FX Talking

January 2024

Waiting on the dollar departure

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

Francesco Pesole
Foreign Exchange Strategy
francesco.pesole@ing.com

Waiting on the dollar departure

It seems like financial markets have a conviction call that 2024 will be a year of a weaker dollar. We agree. However, it looks like patience will be required over coming months given that the data and central bank communication do not yet support the kind of 150bp easing cycle currently priced for the Federal Reserve this year. Additionally, January and February are normally good months for the dollar.

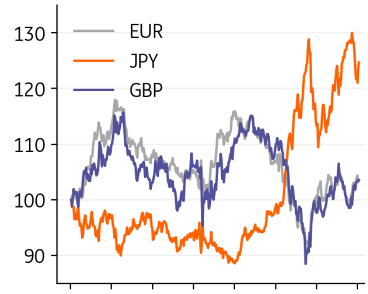
As outlined in our 2024 FX Outlook, we expect a broader dollar trend to become more apparent through the second quarter as lower US rates unleash portfolio flows more broadly to the Rest of the World. Of course, geopolitical risks remain. It is not in our baseline view, but a major escalation in the Middle East and another energy supply shock would see the dollar outperform at the expense of Europe and Asia.

To the forecasts. We retain a 1.15 end year forecast for EUR/USD but see range trading in the near term. While a re-assessment of the aggressively priced European Central Bank easing cycle could in theory be positive for the euro, a deteriorating investment environment could well curtail any sizable near-term gains in EUR/USD and other risk-sensitive currencies.

The Japanese yen could well be an outperformer if, as our team thinks, the Bank of Japan does significantly shift policy in April. And sterling could prove something of a dark horse. We are currently mildly bearish sterling on the view that the Bank of England cuts rates 100bp. However, looser UK fiscal policy could keep sterling better supported.

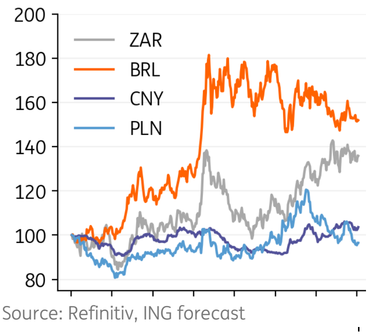
Across the EM space, easing cycles continue in parts of EMEA and Latam. Patience is again advised for the rally in CEE currencies. And China will continue to hold Asia FX back.

USD/Majors (4 Jan 15=100)



Source: Refinitiv, ING forecast

USD/EM (4 Jan 15=100)



Source: Refinitiv, ING forecast

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.08	↓	145	→	1.23	→
3M	1.08	↓	140	↓	1.23	→
6M	1.10	↑	135	↓	1.24	↓
12M	1.15	→	130	↓	1.28	→
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.87	↑	24.70	→	4.34	↓
3M	0.88	↑	24.50	↓	4.25	↓
6M	0.89	↑	24.25	↓	4.20	↓
12M	0.90	↑	23.75	↓	4.20	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	7.15	→	17.25	↑	4.90	→
3M	7.10	→	17.00	→	5.00	↑
6M	7.05	→	16.75	↓	5.00	→
12M	6.85	↓	16.75	↓	4.90	↓

↑ / → / ↓ 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	-4.2	0.3	-1.3	-2.4	2.8	1.1
%YoY	-8.6	6.3	-3.3	-3.0	-4.7	1.8
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	6.1	18.6	-3.0	2.7	-0.7	7.1
%YoY	8.1	21.6	-10.1	19.5	-2.9	90.7

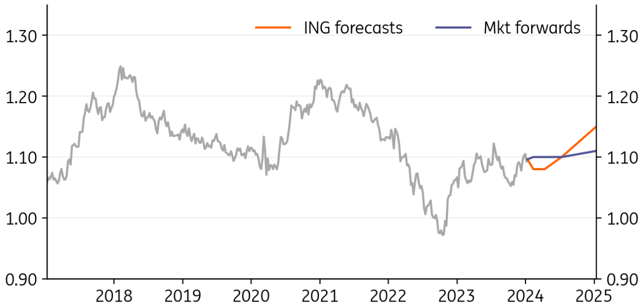
Source: Refinitiv, ING forecast

Developed markets

EUR/USD

A dose of patience is required

Current spot: 1.0962



Source: Refinitiv, ING forecasts

- There seems to be a strong conviction out there that the dollar will weaken this year. We agree with the view but expect this story to be more evident through the second quarter – a point where short-dated US yields start to fall sharply ahead of the first Fed cut. We look for the first cut in May and 150bp of easing in all. At present, the Fed expects it will cut 75bp this year.
- Before then, the market looks to have got ahead of itself in pricing 18bp of Fed cuts at the March meeting. This looks highly unlikely and, combined with seasonal trends which support the dollar in January/February, should keep EUR/USD near 1.08/1.09.
- Far too much ECB easing is priced in as well (150bp vs. our call for 75bp). But a back-up in rates could weigh on equities and the euro.

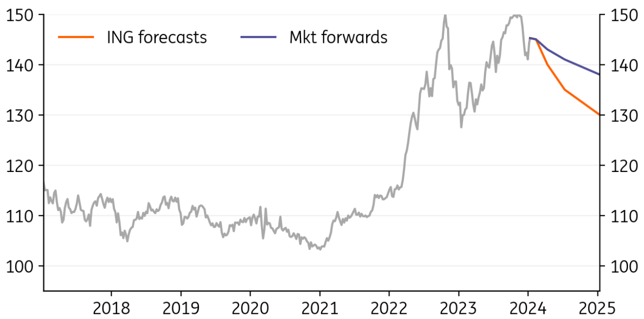
ING forecasts (mkt fwd)	1M 1.08 (1.0976)	3M 1.08 (1.1003)	6M 1.10 (1.1043)	12M 1.15 (1.1133)

Chris Turner, chris.turner@ing.com

USD/JPY

BoJ seems in no hurry to tighten policy

Current spot: 145.25



Source: Refinitiv, ING forecasts

- USD/JPY came close to 140 in late December as the broad dollar decline and speculation over a Bank of Japan (BoJ) policy change drove sentiment. Regarding the BoJ, the mood music from Tokyo suggests no imminent changes. Wages have yet to deliver a virtuous circle for consumption and inflation and the BoJ might revise down its GDP and CPI outlook at its 23 Jan policy meeting.
- Yet we think 152 probably was the top for USD/JPY and it will struggle to hold above 146/147 levels now. Also, the better terms of trade story is providing external support for the yen.
- Two outside risks: 1) Geopolitics and a spike in oil prices are JPY negative 2) US Treasury Refunding risk on 29 Jan & higher UST yields.

