THINK Economic and Financial Analysis

FX Talking

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Silver Linings Playbook

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FX Talking

Silver Linings Playbook

Grabbing the headlines recently has been the Philadelphia Eagles and their win in Superbowl LIX. One of their biggest fans is Bradley Cooper – perhaps best known for his role in the 2012 film Silver Linings Playbook. Maybe it is just stale long dollar positioning, but FX markets seem to be playing out their own Silver Linings story at the start of this year, buoyed by a more transactional Trump and perhaps even peace in Europe.

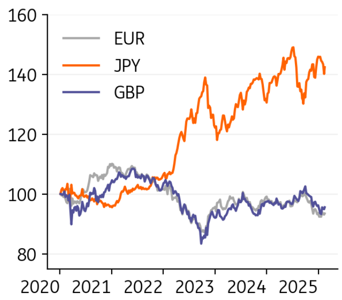
At the same time, European equities are outpacing those in the US as eurozone data marginally beats consensus. It seems only a matter of some better confidence coming through to unlock spending from European businesses and consumers alike. Yet, sadly, we think it too early to conclude that Washington is merely using tariffs for transactional purposes. Instead, our house view is that maximum tariff pressure hits in 2Q.

What this means is that it is too early to call a top in the dollar. In fact, we now think EUR/USD could trade close to parity in the second quarter on broader tariffs and short-term differentials staying wide as the ECB possibly takes rates below 2.00%. Yet the real trade-weighted dollar is already back to levels last seen in 1985 and strength this summer should be an opportunity to increase dollar hedge ratios for the next 2-3 years.

Elsewhere, we think sterling could come under pressure over coming months as the UK shifts to a setting of tighter fiscal and looser monetary policy. We doubt GBP/USD sustains any gains over the 1.25/26 area. Equally, the threat of a global tariff war makes it premature to expect much of a recovery in commodity or EM currencies.

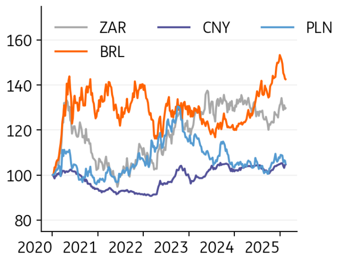
The wild card could be Washington seeking a weaker dollar. But that's probably a 2026 story once the US has secured more leverage over its trading partners with higher tariffs.

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.03	↓	154	↑	1.24	↓
3M	1.00	↓	154	↑	1.20	↓
6M	1.00	↓	157	↑	1.20	↓
12M	1.02	↓	158	↑	1.21	↓
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.83	↓	25.10	↑	4.20	↑
3M	0.83	↓	25.05	↓	4.20	→
6M	0.83	↓	24.95	↓	4.23	↓
12M	0.84	↓	24.80	↓	4.25	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	7.31	↑	21.00	↑	5.90	↑
3M	7.32	↑	22.00	↑	6.00	↑
6M	7.33	↑	22.00	↑	6.25	↑
12M	7.39	↑	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

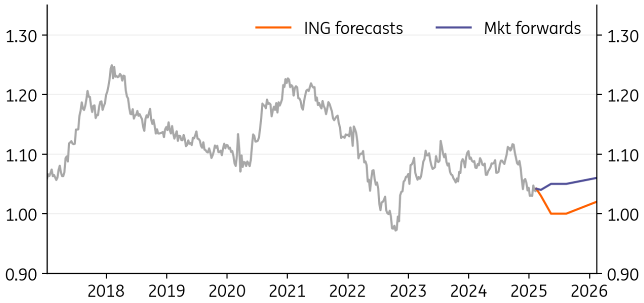
	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	1.7	-2.5	-0.6	-0.2	2.0	-0.9
%YoY	-3.3	2.9	-2.2	3.6	-4.1	6.3
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	-0.5	-1.7	-2.6	-2.3	-3.1	-5.6
%YoY	1.4	9.0	4.1	-3.3	-2.2	16.4

Source: Refinitiv, ING forecast

Developed markets

EUR/USD

Timing the tariffs **Current spot: 1.0420**



Source: Refinitiv, ING forecasts

- The tariff threat continues to cast a long shadow over FX markets, but timing the impact remains a tough call. Our best guess is that the second quarter could now be the time for peak pressure once the US Commerce Department delivers its findings on why the US runs structural trade deficits. High savings rates or tight fiscal policy in Europe could well be blamed here.
- Tariffs on the EU as a whole or on specific sectors could push EUR/USD close to parity in 2Q - when the ECB is cutting rates below 2.00%. The 'Atlantic' two-year rate spread will stay wide.
- The outside risk is that Trump's tariffs are not as aggressive as feared and softer employment leads to three Fed cuts this year.

ING forecasts (mkt fwd)	1M 1.03 (1.0435)	3M 1.00 (1.0470)	6M 1.00 (1.0526)	12M 1.02 (1.0648)

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USD/JPY

The best hedge against the strong dollar trend **Current spot: 153.78**

Source: Refinitiv, ING forecasts

- USD/JPY has turned lower – helped in large part by the Bank of Japan leaning into its tightening cycle. The policy rate now stands at 0.50% and we expect two further 25bp hikes (potentially in May and October) this year. Another round of strong wage hikes is giving the BoJ confidence that the virtuous cycle of wages > consumption > inflation has been achieved.
- Japan is hoping to repeat its 2018-19 performance of avoiding the worst of Trump's tariffs. However, its large trade surplus is noted, and Japan will likely commit to large US LNG purchases.
- Behind the scenes we suspect Washington wants a weaker dollar. Were such a view ever to come to light, USD/JPY would lead lower.

ING forecasts (mkt fwd)	1M 154 (153.28)	3M 154 (152.21)	6M 157 (150.70)	12M 158 (147.83)

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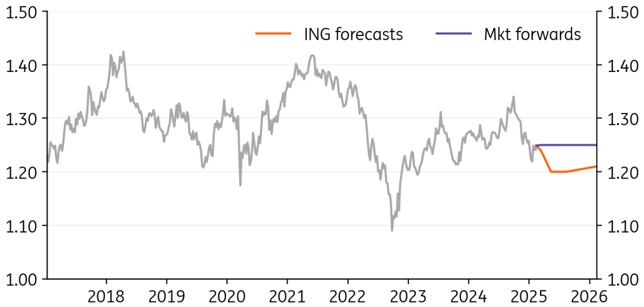
GBP/USD

Shaping up for an important couple of months **Current spot: 1.2489**



Source: Refinitiv, ING forecasts

- 1.25/26 should be the top of the range this year and we are looking for a move to 1.19/20. The next couple of months could be key for this story if, as we expect, the UK shifts to a tighter fiscal/looser monetary policy setting. Weaker growth and higher debt servicing costs mean that the UK government will probably have to announce real terms spending cuts in March.
- The Bank of England currently is sticking to its gradual approach to easing. We look for three further cuts in the Bank Rate to 3.75% this year. Employment trends are looking key now.
- The UK is not on the frontline of the tariff wars, but a strong dollar and soft UK macro/rate environment will be the story here.

