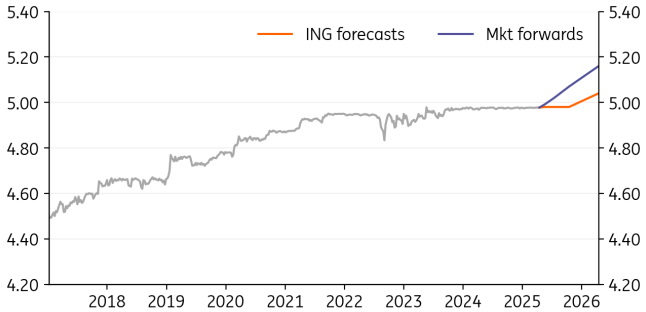
EUR/RON

More clarity needed before any further changes

Current spot: 4.9775



Source: Refinitiv, ING forecasts

- EUR/RON remained yet again between 4.97 and 4.98 through the previous month. The interbank liquidity surplus picked up for a fourth consecutive month in March, reaching RON33bn in February, while FX swap yields slightly reversed their declining trend but still remained close to levels seen in November 2024.
- Internal demand dynamics, fiscal adjustments and political uncertainties continue to dominate the local picture, adding risks to the outlook. We expect inflation to average around 5.2% through the year and we maintain our fiscal deficit forecast of 7.0% at this stage.
- We don't see policymakers loosening their grip on EUR/RON until fiscal and external risks picture gets clearer. A small and smooth Romanian leu depreciation, in line with some prudent rate cuts, are our base case for the second half of 2025, although delays towards 2026 are not out of the question.

ING forecasts (mkt fwd)	1M 4.98 (4.9923)	3M 4.98 (5.0225)	6M 4.98 (5.0748)	12M 5.04 (5.1571)

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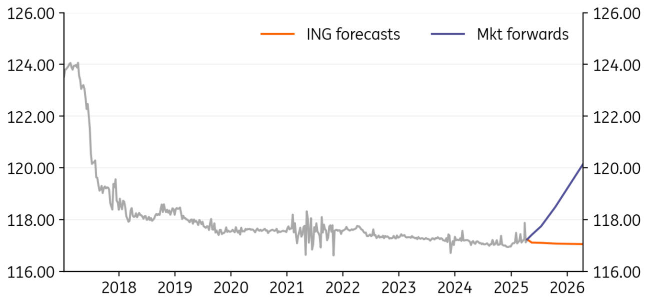
EUR/RSD

Stability likely to continue

Current spot: 117.24



Source: Refinitiv, ING forecasts

- EUR/RSD continued to trade at levels slightly above 117.00. Fundamentally, Serbia's macro prospects remain in good shape as the country improves its infrastructure and ranks higher on foreign investors' radars, benefiting from its IG rating.
- That said, tensions stemming from the political and social arena could bring some short-term hiccups. Had it not been for the National Bank of Serbia's interventions, outflow pressures could have proved more visible. The NBS sold EUR955bn in January-March to maintain the pair's stability.
- All told, we expect policymakers to hold their firm grip on the currency at this stage and we don't foresee major deviations from the 117.00 levels ahead.

ING forecasts (mkt fwd)	1M 117.11 (117.41)	3M 117.10 (117.74)	6M 117.07 (118.48)	12M 117.05 (120.15)

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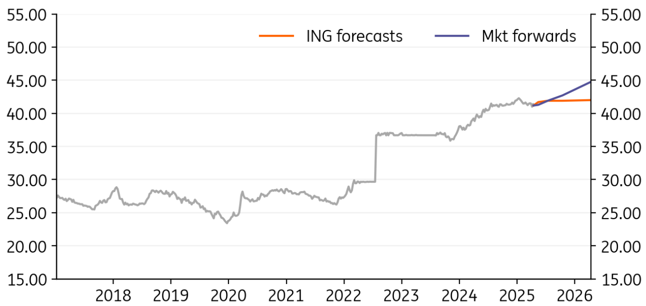
USD/UAH

