THINK Economic and Financial Analysis

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FX Talking

Dollar appetite erodes

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FX Strategy

FX Talking

Dollar appetite erodes

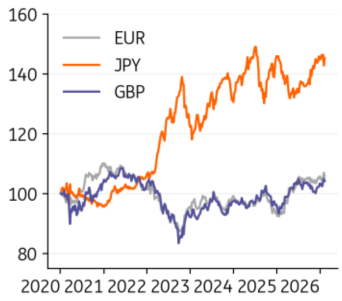
It has been a bumpy start to the year for FX markets, but one central theme remains – appetite for the dollar is waning. The strong demand for pro-cyclical currencies, including the euro, is one factor drawing money away from the US. But the uncertainties about future Federal Reserve policy and what the investment environment could look like ahead of this November's US midterm elections has also been eroding confidence in the dollar. That is certainly the message from the options market, where dollar puts are in demand.

What has not changed much, however, are the fundamentals behind the dollar. US growth remains reasonably strong and a softening US labour market prompting two Fed rate cuts should be consistent with a dollar dip, not a collapse. Unless the outlook for US bond and equity market returns deteriorates substantially (not our base case), we continue to favour EUR/USD edging up to 1.22 area in an orderly manner. And any overshoot to 1.25 could well prompt a European Central Bank rate cut.

Elsewhere in G10, we look for USD/JPY to bounce around in a 155-160 range until the dust settles on what the newly empowered Liberal Democratic Party government means for the JGB market. Sterling looks a clear underperformer on both local politics and a Bank of England ready to move ahead with more rate cuts. The commodity complex should continue to perform well this year, although we favour the New Zealand dollar and Norwegian krone over the Australian dollar and Swedish krona this quarter.

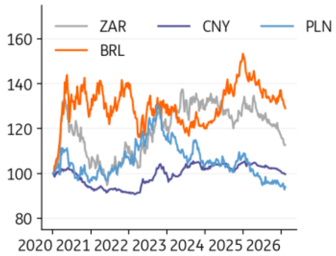
Emerging market FX should remain in demand. USD/CNY is approaching the lower end of our 2026 trading range at 6.85 much sooner than expected. Trade deals suggest USD/INR might have finally topped. And CEE currencies are expected to hold gains.

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	1.18	↓	157	↑	1.36	→
3M	1.20	↑	155	↑	1.36	→
6M	1.21	↑	155	↑	1.36	→
12M	1.22	↑	152	→	1.36	→
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.87	→	24.25	↑	4.21	↓
3M	0.88	↑	24.20	↓	4.23	→
6M	0.89	↑	24.15	↓	4.24	→
12M	0.90	↑	24.05	↓	4.22	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	6.94	↑	17.50	↑	5.40	↑
3M	6.90	↑	17.75	↑	5.50	↑
6M	6.85	↓	17.75	↑	5.50	↑
12M	6.85	↑	17.50	↓	5.50	↓

↑ / → / ↓ 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	2.0	-0.8	0.4	-2.4	5.1	-1.9
%YoY	15.1	3.0	4.6	-0.8	11.9	-4.7
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	-0.8	0.5	-2.1	0.0	-2.8	-2.7
%YoY	-5.2	1.0	-6.7	0.7	-13.1	-9.8

Source: Refinitiv, ING forecasts

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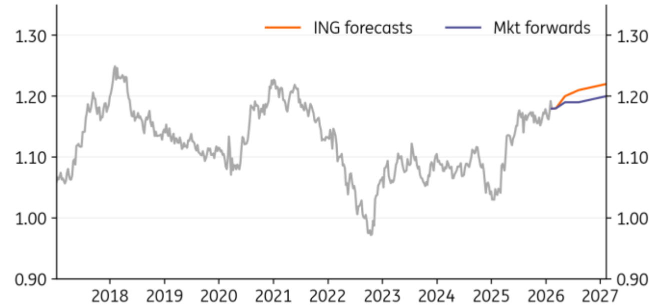
Developed markets

EUR/USD

Dollar negatives stacking up **Current spot: 1.1864**



Source: Refinitiv, ING forecasts

- The dollar remains under pressure on both push and pull factors. The 'pull' factor is the rotation into pro-cyclical and EM currencies as investors bet on global growth this year. 'Resilience' is an oft-used word to describe much of the global economy, which has so far survived the tariff threat. Additionally, the dollar has struggled to show safe haven characteristics amid geopolitical tensions.
- The 'push' factor remains concerns about US policymaking and the future Fed under Kevin Warsh. Equally, the US labour market is softening, and the Fed looks set to cut in June and December.
- It is early days, but it seems the eurozone recovery is on track and the ECB will not react to a strong EUR/USD until it's closer to 1.25.

ING forecasts (mkt fwd)	1M 1.18 (1.1920)	3M 1.20 (1.1952)	6M 1.21 (1.2000)	12M 1.22 (1.2080)

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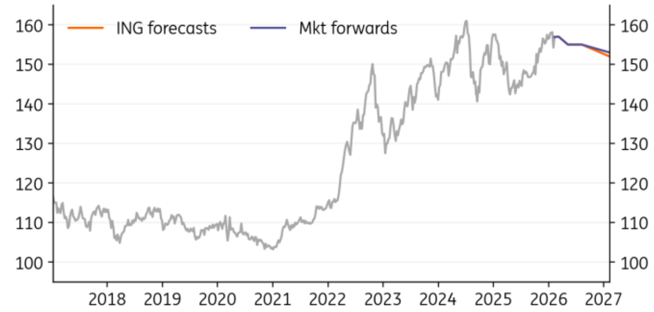
USD/JPY

LDP given a strong mandate **Current spot: 156.59**



Source: Refinitiv, ING forecasts

- February's snap election in Japan delivered an emphatic win for the ruling LDP. Prime Minister Sanae Takaichi now has a strong mandate to deliver on growth and aggressive foreign policy – including a defence build-out. The challenge for the yen is whether to look at things negatively – eg, the sovereign risk of a JGB sell-off – or positively on the back of looser fiscal and tighter monetary policy.
- Barring a big JGB sell-off, we suspect the yen finds buyers in the 158/160 per USD – knowing that Japanese authorities stand ready to intervene there. $100bn was sold at similar levels in 24.
- Over the year, we look for two Fed rate cuts and at least one Bank of Japan rate hike to drag USD/JPY closer to the 150 area.

ING forecasts (mkt fwd)	1M 157 (155.60)	3M 155 (154.85)	6M 155 (153.76)	12M 152 (152.02)

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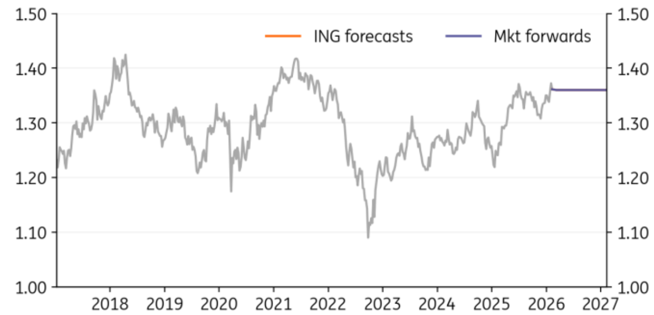
GBP/USD

Politics and dovish BoE to limit GBP gains **Current spot: 1.3618**



Source: Refinitiv, ING forecasts

- The softer dollar and the benign risk environment have provided support to GBP/USD, but sterling negatives remain. The most pressing is probably the UK political scene. Here, PM Keir Starmer's judgement is being questioned over the appointment of Peter Mandelson as UK ambassador to the US, with some key allies having already resigned. Starmer's departure would likely see Chancellor Rachel Reeves also leave – hitting sterling and Gilts.
- At the same time, the BoE in January was more dovish than expected, voting 5-4 for unchanged rates. Markets are coming towards our house call of rate cuts in March and June.
- A weak dollar and a weak pound delivers a flat GBP/USD profile.

