

FX Talking

February 2024



Disinflation trade hits a speed bump

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Disinflation trade hits a speed bump

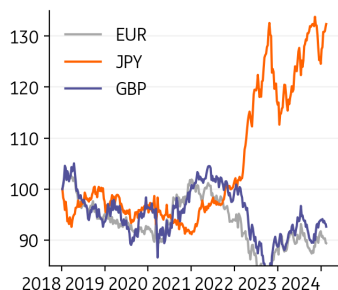
Strong US jobs data and a higher-than-expected January CPI number have unnerved the disinflation trade in FX markets – namely, that of a benign decline in the dollar. Federal Reserve officials accept that the disinflationary path will be a ‘bumpy’ one. However, our economists retain a view that inflation will remain on track towards policy targets. If that is the case, current dollar strength may only last another month or two.

For the FX benchmark EUR/USD, that probably means that the downside is limited to the 1.05/1.07 area this month; recall that January and February are typically strong months for the dollar. We continue to expect a modest rally this summer and EUR/USD to end the year somewhere near 1.15. We will be discussing more on US election scenarios over the coming months. And risks are building that USD/JPY pushes higher still.

Elsewhere in G10, we continue to favour the high beta Scandi and commodity currencies when the dollar trend does turn lower. Before then, commodity currencies in general may take some notice of the China Two Sessions meeting in early March for signs of stimulus. Sterling faces an event risk of a pre-election budget in early March. Any misjudgement of fiscal risks by the UK Chancellor could see sterling suffer.

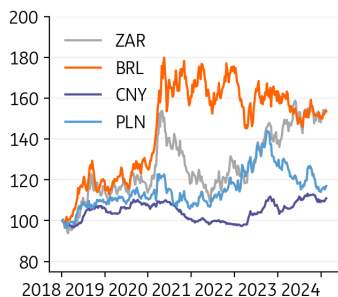
Emerging markets have largely been characterised by low volatility. Polish and Hungarian currencies should continue their diverging performances. South Africa's rand faces a big event risk from the budget this month. We think investors will favour the Mexican peso and perhaps now the Brazilian real too. And Asian FX should stay soft until global rates fall decisively again or China surprises with stimulus.

USD/Majors (Jan 18=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 18=100)



Source: Refinitiv, ING forecast

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.08	→	148	↓	1.26	→
3M	1.08	→	145	↓	1.24	↓
6M	1.10	↑	140	↓	1.25	→
12M	1.15	↑	130	↓	1.31	↑

	EUR/GBP		EUR/CZK		EUR/PLN	
1M	0.86	→	25.00	↓	4.30	↓
3M	0.87	↑	24.50	↓	4.22	↓
6M	0.88	↑	24.50	↓	4.25	↓
12M	0.88	↑	24.00	↓	4.30	↓

	USD/CNY		USD/MXN		USD/BRL	
1M	7.23	↑	17.25	↑	4.90	↓
3M	7.15	↓	17.00	↓	4.85	↓
6M	7.08	↓	16.75	↓	4.80	↓
12M	6.90	↓	16.75	↓	4.70	↓

↑ / → / ↓ 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	-2.1	3.3	-0.7	0.1	-2.7	1.0
%YoY	0.4	12.4	-4.0	3.7	-5.8	0.7

	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	0.3	1.0	2.5	-0.6	1.5	2.0
%YoY	5.8	6.5	1.3	-8.9	4.3	-4.9

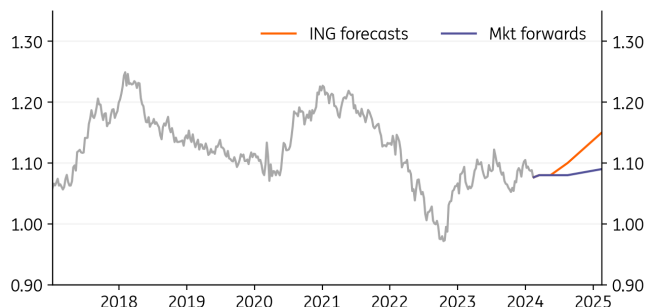
Source: Refinitiv, ING forecast



Developed markets

EUR/USD

The bumpy road to 2% inflation



Source: Refinitiv, ING forecasts

Current spot: 1.0766

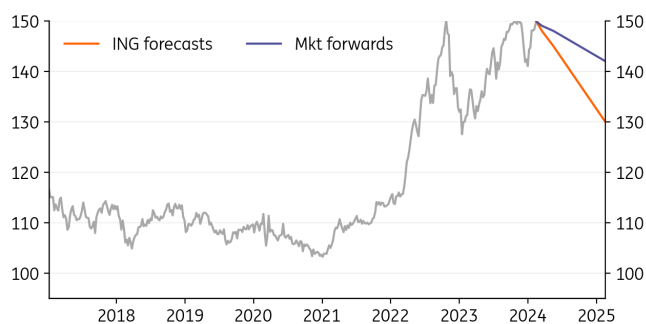
- Nobody said the disinflation path to 2% was going to be an easy one. That is certainly the case in the US, where stronger jobs data and now higher January CPI figures have created a large speed bump. The January PCE data on 29 February is now the next big focus. Expect to hear more from the Federal Reserve about the 'bumpy' path to 2% inflation - but we still think this the true direction of travel.
- The back up in US rates has naturally lifted the dollar. This may not have too much further to run in that it will be hard to see the market pricing less than 75bp of Fed cuts this year.
- EUR/USD downside should be relatively limited from here if the above is true. And we think the ECB only starts cutting in June.

ING forecasts (mkt fwd)	1M 1.08 (1.0778)	3M 1.08 (1.0806)	6M 1.10 (1.0849)	12M 1.15 (1.0945)
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USD/JPY

Unstable in this 150/152 area



Source: Refinitiv, ING forecasts

Current spot: 149.84

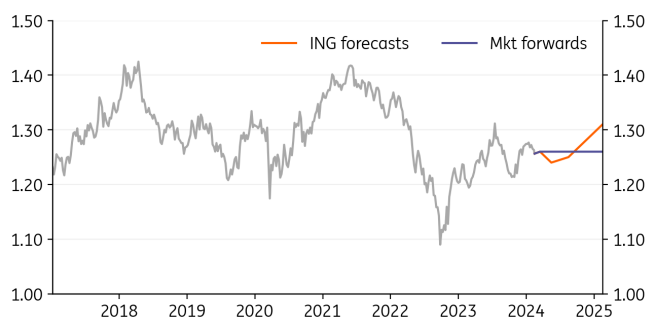
- Strong US growth, high US inflation and higher 10-year Treasury yields have conspired to push USD/JPY above 150. The customary verbal warnings from Tokyo have emerged at these levels, but the recent fourth quarter Japanese GDP data suggest local policy makers may not be quite as concerned about yen weakness as usual. Exports were one of the few sources of Japanese growth last quarter.
- It seems now that April will be too early to expect a significant change in the Bank of Japan's policy. We still look for a rate hike in June.
- Our call for a lower USD/JPY increasingly hinges on the US slowdown story. If that does not materialise after all and USD/JPY starts trading above 152, the risk is that we see 160.

