

FX Talking

A trip down the de-escalator



Chris Turner

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

Francesco Pesole

Foreign Exchange Strategy
francesco.pesole@ing.com

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

www.ing.com/THINK

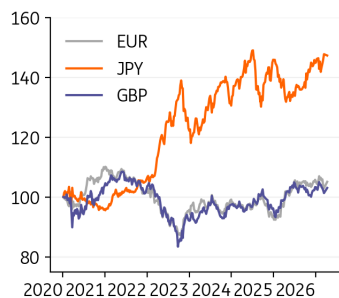


Follow us
@ING_Economics

FX Talking

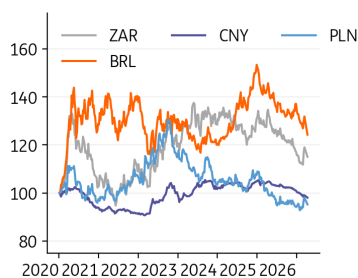
A trip down the de-escalator

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

Risk assets proved remarkably resilient in March. We didn't see any capitulation trades – especially in equities. In the FX market it seems investors are happy to buy cyclical currencies and sell the dollar again on a firm view that we are on a path to de-escalation. That may be the case, but we don't see oil prices returning to pre-crisis levels anytime soon, while higher inflation and lower growth will be the inevitable outcome.

Driving G10 currencies this year will be how central banks respond to this inflation shock. On our assumptions that oil prices stay quite elevated, the ECB hikes in June but that the Fed can cut later this year [we model a scenario](#) of EUR/USD staying bid near 1.17/18 and moving up to 1.20 through the year. The new nominated Fed Chair, Kevin Warsh, is a wild card here. But unless he pushes ahead for rate cuts in an environment of unanchored inflation expectations, he need not be a catalyst for a much weaker dollar.

Central banks at the front of the queue to tighten are those in Australia, Norway and perhaps Japan too. The currencies of these countries can find support – especially the former two, which are net energy exporters. At the other end of the spectrum, we do not see the Bank of England in a position to hike. EUR/GBP can push higher this summer.

In emerging markets, developments in Hungary stand out. Positive long-term trends of access to EU funds and even some thoughts of joining the euro can see EUR/HUF push to 350 this summer and possibly 340 early next year. Higher yielding Latam currencies are also back in demand. We see more scope for gains in Brazil than Mexico. In Asia, we note a North-South divide, with the North anchored by some strategic CNY appreciation.

ING FX forecasts

	EUR/USD	USD/JPY	GBP/USD
1M	1.17 ↓	159 →	1.34 ↓
3M	1.17 ↓	158 →	1.33 ↓
6M	1.18 ↓	155 ↓	1.33 ↓
12M	1.20 ↑	152 ↓	1.33 ↓

	EUR/GBP	EUR/CZK	EUR/PLN
1M	0.87 →	24.35 ↓	4.23 ↓
3M	0.88 ↑	24.25 ↓	4.24 ↓
6M	0.89 ↑	24.20 ↓	4.22 ↓
12M	0.90 ↑	24.10 ↓	4.25 ↓

	USD/CNY	USD/MXN	USD/BRL
1M	6.80 ↓	17.25 ↓	5.00 ↓
3M	6.79 ↑	17.50 ↑	4.90 ↓
6M	6.77 ↑	17.50 ↓	4.75 ↓
12M	6.70 ↑	17.25 ↓	4.50 ↓

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

Source: Refinitiv, ING forecast

FX performance

	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	2.4	0.0	0.8	-0.9	1.4	0.2
%YoY	3.6	11.7	1.6	-7.4	12.2	-1.0

	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	-1.0	-0.9	-6.5	-0.6	-1.6	-4.4
%YoY	-6.5	4.4	-10.6	-0.9	-12.8	-13.8

Source: Refinitiv, ING forecast

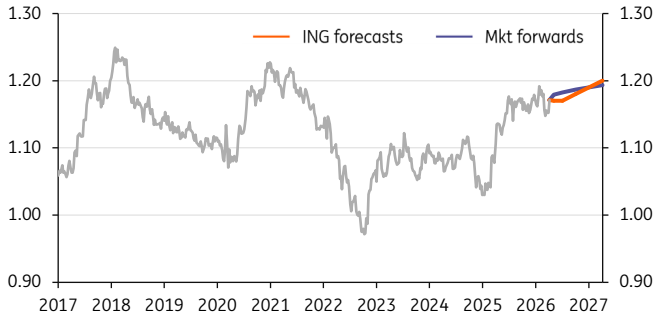


Developed markets

EUR/USD

Supported under the baseline scenario

Current spot: 1.1777



Source: Refinitiv, ING forecasts

- Investors are taking the view that a sustainable Middle East ceasefire will be forthcoming as President Trump keeps one eye on domestic approval ratings and the Iranian leadership looks to the future. With energy prices not fully retreating, higher headline inflation is baked in, although central banks will react differently depending on their starting points. We look for a 25bp ECB hike in June, while we think the Fed can resist the temptation to hike and will still be able to cut rates twice later this year.
- Modelling oil prices, rate differentials and a benign equity outlook gives us **steady to higher EUR/USD forecasts this year**.
- De-dollarisation remains a threat, but evidence is scant so far.

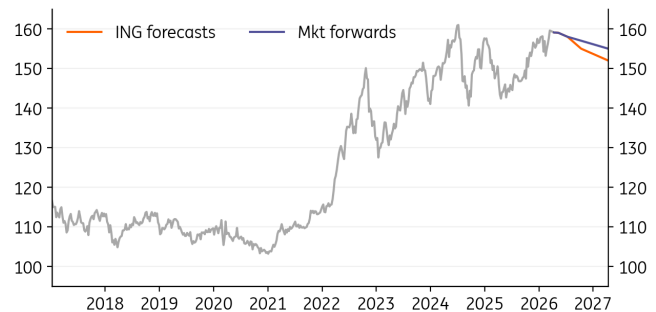
ING forecasts (mkt fwd)	1M 1.17 (1.1793)	3M 1.17 (1.1825)	6M 1.18 (1.1866)	12M 1.20 (1.1936)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, chris.turner@ing.com

USD/JPY

Bank of Japan rate hikes to strengthen resistance at 160

Current spot: 159.19



Source: Refinitiv, ING forecasts

- As in 2022, the energy shock has hit the yen. However, the scale of today's terms of trade shock is only a fraction of what was seen back then. This allows Tokyo to keep talking tough about USD/JPY near 160. That tough talk, however, needs to be backed up with either intervention or rate hikes. In our view, the market is under-pricing the chance of a 25bp BoJ rate hike on 28 April, where tight labour markets and strong wages worry the BoJ.
- A rate hike and an undervalued yen should be enough to see 160 largely remain intact, but it's too early to expect a big drop.
- Two Fed rate cuts later in the year should drag USD/JPY lower - also look out for Kevin Warsh confirmation testimony on 21 April.

