THINK Economic and Financial Analysis

FX Talking

March 2025

Dollar falls back to earth

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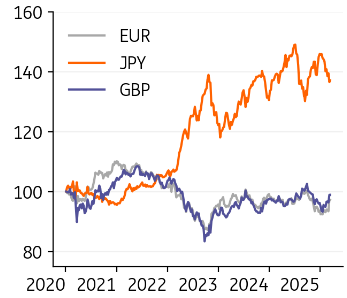
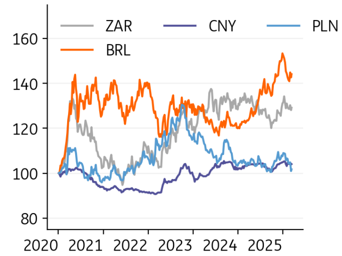
FX Talking

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

Dollar falls back to earth

2025 is turning out to be a tough year for the dollar. After its stratospheric rise through the final quarter of 2024, this year the DXY trade-weighted index is off 6 percent as both US and European stories are re-assessed. On the former, softer employment and consumption trends have seen the expected Fed easing cycle cut by 50bp. And on the latter, Donald Trump's threat to withdraw Europe's security umbrella has galvanised European leaders into some much-needed fiscal stimulus.

The most impactful market development has been Germany's announcement of a EUR500bn infrastructure fund. Assuming this all passes parliament over coming weeks, the prospect of looser fiscal and relatively tighter monetary policy argues that EUR/USD does not have to trade under 1.05 again. The biggest threat to the euro – and to the Rest of World currencies – is the early April announcement of 'reciprocal' US tariffs. These could be big and universal as Washington seeks to rewire the global trading system.

EUR/USD now looks to be a 1.05-1.10 rather than a 1.00-1.05 trading range. A more meaningful break higher in EUR/USD – say above the 1.12 area – will likely require a much steeper US slowdown. We are not in a position to make that call yet.

Expect the Japanese yen to keep outperforming in April on tariff-induced weakness in risk assets and growing confidence that the Bank of Japan will hike again in May. Underperforming in G10 could well be the pound, where the Spring statement of 26 March will have to see the Chancellor cut spending or suffer the wrath of the Gilt market.

And in EM, we could see continued CEE outperformance on local growth trends.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.07	↓	147	↓	1.26	↓
3M	1.05	↓	148	↑	1.27	↓
6M	1.07	↓	150	↑	1.27	↓
12M	1.09	↓	153	↑	1.30	↑
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.85	↑	25.05	↓	4.19	↓
3M	0.83	↓	25.00	↓	4.20	↓
6M	0.84	↓	24.90	↓	4.25	↓
12M	0.84	↓	24.75	↓	4.25	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	7.28	↑	20.50	↑	5.90	↑
3M	7.34	↑	21.00	↑	6.00	↑
6M	7.31	↑	22.00	↑	6.25	↑
12M	7.25	↑	22.00	↑	6.25	↓

↑ / → / ↓ indicates our forecast for the currency pair is above/in line with/below the corresponding market forward or NDF outright

Source: Refinitiv, ING forecast

FX performance

	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	4.6	-2.8	0.7	-0.1	-0.3	0.7
%YoY	-1.0	0.3	-2.0	1.0	-5.2	6.8
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	-0.8	0.2	-0.7	0.5	-0.5	1.1
%YoY	0.8	10.8	1.0	-2.1	-1.0	17.2

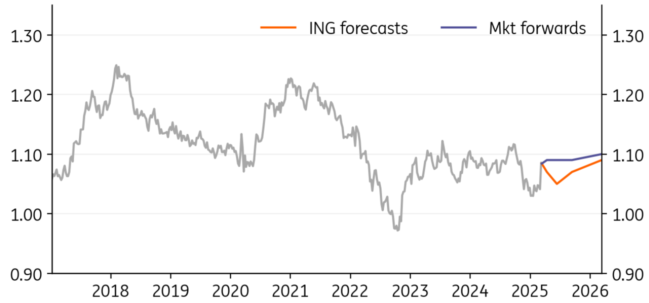
Source: Refinitiv, ING forecast

Developed markets

EUR/USD

Re-rating the euro

Current spot: 1.0840



Source: Refinitiv, ING forecasts

- Geopolitical events have forced us to revise our EUR/USD profile. In short, President Trump's withdrawal of Europe's security umbrella, Europe's response of fiscal stimulus and the re-rating of the ECB profile means that EUR/USD is unlikely to trade down to 1.00/1.02 after all. We see 1.05-1.10 as the new trading range.
- April will curb enthusiasm for the euro if the US imposes far-ranging 'reciprocal' tariffs on Europe. There is a good chance of universal tariffs as Washington seeks to level the global playing field for trade and address the $1.2tr annual goods deficit.
- However, the dollar will stay vulnerable – especially to news on job losses and softening consumption trends.

ING forecasts (mkt fwd)	1M 1.07 (1.0859)	3M 1.05 (1.0895)	6M 1.07 (1.0949)	12M 1.09 (1.1049)

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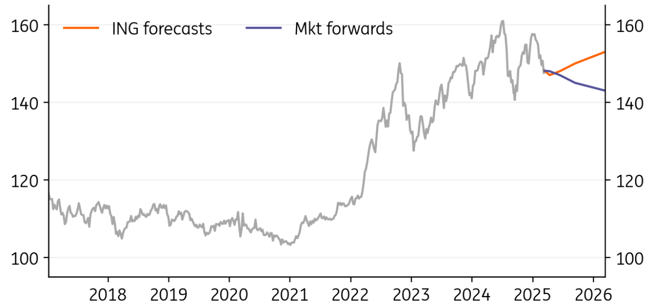
USD/JPY

Softer US macro and hawkish BoJ combine

Current spot: 148.12



Source: Refinitiv, ING forecasts

- USD/JPY has been at the forefront in the adjustment of US growth prospects. This year's 5% fall in the S&P 500 and the 50bp extension of the expected Fed easing cycle has seen USD/JPY trade well below 150. So far this has largely been a defensive, US-led move. But we think it's too early to call a US recession and a house call for higher US 10-year yields later this year should prove USD/JPY supportive.
- But the second quarter could be a tough time for risk assets as Trump pushes through with tariffs. At the same we have a non-consensus call that the Bank of Japan will tighten 25bp in May.
- 145-150 looks the coming trading range.