ING forecasts (mkt fwd)	1M 1.24 (1.2487)	3M 1.20 (1.2486)	6M 1.20 (1.2490)	12M 1.21 (1.2504)

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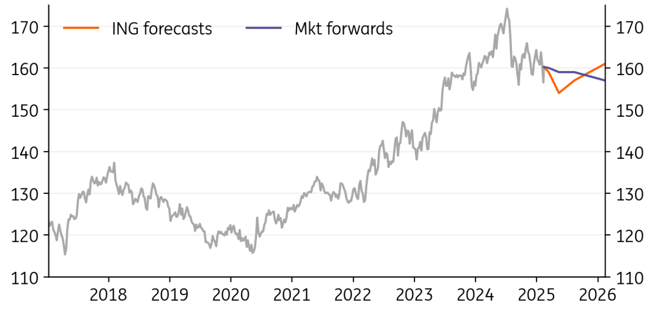
EUR/JPY

Still vulnerable **Current spot: 160.25**



Source: Refinitiv, ING forecasts

- EUR/JPY has dropped to test the lower boundary of its nine-month trading range as the BoJ has tightened and the ECB has cut interest rates. This policy divergence will only widen this year and probably Q2 – when broader European tariffs could be seen – maybe the timing for a further break lower.
- EUR/JPY would also be vulnerable were the risk environment to take a turn lower, which has not been the case so far.
- One of the positive risks in this cross is developments in Ukraine. The US is currently busy developing its ideas on a ceasefire deal. This will take time, and it is not clear what leverage the US has over Russia. A ceasefire in 2H25 could give the euro a boost.

ING forecasts (mkt fwd)	1M 159 (159.95)	3M 154 (159.36)	6M 157 (158.65)	12M 161 (157.41)

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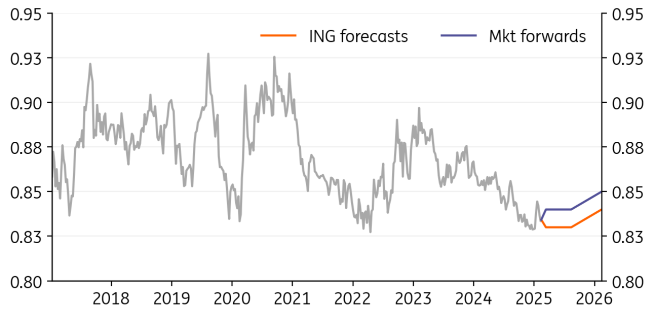
EUR/GBP

Domestic versus international considerations **Current spot: 0.8345**



Source: Refinitiv, ING forecasts

- EUR/GBP looks likely to get caught between two themes over coming months. Internationally it's all about trade and the EU is seen as far more exposed than the UK when it comes to Trump's trade war. The UK's goods exports are reasonably small and it's helpful that the UK actually runs a trade deficit with the US.
- However, the domestic story looks sterling negative. The chancellor is threatened with breaching the government's fiscal rule if growth forecasts are cut. Thus tighter fiscal policy in March could be a catalyst for more BoE easing to be priced.
- The government's move closer to the EU is being watched. A return to the customs union looks unlikely, but the government is happy to talk of closer integration if it helps the growth forecast.

ING forecasts (mkt fwd)	1M 0.83 (0.8357)	3M 0.83 (0.8385)	6M 0.83 (0.8428)	12M 0.84 (0.8515)

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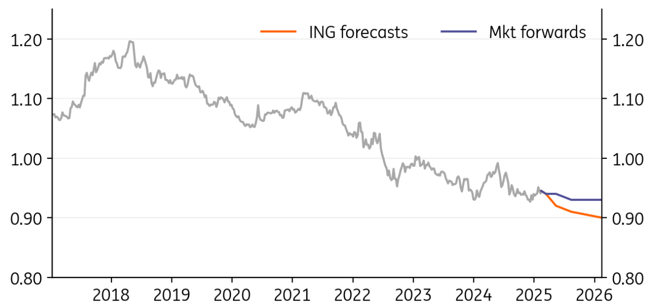
EUR/CHF

Will Ukraine optimism start to hurt the franc? **Current spot: 0.9450**



Source: Refinitiv, ING forecasts

- We've seen Scandi and CEE currencies rallying - seemingly on some optimism emerging over a ceasefire in Ukraine. Should there be any progress here, questions may be asked whether EUR/CHF needs to be trading this low – given it was trading around 1.05 when Russia invaded Ukraine in 2022.
- The Ukraine story is a clear risk to our preferred bearish view on EUR/CHF this year – where the SNB does not match the 100bp of ECB rate cuts. We think the SNB will only cut rates 50bp to 0.00%.
- We have been bearish on EUR/CHF for a while and remain so now. But the low inflation story in Switzerland (SNB sees CPI as low as 0.2% YoY) in 2Q25 will keep SNB quite dovish and could weigh on CHF.

ING forecasts (mkt fwd)	1M 0.94 (0.9433)	3M 0.92 (0.9396)	6M 0.91 (0.9346)	12M 0.90 (0.9251)

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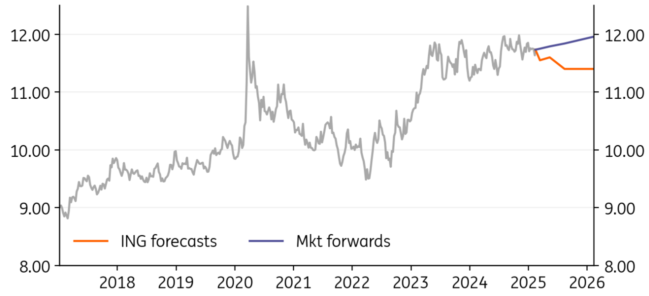
EUR/NOK

Weak growth supports easing **Current spot: 11.73**



Source: Refinitiv, ING forecasts

- Norway's economy surprisingly contracted in 4Q24 (-0.4% QoQ mainland GDP). Norges Bank has already indicated it will cut by 25bp in March, and the negative growth surprise reinforces our view for three additional cuts (one per quarter) in 2025.
- Inflation also slowed more than expected in December and while markets are pricing in most of the cutting cycle, there is some additional room for a dovish repricing.
- We think pockets of risk adversity will cause EUR/NOK spikes, but NOK's liquidity has improved, and its fundamentals are stronger than the euro's. We still think that EUR/NOK can retest the June 2024 11.30 lows at one point this year.

