

# FX Talking

March 2024

Laser-focused

on a lower dollar

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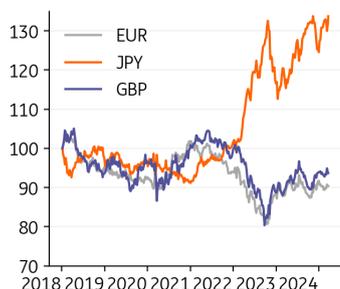


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# Laser-focused on a lower dollar

Following the lumps and bumps of stronger activity and sticky inflation data through the early months of the year, we think now is the time for the market to focus its attention on the Federal Reserve easing cycle. After all, the Fed has made it reasonably clear that it wants to cut rates and that it would take quite a lot to blow it off course.

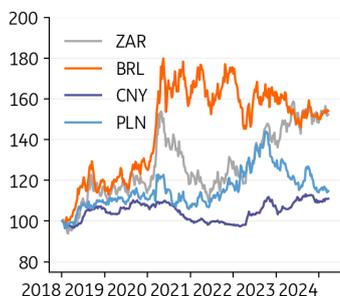
USD/Majors (Jan 18=100)



Source: Refinitiv, ING forecast



USD/EM (Jan 18=100)



Source: Refinitiv, ING forecast

That means a dollar bear trend should reveal itself over coming months. As discussed on these pages previously, we think FX market price action of November and December last year provides a preview of what is ahead as 2024 unfolds. A steeper US yield curve, a benign decline in the dollar, commodity currency outperformance and perhaps even the Japanese yen leading the pack as it corrects years of undervaluation.

Market consensus expects EUR/USD at 1.10 by year-end. We continue to look for levels in the 1.14/15 area as rate differentials and stronger global growth prospects support the euro. After Switzerland fired the starting pistol for rate cuts in Western Europe, we look for European Central Bank and Bank of England rate cuts starting from June and August, respectively. Yet these should slow, not reverse, the rallies in EUR/USD and GBP/USD. Norway's krone should outperform.

In the Emerging Market space, the Polish zloty stands out as the best story in Europe. Asian FX will continue to lag as China takes time to build momentum. And in Latin America, we are fearful that Banxico might apply the brakes to the super-strong Mexican peso. However, Banxico looks unlikely to copy policy in Chile, where the currency looks to have been abandoned as the local bank slashes interest rates.

### ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.09	→	148	↓	1.27	→
3M	1.10	↑	145	↓	1.28	↑
6M	1.12	↑	140	↓	1.29	↑
12M	1.15	↑	130	↓	1.31	↑
	EUR/GBP		EUR/CZK		EUR/PLN	
1M	0.86	→	25.25	↓	4.28	↓
3M	0.86	→	25.25	↓	4.20	↓
6M	0.87	↑	24.80	↓	4.25	↓
12M	0.88	↑	24.00	↓	4.30	↓
	USD/CNY		USD/MXN		USD/BRL	
1M	7.20	↑	17.00	↑	4.95	↓
3M	7.15	→	16.75	↓	4.85	↓
6M	7.07	→	16.75	↓	4.80	↓
12M	6.90	→	16.50	↓	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	0.8	1.0	0.2	2.5	0.5	0.3
%YoY	0.3	15.9	-2.7	3.0	-1.7	-1.3
	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	0.0	-1.0	1.5	-0.4	-0.6	0.3
%YoY	5.1	1.6	3.0	-8.0	4.1	-6.1

Source: Refinitiv, ING forecast

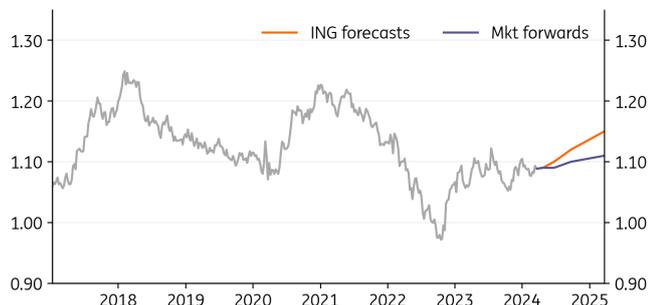


# Developed markets

## EUR/USD

The Fed is minded to cut rates

Current spot: 1.0886



Source: Refinitiv, ING forecasts

- Having been held up through the first quarter on better growth and particularly higher inflation numbers, we think dollar support now starts to fade. At its most recent press conference, Federal Reserve Chair, Jay Powell, made clear that the Fed is minded to cut rates. The Fed expects three cuts in 2024, we expect five starting in June.
- We look for the soft landing narrative to gain traction over coming months and expect a bullish steepening of the US yield curve and rate differentials moving against the dollar to see EUR/USD gently climb above the end-year consensus of 1.10.
- At the same time, we think a little too much is priced in for the European Central Bank cycle this year. We see just three cuts starting in June.

ING forecasts (mkt fwd)	1M 1.09 (1.0899)	3M 1.10 (1.0926)	6M 1.12 (1.0969)	12M 1.15 (1.1063)
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## USD/JPY

BoJ bites the bullet and hikes

Current spot: 151.41



Source: Refinitiv, ING forecasts

- The Bank of Japan has finally exited a negative rate environment and now targets policy in the 0-0.1% area. USD/JPY rallied on the announcement on the view that policy would remain accommodative. And there remain doubts that the large 4%+ wage gains negotiated by the unions are not repeated in the SME sector. Understandably the yen is favoured as a funding currency.
- Yet we think the softer dollar environment and the fact that the BoJ has started tightening now makes it harder for USD/JPY to break above 152. Locals think the BoJ will intervene at 155.
- Last November/December showed that USD/JPY could come lower on the US rate story alone. And the yen is undervalued.

ING forecasts (mkt fwd)	1M 148 (150.70)	3M 145 (149.32)	6M 140 (147.35)	12M 130 (143.85)
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## GBP/USD

BoE warms up for an easing cycle

Current spot: 1.2707



Source: Refinitiv, ING forecasts

- While UK activity is looking slightly brighter – helped by tax cuts – prices are moving in the right direction and paving the way for Bank of England easing later this year. The most recent MPC meeting saw two hawks abandon their votes for further tightening. Into the May and June meetings expect more MPC members to join the single vote for lower rates.
- Our house call is that the BoE cuts rates four times starting in August – and the case for that will only build as services inflation falls noticeably through the second quarter.
- We think the dollar trend will dominate and that GBP/USD stays bid near 1.28/1.30. Yet gains over 1.30 will be a struggle.