International aid keep high FX reserves

Current spot: 41.18



Source: Refinitiv, ING forecasts

- The hryvnia's exchange rate against the dollar has remained broadly stable in a tight range of 41.0-41.8, thanks to higher FX reserves (+5.6% in March) and the National Bank of Ukraine's 100bp hike to 15.5%. The NBU signalled decisive actions going forward to ensure the attractiveness of UAH assets, and in March, central bank net FX sales decreased by 12.5% MoM. Another rate hike in April may be justified given that CPI inflation accelerated to 14.6% YoY in March.
- The economy remains burdened by the ongoing full-scale war. In 2024, real GDP grew by 2.9% but slowed down from 5.3% in 2023 due to the worsening security situation, severe labour and power shortages, and poor harvest. However, the prospects of a ceasefire this spring and a peace agreement later this year should help the economy in the mid-term.

ING forecasts (mkt fwd)	1M 41.70 (41.28)	3M 41.90 (41.91)	6M 41.90 (42.70)	12M 42.00 (44.77)

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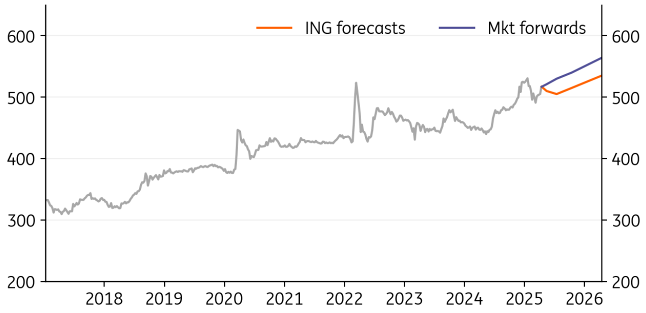
USD/KZT

State support to FX to partially mitigate external pressures **Current spot: 516.95**



Source: Refinitiv, ING forecasts

- After remaining in the 490-500 range in March, USD/KZT fell into the 510-520 range in early April on a mix of news, including escalation of global trade tensions and higher uncertainty over Kazakhstan's oil exports amid pressures from OPEC+ and Russia over production quotas and CPC pipeline throughput.
- Given the guidance from the National Bank of Kazakhstan, total FX sales by the sovereign fund and the central bank should increase by c. $200m MoM in April, to c. $1.2 bn vs 2024's c. $0.7bn monthly average.
- While the domestic fiscal and monetary policy framework should remain supportive for the tenge in the medium term, external trade factors – especially surrounding oil exports – remain a significant factor of heightened volatility.

ING forecasts (mkt fwd)	1M 510 (521.16)	3M 505 (529.53)	6M 515 (540.22)	12M 535 (563.87)

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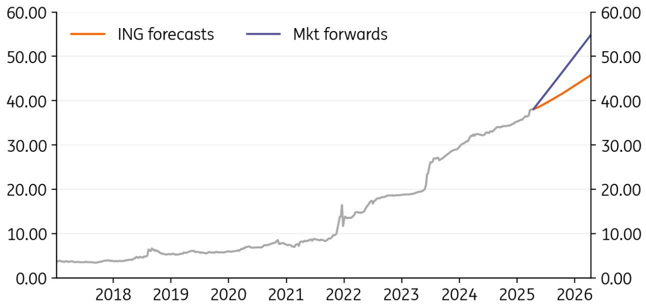
USD/TRY

