FX Talking

December 2024

Waiting on Storm Trump

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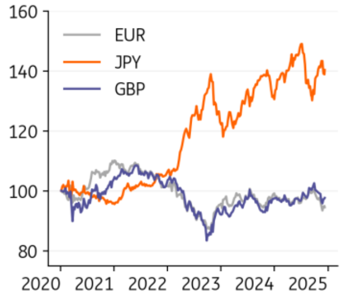
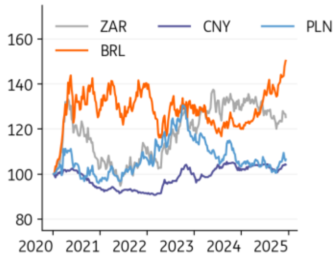
Waiting on Storm Trump

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

To mash up a popular phrase of a former US Treasury Secretary, it looks like the incoming Trump Administration might as well say to the rest of the world: 'Our policies, your problem'. As such, the world waits on January's arrival of Donald Trump and the avowed intention to grow the US economy at the expense of trading partners.

In Trump's defence, trading partners are having to consider boosting domestic demand such as fiscal stimulus. That is coming in China, but the governmental impasse in France and Germany means that the European Central Bank will be under increasing pressure to cut rates into accommodative territory. That is why EUR/USD should get close to parity next year.

The steady increase in US trade tariffs through 2025 stands to weigh on the currencies of the smaller, open economies and the commodity producers. The outperformers in the G10 space (within a broadly stronger dollar environment) will be the undervalued Japanese yen and – for the first quarter – probably sterling, too.

2025 will be a tough year for emerging markets as pressure on trade volumes builds and – one of ING's key calls – longer-dated US Treasury yields move progressively higher through the year. In heavy focus will be China's FX policy. Will China devalue and fire up a new currency war? Our baseline view is that China holds the line in USD/CNY to preserve financial stability and avoid even more tariffs were they to devalue.

In Asia, the Korean won looks vulnerable for a number of reasons and the region as a whole will stay pressured. Within the CEE region, we continue to look for outperformance of the Czech koruna. And in Latam, all currencies look vulnerable to tariffs and higher US yields. And certainly, the Mexican peso could have a tougher time than during Trump 1.0.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.05	→	153	↑	1.27	→
3M	1.04	↓	155	↑	1.25	↓
6M	1.04	↓	157	↑	1.25	↓
12M	1.02	↓	160	↑	1.24	↓
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.83	→	25.05	↓	4.27	↓
3M	0.83	→	25.00	↓	4.35	↑
6M	0.83	→	25.00	↓	4.30	↓
12M	0.82	↓	24.85	↓	4.35	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	7.25	↑	20.50	↑	6.00	↓
3M	7.22	↑	21.00	↑	6.10	↓
6M	7.25	↑	22.00	↑	6.15	↓
12M	7.35	↑	23.00	↑	6.25	↓

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

FX performance

	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	-2.7	-0.6	-0.8	0.1	-4.6	2.4
%YoY	-2.35	4.9	-3.8	0.2	-2.9	4.5
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	1.4	3.7	1.5	2.7	3.2	6.2
%YoY	1.2	8.8	7.8	19.5	-5.8	22.5

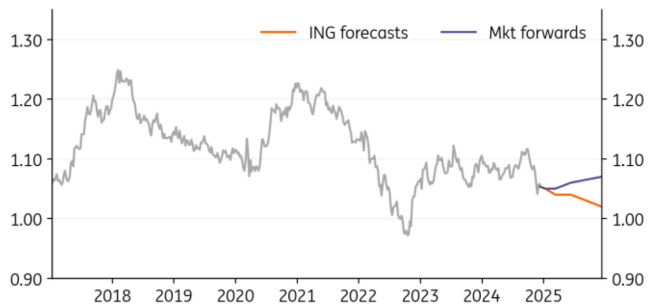
Source: Refinitiv, ING forecast

Developed markets

EUR/USD

Downside risks are building

Current spot: 1.0503



Source: Refinitiv, ING forecasts

- Despite seasonal trends for a weaker dollar, the dollar is actually holding onto gains quite well. This is because the anticipation of Trump's policy agenda is keeping dollar rate spreads wide and the currencies of trading partners under pressure. It is hard to see this state of affairs changing before Trump's January inauguration.
- After an expected 25bp Federal Reserve rate cut on 18 December, the Fed could start to skip some cuts at future meetings. In all, we see the policy rate bottoming at 3.75% next summer.
- In Europe, the lack of functioning governments in Germany or France rules out fiscal support for the region. Instead, the European Central Bank will be cutting rates to 1.75% and EUR/USD will grind towards parity.

ING forecasts (mkt fwd)	1M 1.05 (1.0518)	3M 1.04 (1.0546)	6M 1.04 (1.0601)	12M 1.02 (1.0718)

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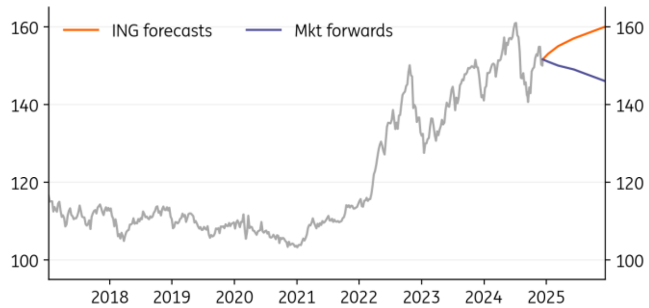
USD/JPY

BoJ policy in focus

Current spot: 152.01



Source: Refinitiv, ING forecasts

- Our economists retain the view that the Bank of Japan will hike by 25bp on 20 December. Recall that it was the hawkish hike in July that prompted the disorderly unwind of the carry trade. This time, however, the market is not as short yen as it was in July and the BoJ has probably learned its communication lesson. We do, however, look for two further 25bp rate hikes next year.
- Our forecast profile of a higher USD/JPY is largely down to the fact that we expect the US 10yr Treasury to end 2025 at 5.50%.
- There is some talk of a 'Mar-a-Lago accord' to weaken the US dollar. We think Trump's policies are dollar positive, but if Washington's dollar policy were to make an impact, especially if US growth disappoints, we suspect USD/JPY would lead $ lower.