ING forecasts (mkt fwd)	1M 148 (149.15)	3M 145 (147.77)	6M 140 (145.79)	12M 130 (142.22)
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GBP/USD

Moving into event risk season



Source: Refinitiv, ING forecasts

Current spot: 1.2564

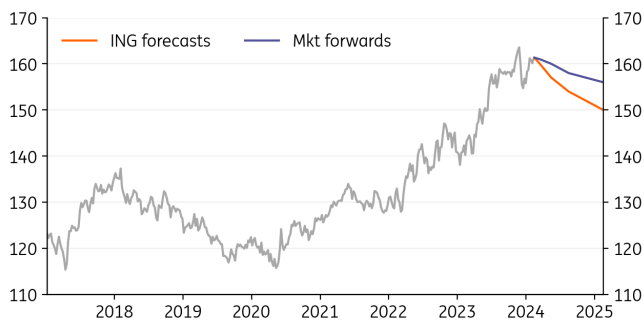
- The sterling advance from last October appears to be stalling. It is perhaps a function of a slight softening in the UK price data which does allow the BoE to start discussing rate cuts. We continue to look for the first cut in August. Expectations should move in this direction as inflation slows over coming months.
- On the immediate horizon is the March budget. Our current thought is that this may be sterling positive - in that large, credible tax cuts are welcomed. If Chancellor Jeremy Hunt misreads the market, however - e.g., offers more than £20bn in tax cuts - sterling and the gilt market could come under pressure again.
- A modestly GBP/USD forecast is driven by the US slowdown.

ING forecasts (mkt fwd)	1M 1.26 (1.2566)	3M 1.24 (1.2570)	6M 1.25 (1.2574)	12M 1.31 (1.2580)
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EUR/JPY

A change of trend is a hard call

Current spot: 161.32



Source: Refinitiv, ING forecasts

- EUR/JPY remains buoyant. The low volatility, benign risk environment is certainly helping as yen-funded carry trades continue to perform well. On the subject of volatility, research shows that the S&P 500 typically underperforms in the second quarter of a US presidential election year. It is not clear what will drive that, but if true, EUR/JPY would probably come lower.
- In the eurozone, growth forecasts are being revised marginally higher – although activity is still described as ‘stagnant’. Inflation trends look solidly lower, and the ECB should start cutting in June.
- ECB cuts set against BoJ hikes should finally turn around this powerful EUR/JPY rally in the second half of this year.

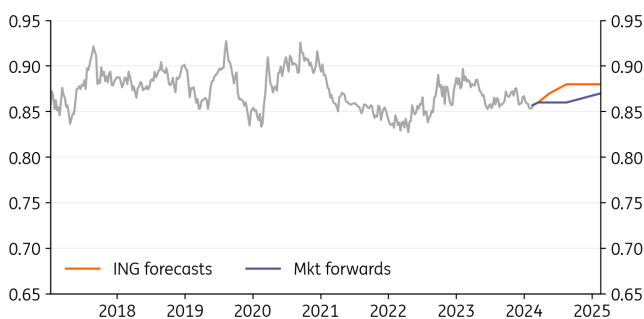
ING forecasts (mkt fwd)	1M 160 (160.77)	3M 157 (159.68)	6M 154 (158.16)	12M 150 (155.67)
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EUR/GBP

0.85 may well be the base

Current spot: 0.8569



Source: Refinitiv, ING forecasts

- EUR/GBP has tested strong support at 0.8500 but has so far failed to break through it. We suspect that this support level may hold and that clearer signs of UK disinflation through the second quarter – and greater conviction over the BoE easing cycle – can see EUR/GBP drift a little higher. We first need to see the two MPC hawks drop their votes for higher rates.
- The March UK budget is going to be a key input into the sterling story. For the euro, there is much focus on euro area wage data released in late April and whether that allows the ECB to cut.
- Currently the expectation is that the next UK election is held in the Autumn. There is outside risk of an earlier election in May.

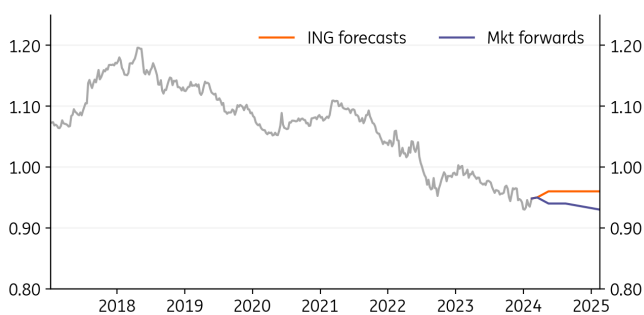
ING forecasts (mkt fwd)	1M 0.86 (0.8577)	3M 0.87 (0.8597)	6M 0.88 (0.8628)	12M 0.88 (0.8701)
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EUR/CHF

Higher rates, higher EUR/CHF

Current spot: 0.9483



Source: Refinitiv, ING forecasts

- EUR/CHF has corrected higher in line with our views from last month. This looks entirely down to the higher short term rates moves, where a reversal of last year’s narrowing in EUR:CHF swap rate differentials has provided the support.
- It is unclear how much further widening in spreads is to be seen – thus the EUR/CHF move to 0.96 could be a struggle.
- But we know that the Swiss National Bank does not like the current strength in the real Swiss franc. 21 March may be far too early for the first SNB rate cut (even though inflation is now on target) but we are interested in whether the SNB has started buying FX again. 2023 fourth quarter intervention data is released on 29 March.

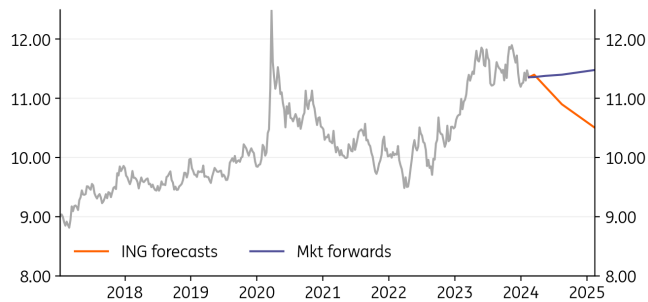
ING forecasts (mkt fwd)	1M 0.95 (0.9464)	3M 0.96 (0.9425)	6M 0.96 (0.9370)	12M 0.96 (0.9277)
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EUR/NOK

Strong fundamentals despite the noise

Current spot: 11.36



Source: Refinitiv, ING forecasts

- The Norwegian krone should remain vulnerable in the near term due to its exposure to risk sentiment and global rates dynamics.
- Domestically, though, the fundamentals for NOK have strengthened. Growth was more resilient than expected by Norges Bank in the fourth quarter, and inflation remained sticky in January. In an environment in which global rate expectations are being unwound, oil prices are finding some support and NOK remains weak, it is hard to imagine NB turning dovish in March.
- We still think EUR/NOK can trade higher in the short term due to continued underperformance in USD bonds, but we have not changed our bullish view for NOK from the second quarter onwards.