Central Bank of Turkey's firm grip on exchange rate **Current spot: 38.09**



Source: Refinitiv, ING forecasts

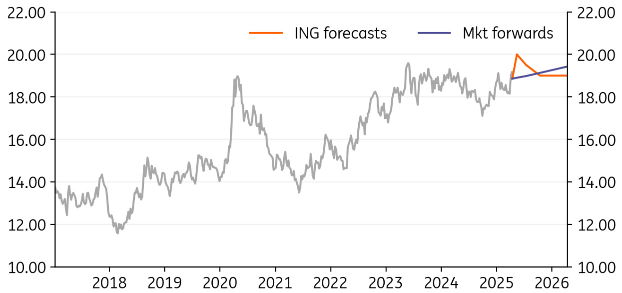
- Turkey's political volatility has somewhat dented investor confidence, while authorities are prioritising market stability. Policymakers have signalled no change in their policy stance, with Finance Minister Mehmet Şimşek reaffirming commitment to the economic programme, and the CBT acting quickly to raise its ON lending rate and signalling a further tightening of the policy stance at an unscheduled meeting.
- The CBT has also actively utilised its FX reserves. In recent months, the Turkish lira was the most attractive carry trade opportunity in emerging markets, leading to significant long positions by foreign investors. These positions, being particularly vulnerable to volatility, were largely unwound. Given policymakers' firm stance, the earlier departure of some foreign investors and a hike to the baseline 10%, Trump's tariff announcement had a limited direct impact.
- Overall, we continue to hold the view that the CBT possesses the incentives and tools necessary to stabilize the situation and maintain FX stability.

ING forecasts (mkt fwd)	1M 38.50 (39.48)	3M 39.70 (42.25)	6M 41.60 (46.47)	12M 45.80 (54.92)

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

USD/ZAR

Tariffs, a global trade war and a split government **Current spot: 18.85**



Source: Refinitiv, ING forecasts

- As a commodity-producing currency with strong links to China, the rand is being hit hard in the global trade war. As we mentioned before, the local central bank modelled a scenario of 10% global tariffs and estimated that USD/ZAR could trade to 21.00. At the same time, South Africa has been hit with 30% reciprocal tariffs (paused) from Trump and is also being threatened with the loss of duty-free access to the US through the African Growth and Opportunity Act (AGOA).
- Unless this tariff story turns around, 21.00 looks the 2Q bias.
- A split in South Africa's Govt of National Unity doesn't help.

ING forecasts (mkt fwd)	1M 20.00 (18.90)	3M 19.50 (18.98)	6M 19.00 (19.13)	12M 19.00 (19.43)

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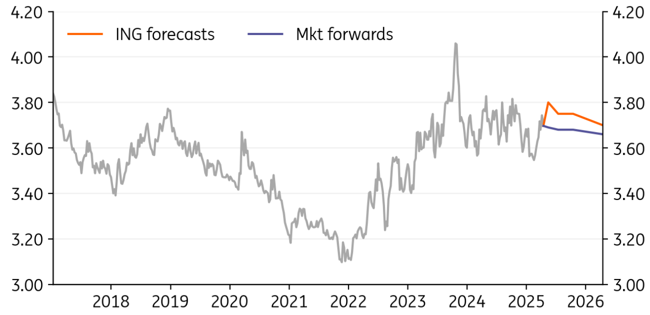
USD/ILS

Shekel finds a little support

Current spot: 3.6956



Source: Refinitiv, ING forecasts

- As a friend of Trump's, Israel would have been a little disappointed to receive a 17% rate in the first round of reciprocal tariffs. However, the Bank of Israel forecasts that even with these tariffs, the economy can still grow 3.5% this year and 4.0% next year. Helping growth should be the reduction in supply side constraints, assuming that the war is less intensive.
- USD/ILS briefly traded over 3.80 in early April, but the shekel looks to have good demand there and always has an interventionist central bank to help limit FX losses if need be.
- The policy rate is 4.50% now and should be cut to 4.00% on the assumption that a global trade war is deflationary for most.