ING forecasts (mkt fwd)	1M 153 (151.30)	3M 155 (150.30)	6M 157 (148.78)	12M 160 (146.07)

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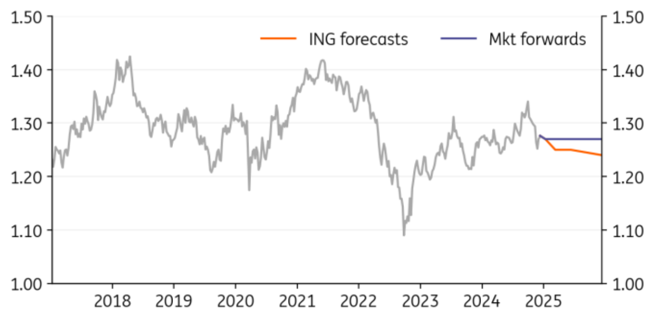
GBP/USD

BoE continues to help the pound

Current spot: 1.2727



Source: Refinitiv, ING forecasts

- The Bank of England's policy path continues to be priced closer to the Fed than the ECB, hence GBP/USD is holding up quite well. The BoE has had plenty of opportunities to communicate a faster pace of rate reductions but is currently holding onto its more cautious stance – citing late-cycle inflation.
- We think that softer UK services data will not emerge until February, suggesting GBP/USD may hold onto gains until then. But ING's house view is for quite aggressive BoE rate cuts in 2025 – taking the policy rate 150bp lower to 3.25%. Hence our view for some modest GBP/USD downside later next year.
- High deposit rates (1w at 4.75%) are keeping GBP bid now.

ING forecasts (mkt fwd)	1M 1.27 (1.2726)	3M 1.25 (1.2722)	6M 1.25 (1.2716)	12M 1.24 (1.2709)

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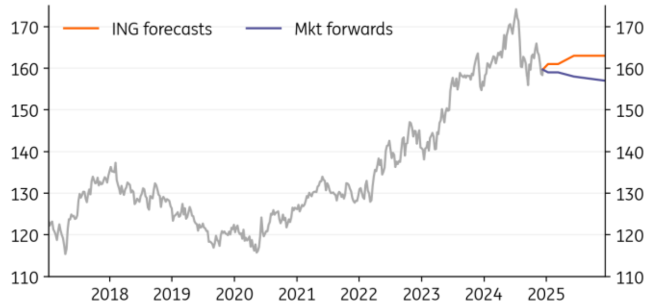
EUR/JPY

The hedge – but is it necessary?

Current spot: 159.62



Source: Refinitiv, ING forecasts

- Those who think risk assets require a correction will be selling EUR/JPY. And EUR/JPY recently enjoyed a brief dip to 156 on the stress in French bond markets. But in theory, Donald Trump can keep global equity markets – especially US equity markets – bid as expectations of deregulation and tax cuts dominate. If so, sitting there short EUR/JPY is expensive based on rate differentials.
- We have a slightly positive EUR/JPY profile in 2025 on the view that US rates (especially long-dated rates) go higher and that the JPY is more sensitive than the EUR to rising US rates.
- And global growth disappointment or geopolitical shock – especially in Ukraine – could easily send EUR/JPY lower.

ING forecasts (mkt fwd)	1M 161 (159.14)	3M 161 (158.50)	6M 163 (157.72)	12M 163 (156.55)

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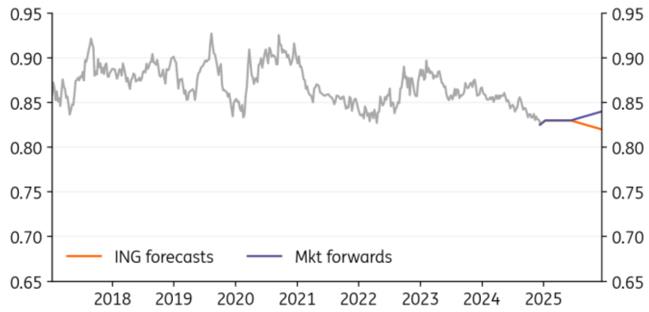
EUR/GBP

Are warmer UK relations with Europe helping GBP?

Current spot: 0.8253



Source: Refinitiv, ING forecasts

- EUR/GBP is closing in on the 0.8200 low seen in 2022. Below there, we will all be discussing this pair returning to levels last seen on the day of the Brexit vote in 2016. We think this trend is primarily being driven by the BoE versus ECB story. But warmer relations between the UK and the EU can't hurt. Equally, the eurozone's fiscal straitjacket should mean the UK economy does outperform in 2025.
- The reason we are not more bearish EUR/GBP in our forecasts is that we think the BoE will crumble around February and open up to a more aggressive easing cycle.
- However, the risks to our forecasts are clearly on the downside.

ING forecasts (mkt fwd)	1M 0.83 (0.8265)	3M 0.83 (0.8289)	6M 0.83 (0.8337)	12M 0.82 (0.8434)

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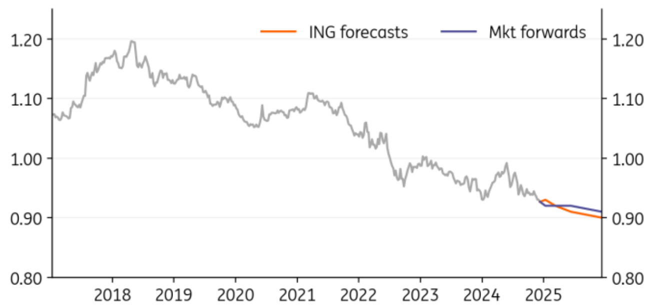
EUR/CHF

The market will struggle to price negative SNB rates again

Current spot: 0.9268



Source: Refinitiv, ING forecasts

- EUR/CHF is grinding lower with no discernible signs of the Swiss National Bank intervening. The advent of another Trump administration does make life trickier for the SNB. Currently, Switzerland ticks two of the three boxes to be declared a currency manipulator by the US Treasury. The third box would be ticked were the SNB to use FX intervention to prevent the franc from strengthening.
- The above is a bearish EUR/CHF factor. But the main driver of our bearish EUR/CHF view is that the SNB will not be able to cut rates as deeply as the ECB – despite the recent 50bp rate cuts.
- The SNB will not want to take rates back to the -0.50/075% area – despite what they say currently. Negative rates were seen to have been a contributing factor to Credit Suisse travails.

ING forecasts (mkt fwd)	1M 0.93 (0.9245)	3M 0.92 (0.9211)	6M 0.91 (0.9165)	12M 0.90 (0.9082)

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EUR/NOK

Norges Bank on track for first cut in 1Q25

Current spot: 11.73

Source: Refinitiv, ING forecasts

- EUR/NOK has been volatile in ranges since the US election result, even though the krone looks less exposed to a looming global trade war. Domestically, unemployment is staying low and credit growth is starting to pick up despite the restrictive 4.5% policy rate. Recent core inflation data has also surprised on the upside.
- However, Norges Bank still sounds like it wants to start its easing cycle at the start of next year, with money markets slightly favouring the first cut at the 23 January meeting. Markets price the policy rates being cut towards 3.50% late next year.
- We're generally a little bearish on EUR/NOK as Norges Bank will be slow to cut. But any volatility shock could hit the krone.

