

FX Talking

November 2024



Playing the long dollar game

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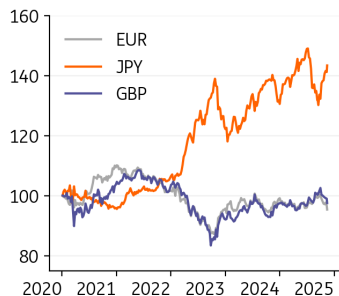


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FX Talking

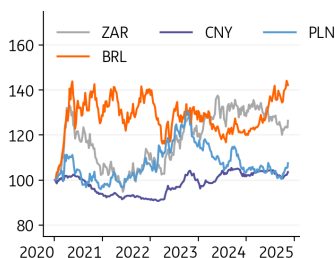
Playing the long dollar game

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

The US electorate has spoken and has given Donald Trump the overwhelming mandate to deliver on his promises. These are widely viewed as inflationary and positive for the dollar. As we discuss in our [FX Outlook for 2025](#), we recommend not overthinking the strong dollar story. Yes, there are risks, but Trump's policies plan to grow the US economy at the expense of the rest of the world – the epitome of de-globalisation – and this stands to send the dollar steadily stronger through 2025.

This election comes at a time of stagnant European growth and huge uncertainty as to whether policymakers can respond with any fiscal stimulus. France is on a major austerity drive and the German government has just collapsed in a dispute over the debt brake. The onus will now fall on the European Central Bank to support the economy and our team now see rates being cut to 1.75% by the spring. We have revised our EUR/USD targets close to parity by late 2025.

Within the G10 space, we see the Swedish krona as one of the more vulnerable currencies now by nature of Sweden's open economy and low interest rates. Outperforming in Europe should be the Swiss franc as the Swiss National Bank proves reluctant to cut rates below 0.50%. Commodity currencies may not get hit quite as hard as expected, and it looks like USD/JPY will be pressing 160 if US Treasury yields are heading above 5% next year.

Emerging markets highlights include Chinese authorities trying to hold the line in USD/CNY near 7.20/30. CEE currencies look vulnerable by nature of their exposure to European demand and also the auto sector. Latam currencies had a poor 1.0 and can do so again.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.06	→	153	↓	1.28	→
3M	1.05	↓	155	↑	1.27	→
6M	1.04	↓	157	↑	1.25	↓
12M	1.02	↓	160	↑	1.24	↓

	EUR/GBP		EUR/CZK		EUR/PLN	
1M	0.83	→	25.30	↓	4.37	↑
3M	0.83	↓	25.25	↓	4.40	↑
6M	0.83	↓	25.20	↓	4.45	↑
12M	0.82	↓	25.00	↓	4.45	↓

	USD/CNY		USD/MXN		USD/BRL	
1M	7.15	↓	21.00	↑	5.80	↑
3M	7.10	↓	21.50	↑	5.90	↑
6M	7.05	↓	22.00	↑	6.00	↑
12M	7.15	↑	23.00	↑	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	-2.5	3.5	-0.1	-0.1	-3.0	1.2
%YoY	-0.6	2.1	-4.3	-0.8	2.3	1.1

	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	1.7	3.1	2.0	1.1	2.5	2.8
%YoY	-1.1	5.6	8.3	-2.0	-3.8	17.1

Source: Refinitiv, ING forecast



Developed markets

EUR/USD

Europe braces for Trump unleashed

Current spot: 1.0629



Source: Refinitiv, ING forecasts

- The US electorate has spoken, and Donald Trump has been given an overwhelming mandate for a reversal of immigration, lower taxes, deregulation and protectionism. All of these are positive for the dollar either through the curtailment of the Federal Reserve's easing cycle or the punishment handed out to trading partners dependent on exports for growth – something Trump plans to change.
- Trump's win comes at a time of stagnant growth and fiscal consolidation across large parts of the eurozone. Unless a new German government does a surprise U-turn on fiscal stimulus, ECB easing will have to do the heavy lifting. We target 1.75%.
- Trump's plans and expectations for sustained US growth into 2025 should overwhelm seasonal dollar weakness into year end.

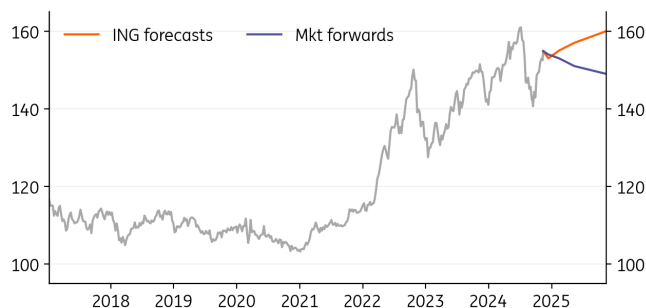
ING forecasts (mkt fwd)	1M 1.06 (1.0642)	3M 1.05 (1.0674)	6M 1.04 (1.0726)	12M 1.02 (1.0847)
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USD/JPY

The yen outperformed during Trump 1.0

Current spot: 154.84



Source: Refinitiv, ING forecasts

- Higher US rates, particularly higher US 10-year Treasury yields, briefly pushed USD/JPY back to 155. And based on a call for 10-year Treasuries at 5.50% by the end of 2025, next year could prove trouble for the yen. Yet Trump's plans are not without their risks and overly aggressive trade policy could unsettle equity markets and support the yen. During peak Trump 1.0 (Mar. 18-Sep. 19), the yen was the best-performing G10 currency.
- Providing some support to the yen could be the Bank of Japan, where we look for a 25bp hike in December and two further 25bp hikes next year as the virtuous cycles of wages and prices continue.
- We do not see local politics as a big driver of the yen.

ING forecasts (mkt fwd)	1M 153 (154.24)	3M 155 (152.98)	6M 157 (151.47)	12M 160 (148.50)
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GBP/USD

Bank of England go slow helping the pound

Current spot: 1.2746



Source: Refinitiv, ING forecasts

- By nature of its small trade deficit with the US, the UK will not be in Trump's crosshairs on trade. At the same time, the UK's smaller dependence on trade than say the eurozone – and especially compared to Germany – suggests the UK could be a little more immune to global trade wars.
- Also helping the pound a little has been the new Labour government's slightly stimulative budget. The chancellor has pushed the limits on new borrowing – but seems to have gotten away with it. In 2025, we have UK GDP at 1.1% vs. 0.6% for EZ.
- The main risk to GBP remains BoE policy. Our team warns of BoE rate being cut to 3.25% late next year. The market prices 4.00%.