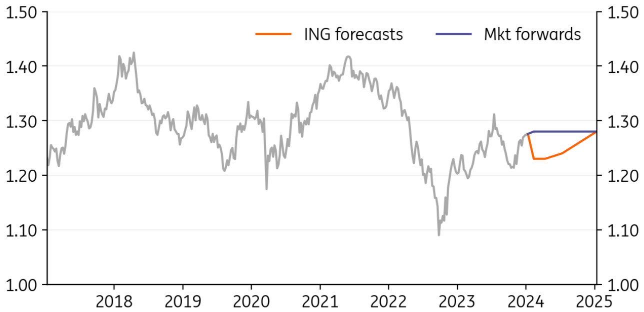
ING forecasts (mkt fwd)	1M 145 (144.54)	3M 140 (143.19)	6M 135 (141.31)	12M 130 (137.99)

Chris Turner, chris.turner@ing.com

GBP/USD

Loose fiscal, tight monetary could help GBP

Current spot: 1.2756



Source: Refinitiv, ING forecasts

- Sterling has been able to hold onto its late year gains pretty well and the sterling trade-weighted index is back to levels last seen in early September. The softer rate/softer dollar/higher equity environment has helped – but so has the domestic environment.
- Here, there is focus on the UK budget on 6 March, where tax cuts are on the agenda. Unlike September 2022, we believe that these are credible tax cuts funded by the lower environment for debt servicing costs. They could add 0.2-0.3% to UK GDP this year and make the case for the BoE keeping rates tighter for longer.
- A 100bp BoE easing cycle is the reason why we think GBP will be contained this year – but there are growing upside risks for GBP.

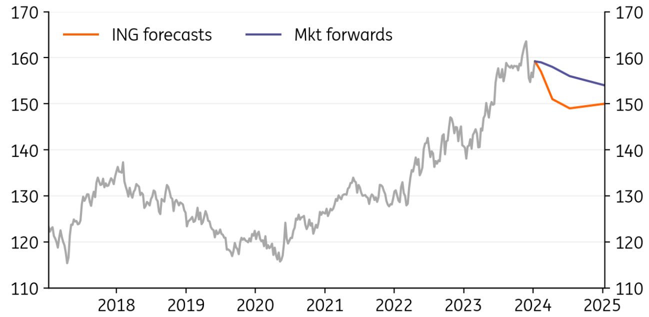
ING forecasts (mkt fwd)	1M 1.23 (1.2758)	3M 1.23 (1.2762)	6M 1.24 (1.2761)	12M 1.28 (1.2762)

Chris Turner, chris.turner@ing.com

EUR/JPY

Carry trade strategies could provide support

Current spot: 159.19



Source: Refinitiv, ING forecasts

- Carry trade strategies have probably provided some support to EUR/JPY this year. With volatility low and investors unsure of direction, the fallback has been to pursue carry. The yen still suffers from negative implied yields and unless there is a conviction call that the BoJ will exit super-loose policy, the yen will remain the preferred funding currency.
- Domestically, Japan is expected to grow a little more strongly than Europe, helped by its exposure to high end tech. And we do think the BoJ will tighten policy at the late April policy meeting.
- We have a bearish set of EUR/JPY forecasts – largely on the back of BoJ policy, but acknowledge we are fighting a three-year bull trend.

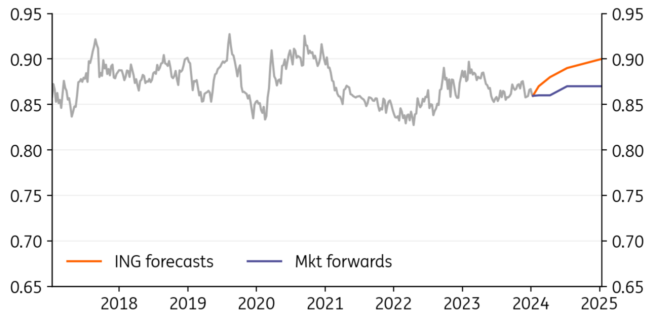
ING forecasts (mkt fwd)	1M 157 (158.63)	3M 151 (157.54)	6M 149 (156.03)	12M 150 (153.62)

Chris Turner, chris.turner@ing.com

EUR/GBP

2024 election? No problem

Current spot: 0.8595



Source: Refinitiv, ING forecasts

- Our bullish call on EUR/GBP this year is largely premised on the BoE cutting more than the ECB. Yet we may well be under-estimating sterling strength and may need to lower our EUR/GBP profile over coming months.
- UK activity might be holding up a little better than in Europe, which is seeing soft industrial production. And the UK could have some looser fiscal policy coming through too.
- We mentioned it last year but will repeat it. A UK election looks likely in October/November this year. The last two elections have seen a 5% risk premium built into the pound. But with Labour maintaining a steady 20-point lead in the polls, we see no reason for a sterling risk premium this year.

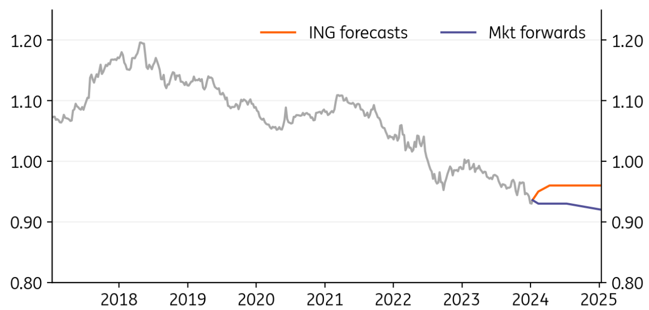
ING forecasts (mkt fwd)	1M 0.87 (0.8604)	3M 0.88 (0.8622)	6M 0.89 (0.8654)	12M 0.90 (0.8723)

Chris Turner, chris.turner@ing.com

EUR/CHF

Looking for the correction higher

Current spot: 0.9358



Source: Refinitiv, ING forecasts

- EUR/CHF looks too low to us. It looks to have traded down to these 0.92/93 levels on the back of the excessive pricing of the ECB easing cycle – where at one stage nearly 200bp of 2024 ECB had been discounted. Our team looks for a mere 75bp compared to current pricing of 150bp. If we are right – and given that rate differentials have been a bigger driver over recent months – we see EUR/CHF correcting back up to the 0.95/0.96 area.
- In December, the Swiss National Bank made it clear that it had switched policy from delivering nominal CHF appreciation – this because inflation was not on target. In fact, we now expect the SNB to be FX buyers.
- Geopolitics is a bearish risk, but macro favours a higher EUR/CHF.

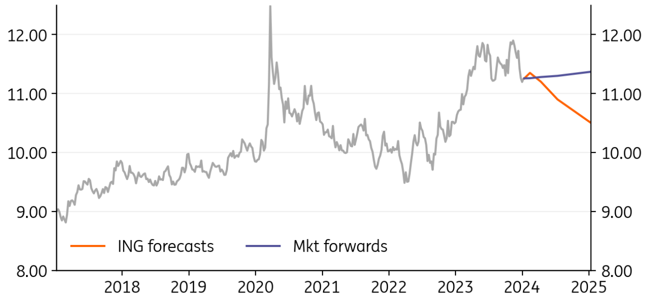
ING forecasts (mkt fwd)	1M 0.95 (0.9340)	3M 0.96 (0.9304)	6M 0.96 (0.9255)	12M 0.96 (0.9177)

Chris Turner, chris.turner@ing.com

EUR/NOK

NOK rally looks a bit premature

Current spot: 11.26



Source: Refinitiv, ING forecasts

- The surprise rate hike by Norges Bank and the risk-on rally in December gave a boost to the krone. However, we suspect NOK bulls (with whom we sympathise) may have jumped the gun.
- Norges Bank looks unlikely to hike further but shouldn't drop its hawkish bias easily after having raised rates less than a month ago. That, however, shouldn't be enough to keep supporting the krone near term, which is at risk of a correction as risk assets look unstable in the short-term.
- A rebound in EUR/NOK can extend to the 11.60 area in 1Q. We still favour a decline in the pair to 11.00 by the second half of the year, as the undervalued NOK benefits from lower global rates.