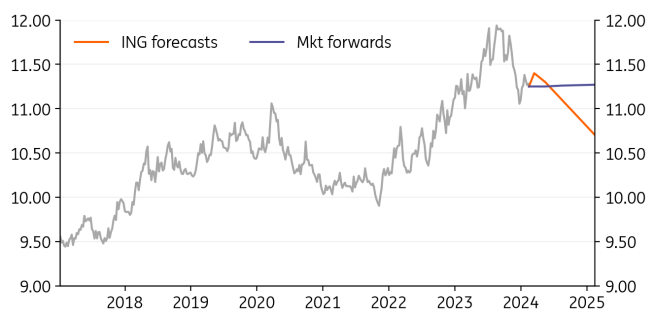
ING forecasts (mkt fwd)	1M 11.40 (11.36)	3M 11.20 (11.38)	6M 10.90 (11.40)	12M 10.50 (11.48)
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EUR/SEK

A new phase for the krona

Current spot: 11.25



Source: Refinitiv, ING forecasts

- As per our [estimates](#), the Riksbank has now ended its FX sales, therefore removing a backstop to the krona at a time of instability for high-beta currencies.
- Incidentally, the Riksbank has signalled cuts may start already in the first half of this year. Last year, the krona suffered significantly from RB's dovish surprises, and SEK still looks quite fragile in the short term.
- Our medium-term view is, however, unchanged. The krona remains well positioned to benefit from the eventual capitulation of USD rates, and the RB should not allow much more depreciation in SEK. A new round of FX sales via the reserve hedging programme is not too remote of a possibility.

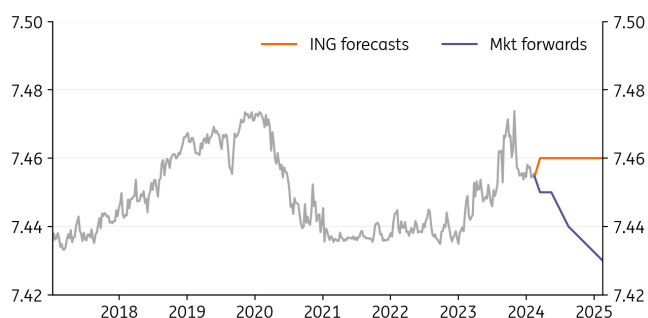
ING forecasts (mkt fwd)	1M 11.40 (11.25)	3M 11.30 (11.25)	6M 11.10 (11.26)	12M 10.70 (11.27)
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EUR/DKK

Flattening after some volatility

Current spot: 7.4546



Source: Refinitiv, ING forecasts

- Danmarks Nationalbank did not intervene in the FX market in January, making it a full year without interventions.
- There was some selling pressure on DKK at the start of February, as markets anticipated FX flows related to an acquisition deal by Novo Holdings. The jump in EUR/DKK was, however, short-lived.
- We could see more M&A-related impacts on DKK throughout the year, but with the pair very close to its parity, those should not influence DN's monetary policy. We continue to forecast a modestly higher EUR/DKK in 2024, centred at the 7.4600 peg parity mark.

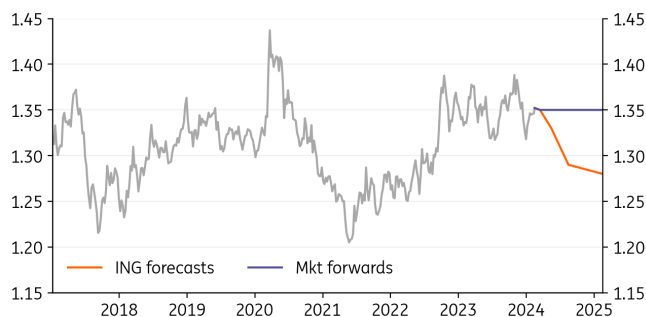
ING forecasts (mkt fwd)	1M 7.46 (7.4523)	3M 7.46 (7.4472)	6M 7.46 (7.4404)	12M 7.46 (7.4300)
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USD/CAD

Tight jobs market delays cut prospects

Current spot: 1.3520



Source: Refinitiv, ING forecasts

- Despite the dovish turn by the Bank of Canada at the January meeting, the Loonie has not depreciated much of late. The Canadian jobs market tightened further in January with the unemployment rate surprisingly declining, and CPI inflation is expected to remain sticky.
- Markets are pricing in around 25bp less easing in Canada (75bp in total) compared to the US in 2024, with a first cut in July.
- We still expect a relatively fast disinflation in Canada to allow the cutting cycle to start earlier than priced in by markets and be worth 100-125bp in total this year. This is one of the reasons why we still prefer NOK and AUD to CAD in the commodity FX space.

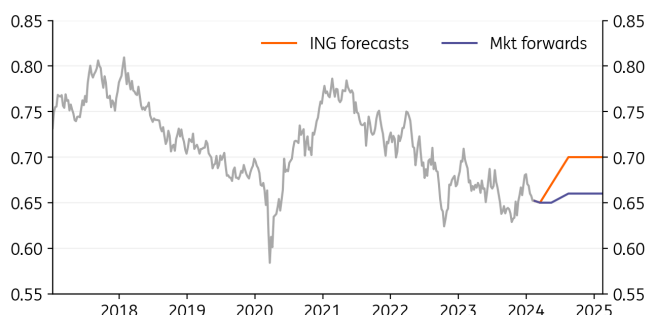
ING forecasts (mkt fwd)	1M 1.35 (1.3515)	3M 1.33 (1.3504)	6M 1.29 (1.3492)	12M 1.28 (1.3473)
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AUD/USD

Softer data does not mean big RBA cuts

Current spot: 0.6520



Source: Refinitiv, ING forecasts

- Australian inflation declined more than expected in the fourth quarter, and the RBA's pushback against rate cut bets was also challenged by soft employment figures for January.
- That said, we do not doubt the determination of the RBA to keep rates higher for some time. Our expectations remain that monetary easing in Australia will only be a story for the second half of the year and be worth a total of 50bp – significantly less than the Fed and RBNZ.
- AUD is in a good position to rally once US data allows rate cut bets to rebound in the US, even though potential defensive positioning ahead of US elections in the third quarter (a Trump re-election would hit China-related sentiment) means AUD/USD could struggle to trade consistently above 0.70.