ING forecasts (mkt fwd)	1M 11.55 (11.75)	3M 11.60 (11.79)	6M 11.40 (11.84)	12M 11.40 (11.96)

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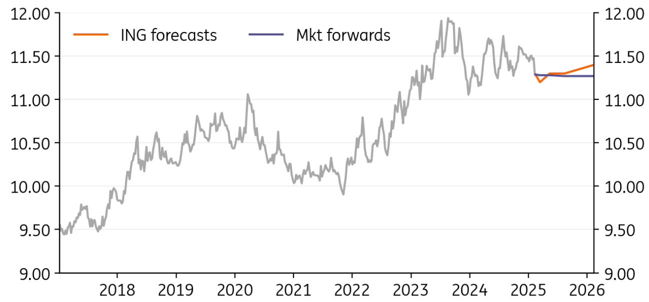
EUR/SEK

A rare break from the ranges **Current spot: 11.29**



Source: Refinitiv, ING forecasts

- The Swedish krona has been the best-performing G10 currency since the start of February, likely benefitting from hopes of a Russia-Ukraine ceasefire and a rotation away from the highly tariff-exposed and economically stagnant eurozone.
- The early and aggressive Riksbank easing is starting to pay dividends and Sweden is approaching a potential slowdown in global trade with some rebounding activity momentum.
- We expect only one last cut to 2.0% by the Riksbank, although there is a chance that it could follow the ECB to take rates to 1.75%. We acknowledge downside risks to our 11.30 forecast for the coming quarters, but SEK's elevated beta to market sentiment places it at risk of corrections in the coming months.

ING forecasts (mkt fwd)	1M 11.20 (11.28)	3M 11.30 (11.28)	6M 11.30 (11.27)	12M 11.40 (11.27)

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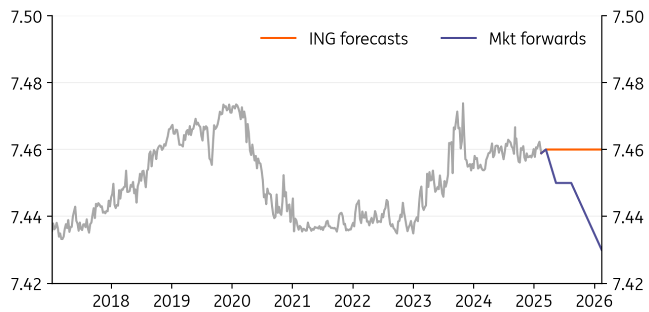
EUR/DKK

No sign of Greenland risk **Current spot: 7.4588**



Source: Refinitiv, ING forecasts

- EUR/DKK continues to trade broadly in the ranges. The Danish central bank followed the ECB with a 25bp cut in January and there are no indications it will diverge in future policy decisions given the pair remains close to the 7.4600 central peg level.
- The ongoing US-Denmark dispute over Greenland has not had any noticeable impact on DKK. Should that escalate further, there is some risk of bullish speculation on EUR/DKK.
- The central bank should use FX intervention as a first line of defence. It has not used that instrument in over two years. Only in a more extreme scenario should we see a widening of the EUR-DKK rate differential via smaller cuts in Denmark.

ING forecasts (mkt fwd)	1M 7.46 (7.4565)	3M 7.46 (7.4518)	6M 7.46 (7.4454)	12M 7.46 (7.4342)

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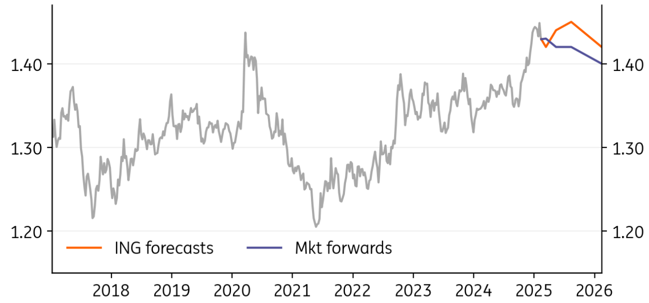
USD/CAD

Respite for loonie may not last long **Current spot: 1.4288**



Source: Refinitiv, ING forecasts

- USD/CAD has come off the highs after the US tariff scare. We think it should, however, be supported at 1.42 as the US has levied steel and aluminium duties (exports worth around 1% of Canadian GDP) and the risk of new US universal tariffs at a later stage remains substantial.
- The Bank of Canada's baseline assessment in the latest monetary policy report is that US tariffs will cause a clearer negative growth impact compared to the inflationary effect in the first year. That on the margin suggests some additional risks on the dovish side for the CAD curve, which is now discounting two more cuts in 2025, in line with our forecast.
- Our call is for a rebound to 1.45 by the summer months on revamped tariff risk.

ING forecasts (mkt fwd)	**1M** 1.42 (1.4272)	**3M** 1.44 (1.4232)	**6M** 1.45 (1.4170)	**12M** 1.42 (1.4046)

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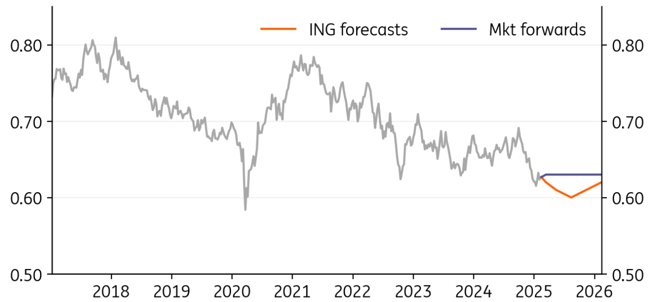
AUD/USD

0.60 is the level for peak protectionism **Current spot: 0.6269**



Source: Refinitiv, ING forecasts

- The Australian dollar has rebounded along with most G10 currencies as the USD lost some ground, but the US-China trade war should prevent much more re-appreciation.
- We expect the RBA to kickstart its easing cycle this month with a 25bp cut, in line with consensus and pricing. There may not be much commitment in terms of future cuts, but if our baseline scenario on US protectionism materialises, the RBA will need to support the economy, and will in our view cut to 3.35% by 4Q.
- We expect relative stability in the coming weeks in AUD/USD, but the bias remains bearish, and we think that the peak of the protectionism risk will be consistent with 0.60 in 2Q-3Q.

ING forecasts (mkt fwd)	**1M** 0.62 (0.6270)	**3M** 0.61 (0.6272)	**6M** 0.60 (0.6278)	**12M** 0.62 (0.6292)

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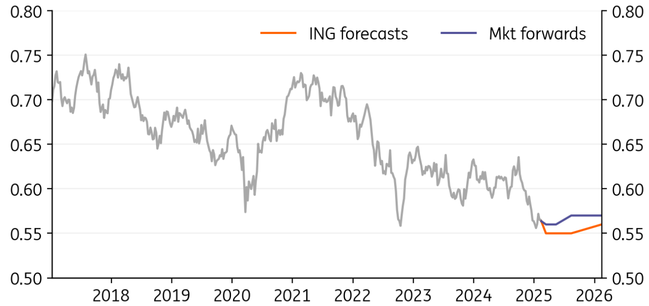
NZD/USD

Another 50bp cut in February **Current spot: 0.5637**



Source: Refinitiv, ING forecasts

- We expect the RBNZ to cut by another 50bp at the February meeting before reverting to 25bp reductions. Markets are currently pricing in 40bp for this month's meeting, and we see some room for NZD underperforming AUD in the near term.
- We expect NZD/USD to depreciate back to the 0.55 mark by the summer and potentially explore even lower levels on the back of intensifying US protectionism and declining rate advantage.
- New Zealand is less reliant on Chinese imports than Australia and NZD is therefore less structurally exposed to a potential China slowdown than AUD in the medium run. We see downside risks to AUD/NZD in the coming quarters.