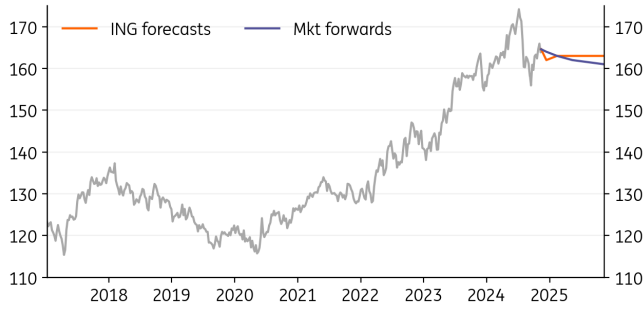
ING forecasts (mkt fwd)	1M 1.28 (1.2745)	3M 1.27 (1.2741)	6M 1.25 (1.2737)	12M 1.24 (1.2730)
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EUR/JPY

Tokyo seems more resistant to currency depreciation

Current spot: 164.59



Source: Refinitiv, ING forecasts

- Most now assume, as do we, that the dollar will be stronger under a new Trump administration. If EUR/USD is to fall and USD/JPY is to rise, what will local authorities in Tokyo and Frankfurt have to say? The BoJ has been intervening this year – most recently 11th/12th July – and is already expressing displeasure when USD/JPY approached 155. In short, we think Frankfurt will be more open to currency weakness than Tokyo.
- German politics is in focus too. The outcome of early elections and the shape of the new government might be a bullish surprise for the euro if the German debt brake gets loosened.
- Trade wars may have a bigger impact on Europe than Asia now.

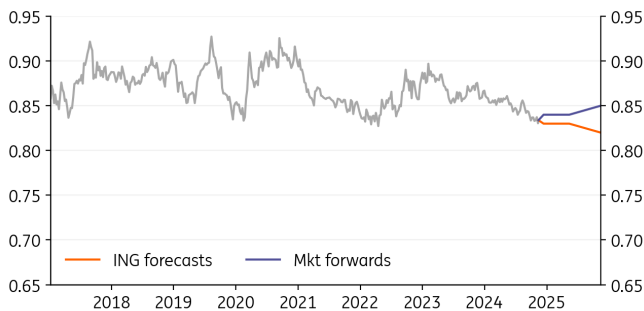
ING forecasts (mkt fwd)	1M 162 (164.13)	3M 163 (163.28)	6M 163 (162.46)	12M 163 (161.07)
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EUR/GBP

Aggressive ECB cuts will dominate

Current spot: 0.8339



Source: Refinitiv, ING forecasts

- Having been hesitant in cutting rates earlier this year, we now think the ECB will turn more aggressive – especially with Trump heading to the White House in January. We now look for a 50bp cut in December (to 2.75%) with rates cut a further 100bp in the first half of next year. The BoE has so far cut rates twice and we think it will skip cutting in December.
- There's lots of focus on the more stable political backdrop in the UK than in Europe now – which can help UK policymaking. Let's see whether larger government spending in 2025 helps GBP.
- The under-priced BoE easing cycle remains the key upside risk to EUR/GBP. Here, UK services inflation will still be closely watched.

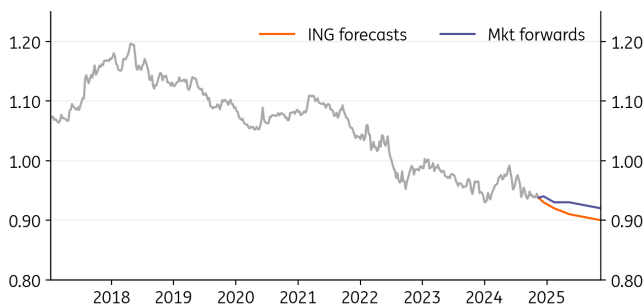
ING forecasts (mkt fwd)	1M 0.83 (0.8350)	3M 0.83 (0.8378)	6M 0.83 (0.8421)	12M 0.82 (0.8521)
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EUR/CHF

A limit to SNB rate cuts is our investment thesis

Current spot: 0.9378



Source: Refinitiv, ING forecasts

- While the ECB will be cutting rates 150bp by the second quarter next year, we think the SNB easing cycle will stall at just 50bp below current levels – at 0.50%. We doubt the SNB wants to experiment with negative rates again – those negative rates having been loosely blamed for the margin pressure and general travails of Credit Suisse.
- If the above is correct, two year EUR:CHF interest rate differentials will compress further and EUR/CHF will head below 0.93.
- We think the SNB can tolerate EUR/CHF at 0.90 next year because while the CHF may be strong versus Europe, CHF weakness against the dollar will limit the upside of the trade-weighted CHF.

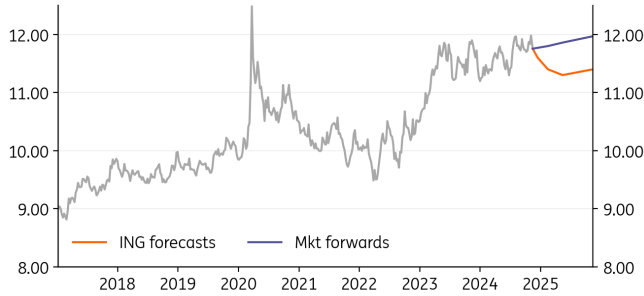
ING forecasts (mkt fwd)	1M 0.93 (0.9359)	3M 0.92 (0.9319)	6M 0.91 (0.9274)	12M 0.90 (0.9187)
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EUR/NOK

Krone looks okay in the crosses

Current spot: 11.75



Source: Refinitiv, ING forecasts

- The krone's exposure to European sentiment and inverse correlation with Treasury yields mean that the room for NOK reappreciation is limited after the Republican sweep.
- If USD/NOK may remain bid in the dips, the krone's performance in the crosses should be respectable. Firstly because Norges Bank has remained focused on supporting its currency via a hawkish guidance, and secondly because Norway is less exposed than other regions (e.g., Sweden, EZ) to US protectionism.
- Short-term EUR/NOK spikes in periods of risk aversion are likely, but the medium-term balance of risks remains skewed to the downside based on fundamentals and rate differentials.

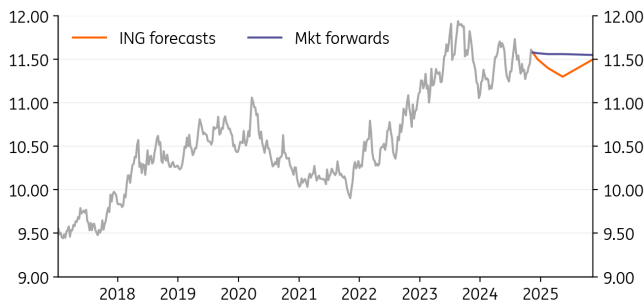
ING forecasts (mkt fwd)	1M 11.60 (11.77)	3M 11.40 (11.80)	6M 11.30 (11.86)	12M 11.40 (11.97)
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EUR/SEK

Krona should remain weak

Current spot: 11.58



Source: Refinitiv, ING forecasts

- The krona has depreciated after the US election result, but the underperformance of the euro has prevented a EUR/SEK spike that could have bothered the Riksbank. We expect rate cuts will continue in Sweden until the 2.25% level is reached.
- Even if EUR/SEK could stay capped on EUR weakness, we see SEK as a major underperformer in the G10 space due to Sweden's exposure to global trade tensions and a dovish Riksbank.
- There is also a non-negligible risk that continuous improvement on the inflation side will turn the Riksbank more favourable towards a weak krona to support Swedish exporters amid a sustained economic slowdown.