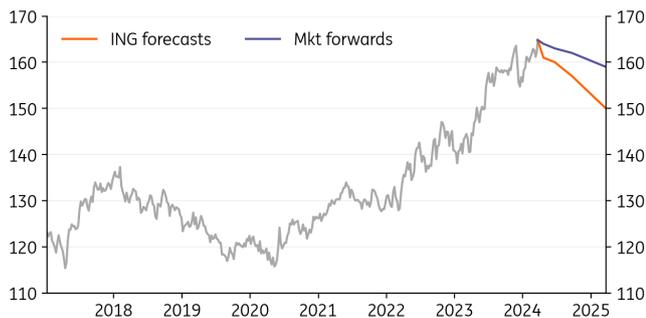
ING forecasts (mkt fwd)	1M 1.27 (1.2711)	3M 1.28 (1.2715)	6M 1.29 (1.2722)	12M 1.31 (1.2737)
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## EUR/JPY

No sign of a trend change yet

Current spot: 164.81



Source: Refinitiv, ING forecasts

- EUR/JPY remains buoyant as the market presumes that the BoJ will take its time over a next rate hike. Our negative profile here assumes a repeat of conditions seen through November and December last year. The yen actually outperformed the euro when the market aggressively positioned for lower US rates.
- Local press reports are speculating that the BoJ can hike again in October or even July. At least BoJ tightening is now a 'live' story.
- As to the ECB, we are all focused on wage data to be released in late April. Assuming this slows as expected, the ECB should be able to start its easing cycle in June. Our baseline call sees the yen more undervalued than the euro and EUR/JPY softening.

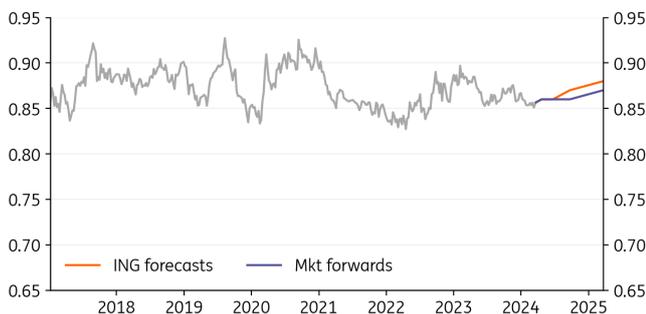
ING forecasts (mkt fwd)	1M 161 (164.24)	3M 160 (163.15)	6M 157 (161.63)	12M 150 (159.13)
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## EUR/GBP

0.85 base looking stronger post MPC meeting

Current spot: 0.8566



Source: Refinitiv, ING forecasts

- EUR/GBP is drifting away from the 0.8500 floor as the UK's MPC edges very slowly towards an easing cycle. We doubt BoE easing speculation will reach 'fever pitch' until closer to mid-May, when softer UK services inflation data is released. Hence our very modest upside call for EUR/GBP in the near term.
- Locally, speculation is building on the date of this year's UK general election. Most reports favour the October/November window with perhaps the Tories trying to squeeze in another tax-cutting budget before then.
- We doubt the election will have a material impact on sterling since Labour is so far ahead in opinion polls – as it was in 1997.

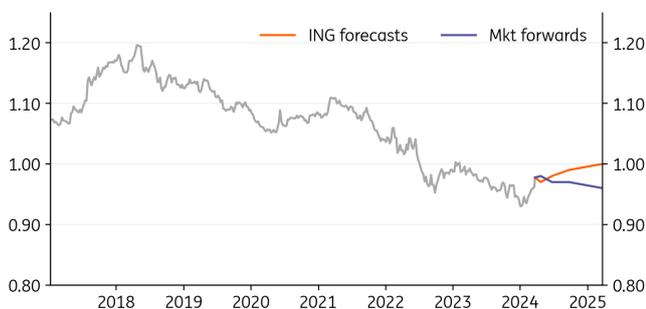
ING forecasts (mkt fwd)	1M 0.86 (0.8575)	3M 0.86 (0.8593)	6M 0.87 (0.8622)	12M 0.88 (0.8685)
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## EUR/CHF

SNB reacts to the stronger Swiss franc

Current spot: 0.9776



Source: Refinitiv, ING forecasts

- In a surprise move, the Swiss National Bank cut rates 25bp to 1.50% at its March meeting. At the heart of the story was the fact that inflation forecasts were cut substantially and are well below target over the forecast horizon. Here, the strong real CHF has been playing a role in weighing on prices and activity. This real, trade-weighted measure of the franc has risen back to 2015 highs.
- The SNB is holding the door open for another cut in June. We think a dovish SNB, plus overly aggressive pricing of the ECB cycle can see rate differentials gently carry EUR/CHF to 1.00 now.
- The SNB repeats it will be on both sides of the FX market. Data in late June may well show the SNB now having turned FX buyer.

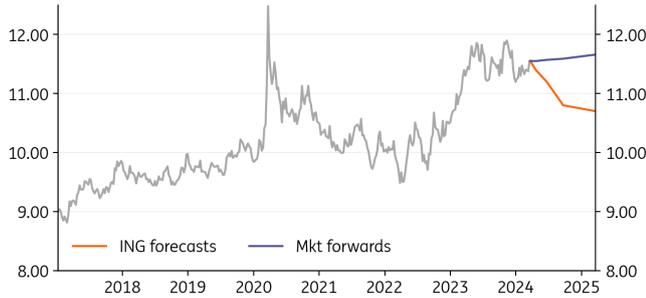
ING forecasts (mkt fwd)	1M 0.97 (0.9754)	3M 0.98 (0.9712)	6M 0.99 (0.9653)	12M 1.00 (0.9551)
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## EUR/NOK

### A strong outlook for the krone

**Current spot: 11.55**



Source: Refinitiv, ING forecasts

- Norges Bank kept its rate projections broadly unchanged at its March meeting, and signalled rates should be kept unchanged until autumn before being gradually lowered.
- That places NOK in a rather good position to rally on a decline in USD rates. The krone is undervalued, and Norges Bank has no strong domestic pressure to cut rates earlier. Instead, policymakers appear focused on strengthening the krone.
- Our view remains unchanged for EUR/NOK: a decline from 2Q to reach 10.50 by the end of the year. We expect larger NOK gains against the dollar. Our view for global rate cuts can also favour a stable environment for oil prices.