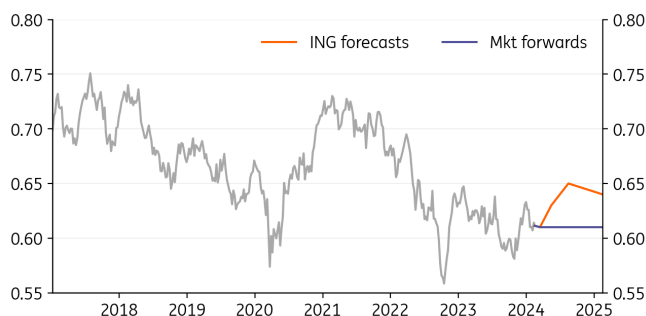
ING forecasts (mkt fwd)	1M 0.65 (0.6524)	3M 0.67 (0.6536)	6M 0.70 (0.6551)	12M 0.70 (0.6568)
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NZD/USD

RBNZ to soften hawkish stance

Current spot: 0.6113



Source: Refinitiv, ING forecasts

- The inflation story in New Zealand is turning, but remains quite mixed. CPI dropped to 4.7% in the fourth quarter, well below RBNZ projections, and first quarter inflation expectations came in at the lowest since the third quarter of 2021.
- At the same time, non-tradeable inflation was a bit higher than consensus in the fourth quarter, and the jobs market proved more resilient than expected, with wage growth staying sticky.
- The RBNZ's tightening bias looks less and less credible considering the global central bank backdrop, and the February meeting should see some softening of the hawkish narrative. NZD may underperform AUD as markets price in RBNZ cuts, but NZD/USD still looks bound higher from the second quarter, in our view.

ING forecasts (mkt fwd)	1M 0.61 (0.6113)	3M 0.63 (0.6112)	6M 0.65 (0.6106)	12M 0.64 (0.6087)
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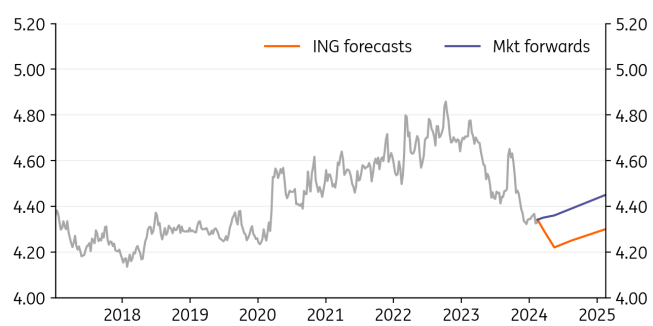


Emerging markets

EUR/PLN

Flat NBP rates should aid the zloty in the coming weeks.

Current spot: 4.3414



Source: Refinitiv, ING forecasts

- We expect the zloty to extend gains in the coming weeks, reaching around 4.20-25 in mid-2024. The market is heavily betting on NBP resuming rate cuts in March despite MPC comments suggesting any easing this year is unlikely. We think that the MPC will indeed focus on CPI prospects in the second half of the year (as inflation rebounds on withdrawal of some of the anti-inflationary measures) and refrain from easing this year.
- Fundamental backing behind the zloty remains firm, as we expect foreign inflows, both investments (i.e., foreign share in POLGBs is still half as high as elsewhere in CEE) and from the EU. However, global political environment may prove a risk, as we are yet to see if US stance on the conflict in Ukraine changes after the presidential elections later this year.

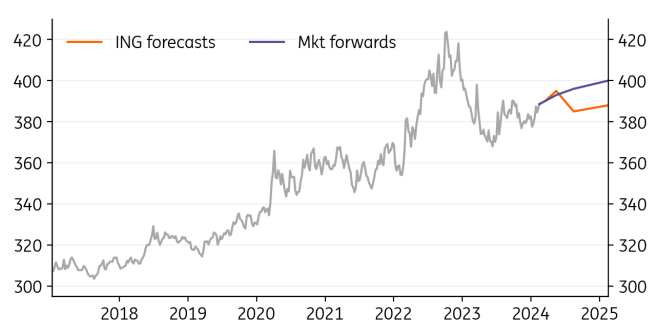
ING forecasts (mkt fwd)	1M 4.30 (4.3477)	3M 4.22 (4.3620)	6M 4.25 (4.3864)	12M 4.30 (4.4473)
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EUR/HUF

We flip the switch, see HUF underperforming

Current spot: 388.56



Source: Refinitiv, ING forecasts

- We expected 2024 to be a good year for the forint, but things haven't exactly gone our way. The recent shift in the tone of monetary policy and the increased unpredictability of economic policy have had a negative impact: markets are no longer cheered by the positive real interest rate environment.
- Add to this a pro-growth fiscal policy, some red flags from the major rating agencies and the ongoing spat with Brussels, and you have a challenging market environment.
- So, we flip the switch: optimism off. We now see EUR/HUF hitting 390 in the first quarter and 395 in the second. However, we still see some positives, preventing the cross to go beyond 400.

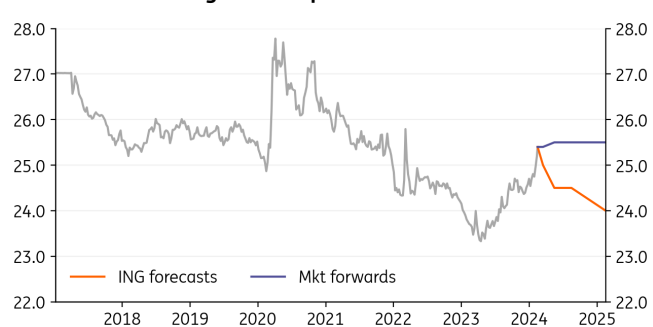
ING forecasts (mkt fwd)	1M 390 (390.32)	3M 395 (392.94)	6M 385 (395.79)	12M 388 (399.88)
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Péter Virovác, peter.virovacz@ing.com

EUR/CZK

Unfortunate timing but the peak is close

Current spot: 25.40



Source: Refinitiv, ING forecasts

- The CNB cut rates by 50bp in February to 6.25% and is accelerating the pace of cutting. EUR/CZK jumped above 25.300 under pressure from higher market bets on more. We believe the dovish mood will peak in February and the market will soon hit the limit of how many rate cuts can be priced in.
- Moreover, the market positioning has been very short for quite some time in our view. Therefore, we expect EUR/CZK to bounce lower soon. The economy should show some recovery this year and the CA has already surprised to the upside massively in 4Q.
- On the market side, rate cut pricing will hit the limit and core rates will play a major driver here which should support the CZK with rate cuts on the ECB side.

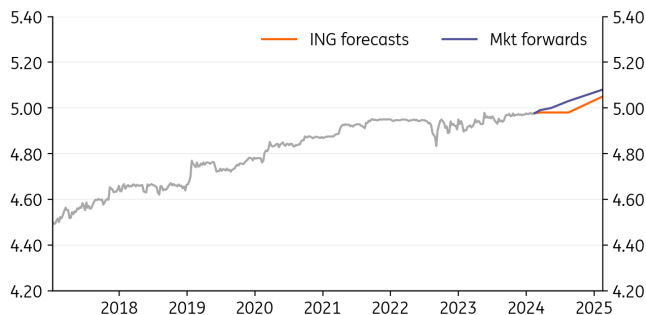
ING forecasts (mkt fwd)	1M 25.0 (25.44)	3M 24.5 (25.50)	6M 24.5 (25.54)	12M 24.0 (25.54)
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EUR/RON

A new range is still not in sight

Current spot: 4.9770



Source: Refinitiv, ING forecasts

- EUR/RON was again relatively stable in the range of 4.9715-4.9775. Volatility was yet again rather muted and, especially with an above-expectations inflation print in January, we don't think there is any room for the NBR to let it meaningfully depart from the current levels.
- With both growth and inflation surprising to the upside on their latest prints, the central bank's job is far from done yet and the FX is prone to remain overvalued. Moreover, strong wage growth and a potential further increase in taxation pose key inflationary risks.
- All told, we continue to foresee FX stability ahead. The chances of a crossing of the 5.00 level sometime in the summer have now diminished.