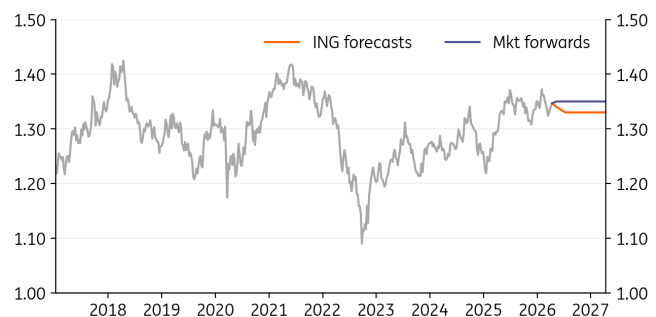
ING forecasts (mkt fwd)	1M 159 (158.80)	3M 158 (157.98)	6M 155 (156.85)	12M 152 (154.77)
-------------------------	-----------------	-----------------	-----------------	------------------

Chris Turner, chris.turner@ing.com

GBP/USD

Sticking to the unchanged Bank of England rate call

Current spot: 1.3531



Source: Refinitiv, ING forecasts

- Cable has rebounded alongside EUR/USD as traders jump to reprice Middle East risk. The initial market view that the BoE would have to tighten more sharply than the ECB has proved wrong, with current pricing showing 51bp of ECB rate hikes versus 33bp for the BoE this year. Given our call for unchanged BoE rates this year, sterling could suffer. In reality, that re-pricing may not emerge until the 18 June BoE meeting.
- Until then, GBP/USD probably bounces around in a 1.33-1.36 range, driven by Middle East headline risk.
- There is focus of the Labour government pivoting towards Europe again - yet no tangible impact on activity or GBP is expected.

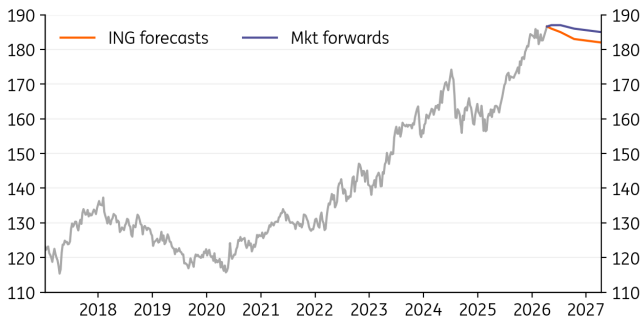
ING forecasts (mkt fwd)	1M 1.34 (1.3528)	3M 1.33 (1.3525)	6M 1.33 (1.3513)	12M 1.33 (1.3480)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, chris.turner@ing.com

EUR/JPY

Still going

Current spot: 187.49



Source: Refinitiv, ING forecasts

- After a contained couple of months, EUR/JPY is pushing higher again. The incredibly resilient pro-risk environment continues to favour the more cyclical euro than the yen. It remains hard to stand in the way of this trend, although Japanese intervention or a BoJ rate hike could see some independent JPY strength.
- From the euro side, the ECB needs to manage the inflation risk carefully. We see a June rate hike with risk of another should core inflation surprise to the upside. That second hike could come in September and prove an upside risk to our EUR forecast.
- Japanese fiscal policy is a double-edged sword for the yen. New stimulus is good for activity but leaves sovereign risk fragile.

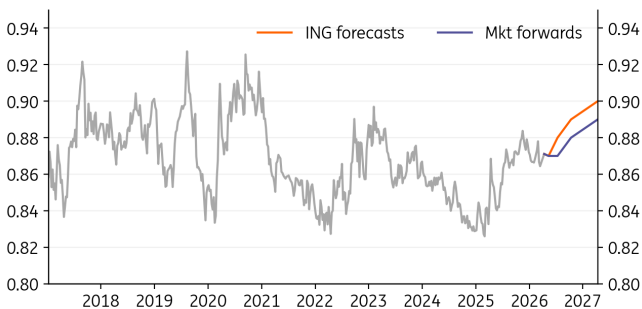
ING forecasts (mkt fwd)	1M 186 (187.27)	3M 185 (186.82)	6M 183 (186.10)	12M 182 (184.71)
-------------------------	-----------------	-----------------	-----------------	------------------

Chris Turner, chris.turner@ing.com

EUR/GBP

Holding on for higher levels

Current spot: 0.8704



Source: Refinitiv, ING forecasts

- EUR/GBP is edging higher after heavy position-adjustment last month. Then, many investors had been long gilts and short sterling on the view that inflation would allow the BoE to cut more deeply. The energy shock upended all that. Still, UK activity is not as strong as it looks and ECB tightening versus an unchanged BoE should drag EUR/GBP toward 0.88 this summer.
- Equally, the eurozone should enjoy some fiscal stimulus, whereas UK fiscal headroom remains constrained. Regarding fiscal, local elections in May continue to present risks to the current Labour leadership – with any new government moving to the left.
- 0.8600 remains pivotal support now, below which views change.

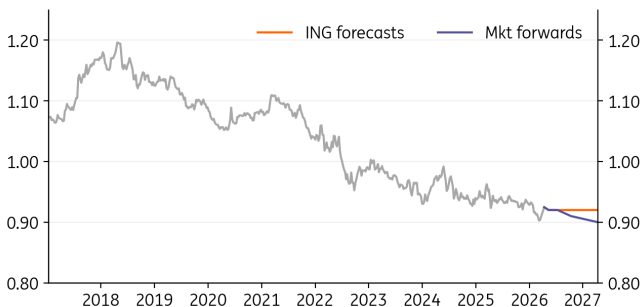
ING forecasts (mkt fwd)	1M 0.87 (0.8717)	3M 0.88 (0.8742)	6M 0.89 (0.8780)	12M 0.90 (0.8854)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, chris.turner@ing.com

EUR/CHF

Switzerland relatively insulated to the oil shock

Current spot: 0.9232



Source: Refinitiv, ING forecasts

- EUR/CHF trading below 0.90 in March and the real, trade-weighted CHF trading at 120 (highest since 2015) clearly hit a raw nerve at the Swiss National Bank. It has probably been intervening over the past four weeks – potentially in the region of CHF5-10bn. That will not be confirmed until FX intervention data is released on 30 June.
- However, we do not think the SNB needs to chase CHF lower. Monetary policy is still described as expansionary, real estate is well bid and Switzerland's lower energy intensity in manufacturing means that growth prospects have not been hit too hard. Growth is still forecast to improve in 2026 and 2027.
- More aggressive ECB rate hikes than forecast could see 0.95 here.

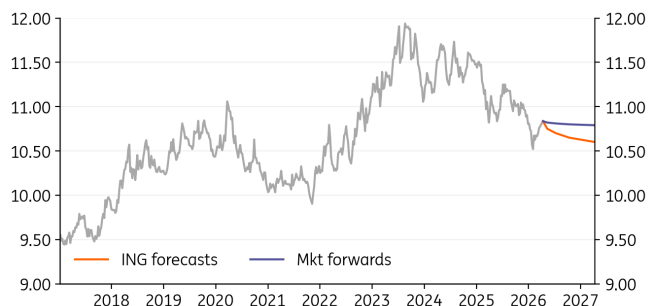
ING forecasts (mkt fwd)	1M 0.92 (0.9216)	3M 0.92 (0.9181)	6M 0.92 (0.9124)	12M 0.92 (0.9010)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, chris.turner@ing.com

EUR/SEK

Revising profile slightly higher

Current spot: 10.82



Source: Refinitiv, ING forecasts

- Risk sentiment turmoil in early-April brought EUR/SEK briefly above 11.00, with the pair now stabilising around 10.80-10.85, broadly in line with our short-term fair value estimate.
- Further de-escalation can bring EUR/SEK back to the 10.70-10.75 area on the back of risk-on moves. But the pair will be left with a slightly stronger outlook compared to pre-war. We have revised our year-end target from 10.50 to 10.60.
- We don't expect a hike in Sweden before 1Q27, as the Riksbank looks happy to look through this temporary inflation bump. Risks are, however, for an earlier move, which is fully priced in.