ING forecasts (mkt fwd)	1M 1.36 (1.3653)	3M 1.36 (1.3653)	6M 1.36 (1.3653)	12M 1.36 (1.3644)

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EUR/JPY

No signs of a top yet **Current spot: 185.78**

Source: Refinitiv, ING forecasts

- EUR/JPY stay very bid, and there is little confidence that authorities can turn this trend around. The ECB has yet to ring the alarm bells over euro strength – citing this year's moves as being part of baseline considerations. Tokyo is far more worried by a weaker yen, but it probably requires some earlier and more aggressive BoJ rate hikes to turn this trend around.
- Currently, we do not see the BoJ hiking until June – yen negative. But an earlier April hike (now 50% priced) could provide the yen with some stability.
- On the macro side, eurozone sentiment is picking up and German fiscal stimulus should make a positive mark on growth from 2Q.

ING forecasts (mkt fwd)	1M 185 (185.49)	3M 186 (185.07)	6M 188 (184.52)	12M 185 (183.64)

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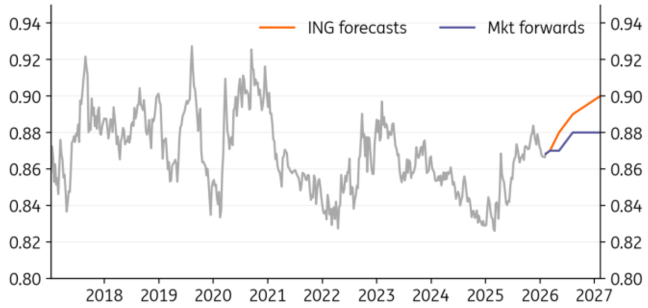
EUR/GBP

Upside risks prevail **Current spot: 0.8712**



Source: Refinitiv, ING forecasts

- A sterling short squeeze amongst the asset management community had dragged EUR/GBP close to 0.86 before politics and the BoE hit. Now the EUR/GBP bias is higher as we brace for further pressure on PM Starmer. Potential flashpoints are the performance of the Labour Party in a by-election on 26 February and local elections on 7 May. His departure and that of his Finance Minister, Rachel Reeves, would hit sterling and Gilts.
- In terms of the BoE trajectory, we think it will have enough evidence to cut rates to 3.50% on 19 March. Inflation data should then fall even faster in 2Q.
- The Labour Party somehow moving closer to Europe, eg, rejoining the customs union, is the bullish wild card for GBP.

ING forecasts (mkt fwd)	1M 0.87 (0.8731)	3M 0.88 (0.8754)	6M 0.89 (0.8789)	12M 0.90 (0.8854)

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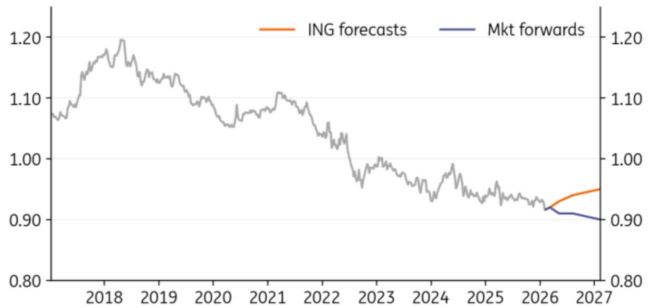
EUR/CHF

Swiss franc proving the dollar debasement hedge **Current spot: 0.9156**



Source: Refinitiv, ING forecasts

- EUR/CHF remains exceptionally offered as global investors continue to position for the dollar debasement trade. Switzerland's significant trade and net international investment surplus is one of the main attractions, as is its budgetary position. Real interest rates are not attractive, however, at around 0%.
- The Swiss National Bank has been sounding remarkably relaxed about CHF strength – perhaps because European growth is picking up, but also because its options to cut rates into negative territory or intervene and buy FX look very limited.
- We had favoured a EUR/CHF bounce on European growth this year. But the dollar debasement trade dominating is the risk.

ING forecasts (mkt fwd)	1M 0.92 (0.9139)	3M 0.93 (0.9106)	6M 0.94 (0.9056)	12M 0.95 (0.8958)

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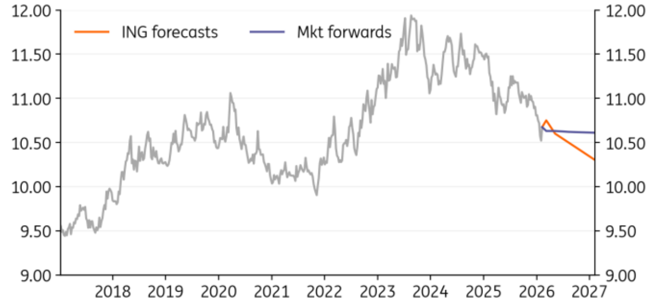
EUR/SEK

Short-term rebound may extend

Current spot: 10.67



Source: Refinitiv, ING forecasts

- The krona had a good run during January's market turmoil, likely aided by more capital repatriation. The short-term technical picture still looks supportive for a further EUR/SEK rebound, though.
- Our call is another leg higher in EUR/SEK in the coming weeks, although the recent tendency to undershoot its short-term fair value means the rally could stall before reaching 10.80.
- The outlook into year-end remains positive for SEK, in our view. Sweden's growth outlook continues to improve, and markets will be tempted to price in rate hikes. We now target 10.30 for year-end in EUR/SEK.

ING forecasts (mkt fwd)	**1M** 10.75 (10.65)	**3M** 10.60 (10.65)	**6M** 10.50 (10.64)	**12M** 10.30 (10.63)

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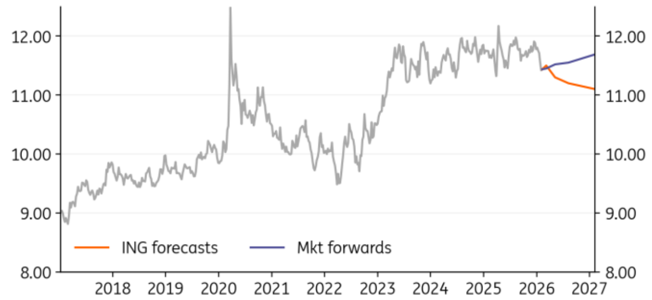
EUR/NOK

Krone looking healthy

Current spot: 11.47



Source: Refinitiv, ING forecasts

- The strong start of the year for oil has generated a rare outperformance of NOK over SEK. We also think the krone's rally has more fundamental justification than SEK's and see more limited upside room in the short term in EUR/NOK than EUR/SEK.
- Norges Bank's outlook for 2026 remains very uncertain. We still think underlying CPI needs to drop back below 3.0% to prompt any dovish shift. And while our call remains for two cuts this year, in June and September, the risks are on the hawkish side.
- We have revised our EUR/NOK profile lower. However, we aren't calling for a break below 11.00 this year, as we expect lower oil prices and rate cuts to partly offset strong NOK fundamentals.