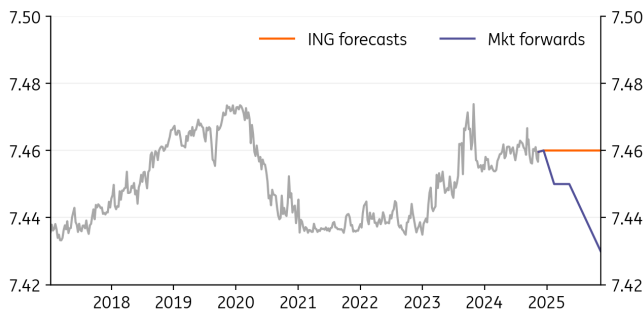
ING forecasts (mkt fwd)	1M 11.50 (11.57)	3M 11.40 (11.56)	6M 11.30 (11.56)	12M 11.50 (11.55)
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EUR/DKK

Big cuts coming in Denmark

Current spot: 7.4597



Source: Refinitiv, ING forecasts

- Our dovish ECB call may raise some questions on whether Danmarks Nationalbank will follow Frankfurt in each step of a fast easing cycle. For now, we have no reasons to doubt it will.
- EUR/DKK has absorbed post-US election volatility and has made its way back to the 7.46 central peg level. DN should still prefer FX intervention over tweaks to the rate spread in case of unwanted FX moves.
- Mirroring the ECB profile, we expect the DN discount rate to be cut to 1.35% by mid-2025. Our call for EUR/DKK remains unchanged at 7.46 for the forecast period.

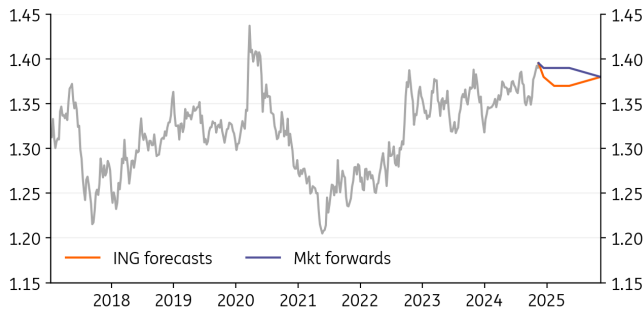
ING forecasts (mkt fwd)	1M 7.46 (7.4572)	3M 7.46 (7.4513)	6M 7.46 (7.4455)	12M 7.46 (7.4337)
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USD/CAD

Limited downside on policy divergence

Current spot: 1.3954



Source: Refinitiv, ING forecasts

- The Canadian dollar has been the second-best performing currency in G10 after USD since the US election. That mirrors the view that if Canada is spared tariffs, it can benefit from a strong US economy while facing limited risks related to geopolitics and US protectionist policies elsewhere.
- We don't see this relative outperformance of CAD being reversed next year unless some of the Trump agenda is scaled back or Canada gets caught up in the protectionism threat.
- Faster easing by the Bank of Canada and some hawkish Fed repricing have favoured a widening of the 2-year swap rate gap beyond 100bp. Even if the BoC doesn't cut by 50bp in December, USD/CAD has limited downside potential given policy divergence.

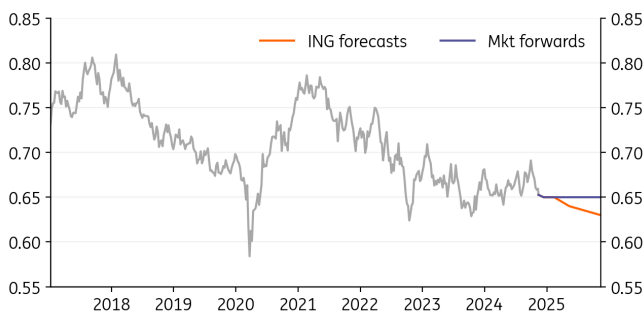
ING forecasts (mkt fwd)	1M 1.38 (1.3940)	3M 1.37 (1.3908)	6M 1.37 (1.3862)	12M 1.38 (1.3772)
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AUD/USD

No rush to price in tariffs

Current spot: 0.6475



Source: Refinitiv, ING forecasts

- We are a bit more dovish than markets on the Reserve Bank of Australia, as we expect two cuts by mid-2025 while only one is currently priced in. Monetary policy should, however, be a secondary driver of AUD compared to global risk sentiment and US protectionism.
- Our view is that markets will not feel too restrained from protectionism fears when playing an AUD rebound in the first half of 2025, as Trump may focus on domestic issues and allow some of the tariff trades to be put on hold.
- However, once US tariffs on China kick in, AUD will feel the pressure both externally and domestically as the RBA could coincidentally turn more dovish.

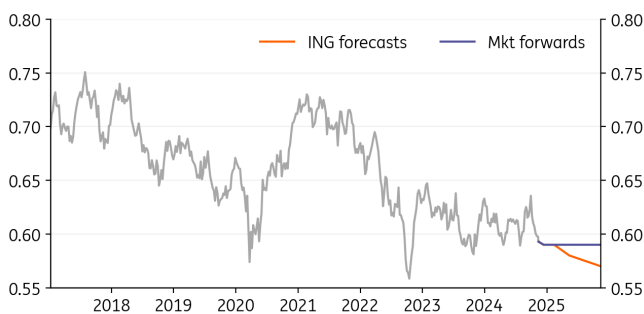
ING forecasts (mkt fwd)	1M 0.65 (0.6477)	3M 0.65 (0.6479)	6M 0.64 (0.6478)	12M 0.63 (0.6473)
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NZD/USD

Another 50bp by RBNZ

Current spot: 0.5868



Source: Refinitiv, ING forecasts

- We agree with the consensus and market view that the Reserve Bank of New Zealand will cut rates by another 50bp in November.
- The shift from inflation to growth among major central banks has likely affected the RBNZ, and a 4.75% rate is no longer justified given a loosening jobs market and risk of the economy falling into recession. We think rates will be taken at least to the 3.50% area before the RBNZ can pause easing.
- Ultimately, external drivers will be more relevant for NZD, and like in AUD, there could be pockets of bullish opportunities in the first half before Trump's narrative shifts more aggressively on protectionism.