ING forecasts (mkt fwd)	1M 11.60 (11.75)	3M 11.40 (11.78)	6M 11.30 (11.84)	12M 11.50 (11.95)

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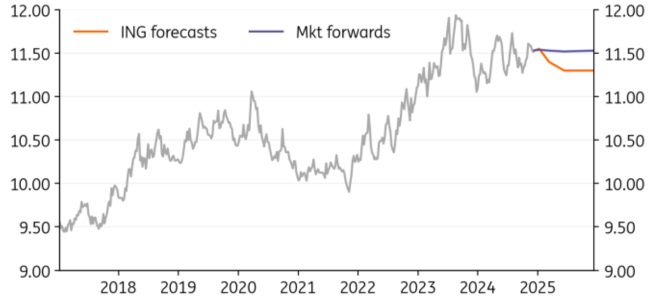
EUR/SEK

Some much welcome stability

Current spot: 11.54



Source: Refinitiv, ING forecasts

- Despite the threat of a global trade war, EUR/SEK has been showing some remarkable stability. Realised three-month volatility has dropped from 8% to 5%, bringing traded option prices lower. Perhaps helping the krona have been signs that the Riksbank's aggressive easing cycle has been paying dividends – where both consumer and business confidence are rising.
- On paper, 2025 could be a tough year for the SEK given that the Riksbank looks set to cut rates down to the 1.75/2.00% area (next 25bp rate cut on 19 December) and given Sweden's open economy.
- But SEK is the second most undervalued G10 currency in our medium-term model, suggesting 11.70/11.80 could prove the top.

ING forecasts (mkt fwd)	1M 11.55 (11.54)	3M 11.40 (11.53)	6M 11.30 (11.52)	12M 11.30 (11.53)

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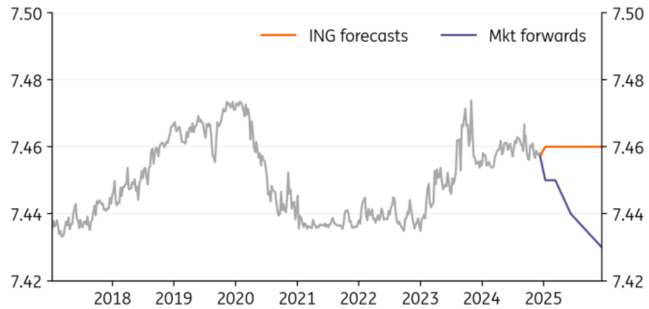
EUR/DKK

No stress for the Danish central bank

Current spot: 7.4577



Source: Refinitiv, ING forecasts

- Sitting happily in its ERM II arrangement, EUR/DKK is causing no stress for the Danish central bank. This year, EUR/DKK has traded pretty close to its 7.4603 central parity rate and allowed the Danmarks Nationalbank to keep its discount rate 40bp under the ECB deposit facility (2.85% versus 3.25%). This has been the case since late 2022/early 2023.
- Presumably, the central bank will not have a problem with the need to cut rates to something like the 1.35% area should the ECB be as aggressive with its easing cycle as we expect.
- Any reluctance on the Danish part to cut as aggressively risks sending EUR/DKK back down to the 7.4350/4400 area.

ING forecasts (mkt fwd)	1M 7.46 (7.4549)	3M 7.46 (7.4510)	6M 7.46 (7.4427)	12M 7.46 (7.4311)

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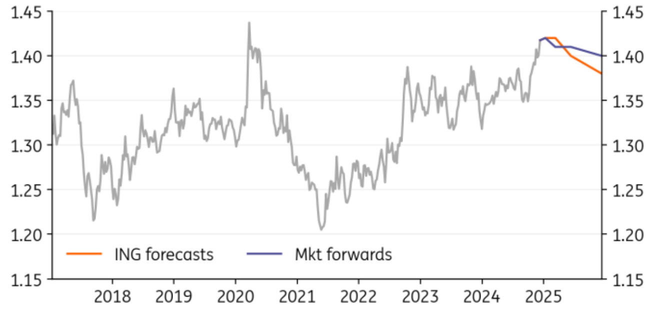
USD/CAD

Bearish scenario unfolds **Current spot: 1.4189**



Source: Refinitiv, ING forecasts

- On-target inflation and rising unemployment are prompting the Bank of Canada to cut rates quickly. Back-to-back 50bp rate cuts have brought the policy rate to 3.25% which, assuming the Fed cuts 25bp on the 18th, will keep the BoC-Fed spread very wide at 125bp. If by chance the Fed were not to cut, a 150bp spread could do some serious damage to the Canadian dollar.
- For the BoC, we now look for more modest 25bp rate cuts per quarter taking the policy rate to 2.75% next summer.
- Beyond the issue of wide spreads, the Canadian dollar is being caught up in the tariff story, where 25% US tariffs have been threatened. The fear is that Trump could turn the screw even more in 2025 ahead of a possible 2026 renegotiation of the USMCA. Risks abound!

ING forecasts (mkt fwd)	1M 1.42 (1.4171)	3M 1.42 (1.4139)	6M 1.40 (1.4087)	12M 1.38 (1.3990)

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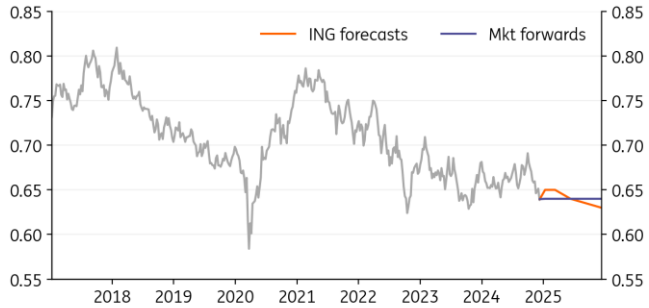
AUD/USD

Three driving forces **Current spot: 0.6371**



Source: Refinitiv, ING forecasts

- We see three major forces at work on AUD/USD. The first is the dominant global theme of the forthcoming Trump administration and what it means for global trade and for China's macro outlook. In theory, this will be a very difficult environment for AUD/USD with commodity prices under pressure.
- The second is the degree to which China can insulate domestic demand with some local stimulus. The answer is probably not enough to fully offset the impact from global trade.
- The third is Australia's domestic economy and the Reserve Bank of Australia. The December meeting saw the RBA grow in confidence over the disinflation process. This should all mean a weaker AUD/USD in 2025.