ING forecasts (mkt fwd)	**1M** 11.50 (11.45)	**3M** 11.30 (11.49)	**6M** 11.20 (11.54)	**12M** 11.10 (11.66)

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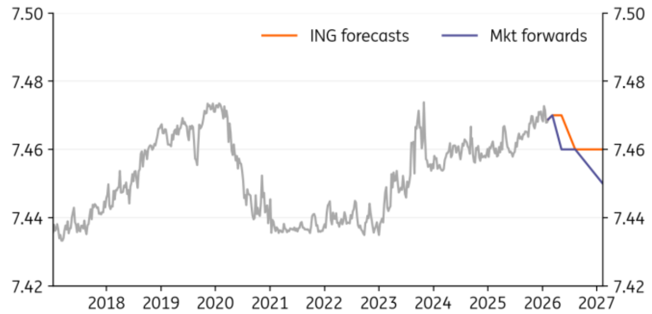
EUR/DKK

No interventions in January

Current spot: 7.4690



Source: Refinitiv, ING forecasts

- EUR/DKK forwards have returned to normality with geopolitical risk abating, and spot is back below 7.470.
- The central bank of Denmark didn't intervene in the FX market in January; this is good news as it signals spot held up on its own, but it also rules out the knock-on liquidity effect of intervention into forwards. In other words, it tends to confirm speculation that higher rates in Denmark via forwards were driven by Greenland risk.
- We still see an elevated risk that FX interventions will be deployed at some point this year as the rate gap keeps EUR/DKK well supported. That won't be a problem, anyway, for a very well-equipped central bank reserve-wise, like the Danish one.

ING forecasts (mkt fwd)	**1M** 7.47 (7.4667)	**3M** 7.47 (7.4626)	**6M** 7.46 (7.4564)	**12M** 7.46 (7.4453)

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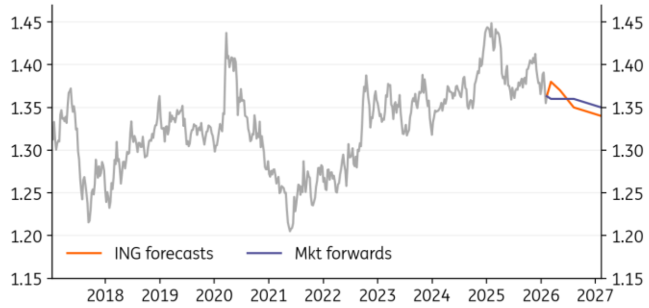
USD/CAD

USMCA noise major risk ahead

Current spot: 1.3646



Source: Refinitiv, ING forecasts

- Data isn't giving any strong suggestions to the Bank of Canada, which in turn has remained neutral. Some tightening speculation has abated, and we still expect the jobs market to remain the key factor to watch to gauge the risks of an additional cut.
- That is very much linked to upcoming USMCA renegotiations, which may well prove rocky. Trade uncertainty has had a very tangible impact on hiring intentions in Canada.
- We remain pessimistic on the Canadian dollar's outlook against most of the G10, although our call for further USD declines throughout 2026 means USD/CAD could still end the year below 1.35.

ING forecasts (mkt fwd)	1M 1.38 (1.3587)	3M 1.37 (1.3554)	6M 1.35 (1.3506)	12M 1.34 (1.3435)

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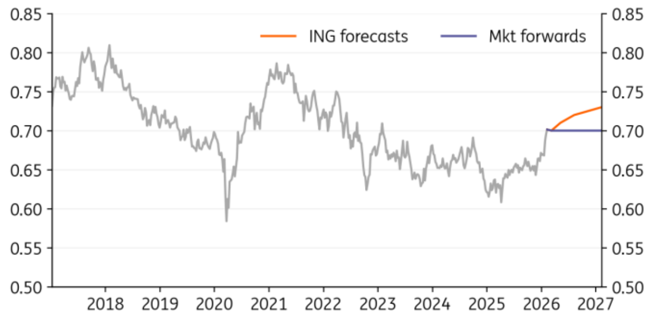
AUD/USD

RBA to hike again in May

Current spot: 0.7025



Source: Refinitiv, ING forecasts

- The Reserve Bank of Australia raised rates in February, and markets continue to stay hawkish. The RBA's communication didn't provide much clarity: inflation is a concern, but the baseline for rates seems less hawkish than market expectations.
- We are in data-dependency mode, in our view, and we think further inflation stickiness will prompt another hike in May by the RBA. But we think that will be the last one of 2026.
- The AUD/USD rally has gone a bit too far, too fast. We see room for a short-term correction, but after that, fundamentals will still be supportive of a multi-quarter rally. We revise our AUD/USD year-end call to 0.73.

ING forecasts (mkt fwd)	1M 0.70 (0.7057)	3M 0.71 (0.7053)	6M 0.72 (0.7043)	12M 0.73 (0.7004)

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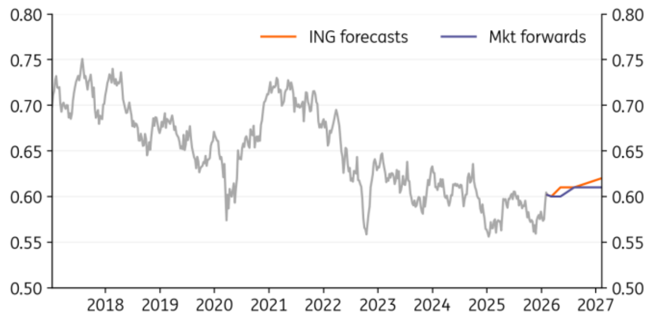
NZD/USD

Ample room for hawkish repricing

Current spot: 0.6017



Source: Refinitiv, ING forecasts

- We have a preference for NZD over AUD in the near term. The technical picture is less stretched, and markets have more room to price in hikes on the NZD curve in our view.
- The RBNZ meets on 18 February and will need to acknowledge inflation has been materially hotter than projected, and given the low starting point for rates, we could get some hawkish hints.
- We'll then need to wait until late April to see 1Q CPI numbers, meaning a potential hike would, if anything, become a possibility only from May onwards – but more likely from the summer. We remain bullish into year-end on NZD/USD given ample room for hawkish repricing and USD weakness.