ING forecasts (mkt fwd)	1M 147 (147.60)	3M 148 (146.61)	6M 150 (145.22)	12M 153 (142.80)

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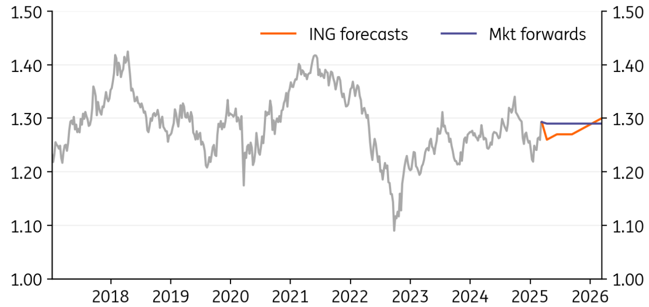
GBP/USD

26 March Spring statement could undermine GBP

Current spot: 1.2929



Source: Refinitiv, ING forecasts

- The re-rating of European currencies has dragged GBP/USD higher. Important for this trend will be whether the German parliament approves the EUR500bn infrastructure bill in this current parliament – deadline 25 March. If not, some of the recent GBP gains will unwind.
- One of the big event risks for GBP will be the 26 March UK Spring statement. This could be a negative story as the Chancellor seeks to cut spending and meet fiscal rules. Tighter fiscal policy could see a dovish re-appraisal of BoE policy and hit the pound.
- 1.25-1.30 now looks the volatile range as GBP/USD is buffeted by both domestic and international factors.

ING forecasts (mkt fwd)	1M 1.26 (1.2929)	3M 1.27 (1.2928)	6M 1.27 (1.2924)	12M 1.30 (1.2912)

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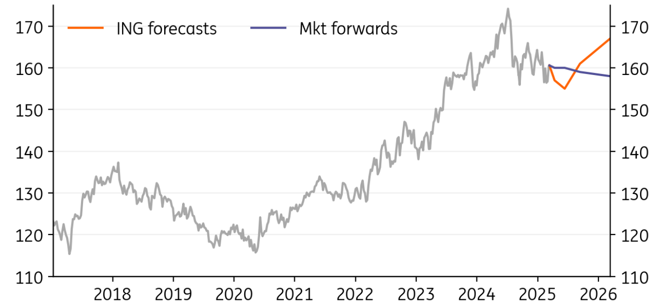
EUR/JPY

Downside risks over coming months **Current spot: 160.57**



Source: Refinitiv, ING forecasts

- EUR/JPY has defied its normally positive correlation with global equity markets as the implications of European government spending ripple through markets. Assuming German fiscal stimulus is passed, the euro should remain better supported and could get a lift if the ECB pauses its cutting cycle in April.
- However, April should prove a rocky month for risk assets as the US pushes ahead with tariffs. Importantly, Washington needs the tariff revenues to support its tax-cutting agenda. This argues that tariffs may not be negotiated away as quickly as some suggest.
- EUR/JPY should also be limited by the Bank of Japan story, where hikes expected in May and October will keep the yen in demand.

ING forecasts (mkt fwd)	1M 157 (160.28)	3M 155 (159.72)	6M 161 (159.00)	12M 167 (157.76)

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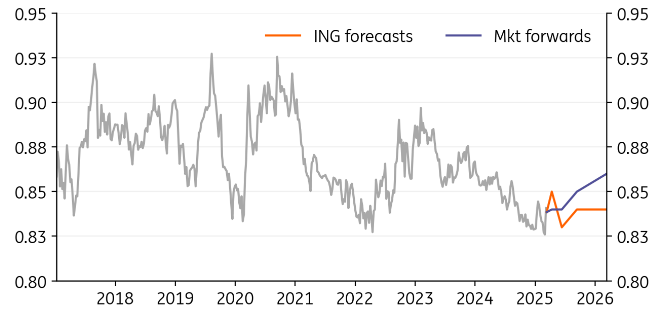
EUR/GBP

Volatile in ranges **Current spot: 0.8385**



Source: Refinitiv, ING forecasts

- EUR/GBP looks likely to continue to bounce around in ranges. The first big, positive event risk is the 26 March UK Spring statement. Spending cuts could send EUR/GBP to 0.85. We should see the US announce some significant tariffs on 2 and 3 April. EUR/GBP normally gets hit on tariff news given the UK's smaller goods exposure to the US when compared to the eurozone's large and problematical trade surplus with the US.
- Politics will also have some bearing over the medium term. The UK Labour government needs to demonstrate the UK's improved growth potential and can do so by closer ties with Europe.
- Consensus expects EUR/GBP at 0.83 in 1Q26 and a 0.80-86 range.

ING forecasts (mkt fwd)	1M 0.85 (0.8399)	3M 0.83 (0.8427)	6M 0.84 (0.8472)	12M 0.84 (0.8557)

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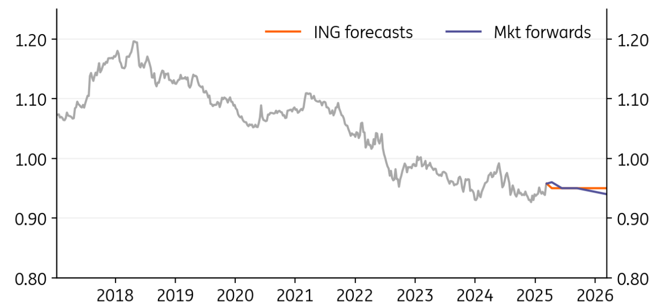
EUR/CHF

European growth profile prompts revisions **Current spot: 0.9577**



Source: Refinitiv, ING forecasts

- Fortunately for the Swiss National Bank, the re-rating of eurozone growth prospects and what it means for ECB policy now mean that the SNB will have less need to take the policy rate back into negative territory. The market now prices one final SNB cut to 0.25% this summer. With Swiss CPI getting very close to zero, the SNB will remain in a dovish mode and will resist CHF strength.
- Our eurozone team are yet to make some major upward revisions to growth prospects – meaning that we're not yet ready to call a major re-appraisal in EUR/CHF to the 1.00/1.05 area.
- But upside risks to EUR/CHF are building should European fiscal stimulus arrive in its entirety – or a Ukraine ceasefire materialise.

ING forecasts (mkt fwd)	1M 0.95 (0.9558)	3M 0.95 (0.9522)	6M 0.95 (0.9474)	12M 0.95 (0.9382)

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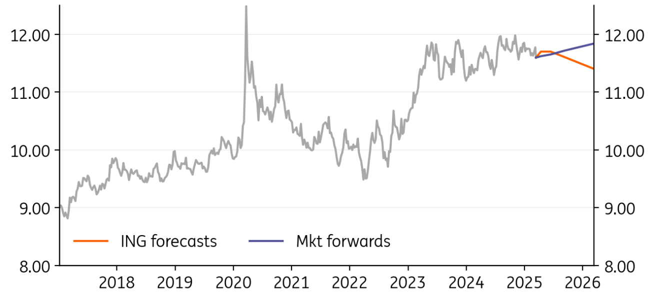
EUR/NOK

Norges Bank cut in doubt

Current spot: 11.60



Source: Refinitiv, ING forecasts

- Norway's inflation jumped unexpectedly in February. Headline CPI rose 3.6% year-on-year and underlying CPI to 3.4%, the hottest prints since second quarter 2024.
- Norges Bank had repeatedly signalled a rate cut on 26 March, but markets and consensus are now split. It's going to be a very close call, and while we still think a cut is marginally more likely, we expect it to be accompanied by a hawkish narrative.
- The Norwegian krone has found support from the hawkish repricing, but soft commodity prices are probably preventing it to rally much more on the eurozone's growth re-rating and Ukraine peace deal hopes. We see a broadly stable EUR/NOK ahead.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	11.70 (11.62)	11.70 (11.65)	11.60 (11.72)	11.40 (11.84)