ING forecasts (mkt fwd)	1M 0.65 (0.6373)	3M 0.65 (0.6374)	6M 0.64 (0.6375)	12M 0.63 (0.6381)

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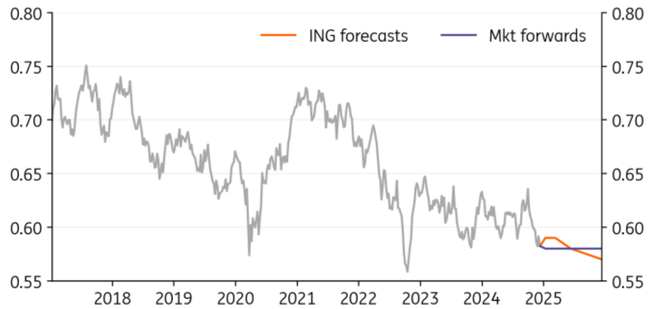
NZD/USD

Back-to-back 50bp cuts **Current spot: 0.5798**



Source: Refinitiv, ING forecasts

- The Reserve Bank of New Zealand has delivered back-to-back 50bp rate cuts in October and November as it seeks to take rates quickly back to neutral. The market sees neutral somewhere near the 3.00% area and the next, probably 25bp, rate cut should come in February.
- The RBNZ cites the spare capacity in the economy and on-target inflation as reasons to reduce rates so quickly.
- The New Zealand dollar has been the second worst G10 performer (only better than the Aussie dollar) since Trump's re-election. A small, open economy with interest rate sensitive sectors still under pressure (construction, manufacturing, retail) leaves the NZD vulnerable to local and global demand trends.

ING forecasts (mkt fwd)	1M 0.59 (0.5800)	3M 0.59 (0.5804)	6M 0.58 (0.5814)	12M 0.57 (0.5836)

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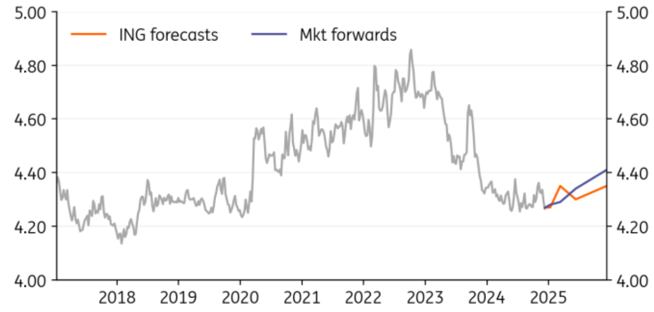
Emerging markets

EUR/PLN

PLN most resilient to Trump trade

Current spot: 4.2637



Source: Refinitiv, ING forecasts

- We highlighted that Poland fundamentally avoids many of the risks associated with Trump for emerging markets. However, in November, the EUR/PLN exchange rate ignored USD gains and instead adjusted through the USD/PLN rate. The zloty was the best-performing CEE currency. In addition to the fundamentals, the exchange of EU funds in the market provided support, and the National Bank of Poland remains the most hawkish central bank in the region.
- The GDP soft patch in 2H24 and likely deeper European Central Bank easing did not prevent the NBP from a hawkish pivot in December, which undermines our 100bp call for 2025 cuts. Our main concern for 2025 is not a stronger USD, but the record-high supply of POLGBs. The low bid-to-cover ratios indicate that supply will require more concessions to be absorbed. On the positive side, Polish GDP is expected to outperform the EU in 2024-25, and the reconstruction of Ukraine may also benefit the PLN.

ING forecasts (mkt fwd)	1M 4.27 (4.2766)	3M 4.35 (4.2943)	6M 4.30 (4.3362)	12M 4.35 (4.4137)

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EUR/HUF

Forint to reach new lows in 2025

Current spot: 410.79

Source: Refinitiv, ING forecasts

- The forint moved into a higher trading range in November. HUF positioning has been heavily short recently, especially after Moody's downgraded the outlook to negative. However, this move was offset by a Fitch outlook upgrade to stable. And December has barely begun.
- Rating agencies' decisions are a perfect example of the chaos swirling around Hungary's economy. Nevertheless, we see a chance for a positioning-based tactical HUF relief rally into year-end.
- In the medium term, however, we expect EUR/HUF to continue to grind higher towards 420, as significant changes in economic policy-making and further debate with the EU are on the horizon.

ING forecasts (mkt fwd)	1M 412 (411.92)	3M 417 (414.23)	6M 412 (418.47)	12M 422 (427.06)

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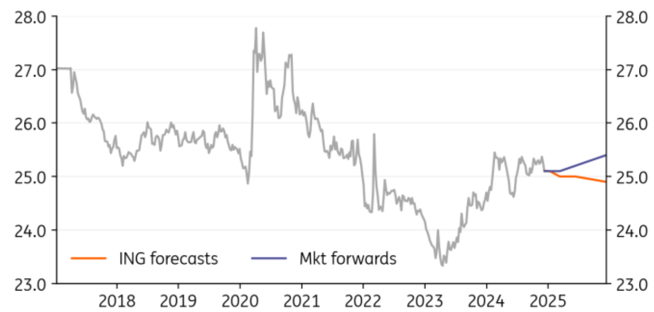
EUR/CZK

Inflation risks to drive CNB caution and support the koruna

Current spot: 25.09



Source: Refinitiv, ING forecasts

- The Czech koruna strengthened recently as central bank members admitted that pausing is an option at the December meeting. Household consumption and both nominal and real wage growth came in stronger than the recent CNB forecast. Rising property prices, meanwhile, will likely exert upward pressure on the market and imputed rents in the first half of the year. Thus it seems reasonable to see January's inflation breakdown before continuing with further rate cuts.
- If the central bank pauses at the next meeting, the currency will likely appreciate towards 25 EUR/CZK. With inflation expected to exceed 3% in December and remain elevated next year, policymakers are likely to prioritise price stability over economic expansion. Moreover, the Czech recovery seems to be broadly on track even though European industry acts as a drag. The continued expansion will support the koruna over the medium term.

ING forecasts (mkt fwd)	1M 25.1 (25.10)	3M 25.0 (25.14)	6M 25.0 (25.22)	12M 24.9 (25.40)

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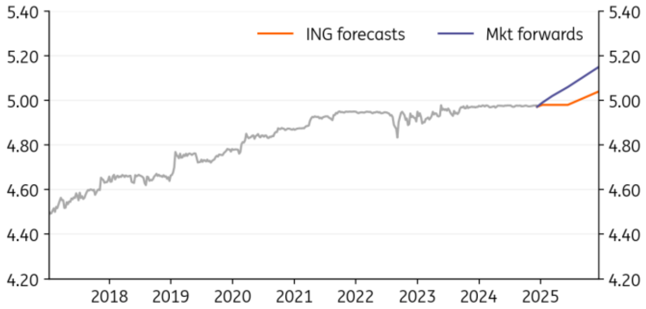
EUR/RON

4.98 remains strong resistance **Current spot: 4.9709**



Source: Refinitiv, ING forecasts

- The EUR/RON has been stable at close to 4.98 but the sharp drop in the interbank liquidity surplus, which led to a spike in FX swap yields, along with the increased turnover around 4.9770, suggest official offers protecting the leu.
- The intermediary resolution of the political situation with the Constitutional Court cancelling the first round of the presidential elections has brought more two-sided flows into the market.
- All told, we continue to expect the National Bank of Romania to keep a tight grip on the currency until there is a clearer picture of the fiscal and inflation outlook, with political risks adding to the overall risk picture.