ING forecasts (mkt fwd)	1M 0.60 (0.6044)	3M 0.61 (0.6057)	6M 0.61 (0.6074)	12M 0.62 (0.6092)

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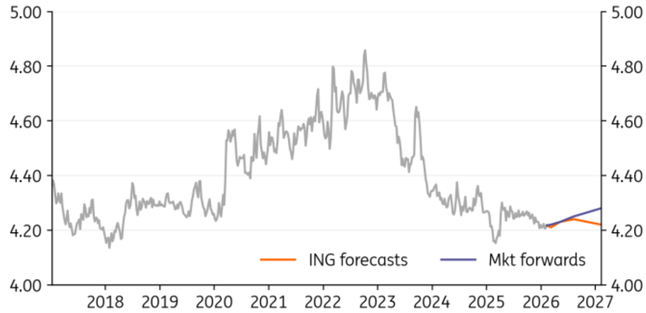
Emerging markets

EUR/PLN

Further stabilisation of the zloty in early 2026

Current spot: 4.2178



Source: Refinitiv, ING forecasts

- The EUR/PLN exchange rate has hovered around 4.21 over the past couple of weeks. The zloty demonstrated resilience to both external factors (the sharp depreciation of the US dollar, historically positively correlated with CEE currencies) and domestic factors (expectations of a stronger disinflation trend in 2026).
- Nevertheless, the main driver behind zloty stabilisation is the strength of Polish economic activity. According to the latest GDP data for 2025, the economy is gaining momentum and outperforming the CEE region, with an even brighter outlook for this year.
- Current risks to the zloty remain linked to geopolitical factors (eg, military provocations in Europe), risk off in equity markets. In the medium term, the effectiveness of an ambitious local investment agenda and German stimulus is important for CEE currencies.

ING forecasts (mkt fwd)	1M 4.21 (4.2169)	3M 4.23 (4.2287)	6M 4.24 (4.2449)	12M 4.22 (4.2776)

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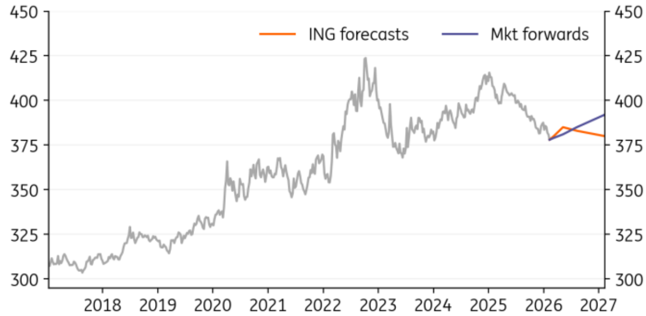
EUR/HUF

Range trading will continue amid rising volatility in HUF

Current spot: 377.69



Source: Refinitiv, ING forecasts

- The dovish shift by the National Bank of Hungary resulted in the market pricing in a 100bp easing cycle in 2026. Following increased volatility, the EUR/HUF exchange rate returned to 380 – the level seen before the change in forward guidance.
- Though we wouldn't go so far as to label the forint as bulletproof, its resilience is clearly stronger than in previous years. The real test will be the upcoming general election and the related uncertainty, which is likely to prompt the EUR/HUF exchange rate to fluctuate based on headlines and investor sentiment.
- In general, many factors limit the upside and downside of the forint, ranging from monetary stance to fundamentals and positioning. Against this backdrop, we expect the forint to mostly remain within the 380–390 range over the coming quarters. We consider a peace deal between Russia and Ukraine to be the biggest event risk that could push the HUF out of this range.

ING forecasts (mkt fwd)	1M 380 (377.99)	3M 385 (380.55)	6M 383 (384.23)	12M 380 (391.13)

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EUR/CZK

Solid expansion and hawkish CNB imply a strong koruna

Current spot: 24.25

Source: Refinitiv, ING forecasts

- The Czech National Bank's forecasts are likely to prop up economic expansion, real wage gains are set to remain upbeat, household budgets are growing more relaxed due to lower energy bills, and industry is coming out of the woods – all factors that could reduce the likelihood of monetary policy easing. Headline inflation is expected to hover below target over the year, but the fate of core inflation is shrouded in more uncertainty. It comes down to whether more discretionary spending raises the core rate or whether cheaper energy for both households and firms trickles down through the economy and weighs on other price segments with some lag. At this point, we are not sure which of the two counter-directional forces will ultimately dominate. However, with the output gap about to close, the temptation to not pass lower energy costs through to end-prices but to boost margins seems considerable.
- With such a setup, the Czech economy's growth advantage over the eurozone should prevail, as will the positive interest rate differential in both nominal and real terms vis-à-vis the euro. Should eurozone inflation drop further than expected below the ECB target, and the anticipated economic expansion of just above 1% prove to be wishful thinking, all the fundamentals behind the koruna's strong run could even grow more pronounced. In turn, we expect the koruna to continue in its gradual gains over this year.

ING forecasts (mkt fwd)	**1M** 24.25 (24.24)	**3M** 24.20 (24.31)	**6M** 24.15 (24.37)	**12M** 24.05 (24.50)

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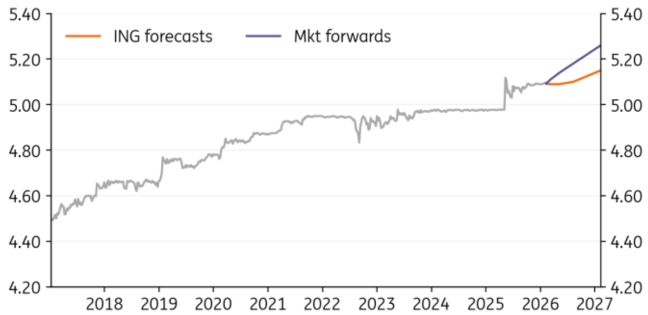
EUR/RON

No major changes expected in the coming months

Current spot: 5.0935



Source: Refinitiv, ING forecasts

- EUR/RON has been trading mostly sideways through the last month, with the pair continuing to remain in the 5.09-5.10 range. While some political noise and small upside inflationary risks remain in the picture, the outlook on the fiscal situation has improved visibly.
- The budget deficit stood at 7.7% at end-2025, well below the formerly agreed 8.4% target. The budget for 2026 is set to be adopted in the second half of February, while some targeted economic stimulus measures are in the making. The liquidity surplus in the interbank market rose sharply in January to RON41.9bn (Dec: RON29.5bn), likely linked to increased government spending and in line with the decline in money market rates.
- While we expect these ample liquidity conditions to persist due to large EU funds inflows, we also think that the National Bank of Romania would welcome some FX pressures that allow it to sell foreign currency and retain a degree of control on liquidity. We expect the pair to remain within its current range and close the year near 5.15.

ING forecasts (mkt fwd)	**1M** 5.09 (5.1079)	**3M** 5.09 (5.1351)	**6M** 5.10 (5.1775)	**12M** 5.15 (5.2579)

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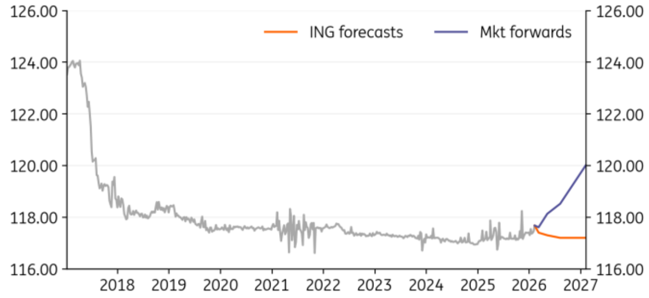
EUR/RSD

RSD likely to continue sideways on a firm NBS grip

Current spot: 117.38



Source: Refinitiv, ING forecasts

- EUR/RSD moves remained contained despite consequential events throughout the month. The pair sat mostly within the 117.30-117.60 range. The sale of the NIS refinery to MOL Group is now in advanced stages, with parties aiming to close the deal by end-March.
- In the background, the positive fundamentals backed by strong investments are still in the picture. A better-than-expected 2.6% of GDP result was recorded for the budget deficit (estimated: 3.0%), showing renewed signs of fiscal prudence. In late January, Fitch also kept Serbia's rating at BB- with a positive outlook.
- At its January meeting, the National Bank of Serbia kept the key rate in place at 5.75%; despite a more certain inflation outlook, global uncertainties continued to rank high on policymakers' radars. We continue to believe that FX stability should remain a key focus ahead – in 2025, the Bank sold €588m to keep the pair stable.