ING forecasts (mkt fwd)	1M 3.80 (3.6915)	3M 3.75 (3.6844)	6M 3.75 (3.6763)	12M 3.70 (3.6605)

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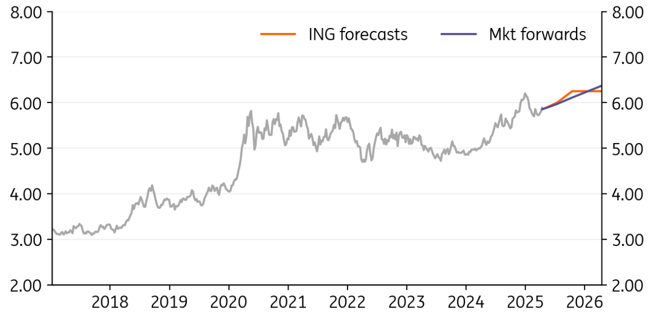
Latam

USD/BRL

Policy rate reaching the peak at 15.00% soon

Current spot: 5.8551



Source: Refinitiv, ING forecasts

- Despite world trade volumes and growth being revised down on the tariff war, Brazil is still struggling with unanchored inflation expectations. It has already raised rates some 375bp since last September (now 14.25%) and should complete the tightening cycle with a move close to 15% this summer. Clearly the Brazilian real is now an expensive sell!
- But the macro picture looks worrying in that Chinese growth is slowing and energy and metal prices are softer. Let's see whether Chinese demand for Brazilian soybeans can help.
- Expect fiscal to remain the Achilles Heel, where any looser policy later this year could send USD/BRL back to 6.10/20.

ING forecasts (mkt fwd)	1M 5.90 (5.8863)	3M 6.00 (5.9675)	6M 6.25 (6.1053)	12M 6.25 (6.3696)

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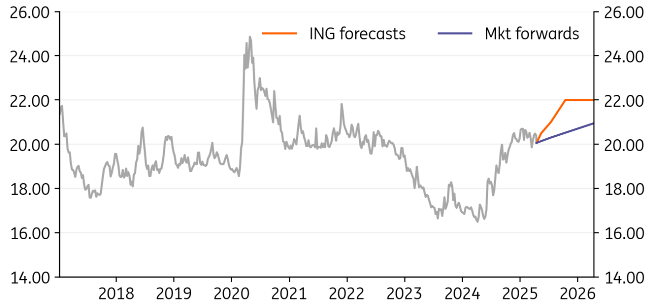
USD/MXN

Banxico to keep cutting, peso stay vulnerable

Current spot: 20.05



Source: Refinitiv, ING forecasts

- Banxico forecasts Mexican growth at just 0.6% this year with downside risks. Politicians are working at speed to try and get carve-outs for tariffs, which currently hit through the steel and aluminium sector and any goods trade not conducted on USMCA terms. Banxico looks ready to cut rates further from 9% - potentially all the way to 7.50% later this year.
- The peso has managed to hold steady over the last month, largely as tariffs dropped elsewhere in the world. But owning the MXN remains a high-risk proposition until trade settles.
- President Claudia Sheinbaum says automakers have no plans to relocate from Mexico yet – let's watch this story and what it means for FDI.

ING forecasts (mkt fwd)	1M 20.50 (20.14)	3M 21.00 (20.30)	6M 22.00 (20.52)	12M 22.00 (20.95)

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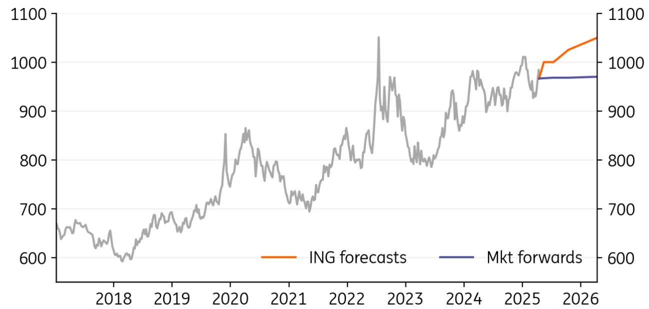
USD/CLP

Toying with 1000

Current spot: 966.35



Source: Refinitiv, ING forecasts

- The big tariff sell-off in industrial commodities did not spare copper, and Chile's peso was hit. USD/CLP made quite a sharp turn from 1000, questioning again whether the central bank may have been intervening a little more than at its scheduled FX sales.
- Until the US-China tariff war gets resolved, expect Latam FX to remain collateral damage and currencies to generally stay on the soft side. Additionally, the market now prices another 50bp of easing in Chile (taking the policy rate to 4.5%), which does not offer the peso much protection at all.
- Apparently, FDI trends in the mining sector are looking good in Chile – but we don't like the peso.