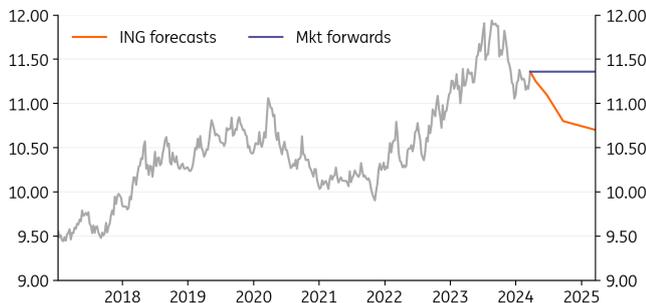
<b>ING forecasts (mkt fwd)</b>	<b>1M 11.40 (11.55)</b>	<b>3M 11.20 (11.57)</b>	<b>6M 10.80 (11.59)</b>	<b>12M 10.70 (11.66)</b>
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## EUR/SEK

### Lower inflation opens May cut discussion

**Current spot: 11.36**



Source: Refinitiv, ING forecasts

- The February CPIF report in Sweden showed encouraging signs for the Riksbank. Headline inflation declined to 2.5%, core to 3.5%. Markets are now pricing in 50-60% probability of a May cut.
- We still think the Riksbank will start easing only in June though. That is when the ECB should also deliver the first cut, and the economic picture in Sweden has improved, suggesting less urgency to trim rates.
- The risk, crucially, is that early easing would prompt a drop in the krona, which is the main concern for the Riksbank. In our view, another aggressive sell-off in the currency would be tempered by a new round of FX hedging. Anyway, SEK is (and will remain) mostly a function of USD rates dynamics, and we expect SEK strength by year-end.

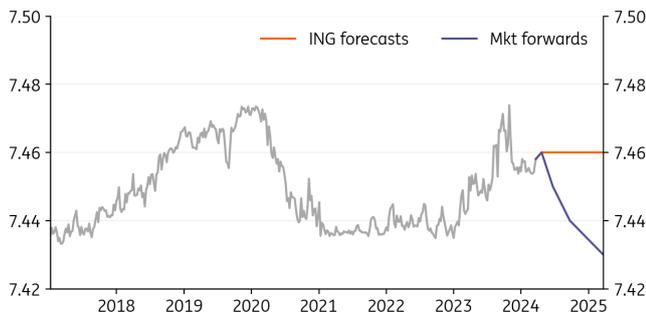
<b>ING forecasts (mkt fwd)</b>	<b>1M 11.25 (11.36)</b>	<b>3M 11.10 (11.36)</b>	<b>6M 10.80 (11.36)</b>	<b>12M 10.70 (11.36)</b>
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## EUR/DKK

### Cuts in Denmark from June

**Current spot: 7.4581**



Source: Refinitiv, ING forecasts

- Danmarks Nationalbank did not intervene in the FX market for a thirteenth consecutive month in February.
- EUR/DKK has found some support since early March, a welcome development by the central bank. The pair is now trading closer to the 7.4600 central peg mark.
- Corporate-related flows can steer the pair modestly in spring, but EUR/DKK is now trading at a safe distance to levels that would justify DN interventions. We continue to expect 75bp of cuts in Denmark starting from June, in line with our ECB call.

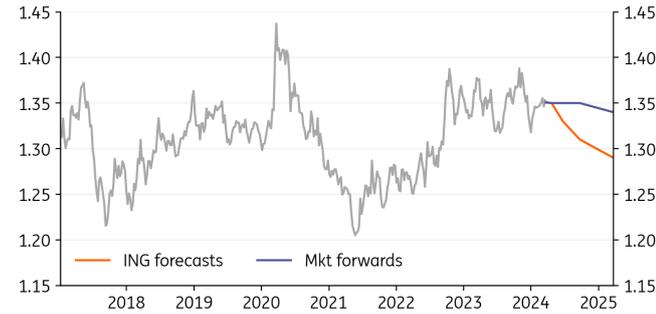
<b>ING forecasts (mkt fwd)</b>	<b>1M 7.46 (7.4559)</b>	<b>3M 7.46 (7.4512)</b>	<b>6M 7.46 (7.4437)</b>	<b>12M 7.46 (7.4320)</b>
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## USD/CAD

Loonie less attractive than other commodity FX

Current spot: 1.3506



Source: Refinitiv, ING forecasts

- Bank of Canada rate expectations remain so tightly linked to Fed pricing that developments in Canada seem to have a negligible impact on CAD. Markets are currently pricing in around 80bp of cuts by year-end both in the US and Canada.
- However, inflation in Canada undershot expectations for a second consecutive month in the February release, while the BoC has continued to shift to the dovish end of the spectrum. We think a first rate cut is due in June.
- Markets are under-pricing BoC cuts in 2024 by at least 20bp in our view and we see CAD underperforming other commodity currencies in the coming months, especially once USD rates start to decline.

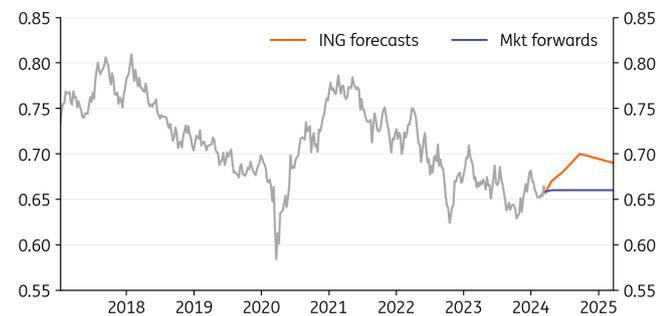
ING forecasts (mkt fwd)	1M 1.35 (1.3500)	3M 1.33 (1.3489)	6M 1.31 (1.3471)	12M 1.29 (1.3435)
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## AUD/USD

RBA's half-pivot is no concern for AUD

Current spot: 0.6583



Source: Refinitiv, ING forecasts

- The Reserve Bank of Australia dropped its tightening bias at the March meeting, but very strong February employment figures make further dovish moves (e.g. introducing an outright easing bias) more difficult.
- We do not forecast more tightening by the RBA but cannot rule out an "insurance hike" in the first half of the year. Our expectations currently include 50bp of easing by year-end, starting from 3Q.
- That is broadly in line with market pricing but given our key call for larger-than-expected Fed cuts, the outlook for high-beta commodity currencies looks bright into the second half of the year. We think 0.70 is an achievable target for AUD/USD by 3Q.