ING forecasts (mkt fwd)	1M 0.59 (0.5870)	3M 0.59 (0.5874)	6M 0.58 (0.5881)	12M 0.57 (0.5896)
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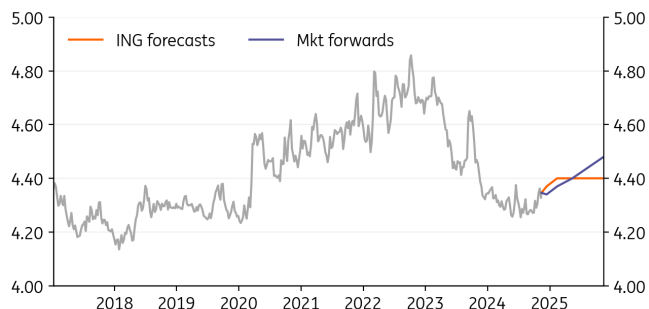


Emerging markets

EUR/PLN

PLN should gain in the year end

Current spot: 4.3332



Source: Refinitiv, ING forecasts

- Trump policy is negative for EMs, but Poland is outside most of those affected. The prospect of higher US CPI & yields, lower commodities prices and higher tariffs affect indebted economies that have issued a lot of USD debt, e.g., automotive economies in CEE region. Poland avoids most of these risks.
- Still, a stronger USD should hit CEE FX and PLN, reduce demand for EM debt & should increase Polish government bond yields. Unpredictable Trump proposals on Ukraine can also undermine private investment and Poland's GDP potential.
- The National Bank of Poland can push back against rate cuts in the short term, but after March 2025 may turn more dovish. The government can stabilise PLN by converting EU funds on market.

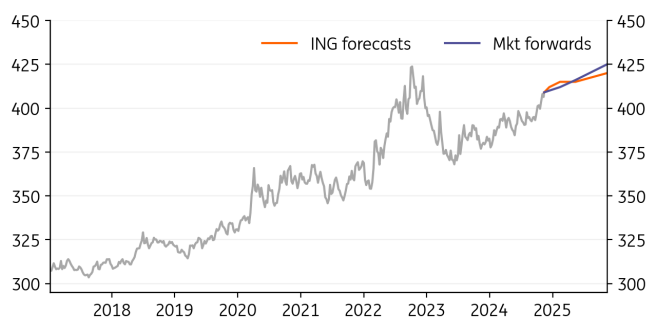
ING forecasts (mkt fwd)	1M 4.37 (4.3430)	3M 4.40 (4.3677)	6M 4.40 (4.4030)	12M 4.40 (4.4753)
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Rafał Benecki, rafal.benecki@ing.pl

EUR/HUF

Forint seeks a new anchor

Current spot: 408.75



Source: Refinitiv, ING forecasts

- We have the answer to the question of the year (President-elect Trump), but many new questions have arisen. And with that, the Hungarian forint seems to be on a soul-searching journey.
- For now, 410 seems to be the new gravity line in EUR/HUF. With constant pressure from the dollar, the forint is unlikely to move too far to the stronger side. Meanwhile, local fiscal and monetary policy, politics and the development of the external balance can each provide a potential shock to push the HUF weaker.
- This kind of fragility and sensitivity suggests to us that EUR/HUF will slowly but surely drift towards 420 over the next 12 months, with a lot of volatility.

ING forecasts (mkt fwd)	1M 412 (409.89)	3M 415 (412.41)	6M 415 (416.28)	12M 420 (424.76)
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Péter Virovác, peter.virovac@ing.com

EUR/CZK

A cautious approach to further easing will support koruna

Current spot: 25.31



Source: Refinitiv, ING forecasts

- The Czech currency weakened after the recent CNB rate cut. Still, inflation quickened for a third consecutive month, while the depreciated CZK will increase upward price pressure on imported items. The risk of inflation crossing the 3% threshold by year-end and flying above the target over the upcoming year will foster a cautious approach to a further reduction in the policy rate. We see a December pause as the most likely outcome, packed in a hawkish message. This will help CZK from January onwards.
- The caution will be reinforced by the unbroken price growth inertia in the service sector. Moreover, we observe robust services inflation while the Czech economy operates well below its potential. One can only wonder what will happen to the price dynamics once the currently negative output gap starts closing.

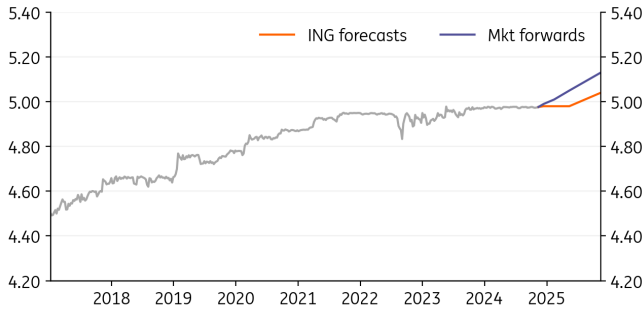
ING forecasts (mkt fwd)	1M 25.3 (25.32)	3M 25.2 (25.35)	6M 25.2 (25.41)	12M 25.0 (25.56)
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David Havrlant, David.havrlant@ing.com

EUR/RON

Slim chances of crossing 5.00 until third quarter of 2025

Current spot: 4.9768



Source: Refinitiv, ING forecasts

- EUR/RON was yet again stable in the range of 4.9706 – 4.9845. The decline in excess interbank liquidity is potentially indicative of official offers accommodating higher FX pressures. The visible fiscal slippage, persistent wage growth and a stubborn services inflation require the National Bank of Romania to remain cautious with price pressures. So far, there have been no cracks on the 4.98 resistance.
- Indeed, GDP is set to grow visibly below potential in 2024, with exports particularly weak. But with new upside inflationary risks on the horizon – like a potentially more sizeable impact of this year’s drought and the possibility of higher energy bills ahead – the NBR is likely to favour the current FX levels for longer.
- All in all, we continue to expect the NBR to keep its tight grip on the currency until there is a clearer picture of the fiscal and inflation outlook.