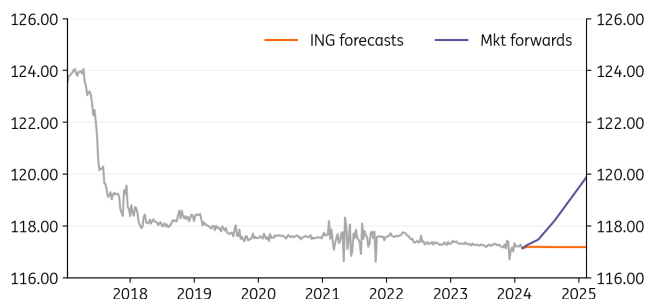
ING forecasts (mkt fwd)	1M 4.98 (4.9862)	3M 4.98 (5.0024)	6M 4.98 (5.0301)	12M 5.05 (5.0776)
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EUR/RSD

As tightly managed as usual

Current spot: 117.14



Source: Refinitiv, ING forecasts

- Election-related instabilities persisted in the headlines. Moreover, as of 1 February, Kosovo enforced an EUR-only usage inside its borders. Despite these, RSD continued moving sideways with limited volatility, in the range of 117.15-117.25.
- The central bank likely continued to mute any selling pressures. On the fiscal front, MFin outlined a budget gap of 2.2% of GDP (initial projection: 3.3%) while Fitch affirmed Serbia at BB+ with stable outlook, shortly after the recent positive review from the IMF.
- We continue to expect a flat and intervention-driven EUR/RSD, as the fight against inflation remains the key priority ahead.

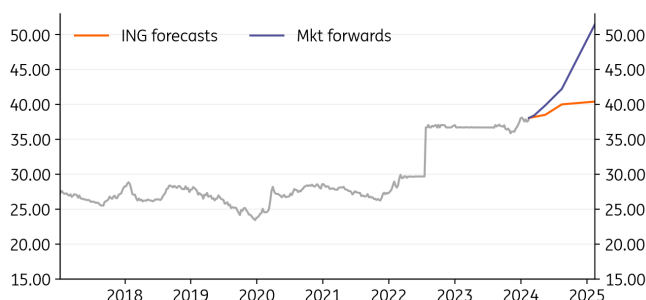
ING forecasts (mkt fwd)	1M 117.19 (117.27)	3M 117.19 (117.47)	6M 117.18 (118.19)	12M 117.18 (119.89)
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USD/UAH

UAH remains at risk.

Current spot: 38.05



Source: Refinitiv, ING forecasts

- NBU's freeing of the hryvnia exchange rate resulted in a major increase in market volatility. The central bank so far managed to stabilise the exchange rate, but at the cost of 2nd highest monthly interventions (Dec 2023, over US\$3.5bn) since the war started. In early 2024, the scale of operations declined significantly. With FX reserves close to all-time high, the NBU should be able to stabilise the exchange rate.
- We continue to access the medium and long-term prospects of the hryvnia as negative. Damage to the Ukrainian economy continues to rise, requiring costly reconstruction. Moreover, markets may become increasingly wary of US presidential elections and potential reduction in US military and financial aid.

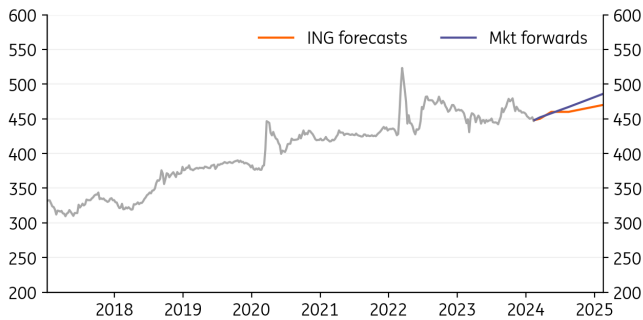
ING forecasts (mkt fwd)	1M 38.20 (38.42)	3M 38.50 (39.85)	6M 40.00 (42.22)	12M 40.40 (51.52)
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USD/KZT

Supported by an inflow of private capital

Current spot: 448.17



Source: Refinitiv, ING forecasts

- The tenge's short-term moves tend to follow the oil price, but the monthly gravitational centre around USDKZT 450 is stronger than we initially expected for the first quarter of this year.
- Private capital inflow is likely the main supporting factor, offsetting the weakening of renminbi and ruble, shrinking of Kazakhstan's trade balance in late 2023 and halving of the FX sales out of the sovereign fund to \$0.6bn in December.
- We remain constructive on the tenge, but private capitals are volatile, and unless foreign trade and public capital flows improve, the scope for further KZT strength appears limited for the medium-term.

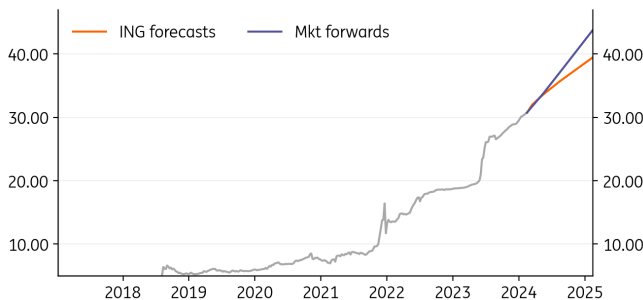
ING forecasts (mkt fwd)	1M 450 (451.52)	3M 460 (457.86)	6M 460 (467.40)	12M 470 (485.90)
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Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

CBT reserves under pressure lately

Current spot: 30.74



Source: Refinitiv, ING forecasts

- The CBT kept its year-end and 2025 inflation forecasts that function as intermediate targets in the disinflation process, unchanged at 36.0% and 14.0%, respectively.
- The bank sees the seasonally adjusted monthly inflation to hover below 4% on average in the first half of this year (around 3% except for January) that will decline to below 2.5% in the third quarter and around 1.5% in the last quarter. This projection implies a strong disinflation path in the second half.
- However, a decline in reserves in recent weeks attracts attention driven by an increase in residents' appetite for FX on the back of a relatively high level of FX-protected deposits maturing in January. Accordingly, the CBT has come up with a policy moves (i.e., adjustments in and remuneration of required reserves) aiming to support deposit rates.