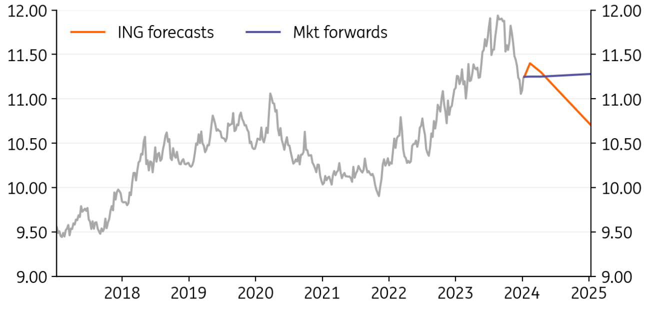
ING forecasts (mkt fwd)	1M 11.35 (11.26)	3M 11.20 (11.28)	6M 10.90 (11.30)	12M 10.50 (11.37)

Francesco Pesole, franceso.pesole@ing.com

EUR/SEK

FX sales should end by early-February

Current spot: 11.25



Source: Refinitiv, ING forecasts

- We estimate that hedging operations by the Riksbank will end by early-February. This means that the extra support for the krona (which we calculate at around 2-3% vs EUR) received by FX sales will evaporate soon.
- We do acknowledge there is a risk that the Riksbank extends FX sales, although we think the bank will prefer to observe FX and inflation dynamics first. In the event of a material SEK selloff, the chances of a new RB hedging programme would rise significantly.
- We still expect EUR/SEK to trend lower after some near-term potential upside correction. That should ultimately allow the Riksbank to turn to a more dovish stance and relieve the economy of tight rates.

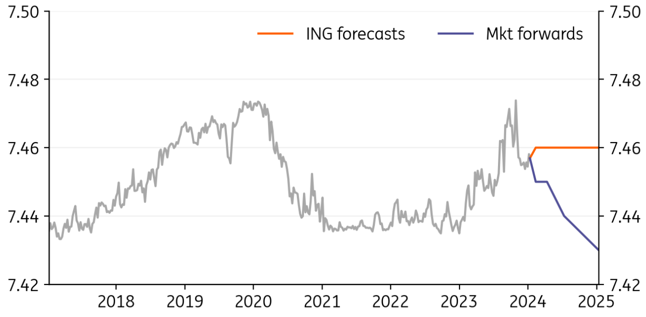
ING forecasts (mkt fwd)	1M 11.40 (11.25)	3M 11.30 (11.25)	6M 11.10 (11.26)	12M 10.70 (11.28)

Francesco Pesole, franceso.pesole@ing.com

EUR/DKK

Stabilisation around 7.46 to continue

Current spot: 7.4569



Source: Refinitiv, ING forecasts

- Danmarks Nationalbank did not intervene in the FX market for an eleventh straight month in November.
- FX volatility in December did not impact EUR/DKK, which has stabilised marginally below the 7.4600 central peg level. At the moment, we see no reason for DN to diverge from the ECB path in 2024. We expect 75bp of easing in both the eurozone and Denmark by the end of the year.
- DKK's lower implied rate may gradually push EUR/DKK above the peg parity level, although not substantially. We continue to target a flat exchange rate around 7.46.

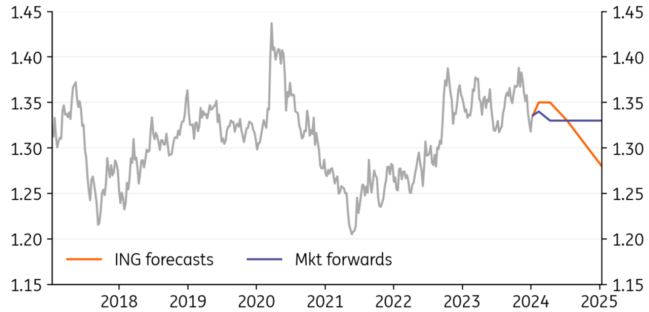
ING forecasts (mkt fwd)	1M 7.46 (7.4545)	3M 7.46 (7.4499)	6M 7.46 (7.4434)	12M 7.46 (7.4324)

Francesco Pesole, franceso.pesole@ing.com

USD/CAD

BoC to follow Fed's dovish turn

Current spot: 1.3358



Source: Refinitiv, ING forecasts

- The rebound in the dollar has taken USD/CAD back to the 1.34 mark, after a drop to the 1.32 mark in December appeared rather overdone. Incoming US data should continue to be a key driver for CAD in the crosses, given its high correlation with US economic sentiment.
- The Bank of Canada meets on 24 January, and we see a high chance that it will follow the Fed in signalling rate cuts by year-end, thus dropping its tightening bias. Governor Tiff Macklem seemed to anticipate a dovish pivot in a December speech.
- We remain unexcited about CAD's prospects, and some benefits from residual resilience in US data may be offset by a more dovish BoC. We still favour NOK as an oil-sensitive currency in '24.

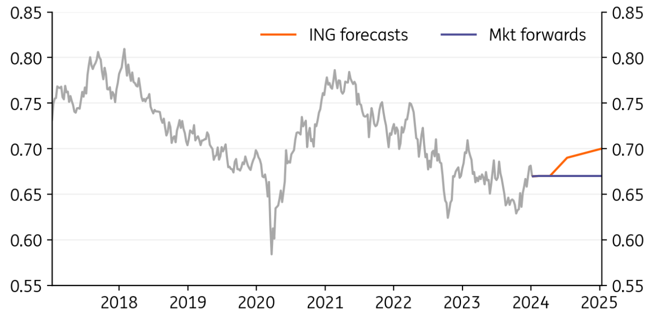
ING forecasts (mkt fwd)	1M 1.35 (1.3353)	3M 1.35 (1.3342)	6M 1.33 (1.3330)	12M 1.28 (1.3311)

Francesco Pesole, franceso.pesole@ing.com

AUD/USD

Pausing after the big rebound

Current spot: 0.6696



Source: Refinitiv, ING forecasts

- We have long argued that AUD looked attractive into the new year, and surely welcome the big rally in AUD/USD in November/December. But as for the other high-beta currencies, there is probably room for some correction or at least a pause before the uptrend resumes, given unstable risk sentiment.
- Domestically, CPI was slightly lower than expected at 4.3% year-on-year in the November reading; enough to keep the Reserve Bank of Australia cautiously optimistic on the disinflation process. Still, we expect the RBA to be less dovish than the Fed this year, cutting only from 4Q.
- Policy differentials, undervaluation and lower global yields will, in our view, drive AUD/USD sustainably above 0.70 in 2H24.