ING forecasts (mkt fwd)	1M 4.98 (4.9879)	3M 4.98 (5.0171)	6M 4.98 (5.0570)	12M 5.04 (5.1453)

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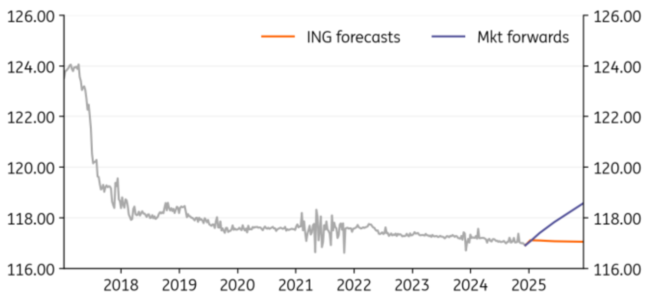
EUR/RSD

Stability to persist **Current spot: 116.98**



Source: Refinitiv, ING forecasts

- The EUR/RSD exchange rate has remained stable, hovering around the 117.00 mark. This stability builds on the country's recent investment grade rating, increasing tourism, and a solid fiscal track record.
- The National Bank of Serbia likely mitigated appreciation pressures on the dinar through further interventions. By the end of October, foreign exchange reserves had reached a new record high of EUR 28.3 billion.
- These reserve levels provide the NBS with significant policy flexibility in the coming quarters. We anticipate the first rate cut to come in 1Q25 and expect the exchange rate to remain stable at close to 117.00

ING forecasts (mkt fwd)	1M 117.11 (117.07)	3M 117.10 (117.40)	6M 117.07 (117.83)	12M 117.05 (118.58)

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USD/UAH

Rising international reserves support the FX market **Current spot: 41.55**

Source: Refinitiv, ING forecasts

- The hryvnia rate against the dollar remains broadly stable as it is supported by elevated central bank FX interventions (US$30.5bn YTD in 2024 compared to around US$26 in the same period of the last year). This is likely to continue into the year-end, as core central banks continue monetary easing while the National Bank of Ukraine is set to keep its key policy rate at 13% in December. This hawkish stance aims to control inflation expectations, driven by the rise to 9.7% YoY in October and potential acceleration to double digits.
- The economy remains burdened by the ongoing war, severe disruptions in electricity provision, and uncertainty related to Trump's stance on ending the war. To prevent UAH's real appreciation due to higher inflation, the NBU is likely to allow for a gradual easing of the hryvnia, while keeping the currency broadly stable. FX reserves grew by 9.1% in November to US$39.9bn, boosted by large inflows from the World Bank (US$4.8bn), the US (US$1.4bn), and other partners.

ING forecasts (mkt fwd)	1M 41.20 (42.15)	3M 41.50 (43.27)	6M 41.70 (44.90)	12M 42.00 (48.52)

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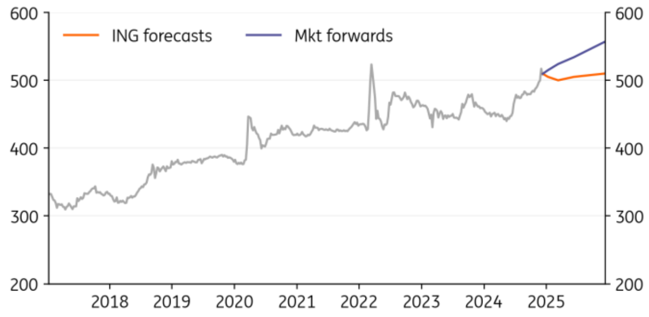
USD/KZT

Volatility heightened due to regional spillovers

Current spot: 511.12



Source: Refinitiv, ING forecasts

- USD/KZT experienced a sharp 4.3% drop during 28 November – 3 December and recovered around 3% in the rest of the week to 508. This spike in volatility reflects the spillover effect from the new round of sanctions on Russia and respective moves in the rouble.
- To stabilise the local market, the National Bank of Kazakhstan had to increase the key rate by 100bp to 15.25% contrary to previous expectations of keeping the rate on hold, and to announce emergency FX interventions.
- We do not exclude a further recovery in KZT in the coming weeks but retain our longer-term cautious view on the local currency due to the weakening trend in the balance of payments.

ING forecasts (mkt fwd)	1M 505 (515.27)	3M 500 (523.63)	6M 505 (533.91)	12M 510 (556.55)

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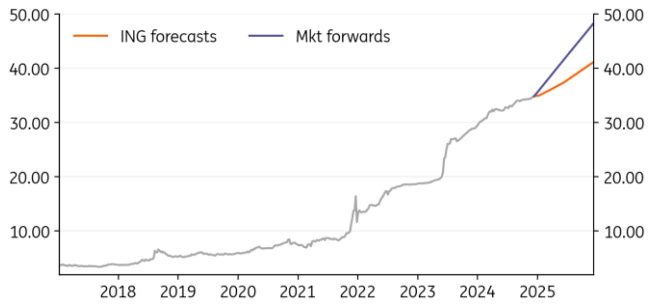
USD/TRY

Nearing to the rate cut cycle

Current spot: 34.84



Source: Refinitiv, ING forecasts

- The Central Bank of Turkey's communication suggested that we are nearing a gradual rate-cutting cycle, implying a December move as a real possibility. The revised guidance links rate cuts to both realised and expected inflation, indicating that the bank will closely monitor real rates. It anticipates a significant contribution from enhanced coordination of fiscal policy to the disinflation process.
- We expect a 250bp cut from the bank this month, though do not rule out a smaller move given the higher-than-expected November figure, implying continuing challenges to disinflation efforts.
- Despite the start of rate cuts, we expect the lira to continue to appreciate in real terms as the CBT seems inclined to keep the currency stable and even allow a nominal decline at times to support disinflation.