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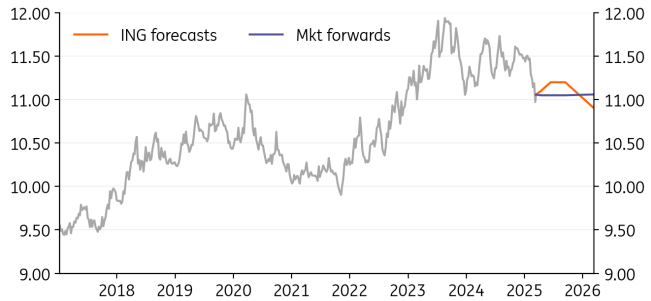
EUR/SEK

Krona's rally looks overdone

Current spot: 11.06



Source: Refinitiv, ING forecasts

- The Swedish krona's stellar performance has sent EUR/SEK into marked undervaluation territory (around 2.5% in our estimates). That suggests SEK is currently embedding a big deal of positives, and new rallies will be hard to sustain.
- The Riksbank may not want to rule anything in or out, but hotter inflation and an improved EU outlook suggest a hold at the March meeting. We have changed our baseline view and forecast no more rate cuts by the Riksbank.
- We expect a worsening of EU sentiment (to which SEK has a higher beta than EUR) on the back of US tariffs in April. That can favour a reset higher in EUR/SEK, we think around 11.10-11.30.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	11.10 (11.05)	11.20 (11.05)	11.20 (11.05)	10.90 (11.06)

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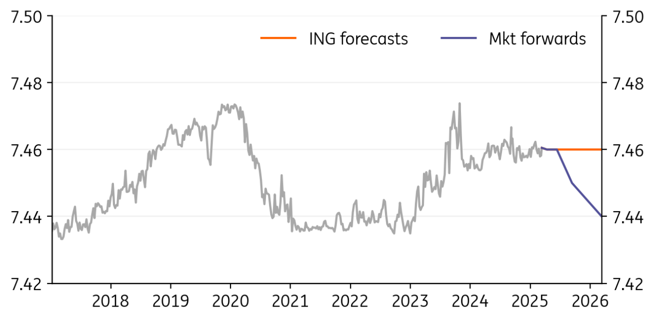
EUR/DKK

Still very steady

Current spot: 7.4605



Source: Refinitiv, ING forecasts

- Greenland's political events did not impact DKK, and threats to the peg with the euro remain very low.
- EUR/DKK has been under some very modest pressure while remaining very close to the 7.46 central peg level.
- We see no reason to expect a divergence from the recent stability in EUR/DKK, and we therefore expect the Danish central bank to keep cutting in line with the ECB (we think only once more in 2025) and refrain from intervening in the FX market.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	7.46 (7.4597)	7.46 (7.4567)	7.46 (7.4507)	7.46 (7.4399)

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USD/CAD

Trade tensions can escalate further

Current spot: 1.4389

Source: Refinitiv, ING forecasts

- All indications are that the US-Canada trade spat can keep escalating. Neither Canadian Conservatives nor Liberals (now led by Mark Carney) are pitching a soft-touch approach on trade ahead of likely elections this spring, and Trump has responded aggressively to retaliations from Canada.
- The Bank of Canada cut rates again in March. We expect only one additional cut by the BoC, as inflationary risks are rising and there may be tolerance for a slowdown if largely caused by tariffs.
- Our preference remains for USD/CAD to trade around or above 1.45 in the second quarter as the USD recovers some ground and the trade risk premium remains in place. A gradual decline to 1.40 may only be a story for the second half of 2025.

ING forecasts (mkt fwd)	**1M** 1.42 (1.4369)	**3M** 1.45 (1.4326)	**6M** 1.44 (1.4267)	**12M** 1.42 (1.4160)

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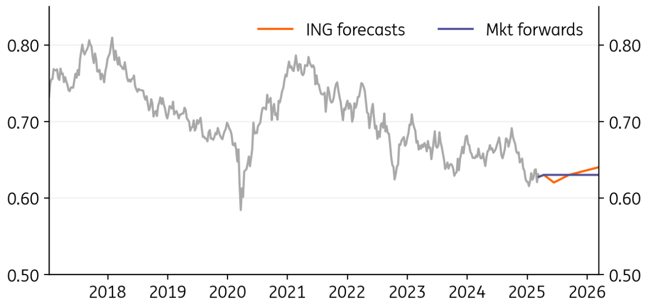
AUD/USD

Profile revised higher

Current spot: 0.6274



Source: Refinitiv, ING forecasts

- We have adjusted our AUD/USD profile higher in line with our updated, less bullish USD view. However, the balance of risks remains tilted to the downside for AUD – which is the preferred China proxy trade in G10 – as trade sentiment deteriorates.
- Markets (and ourselves) are torn between two and three cuts by the Reserve Bank of Australia this year. Our baseline forecast is for three cuts but admit that the needle is turning towards a less dovish scenario as growth and inflation are proving stronger than expected.
- We expect explorations below 0.62 in AUD/USD throughout 2Q as tariff risks peak. But, if 2H25 starts to bring trade tension de-escalation, AUD should be among the biggest winners.

ING forecasts (mkt fwd)	**1M** 0.63 (0.6276)	**3M** 0.62 (0.6279)	**6M** 0.63 (0.6283)	**12M** 0.64 (0.6290)

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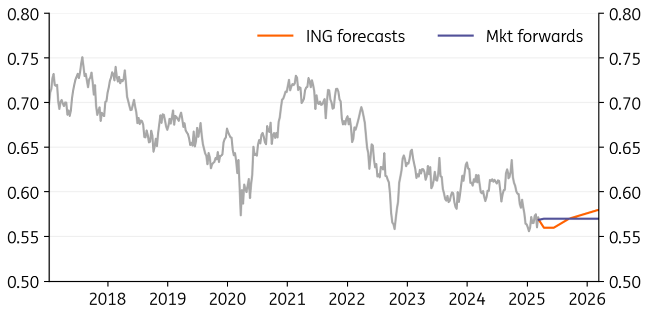
NZD/USD

Reserve Bank of New Zealand set to cut in April

Current spot: 0.5688



Source: Refinitiv, ING forecasts

- Markets are pricing in another 75bp of RBNZ easing this year and a 3.0% terminal rate. We are slightly less dovish and forecast 50bp as inflation may prove an issue down the road.
- Still, a 25bp reduction on 9 April remains rather likely. The only key data release before the meeting is the 4Q GDP, which is expected at 0.4% QoQ following two quarters of contraction. 1Q CPI and employment data are due in mid-April and early May, and we have less conviction on another cut on 28 May.
- We don't see a very compelling case for AUD-NZD divergence in the coming months, and we have revised our NZD/USD numbers higher in line with AUD/USD.