ING forecasts (mkt fwd)	**1M** 0.55 (0.5640)	**3M** 0.55 (0.5648)	**6M** 0.55 (0.5662)	**12M** 0.56 (0.5692)

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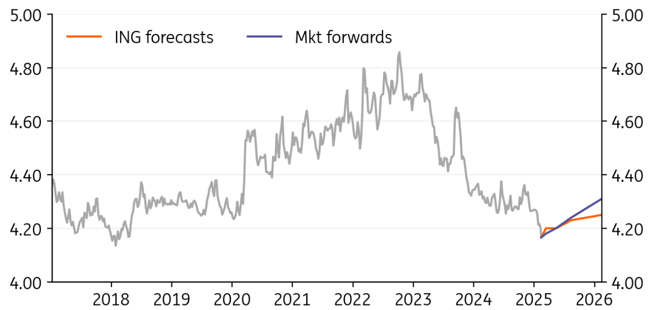
Emerging markets

EUR/PLN

Polish zloty the most resilient against Trump trade **Current spot: 4.1661**



Source: Refinitiv, ING forecasts

- PLN firmed to the strongest levels since 2018 vs the euro and may continue gaining towards 4.15/€ on NBP hawkishness and bets on a ceasefire in Ukraine that could reduce risk premium.
- The NBP governor maintained a hawkish bias in February and intends to keep rates on hold in the coming months, while the ECB's policy easing cycle is broadly expected to continue. The interest rate disparity is therefore moving in favour of the zloty.
- Some market participants speculate that the Munich Security Conference may bring a breakthrough re. a potential ceasefire agreement between Russia and Ukraine. That could potentially lift geopolitical risk premium from the PLN. However, such developments seem to be already partially priced in.

ING forecasts (mkt fwd)	1M 4.20 (4.1759)	3M 4.20 (4.2004)	6M 4.23 (4.2387)	12M 4.25 (4.3120)

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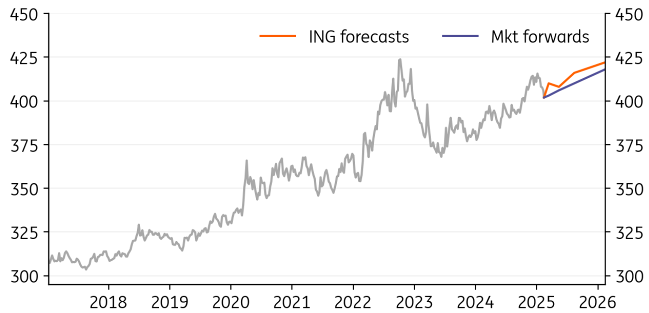
EUR/HUF

Forint's fortunes could turn quickly **Current spot: 401.96**



Source: Refinitiv, ING forecasts

- The forint has been enjoying the positive vibes of global sentiment lately, with a ceasefire in Gaza, still-fragile hopes for a peace deal in Ukraine and no US tariffs on the EU (yet).
- Locally, inflation reared its ugly head in January and the market's hawkish reassessment of Hungary's interest rate path also helped EUR/HUF towards 400.
- However, the underlying market perception remains negative, with the fate of EU funds, budgetary developments, local politics and potentially opportunistic monetary policy under the new regime posing a major risk ahead. We therefore see a correction higher in EUR/HUF, especially if a US-EU tariff war starts and dreams of peace in Ukraine are shattered.

ING forecasts (mkt fwd)	1M 410 (403.03)	3M 408 (405.69)	6M 416 (409.80)	12M 422 (418.48)

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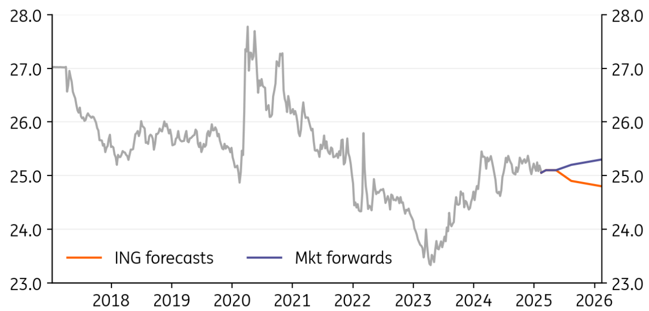
EUR/CZK

The convergence comeback will help Koruna **Current spot: 25.05**



Source: Refinitiv, ING forecasts

- The Czech domestic currency is expected to benefit from a more potent interest rate differential vis-à-vis the euro rate in the coming quarters as the CNB is not forced to reduce the policy rate as sharply as the ECB, which is pressured by the eurozone economy's underperformance. We also see the convergence of the Czech economy and more advanced peers following weaker post-pandemic years. The process was intense in the price domain during the high inflation episode, while it returned to the wage segment in 2023. That said, the real growth differential towards the eurozone turned positive in mid-2024 after remaining in the negative territory for more than three years.
- We perceive such a development as a fundamental change set to blow fresh wind into the sails of the Czech currency. The hawkish message from policymakers when delivering the last rate reduction goes in the same direction, i.e., a gradual appreciation of the koruna against the single currency.

ING forecasts (mkt fwd)	1M 25.1 (25.07)	3M 25.1 (25.12)	6M 24.9 (25.20)	12M 24.8 (25.33)

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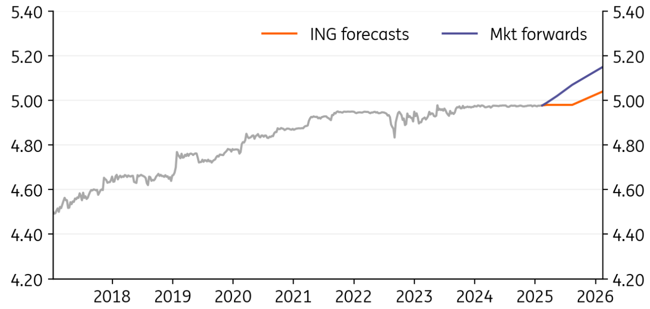
EUR/RON

Currency stability to prevail

Current spot: 4.9774



Source: Refinitiv, ING forecasts

- The EUR/RON traded yet again relatively flat between 4.97 and 4.98 for most of the previous month. The interbank liquidity surplus rose again above RON20bn In January, while FX swap yields moderated further through the month
- Various uncertainties in the political arena and on the fiscal front still prevail, keeping the risks for outflows in place. The interim presidency of Ilie Bolojan until the May elections, as well as the budget execution early on in the year, are key factors to watch.
- We continue to expect the NBR to remain firm on FX stability matters until the inflation outlook and the overall risks heatmap get clearer. Any window of opportunity for a small and smooth RON depreciation is likely a matter for the second half of 2025

ING forecasts (mkt fwd)	1M 4.98 (4.9889)	3M 4.98 (5.0190)	6M 4.98 (5.0705)	12M 5.04 (5.1464)