ING forecasts (mkt fwd)	1M 117.40 (117.61)	3M 117.30 (118.10)	6M 117.20 (118.54)	12M 117.20 (120.04)

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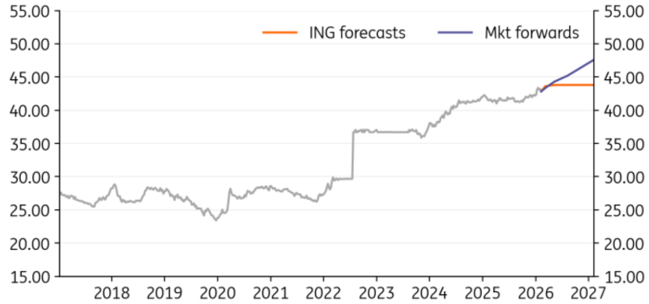
USD/UAH

UAH under selling pressure

Current spot: 42.90



Source: Refinitiv, ING forecasts

- The USD/UAH exchange rate broke above 43.0 – the highest level on record. Ukraine's currency continues to face pressure due to ongoing war-related disruptions (prolonged power outages, destruction of production), as well as the National Bank of Ukraine's decision to cut interest rates in January (for the first time since mid-2024).
- Taking into account the steady decline in inflationary pressures and lower risks related to external financing, the NBU decided to initiate an interest rate cutting cycle. At the end of last month, the key policy rate was reduced by 50bp to 15.0%.
- Factors supporting the hryvnia include international financial aid and ongoing trilateral peace negotiations. In 3Q25, the level of international reserves increased rapidly, reaching the highest level since the country's independence.

ING forecasts (mkt fwd)	1M 43.60 (43.49)	3M 43.80 (44.32)	6M 43.80 (45.35)	12M 43.80 (47.67)

Mateusz Sutowicz, mateusz.sutowicz@ing.pl

USD/KZT

Strong start of the year

Current spot: 494.76

Source: Refinitiv, ING forecasts

- The tenge opened the year strong, rising 0.7% vs the USD in January and pushing to 1.5-2.0% in early February, breaking below 500 per USD on the back of firm commodity prices and stronger currencies of the key trade partners (CNY and RUB).
- The earlier 8% KZT rally in 4Q25 was driven by accelerating private capital inflows, which, combined with portfolio inflows into the state bond market, offset the continued decline in the trade balance, according to preliminary 4Q25 balance of payments data.
- January CPI unexpectedly slowed by 0.1ppt to 12.2% YoY despite a 4ppt VAT hike, reducing the likelihood of further rate increases from the current 18.00%. We remain constructive on the KZT in the near term on portfolio flow prospects, while remaining cautious later in the year given structural headwinds.

ING forecasts (mkt fwd)	1M 500 (499.24)	3M 515 (510.31)	6M 525 (526.69)	12M 535 (556.00)

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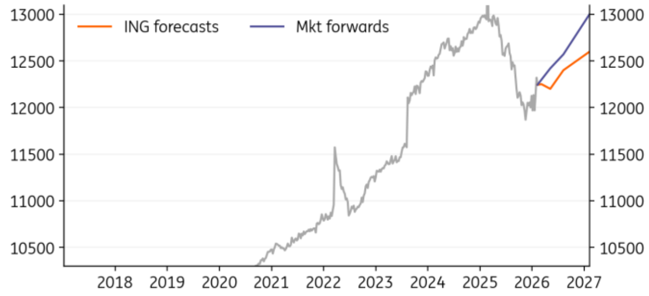
USD/UZS

Tactical retreat after a strong gold-related rally

Current spot: 12303.16



Source: Refinitiv, ING forecasts

- After an exceptionally strong 7% appreciation vs USD in 2025, the Uzbekistani soum has corrected by over 2% to 12,300/USD since the start of the year. The move began even before the late-January decline in the gold price.
- Uzbekistan's gold exports paused in 4Q25 after shipping 85mt in 9M25, consistent with the government's usual approach of spreading sales over time. Combined with fast import growth, this contributed to a US$2.5bn YoY widening of the trade deficit to US$18bn in 2025, pressuring the soum.
- Given Uzbekistan's annual capacity to export roughly 100mt of gold – generating around US$4bn in export proceeds for each US$1,000/oz in the gold price – we remain constructive on near-term UZS prospects. However, a lasting improvement in the country's twin deficit (external and fiscal) and CPI dynamics is needed to avoid a return to the longer-term depreciation trend seen in previous years.

ING forecasts (mkt fwd)	1M 12250 (12320.00)	3M 12200 (12440.00)	6M 12400 (12590.00)	12M 12600 (12985.00)

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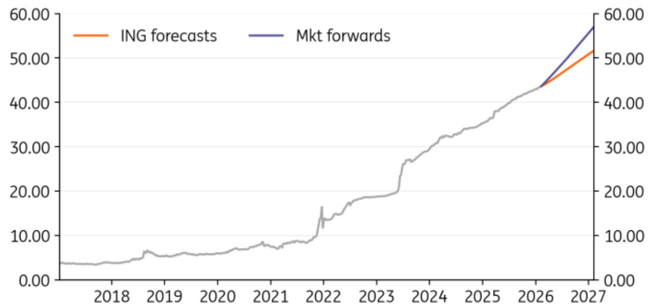
USD/TRY

CBT likely to remain cautious with inflation risk

Current spot: 43.60



Source: Refinitiv, ING forecasts

- At 4.84% MoM, January inflation came in above consensus, while annual inflation has maintained its downtrend with a further decline from 30.9% to 30.7%, thanks to a supportive base. We've revised our end-year inflation from 22% to 23%, above the Central Bank of Turkey's forecast range of 19% in the November report.
- Pricing pressures and the recovery in demand conditions have prompted the CBT to act more cautiously, slowing the pace of its rate cuts in the January MPC and implementing coordinated macroprudential measures with the BRSA. It will continue to closely monitor inflation, demand conditions, international reserves and depositor behaviour to determine the pace of cuts.
- Given upside risks to inflation with uncertainty surrounding heavy-weight food and energy prices, the CBT will maintain its cautious stance in its current rate-cutting cycle. We expect the bank to bring the policy rate to 28% by end-2026, with risks on the upside.