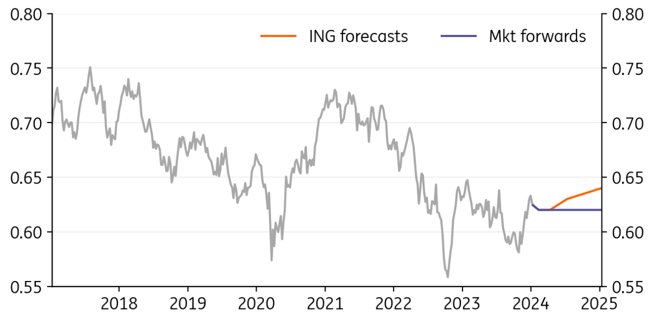
ING forecasts (mkt fwd)	1M 0.67 (0.6704)	3M 0.67 (0.6716)	6M 0.69 (0.6727)	12M 0.70 (0.6733)

Francesco Pesole, franceso.pesole@ing.com

NZD/USD

Disinflation still not fast enough for the RBNZ

Current spot: 0.6243



Source: Refinitiv, ING forecasts

- The Reserve Bank of New Zealand has plenty of time to collect key data before announcing policy again on 28 February. We expect 4Q inflation to come in at around 5.0% and employment data to remain good, meaning the RBNZ may be deliver a big dovish shift as soon as February.
- NZD had a stellar year-end and remains well positioned for a rally once the Fed starts easing and risk assets start to navigate less agitated waters.
- Our short-term view on NZD/USD is in line with that of other commodity currencies, expecting some stabilisation or correction from current levels.

ING forecasts (mkt fwd)	1M 0.62 (0.6245)	3M 0.62 (0.6245)	6M 0.63 (0.6241)	12M 0.64 (0.6226)

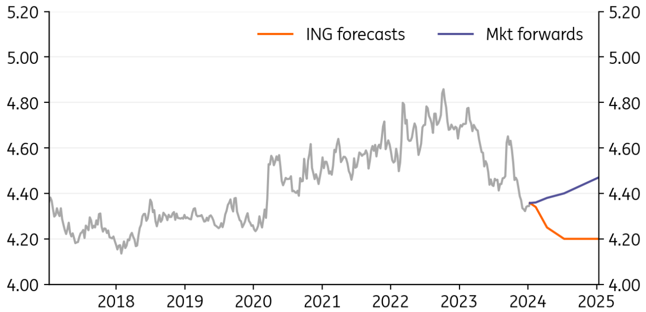
Francesco Pesole, franceso.pesole@ing.com

Emerging markets

EUR/PLN

Investors trimming PLN longs, long prospect still positive

Current spot: 4.3576



Source: Refinitiv, ING forecasts

- Foreign investors are trimming their long positions in the zloty. For now, this is countering otherwise solid fundamentals behind the currency. Hence breaching 4.30 may prove difficult in early 1Q24.
- Nonetheless we expect the zloty to extend gains in 2024, with target levels around 4.20-25. The market is still pricing aggressive rate cuts, over 100bp this year, starting in March. The central bank rhetoric suggests that the scope for easing is much lower, given a likely CPI rebound in 2H24. On top of that, we expect further foreign inflows, both investments (i.e the foreign share in POLGBs is still just half as much as elsewhere in CEE) and from the EU. Poland should also maintain a current account surplus. The conflict in Ukraine remains the key risk for the zloty, as Ukrainian success becomes more distant.

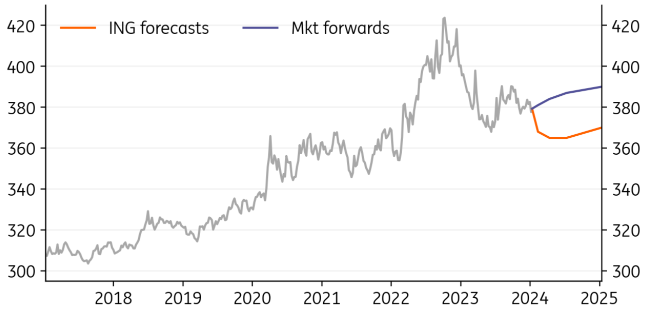
ING forecasts (mkt fwd)	1M 4.34 (4.3645)	3M 4.25 (4.3791)	6M 4.20 (4.4030)	12M 4.20 (4.4650)

Piotr Poplawski, piotr.poplawski@ing.pl

EUR/HUF

New year, new hopes of HUF breaking out

Current spot: 379.26



Source: Refinitiv, ING forecasts

- We have turned the page on 2023, but investors have hardly put their doubts about the forint behind them. The impact of the EU deal has been more pronounced in the rates space than in FX.
- The narrowing of the interest rate differential goes hand in hand with renewed market expectations of a more dovish central bank. Although we have some doubts, we see the market reinforcing this view thanks to the favourable disinflation process.
- As a result, we could see a move in EUR/HUF above 380. However, as we expect the central bank to remain cautious and to surprise on the hawkish side, we call for a breakout below 370 with extremely positive real rates around spring.

ING forecasts (mkt fwd)	1M 368 (381.19)	3M 365 (383.94)	6M 365 (386.57)	12M 370 (390.20)

Péter Virovácz, peter.virovacz@ing.com

EUR/CZK

Turning positive on the koruna since all cuts priced in

Current spot: 24.66

Source: Refinitiv, ING forecasts

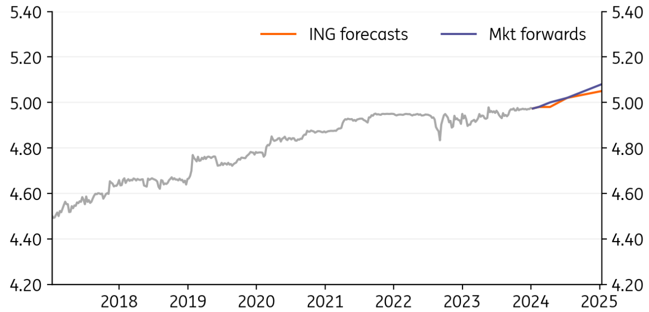
- We turned positive on the koruna in early January given that the market had already priced in the vast majority of central bank rate cuts.
- December inflation surprised to the downside, raising the risk of a larger rate cut in February, which would likely keep the CZK at weaker levels for longer. But in a base case scenario of 25bp in February and 50bp in March, we believe the CZK has the potential to make new gains or at least stay where it is.
- On the positive side, market positioning has taken a bearish stance here, making CZK the most shorted FX within CEE. Thus, a reversal may trigger some unwinding of short positions and support the CZK.