ING forecasts (mkt fwd)	1M 1000 (967.35)	3M 1000 (967.57)	6M 1025 (968.25)	12M 1050 (970.20)

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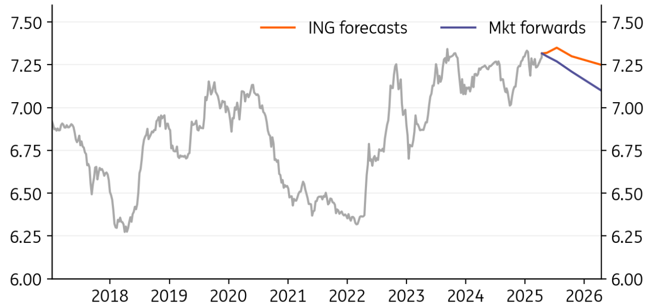
Asia

USD/CNY

PBoC faces more pressure as Trade War 2.0 erupts **Current spot: 7.3163**



Source: Refinitiv, ING forecasts

- Tariff hikes resulted in a global market rout and Chinese yuan depreciation pressure, with USD/CNY in a 7.22-7.35 range in the past month. USD/CNH once spiked to 7.42 before intervention brought it back in line with the USD/CNY.
- Near-term risks remain. Capital outflow and easing from the People's Bank of China could add to depreciation pressure. The PBoC will likely keep the upside of USD/CNY capped.
- In the medium term, factors could actually favour CNY recovery. Yield spreads have moved in favour of the CNY, and US rate cuts could further this trend. Aggressive stimulus is expected to help stabilise growth and sentiment in China. And an eventual trade deal would be a huge boost to sentiment. We hold our 2025 call for a 7.00-7.40 fluctuation band – if this breaks, watch for 7.50.

ING forecasts (mkt fwd)	1M 7.32 (7.2988)	3M 7.35 (7.2656)	6M 7.30 (7.2110)	12M 7.25 (7.1023)

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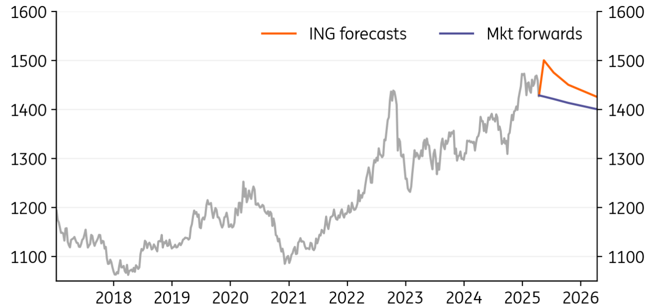
USD/KRW

The KRW to be under pressure amid political vacuum **Current spot: 1428.52**



Source: Refinitiv, ING forecasts

- The Korean won appreciated recently due to paused reciprocal tariffs and tariff exemptions on electronics and semiconductors. Yet, this optimism may fade quickly as the political vacuum and stalled trade talks weigh on the currency again.
- Dividend payments and expected Bank of Korea rate cuts in April, along with delayed WGBI inclusion, will likely add depreciation pressures on the KRW.
- Once the domestic politics stabilise, we expect the KRW to strengthen. Fiscal support progress is only likely after the presidential election.