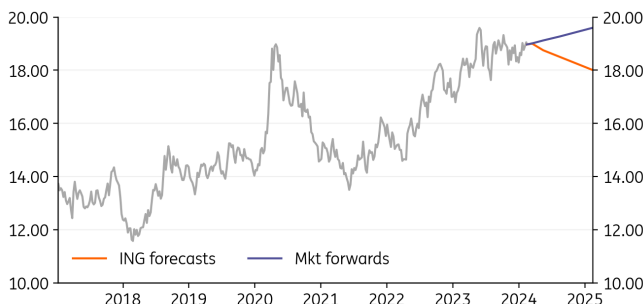
ING forecasts (mkt fwd)	1M 32.00 (31.73)	3M 33.60 (33.76)	6M 35.70 (37.10)	12M 39.50 (43.85)
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Muhammet Mercan, muhammet.mercan@ing.com.tr

USD/ZAR

February budget risk looms large

Current spot: 18.97



Source: Refinitiv, ING forecasts

- USD/ZAR continues to trade in very narrow ranges, with both realised and implied volatility falling. This is exceptional for a traditionally high volatile currency pair. It does focus attention on the 21 Feb national budget, where the government may be tempted to focus on give-aways ahead of an election this summer. This is clearly a negative event risk for South Africa, where the fiscal side often un-nerves the rand.
- GDP is expected weak at 0.6% this year, while the current account deficit is likely to widen towards 3% of GDP. Sticky inflation expectations may see the policy rate kept at 8.25%.
- Our forecast for a lower USD/ZAR entirely hinges on the dollar story.

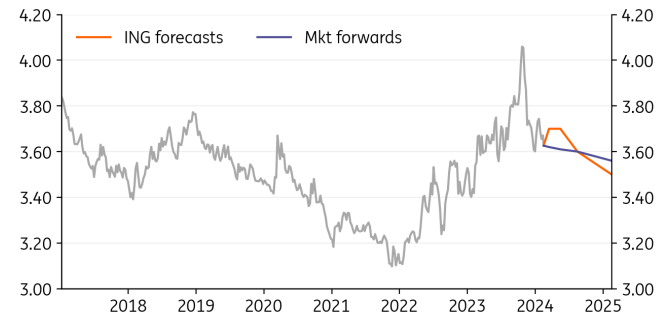
ING forecasts (mkt fwd)	1M 19.00 (19.01)	3M 18.75 (19.12)	6M 18.50 (19.27)	12M 18.00 (19.60)
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Chris Turner, chris.turner@ing.com

USD/ILS

Moody's downgrade does not unnerve the ILS

Current spot: 3.6261



Source: Refinitiv, ING forecasts

- As the war in southern Israel drags on, financial markets have recently seen the Moody's rating agency cut Israel's sovereign credit rating one notch to A2 with a negative outlook. The uncertainty over the path of the war and what it would mean for both government spending and the course of legislative policy were cited as factors. Other rating agencies may follow suit.
- The shekel withstood this news reasonably well and the monthly FX reserve data show that no FX intervention has been required to keep USD/ILS down here near 3.60/70.
- We want to keep a close watch on the external side – will Israel still run a large current account surplus? The dollar trend is set to dominate the second half of the year.

ING forecasts (mkt fwd)	1M 3.70 (3.6232)	3M 3.70 (3.6140)	6M 3.60 (3.5981)	12M 3.50 (3.5644)
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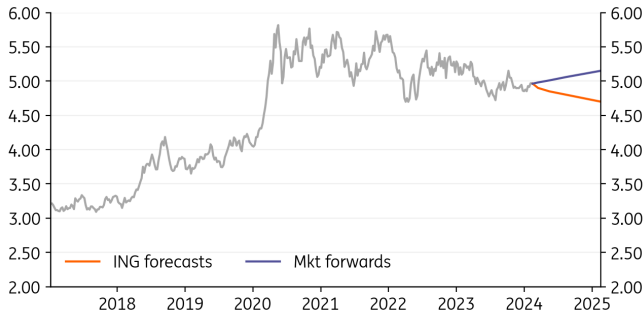
Chris Turner, chris.turner@ing.com

LATAM

USD/BRL

Upgrading the BRL forecast

Current spot: 4.9627



Source: Refinitiv, ING forecasts

- USD/BRL has been trading a very tight range, meaning that both realised and implied volatility has been falling. This is good for investors in the BRL carry trade, where 10% implied yields remain attractive. The BRL has survived the back up in USD rates well.
- Locally, Finance Minister Haddad is briefing that consensus is too pessimistic on flat QoQ growth in 4Q23 and full year 24 growth of 1.6%. He looks for 2% growth minimum. Brazilian assets markets could get an upgrade should China's Two Sessions meeting in March produce results. Better growth can help the fiscal side too.
- BACEN still seems comfortable to cut the policy rate (now 11.25%) another 100bp over the next two meetings.

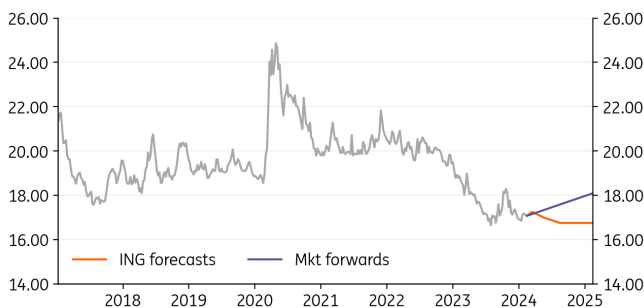
ING forecasts (mkt fwd)	1M 4.90 (4.9813)	3M 4.85 (5.0115)	6M 4.80 (5.0590)	12M 4.70 (5.1515)
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Chris Turner, chris.turner@ing.com

USD/MXN

Peso to hold gains despite start of Banxico easing

Current spot: 17.07



Source: Refinitiv, ING forecasts

- The back-up in US rates has failed to dent the peso's appeal. Nor has Banxico's recent admission that it could start cutting rates at coming meetings. A 25bp rate cut in March now looks likely. However, Banxico has said it will be very cautious in its rate cutting cycle and the starting point for real rates in the 6%+ area suggests the peso does not have to sell off as easing starts.
- Fourth quarter growth slightly disappointed last year, but consensus 2024 GDP growth is still 2.2% - which should be supported by loose fiscal policy this year. Elections in Mexico are held in June.
- Factoring US elections is a tough call into the peso, but a variety of positive factors suggests MXN outperforms its forward curve.

ING forecasts (mkt fwd)	1M 17.25 (17.15)	3M 17.00 (17.32)	6M 16.75 (17.58)	12M 16.75 (18.09)
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USD/CLP

Peso at some worrying levels

Current spot: 962.95



Source: Refinitiv, ING forecasts

- Chile's peso stands out as the worst performer in the Latin space this year. Driving the sell-off has really been the central bank's aggressive easing cycle. In January, the policy rate was slashed again by 100bp (now 7.25%) with one member voting for a 125bp cut. Low inflation has allowed the central bank to solely focus on promoting growth. It seems that real rates coming inside of 5% has been enough to hurt the peso.
- USD/CLP has traded back up to the 950 level which prompted the central bank to slow easing and stop its FX rebuild last October. Unfortunately, FX intervention to support CLP is a no-go.
- CLP could be helped by China stimulus or a weaker dollar in 2H24.