ING forecasts (mkt fwd)	1M 24.7 (24.71)	3M 24.5 (24.80)	6M 24.2 (24.89)	12M 23.8 (24.99)

Frantisek Taborsky, frantisek.taborsky@ing.com

EUR/RON

A new range is still not in sight **Current spot: 4.9735**



Source: Refinitiv, ING forecasts

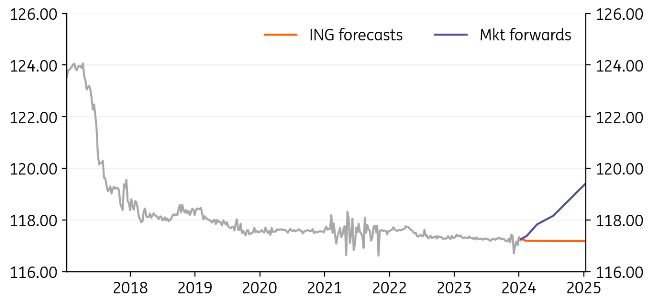
- EUR/RON experienced another month of stability in the range of 4.965-4.975. Volatility has been minimal and the likelihood of a departure from the current state is quite small, in our view.
- While inflation recently surprised to the downside, the central bank's job is far from done, and hence is in no hurry to address the FX overvaluation. Moreover, the persistent budget deficit and wage growth pose key inflationary risks.
- All told, we don't see any imminent departure from the current range. The second half of the year might bring a crossing of the 5.00 level, but only if inflation heads credibly towards the target by that time.

ING forecasts (mkt fwd)	1M 4.98 (4.9804)	3M 4.98 (4.9954)	6M 5.02 (5.0204)	12M 5.05 (5.0823)

Valentin Tataru, valentin.tataru@ing.com

EUR/RSD

As tightly managed as usual **Current spot: 117.26**



Source: Refinitiv, ING forecasts

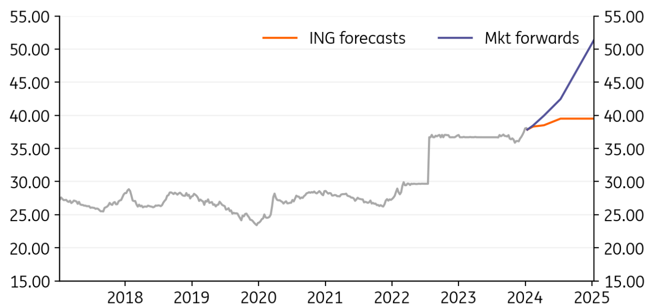
- Social and political instability has been rising sharply over the past month, with many consecutive days of protests by unhappy voters over rigged election accusations. That said, FX volatility during this time was not much different to the rest of the year, in a range of 117.15-117.27.
- In 2023, the budget gap seems to have been around 2.4% of GDP, improving from an initial projection of 3.3%. Moreover, in December 2023, the IMF concluded a positive review under the current Stand-By Agreement.
- 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 (117.37)	3M 117.19 (117.83)	6M 117.18 (118.16)	12M 117.18 (119.42)

Valentin Tataru, valentin.tataru@ing.com

USD/UAH

UAH weakness testing NBU **Current spot: 37.84**



Source: Refinitiv, ING forecasts

- USD/UAH is already trading above levels prior to the National Bank of Ukraine's decision to free the exchange rate. As expected, hryvnia gains were impossible to hold given a massive current account deficit. Now we will see how much hryvnia depreciation the NBU is willing to tolerate. Foreign aid has helped to shore up Ukraine's FX reserves close to an all-time high, so the NBU has no shortage of ammunition left.
- Long-term prospects of the hryvnia remain fundamentally negative. With no prompt end to the Russian aggression in sight, the damage to the Ukrainian economy will only increase, requiring massive reconstruction-linked imports. At the same time, much of its export links are cut.

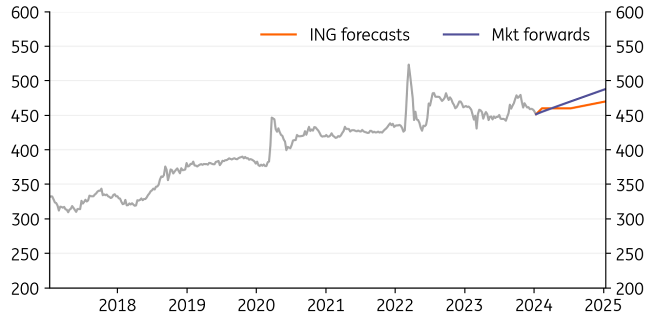
ING forecasts (mkt fwd)	1M 38.30 (38.45)	3M 38.50 (39.95)	6M 39.50 (42.46)	12M 39.50 (51.42)

Piotr Poplawski, piotr.poplawski@ing.pl

USD/KZT

Higher sales of FX by the government give KZT a boost

Current spot: 451.50



Source: Refinitiv, ING forecasts

- The tenge ended the year 2023 at 456 vs. USD, close to our expectations of 460. While the end-of-month appreciation may have been supported by stronger oil prices, the general trend seems to be related to the recovery in FX sales from the sovereign fund.
- The data on December FX sales from the National Fund of the Republic of Kazakhstan are not available, but the September-November monthly sales were $1.2-1.5bn – the highest since 2020.
- The tenge's performance is generally in line with our fiscal-focused view. KZT is likely to remain well-supported in the coming months until the tighter fiscal rule puts a stricter cap on using the FX oil revenues of the sovereign fund to finance KZT expenditures.

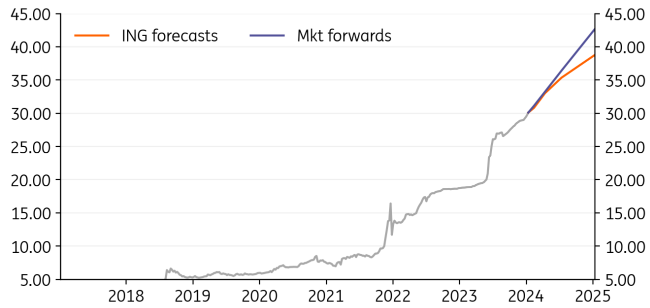
ING forecasts (mkt fwd)	1M 460 (454.77)	3M 460 (461.12)	6M 460 (470.48)	12M 470 (488.27)

Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

TRY to remain supported with CBT policy

Current spot: 30.09



Source: Refinitiv, ING forecasts

- While the Central Bank of Turkey has maintained a hawkish stance and a commitment to monetary policy normalisation, the carry has remained high as the terminal rate pricing has moved to near 45%.
- Fundamentals on the balance of payments are expected to improve this year given that the policy-induced slowdown in the economy will support a recovery in the trade deficit and hence the current account balance.
- In this environment, inflation has remained the key focus. We expect an increase in the near term given the higher-than-expected minimum wage hike and rises in administrative prices due to the special consumption tax and revaluation rate-related adjustments. Accordingly, we see inflation remaining elevated until mid-2024. The second half, on the other hand, will likely see a sharp downtrend – reflecting this year's high base and further impact of tighter policy.