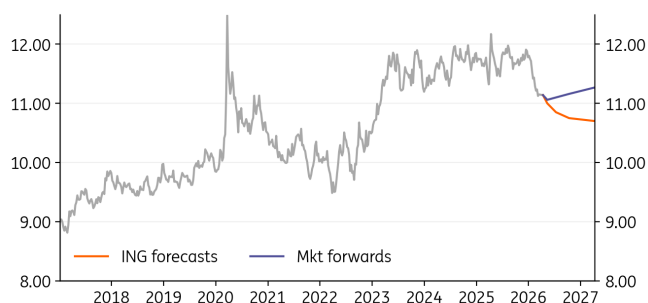
ING forecasts (mkt fwd)	1M 10.75 (10.82)	3M 10.70 (10.81)	6M 10.65 (10.80)	12M 10.60 (10.79)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

EUR/NOK

Norges Bank set to hike in May

Current spot: 11.04



Source: Refinitiv, ING forecasts

- We are sticking to our bearish call on EUR/NOK. The way the de-escalation in the Gulf seems to be playing out is proving more positive for risk sentiment than it is negative for oil prices. A break below 11.00 remains a tangible risk by the end of the second quarter in our view.
- We expect a hawkish Norges Bank to help NOK. Our call is for a rate hike on 7 May (16bp priced in) as some members were ready to hike already in March and the minutes showed concerns on inflation even before the war impact.
- Norges Bank may well keep the door open to further rate hikes and that should keep rate differentials attractive for bearish bets on EUR/NOK, even if the ECB ends up hiking too.

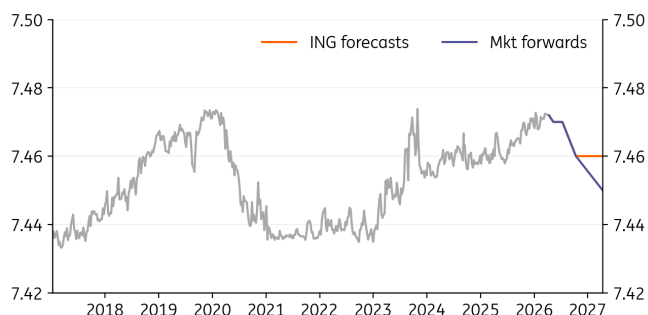
ING forecasts (mkt fwd)	1M 11.00 (11.06)	3M 10.85 (11.10)	6M 10.75 (11.16)	12M 10.70 (11.27)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

EUR/DKK

Thinking of a bigger hike than the ECB?

Current spot: 7.4731



Source: Refinitiv, ING forecasts

- EUR/DKK remains at the top of recent ranges, as the Danish central bank decided not to intervene again in March and rate differentials keep applying upward pressure.
- These are levels consistent with previous bouts of FX intervention, and we wonder whether the central bank's plan is to wait for an ECB hike and deliver a larger (e.g. 35-40bp) hike. That would surely grant more consistent support to DKK.
- We are still expecting a moderation back to 7.460 later this year in EUR/DKK, perhaps via interventions or rate gap changes.

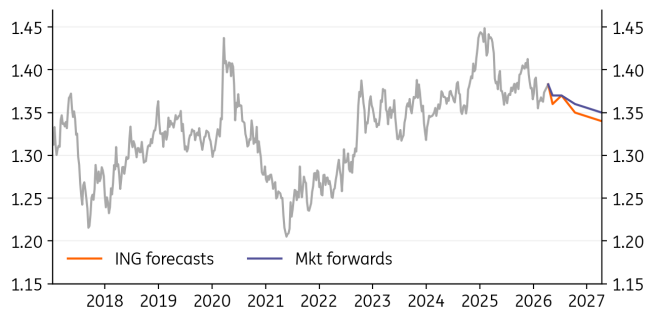
ING forecasts (mkt fwd)	1M 7.47 (7.4707)	3M 7.47 (7.4663)	6M 7.46 (7.4599)	12M 7.46 (7.4494)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

USD/CAD

CAD in a desirable spot

Current spot: 1.3710



Source: Refinitiv, ING forecasts

- We are keeping a modestly downward-sloping profile for USD/CAD into year-end, primarily on the back of expected USD weakness once the Fed resumes cutting (we think in 3Q).
- The domestic story isn't that supportive for CAD. Higher oil prices help growth, but the Bank of Canada remains very worried about upcoming USMCA negotiations and the impact on jobs. We don't think they'll hike despite markets pricing in c.30bp by year-end.
- A scenario where oil lands above pre-war level but a de-escalation still allows global risk sentiment to improve can send USD/CAD back to 1.36 before USMCA risk rises.

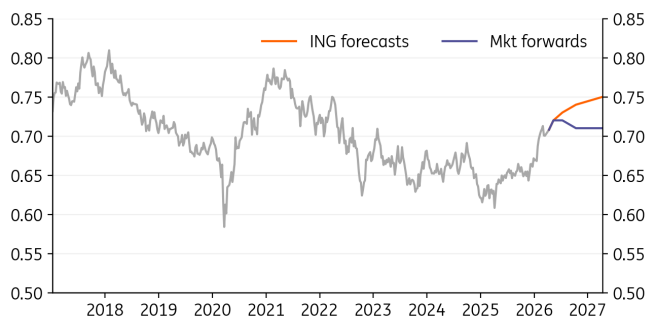
ING forecasts (mkt fwd)	1M 1.36 (1.3693)	3M 1.37 (1.3659)	6M 1.35 (1.3610)	12M 1.34 (1.3536)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Francesco Pesole, francesco.pesole@ing.com

AUD/USD

Reserve Bank of Australia set to go again in May

Current spot: 0.7169



Source: Refinitiv, ING forecasts

- We expect the RBA to hike 25bp to 4.35% in May. Officials have sounded concerned about losing control of inflation expectations, and headline CPI could touch 4.5% on the energy impact.
- Market pricing for May is 18bp, and 55bp by year-end. In our baseline oil scenario (Brent back below \$90/bbl in 2H26), we don't expect additional hikes after May. However, we think the RBA will keep the door open for more given lingering uncertainty.
- A hawkish RBA, improved sentiment and only a slow decline in energy prices means our previous end of second quarter 0.72 target for AUD/USD can be reached earlier. We are also upgrading our year-end forecast to 0.75.

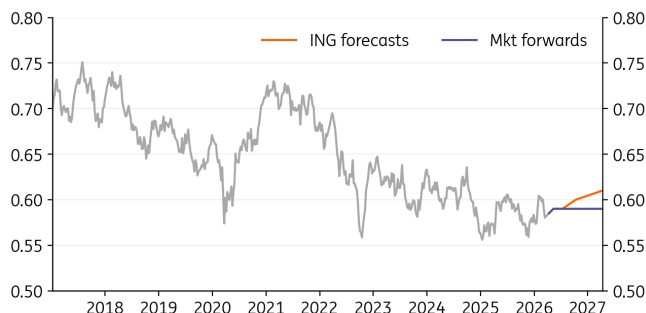
ING forecasts (mkt fwd)	1M 0.72 (0.7165)	3M 0.73 (0.7157)	6M 0.74 (0.7141)	12M 0.75 (0.7101)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Francesco Pesole, francesco.pesole@ing.com

NZD/USD

Reserve Bank of New Zealand to delay hike

Current spot: 0.5894



Source: Refinitiv, ING forecasts

- Policy divergence and opposite exposure to energy prices have continued adding upward pressure on AUD/NZD, which is at a 13-year high.
- We agree with markets that the RBNZ will have to hike rates twice this year. However, Governor Breman is living up to her dovish fame and may delay it as long as possible. Markets are pricing in a move in July, but September looks a bit more realistic.
- NZD/USD is slightly undervalued at these levels and may emerge as an alternative to the overbought AUD in a risk-on, oil-off environment. A still dovish RBNZ at the next couple of meetings may, however, put a cap on rallies.