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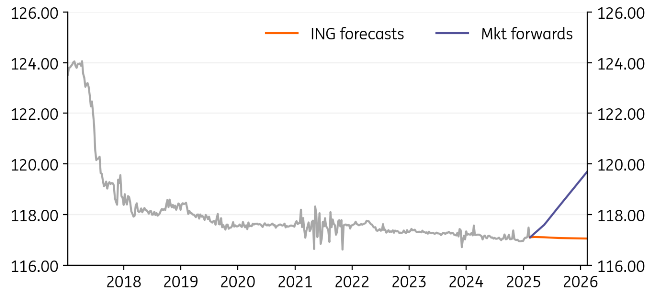
EUR/RSD

Large changes ahead are unlikely for now

Current spot: 117.10



Source: Refinitiv, ING forecasts

- EUR/RSD remained stable at levels slightly above the 117.00 mark through the previous month. Fundamentally, Serbia benefits from the recent investment grade rating, growing tourism and FDIs, as well as its fiscal discipline.
- Potential outflows stemming from the recent political instability episode could have likely been more visible on the pair if it weren't for the NBS FX stability policy. FX reserves stood at EUR29bn at the end of January, falling slightly compared to December.
- All told, we expect the NBS to continue to preserve FX stability ahead. We expect the exchange rate to remain stable close to 117.00

ING forecasts (mkt fwd)	1M 117.11 (117.26)	3M 117.10 (117.59)	6M 117.07 (118.30)	12M 117.05 (119.70)

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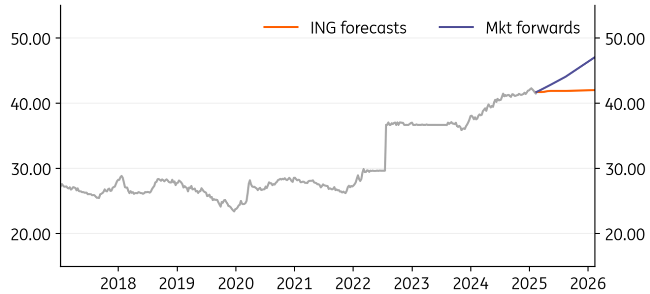
USD/UAH

High FX and interest rate hike ahead of geopolitical events

Current spot: 41.72



Source: Refinitiv, ING forecasts

- The hryvnia exchange rate against the dollar has remained broadly stable, supported by high FX reserves and the National Bank of Ukraine's interest rate hike of 100bp in January, following a 50bp hike in December. The decision resulted from a need to further tighten interest rate policy to ensure the attractiveness of hryvnia assets, keep inflation expectations under control and steer inflation through the sustained slowdown towards the 5% target. Given that inflation reached 12% in December, the NBU stated that curbing the price pressure is likely to require a further tightening of interest rate policy moving forward.
- The economy remains burdened by the ongoing full-scale war. The Trump administration is to hold consultations on ending the war in the context of the Munich Security Conference in mid-February. The NBU is likely to allow for a gradual weakening of the hryvnia while keeping the currency generally stable.

ING forecasts (mkt fwd)	1M 41.70 (42.06)	3M 41.90 (42.84)	6M 41.90 (44.06)	12M 42.00 (47.09)

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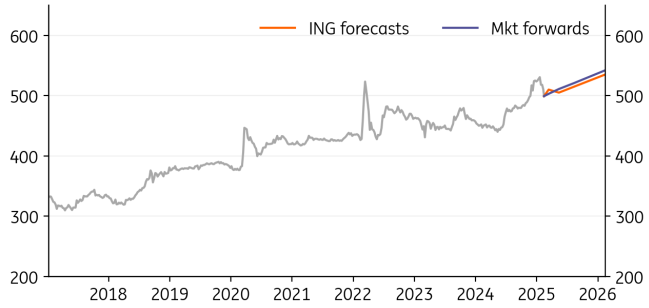
USD/KZT

Sensitivity to external flows remains high

Current spot: 498.85



Source: Refinitiv, ING forecasts

- The USD/KZT exchange rate has recovered by 5% since the beginning of the year, tracking the dynamics of the Russian rouble, which appreciated by 6% against the US dollar.
- The direction of the KZT exchange rate aligned with our expectations, but the magnitude was larger than anticipated, underscoring the vulnerability of Kazakhstan's domestic FX market to capital flows from the country's trade partners.
- Kazakhstan's domestic fundamentals are supportive of the KZT in the near term, as a net capital inflow of US$3 bn into the state sector in Q4 2024 has yet to be fully absorbed. However, in the long term, we remain cautious about the KZT due to the planned reduction in FX sales from the sovereign fund.

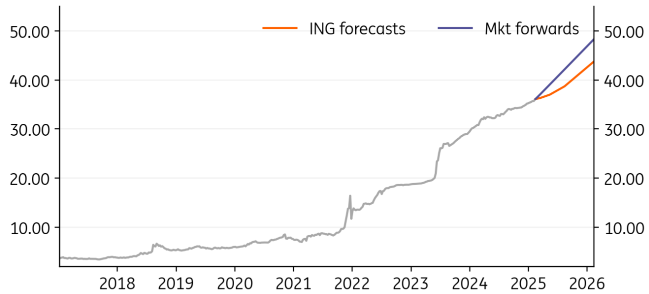
ING forecasts (mkt fwd)	**1M** 510 (502.95)	**3M** 505 (510.94)	**6M** 515 (520.99)	**12M** 535 (542.31)

Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

TRY continues to outperform

Current spot: 36.12



Source: Refinitiv, ING forecasts

- Following the January inflation data and expected further impact of administrative price hikes in the February figure, we now see year-end inflation at 27.0% YoY.
- Given rising inflationary pressures in the near term, the CBT will likely maintain its strong focus on the FX path and credit growth restrictions. We expect another 250bp cut in March from the CBT and for the key rate to be at 29.00% at the end of the year, assuming headline inflation is at 27% in December.
- Despite the onset of gradual FX carry deterioration, TRY continues to outperform other EM currencies. We believe that, at least in the coming months, FX should behave well given some upside in recent inflation prints, turning the central bank more cautious, and maintaining its usual trajectory of nominal appreciation.

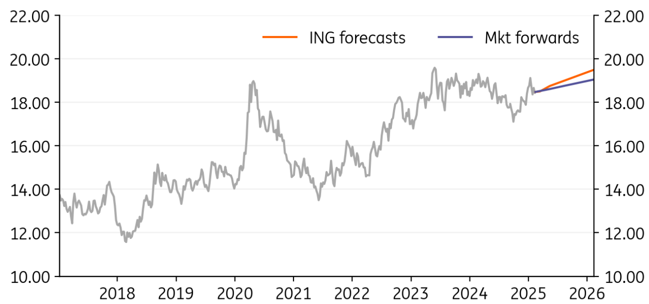
ING forecasts (mkt fwd)	**1M** 36.30 (37.02)	**3M** 37.00 (39.06)	**6M** 38.70 (42.15)	**12M** 43.80 (48.35)

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

USD/ZAR

Tariffs could be coming to South Africa

Current spot: 18.47



Source: Refinitiv, ING forecasts

- Unfortunately for South Africa, US tariffs could be coming its way. Trump has already frozen aid to South Africa in response to what it says is the expropriation of land owned by white farmers. Equally, Washington does not like South Africa's pursuit of Israel through the International Criminal Court. Indeed, it does seem that S. Africa could start to suffer from its BRICS alignment.
- Last month, South Africa's Reserve Bank cut the policy rate to 7.50%. A further 25bp cut is priced by the market this summer – even though 4Q24 GDP is expected to bounce back.
- Interestingly, SARB has modelled where USD/ZAR could trade on 10% global tariffs and a trade war. 21 was the answer.