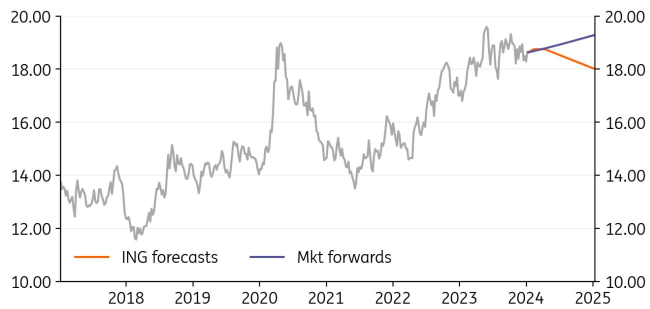
ING forecasts (mkt fwd)	1M 30.80 (31.11)	3M 33.00 (33.22)	6M 35.35 (36.41)	12M 38.80 (42.72)

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

USD/ZAR

Rand exceptionally steady

Current spot: 18.63



Source: Refinitiv, ING forecasts

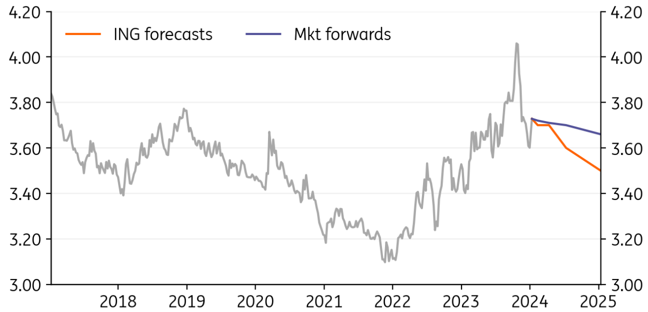
- For a highly volatile currency, the rand has proved remarkably steady over the last six months. Perhaps a little like Chile's peso, we can say it should have done better during the final two months of 2023, when the dollar was soft and commodity prices were rallying. The fact that it didn't probably owes to the China factor, where subdued demand growth continues to weigh.
- Locally, the South African Reserve Bank looks set to keep rates at 8.25% for most of this year. That is a handsome real rate for the rand, especially given that inflation is roughly on target.
- Weak growth and local elections in spring/summer, plus a growing current account deficits suggest ZAR gains are sluggish.

ING forecasts (mkt fwd)	1M 18.75 (18.68)	3M 18.75 (18.78)	6M 18.50 (18.94)	12M 18.00 (19.29)

Chris Turner, chris.turner@ing.com

USD/ILS

Strong shekel provides BoI room to cut rates



Source: Refinitiv, ING forecasts

Current spot: 3.7280

- The Bank of Israel's 25bp rate cut on 1 Jan might have taken some of the steam out of the shekel's rally. The market now prices a further 100bp of BoI easing this year. For reference, the BoI did not sell FX to defend the shekel in December – no surprise given the strong shekel rally through November and December.
- The BoI estimates that the Israeli economy will still grow, even though it says the war will likely continue through the majority of 2024. Given the mixed external environment in 1Q24, we suspect that USD/ILS can trace out something like a 3.65-3.85 range.
- Into 2Q, however, a much clearer decline in short term US rates should see USD/ILS making a move towards the 3.50 area. Typically, the shekel is at the vanguard of the FX rally when the dollar drops.

ING forecasts (mkt fwd)	1M 3.70 (3.7245)	3M 3.70 (3.7149)	6M 3.60 (3.6976)	12M 3.50 (3.6633)

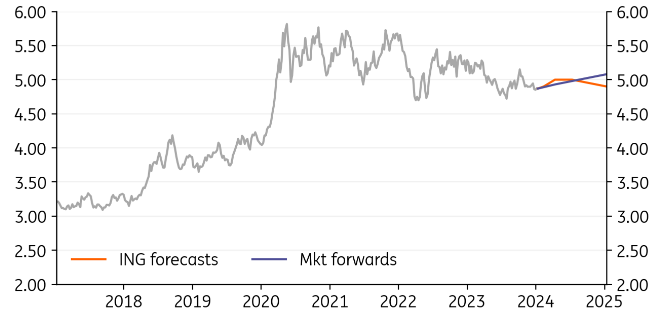
Chris Turner, chris.turner@ing.com

LATAM

USD/BRL

Treading carefully in Brazil

Current spot: 4.8698



Source: Refinitiv, ING forecasts

- The real has traded on a steady footing over recent months and has only marginally underperformed the strong Mexican peso. The central bank continues with its orderly easing cycle – delivering a 50bp cut to 11.75% in December and encouraging market expectations of three further 50bp cuts in February, March and May to take the selic rate to 10.25%. The low point of the cycle is seen at 9.25/50% towards year-end.
- We do see some headwinds for the real, however. The primary challenge remains fiscal – does Congress support plans for the 0% primary fiscal deficit in 2024? Votes will take place shortly.
- Also, one of Brazil's key exports, iron ore, looks to have run higher too far, too fast and a correction could hold the real back.

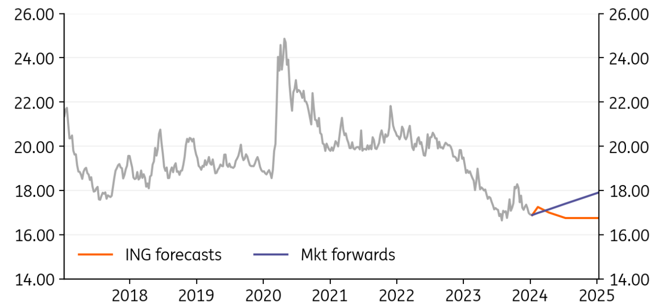
ING forecasts (mkt fwd)	1M 4.90 (4.8877)	3M 5.00 (4.9326)	6M 5.00 (4.9809)	12M 4.90 (5.0770)

Chris Turner, chris.turner@ing.com

USD/MXN

Strong peso to allow early Banxico easing?

Current spot: 16.88



Source: Refinitiv, ING forecasts

- The peso continues to perform well – largely helped by its impressive implied yields above 11% and a lack of direction in core markets. In addition, macro investors like the loose fiscal/tight monetary policy setting in Mexico this year as well as the nearshoring/North America growth story.
- The market is starting to consider some early Banxico easing. 50bp of cuts are priced over the next six months and 175bp over the next 12. We think that could be too conservative and that the strong, real trade-weighted peso could spark some early easing. Remember, the 575bp policy spread over the Fed is wide.
- With real rates so high in Mexico, we doubt early Banxico easing damages the peso – and see it staying in a 16.75/17.25 range.