ING forecasts (mkt fwd)	1M 0.67 (0.6589)	3M 0.68 (0.6600)	6M 0.70 (0.6614)	12M 0.69 (0.6633)
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## NZD/USD

Migration more important than recession for RBNZ

Current spot: 0.6060



Source: Refinitiv, ING forecasts

- The news that New Zealand's economy was in recession in the last two quarters of 2023 prompted speculation the RBNZ will cut rates earlier than previously expected.
- We are not convinced of this argument. The Reserve Bank of New Zealand's remit was recently changed to focus solely on inflation, and there are still considerable upside risks to the inflation outlook due to the recent spike in net immigration in New Zealand ([more here](#)).
- Markets have started to price in a rate cut in July, and some dovish repricing in Fed expectations could fuel some more aggressive easing expectations in the NZD curve too. For now, we think those would be misplaced, and expect cuts to start in August. NZD/USD has plenty of room to rise as USD rates decline.

ING forecasts (mkt fwd)	1M 0.61 (0.6061)	3M 0.63 (0.6061)	6M 0.65 (0.6059)	12M 0.64 (0.6056)
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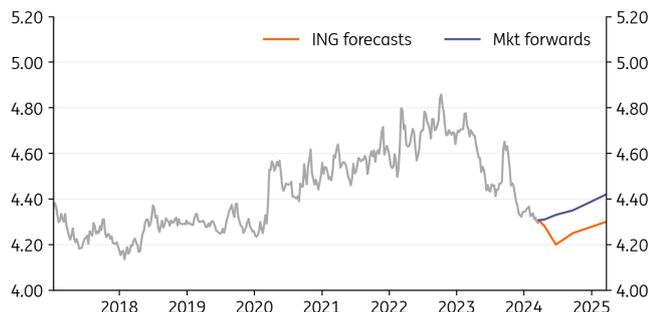


# Emerging markets

## EUR/PLN

Flat NBP rates should aid the zloty in the coming weeks

Current spot: 4.3067



Source: Refinitiv, ING forecasts

- Poland is about to receive the first large payment from the Recovery and Resilience Facility in April. While we do not know what share of these funds will be converted via the market, we can assume it may be similar to 2022 levels, (latest available data, 40%). In tandem with the current account surplus and inflow of FDI (mostly retained profits) this should allow for further PLN gains in the coming weeks. Moreover, it is increasingly likely that the National Bank of Poland will refrain from rate cuts this year, as the government announced the gradual withdrawal of anti-inflation shields.
- The global political environment may prove a risk in 2H24 though, as we are yet to see if the US stance on the conflict in Ukraine changes after the presidential elections later this year.

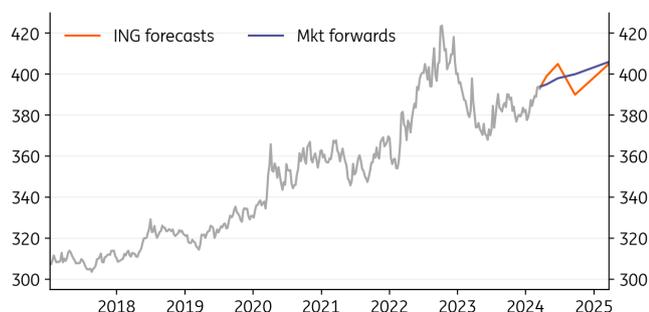
ING forecasts (mkt fwd)	1M 4.28 (4.3133)	3M 4.20 (4.3270)	6M 4.25 (4.3516)	12M 4.30 (4.4151)
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## EUR/HUF

Eventually the 400 mark will be broken again in EUR/HUF

Current spot: 394.00



Source: Refinitiv, ING forecasts

- Despite generally robust global sentiment, the forint has underperformed since early January and showed significant volatility in the past couple of weeks. Country-specific risks and FX volatility are undermining the relatively solid carry.
- On the economic policy side, investors are faced with a narrowing rate differential as the easing cycle of the major central banks is being pushed back, while easing in Hungary has been accelerated, albeit temporarily.
- The major political risks (looming change in the central bank law, emerging possibility of blocked EU funds) will persist for a while, which is why we now see EUR/HUF breaking through 400 in 2Q.

ING forecasts (mkt fwd)	1M 399 (395.40)	3M 405 (397.59)	6M 390 (400.48)	12M 405 (406.14)
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## EUR/CZK

CNB on the hawkish side but still too early for CZK reversal

Current spot: 25.28



Source: Refinitiv, ING forecasts

- In March, the central bank cut rates again by 50bp to 5.75%, which means that headline inflation on target is not enough for the board to further accelerate the pace of cutting. We believe that the discussion for the next months will still remain between a 50 and 75bp step, supported by a further decline in inflation.
- For the CZK, this means that market bets on further weakening will remain on the table and therefore we believe that it is too early for EUR/CZK to turn down for now. However, we still expect that once the rate cutting cycle moves to a later stage or comes to an end, hot money will leave the market and the koruna will be stronger in the second half of the year.

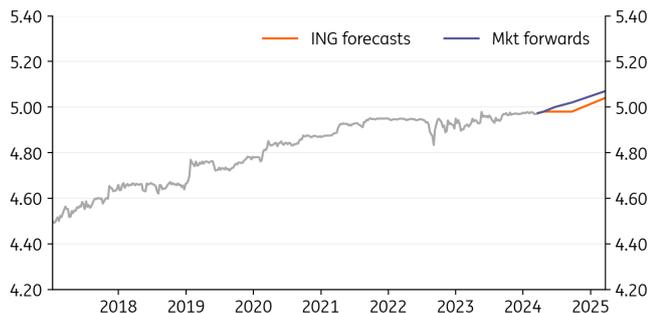
ING forecasts (mkt fwd)	1M 25.2 (25.32)	3M 25.2 (25.37)	6M 24.8 (25.41)	12M 24.0 (25.43)
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## EUR/RON

A new range is still not in sight

Current spot: 4.9733



Source: Refinitiv, ING forecasts

- EUR/RON was yet again stable in the range of 4.9666-4.9773. As inflation came in above expectations for a second consecutive print in February, we don't think that the National Bank of Romania will allow the RON to meaningfully depart from the current levels in the near term.
- With a very strong retail sales print in January and still-high wage growth, the central bank's job is far from done yet and the FX overvaluation is set to persist. Moreover, the likely increase in the tax burden next year, at a time of a projected growth acceleration, adds to the more medium-term inflationary risks and, by extension, FX stability needs further down the line.
- All told, we continue to foresee FX stability ahead. The chances of crossing the 5.00 level by autumn have diminished further.