ING forecasts (mkt fwd)	**1M** 18.50 (18.52)	**3M** 18.75 (18.61)	**6M** 19.00 (18.76)	**12M** 19.50 (19.05)

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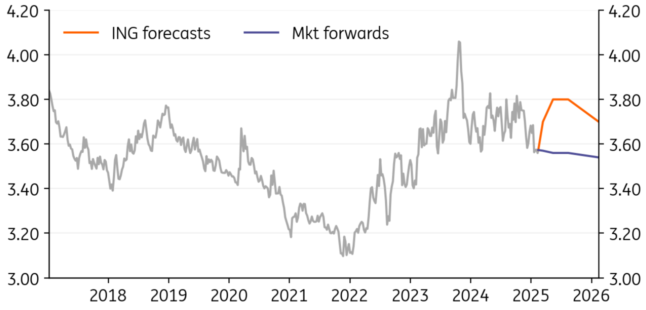
USD/ILS

Hard to get too bullish on the shekel

Current spot: 3.5701



Source: Refinitiv, ING forecasts

- The welcome news of a ceasefire in Gaza has seen $/ILS press but not sustain a break below the 3.55 area. While investors are bullishly re-appraising Israeli asset markets – e.g., Israel's sovereign CDS has come in from 150bp to 90bp – we doubt $/ILS needs to trade below 3.50. That's because globally we are seeing a strong dollar trend and Israeli authorities may not welcome a much stronger shekel at a time of uncertain global demand.
- Consensus expects a better 2025 for Israel's economy. GDP is seen at 3.5% versus -1.5% in 2024 and CPI at 2.9% versus 3.1%, with the security situation key for labour supply.
- 75bp of easing is expected in the 4.50% policy rate – in 2H25.

ING forecasts (mkt fwd)	**1M** 3.70 (3.5686)	**3M** 3.80 (3.5639)	**6M** 3.80 (3.5564)	**12M** 3.70 (3.5367)

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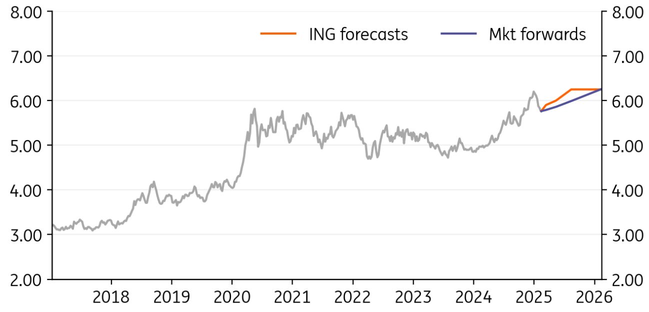
LATAM

USD/BRL

Temporary BRL reprieve **Current spot: 5.7642**



Source: Refinitiv, ING forecasts

- Another 100bp hike from the central bank in January has taken the policy rate back up to 13.25%, with another 100bp hike expected in March. 12.5% implied yields make the BRL quite attractive – were investors confident to employ carry trade strategies again. However, tariff uncertainties should restrain carry trade inflows and we favour USD/BRL back to 6.00.
- Tariffs have already started coming Brazil's way. The steel sector will be tariffed in March and the risk is that Brazil receives further tariffs either on a 'reciprocal' basis or perhaps based on Brazil's work with BRICS to build a non-dollar trading system.
- We do not see any improvement on the fiscal side either.

ING forecasts (mkt fwd)	1M 5.90 (5.7919)	3M 6.00 (5.8599)	6M 6.25 (5.9882)	12M 6.25 (6.2603)

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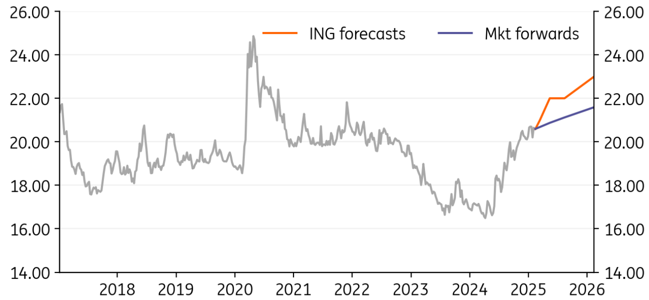
USD/MXN

Mexico's exports to the US in focus **Current spot: 20.59**



Source: Refinitiv, ING forecasts

- While the threat of 25% US tariffs on Mexican exports has been delayed, it has not been abandoned. And with Mexico running a $170bn trade surplus with the US, tariffs are going to be a recurring threat. The sectors most exposed will be autos, electronics and agriculture – of which about 50% of Mexican exports are comprised. Some calculate that a 25% US tariff could knock anything between 2.5% and 4% off Mexican GDP.
- USD/MXN has been remarkably subdued through January, but we are still of the opinion that the MXN remains in harm's way.
- Banxico is expected to cut a further 125bp over the next year.

ING forecasts (mkt fwd)	1M 21.00 (20.68)	3M 22.00 (20.87)	6M 22.00 (21.12)	12M 23.00 (21.59)

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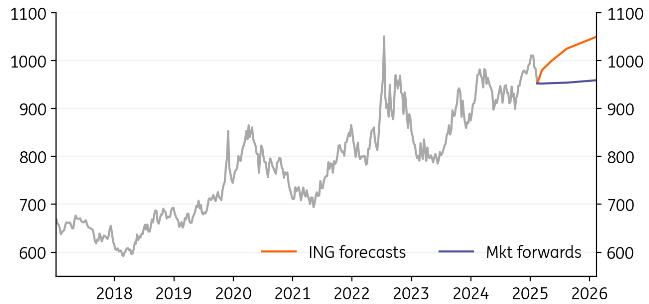
USD/CLP

Codelco copper production is helping **Current spot: 951.40**



Source: Refinitiv, ING forecasts

- CLP has been performing a little better as neither Chile nor copper have so far come onto Trump's tariff radar. Notably, last year saw Codelco copper production rise 19% as investment paid off. This will be supportive for export invoices even though we do expect copper prices to turn lower later this year on subdued China and global demand.
- Locally, the central bank has probably ended its easing cycle at 5.00% and the next move priced by the markets is for higher rates. Still, Chile's real rates are low and provide little protection to the peso should the external environment deteriorate again.
- A strong dollar and higher US yields should send $/CLP over 1000 again as the year progresses.