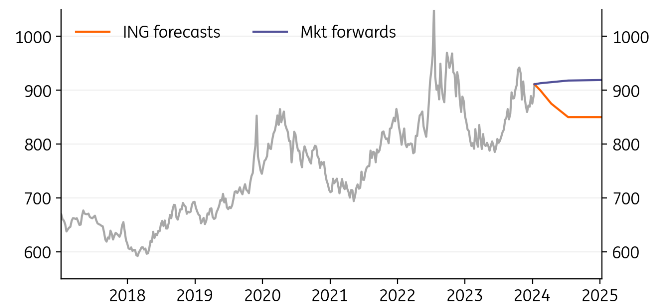
ING forecasts (mkt fwd)	1M 17.25 (16.98)	3M 17.00 (17.14)	6M 16.75 (17.40)	12M 16.75 (17.91)

Chris Turner, chris.turner@ing.com

USD/CLP

Some worrying signs for the peso

Current spot: 911.06



Source: Refinitiv, ING forecasts

- Supply problems for copper (a major mine in Panama being permanently shut) and some very strong terms of trade gains for Chile should have been great news for the peso late last year. However, the peso lagged its Latam peers and could be at the forefront of any losses should the environment deteriorate.
- Perhaps one could argue that the central bank shifting to a more aggressive 75bp rate cut in December has hurt the peso - the market now prices a 400bp easing cycle this year – a move encouraged by central bank communication.
- Given Chile's 3%+ of GDP current account deficit, CLP may struggle to post outsized gains and could be the first to sell off.

ING forecasts (mkt fwd)	1M 900 (912.84)	3M 875 (915.31)	6M 850 (917.78)	12M 850 (919.48)

Chris Turner, chris.turner@ing.com

Asia

USD/CNY

CNY the pivot point for APAC currencies

Current spot: 7.1668

Source: Refinitiv, ING forecasts

- Over the last month, the Chinese yuan has been at the mid-point of performance for APAC currencies, and is roughly unchanged, after trading in a range between about 7.10 and 7.20.
- The economic picture is also roughly unchanged. There is modest growth, concentrated in household spending, and a little growth in manufacturing, but the real estate sector and anything related to it remains extremely challenged.
- The near term offers a similar outlook – ongoing modest and fragile growth, limited policy support and possibly further range-trading.

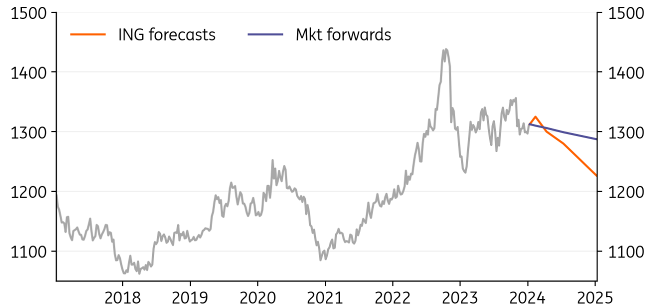
ING forecasts (mkt fwd)	1M 7.15 (7.1433)	3M 7.10 (7.1043)	6M 7.05 (7.0425)	12M 6.85 (6.9257)

Rob Carnell, robert.carnell@asia.ing.com

USD/KRW

Clearer KRW gains only in 2Q

Current spot: 1312.41



Source: Refinitiv, ING forecasts

- The Korean won has fluctuated between 1,280-1,320 despite the recent recovery in exports. The market seems concerned that tight credit conditions might trigger defaults in the property market.
- Inflation remained above 3%, but it is expected to come down to the 2% level soon due to falling commodity prices combined with base effects. However, the rapid rise in private debt will keep the Bank of Korea's stance restrictive for a while.
- The KRW will likely remain above the 1,300 level until monetary easing become more imminent. We expect clearer appreciation trends from 2Q24.

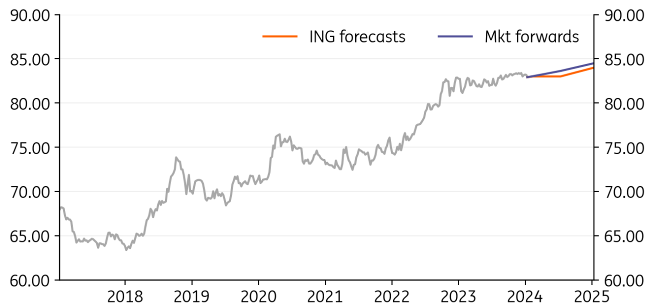
ING forecasts (mkt fwd)	1M 1325 (1310.07)	3M 1300 (1305.62)	6M 1280 (1299.17)	12M 1225 (1287.46)

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

USD/INR

Shifting to an asymmetric stance?

Current spot: 82.91



Source: Refinitiv, ING forecasts

- The Indian rupee has traded in a slightly wider range in the last month, after months of tight trading around the 83.3 level.
- At 83.1, the INR is not much stronger than it has been, but it looks as if maybe the Reserve Bank of India is going to be a bit more tolerant of appreciation and practice more asymmetric currency management.
- Inflation has crept up towards the top of the RBI's inflation target range, though this is almost all food-related, and will likely drop back closer to 5% in the near term. However, we still don't see the RBI easing until after the Fed's first move.

ING forecasts (mkt fwd)	1M 83.00 (83.03)	3M 83.00 (83.26)	6M 83.00 (83.62)	12M 84.00 (84.50)

Rob Carnell, robert.carnell@asia.ing.com

USD/IDR

IDR steadies after BI signals downplay rate cuts

Current spot: 15550

Source: Refinitiv, ING forecasts

- The Indonesian rupiah pulled back in early December after trade data showed a lower-than-expected trade surplus due to a surprise increase in imports.
- Subsequently, Bank Indonesia's governor downplayed the chances for an early rate cut, which has helped support the IDR as rates are now expected to remain elevated well into 2024.
- Expectations for an extended pause from BI could continue to help support the currency in the near term, though trade data will remain an important determinant and the external environment is not supportive.

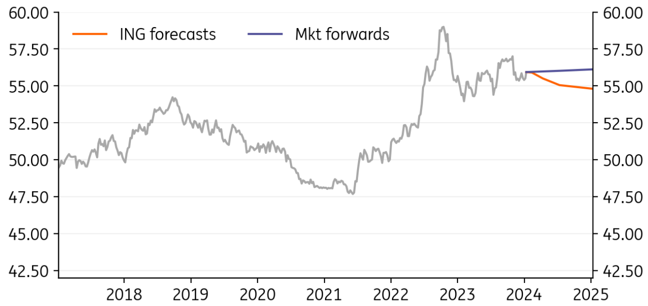
ING forecasts (mkt fwd)	1M 15500 (15556)	3M 15400 (15573)	6M 15200 (15599)	12M 15000 (15685)

Nicholas Mapa, nicholas.mapa@asia.ing.com

USD/PHP

PHP slips after BSP signals less intervention

Current spot: 55.94



Source: Refinitiv, ING forecasts

- After some early losses, the Philippine peso recovered in the second half of December, helped along by healthy remittance flows ahead of the holidays. A wider-than-expected trade deficit, however, forced PHP weaker again through early January.
- BSP Governor Eli Remolona kept policy rates at 6.5% but also signalled he would be less inclined to provide support to the PHP during episodes of weakness.
- The PHP could remain vulnerable on expectations for a wider trade gap while BSP's new policy for less intervention could also translate to more volatility for PHP in 2024.