ING forecasts (mkt fwd)	1M 1500 (1425.72)	3M 1475 (1420.62)	6M 1450 (1412.92)	12M 1425 (1399.72)

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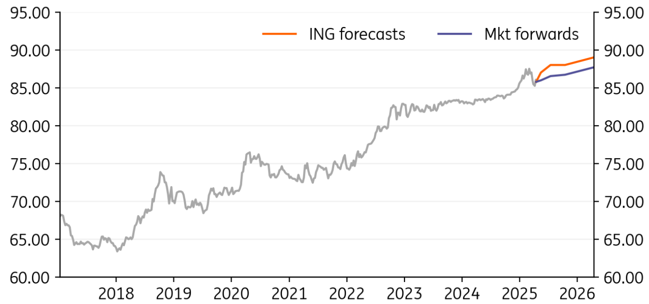
USD/INR

More downside pressure on INR in the near term **Current spot: 85.78**



Source: Refinitiv, ING forecasts

- The Indian rupee underperformed most of the region and appreciated by just 0.1% vs the USD last month. The Reserve Bank of India likely continued to intervene to support it. Recall that the RBI net sold over $24bn in 2H24 to contain depreciation pressures on INR.
- Foreign outflows accelerated with foreign selling in the equity markets close to $16bn so far this year. The cyclical growth correction for the domestic economy, despite the easing of the dollar index, has been a key trigger.
- In addition, liquidity injection by the central bank on a large scale has also been driving bond yields interest lower. Growth moderation and overvaluation of REER as well as equity markets, should mean INR trades with downside bias in the near term.

ING forecasts (mkt fwd)	1M 87.00 (85.97)	3M 88.00 (86.53)	6M 88.00 (86.71)	12M 89.00 (87.69)

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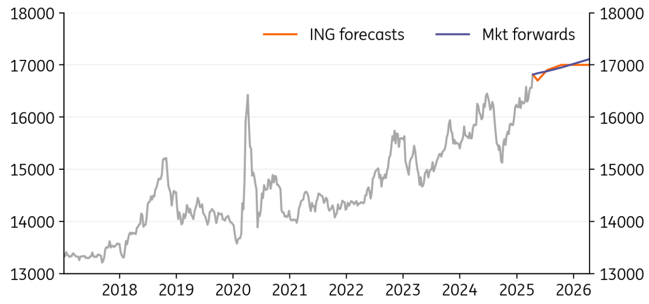
USD/IDR

IDR faces more downward pressure

Current spot: 16815



Source: Refinitiv, ING forecasts

- While we agree with Bank Indonesia’s assessment that the country’s external and domestic balance sheets are relatively stable, a larger fiscal deficit from recently announced government measures is likely.
- Our estimates suggest that the announced spending on priority projects, including the free school lunch programme (with estimated costs at 2% of Indonesia's GDP), could result in a fiscal deficit to GDP expanding to 2.8% of GDP in 2025 vs 2.3% in 2024.
- Concerns about growth due to higher-than-expected tariff rates and an uncertain investment climate, combined with domestic policy uncertainty, are unlikely to support the Indonesian rupiah.

ING forecasts (mkt fwd)	1M 16700 (16840)	3M 16900 (16879)	6M 17000 (16950)	12M 17000 (17112)

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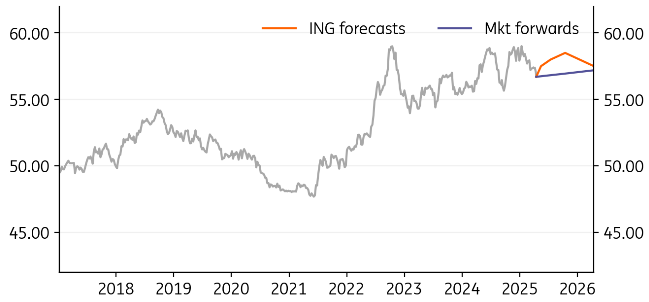
USD/PHP

BSP to address overvaluation

Current spot: 56.70



Source: Refinitiv, ING forecasts

- Following the tariff announcements, the Philippine peso has strengthened against the USD, as the Philippines remains largely insulated from the tariffs imposed by the US.
- Bankgo Sentral ng Pilipinas cut rates by 25bp to 5.5%, in line with our expectations. With inflation falling below the central bank's target, the real policy rate had surged close to all-time highs of 4% after the March inflation print.
- We expect the PHP to trade with a mild depreciation bias. Since October 2024, the Philippines' overall balance of payments has been deteriorating, marked by a widening current account deficit, weak foreign direct investment and stagnant personal remittance inflows.