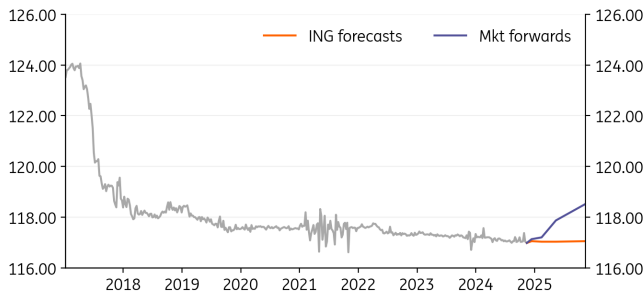
ING forecasts (mkt fwd)	1M 4.98 (4.9878)	3M 4.98 (5.0141)	6M 4.98 (5.0503)	12M 5.04 (5.1262)
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EUR/RSD

Stability likely to persist

Current spot: 116.98



Source: Refinitiv, ING forecasts

- EUR/RSD continued on a stable path close to the 117.00 level. Key recent positives stem from the recent announcement of an investment-oriented fiscal spending package over the next two years. This is ahead of the EXPO 2027 event, which builds over the recent investment grade rating, growing tourism and a good fiscal track record.
- Further interventions from the NBS likely cushioned again appreciation pressures on the dinar. In October, the Bank bought another EUR 225m net, reaching an YTD total of EUR 1990m net. FX reserves reached a new record high of EUR 28.3bn at end-October.
- These levels offer the NBS increased policy flexibility in the quarters ahead. We expect no policy changes at the December meeting and an extended stability of the pair, as the NBS will likely continue to cushion the FX impact of capital inflows.

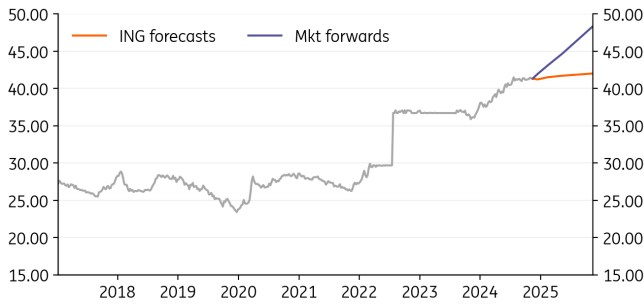
ING forecasts (mkt fwd)	1M 117.05 (117.13)	3M 117.03 (117.20)	6M 117.03 (117.87)	12M 117.05 (118.52)
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USD/UAH

NBU preserves the sustainability of the FX market

Current spot: 41.31



Source: Refinitiv, ING forecasts

- The hryvnia rate against the dollar remains stable as it is supported by elevated NBU FX interventions (US\$28bn YTD in 2024 compared to US\$23bn in the same period of the last year). This is likely to continue in the year end, as core central banks continue monetary easing while NBU kept its key policy rate at 13% in October, and a hike may be needed to anchor inflation expectations, fuelled by the recent uptick in inflation to 9.7%YoY.
- The economy remains burdened by the ongoing war, and uncertainty heightened by the outcome of US elections. Given heavy current account deficit and UAH's real appreciation due to higher inflation, the NBU is likely to allow for gradual easing of the hryvnia, while stabilizing the currency as reserves allow (nearly US\$37 as of late October). They are to be boosted by ERA Loans from G7, based on profits from frozen Russian assets.

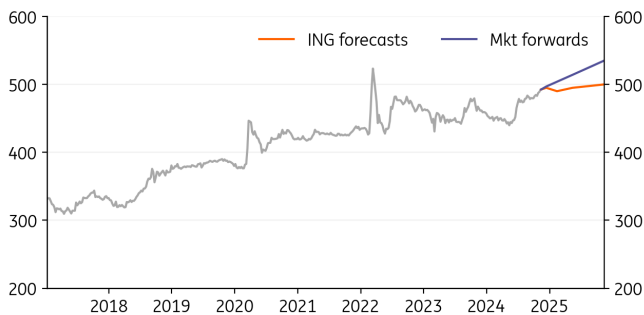
ING forecasts (mkt fwd)	1M 41.20 (41.94)	3M 41.50 (43.10)	6M 41.70 (44.70)	12M 42.00 (48.36)
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USD/KZT

Global USD rally adds to domestic pressure factors

Current spot: 492.57



Source: Refinitiv, ING forecasts

- USD/KZT remained weak at around 490 in October, in line with our near-term expectations, but appreciated to the middle of the 490-500 range in the first half of November, as the US elections reinforced the global pressure on EM FX.
- Last month's weakness in KZT took place despite an increase in the FX sales out of NFRK, the sovereign fund, from \$0.9bn in September to \$1.3bn in October, suggesting a deterioration in the current account and/or private capital flows.
- We lowered our medium-term outlook on KZT mainly due to a changed USD trajectory, but reiterate that Kazakhstan's potential fiscal consolidation, if delivered upon, could serve as additional pressure factor.

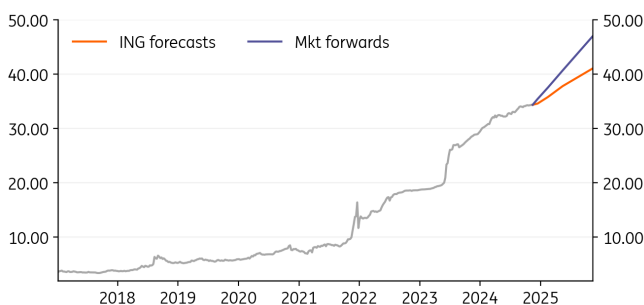
ING forecasts (mkt fwd)	1M 495 (496.53)	3M 490 (504.28)	6M 495 (514.01)	12M 500 (535.14)
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Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

CBT pushes inflation forecasts up for 2025

Current spot: 34.37



Source: Refinitiv, ING forecasts

- The CBT has slowed down real TRY appreciation, with USD/TRY almost unchanged in October and outperforming its EM peers, by slowing down the pace of FX purchases. Accordingly, it purchased US\$7.0bn in October vs US\$11.9bn in September and an average of US\$23.3bn of FX per month in the April-July period.
- In the CBT's inflation report, the shared forecasts that function as intermediate targets are substantially revised upwards, implying a significant delay in the disinflation process and sending a negative signal, though they are now more realistic.
- While focusing on structural challenges on food and rent inflation, the CBT's relatively positive assessment of the October data and projected inflation path imply that if accompanied by a benign November release, a rate cut in December should not be fully ruled out, in our view.

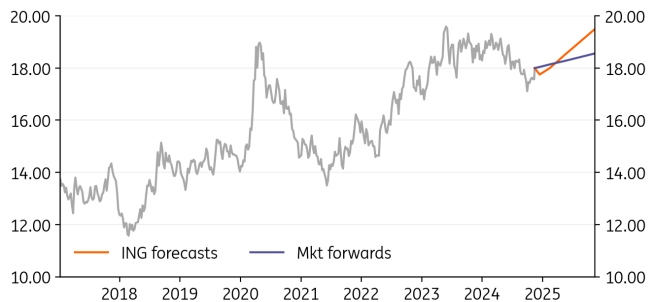
ING forecasts (mkt fwd)	1M 34.60 (35.45)	3M 35.80 (37.54)	6M 37.80 (40.68)	12M 41.10 (47.07)
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Muhammet Mercan, muhammet.mercan@ing.com.tr

USD/ZAR

No getting away from the trade war

Current spot: 17.99



Source: Refinitiv, ING forecasts

- Last month we were discussing some of South Africa's positives such as the improvement in electricity production and business sentiment. And the rand has actually out-performed within EMEA despite the Trump win and what it means for SA's key export market – China.
- However, there is no getting away from the fact that China stands squarely in the firing line of Trump trade policy. And given our calls for dollar strength, trade wars plus US 10-year yields going higher through 2025, \$/ZAR looks like it will head to 20.
- What may keep the rand supported in the short term is high real rates (near 4%) and the view it may take time for tariffs to hit.