ING forecasts (mkt fwd)	**1M** 0.56 (0.5691)	**3M** 0.56 (0.5699)	**6M** 0.57 (0.5712)	**12M** 0.58 (0.5732)

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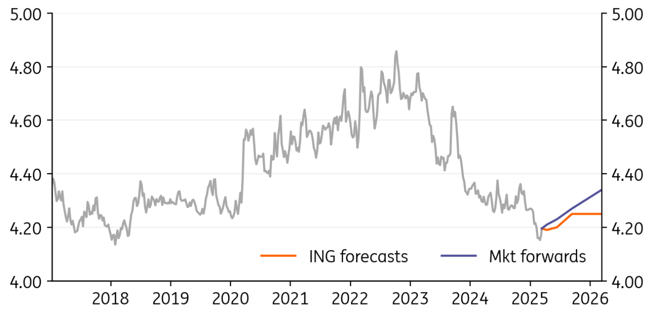
Emerging markets

EUR/PLN

PLN trades as the FX of a buffer-zone economy

Current spot: 4.1956



Source: Refinitiv, ING forecasts

- PLN firmed to the strongest levels since 2018 vs. the euro, but then pared gains after Trump's suspension of support for Ukraine and effectively limiting the safety net for NATO in the EU.
- PLN is trading recently like the FX of the buffer-zone economy between NATO and Eastern Europe. The German fiscal plan and spike of defence spending lifted EUR/USD, but contrary to historical correlation PLN has not gained from the strong euro. Investors presumably lost confidence in a credible plan of rebuilding Ukraine, which has driven PLN up before.
- The Polish economy is resuming its recovery. Poland should stay as the EU growth leader in 2025 due to robust domestic demand and 2026 looks more optimistic for exporters given upward revisions of German and eurozone GDP. The hawkish central bank bias could see a limited easing cycle in the second half of 2025.

ING forecasts (mkt fwd)	1M 4.19 (4.2072)	3M 4.20 (4.2306)	6M 4.25 (4.2683)	12M 4.25 (4.3378)

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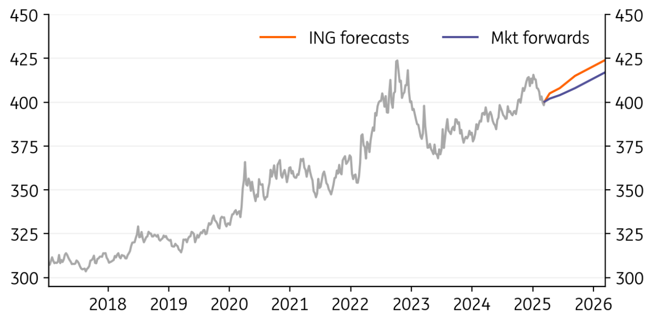
EUR/HUF

We remain bearish on the Hungarian forint

Current spot: 400.25



Source: Refinitiv, ING forecasts

- The forint has been hovering around 400 for a month now, in a positive mood driven mainly by global news. Locally, inflation continued to surprise on the upside with the February print.
- The market is again toying with the idea of a possible rate hike in Hungary. However, the impact of the government's new anti-inflation measures will only be felt in April's inflation print (if at all), which calls for more patience in monetary policy.
- In this respect, investors' expectations of a hawkish shift may be exaggerated and the first NBH meeting under Varga will be a disappointment with no talk of a rate hike, triggering a correction in the HUF. In the longer term, the fate of EU funds, budgetary developments and local politics all point to a bearish HUF story.

ING forecasts (mkt fwd)	1M 405 (401.61)	3M 408 (404.21)	6M 415 (408.49)	12M 424 (416.95)

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EUR/CZK

Growth outperformance and hawkish CNB to foster koruna

Current spot: 25.10

Source: Refinitiv, ING forecasts

- Both headline CPI and wage growth recently came in above the Czech National Bank forecast. Robust real wage gains can further drive consumer spending. Thus, price dynamics in the service sector should remain above what is consistent with the overall inflation target. The CNB should keep a relatively hawkish stance as it advances toward the base rate landing runway.
- Czech industry seems to bottom out as the malaise of recent years gradually recedes. Moreover, the new geopolitical reality in Europe is driving the willingness of many countries to fulfil their NATO spending pledge. The Czech Republic's traditional strength in the defence sector is a positive impulse for the industry in the not-so-distant future. The Czech economy is about to outperform the eurozone in terms of growth. Add the solid fiscal stance and relatively sound debt levels, and you end up with a recipe for a strengthening koruna scenario.

ING forecasts (mkt fwd)	1M 25.1 (25.13)	3M 25.0 (25.18)	6M 24.9 (25.25)	12M 24.8 (25.38)

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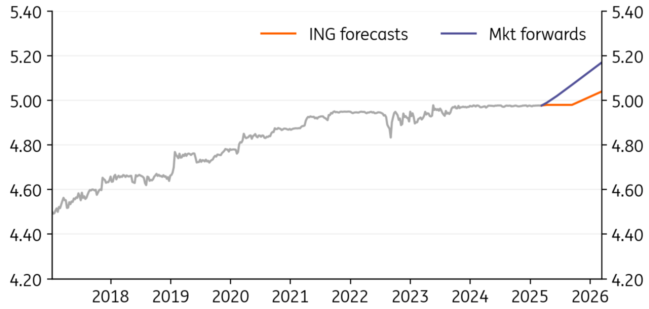
EUR/RON

FX stability is likely to continue

Current spot: 4.9775



Source: Refinitiv, ING forecasts

- EUR/RON continued to trade between 4.97 and 4.98 through the previous month. The interbank liquidity surplus picked up for the second consecutive month in February, reaching RON29bn in February, while FX swap yields pushed further back towards levels seen in November 2024.
- Fiscal and political uncertainties continue to prevail, although recent judiciary decisions likely brought more predictability for the latter. An elevated deficit early in the year complicates the fiscal picture ahead.
- We think that the National Bank of Romania is likely to maintain the FX stability status quo until confidence in the fiscal situation and inflation risks become clearer. A small and smooth RON depreciation is likely a matter for the second half of 2025, should the external and internal risks moderate until then.

ING forecasts (mkt fwd)	1M 4.98 (4.9893)	3M 4.98 (5.0175)	6M 4.98 (5.0684)	12M 5.04 (5.1697)

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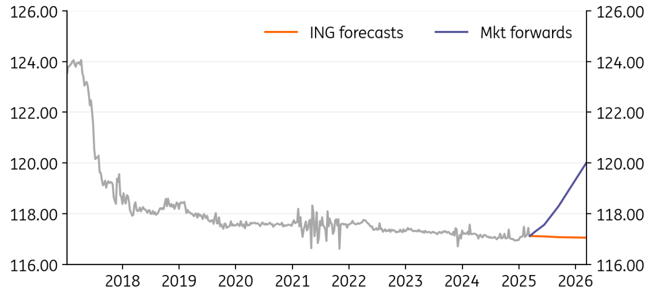
EUR/RSD

Not many changes envisioned ahead

Current spot: 117.12



Source: Refinitiv, ING forecasts

- The EUR/RSD pair traded yet again at levels slightly above 117.00 in the last 30 days. Serbia continues to benefit from improving infrastructure, FDIs, and the recent investment grade rating.
- The political and social arena remains tense, with some outflows pressures potentially more visible if it weren't for the National Bank of Serbia FX stability policy. FX reserves fell marginally to EUR28.8bn in February.
- We think the NBS will retain its tight grip on the currency and our view is that the exchange rate will remain close to 117.00.