ING forecasts (mkt fwd)	1M 57.50 (56.74)	3M 58.00 (56.82)	6M 58.50 (56.94)	12M 57.50 (57.19)

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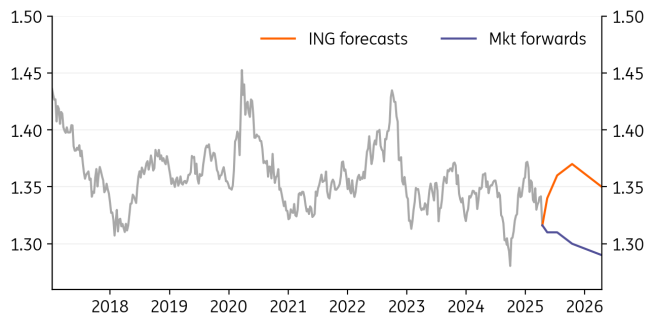
USD/SGD

Low inflation gives room for easing monetary policy

Current spot: 1.3158



Source: Refinitiv, ING forecasts

- Core inflation in Singapore fell further to 0.6% YoY in February, the lowest in nearly four years. The recent inflation readings suggest that the Monetary Authority of Singapore is likely to cut its CPI forecast further.
- This strengthens our case for an April easing, a slight reduction of the slope to 0.5%, annualised, from an estimated 1.0% currently.
- We continue to expect the trading range of SGD NEER to drift lower in 2025, driven by slower growth and inflation, and USD/SGD to trade in the 1.35-1.37 range in six months.

ING forecasts (mkt fwd)	1M 1.34 (1.3134)	3M 1.36 (1.3092)	6M 1.37 (1.3027)	12M 1.35 (1.2906)

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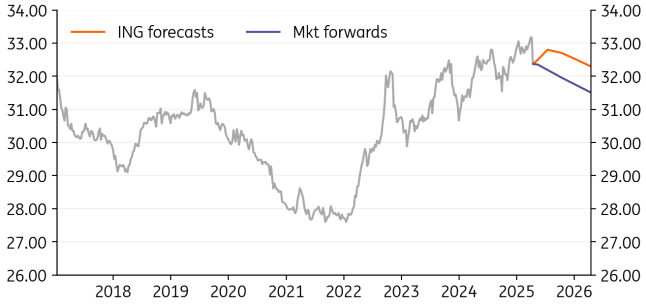
USD/TWD

Remaining in holding pattern

Current spot: 32.45



Source: Refinitiv, ING forecasts

- The USD/TWD pair mostly traded in a very tight range of 32.9-33.3 over the past month, before USD weakening helped the New Taiwan dollar recover to 32.5.
- Domestic drivers of the TWD were mixed over the last month. US-Taiwan yield spreads narrowed, but equity market flows showed net outflows, and the upcoming dividend season could further add to outflow pressures in the second quarter.
- Potential catalysts for TWD appreciation could be a recovery of risk appetite for the tech sector, as well as faster US rate cuts leading to a narrower yield spread, while catalysts for depreciation include growth deterioration should Taiwan fail to secure tariff relief and geopolitical risks. Overall, we expect the TWD to stay in a holding pattern for now.