ING forecasts (mkt fwd)	1M 0.59 (0.5899)	3M 0.59 (0.5911)	6M 0.60 (0.5925)	12M 0.61 (0.5939)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Francesco Pesole, francesco.pesole@ing.com

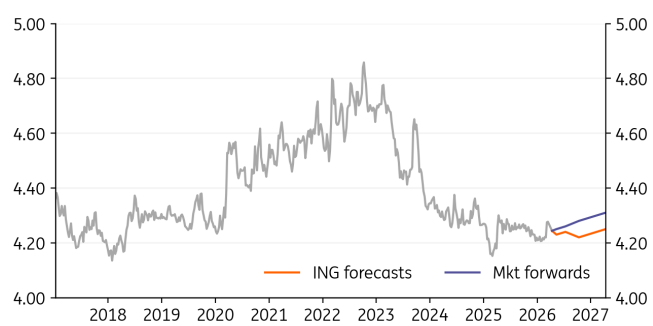


Emerging markets

EUR/PLN

The zloty erased most of its losses from March

Current spot: 4.2405



Source: Refinitiv, ING forecasts

- In March, the EUR/PLN exchange rate touched 4.30, its highest level since April 2025 – the start of the trade war saga – as risk aversion linked to the Middle East conflict spread across global markets. The situation changed in April, as markets became more optimistic about the US-Iran conflict.
- The Polish currency was also supported by the outcome of the parliamentary elections in Hungary, as well as a temporary Easter ceasefire between Russia and Ukraine, accompanied by signs of possible progress in peace talks. As a result, the EUR/PLN exchange rate returned towards the 4.24 level.
- We remain neutral on the zloty. The domestic fundamentals are supportive for the Polish currency, especially with GDP growth outperforming the CEE region as well as an expected European Union stream of funds to come this year. Current risks are still linked to the geopolitical factors and global risk appetite.

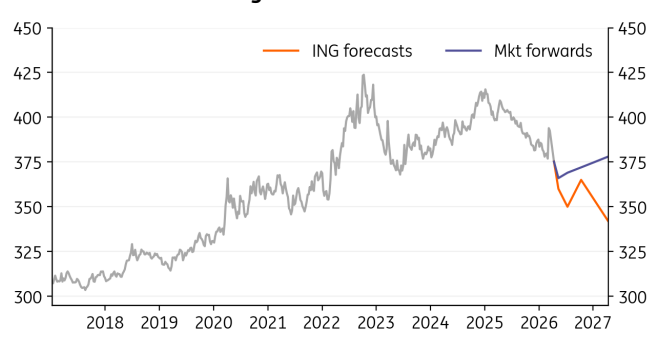
ING forecasts (mkt fwd)	1M 4.23 (4.2466)	3M 4.24 (4.2586)	6M 4.22 (4.2757)	12M 4.25 (4.3115)
-------------------------	------------------	------------------	------------------	-------------------

Mateusz Sutowicz, mateusz.sutowicz@ing.pl

EUR/HUF

We turn fundamentally bullish on HUF

Current spot: 365.10



Source: Refinitiv, ING forecasts

- Despite all the geopolitical noises and vulnerabilities, the Hungarian forint strengthened to a level not seen in four years in the post-election market repositioning.
- Local and international investors have clearly placed their trust in the new political era. If the incoming government led by Péter Magyar lives up to this trust and does not abuse it, we believe that the HUF could be on track for fundamental strengthening.
- Given the significant global uncertainty at present, investors are likely to want to realise profits earlier than usual, leading to higher volatility. However, the HUF will continue to appreciate if there are positive headlines from time to time about EU funds, institutional changes, fiscal policy or foreign policy.

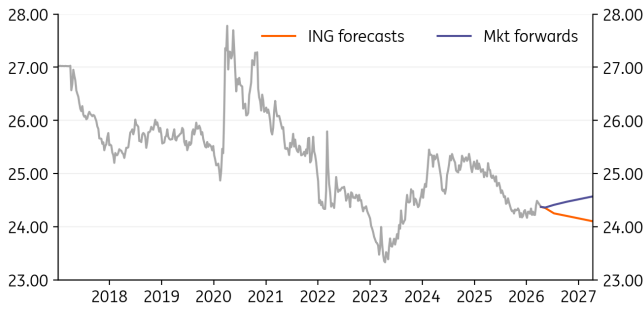
ING forecasts (mkt fwd)	1M 360 (366.28)	3M 350 (368.58)	6M 365 (371.90)	12M 342 (377.86)
-------------------------	-----------------	-----------------	-----------------	------------------

Péter Virovác, peter.virovacz@ing.com

EUR/CZK

Engines of koruna's strength set to prevail

Current spot: 24.34



Source: Refinitiv, ING forecasts

- Should the turmoil in the Middle East calm down in light of recent negotiations, and the Brent crude price gradually recede, the impact on Czech inflation and economic performance would be limited. In such a case, the koruna would enter its appreciation trajectory again.
- Czech industry set on an upward path at the start of the year, after having stabilised in 2025. The fiscal stance is in decent shape to sustain a time-limited negative supply shock in case the government would support households or businesses. So, despite some pressure on economic activity the outperformance vis-à-vis the eurozone means further tailwinds for the koruna.
- If we see another round of escalation unfolding, the koruna is likely to come under pressure, especially if this would imply extensive damage to the global economy. Weak foreign demand is not good news for Czech exporters, and such a scenario would at least temporarily undermine the fundamental drivers of the koruna.

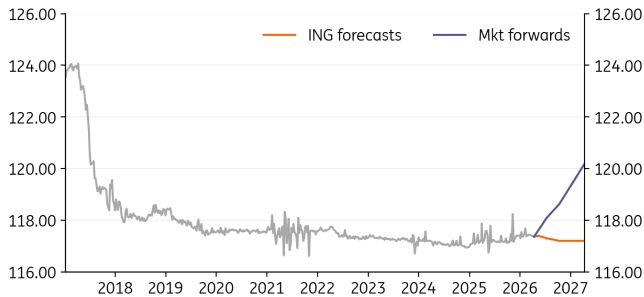
ING forecasts (mkt fwd)	1M 24.35 (24.36)	3M 24.25 (24.41)	6M 24.20 (24.47)	12M 24.10 (24.57)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

David Havrlant, David.havrlant@ing.com

EUR/RSD

National Bank of Serbia grip likely to keep RSD sideways

Current spot: 117.35



Source: Refinitiv, ING forecasts

- EUR/RSD has continued to trade mostly sideways, despite persisting political tensions and a still uncertain outcome related to the NIS refinery. The pair sat mostly in a 117.30 - 117.50 range. From a macro imbalances standpoint, Serbia's position continues to remain robust.
- Strong investments also continue to provide tailwinds for activity, supporting the fundamentals. On the consumption front, the still-high, double-digit wage growth likely acted as a cushion through most of the recent uncertainties and prevented stronger reactions in household demand.
- At its April meeting, the National Bank of Serbia kept the key rate in place at 5.75% - flagging the country's net energy importer status in the context of the ongoing Middle East tensions. We continue to believe that FX stability should remain a key focus ahead - in January-March, the central bank sold EUR1,220m to keep the pair stable.