ING forecasts (mkt fwd)	1M 117.11 (117.28)	3M 117.10 (117.56)	6M 117.07 (118.29)	12M 117.05 (120.02)

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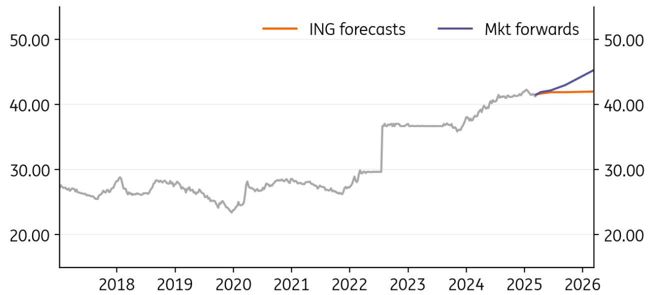
USD/UAH

Another interest rate hike amid geopolitical tensions

Current spot: 41.52



Source: Refinitiv, ING forecasts

- The hryvnia exchange rate against the dollar has remained broadly stable, supported by high FX reserves and the National Bank of Ukraine's interest rate hike of 100bp in early March to 15.5%. The NBU signalled decisive actions going forward to ensure the attractiveness of hryvnia assets and lower inflation expectations (CPI accelerated to 12.9% year-on-year in January and further to 13.4% in February).
- The economy remains burdened by the ongoing full-scale war, but due to the US administration pressure on Ukraine and Russia, there are prospects for a ceasefire. External aid is to be sufficient this year, as G7 countries started to disburse funds from ERA loans. The NBU is likely to allow for a slight weakening of the hryvnia, while using the UAH exchange rate as an inflation anchor.

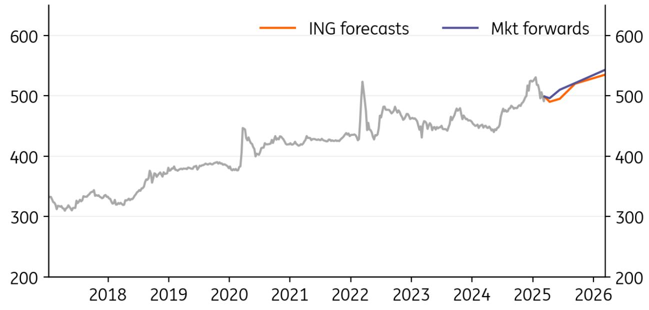
ING forecasts (mkt fwd)	1M 41.70 (41.92)	3M 41.90 (42.17)	6M 41.90 (42.99)	12M 42.00 (45.32)

Leszek Kąsek, leszek.kasek@ing.pl

USD/KZT

Supported by geopolitical hopes and FX interventions

Current spot: 498.62



Source: Refinitiv, ING forecasts

- USD/KZT recovered 5% in January-February and continued its appreciation streak into March, primarily due to the strong rouble. At times of shocks, Kazakhstan's currency tracks the rouble with a 50% sensitivity due to close trade ties with Russia.
- The near-term context is favourable for the tenge given the recent rate hike, ongoing monthly FX sales of $0.5-1.0bn from the sovereign fund for fiscal purposes, and additional net $0.25-0.5bn by the central bank, reflecting its domestic gold purchases.
- KZT still seems overpriced relative to the long-term fair value. The chronic account deficit coupled with the likely reduction in the state support to the FX market amid fiscal consolidation, may exert pressure on the tenge over the next 12 months.

ING forecasts (mkt fwd)	1M 490 (496.04)	3M 495 (510.47)	6M 520 (520.78)	12M 535 (543.11)

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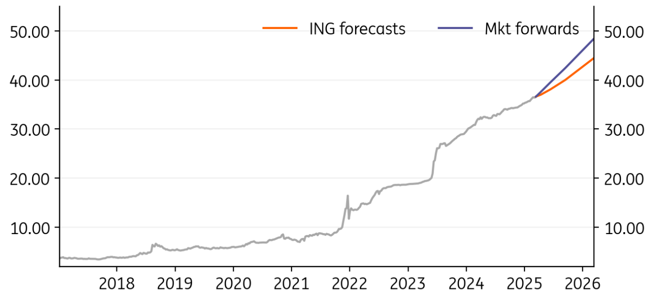
USD/TRY

Another normalisation step from the CBT

Current spot: 36.61



Source: Refinitiv, ING forecasts

- In February, local demand for FX increased with sentiment turning negative along with companies' FX purchases given the Central Bank of Turkey's decision to accelerate unwinding of KKM as legal entities will no longer be able to open or renew these accounts. However, this negative sentiment was short-lived.
- As a step to normalise the currency market further, the CBT also reduced exporters' FX surrender requirements from 30% to 25%. While the bank sees a slower reserve accumulation, it continues to have strong control on the currency given offshore swap restrictions and continued FX purchases from exporters.
- The lira seems unconcerned with the CBT cutting cycle despite three 250bp rate cuts since last December. Our baseline remains that TRY will continue to appreciate in real terms.

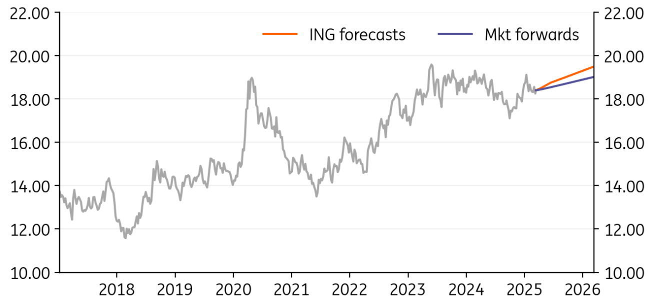
ING forecasts (mkt fwd)	1M 37.00 (37.58)	3M 38.10 (39.55)	6M 40.00 (42.43)	12M 44.50 (48.46)

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

USD/ZAR

Growing pains in the 10-party coalition

Current spot: 18.40



Source: Refinitiv, ING forecasts

- As elsewhere, the flip-flopping on tariffs has created an unsettled environment for USD/ZAR. Support has been broken at 18.50, but South Africa could suffer from US tariffs directly for several reasons, be they 'reciprocal' or for having pursued Israel through the ICJ or indirectly as the US intensifies pressure on China. To reiterate, SARB has modelled where USD/ZAR could trade on 10% global tariffs and a trade war. 21 was the answer.
- Domestically the focus has been on the failure to present a new budget. The DA party refuses to back the ANC's proposed VAT hikes. Any breakdown in the 10-party coalition is a ZAR negative.
- The SARB has the policy rate at 7.50% and is still minded to cut.