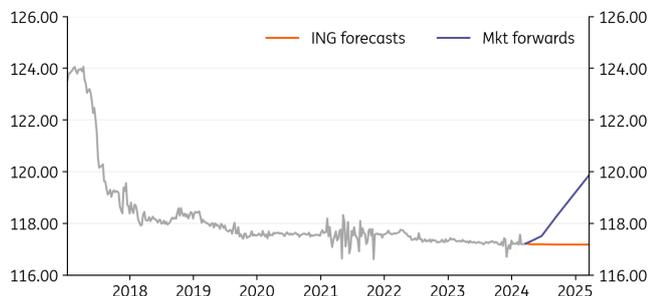
ING forecasts (mkt fwd)	1M 4.98 (4.9816)	3M 4.98 (4.9970)	6M 4.98 (5.0211)	12M 5.04 (5.0726)
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## EUR/RSD

As tightly managed as usual

Current spot: 117.22



Source: Refinitiv, ING forecasts

- Kosovan PM Albin Kurti has so far resisted pressure to give up the enforcement of EUR-only usage in Kosovo. The key factor to watch is the result of the Brussels-mediated dialogue between Serbian and Kosovan negotiators in coming weeks.
- The Serbian dinar has continued moving sideways with limited volatility, in the range of 117.18-117.23, as the central bank has likely continued to hold a tight grip on the currency. A full upgrade to investment grade rating is an explicit priority for policymakers ahead.
- We don't foresee any big changes ahead for the RSD and we think that the intervention-driven stability will persist, as the fight against inflation remains the key priority.

ING forecasts (mkt fwd)	1M 117.19 (117.31)	3M 117.19 (117.51)	6M 117.18 (118.33)	12M 117.18 (119.87)
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## USD/UAH

NBU significantly scales back FX intervention

Current spot: 38.91



Source: Refinitiv, ING forecasts

- The hryvnia has extended losses in recent weeks, reaching 39/USD. Even though National Bank of Ukraine's reserves are relatively close to an all-time high (37 vs US\$42bn), the central bank has significantly scaled back its FX intervention – just over US\$1.5bn in February down from over US\$3.5bn in December. In tandem with the continuously wide trade deficit, this continues to result in pressure on the hryvnia.
- Unless the NBU changes its stance on FX intervention, the hryvnia is at risk of further imminent losses. However, it is increasingly likely that the central bank is content with CPI moving below 5% year-on-year and will tolerate further hryvnia weakness. The long-term prospects of the hryvnia remain negative. With no end to the conflict in sight, damage to the Ukrainian economy continues.

ING forecasts (mkt fwd)	1M 39.70 (39.58)	3M 40.00 (40.68)	6M 40.50 (42.61)	12M 41.50 (46.06)
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## USD/KZT

Stabilising after a long appreciation run

Current spot: 450.40



Source: Refinitiv, ING forecasts

- The tenge has been trading in a narrow range around 450 to 1 US dollar in the last four weeks amid relatively flat oil prices and currencies of Kazakhstan's major trade partners.
- The widening current account deficit, as suggested by the 4Q23 data amid zero private capital inflows are making the currency moves increasingly dependent on the FX sales out of the sovereign fund (NFRK).
- The near-term tenge performance seems to be supported by state FX sales (\$0.6 and 1.1 bn in Jan and Feb-24), but the planned tightening in the fiscal rule means that the scope for further KZT appreciation is likely limited.

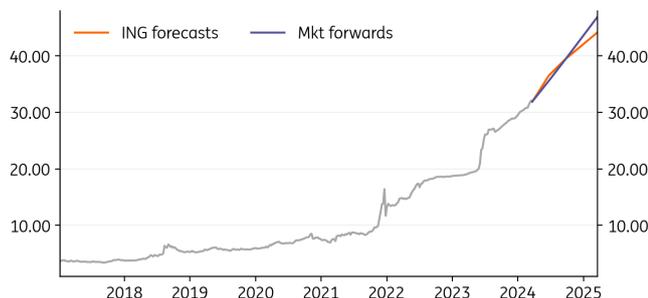
ING forecasts (mkt fwd)	1M 450 (453.74)	3M 460 (459.98)	6M 465 (469.31)	12M 480 (486.67)
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## USD/TRY

Acceleration in USD/TRY increase lately

Current spot: 31.90



Source: Refinitiv, ING forecasts

- There seems to be an acceleration in the exchange rate lately as USD/TRY rose more than 3% since the February MPC, while the reserves have remained on a declining path. While some of the increase in local FX demand probably is likely temporary, related to election uncertainty, the rest is likely due to the moderation in real deposit rates, and unwinding of the FX protected deposit scheme.
- The Central Bank of Turkey has responded by introducing additional macro-prudential measures targeting growth in TL commercial loans and general-purpose loans while it has also increased liquidity sterilisation efforts.
- Annual inflation, meanwhile, was higher than expected in February standing at 67.1% due to an across the board increase in prices. Given this backdrop and the CBT's vocal stance on inflation, the March and April MPC meetings will be closely followed.

ING forecasts (mkt fwd)	1M 33.40 (33.12)	3M 36.50 (35.55)	6M 39.40 (39.34)	12M 44.20 (46.96)
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## USD/ZAR

Elections looming in May

Current spot: 18.79



Source: Refinitiv, ING forecasts

- The rand managed to survive the event risk of the February budget – even though the government did tap into the central bank's FX reserve fund after all. The fact that those funds were used to pay down debt early probably saved the rand. The president has announced 29 May as the date for the general election. The ANC is polling poorly and questions whether it will pursue a coalition with far left parties – a rand negative.
- Domestically, the economy remains challenged by infrastructure woes. Currently, water is the challenge. And South Africa's current account deficit is also widening more quickly than expected.
- US data needs to soften quickly otherwise USD/ZAR will be at 20.