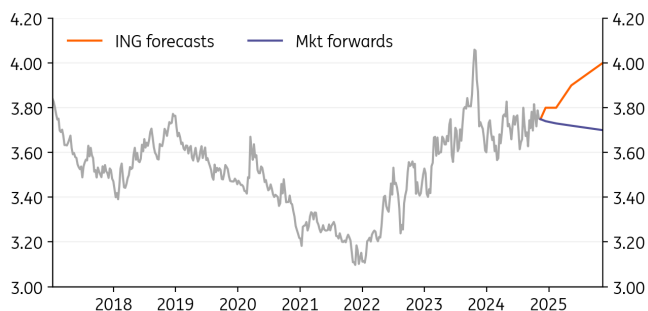
ING forecasts (mkt fwd)	1M 17.75 (18.04)	3M 18.00 (18.14)	6M 18.50 (18.27)	12M 19.50 (18.56)
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USD/ILS

Broader dollar story suggests a move to 4.00 next year

Current spot: 3.7464



Source: Refinitiv, ING forecasts

- USD/ILS remains remarkably well-contained – now in a 3.70-3.80 range. Domestically, Israeli authorities expect the war to continue at a high intensity into early 2025. This has an ongoing impact by raising inflation and depressing growth. However, the Bank of Israel forecasts GDP growth rising to 3.8% next year from 0.5% this year. Capacity constraints remain a key story for Israel.
- Since last month, Israel's sovereign CDS has corrected lower as the government has pushed through some budget reform. However, the length of the war and whether Trump can prove a peacemaker will have the bigger say in Israel's fiscal story.
- Broad dollar strength in 2025 suggests \$/ILS will head to 4.00.

ING forecasts (mkt fwd)	1M 3.80 (3.7430)	3M 3.80 (3.7349)	6M 3.90 (3.7231)	12M 4.00 (3.7011)
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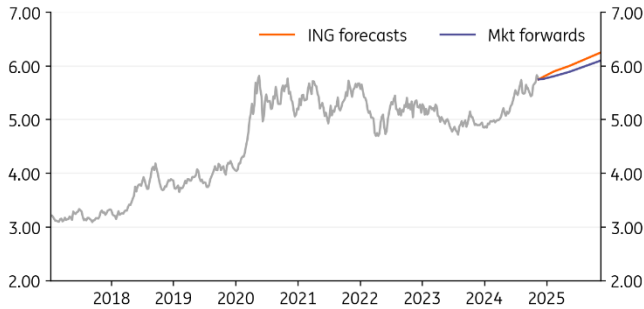


LATAM

USD/BRL

Tight monetary policy limits the real's downside

Current spot: 5.7482



Source: Refinitiv, ING forecasts

- The real remains under pressure despite the central bank delivering back-to-back rate hikes. The policy rate is now 11.25% and is priced above 13.50% next year. The central bank remains concerned by loose fiscal policy and rising inflation expectations.
- President Lula is at the other end of the ideological spectrum to Trump. Yet some supporters are encouraging Lula to move towards the centre to avoid letting the Bolsonaroists back into power in 2026. This will have a major say for the real next year.
- Brazil's fiscal accounts remain fragile and will be pressurised by rising US yields next year. Brazil's large exposure to China also leaves it vulnerable and the real had a tough 2018/2019. Look for gains above 6.00 in 2025 – even though the real is already cheap.

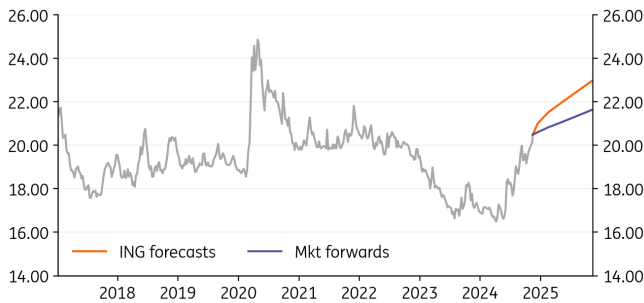
ING forecasts (mkt fwd)	1M 5.80 (5.7646)	3M 5.90 (5.8140)	6M 6.00 (5.8884)	12M 6.25 (6.1033)
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USD/MXN

Peso deserves a new and large risk premium

Current spot: 20.49



Source: Refinitiv, ING forecasts

- When looking at real exchange rates – i.e., nominal exchange rates adjusted for inflation differentials – the real exchange rates of Brazil and Chile are just 10-15% off the lows seen over the last four to five years. Mexico's real exchange rate is some 35% off the 2020 low and, put simply, the peso has further to fall.
- Trump has made it clear he plans to take aim at those economies running the largest trade surpluses with the US. After China, Mexico has the largest surplus. With trade hawks running the show in Washington, expect Trump to openly question whether the US should renew the USMCA in 2026.
- High interest rates protect the peso to some degree, but the prospect of tariffs should dominate throughout 2025.

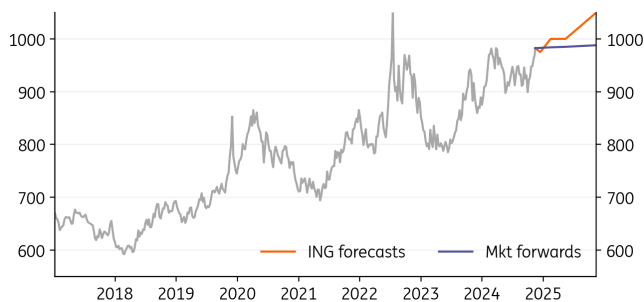
ING forecasts (mkt fwd)	1M 21.00 (20.60)	3M 21.50 (20.82)	6M 22.00 (21.08)	12M 23.00 (21.65)
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USD/CLP

Probably one of the most vulnerable EM currencies

Current spot: 982.60



Source: Refinitiv, ING forecasts

- Unlike its Latam peers with double-digit interest rate protection, Chile's central bank recently cut rates to 5.25% and wants to cut further. With inflation running around 4%, Chile's real interest rate will soon move inside of 100bp – which is low by EM standards.
- Given the external environment only looks to get tougher on the back of a curtailed Fed easing cycle (stronger dollar) and upcoming tariffs against China, the peso is likely to come under pressure. And Chile's authorities have relatively low FX reserves with which to fight that pressure on the peso.
- Look for \$/CLP to be trading up to 1100 next year.