ING forecasts (mkt fwd)	1M 32.50 (32.35)	3M 32.80 (32.19)	6M 32.70 (31.95)	12M 32.30 (31.51)

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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	1.13	1.14	1.13	1.11	1.13						
EUR/JPY	162	162	158	158	156	USD/JPY	143	142	140	142	138
EUR/GBP	0.86	0.86	0.86	0.86	0.87	GBP/USD	1.32	1.33	1.31	1.29	1.30
EUR/CHF	0.92	0.92	0.92	0.94	0.95	USD/CHF	0.82	0.81	0.81	0.85	0.84
EUR/NOK	12.00	11.80	11.70	11.60	11.40	USD/NOK	10.58	10.35	10.35	10.45	10.09
EUR/SEK	11.07	11.00	11.10	11.10	10.80	USD/SEK	9.76	9.65	9.82	10.00	9.56
EUR/DKK	7.47	7.46	7.46	7.46	7.46	USD/DKK	6.58	6.54	6.60	6.72	6.60
EUR/CAD	1.57	1.57	1.57	1.55	1.57	USD/CAD	1.39	1.38	1.39	1.40	1.39
EUR/AUD	1.78	1.81	1.82	1.79	1.77	AUD/USD	0.64	0.63	0.62	0.62	0.64
EUR/NZD	1.92	1.93	1.95	1.91	1.92	NZD/USD	0.59	0.59	0.58	0.58	0.59
EMEA											
EUR/PLN	4.28	4.29	4.29	4.25	4.25	USD/PLN	3.78	3.76	3.80	3.83	3.76
EUR/HUF	409.7	412	408	415	424	USD/HUF	361.2	361	361	374	375
EUR/CZK	25.06	25.05	25	24.95	24.8	USD/CZK	22.10	22.0	22.1	22.5	21.9
EUR/RON	4.98	4.98	4.98	4.98	5.04	USD/RON	4.39	4.37	4.41	4.49	4.46
EUR/RSD	117.24	117.11	117.10	117.07	117.05	USD/RSD	103.34	102.73	103.63	105.47	103.58
EUR/UAH	46.70	47.54	47.35	46.51	47.46	USD/UAH	41.18	41.70	41.90	41.90	42.00
EUR/KZT	586.2	581.4	570.7	571.7	604.6	USD/KZT	517.0	510	505	515	535
EUR/TRY	43.25	43.89	44.86	46.18	51.75	USD/TRY	38.09	38.50	39.70	41.60	45.80
EUR/ZAR	21.37	22.80	22.04	21.09	21.47	USD/ZAR	18.85	20.00	19.50	19.00	19.00
EUR/ILS	4.19	4.33	4.24	4.16	4.18	USD/ILS	3.70	3.80	3.75	3.75	3.70
LATAM											
EUR/BRL	6.64	6.73	6.78	6.94	7.06	USD/BRL	5.86	5.90	6.00	6.25	6.25
EUR/MXN	22.75	23.37	23.73	24.42	24.86	USD/MXN	20.05	20.50	21.00	22.00	22.00
EUR/CLP	1096.04	1140	1130	1138	1187	USD/CLP	966.35	1000	1000	1025	1050
Asia											
EUR/CNY	8.30	8.34	8.31	8.10	8.19	USD/CNY	7.32	7.32	7.35	7.30	7.25
EUR/IDR	18413	19038	19097	18870	19210	USD/IDR	16815	16700	16900	17000	17000
EUR/INR	97.29	99.18	99.44	97.68	100.57	USD/INR	85.78	87.00	88.00	88.00	89.00
EUR/KRW	1620.23	1710	1667	1610	1610	USD/KRW	1428.52	1500	1475	1450	1425
EUR/PHP	64.31	65.55	65.54	64.94	64.98	USD/PHP	56.70	57.50	58.00	58.50	57.50
EUR/SGD	1.49	1.53	1.54	1.52	1.53	USD/SGD	1.32	1.34	1.36	1.37	1.35
EUR/TWD	36.80	37.05	37.06	36.30	36.50	USD/TWD	32.45	32.50	32.80	32.70	32.30

Source: Refinitiv, ING

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