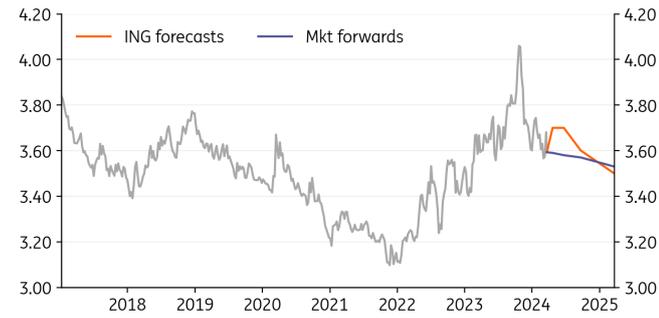
ING forecasts (mkt fwd)	1M 19.00 (18.83)	3M 18.75 (18.93)	6M 18.50 (19.09)	12M 18.00 (19.42)
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# USD/ILS

## Shekel holds gains

**Current spot: 3.5928**



Source: Refinitiv, ING forecasts

- The shekel is largely holding recent gains – again without the need for any FX intervention over recent months. The Bank of Israel is keeping the base rate quite firm at 4.50% despite the large impact on the economy from the war. That war has recently seen the Israeli government pass a budget, with a projected deficit at 6.6% of GDP – a record deficit for Israel. Yet Israel's sovereign CDS has remained contained.
- We await to see what effect the war has had on Israel's traditionally strong current account surplus.
- We continue to favour a lower USD/ILS later this year on the back of the Fed easing story. Israel also has large reserves to support ILS.

<b>ING forecasts (mkt fwd)</b>	<b>1M</b> 3.70 (3.5897)	<b>3M</b> 3.70 (3.5810)	<b>6M</b> 3.60 (3.5659)	<b>12M</b> 3.50 (3.5344)
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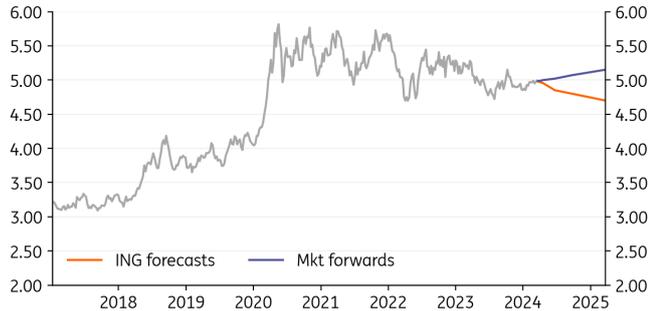
**Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)**



# LATAM

## USD/BRL

BRL lagging a little



Source: Refinitiv, ING forecasts

**Current spot: 4.9823**

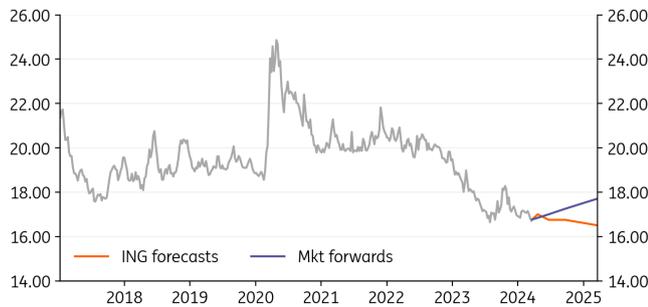
- BRL/MXN has dropped to the lowest levels since 2003. That's largely down to MXN strength, but USD/BRL recently has popped above 5.00. Driving that move was government intervention to prevent Petrobras paying a special dividend. Notably, Brazilian equities are substantial underperformers in the region.
- Hurting the Brazilian real has been the fall in iron ore which has seen Brazil's terms of trade fall 30% this year. However, we doubt iron ore needs to fall much further even though China remains soft.
- In terms of central bank policy, the recent 50bp cut to 10.75% has seen the language change. It suggests only one more 50bp reduction and then smaller cuts – probably to the 9.50% area.

<b>ING forecasts (mkt fwd)</b>	<b>1M 4.95 (4.9965)</b>	<b>3M 4.85 (5.0236)</b>	<b>6M 4.80 (5.0686)</b>	<b>12M 4.70 (5.1504)</b>
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## USD/MXN

Peso to hold gains despite start of Banxico easing



Source: Refinitiv, ING forecasts

**Current spot: 16.77**

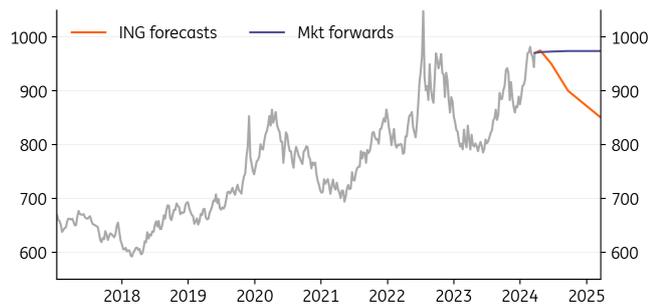
- Banxico has just started its easing cycle with a 25bp rate cut to 11.00%. It has not provided much forward guidance - probably because it requires flexibility around Fed policy too. Banxico has not said much about the very strong, inflation-adjusted peso. However, it is up 16% YoY and at the highest levels since 2008 and could start to become a problem.
- The above is our preference in that the rates market will probably take the strain (i.e. steady cuts from Banxico this year) and USD/MXN continues in a 16.50/17.00 range rather than dropping below 16.00 when the Fed cuts.
- Donald Trump remains the wild card - most recently threatening 100% tariffs on Chinese cars made in Mexico.