ING forecasts (mkt fwd)	1M 980 (951.71)	3M 1000 (952.56)	6M 1025 (954.40)	12M 1050 (959.41)

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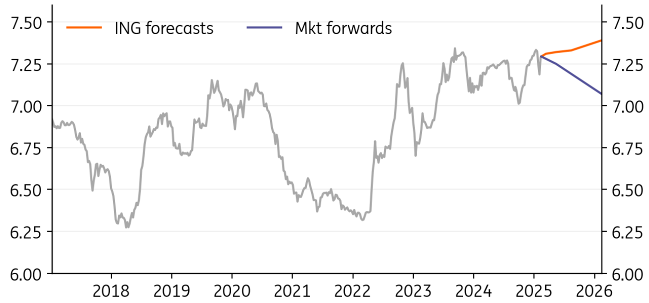
Asia

USD/CNY

PBOC continues to hold the line as depreciation pressure mounts **Current spot: 7.2936**



Source: Refinitiv, ING forecasts

- The Lunar New Year limited trading days for the USDCNY, but the CNY generally strengthened after Trump's inauguration, with the USDCNY moving as low as 7.24 after highs of 7.33.
- Tariff developments were a major catalyst over the past month. China was the first country hit by tariffs but the scale has been manageable for markets for now. The PBOC reiterated its intention to maintain currency stability, assuaging fears of intentional devaluation.
- The Two Sessions in early March and upcoming China-US trade talks will be catalysts for the CNY in the near term. We hold our baseline call for a 7.00-7.40 2025 fluctuation band, with upside to 7.50 in a CNY bear scenario.

ING forecasts (mkt fwd)	1M 7.31 (7.2796)	3M 7.32 (7.2458)	6M 7.33 (7.1908)	12M 7.39 (7.0659)

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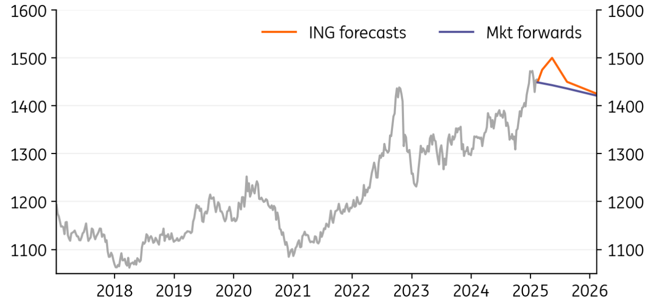
USD/KRW

Uncertainty over politics continue to pressure on KRW **Current spot: 1448.81**



Source: Refinitiv, ING forecasts

- The KRW is moving in sync with global dollar trends and Trump's tariff announcement, and we expect significant volatility in the coming months.
- The excessive weakness of the KRW, triggered by domestic political uncertainty and the plane crash, prevented the BoK from cutting policy rates in January despite clear signs of slowing growth. But it is expected to resume easing in February, focusing on concerns about weak growth.
- Faster rate cuts by the BoK than the Fed, rising tariff concerns, and sluggish growth are likely to push up the KRW above 1.475 in the near term.

ING forecasts (mkt fwd)	1M 1475 (1446.96)	3M 1500 (1442.56)	6M 1450 (1435.51)	12M 1425 (1420.71)

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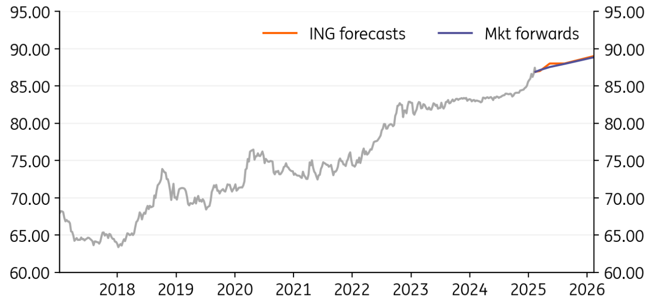
USD/INR

More downside pressure on INR in the near-term **Current spot: 86.88**



Source: Refinitiv, ING forecasts

- USD/INR continued to break higher last month and rose by about 0.3% in the month as the RBI allowed for more flexibility in the currency pair.
- The RBI embarked on the rate cut cycle and cut the Repo rate by 25bp last month, in line with our expectations. The RBI also lowered its GDP growth target for FY26. Growth moderation and overvaluation of REER as well as equity markets should mean INR trades with downside bias in the near term.
- The new RBI governor reiterated that the RBI aims to intervene to "maintain orderliness and stability, and without targeting any specific level or band". We think that, given the strain RBI FX intervention had on domestic liquidity, interventions should slow and used only to smoothen volatility.

ING forecasts (mkt fwd)	1M 87.00 (87.12)	3M 88.00 (87.53)	6M 88.00 (87.95)	12M 89.00 (88.85)

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USD/IDR

Weaker IDR given higher sensitivity to rate differential **Current spot: 16355**

Source: Refinitiv, ING forecasts

- IDR was the weakest Asian currency last month as the lower rate differential vs USD rates continued to exert downward pressure on the rate-sensitive IDR.
- Bank of Indonesia cut rates unexpectedly to support growth despite IDR being a currency that is overly sensitive to rate differentials and where FX considerations have a higher weight in the monetary policy reaction function compared to other countries. These moves suggested that BI might be getting more open to currency weakness to support growth
- USD strength is likely to be the dominant factor impacting the IDR in the near term. While Indonesia is relatively less exposed to US tariff risk, escalation of tariff talks is likely to keep Asian currencies under pressure.

ING forecasts (mkt fwd)	1M 16500 (16372)	3M 16000 (16408)	6M 15500 (16469)	12M 15200 (16610)

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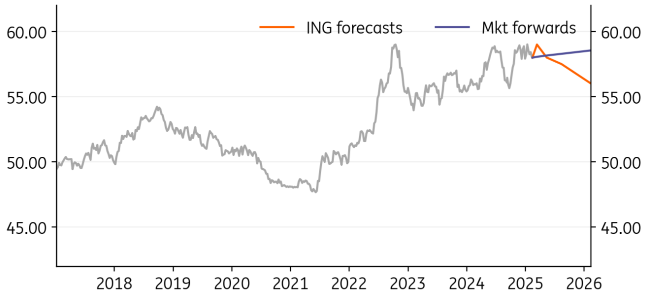
USD/PHP

BSP hints at lesser rate cuts in 2025 **Current spot: 58.00**



Source: Refinitiv, ING forecasts

- PHP continued to be one of the strong performers in Asia last month, appreciating by 0.9% in the month after hitting lows of 59.0. We expect the currency pair to trade in the 58-59 range in the near term.
- The three-month campaign period, ahead of the mid-term elections in May 2025, has kicked off. Domestically, President Bongbong Marcos' 2025 budgeted spending sparked debates around misallocation and a lack of transparency. The political drama between the two political families could de-incentivise foreign inflows in the near term.
- We expect BSP to cut rates by another 25bp this week, in line with consensus. However, despite 4Q GDP growth coming in below expectations, the BSP hinted at lower rate cuts in 2025 than before given the uncertainty around Trump tariffs and the impact on inflation.