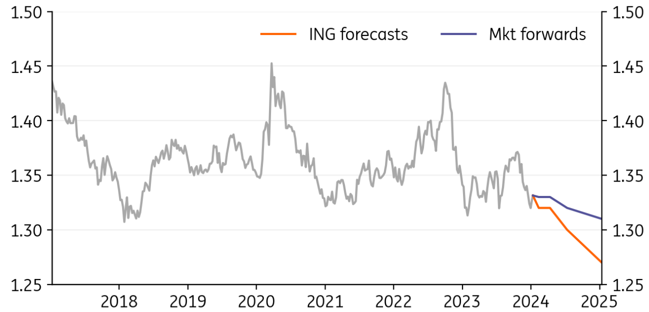
ING forecasts (mkt fwd)	1M 55.90 (55.95)	3M 55.50 (55.98)	6M 55.05 (56.02)	12M 54.80 (56.12)

Nicholas Mapa, nicholas.mapa@asia.ing.com

USD/SGD

SGD tracks regional rally

Current spot: 1.3314



Source: Refinitiv, ING forecasts

- The Singapore dollar has reacted to mixed data reports, with core inflation still elevated at 3.2% but industrial production and non-oil domestic exports remaining in expansion.
- The Monetary Authority of Singapore (MAS) is expected to keep policy settings untouched after 4Q 2023 GDP beat market expectations handily.
- The SGD NEER should continue its modest appreciation path in early 2024 given the outlook for MAS. But China's ongoing problems and the strength of the CNY in Singapore's trade basket mean that this is the main source of downside risk.

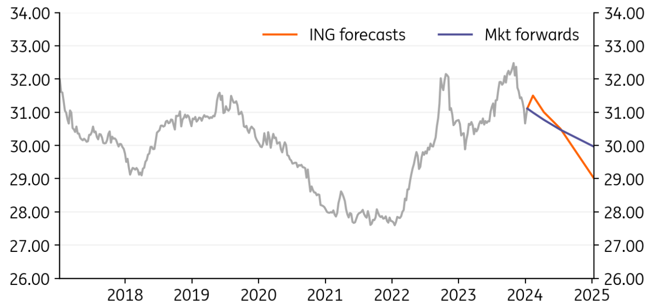
ING forecasts (mkt fwd)	**1M** 1.32 (1.3297)	**3M** 1.32 (1.3263)	**6M** 1.30 (1.3213)	**12M** 1.27 (1.3124)

Nicholas Mapa, nicholas.mapa@asia.ing.com

USD/TWD

Focus on the election result

Current spot: 31.11



Source: Refinitiv, ING forecasts

- USD/TWD has not moved substantially since the 13 January election result, and we should expect much speculation as to how this result might affect cross-straits tension. That said, the Taiwan dollar had been in the upper half of the APAC performance ranking over the last two months.
- Given the uncertain external backdrop, we see the short-term risk of a further correction to 31.50 and outside risk to 31.75.
- Historically, the Taiwan dollar has traded quite strongly ahead of presidential elections but lost ground in the aftermath of the 2016 DPP win. With the DPP having won the election, but lost its majority, we will now see whether this pattern repeats itself.

ING forecasts (mkt fwd)	**1M** 31.50 (30.99)	**3M** 31.00 (30.77)	**6M** 30.50 (30.47)	**12M** 29.00 (29.96)

Rob Carnell, robert.carnell@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	1.10	1.07	1.08	1.10	1.15						
EUR/JPY	158.8	158	151	149	150	USD/JPY	144.87	148	140	135	130
EUR/GBP	0.86	0.87	0.88	0.89	0.90	GBP/USD	1.28	1.23	1.23	1.24	1.28
EUR/CHF	0.93	0.95	0.96	0.96	0.96	USD/CHF	0.85	0.89	0.89	0.87	0.83
EUR/NOK	11.26	11.80	11.70	11.30	10.60	USD/NOK	10.27	11.03	10.83	10.27	9.22
EUR/SEK	11.25	11.35	11.35	11.10	10.70	USD/SEK	10.26	10.61	10.51	10.09	9.30
EUR/DKK	7.457	7.460	7.460	7.460	7.460	USD/DKK	6.80	6.97	6.91	6.78	6.49
EUR/CAD	1.47	1.47	1.46	1.46	1.46	USD/CAD	1.336	1.37	1.35	1.33	1.27
EUR/AUD	1.63	1.65	1.61	1.59	1.64	AUD/USD	0.67	0.65	0.67	0.69	0.70
EUR/NZD	1.75	1.75	1.74	1.75	1.80	NZD/USD	0.63	0.61	0.62	0.63	0.64
EMEA											
EUR/PLN	4.36	4.30	4.25	4.20	4.20	USD/PLN	3.98	4.02	3.94	3.82	3.65
EUR/HUF	379.1	375.00	368.00	365.00	370.00	USD/HUF	345.7	350	341	332	322
EUR/CZK	24.69	24.7	24.5	24.5	24.0	USD/CZK	22.52	23.1	22.7	22.3	20.9
EUR/RON	4.97	4.98	4.98	5.02	4.81	USD/RON	4.54	4.65	4.61	4.56	4.18
EUR/RSD	117.3	117.2	117.2	117.2	117.2	USD/RSD	106.9	109.5	108.5	106.5	101.9
EUR/UAH	41.52	39.6	40.5	41.8	44.9	USD/UAH	37.93	37.00	37.50	38.00	39.00
EUR/KZT	494.5	492.2	496.8	506.0	540.5	USD/KZT	451.4	460	460	460	470
EUR/TRY	32.96	32.10	34.88	38.39	43.36	USD/TRY	30.09	30.00	32.30	34.90	37.70
EUR/ZAR	20.40	20.1	20.3	20.4	20.7	USD/ZAR	18.61	18.75	18.75	18.50	18.00
EUR/ILS	4.10	4.17	4.10	4.07	4.03	USD/ILS	3.74	3.90	3.80	3.70	3.50
LATAM											
EUR/BRL	5.31	5.24	5.40	5.50	5.64	USD/BRL	4.84	4.90	5.00	5.00	4.90
EUR/MXN	18.46	18.5	18.4	18.4	19.3	USD/MXN	16.84	17.25	17.00	16.75	16.75
EUR/CLP	994.74	963	945	935	978	USD/CLP	907.20	900	875	850	850
Asia											
EUR/CNY	7.86	7.54	7.56	7.59	7.76	USD/CNY	7.17	7.05	7.00	6.90	6.75
EUR/IDR	17089	16585	16524	16610	17020	USD/IDR	15550	15500	15300	15100	14800
EUR/INR	90.84	88.8	89.6	91.3	96.6	USD/INR	82.84	83.00	83.00	83.00	84.00
EUR/KRW	1437.11	1370	1404	1375	1409	USD/KRW	1310.63	1280	1300	1250	1225
EUR/PHP	61.33	59.2	59.4	60.0	62.1	USD/PHP	55.94	55.3	55.0	54.5	54.0
EUR/SGD	1.46	1.42	1.43	1.43	1.47	USD/SGD	1.33	1.33	1.32	1.30	1.28
EUR/TWD	34.15	33.7	33.5	33.6	33.9	USD/TWD	31.14	31.5	31.0	30.5	29.5

Source: Refinitiv, ING

Disclaimer

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

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

 ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is deemed authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. The nature and extent of consumer protections may differ from those for firms based in the UK. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

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