ING forecasts (mkt fwd)	1M 18.50 (18.44)	3M 18.75 (18.54)	6M 19.00 (18.70)	12M 19.50 (19.02)

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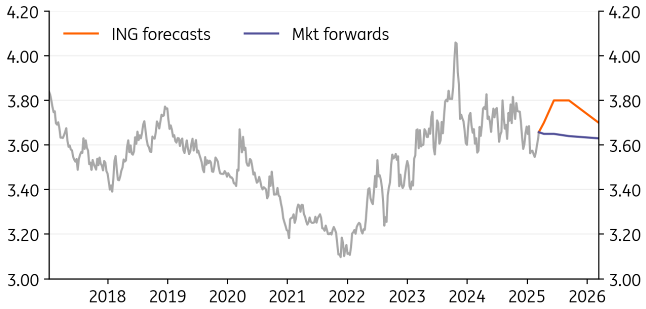
USD/ILS

Shekel keeping an eye on tech stocks



Source: Refinitiv, ING forecasts

Current spot: 3.6574

- USD/ILS has found support at 3.55 and we favour risks to the upside over coming months. We think the dollar could still strengthen a little as President Trump pursues his trade agenda. And typically, inflation-permitting, Israeli authorities have sought to keep the shekel competitive – especially if global trade wars erupt and global demand trends are subdued.
- Investors in the shekel will also keep one eye on tech stocks. These comprise up to 35% weightings in some Israeli equity benchmarks measures and any further correction in the AI-boom risks weighing on the shekel.
- Domestically, the hope will be that the welcome ceasefire can ease labour supply pressures and contribute to GDP growth this year. After 1% growth last year, consensus expects 3.5% in 2025.

ING forecasts (mkt fwd)	**1M** 3.70 (3.6545)	**3M** 3.80 (3.6494)	**6M** 3.80 (3.6428)	**12M** 3.70 (3.6298)

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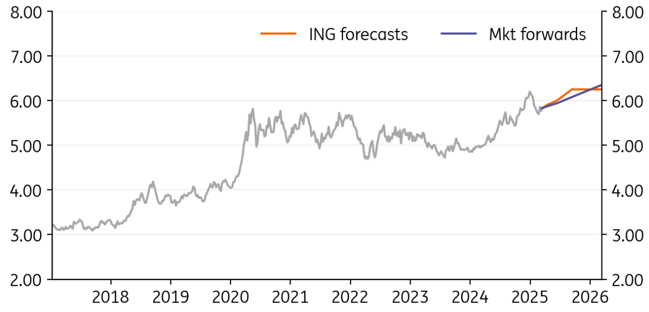
LATAM

USD/BRL

Tariffs are coming Brazil's way too

Current spot: 5.8269



Source: Refinitiv, ING forecasts

- The Brazilian real has started to hand back some of its 2025 gains. This has gone hand-in-hand with the sovereign CDS widening out to 185bp from 165bp and as always suggested there could be some fiscal concerns at play. Here, the focus is on the appointment of a new industrial relations minister who may push for higher public sector wages ahead of next year's election.
- When it comes to tariffs, Brazil is already on the receiving end of steel tariffs and will be bracing for broader tariffs in April. Brazil's ethanol market was cited by the US as an unfair market.
- The central bank should hike to 14.25% in March and potentially 15% this summer. But fiscal concerns can over-ride carry interest.

ING forecasts (mkt fwd)	1M 5.90 (5.8704)	3M 6.00 (5.9432)	6M 6.25 (6.0763)	12M 6.25 (6.3492)

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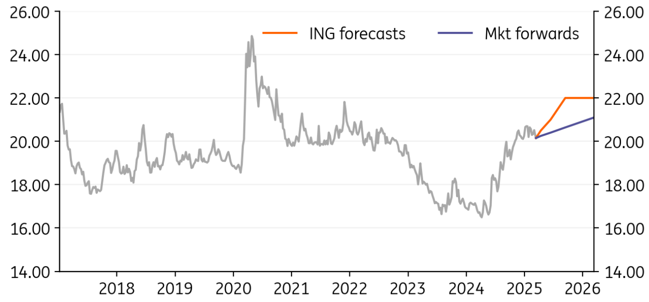
USD/MXN

Peso remains in harm's way

Current spot: 20.15



Source: Refinitiv, ING forecasts

- At time of writing, the US is still considering going ahead with 25% tariffs on Mexican products. This relates to the border and fentanyl. Unless President Sheinbaum comes up with a deal shortly, the risk is that this escalates and includes a further round of US tariffs in April as the US seeks to 'reset' global trade. The emerging view is that the US wants to create a 'Fortress North America' and have Mexico erect trade barriers to China.
- Until the USMCA is fully renegotiated, we think the peso remains under pressure. 22.00 remains the bias for later this year.
- Banxico now has its policy rate at 9.50% and presumably deflationary forces from the trade war will support cuts to 8.00%.

ING forecasts (mkt fwd)	1M 20.50 (20.25)	3M 21.00 (20.40)	6M 22.00 (20.64)	12M 22.00 (21.10)

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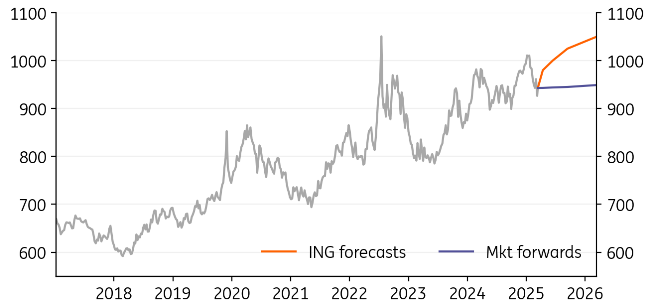
USD/CLP

Chile's peso bucks the soft trend

Current spot: 942.86



Source: Refinitiv, ING forecasts

- Chile's peso has been performing better than we thought, helped by strong copper production. The economy has expanded for four months in a row and consensus now expects full-year GDP growth in the 2.2-2.5% area. The market now firmly believes Chile's easing cycle is over and that the policy rate will be held at 5.00% for the next two years.
- While steady copper prices have been helping the peso this year, that may change. A global trade war looks likely to hit industrial demand and weigh on copper prices later this year. China certainly does look in the firing line for new tariffs.
- Presidential elections may add a risk premium later this year.