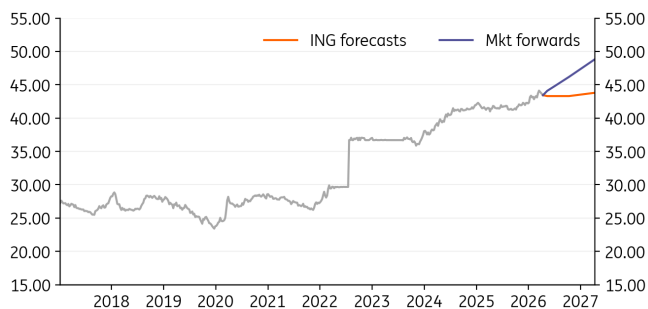
ING forecasts (mkt fwd)	1M 117.40 (117.60)	3M 117.30 (118.09)	6M 117.20 (118.63)	12M 117.20 (120.19)
--------------------------------	---------------------------	---------------------------	---------------------------	----------------------------

Valentin Tataru, valentin.tataru@ing.com

USD/UAH

Brighter outlook for Ukraine's economy

Current spot: 43.83



Source: Refinitiv, ING forecasts

- The conflict in the Middle East triggered a risk-off shift in market sentiment. The hryvnia weakened to record lows against both the US dollar and the euro. However, in April, as markets turned more positive following the US–Iran ceasefire, the USD/UAH exchange rate reversed most of its earlier move.
- The National Bank of Ukraine sought to curb the negative effects of elevated risk aversion. In March, international reserves declined by 5.0%, driven mainly by the NBU's FX interventions. Nevertheless, despite the decrease, reserves remain sufficient to support FX market stability, as they are still close to record highs.
- The macroeconomic environment remained challenging. In March, businesses returned to reporting a positive outlook, and – for the first time in nearly a year – improvements were expected across all surveyed sectors. The more optimistic expectations were supported by improvements in the energy sector and a rebound in consumer demand.

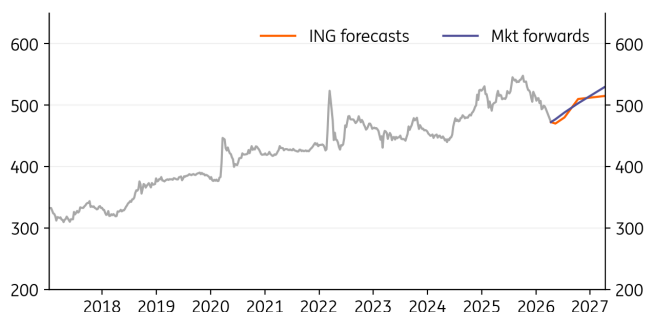
ING forecasts (mkt fwd)	1M 43.30 (44.09)	3M 43.30 (44.92)	6M 43.30 (46.19)	12M 43.80 (48.85)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Mateusz Sutowicz, mateusz.sutowicz@ing.pl

USD/KZT

Our view improves on higher oil prices

Current spot: 472.07



Source: Refinitiv, ING forecasts

- The tenge is one of the key beneficiaries of the tensions in the Middle East, as it has lifted by c.6% since the outbreak – against the backdrop of Brent rallying by c.33% while the US dollar remained virtually flat against the key currencies.
- The fresh upward revision to [global energy price assumptions](#) led to an improvement of our view on Kazakhstan's external balance: at \$89/bbl Brent average in 2026 we [expect](#) its current account deficit to halve to 2.0-2.5% of GDP.
- We've also slightly improved our view of the tenge's trajectory. We remain constructive about the near-term prospects but continue to see depreciation risks in the longer run on structural features of the balance of payments.

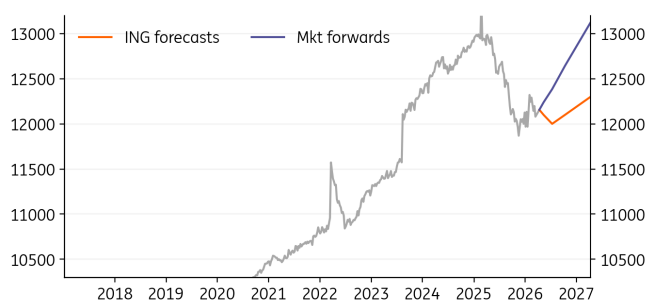
ING forecasts (mkt fwd)	1M 470 (477.15)	3M 480 (487.71)	6M 510 (503.38)	12M 515 (530.06)
--------------------------------	------------------------	------------------------	------------------------	-------------------------

Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/UZS

Resilience confirmed so far

Current spot: 12165.24



Source: Refinitiv, ING forecasts

- The Uzbekistani soum remained flat vs the US dollar since the beginning of March, suggesting resilience to volatility in the global risk appetite and c.9% correction in the gold price since the outbreak of tensions in the Middle East.
- The 85t of gold Uzbekistan exported in 2025 is significantly lower than the historical high of c.120t in 2023. This suggests that Uzbekistan can boost physical exports to an extent that would allow retaining last year's exports proceeds of \$10bn, even if the gold price were to settle at \$2,000-2,500/oz.
- We maintain our constructive near-term view on UZS, but as with the case of Kazakhstan, see some moderate scope for depreciation in the longer run if the issue of twin deficits and elevated CPI is not resolved.

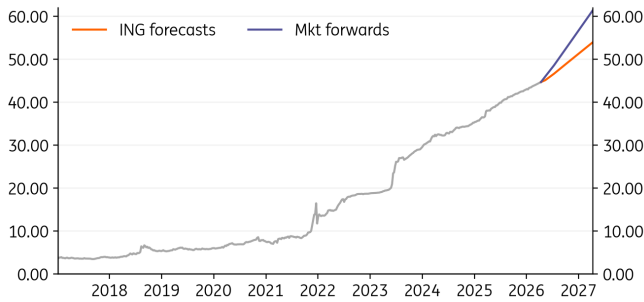
ING forecasts (mkt fwd)	1M 12100 (12237.50)	3M 12000 (12384.50)	6M 12100 (12644.50)	12M 12300 (13124.00)
--------------------------------	----------------------------	----------------------------	----------------------------	-----------------------------

Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

Signals of recovery in foreign appetite with the ceasefire

Current spot: 44.76



Source: Refinitiv, ING forecasts

- Amid heightened turmoil in the Middle East, the Central Bank of Turkey (CBT) suspended one week repo auctions and allowed the overnight rate to drift toward the upper bound of its interest rate corridor. It also removed certain exemptions tied to TRY credit growth restrictions and resumed FX swap transactions with domestic banks to support reserves.
- Since late February, portfolio outflows have reached US\$9.6bn, alongside the unwinding of more than US\$21bn in carry trade positions. Sustained uncertainty could trigger further outflows. However, the recent ceasefire has eased market concerns, prompting a partial reversal of capital movements.
- Foreign investor outflows and lower gold prices have pressured the CBT's FX reserves. Net reserves excluding swaps fell from US\$78.6bn to about US\$18.3bn by 3 April. Despite reduced FX swaps with local banks in recent days, reserves are gradually recovering, indicating some foreign inflows.

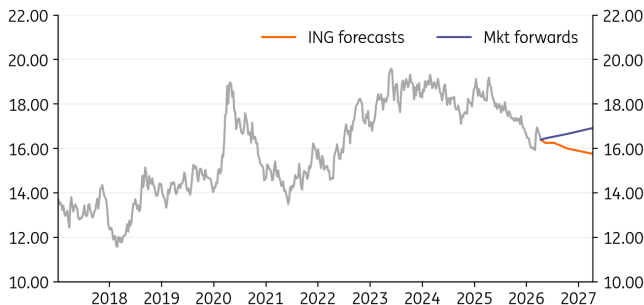
ING forecasts (mkt fwd)	1M 45.10 (45.96)	3M 46.60 (48.55)	6M 49.10 (52.88)	12M 54.00 (61.49)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

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

USD/ZAR

Remarkable resilience from South African assets

Current spot: 16.42



Source: Refinitiv, ING forecasts

- So far, the Middle East energy shock has triggered a decent clean out of long South African positions. USD/ZAR rose 10% and local currency ten-year yields rose 150bp through March. However, global investors' 'glass half-full' approach to the global economy post this shock means the rand has been quick to bounce back.
- That said, South Africa's terms of trade have net declined on its rise in its energy import bill. And the IMF has cut its 2026 S. Africa GDP forecast to 1.0% from 1.4%. Equally, the local bond story is less attractive now that the South Africa Reserve Bank looks unable to cut rates further.
- We are raising our USD/ZAR profile slightly to take account of the energy shock – but the rand should see good demand on dips.