ING forecasts (mkt fwd)	1M 975 (983.00)	3M 1000 (983.72)	6M 1000 (985.00)	12M 1050 (988.30)
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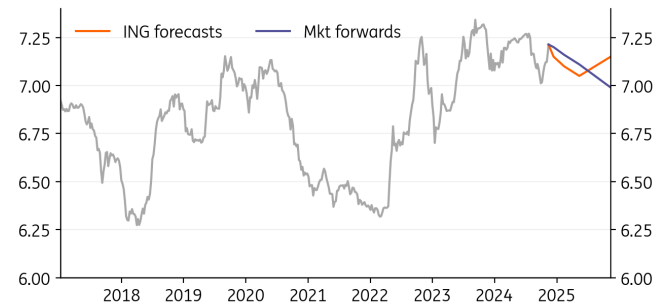


Asia

USD/CNY

Key catalysts pushed CNY weaker

Current spot: 7.2135



Source: Refinitiv, ING forecasts

- In the aftermath of Trump's election victory and the NPC meeting, the CNY moved weaker from 7.10 to 7.18. The CNY will likely be dragged along by broader dollar trends but should remain a low volatility currency versus other Asian FX.
- The PBoC is unlikely to abandon its currency management strategy. Policymakers will resist excessive depreciation (past 7.35) and rapid movements in either direction, and we do not see intentional devaluation as a response to tariffs.
- US-China short-term yield spreads should still move more in favour of CNY recovery, though likely by less with a more hawkish Fed expected. The timing of US tariffs may also be a catalyst; our team noted this may not come until late 2025 or 2026 amid a domestic focus to start.

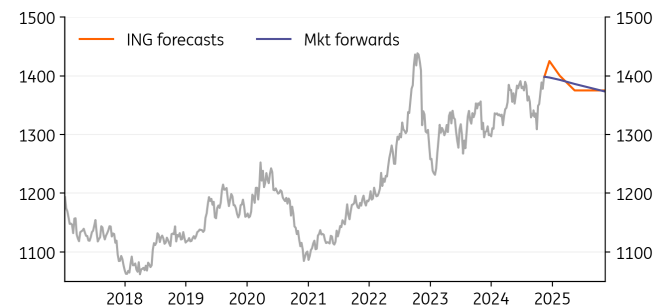
ING forecasts (mkt fwd)	1M 7.15 (7.1966)	3M 7.10 (7.1596)	6M 7.05 (7.1066)	12M 7.15 (6.9867)
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USD/KRW

KRW is likely to strengthen, but with greater volatility

Current spot: 1398.11



Source: Refinitiv, ING forecasts

- The KRW depreciated by 2.8% against USD over the past month, one of the worst performers in Asia. The KRW once broke the critical 1,400 level right after Trump's clean sweep victory.
- The BoK is likely to extend its pause going into 2025, as it may be concerned about the widening gap in growth and inflation between the US and Korea.
- Korea's exports to the US have seen the biggest growth in the past two years, but this could backfire by triggering tougher trade rules on Korean exporters. We expect USD/KRW to range bound between 1,350-1,400 for a considerable time.

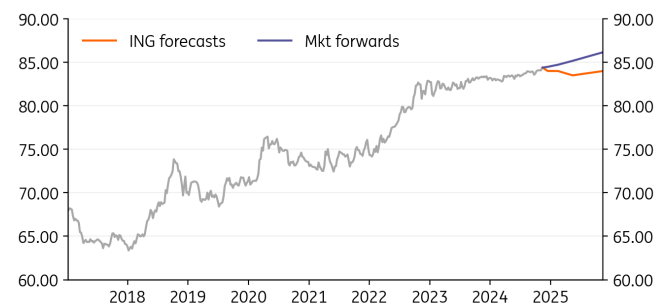
ING forecasts (mkt fwd)	1M 1425 (1397.01)	3M 1400 (1392.56)	6M 1375 (1386.31)	12M 1375 (1373.21)
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USD/INR

INR should be relatively less impacted by US tariffs

Current spot: 84.39



Source: Refinitiv, ING forecasts

- INR traded in a narrow range last month but outperformed in the post-election weakness seen in Asian currencies. Trump re-election is overall good news for the INR as India is relatively much less exposed to the US for final demand of its exports; in turns, the uncertainty of tariff escalation isn't quite as significant.
- However, a stronger USD could add further pressure to FII equity outflows from India witnessed even before the elections. Stronger-than-expected CPI inflation print for September should delay rate cuts to 1Q25, in line with our long-held view.
- On balance, the RBI will likely continue to intervene to smoothen currency volatility given ample FX reserves. Any developments on the US monitoring list of currency manipulators watch list, where India featured in the past, will be important to monitor.

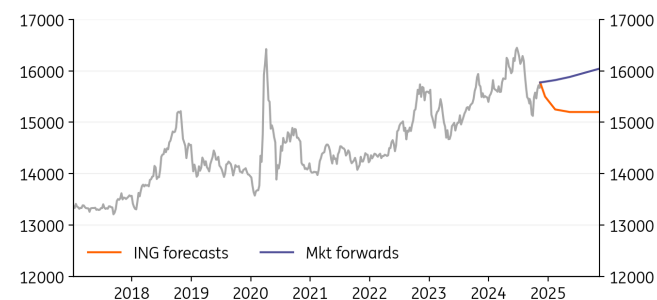
ING forecasts (mkt fwd)	1M 84.00 (84.48)	3M 84.00 (84.72)	6M 83.50 (85.17)	12M 84.00 (86.16)
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USD/IDR

Improving local dynamics are positive for IDR

Current spot: 15775



Source: Refinitiv, ING forecasts

- The IDR-USD yield spread is at the lowest in a decade and our new Fed rate profile, following US presidential elections, suggests the spread could narrow further. This could add downside pressure on IDR that BI has already been vocal about while assuring the markets that it will act to stabilise excessive volatility.
- However, Indonesia's exports to the US are small as a share of Indonesia's GDP, and the direct impact of higher tariffs is therefore likely to be relatively less.
- Moreover, the reappointment of the incumbent finance minister Sri Mulyani should also help contain concerns around fiscal slippage and likely mean that the fiscal deficit cap of 3% is retained. Lower dependence on foreign investors for fiscal deficit funding should overall be a positive for IDR.