ING forecasts (mkt fwd)	1M 980 (943.13)	3M 1000 (943.74)	6M 1025 (945.24)	12M 1050 (949.29)

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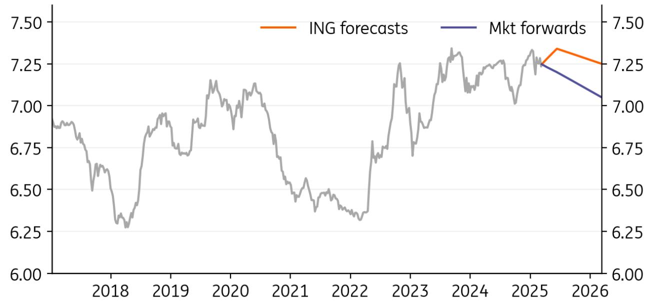
Asia

USD/CNY

CNY strengthened as Two Sessions signals confidence

Current spot: 7.2475



Source: Refinitiv, ING forecasts

- USD/CNY strengthened over the past month, trading in a range of 7.22-7.31. The People's Bank of China continues to aid currency stability via the counter-cyclical factor in its daily fixing.
- Some choppiness within this band: another surprise 10% tariff hike on 4 March sent the CNY weaker but it rallied after strong targets set at the Two Sessions and global developments. Fund inflows amid a rally of Chinese equities also supported the CNY.
- Considering the recent rally and various uncertainties ahead, we hold a slight CNY bearish bias over the next month; tariff risks look high for April, and it's possible we will also see monetary easing. We hold our 2025 call for a 7.00-7.40 fluctuation band.

ING forecasts (mkt fwd)	1M 7.28 (7.2312)	3M 7.34 (7.1978)	6M 7.31 (7.1471)	12M 7.25 (7.0457)

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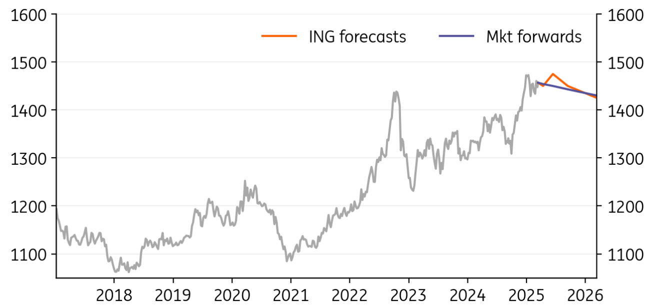
USD/KRW

Political situation to shape the future of the KRW

Current spot: 1456.82



Source: Refinitiv, ING forecasts

- The KRW broke through the 1,460 mark again due to increased political uncertainty at home. With a decision from the Constitutional Court expected soon, further volatility seems inevitable.
- Once domestic politics gets a clearer focus, we expect some unwinding of recent KRW weakness, but to be only short-lived as the global tariff war may hit sentiment.
- The Bank of Korea is likely to pause its easing in April, while supplementary budget issuance will take centre stage of policy support.

ING forecasts (mkt fwd)	1M 1450 (1454.37)	3M 1475 (1449.89)	6M 1450 (1442.92)	12M 1425 (1430.12)

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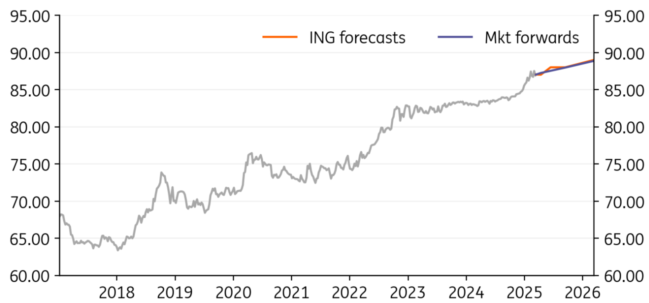
USD/INR

More downside pressure on INR in the near term

Current spot: 87.02



Source: Refinitiv, ING forecasts

- INR underperformed most of the region and appreciated by just 0.1% vs the USD last month. The RBI likely continued to intervene last month to support the rupee. Recall that the RBI net sold over USD35bn in 2H24 to contain depreciation pressures on INR.
- Foreign outflows accelerated with foreign selling in the equity markets close to USD16bn so far this year. The cyclical growth correction for the domestic economy, despite easing of the dollar index, has been a key trigger.
- In addition, liquidity injections by the central bank have been driving bond yields lower. Growth moderation and overvaluation of REER as well as equity markets should mean INR trades with a downside bias in the near term.

ING forecasts (mkt fwd)	1M 87.00 (87.24)	3M 88.00 (87.53)	6M 88.00 (87.96)	12M 89.00 (88.87)

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USD/IDR

Weaker IDR given higher sensitivity to rate differential

Current spot: 16425

Source: Refinitiv, ING forecasts

- IDR performance was the weakest in ASEAN-5 as global risk-off exerted downward pressure on the rate sensitive IDR. The central bank likely intervened both in the spot and NDF markets to contain the volatility.
- Fitch ratings affirmed Indonesia's investment grade credit rating but warned of the fiscal uncertainty that lies ahead, projecting a higher fiscal deficit at 2.5% in 2025 as Prabowo's decision to scrap VAT this year results in a revenue loss of c.0.3% of GDP.
- Return of USD strength in the near term is likely to be the dominant factor impacting IDR in the near term. Although Indonesia is relatively less exposed to US tariff risk, escalation of tariff talks is likely to keep Asian currencies under pressure.

ING forecasts (mkt fwd)	1M 16500 (16442)	3M 16000 (16472)	6M 15500 (16528)	12M 15200 (16658)

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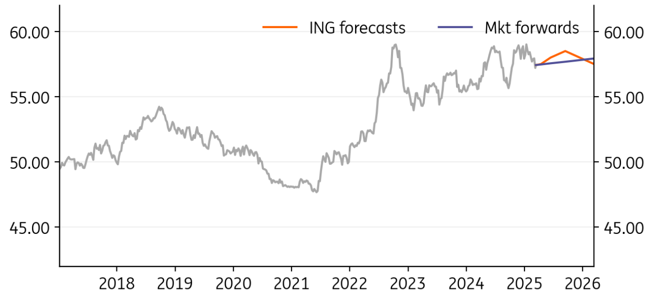
USD/PHP

Outperformance is overdone

Current spot: 57.43



Source: Refinitiv, ING forecasts

- PHP continued to be one of the strong performers in Asia last month, appreciating by 1.2%. However, we expect the currency to turn weaker over our forecast horizon.
- Overall balance of payments has been weakening since October 2024, with a wider current account deficit, weak FDI and personal remittances inflows. The current account deficit widened sharply to 4.5% of GDP in fourth quarter 2024.
- FDI inflows have been weak too. Philippines hasn't benefitted as much from the supply chain diversification and China+1 strategy as much as some of its Asian peers have. This is true especially for the electronics sectors where countries like Vietnam, India and Malaysia have gained global export market share.