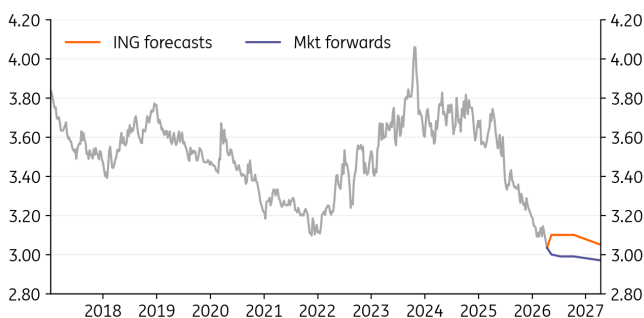
ING forecasts (mkt fwd)	1M 16.25 (16.45)	3M 16.25 (16.53)	6M 16.00 (16.65)	12M 15.75 (16.92)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Chris Turner, chris.turner@ing.com

USD/ILS

BoI can't be comfortable with \$/ILS sub 3.00

Current spot: 2.9960



Source: Refinitiv, ING forecasts

- USD/ILS remains very well offered, so much so that the market is starting to price in a 50bp Bank of Israel rate cut for the 25 May meeting. It is not clear what the key factors are driving these ILS gains. Late last year, Israel's current account surplus had shrunk from \$23bn per quarter to \$8bn per quarter, which was not fully compensated by direct or portfolio investment flows.
- And the real, trade-weighted shekel is now at all-time highs and up 12% year-on-year. We doubt the Bank of Israel can be comfortable with the prospect of USD/ILS sub-3.00, even if Washington continues to discourage FX intervention.
- Favour USD/ILS holding 3.00 and local interest rates going lower.

ING forecasts (mkt fwd)	1M 3.10 (2.9967)	3M 3.10 (2.9940)	6M 3.10 (2.9883)	12M 3.05 (2.9746)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

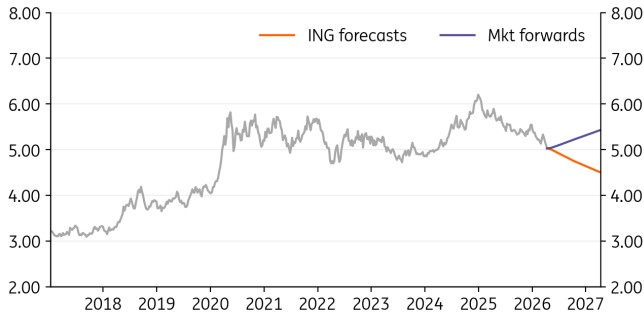
Chris Turner, chris.turner@ing.com

LATAM

USD/BRL

BRL has room to rally if the pieces fall into place

Current spot: 5.0072



Source: Refinitiv, ING forecasts

- Brazil has fared well from the crisis so far. As a net energy exporter, its terms of trade have actually risen – unlike the big drops seen for currencies in Europe and Asia. That leaves the Brazilian real as one of the market's favourite high yielders. Here the implied BRL yield through the three-month NDF remains near 13% pa.
- Further strength in BRL requires a further two components to go right. The first is the continuing improvement of Flavio Bolsonaro in the polls such that he beats President Lula in a run-off after October's election. The second is no fiscal adventure from Lula.
- For reference, on a real effective basis, the BRL is still cheap and 40% below 2011 highs. 4.50 is entirely possible for USD/BRL.

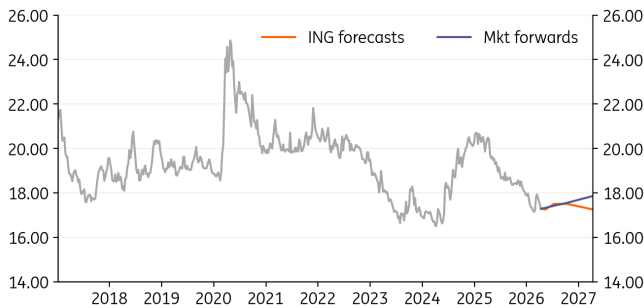
ING forecasts (mkt fwd)	1M 5.00 (5.0414)	3M 4.90 (5.1146)	6M 4.75 (5.2227)	12M 4.50 (5.4271)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Chris Turner, chris.turner@ing.com

USD/MXN

A much stronger peso won't be welcome

Current spot: 17.28



Source: Refinitiv, ING forecasts

- In late March, Banxico cut rates 25bp to 6.75%. Even though both headline and core inflation forecasts were revised higher, Banxico still felt that the risk of second-round inflation effects was low and that it would still hit its 3% CPI target in early 2027. Its dovish bias is driven by forecasts for weak GDP growth sub 2%.
- But given a dovish outlook, Banxico will not welcome a stronger MXN. The real, trade-weighted peso is close to its 2024 highs, and the macro backdrop is far less peso bullish. Note also that monthly remittances from the US have dropped to \$4.5bn per month from a peak of \$6.2bn in 2024.
- We struggle to see USD/MXN sustaining a break of 17.00.

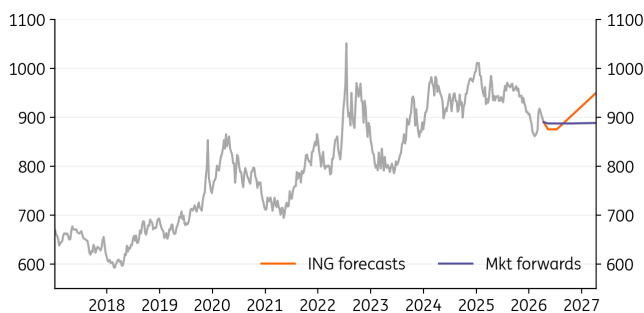
ING forecasts (mkt fwd)	1M 17.25 (17.32)	3M 17.50 (17.42)	6M 17.50 (17.55)	12M 17.25 (17.86)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Chris Turner, chris.turner@ing.com

USD/CLP

Copper rebound helps out

Current spot: 887.25



Source: Refinitiv, ING forecasts

- De-escalation trades dominate, which have allowed both copper and CLP to rebound. However, we doubt USD/CLP will be pressing 850 again. Higher energy prices will damage Chile's external position and Chile's copper producers face challenges (and higher prices) of sulfuric acid used in the leaching process. China has banned sulfuric acid exports.
- As mentioned previously, we also think Chile's producers face more competition and lower copper prices as production restarts later this year in Malaysia. That could send copper to \$11k/MT.
- While the external environment (including a softer \$) can help EM this year, we think copper could send USD/CLP to 950 in late 2026

ING forecasts (mkt fwd)	1M 875 (887.08)	3M 875 (887.01)	6M 900 (887.17)	12M 950 (887.75)
--------------------------------	------------------------	------------------------	------------------------	-------------------------

Chris Turner, chris.turner@ing.com

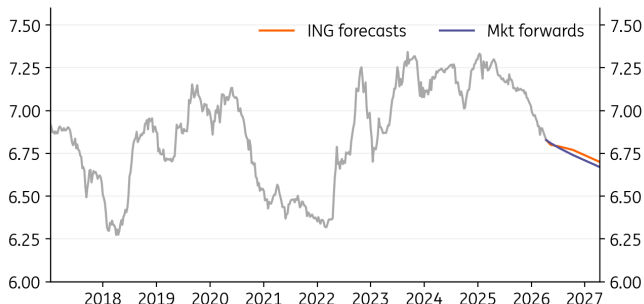


Asia

USD/CNY

CNY has entered our bullish scenario

Current spot: 6.8220



Source: Refinitiv, ING forecasts

- The CNY has continued to strengthen over the past month, moving as low as 6.81, down from above 6.91 toward the end of March. The CNY has reached the strongest levels since 2023.
- CNY strength continued despite US-China yield spreads widening. The main reasons are the PBOC fixings signal tolerance for further appreciation, and as exporters with years of built-up FX holdings continue to convert proceeds back into CNY. Longer-term themes such as the rise of the petroyuan are more hype rather than actual key drivers for now, but market participants generally remained upbeat on CNY appreciation prospects.
- We've revised our fluctuation band forecast lower to 6.70-7.05, down from 6.85-7.25. Risks to this band are broadly balanced.