ING forecasts (mkt fwd)	1M 35.00 (35.97)	3M 35.90 (38.17)	6M 37.40 (41.61)	12M 41.20 (48.36)

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

USD/ZAR

Local story is quite ZAR-supportive

Current spot: 17.87

Source: Refinitiv, ING forecasts

- The rand continues to outperform in a difficult environment for EM currencies, helped by some domestic positives. These include reforms in the transport and electricity sectors as well as the introduction of the 'Two-Pot' pension reform which allows early access to some pensions. Business confidence is now at the highest levels since early 2022.
- While we would like to be bullish on the rand, two major headwinds exist. The first is US tariff rates against China and what that means for Chinese demand for industrial raw materials – South Africa's key exports.
- The second is higher US rates, where US 10-year bond yields up at 5.50% in late 2025 stand to cause major problems for EM.

ING forecasts (mkt fwd)	1M 18.00 (17.92)	3M 18.25 (18.02)	6M 19.00 (18.16)	12M 19.50 (18.45)

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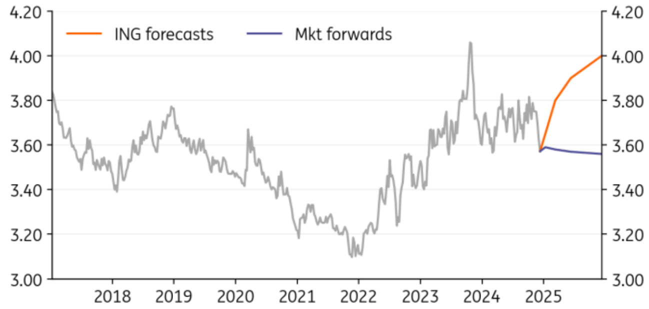
USD/ILS

Lebanon ceasefire triggers shekel recovery

Current spot: 3.5912



Source: Refinitiv, ING forecasts

- The late November Israeli ceasefire on its Lebanese front, plus the more recent fall of the Assad regime in Syria has seen USD/ILS trade sub-3.60. Those bullish on the shekel argue that the decline in military activities can alleviate some of the fiscal pressure on Israel and prompt a sovereign upgrade next year.
- Our problem with arguing for a much lower USD/ILS is the broad dollar trend. We are dollar bulls into 2025 and expect USD/ILS will be dragged back to the 3.80/90 area as President-elect Trump super-charges the US economy.
- The Bank of Israel would like to cut interest rates (now 4.50%). But the war has delivered a supply shock & inflation is sticky.

ING forecasts (mkt fwd)	**1M** 3.65 (3.5888)	**3M** 3.80 (3.5820)	**6M** 3.90 (3.5731)	**12M** 4.00 (3.5553)

Chris Turner, chris.turner@ing.com

LATAM

USD/BRL

Fiscal worries just will not recede

Current spot: 6.0500

Source: Refinitiv, ING forecasts

- USD/BRL has traded to a new all-time high – largely on the back of home-grown problems. Here, President Lula has watered down much-needed fiscal consolidation with income tax giveaways to lower-income groups. Lula will have one eye on the 2026 elections and will be wary of the better performance of right-wing parties in recent local elections.
- In response to currency losses, the market is pricing a much more aggressive Brazilian central bank hiking cycle. With a current policy rate at 11.25%, the market is incredibly pricing rates near 16% within a year.
- To get Brazil back on track, more fiscal consolidation is required. Otherwise, USD/BRL could turn into a 6.50 story.

ING forecasts (mkt fwd)	1M 6.00 (6.0678)	3M 6.10 (6.1273)	6M 6.15 (6.2392)	12M 6.25 (6.5174)

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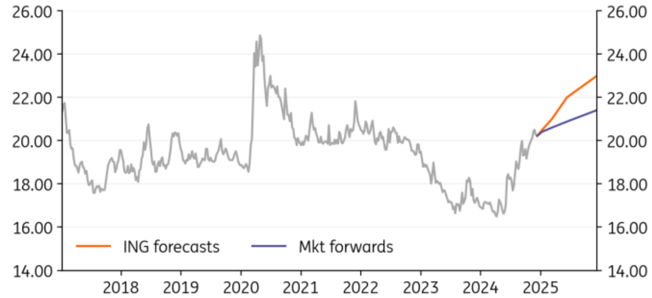
USD/MXN

Still a lot of risk premium to be built into the peso

Current spot: 20.29



Source: Refinitiv, ING forecasts

- 20.80 has so far been the high for this year's USD/MXN Trump-powered rally and we see the peso staying on the weak side through 2025. Currently, President-elect Trump is threatening 25% tariffs on Mexico in January if Mexico does not do more to close its border with the US. 25% tariffs would likely send Mexico into recession.
- The question is how quickly would the US and Mexico cut a deal? Given that the USMCA trade agreement is under review in 2026, we suspect the US would want to dial up maximum pressure first.
- Banxico looks set to keep easing. The policy rate is now 10.25% and is expected to be cut to 8.50% next year.

ING forecasts (mkt fwd)	1M 20.50 (20.41)	3M 21.00 (20.60)	6M 22.00 (20.88)	12M 23.00 (21.41)

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USD/CLP

The prospect of China stimulus offers some support

Current spot: 974.10

Source: Refinitiv, ING forecasts

- Chile's peso has been outperforming a little – largely thanks to problems in Mexico (tariffs) and Brazil (fiscal situation). Our bearishness on the CLP in 2025 stems from the pressure likely to build on China through tariffs. Here we could see maximum trade pressure in the late 2025/early 2026 window.
- As we've noted before, low rates in Chile do not provide much insulation to the peso. The policy rate has already been cut to 5.25% and the central bank would like to cut it even lower were market conditions to allow.
- Fiscal stimulus from China could provide some temporary support to the CLP, but 2025 should prove a difficult year.

ING forecasts (mkt fwd)	1M 975 (974.55)	3M 1000 (975.63)	6M 1025 (976.93)	12M 1050 (980.58)

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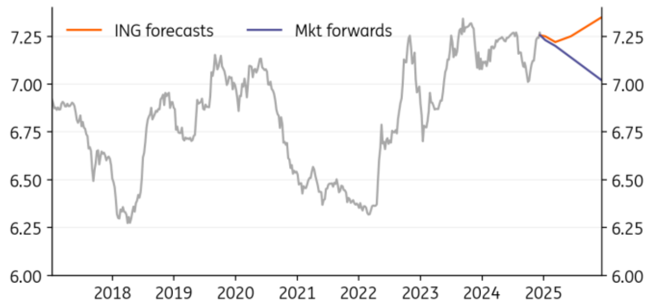
Asia

USD/CNY

PBoC resumes CNY defence **Current spot: 7.2515**



Source: Refinitiv, ING forecasts

- The Chinese yuan moved a little weaker amid the stronger dollar backdrop. However, contrary to market speculation that the CNY will be among the hardest-hit currencies, the depreciation has been moderate so far. The USD/CNY reached a peak of 7.28 before pulling back.
- Early signs are that the People's Bank of China is continuing with its currency management strategy. Use of the countercyclical factor has ramped up in the past month, limiting the CNY's depreciation. We don't see an intentional large-scale devaluation in our baseline scenario.
- With our new house view on tariffs, we've turned a little more cautious on the near-term CNY outlook. A Trump trade unwind could help the CNY recover, but tariff developments could be catalysts for more depreciation. US-China yield spreads should still gradually narrow but likely by less than expected prior to Trump's election victory.