ING forecasts (mkt fwd)	1M 900 (964.55)	3M 875 (966.75)	6M 850 (967.75)	12M 850 (968.05)
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Chris Turner, chris.turner@ing.com



Asia

USD/CNY

PBOC easing bias could cause near term weakness

Current spot: 7.1936



Source: Refinitiv, ING forecasts

- The CNY weakened over the past month from around 7.10 at the start of the year to nearly 7.20 in early February, as markets speculated the PBoC would cut rates in January. While this did not materialize, the PBoC did deliver a 50bp RRR cut.
- Economic momentum was soft to start the year, and it is possible we could see further monetary easing in the next month, which adds to the short-term depreciation bias.
- In subsequent months, an expected recovery of sentiment or fundamentals, as well as the start of global rate cuts would be potential catalysts for CNY appreciation.

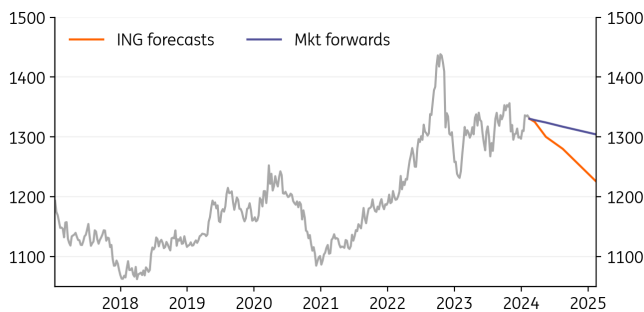
ING forecasts (mkt fwd)	1M 7.23 (7.1743)	3M 7.15 (7.1315)	6M 7.08 (7.0661)	12M 6.90 (6.9416)
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Lynn Song, lynn.song@asia.ing.com

USD/KRW

KRW will gain only if a clear signal of US monetary easing

Current spot: 1330.27



Source: Refinitiv, ING forecasts

- The KRW fluctuated between 1,290-1,340 despite the recent robust recovery in exports. The market seemed concerned that tight liquidity conditions might trigger defaults in the property market if the restrictive monetary policy continues.
- Inflation eased to 2.8% YoY in January and is expected to move further down due to base effects in the first quarter of the year. However, it could bounce back in 2Q24 once various government measures to curb prices end.
- The KRW will likely stay in 1,300 - 1,325 range in the near term and we expect clearer appreciation trends from the second quarter.

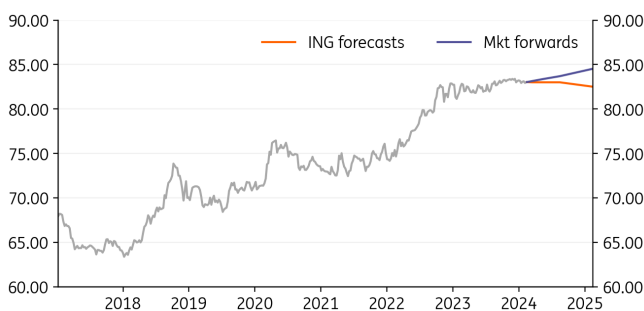
ING forecasts (mkt fwd)	1M 1325 (1328.41)	3M 1300 (1323.87)	6M 1280 (1316.96)	12M 1225 (1304.07)
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Rob Carnell, robert.carnell@asia.ing.com

USD/INR

RBI leaving inflows unsterilised

Current spot: 83.02



Source: Refinitiv, ING forecasts

- There isn't much to add on the virtually fixed INR since last month, though the rupee has gained slightly against the USD, despite the recent tendency for the USD to appreciate as March cuts were priced out.
- Capital inflows ahead of this year's inclusion of Indian government bonds into the JPM global bond index may be helping the INR to make gains near-term.
- Perhaps to limit the appreciation trend this implies, and also to help alleviate tight credit, these flows, which would be added to RBI reserves in exchange for INR, are not being sterilised. We expect this to continue until at least the end of the second quarter of 2024.

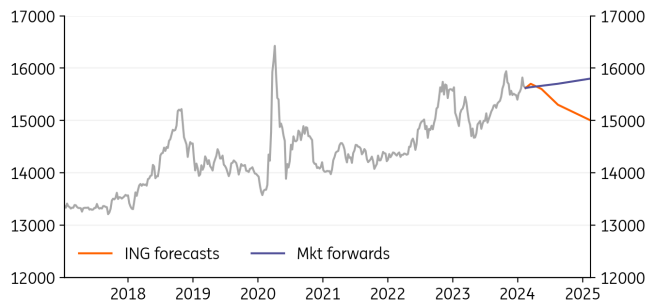
ING forecasts (mkt fwd)	1M 83.00 (83.14)	3M 83.00 (83.37)	6M 83.00 (83.69)	12M 82.50 (84.53)
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Rob Carnell, robert.carnell@asia.ing.com

USD/IDR

IDR knocked back by pre-election jitters

Current spot: 15620



Source: Refinitiv, ING forecasts

- The IDR was pressured in January, with investor anxiety hitting a peak ahead of the 14 February election. Reports that top cabinet officials were mulling resignation sparked concern over the economy's fiscal health.
- Bank Indonesia (BI) kept policy rates untouched at its January meeting, signalling that rate cuts were not yet in the pipeline. Hawkish commentary and a pledge to support the currency helped steady the IDR.
- The IDR is likely to remain pressured until more clarity on the political front is achieved.

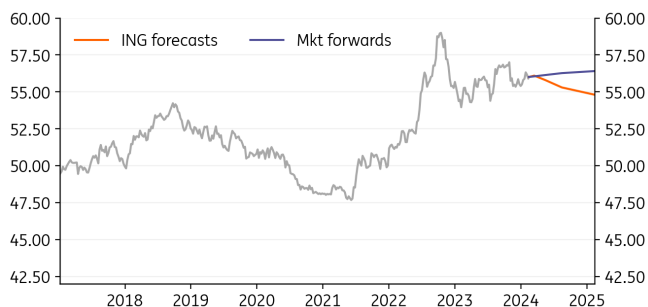
ING forecasts (mkt fwd)	1M 15700 (15636)	3M 15600 (15662)	6M 15300 (15701)	12M 15000 (15800)
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Nicholas Mapa, nicholas.mapa@asia.ing.com

USD/PHP

PHP remained pressured as trade deficit widens

Current spot: 56.01



Source: Refinitiv, ING forecasts

- The PHP initially faded in January with remittance flows drying up after the holidays and with corporate demand resuming at the start of the year. A wider-than-expected trade deficit also added pressure on the PHP.
- BSP Governor Remolona recommitted to keeping policy “sufficiently tight” despite softening inflation, which helped counter the pressure on the PHP. Remolona had ruled out cutting policy rates for at least the first half of the year.
- The PHP could continue to face pressure as remittance flows dry up in the first quarter amid rising corporate demand.