ING forecasts (mkt fwd)	1M 57.50 (57.47)	3M 58.00 (57.56)	6M 58.50 (57.68)	12M 57.50 (57.93)

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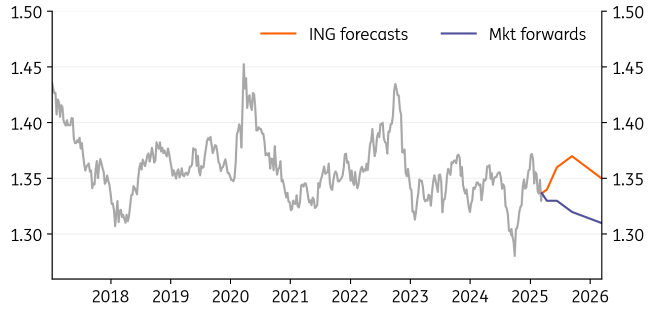
USD/SGD

SGD NEER to drift lower on slower growth and inflation

Current spot: 1.3368



Source: Refinitiv, ING forecasts

- SGD outperformed most of the region ex-JPY and appreciated by 1.6% vs the USD last month given its high correlation with EUR. We continue to expect SGD to depreciate against the USD as Singapore remains highly exposed to weakness in global trade.
- Core inflation in Singapore fell sharply to 0.8% in January, hitting a three-year low, driven by lower prices for services and accommodation. This has increased the probability of further monetary policy easing by the MAS in April with another modest reduction in slope of SGR NEER appreciation.
- We continue to expect the trading range of SGD NEER to drift lower in 2025 driven by slower growth and inflation, and USD/SGD to trade in the 1.35-1.37 range in six months.

ING forecasts (mkt fwd)	1M 1.34 (1.3345)	3M 1.36 (1.3266)	6M 1.37 (1.3243)	12M 1.35 (1.3134)

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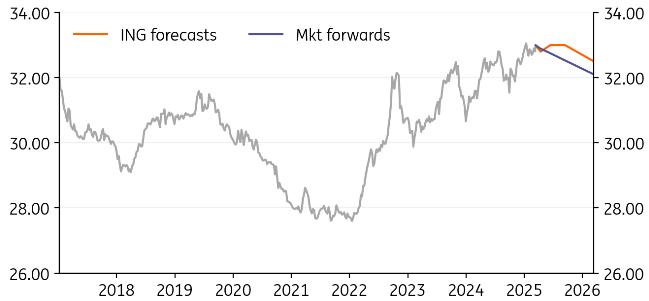
USD/TWD

Limited domestic catalysts as CBC looks set to hold

Current spot: 32.99



Source: Refinitiv, ING forecasts

- The USD/TWD pair remained stable for another month, remaining within the same range of 32.7-33.1. The TWD has generally tracked closely with the broader USD trend, suggesting limited domestic side catalysts.
- Domestic drivers of the TWD were mixed over the last month. US-Taiwan yield spreads narrowed on the month, but equity market flows showed net outflows over the past month.
- The next CBC meeting is on 20 March, and we expect the bank to stand pat. Language had been leaning hawkish at previous meetings, but the market is still pricing in a cut rather than a hike as the next move, especially as inflation undershot in 2024. The meeting is worth monitoring for surprises in either direction.

ING forecasts (mkt fwd)	1M 32.80 (32.89)	3M 33.00 (32.75)	6M 33.00 (32.53)	12M 32.50 (32.10)

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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	1.07	1.05	1.07	1.09						
EUR/JPY	161	157	155	161	167	USD/JPY	148	147	148	150	153
EUR/GBP	0.84	0.85	0.83	0.84	0.84	GBP/USD	1.29	1.26	1.27	1.27	1.30
EUR/CHF	0.96	0.95	0.95	0.95	0.95	USD/CHF	0.88	0.89	0.90	0.89	0.87
EUR/NOK	11.60	11.70	11.70	11.60	11.40	USD/NOK	10.70	10.93	11.14	10.84	10.46
EUR/SEK	11.06	11.10	11.20	11.20	10.90	USD/SEK	10.20	10.37	10.67	10.47	10.00
EUR/DKK	7.46	7.46	7.46	7.46	7.46	USD/DKK	6.88	6.97	7.10	6.97	6.84
EUR/CAD	1.56	1.52	1.52	1.54	1.55	USD/CAD	1.44	1.42	1.45	1.44	1.42
EUR/AUD	1.73	1.70	1.69	1.70	1.70	AUD/USD	0.63	0.63	0.62	0.63	0.64
EUR/NZD	1.91	1.91	1.88	1.88	1.88	NZD/USD	0.57	0.56	0.56	0.57	0.58
EMEA											
EUR/PLN	4.20	4.19	4.2	4.25	4.25	USD/PLN	3.87	3.92	4.00	3.97	3.90
EUR/HUF	400.3	405	408	415	424	USD/HUF	369.3	379	389	388	389
EUR/CZK	25.10	25.05	25	24.9	24.75	USD/CZK	23.16	23.4	23.8	23.3	22.7
EUR/RON	4.98	4.98	4.98	4.98	5.04	USD/RON	4.59	4.65	4.74	4.65	4.62
EUR/RSD	117.12	117.11	117.10	117.07	117.05	USD/RSD	108.04	109.45	111.52	109.41	107.39
EUR/UAH	45.01	44.62	44.00	44.83	45.78	USD/UAH	41.52	41.70	41.90	41.90	42.00
EUR/KZT	539.7	524.3	519.8	556.4	583.2	USD/KZT	498.6	490	495	520	535
EUR/TRY	39.78	39.59	40.01	42.80	48.51	USD/TRY	36.61	37.00	38.10	40.00	44.50
EUR/ZAR	19.94	19.80	19.69	20.33	21.26	USD/ZAR	18.40	18.50	18.75	19.00	19.50
EUR/ILS	3.96	3.96	3.99	4.07	4.03	USD/ILS	3.66	3.70	3.80	3.80	3.70
LATAM											
EUR/BRL	6.32	6.31	6.30	6.69	6.81	USD/BRL	5.83	5.90	6.00	6.25	6.25
EUR/MXN	21.85	21.94	22.05	23.54	23.98	USD/MXN	20.15	20.50	21.00	22.00	22.00
EUR/CLP	1022.10	1049	1050	1097	1145	USD/CLP	942.86	980	1000	1025	1050
Asia											
EUR/CNY	7.86	7.79	7.71	7.82	7.90	USD/CNY	7.25	7.28	7.34	7.31	7.25
EUR/IDR	17867	17655	16800	16585	16568	USD/IDR	16425	16500	16000	15500	15200
EUR/INR	94.33	93.09	92.40	94.16	97.01	USD/INR	87.02	87.00	88.00	88.00	89.00
EUR/KRW	1579.27	1552	1549	1552	1553	USD/KRW	1456.82	1450	1475	1450	1425
EUR/PHP	62.26	61.53	60.90	62.60	62.68	USD/PHP	57.43	57.50	58.00	58.50	57.50
EUR/SGD	1.45	1.43	1.43	1.47	1.47	USD/SGD	1.34	1.34	1.36	1.37	1.35
EUR/TWD	35.77	35.10	34.65	35.31	35.43	USD/TWD	32.99	32.80	33.00	33.00	32.50

Source: Refinitiv, ING

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