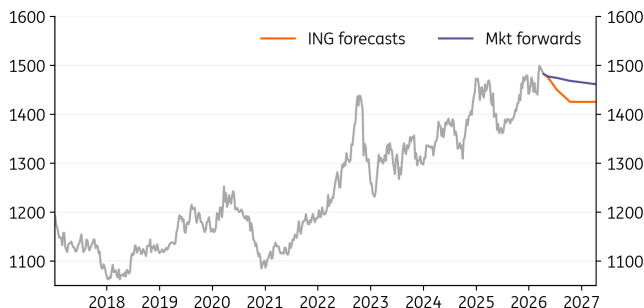
ING forecasts (mkt fwd)	1M 6.80 (6.8080)	3M 6.79 (6.7809)	6M 6.77 (6.7416)	12M 6.70 (6.6681)
-------------------------	------------------	------------------	------------------	-------------------

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

USD/KRW

KRW to benefit from larger foreign investment

Current spot: 1478.40



Source: Refinitiv, ING forecasts

- With easing geopolitical tensions and robust performance in tech equities, KRW went lower to 1,475 from 1,525. Given high beta characteristics and high uncertainty, the range should remain between 1,450 and 1,550 in the near term.
- Favourable fund flow and NPS's larger FX hedging will help KRW appreciation. Foreign investment in KTB via WGBI and appealing local equity valuations should trigger more foreign capital inflow.
- With resilient economic growth and rising inflationary pressure, we expect BoK to deliver rate hikes in the second half 2026. A narrowing yield gap also works to firm KRW in 2H26.

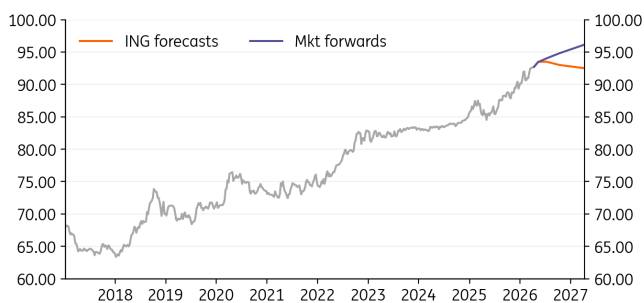
ING forecasts (mkt fwd)	1M 1475 (1477.00)	3M 1450 (1474.10)	6M 1425 (1468.45)	12M 1425 (1461.45)
-------------------------	-------------------	-------------------	-------------------	--------------------

Min Joo Kang, min.joo.kang@asia.ing.com

USD/INR

INR remains vulnerable to higher oil prices

Current spot: 93.01



Source: Refinitiv, ING forecasts

- March CPI inflation suggests that the pass-through from higher oil prices to domestic inflation has been relatively limited so far. However, given India's heavy reliance on imported oil, external pressures remain significant. Portfolio outflows continue to be sizable, with foreign investors acting as heavy sellers in March, adding meaningful depreciation pressure on the INR.
- The Reserve Bank of India introduced limits on dealers' open positions to curb excessive FX volatility, which has helped push spot USD/INR lower in the near term. However, this support is likely to be temporary, as the measures could have second-order effects by tightening liquidity in offshore markets.
- Structural pressures from a widening current account deficit and persistently high portfolio outflows are expected to keep the INR under pressure going forward.

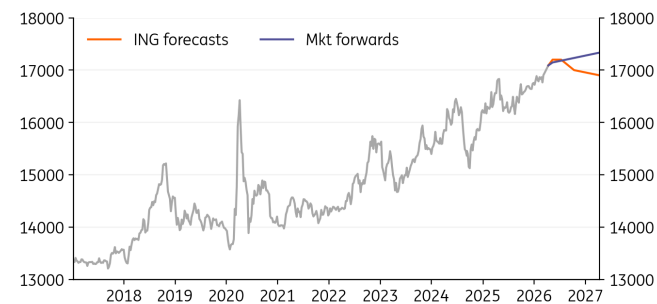
ING forecasts (mkt fwd)	1M 93.50 (93.46)	3M 93.50 (94.03)	6M 93.00 (94.81)	12M 92.50 (96.15)
-------------------------	------------------	------------------	------------------	-------------------

Deepali Bhargava, deepali.bhargava@ing.com

USD/IDR

Weak external balances to keep IDR under pressure

Current spot: 17130



Source: Refinitiv, ING forecasts

- The IDR has remained weak and is likely to stay under pressure. While fuel subsidies continue to cap the pass-through from higher oil prices, inflation is still expected to push above Bank Indonesia's (BI) 2.5% target. At around 3.5%, CPI would remain well below the 2022 peak of about 5% that triggered aggressive rate hikes. With growth softening, BI is unlikely to hike rates and is expected to stay on hold in 2026, limiting monetary support for the currency.
- External balances remain a key drag. Low oil reserves, limited FX reserve buffers, a wider current account deficit, and seasonal dividend outflows are likely to keep the IDR trading on the weaker side, leaving BI with little room to defend the currency through intervention.
- Although subsidies are manageable, in our base case, a renewed oil price surge above US\$100/bbl could rapidly widen fiscal risks, intensify bond outflows, and add further pressure on the rupiah.

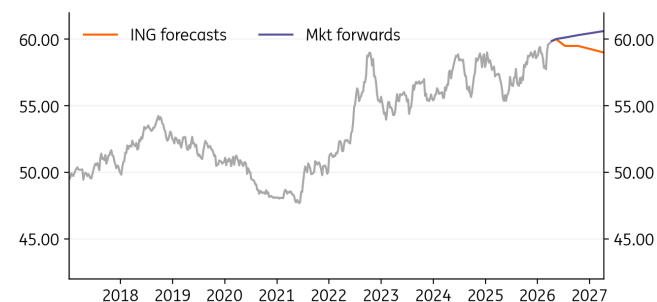
ING forecasts (mkt fwd)	1M 17200 (17146)	3M 17200 (17180)	6M 17000 (17232)	12M 16900 (17335)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Deepali Bhargava, deepali.bhargava@ing.com

USD/PHP

Oil prices to keep PHP weaker

Current spot: 59.99



Source: Refinitiv, ING forecasts

- The Philippines remains one of the most oil-exposed economies in the region. The economy is entering this period of elevated energy costs from a position of vulnerability, following a weak 2025 performance driven by a sharp contraction in government spending. Against this backdrop, we are revising down our 2026 GDP growth forecast to 4.5%, from 5.2% previously.
- Given this weaker growth setting, and assuming some easing in the current conflict, our base case is that the Bangko Sentral ng Pilipinas (BSP) remains on hold in April. Moreover, higher oil prices are likely to widen the current account deficit further. This deterioration heightens depreciation risks for the Philippine peso.
- The BSP's recent guidance – that it is not defending any specific exchange-rate level and that intervention in the FX market remains modest – suggests limited resistance to further currency weakness. Domestic tightening alone is unlikely to materially shift the peso's trajectory.