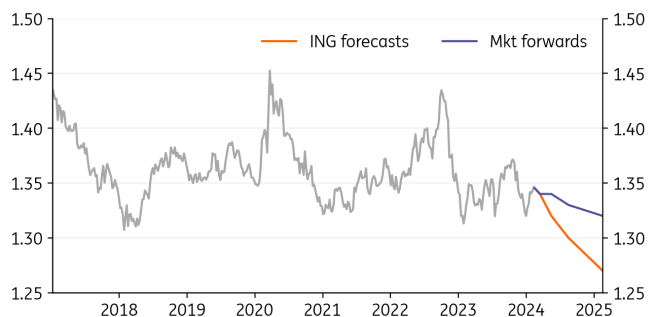
ING forecasts (mkt fwd)	1M 56.10 (56.05)	3M 55.80 (56.14)	6M 55.30 (56.27)	12M 54.80 (56.41)
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USD/SGD

SGD tracked regional pullback

Current spot: 1.3454



Source: Refinitiv, ING forecasts

- The SGD moved sideways in January but slipped in early February in reaction to disappointing data on industrial production and non-oil domestic exports.
- The Monetary Authority of Singapore (MAS) retained all policy settings at their January meeting, given the recent flare-up in inflation. Better-than-anticipated GDP data suggests the MAS will maintain their current stance until price pressures dissipate.
- The SGD NEER should continue its modest appreciation path in the near term given the inflation outlook.

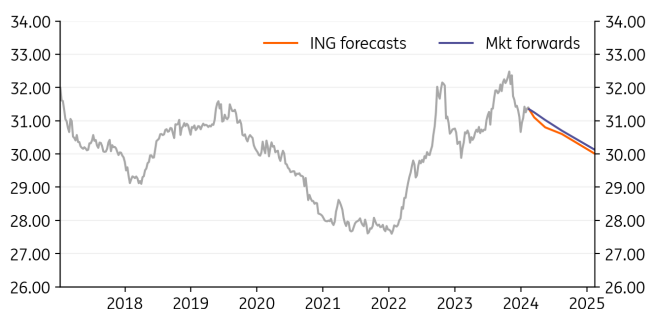
ING forecasts (mkt fwd)	1M 1.34 (1.3437)	3M 1.32 (1.3400)	6M 1.30 (1.3346)	12M 1.27 (1.3249)
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USD/TWD

Trade takes over from po

Current spot: 31.35



Source: Refinitiv, ING forecasts

- The TWD weakened somewhat to start the year, as the DPP victory in the elections pushed USDTWD to 31.6 before a slight recovery.
- Election jitters are in the rearview, and the Taiwan Central Bank is expected to keep monetary policy steady, both factors favour the TWD in the near term. This is offset by a recovery of imports resulting in a smaller January trade surplus.
- Geopolitical factors appear likely to intermittently play a role in the TWD trajectory this year, particularly if US-China tensions ramp up ahead of the US elections. Incoming president William Lai's inauguration on 20 May is a potential flashpoint.

ING forecasts (mkt fwd)	1M 31.10 (31.25)	3M 30.80 (31.02)	6M 30.60 (30.70)	12M 30.00 (30.12)
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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	1.08	1.08	1.08	1.10	1.15						
EUR/JPY	161.4	160	157	154	150	USD/JPY	149.94	148	145	140	130
EUR/GBP	0.86	0.86	0.87	0.88	0.88	GBP/USD	1.26	1.26	1.24	1.25	1.31
EUR/CHF	0.95	0.95	0.96	0.96	0.96	USD/CHF	0.88	0.88	0.89	0.87	0.83
EUR/NOK	11.35	11.40	11.20	10.90	10.50	USD/NOK	10.55	10.56	10.37	9.91	9.13
EUR/SEK	11.25	11.40	11.30	11.10	10.70	USD/SEK	10.45	10.56	10.46	10.09	9.30
EUR/DKK	7.455	7.460	7.460	7.460	7.460	USD/DKK	6.92	6.91	6.91	6.78	6.49
EUR/CAD	1.46	1.46	1.44	1.42	1.47	USD/CAD	1.352	1.35	1.33	1.29	1.28
EUR/AUD	1.65	1.66	1.61	1.57	1.64	AUD/USD	0.65	0.65	0.67	0.70	0.70
EUR/NZD	1.76	1.77	1.71	1.69	1.80	NZD/USD	0.61	0.61	0.63	0.65	0.64
EMEA											
EUR/PLN	4.34	4.30	4.22	4.25	4.30	USD/PLN	4.04	3.98	3.91	3.86	3.74
EUR/HUF	388.6	390.00	395.00	385.00	388.00	USD/HUF	360.9	361	366	350	337
EUR/CZK	25.39	25.0	24.5	24.5	24.0	USD/CZK	23.59	23.1	22.7	22.3	20.9
EUR/RON	4.98	4.98	4.98	4.98	5.05	USD/RON	4.62	4.61	4.61	4.53	4.39
EUR/RSD	117.2	117.2	117.2	117.2	117.2	USD/RSD	108.9	108.5	108.5	106.5	101.9
EUR/UAH	40.80	41.3	41.6	44.0	46.5	USD/UAH	37.85	38.20	38.50	40.00	40.40
EUR/KZT	482.0	486.0	496.8	506.0	540.5	USD/KZT	448.2	450	460	460	470
EUR/TRY	33.09	34.56	36.29	39.27	45.43	USD/TRY	30.70	32.00	33.60	35.70	39.50
EUR/ZAR	20.42	20.5	20.3	20.4	20.7	USD/ZAR	18.97	19.00	18.75	18.50	18.00
EUR/ILS	3.91	4.00	4.00	3.96	4.03	USD/ILS	3.63	3.70	3.70	3.60	3.50
LATAM											
EUR/BRL	5.35	5.29	5.24	5.28	5.41	USD/BRL	4.97	4.90	4.85	4.80	4.70
EUR/MXN	18.37	18.6	18.4	18.4	19.3	USD/MXN	17.08	17.25	17.00	16.75	16.75
EUR/CLP	1034.09	972	945	935	978	USD/CLP	960.60	900	875	850	850
Asia											
EUR/CNY	7.74	7.81	7.72	7.79	7.94	USD/CNY	7.19	7.23	7.15	7.08	6.90
EUR/IDR	16695	16956	16848	16830	17250	USD/IDR	15620	15700	15600	15300	15000
EUR/INR	89.39	89.6	89.6	91.3	94.9	USD/INR	83.04	83.00	83.00	83.00	82.50
EUR/KRW	1432.87	1431	1404	1408	1409	USD/KRW	1331.04	1325	1300	1280	1225
EUR/PHP	60.30	60.6	60.3	60.8	63.0	USD/PHP	56.01	56.1	55.8	55.3	54.8
EUR/SGD	1.45	1.45	1.43	1.43	1.46	USD/SGD	1.35	1.34	1.32	1.30	1.27
EUR/TWD	33.77	33.6	33.3	33.7	34.5	USD/TWD	31.37	31.1	30.8	30.6	30.0

Source: Refinitiv, ING

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