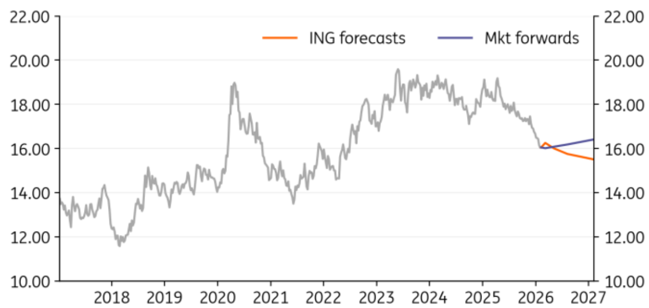
ING forecasts (mkt fwd)	1M 44.10 (44.52)	3M 45.40 (46.66)	6M 47.50 (49.89)	12M 51.70 (56.91)

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

USD/ZAR

Supportive rand environment continues

Current spot: 16.04



Source: Refinitiv, ING forecasts

- The rand remains one of the most popular emerging market trades in the world today. Its 6.5% implied yields are not especially spectacular, but the rand is backed by South Africa's precious metal exports, including gold. Gold has proved central to the dollar debasement thesis. The terms of the trade story will remain a major support to the rand this year.
- Domestically, South Africa's growth picture is turning more sustainably supportive. Inflation is contained, consumption is picking up, and the South African Reserve Bank could cut another 50bp to 6.25% if conditions remain benign.
- A narrower current account deficit suggests ZAR is not overvalued.

ING forecasts (mkt fwd)	1M 16.25 (16.01)	3M 16.00 (16.08)	6M 15.75 (16.18)	12M 15.50 (16.41)

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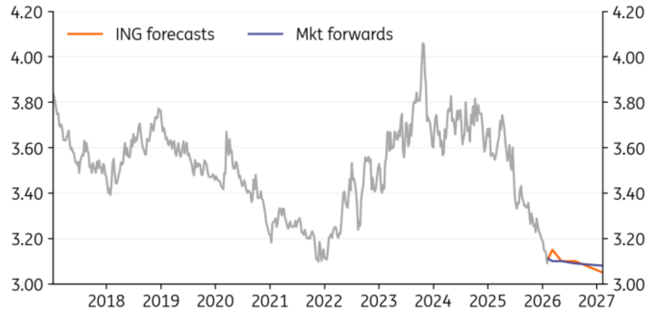
USD/ILS

BoI rate cuts will have to replace intervention

Current spot: 3.1200



Source: Refinitiv, ING forecasts

- January's broad sell-off in the dollar has carried USD/ILS close to the 2021 low at 3.04. Typically, the Bank of Israel has been a very FX interventionist central bank and would have been buying a lot of FX by now. But heavy scrutiny from the US Treasury on trading partners preventing their currencies from appreciating may now be tying the hands of the BoI.
- If it cannot intervene, monetary policy will have to take the strain. That is why the BoI is priced to cut the 4.00% policy rate by a further 125bp this year.
- US tech shocks are normally ILS negative – hitting potential tech FDI into Israel – another reason why USD/ILS may not trade sub-3.

ING forecasts (mkt fwd)	1M 3.15 (3.0994)	3M 3.10 (3.0968)	6M 3.10 (3.0912)	12M 3.05 (3.0792)

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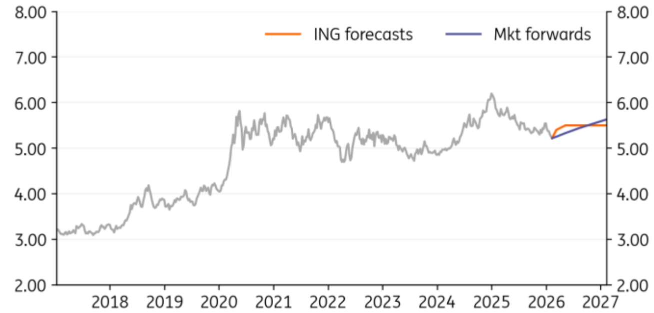
LATAM

USD/BRL

Political risk keeps an otherwise bullish BRL story in check

Current spot: 5.2171



Source: Refinitiv, ING forecasts

- The real has been performing well and the recent global risk-off correction has barely dented the currency's gains seen in January. Indeed, one high profile local fund manager is making the case for USD/BRL to trade at 4.40. We would be more bullish on the real were it not for the October Presidential election. Here sluggish growth under 2% still leaves the path open for some last-minute fiscal give-aways – bearish for the real.
- BACEN has made it clear that it is ready to cut its 15% policy rate. Consecutive 50bp rate cuts are expected in March and April and a total of 300bp in cuts is priced this year.
- Risks to our forecast look skewed to a better BRL outcome – particularly were Tarcisio de Freitas to enter the race in April.

ING forecasts (mkt fwd)	1M 5.40 (5.2416)	3M 5.50 (5.3120)	6M 5.50 (5.4264)	12M 5.50 (5.6250)

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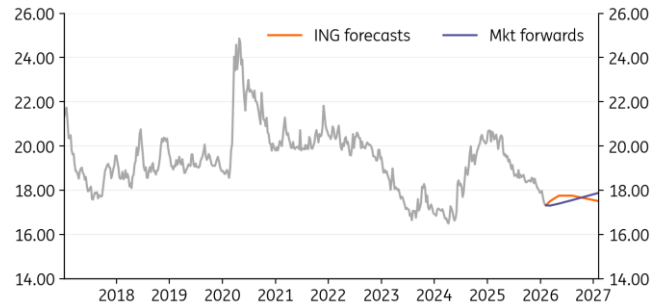
USD/MXN

Riding the global EM tide

Current spot: 17.26



Source: Refinitiv, ING forecasts

- Flows into global EM assets have been very strong over recent months and have provided a powerful current to the peso. Even though implied yields are now under 7%, demand for the peso is still there. The market struggles to price any more Banxico easing now, so those implied yields should be steady now.
- Though we like EM risk this year, we note USD/MXN is not far away from the 16.70 levels at which Banxico proved sensitive to peso strength in 2023. At that time, it announced it was unwinding its short USD/MXN forward book.
- Potential concern over a strong peso and the threat of a difficult USMCA renegotiation in July limits the downside for USD/MXN.

ING forecasts (mkt fwd)	1M 17.50 (17.26)	3M 17.75 (17.36)	6M 17.75 (17.51)	12M 17.50 (17.84)

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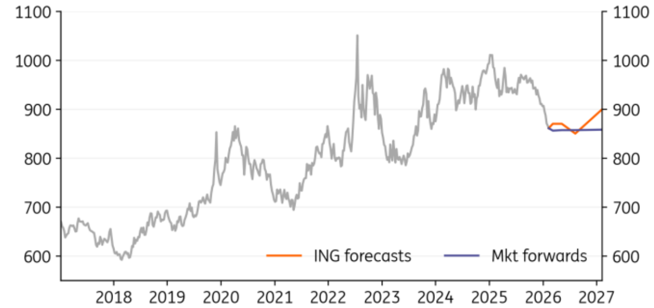
USD/CLP

Peak copper?

Current spot: 855.77



Source: Refinitiv, ING forecasts

- The commodities rally has kept most of the Latam currencies bid – especially Chile's peso. The ongoing FX sales from the Finance Ministry – even at these low levels in USD/CLP – have also weighed. However, our commodities team note that at current levels, US$13k/MT, copper is destroying demand. There is evidence of this in China.
- Indeed, our team struggle to see copper holding above US$13k/MT this year and look for a correction back to US$11k/MT by year-end as new supply comes on line.
- The market prices one more 25bp cut in the policy rate to 4.25% and in all we favour USD/CLP trading an 850-900 range.