ING forecasts (mkt fwd)	1M 59.00 (58.06)	3M 58.00 (58.16)	6M 57.50 (58.29)	12M 56.00 (58.55)

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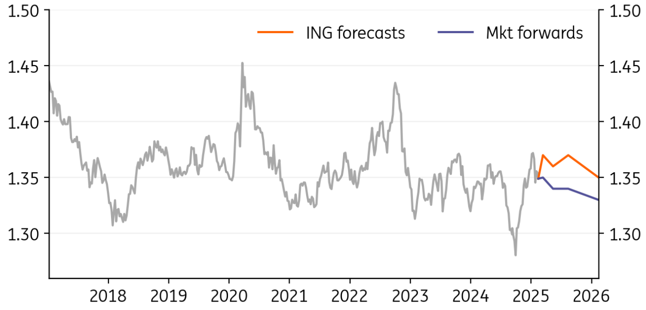
USD/SGD

SGD NEER to drift lower in 2025 driven by slower growth and inflation

Current spot: 1.3489



Source: Refinitiv, ING forecasts

- SGD appreciated by 1% over the month, in line with other Asian currencies that are more external demand-driven as the markets shrugged off tariff announcements by the US administration
- Singapore's central bank, MAS, eased monetary policy for the first time in almost five years by reducing the slope of the S$NEER policy band "slightly", driven by a faster-than-expected fall in core inflation below 2% on a sustainable basis and as growth concerns from trade policy uncertainty took centre stage.
- The robust growth and inflation picture that the economy witnessed in 2024 has turned sharply and we expect GDP growth to slow down in the second half of this year, driven by slower global and export growth. We expect the trading range of SGD NEER to drift lower in 2025 driven by slower growth and inflation.

ING forecasts (mkt fwd)	1M 1.37 (1.3471)	3M 1.36 (1.3434)	6M 1.37 (1.3379)	12M 1.35 (1.3266)

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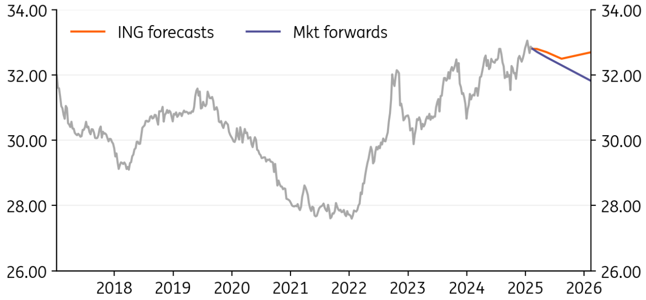
USD/TWD

Equity inflows helped soften depreciation pressure

Current spot: 32.78



Source: Refinitiv, ING forecasts

- The USDTWD pair was very stable over the past month, moving within a small range of 32.7-33.1. The TWD has generally tracked closely with the broader USD trend.
- Domestic drivers of the TWD were neutral over the last month. US-Taiwan yield spreads were little changed on the month, and equity market flows were mixed but showed a slight net outflow over the past month. Increased USD-denominated life insurance sales may be contributing to TWD depreciation pressure.
- Year-to-date, the TWD has been middle of the pack for Asian currencies. We expect the CBC to keep rates unchanged at next month's meeting.

ING forecasts (mkt fwd)	1M 32.80 (32.71)	3M 32.70 (32.54)	6M 32.50 (32.30)	12M 32.70 (31.82)

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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	1.04	1.03	1.00	1.00	1.02						
EUR/JPY	160	159	154	157	161	USD/JPY	154	154	154	157	158
EUR/GBP	0.83	0.83	0.83	0.83	0.84	GBP/USD	1.25	1.24	1.20	1.20	1.21
EUR/CHF	0.94	0.94	0.92	0.91	0.9	USD/CHF	0.91	0.91	0.92	0.91	0.88
EUR/NOK	11.73	11.55	11.60	11.40	11.40	USD/NOK	11.26	11.21	11.60	11.40	11.18
EUR/SEK	11.29	11.20	11.30	11.30	11.40	USD/SEK	10.83	10.87	11.30	11.30	11.18
EUR/DKK	7.46	7.46	7.46	7.46	7.46	USD/DKK	7.16	7.24	7.46	7.46	7.31
EUR/CAD	1.49	1.46	1.44	1.45	1.45	USD/CAD	1.43	1.42	1.44	1.45	1.42
EUR/AUD	1.66	1.66	1.64	1.67	1.65	AUD/USD	0.63	0.62	0.61	0.60	0.62
EUR/NZD	1.85	1.87	1.82	1.82	1.82	NZD/USD	0.56	0.55	0.55	0.55	0.56
EMEA											
EUR/PLN	4.17	4.20	4.2	4.23	4.25	USD/PLN	4.00	4.08	4.20	4.23	4.17
EUR/HUF	401.9	410	408	416	422	USD/HUF	385.7	398	408	416	414
EUR/CZK	25.05	25.10	25.05	24.95	24.8	USD/CZK	24.04	24.4	25.1	25.0	24.3
EUR/RON	4.98	4.98	4.98	4.98	5.04	USD/RON	4.78	4.83	4.98	4.98	4.94
EUR/RSD	117.14	117.11	117.10	117.07	117.05	USD/RSD	112.42	113.70	117.10	117.07	114.75
EUR/UAH	43.47	42.95	41.90	41.90	42.84	USD/UAH	41.72	41.70	41.90	41.90	42.00
EUR/KZT	519.9	525.3	505.0	515.0	545.7	USD/KZT	498.9	510	505	515	535
EUR/TRY	37.75	37.39	37.00	38.70	44.68	USD/TRY	36.12	36.30	37.00	38.70	43.80
EUR/ZAR	19.25	19.06	18.75	19.00	19.89	USD/ZAR	18.47	18.50	18.75	19.00	19.50
EUR/ILS	3.72	3.81	3.80	3.80	3.77	USD/ILS	3.57	3.70	3.80	3.80	3.70
LATAM											
EUR/BRL	6.01	6.08	6.00	6.25	6.38	USD/BRL	5.76	5.90	6.00	6.25	6.25
EUR/MXN	21.44	21.63	22.00	22.00	23.46	USD/MXN	20.59	21.00	22.00	22.00	23.00
EUR/CLP	991.62	1009	1000	1025	1071	USD/CLP	951.65	980	1000	1025	1050
Asia											
EUR/CNY	7.60	7.53	7.32	7.33	7.54	USD/CNY	7.29	7.31	7.32	7.33	7.39
EUR/IDR	17066	16995	16000	15500	15504	USD/IDR	16355	16500	16000	15500	15200
EUR/INR	90.53	89.61	88.00	88.00	90.78	USD/INR	86.88	87.00	88.00	88.00	89.00
EUR/KRW	1509.62	1519	1500	1450	1454	USD/KRW	1448.78	1475	1500	1450	1425
EUR/PHP	60.44	60.77	58.00	57.50	57.12	USD/PHP	58.00	59.00	58.00	57.50	56.00
EUR/SGD	1.41	1.41	1.36	1.37	1.38	USD/SGD	1.35	1.37	1.36	1.37	1.35
EUR/TWD	34.16	33.78	32.70	32.50	33.35	USD/TWD	32.79	32.80	32.70	32.50	32.70

Source: Refinitiv, ING

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