ING forecasts (mkt fwd)	1M 7.25 (7.2327)	3M 7.22 (7.1986)	6M 7.25 (7.1413)	12M 7.35 (7.0239)

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USD/KRW

Uncertainty over politics puts more pressure on KRW **Current spot: 1432.42**

Source: Refinitiv, ING forecasts

- The Korean won shot up to near 1,430 on the back of recent political turmoil. Market volatility will continue, but systemic risk is unlikely as authorities are providing liquidity to the market.
- While the current situation is fluid, the upside for the KRW is open to 1,450+ in the near term. Throughout next year, the expected escalation of trade tensions and widening rate differentials will keep the KRW above the 1,400 level.
- The KRW is likely to remain one of the worst performers among Asian currencies in 2025.

ING forecasts (mkt fwd)	1M 1450 (1430.89)	3M 1450 (1426.72)	6M 1425 (1419.31)	12M 1400 (1404.41)

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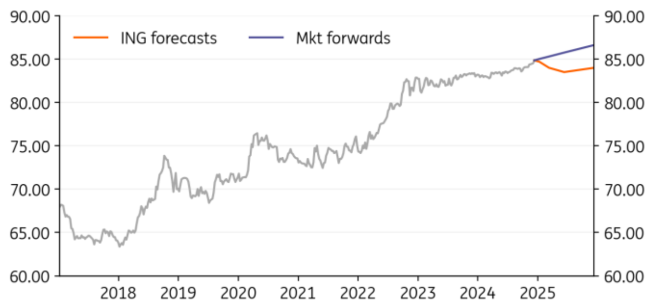
USD/INR

INR should be relatively less impacted by US tariffs **Current spot: 84.90**



Source: Refinitiv, ING forecasts

- The Indian rupee witnessed modest depreciation in the last month despite some measures by the central bank to encourage foreign inflows. The Reserve Bank of India raised the ceiling on Foreign Currency Non-Resident Bank deposits (FCNR-B) for maturities of one to three years and three to five years by 150bp until the end of the FY ending March 2025.
- The RBI left the Repo rate unchanged at 6.5% but cut the cash reserve ratio by 50bp to 4%. The CRR cut reflects the RBI's aim to address the sharp tightening of banking system liquidity arising from the RBI's FX operations as well as expected volatility in capital flows. We continue to expect the RBI to cut rates in February 2025.
- Foreign outflows from Indian equity markets have moderated, supporting the INR, with IT and Financials witnessing net inflows. On balance, the RBI will likely continue to intervene to smooth any sharp moves on the upside given still ample FX reserves.

ING forecasts (mkt fwd)	1M 84.70 (85.02)	3M 84.00 (85.30)	6M 83.50 (85.75)	12M 84.00 (86.62)

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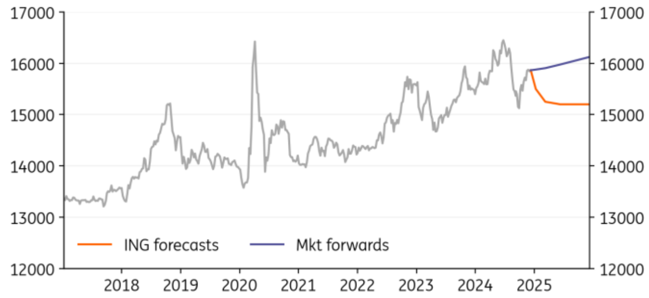
USD/IDR

Improving local dynamics are positive for the IDR

Current spot: 15865



Source: Refinitiv, ING forecasts

- USD/IDR has remained rather stable since the US elections likely because of Bank Indonesia's intervention and a preference for currency stability. Lower export exposure to the US and hence a less direct impact from higher tariffs has also helped the local currency to stabilise.
- Risks to inflation remain muted with the most recent headline CPI inflation reading at 1.5% year-on-year. BI left its key policy rate unchanged at the November meeting with its forecasts for US 2 and 10 rates rising to 4.5% and 4.7%, respectively. This suggests that the BI is likely to tread cautiously in its rate-cutting cycle while focusing on IDR stability.
- Finance Minister Sri Mulyani Indrawati is scheduled to hike Value Added Tax from 11% to 12% from January, signalling her commitment to fiscal consolidation. Lower dependence on foreign investors for fiscal deficit funding should be an overall positive for the Indonesian rupiah.

ING forecasts (mkt fwd)	1M 15500 (15878)	3M 15250 (15906)	6M 15200 (15976)	12M 15200 (16125)

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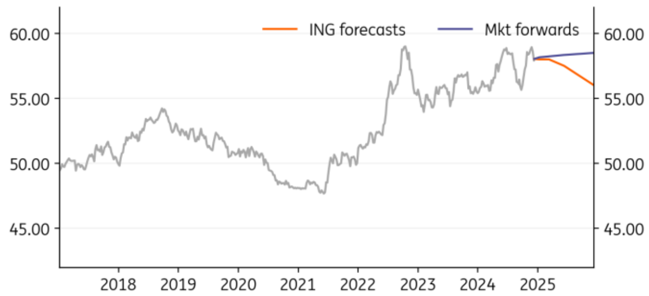
USD/PHP

Likely to trade in a range

Current spot: 58.08



Source: Refinitiv, ING forecasts

- The Philippine peso was one of the best performers in Asia last month, appreciating by c.2% to as low as 57.75/USD after hitting the lows of 59.0. BSP has historically defended the 59.0 level.
- The currency pair is likely to trade in a range in the near term. CPI inflation ticked higher to 2.5% YoY in November 2024 largely driven by higher food inflation due to recent storms. However, rice prices corrected handsomely, and the trade deficit is likely to remain.
- The real policy rate at 3.5% is at an all-time high when GDP growth is expected to remain below the government's target of 6-7%. We expect the BSP to continue to cut policy rates by another 25bp in December.