ING forecasts (mkt fwd)	1M 870 (855.92)	3M 870 (855.02)	6M 850 (855.36)	12M 900 (857.28)

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Asia

USD/CNY

CNY appreciation momentum continues amid internationalisation focus

Current spot: 6.9390

Source: Refinitiv, ING forecasts

- The CNY continued its run of appreciation over the past month, with the USD/CNY grinding lower from around 6.99 at the start of the year down towards 6.93.
- The PBOC's fixings have continued to move lower as well, showing the PBOC is on board with this controlled pace of CNY appreciation. US-China yield spreads have reversed, widening slightly over the past month, as US yields rose while Chinese yields fell. China seeks to advance RMB internationalisation and use of the CNY, which suggests that further appreciation could be tolerated. The wildcard will be if the currency stability objective is softened in 2026.
- We are holding our 2026 fluctuation band forecast of 6.85-7.25 for now. Risks still look balanced towards CNY appreciation given the recent policy communications, and as the current account surplus remains quite high.

ING forecasts (mkt fwd)	1M 6.94 (6.9117)	3M 6.90 (6.8884)	6M 6.85 (6.8553)	12M 6.85 (6.7963)

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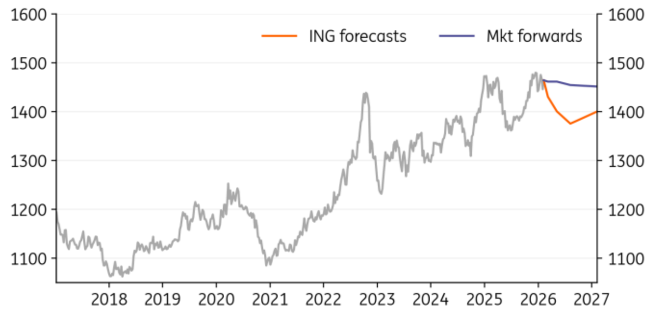
USD/KRW

A trend towards KRW appreciation

Current spot: 1463.56



Source: Refinitiv, ING forecasts

- Despite USD/KRW recently returning back to the 1,460 level, we expect KRW to stay on a gradual appreciating trend.
- Capital inflows are likely to continue, supported by the AI boom and Kospi's attractive valuations and robust earnings. The National Pension Service's shift towards domestic assets and the introduction of a "Reshoring Investment Account" for retail investors may also change flow trends.
- The Bank of Korea is likely to keep its policy rate at 2.5% for an extended period while the Fed is expected to deliver cuts from June, supporting a USD/KRW move down to 1,425.

ING forecasts (mkt fwd)	1M 1430 (1459.36)	3M 1400 (1456.10)	6M 1375 (1451.68)	12M 1400 (1446.00)

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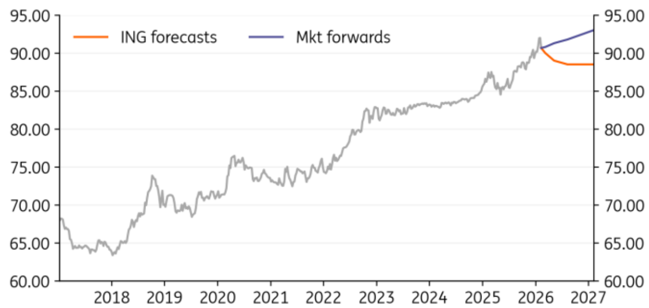
USD/INR

Sharp fall in REER should limit further downside

Current spot: 90.60



Source: Refinitiv, ING forecasts

- The INR finally got a boost from the long-anticipated trade deal with the US and the EU and appreciated in line with our anti-consensus call. Export diversification and integration into long-term supply chains is positive for long term growth.
- The RBI left its policy rate unchanged at 5.25% this week. Overall, the RBI's assessment of the growth-inflation trade-off aligns with ours, suggesting that we are nearing the end of the rate cutting cycle, with possibly one last rate cut in 2Q.
- We think we have seen the peak of USD/INR in 2026, and INR should trade with an appreciation bias for the rest of 2026. Given the recent softening in net FDI inflows, the India-EU FTA should help revive investment momentum. From a valuation standpoint, the sharp decline in INR's REER should also limit downside.

ING forecasts (mkt fwd)	1M 90.00 (90.88)	3M 89.00 (91.29)	6M 88.50 (91.84)	12M 88.50 (93.03)

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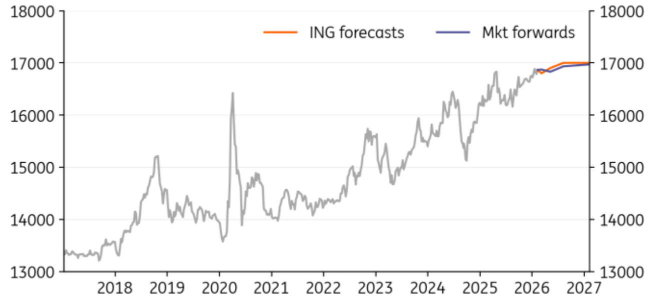
USD/IDR

Fiscal concerns could keep IDR under pressure

Current spot: 16865



Source: Refinitiv, ING forecasts

- Moody's lowered Indonesia's credit rating outlook to negative from stable, citing rising uncertainty in policy direction. The move followed MSCI's earlier comments on transparency shortcomings, which had already triggered a sharp equity market sell-off and heightened investor sensitivity.
- Concerns around fiscal sustainability remain prominent, with recent policy unpredictability and weaker communication further unsettling foreign investors. These developments have amplified doubts about Indonesia's commitment to fiscal discipline at a time when market confidence is already fragile.
- With soft growth and weak revenues weighing on the rupiah, we expect additional IDR depreciation as investor caution keeps FII inflows muted.

ING forecasts (mkt fwd)	**1M** 16800 (16808)	**3M** 16900 (16830)	**6M** 17000 (16870)	**12M** 17000 (16971)

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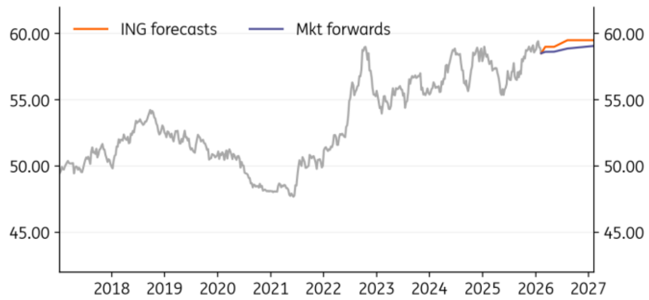
USD/PHP

Growth concerns to keep PHP weaker

Current spot: 58.57



Source: Refinitiv, ING forecasts

- The 4Q GDP data confirmed that soft government spending has become a more persistent drag, weighing not only on fiscal outlays but also on business and household sentiment. We expect this pressure to continue at least through 1H26, as the ongoing political uncertainty continue to dampen confidence.
- We revise our GDP growth forecast for 2026 lower by 20bp to 5.2% and continue to expect the BSP to cut rates by 25bp at the February meeting. If weak momentum persists, the risk tilts towards another cut in 2Q.
- Despite the recent strength in Peso largely driven by market expectations of BSP nearing the end of the rate cutting cycle after a relatively stronger inflation print, we think on balance risks are tilted towards softer growth than higher inflation. Risk of further monetary policy easing should keep Peso weaker vs the USD.