<b>ING forecasts (mkt fwd)</b>	<b>1M 17.00 (16.84)</b>	<b>3M 16.75 (17.00)</b>	<b>6M 16.75 (17.25)</b>	<b>12M 16.50 (17.71)</b>
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## USD/CLP

Peso bailed out by the copper rally



Source: Refinitiv, ING forecasts

**Current spot: 970.30**

- USD/CLP has reversed from near 1000. Some slightly better activity data may have helped (2023 GDP was positive after all), but the big story is the rally in copper. Our team has discussed the reasons for copper's rally [here](#). This story has seen Chile's terms of trade improve markedly and provided some support to an otherwise negative near-term outlook for the peso.
- Here, the central bank seems to have abandoned the currency and gone for growth with large rate cuts. Another large rate cut on 2 April could send USD/CLP back up to 1000.
- However, if we are right with 125bp of Fed rate cuts starting in June, a growth friendly environment could take USD/CLP sub 900.

<b>ING forecasts (mkt fwd)</b>	<b>1M 975 (971.62)</b>	<b>3M 950 (972.98)</b>	<b>6M 900 (973.73)</b>	<b>12M 850 (974.15)</b>
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# Asia

## USD/CNY

Stable with policy rollout as potential catalyst ahead

Current spot: 7.1992



Source: Refinitiv, ING forecasts

- The CNY was stable at around 7.20 for most of the past month, as the People's Bank of China pushed back against depreciation with its daily fixing.
- In the near term, China-specific fundamentals may play a larger role in the price action. These include changes in capital flows from trade or investment in reaction to policy rollout, and the scale and pace of potential further monetary policy easing.
- The PBoC hinted at further RRR cuts to come, and we expect one rate cut in the next few months. We expect a broadly stable Chinese yuan in the near term.

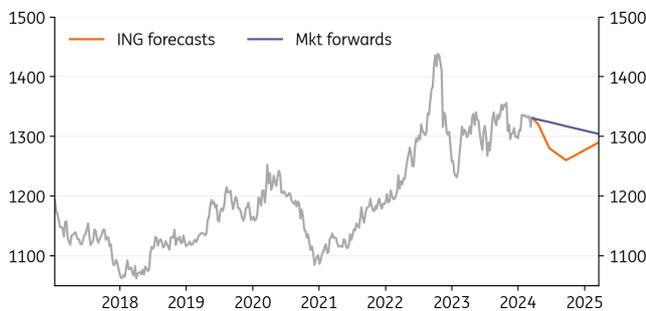
ING forecasts (mkt fwd)	1M 7.20 (7.1768)	3M 7.15 (7.1327)	6M 7.07 (7.0652)	12M 6.90 (6.9355)
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## USD/KRW

Dividend payout will drive KRW weaker in April

Current spot: 1330.58



Source: Refinitiv, ING forecasts

- The Korean won has been volatile again, falling from 1340 to 1310 in early March on the back of a better stock market performance, but rising again above 1320 following the US Treasury moves.
- Exports are likely to improve further, but April is dividend payout season, and should temporarily weaken the KRW. Also, the Bank of Korea won't send any dovish signals to the market in April.
- At the end of 2Q24, we could see some clearer signs of appreciation, reflecting the improvement in trade and a shift to a less restrictive policy setting. Slowing global trade and US growth will work against the KRW towards the year-end.

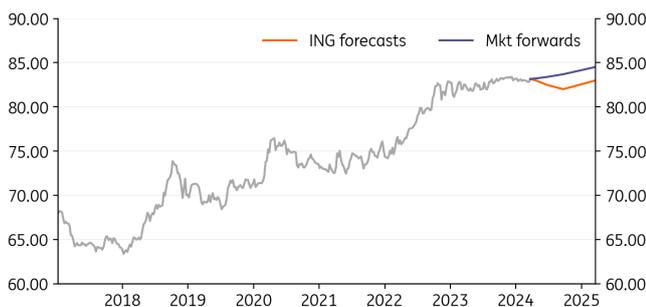
ING forecasts (mkt fwd)	1M 1320 (1328.37)	3M 1280 (1323.91)	6M 1260 (1317.12)	12M 1290 (1304.12)
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## USD/INR

Some asymmetry creeping into the RBI "peg"

Current spot: 83.15



Source: Refinitiv, ING forecasts

- While there isn't much to note on the Indian rupee's virtual peg, the last month has seen the INR appreciate very slightly – moving down from the previous level of 83.3 to around 82.9 currently.
- It still looks like the Reserve Bank of India is heavily managing the INR ahead of the June global bond inclusion but is now prepared to allow some very modest appreciation ahead of that date.
- The economy continues to run strong, racking up an 8.4% growth rate in 4Q24 and inflation is steady at around 5.0%. Policy rates will likely remain on hold until global easing commences.

ING forecasts (mkt fwd)	1M 83.00 (83.22)	3M 82.50 (83.38)	6M 82.00 (83.69)	12M 83.00 (84.52)
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## USD/IDR

### IDR pulls back after disappointing trade data

**Current spot: 15660**



Source: Refinitiv, ING forecasts

- The Indonesian rupiah managed to steady during the period after the election which showed a convincing win for the presumed president-elect Prabowo Subianto. The IDR gave back some of its gains after trade data showed a much smaller trade surplus.
- Bank Indonesia's hawkish comments after a pickup in inflation could have helped support the currency.
- The IDR should take its direction from upcoming comments from BI regarding policy although further disappointment on trade figures could weigh on the currency in the coming months.

<b>ING forecasts</b> (mkt fwd)	<b>1M 15600</b> (15674)	<b>3M 15450</b> (15699)	<b>6M 15300</b> (15739)	<b>12M 15100</b> (15828)
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## USD/PHP

### PHP recovered on hawkish BSP comments

**Current spot: 56.02**



Source: Refinitiv, ING forecasts

- The Philippine peso was initially on the backfoot this month on steady corporate demand for the dollar. The currency managed to steady on inflows related to a successful retail bond issuance.
- Hawkish comments from the central bank governor also helped support the currency after headline inflation surprised on the upside. Governor Eli Remolona indicated he could keep rates elevated for some time.
- The PHP could be pressured in the near-term as corporate demand returns, likely underperforming regional peers.