ING forecasts (mkt fwd)	1M 58.00 (58.16)	3M 58.00 (58.23)	6M 57.50 (58.34)	12M 56.00 (58.50)

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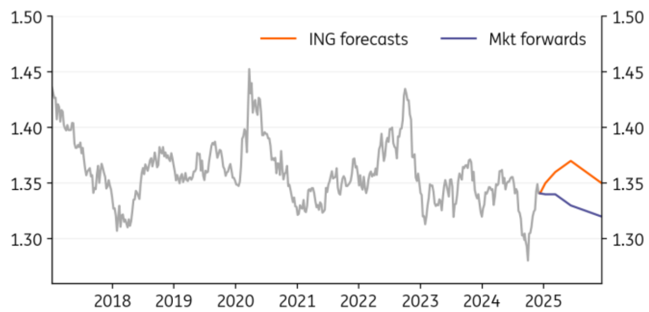
USD/SGD

SGD could underperform as policy easing comes closer

Current spot: 1.3428



Source: Refinitiv, ING forecasts

- The Singapore dollar's performance was average in the Asian FX league last month with the currency facing some mild depreciation pressures.
- We expect GDP growth to slow down in 2025 driven by slower export growth. CPI inflation moderated sharply to 1.4% YoY in October from 2% in September and much below consensus expectations of 1.8%. Core inflation also fell sharply to 2.1%.
- Given this backdrop, monetary policy easing by MAS cannot be ruled out in January. The recent drop in SGD NEER has already loosened the policy but an explicit slope reduction might take longer and materialise only by April next year when core inflation sustainably falls below 2%. This could, however, maintain downward pressure on SGD.

ING forecasts (mkt fwd)	1M 1.35 (1.3410)	3M 1.36 (1.3376)	6M 1.37 (1.3320)	12M 1.35 (1.3211)

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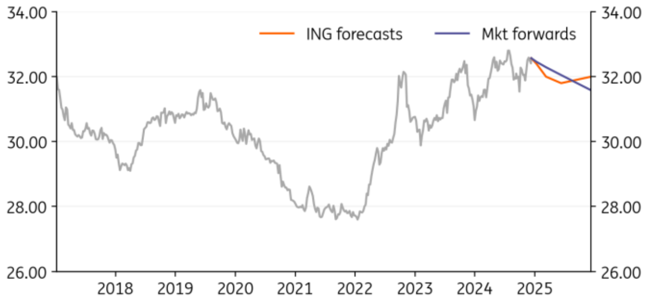
USD/TWD

TWD softened but limited post-Trump impact



Source: Refinitiv, ING forecasts

Current spot: 32.56

- The Taiwan dollar weakened slightly over the past month, with the USD/TWD moving as high as 32.6 amid a stronger dollar. The TWD has been one of the less impacted Asian currencies since Trump's election victory, down just 0.45%.
- Key drivers of the TWD mostly favoured TWD depreciation over the last month. Equity market fund flows swung back to negative levels, and more investors began buying foreign bond ETFs. US-Taiwan yield spreads generally widened over the last month.
- The TWD has been one of the underperforming Asian currencies in 2024, down over 5% at the time of writing. Early indications are for the TWD to fare better in 2025 if the export picture remains solid and yield spreads narrow.

ING forecasts (mkt fwd)	**1M** 32.40 (32.46)	**3M** 32.00 (32.29)	**6M** 31.80 (32.05)	**12M** 32.00 (31.58)

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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	1.05	1.05	1.04	1.04	1.02						
EUR/JPY	160	161	161	163	163	USD/JPY	152	153	155	157	160
EUR/GBP	0.83	0.83	0.83	0.83	0.82	GBP/USD	1.27	1.27	1.25	1.25	1.24
EUR/CHF	0.93	0.93	0.92	0.91	0.9	USD/CHF	0.88	0.89	0.88	0.88	0.88
EUR/NOK	11.73	11.60	11.40	11.30	11.50	USD/NOK	11.17	11.05	10.96	10.87	11.27
EUR/SEK	11.54	11.55	11.40	11.30	11.30	USD/SEK	10.99	11.00	10.96	10.87	11.08
EUR/DKK	7.46	7.46	7.46	7.46	7.46	USD/DKK	7.10	7.10	7.17	7.17	7.31
EUR/CAD	1.49	1.49	1.48	1.46	1.41	USD/CAD	1.42	1.42	1.42	1.40	1.38
EUR/AUD	1.65	1.62	1.60	1.63	1.62	AUD/USD	0.64	0.65	0.65	0.64	0.63
EUR/NZD	1.81	1.78	1.76	1.79	1.79	NZD/USD	0.58	0.59	0.59	0.58	0.57
EMEA											
EUR/PLN	4.26	4.27	4.35	4.3	4.35	USD/PLN	4.06	4.07	4.18	4.13	4.26
EUR/HUF	410.8	413	417	412	422	USD/HUF	391.1	393	401	396	414
EUR/CZK	25.09	25.05	25	25	24.85	USD/CZK	23.88	23.9	24.0	24.0	24.4
EUR/RON	4.97	4.98	4.98	4.98	5.04	USD/RON	4.73	4.74	4.79	4.79	4.94
EUR/RSD	116.98	117.11	117.10	117.07	117.05	USD/RSD	111.42	111.53	112.60	112.57	114.75
EUR/UAH	43.80	43.26	43.16	43.37	42.84	USD/UAH	41.55	41.20	41.50	41.70	42.00
EUR/KZT	538.1	530.3	520.0	525.2	520.2	USD/KZT	511.1	505	500	505	510
EUR/TRY	36.55	36.75	37.34	38.90	42.02	USD/TRY	34.84	35.00	35.90	37.40	41.20
EUR/ZAR	18.77	18.90	18.98	19.76	19.89	USD/ZAR	17.87	18.00	18.25	19.00	19.50
EUR/ILS	3.77	3.83	3.95	4.06	4.08	USD/ILS	3.59	3.65	3.80	3.90	4.00
LATAM											
EUR/BRL	6.35	6.30	6.34	6.40	6.38	USD/BRL	6.05	6.00	6.10	6.15	6.25
EUR/MXN	21.30	21.53	21.84	22.88	23.46	USD/MXN	20.29	20.50	21.00	22.00	23.00
EUR/CLP	1023.24	1024	1040	1066	1071	USD/CLP	974.10	975	1000	1025	1050
Asia											
EUR/CNY	7.62	7.61	7.51	7.54	7.50	USD/CNY	7.25	7.25	7.22	7.25	7.35
EUR/IDR	16764	16275	15860	15808	15504	USD/IDR	15865	15500	15250	15200	15200
EUR/INR	89.17	88.94	87.36	86.84	85.68	USD/INR	84.90	84.70	84.00	83.50	84.00
EUR/KRW	1504.59	1523	1508	1482	1428	USD/KRW	1432.42	1450	1450	1425	1400
EUR/PHP	60.99	60.90	60.32	59.80	57.12	USD/PHP	58.08	58.00	58.00	57.50	56.00
EUR/SGD	1.41	1.42	1.41	1.42	1.38	USD/SGD	1.34	1.35	1.36	1.37	1.35
EUR/TWD	34.19	34.02	33.28	33.07	32.64	USD/TWD	32.56	32.40	32.00	31.80	32.00

Source: Refinitiv, ING

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