ING forecasts (mkt fwd)	**1M** 59.00 (58.50)	**3M** 59.00 (58.72)	**6M** 59.50 (58.73)	**12M** 59.50 (59.03)

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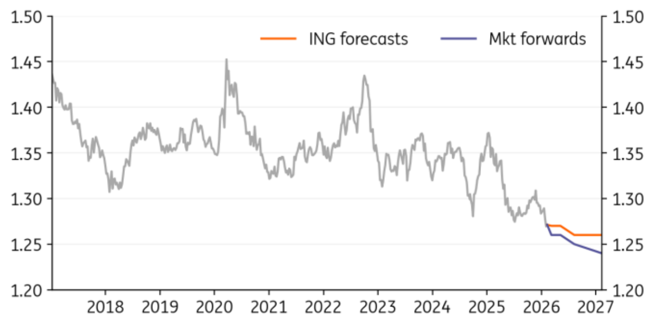
USD/SGD

Business optimism resilient

Current spot: 1.2712



Source: Refinitiv, ING forecasts

- The Singapore economy is expected to continue performing well. Strong growth last year (4.8%) and a manageable 10% tariff rate on exports to the US has seen the optimism extend into 2026. Whole economy business PMIs are picking up and electronic exports remain strong.
- The steady appreciation of the Chinese renminbi is a very supportive anchor for the SGD, although we think there is scope for the Monetary Authority of Singapore to ease should any signs of economic weakness show through. After all, CPI looks very contained at just above 1.00%.
- A softening US economy and a stronger renminbi present downside risks to our baseline USD/SGD profile.

ING forecasts (mkt fwd)	**1M** 1.27 (1.2645)	**3M** 1.27 (1.2593)	**6M** 1.265 (1.2518)	**12M** 1.265 (1.2391)

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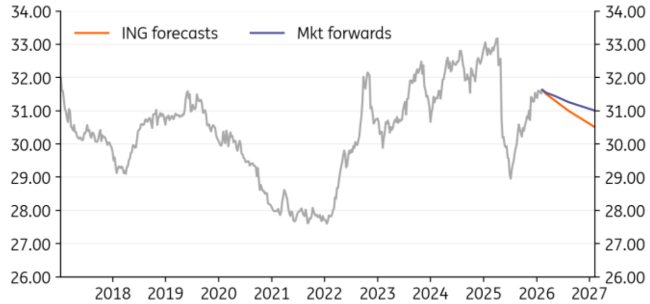
USD/TWD

Another month of stability for the TWD

Current spot: 31.59



Source: Refinitiv, ING forecasts

- The TWD saw another month of minimal currency fluctuation, with the USD/TWD moving within a narrow range of 31.3-31.6.
- Domestic drivers for the TWD generally favoured a stronger TWD again. The US-Taiwan yield spread slightly narrowed over the past month, as Taiwan yields rose a little faster than US yields. Equity market net inflows were positive. Taiwan's trade data continued to drive phenomenal growth, and Taiwan's current account surplus is likely to have further picked up.
- The current levels are likely to be comfortable for policymakers. Reports emerged over the past month that Taiwan life insurers cut the hedging ratios to the lowest levels since 2020.

ING forecasts (mkt fwd)	**1M** 31.50 (31.52)	**3M** 31.30 (31.40)	**6M** 31.00 (31.24)	**12M** 30.50 (30.95)

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	1.19	1.18	1.20	1.21	1.22						
EUR/JPY	186	185	186	188	185	USD/JPY	156	157	155	155	152
EUR/GBP	0.87	0.87	0.88	0.89	0.90	GBP/USD	1.37	1.36	1.36	1.36	1.36
EUR/CHF	0.92	0.92	0.93	0.94	0.95	USD/CHF	0.77	0.78	0.78	0.78	0.78
EUR/SEK	10.65	10.75	10.60	10.50	10.30	USD/SEK	8.95	9.11	8.83	8.68	8.44
EUR/NOK	11.44	11.50	11.30	11.20	11.10	USD/NOK	9.69	9.75	9.42	9.26	9.10
EUR/DKK	7.47	7.47	7.47	7.46	7.46	USD/DKK	6.27	6.33	6.23	6.17	6.11
EUR/CAD	1.62	1.63	1.64	1.63	1.63	USD/CAD	1.36	1.38	1.37	1.35	1.34
EUR/AUD	1.69	1.69	1.69	1.68	1.67	AUD/USD	0.71	0.70	0.71	0.72	0.73
EUR/NZD	1.97	1.97	1.97	1.98	1.97	NZD/USD	0.60	0.60	0.61	0.61	0.62
EMEA											
EUR/PLN	4.21	4.21	4.23	4.24	4.22	USD/PLN	3.54	3.57	3.53	3.50	3.46
EUR/HUF	376.9	380.0	385.0	383.0	380.0	USD/HUF	316.6	322	321	317	311
EUR/CZK	24.22	24.25	24.2	24.15	24.05	USD/CZK	20.35	20.6	20.2	20.0	19.7
EUR/RON	5.09	5.09	5.09	5.10	5.15	USD/RON	4.28	4.31	4.24	4.21	4.22
EUR/RSD	117.38	117.40	117.30	117.20	117.20	USD/RSD	98.60	99.49	97.75	96.86	96.07
EUR/UAH	51.07	51.45	52.56	53.00	53.44	USD/UAH	43.07	43.60	43.80	43.80	43.80
EUR/KZT	580.1	590.0	618.0	635.3	652.7	USD/KZT	493.6	500	515	525	535
EUR/UZS	14646	14455	14640	15004	15372	USD/UZS	12303	12250	12200	12400	12600
EUR/TRY	51.93	52.04	54.48	57.48	63.07	USD/TRY	43.60	44.1	45.4	47.5	51.7
EUR/ZAR	19.02	19.18	19.20	19.06	18.91	USD/ZAR	15.98	16.25	16.00	15.75	15.50
EUR/ILS	3.69	3.72	3.72	3.75	3.72	USD/ILS	3.10	3.15	3.10	3.10	3.05
LATAM											
EUR/BRL	6.20	6.37	6.60	6.66	6.71	USD/BRL	5.21	5.40	5.50	5.50	5.50
EUR/MXN	20.49	20.65	21.30	21.48	21.35	USD/MXN	17.21	17.50	17.75	17.75	17.50
EUR/CLP	1016.86	1027	1044	1029	1098	USD/CLP	854.18	870	870	850	900
Asia											
EUR/CNY	8.24	8.19	8.28	8.29	8.36	USD/CNY	6.92	6.94	6.90	6.85	6.85
EUR/IDR	19923	19824	20280	20570	20740	USD/IDR	16800	16800	16900	17000	17000
EUR/INR	107.92	106.20	106.80	107.09	107.97	USD/INR	90.66	90.00	89.00	88.5	88.5
EUR/KRW	1738.64	1687	1680	1664	1708	USD/KRW	1460.49	1430	1400	1375	1400
EUR/PHP	69.59	69.62	70.80	72.00	72.59	USD/PHP	58.45	59.00	59.00	59.5	59.5
EUR/SGD	1.51	1.50	1.52	1.53	1.54	USD/SGD	1.27	1.27	1.27	1.265	1.265
EUR/TWD	37.58	37.17	37.56	37.51	37.21	USD/TWD	31.57	31.50	31.30	31.00	30.50

Source: Refinitiv, ING

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