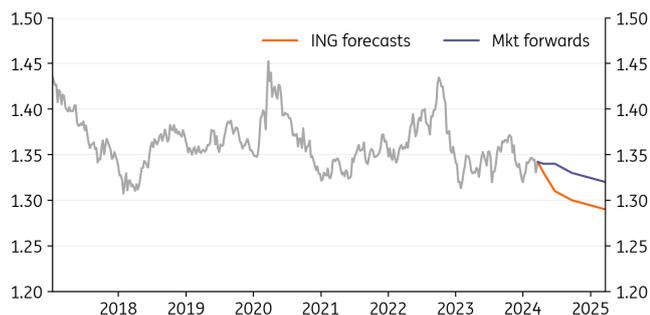
<b>ING forecasts</b> (mkt fwd)	<b>1M 55.50</b> (56.06)	<b>3M 55.00</b> (56.13)	<b>6M 54.50</b> (56.22)	<b>12M 54.00</b> (56.36)
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## USD/SGD

SGD strengthened in line with the region

Current spot: 1.3418



Source: Refinitiv, ING forecasts

- The Singapore dollar initially pulled back after inflation cooled faster than expected in February, limiting the need for additional tightening from the MAS.
- Positive data reports on industrial production and retail sales may have helped improve sentiment in the latter half of the period, with SGD tracking the regional rally.
- With inflation cooling, the MAS may consider easing back on the SGD NEER appreciation path in the coming months, moving back towards a more neutral setting.

<b>ING forecasts (mkt fwd)</b>	<b>1M 1.33 (1.3400)</b>	<b>3M 1.31 (1.3364)</b>	<b>6M 1.30 (1.3309)</b>	<b>12M 1.29 (1.3209)</b>
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## USD/TWD

Low interest rates hurt TWD despite recovery of trade

Current spot: 31.91



Source: Refinitiv, ING forecasts

- The Taiwan dollar weakened slightly over the past month, trading in a narrow range of 31.3-31.6.
- A recovery of trade to start the year has improved growth prospects, but this has yet to translate to a recovery of the TWD. Low interest rates have led to unfavourable yield spreads, which may be dragging on TWD strength.
- Geopolitical factors appear likely to intermittently play a role in the TWD trajectory this year. William Lai's Presidential inauguration on 20 May is a potential flashpoint.

<b>ING forecasts (mkt fwd)</b>	<b>1M 31.30 (31.77)</b>	<b>3M 30.95 (31.54)</b>	<b>6M 30.80 (31.22)</b>	<b>12M 30.40 (30.66)</b>
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**ING foreign exchange forecasts**

EUR cross rates	Spot	1M	3M	6M	12M	USD cross rates	Spot	1M	3M	6M	12M
<b>Developed FX</b>											
EUR/USD	1.09	1.09	1.10	1.12	1.15						
EUR/JPY	165	161	160	157	150	USD/JPY	152	148	145	140	130
EUR/GBP	0.86	0.86	0.86	0.87	0.88	GBP/USD	1.27	1.27	1.28	1.29	1.31
EUR/CHF	0.98	0.97	0.98	0.99	1.00	USD/CHF	0.90	0.89	0.89	0.88	0.87
EUR/NOK	11.59	11.40	11.20	10.80	10.70	USD/NOK	10.65	10.46	10.18	9.64	9.30
EUR/SEK	11.36	11.25	11.10	10.80	10.70	USD/SEK	10.44	10.32	10.09	9.64	9.30
EUR/DKK	7.458	7.46	7.46	7.46	7.46	USD/DKK	6.86	6.84	6.78	6.66	6.49
EUR/CAD	1.47	1.47	1.46	1.47	1.48	USD/CAD	1.35	1.35	1.33	1.31	1.29
EUR/AUD	1.65	1.63	1.62	1.60	1.67	AUD/USD	0.66	0.67	0.68	0.70	0.69
EUR/NZD	1.80	1.79	1.75	1.72	1.80	NZD/USD	0.61	0.61	0.63	0.65	0.64
<b>EMEA</b>											
EUR/PLN	4.31	4.28	4.20	4.25	4.30	USD/PLN	3.96	3.93	3.82	3.79	3.74
EUR/HUF	394.80	399.00	405.00	390.00	405.00	USD/HUF	363	366	368	348	352
EUR/CZK	25.27	25.30	25.30	24.80	24.00	USD/CZK	23.23	23.20	23.00	22.10	20.90
EUR/RON	4.97	4.98	4.98	4.98	5.04	USD/RON	4.57	4.57	4.53	4.45	4.38
EUR/RSD	117.20	117.20	117.20	117.20	117.20	USD/RSD	107.8	107.5	106.5	104.6	101.9
EUR/UAH	42.31	43.30	44.00	45.40	47.70	USD/UAH	38.90	39.70	40.00	40.50	41.50
EUR/KZT	488.30	490.50	506.00	520.80	552.00	USD/KZT	450	450	460	465	480
EUR/TRY	34.59	36.41	40.15	44.13	50.83	USD/TRY	31.80	33.40	36.50	39.40	44.20
EUR/ZAR	20.45	20.70	20.60	20.70	20.70	USD/ZAR	18.80	19.00	18.75	18.50	18.00
EUR/ILS	3.92	4.03	4.07	4.03	4.03	USD/ILS	3.60	3.70	3.70	3.60	3.50
<b>LATAM</b>											
EUR/BRL	5.42	5.40	5.34	5.38	5.41	USD/BRL	4.98	4.95	4.85	4.80	4.70
EUR/MXN	18.21	18.50	18.40	18.80	19.00	USD/MXN	16.75	17.00	16.75	16.75	16.50
EUR/CLP	1057.14	1063.00	1045.00	1008.00	978.00	USD/CLP	971	975	950	900	850
<b>Asia</b>											
EUR/CNY	7.83	7.85	7.87	7.92	7.94	USD/CNY	7.20	7.20	7.15	7.07	6.90
EUR/IDR	17116	17004	16995	17136	17365	USD/IDR	15660	15600	15450	15300	15100
EUR/INR	90.49	90.50	90.80	91.80	95.50	USD/INR	83.20	83.00	82.50	82.00	83.00
EUR/KRW	1448	1439	1408	1411	1484	USD/KRW	1331.73	1320	1280	1260	1290
EUR/PHP	60.94	60.50	60.50	61.00	62.10	USD/PHP	56.03	55.50	55.00	54.50	54.00
EUR/SGD	1.46	1.45	1.44	1.46	1.48	USD/SGD	1.34	1.33	1.31	1.30	1.29
EUR/TWD	34.71	34.10	34.00	34.50	35.00	USD/TWD	31.94	31.30	31.00	30.80	30.40

Source: Refinitiv, ING

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