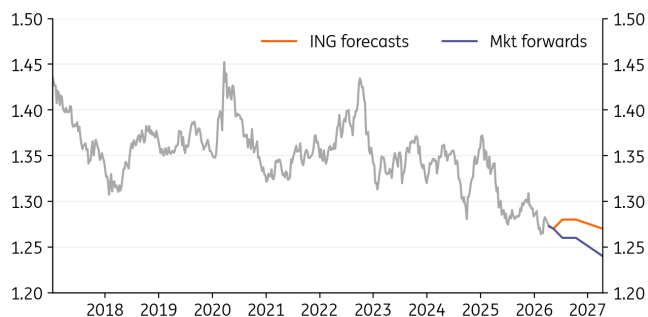
ING forecasts (mkt fwd)	1M 60.00 (60.02)	3M 59.50 (60.13)	6M 59.50 (60.31)	12M 59.00 (60.62)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Deepali Bhargava, deepali.bhargava@ing.com

USD/SGD

Relative outperformer in the region

Current spot: 1.2726



Source: Refinitiv, ING forecasts

- The Monetary Authority of Singapore (MAS) delivered a measured tightening of its policy stance this week, raising the slope of the S\$NEER band. We think there is still space for further tightening, especially as our forecasts for both CPI inflation and GDP growth sit slightly above the midpoints of MAS’s target ranges
- Although risks from oil-related supply disruptions persist, we expect some of these pressures to be offset by still-robust AI- and tech-driven demand and recent fiscal measures.
- The SGD NEER is currently trading near the top of its policy band – around 1.7% above the midpoint – and we expect it to remain on the strong side. MAS continues to signal its commitment to containing excessive volatility in the SGD NEER. This policy stance should underpin continued strength in the SGD in the near term.

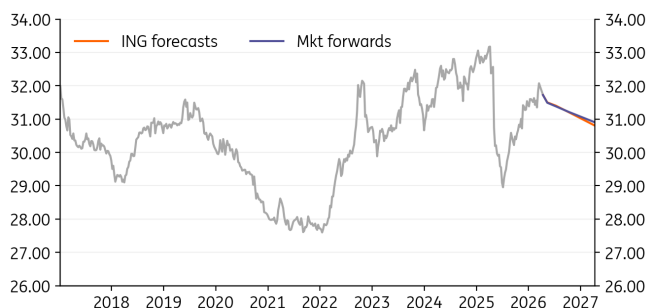
ING forecasts (mkt fwd)	1M 1.27 (1.2699)	3M 1.28 (1.2645)	6M 1.28 (1.2563)	12M 1.27 (1.2416)
-------------------------	------------------	------------------	------------------	-------------------

Deepali Bhargava, deepali.bhargava@ing.com

USD/TWD

TWD recovered slightly over the past month

Current spot: 31.55



Source: Refinitiv, ING forecasts

- The TWD began to recover at the start of April, with the USDTWD pulling back from the 32 level toward 31.7 by mid-April. This trend was broadly in line with the wider dollar environment.
- Domestic factors were generally TWD negative over the past month. The US-Taiwan yield spread widened slightly again. The equity market continued to see a net capital outflow. The CBC meeting in March ended in a hold and was largely neutral in tone, suggesting June is likely to remain on hold as well.
- The TWD has stayed relatively range-bound so far this year, largely moving within the band of 31.2-32.1. Factors to watch are how long the tech boom may continue, and if any potential issues of shortages emerge from the blockades of the Strait of Hormuz.

ING forecasts (mkt fwd)	1M 31.50 (31.49)	3M 31.40 (31.38)	6M 31.20 (31.21)	12M 30.80 (30.90)
-------------------------	------------------	------------------	------------------	-------------------

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

ING foreign exchange forecasts

EUR cross rates	Spot	1M	3M	6M	12M	USD cross rates	Spot	1M	3M	6M	12M
Developed FX											
EUR/USD	1.18	1.17	1.17	1.18	1.20						
EUR/JPY	187	186	185	183	182	USD/JPY	159	159	158	155	152
EUR/GBP	0.87	0.87	0.88	0.89	0.90	GBP/USD	1.35	1.34	1.33	1.33	1.33
EUR/CHF	0.92	0.92	0.92	0.92	0.92	USD/CHF	0.78	0.79	0.79	0.78	0.77
EUR/SEK	10.82	10.75	10.70	10.65	10.60	USD/SEK	9.19	9.19	9.15	9.03	8.83
EUR/NOK	11.04	11.00	10.85	10.75	10.70	USD/NOK	9.37	9.40	9.27	9.11	8.92
EUR/DKK	7.47	7.47	7.47	7.46	7.46	USD/DKK	6.35	6.38	6.38	6.32	6.22
EUR/CAD	1.61	1.59	1.60	1.59	1.61	USD/CAD	1.37	1.36	1.37	1.35	1.34
EUR/AUD	1.64	1.63	1.60	1.59	1.60	AUD/USD	0.72	0.72	0.73	0.74	0.75
EUR/NZD	2.00	1.98	1.98	1.97	1.97	NZD/USD	0.59	0.59	0.59	0.60	0.61
EMEA											
EUR/PLN	4.24	4.23	4.24	4.22	4.25	USD/PLN	3.60	3.62	3.62	3.58	3.54
EUR/HUF	365.1	360	350	365	342	USD/HUF	310.0	308	299	309	285
EUR/CZK	24.34	24.35	24.25	24.20	24.10	USD/CZK	20.66	20.8	20.7	20.5	20.1
EUR/RSD	117.35	117.40	117.30	117.20	117.20	USD/RSD	99.63	100.34	100.26	99.32	97.67
EUR/UAH	51.36	50.66	50.66	51.09	52.56	USD/UAH	43.83	43.30	43.30	43.30	43.80
EUR/KZT	557.1	549.9	561.6	601.8	618.0	USD/KZT	472.1	470	480	510	515
EUR/UZS	14327.0	14157.0	14040.0	14278.0	14760.0	USD/UZS	12165.2	12100	12000	12100	12300
EUR/TRY	52.82	52.77	54.52	57.94	64.80	USD/TRY	44.76	45.1	46.6	49.1	54.0
EUR/ZAR	19.33	19.01	19.01	18.88	18.90	USD/ZAR	16.42	16.25	16.25	16.00	15.75
EUR/ILS	3.53	3.63	3.63	3.66	3.66	USD/ILS	3.00	3.10	3.10	3.10	3.05
LATAM											
EUR/BRL	5.90	5.85	5.73	5.61	5.40	USD/BRL	5.01	5.00	4.90	4.75	4.50
EUR/MXN	20.35	20.18	20.48	20.65	20.70	USD/MXN	17.28	17.25	17.50	17.50	17.25
EUR/CLP	1044.91	1024	1024	1062	1140	USD/CLP	887.25	875	875	900	950
Asia											
EUR/CNY	8.03	7.96	7.94	7.99	8.04	USD/CNY	6.82	6.80	6.79	6.77	6.70
EUR/IDR	20225	20124	20124	20060	20280	USD/IDR	17130	17200	17200	17000	16900
EUR/INR	109.53	109.40	109.40	109.74	111.00	USD/INR	93.01	93.50	93.50	93.00	92.50
EUR/KRW	1741.12	1726	1697	1682	1710	USD/KRW	1478.41	1475	1450	1425	1425
EUR/PHP	70.64	70.20	69.62	70.21	70.80	USD/PHP	59.99	60.00	59.50	59.50	59.00
EUR/SGD	1.50	1.49	1.50	1.51	1.52	USD/SGD	1.27	1.27	1.28	1.28	1.27
EUR/TWD	37.16	36.86	36.74	36.82	36.96	USD/TWD	31.55	31.50	31.40	31.20	30.80

Source: Refinitiv, ING

Disclaimer

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

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

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

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