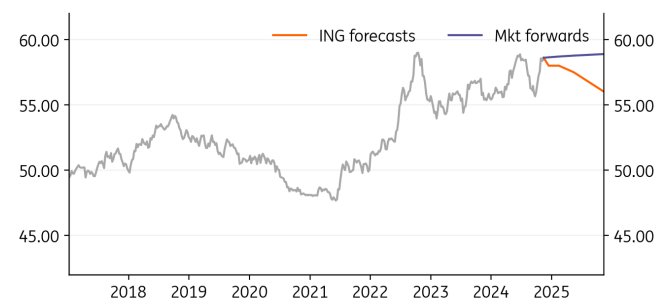
ING forecasts (mkt fwd)	1M 15500 (15790)	3M 15250 (15821)	6M 15200 (15882)	12M 15200 (16045)
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USD/PHP

Upside beyond 59.0 should be limited

Current spot: 58.60



Source: Refinitiv, ING forecasts

- PHP was one of the worst performers in Asia last month, with rate cut expectations by BSP next month adding fuel to the fire.
- A move to 59 looks likely, however further downside in the near-term should be limited for the following reasons: 1) PHP has historically been vulnerable to inflation risk. With Brent oil price settling in the mid-70s and rice prices correcting noticeably, the trade deficit is likely to remain contained, 2) BSP's historical preference of defending the 59 level, 3) relatively low sensitivity to CNY weakness.
- Our new Fed rate cut profile implies rate policy differentials of 100bp vs BSP rate by 2Q25, which is at par with the historical 100bp preferred by the BSP. We therefore continue to expect BSP to cut rates by 25bps in December, driven by softer growth momentum as reflected in the 3Q GDP growth reading.

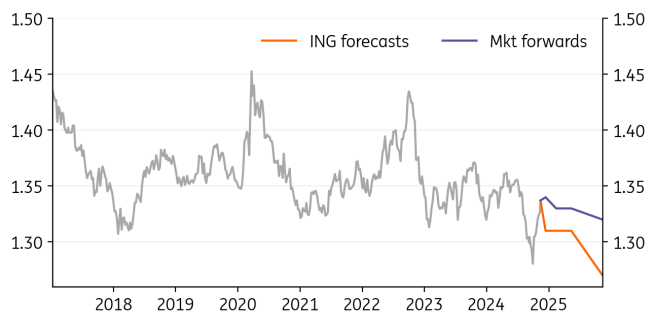
ING forecasts (mkt fwd)	1M 58.00 (58.64)	3M 58.00 (58.70)	6M 57.50 (58.77)	12M 56.00 (58.89)
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USD/SGD

MAS could follow regional peers later in the year

Current spot: 1.3369



Source: Refinitiv, ING forecasts

- As you might expect, the SGD has been an upper mid-table performer in the Asian FX league in the month-to-date.
- Not a great deal has changed for the Singapore macroeconomy in recent weeks. The activity data remains a bit soft, and inflation has inched slightly lower, but remains around 3% YoY on a core basis, even if the headline has dropped to 2.4%.
- The latest MAS meeting left all parameters of the SGD NEER target unchanged, but there is a chance that we could see some shift in October, especially if other regional central banks are beginning to trim.

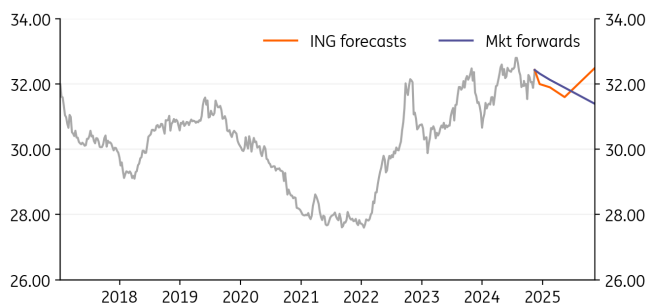
ING forecasts (mkt fwd)	1M 1.31 (1.3351)	3M 1.31 (1.3315)	6M 1.31 (1.3264)	12M 1.27 (1.3153)
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USD/TWD

Equity market inflows offset wider yield spreads

Current spot: 32.42



Source: Refinitiv, ING forecasts

- The TWD mostly fluctuated within a narrow band of 32.0-32.2 over the past month, generally a little weaker than the month prior.
- Drivers of the TWD were mixed over the past month. On one hand, the upward move in US yields caused spreads to widen in favour of the USD. However, this was offset by a return of equity market inflows, snapping a three-month streak of outflows.
- Possible catalysts moving forward may depend on Taiwan's export trajectory, largely tied to the health of the semiconductor industry, and potential CBC rate cuts in 2025. Trump's win does add some geopolitical uncertainty as well.

ING forecasts (mkt fwd)	1M 32.00 (32.32)	3M 31.90 (32.13)	6M 31.60 (31.89)	12M 32.50 (31.39)
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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	1.06	1.06	1.05	1.04	1.02						
EUR/JPY	165	162	163	163	163	USD/JPY	155	153	155	157	160
EUR/GBP	0.83	0.83	0.83	0.83	0.82	GBP/USD	1.28	1.28	1.27	1.25	1.24
EUR/CHF	0.94	0.93	0.92	0.91	0.9	USD/CHF	0.88	0.88	0.88	0.88	0.88
EUR/NOK	11.76	11.60	11.40	11.30	11.40	USD/NOK	11.06	10.94	10.86	10.87	11.18
EUR/SEK	11.59	11.50	11.40	11.30	11.50	USD/SEK	10.90	10.85	10.86	10.87	11.27
EUR/DKK	7.46	7.46	7.46	7.46	7.46	USD/DKK	7.02	7.04	7.10	7.17	7.31
EUR/CAD	1.48	1.46	1.44	1.42	1.41	USD/CAD	1.40	1.38	1.37	1.37	1.38
EUR/AUD	1.63	1.63	1.62	1.63	1.62	AUD/USD	0.65	0.65	0.65	0.64	0.63
EUR/NZD	1.79	1.80	1.78	1.79	1.79	NZD/USD	0.59	0.59	0.59	0.58	0.57
EMEA											
EUR/PLN	4.34	4.37	4.4	4.45	4.45	USD/PLN	4.09	4.12	4.19	4.28	4.36
EUR/HUF	408.8	413	415	415	420	USD/HUF	384.5	389	395	399	412
EUR/CZK	25.30	25.30	25.25	25.2	25	USD/CZK	23.80	23.9	24.0	24.2	24.5
EUR/RON	4.98	4.98	4.98	4.98	5.04	USD/RON	4.68	4.70	4.74	4.79	4.94
EUR/RSD	116.98	117.05	117.03	117.03	117.05	USD/RSD	110.02	110.42	111.46	112.53	114.75
EUR/UAH	43.92	43.67	43.58	43.37	42.84	USD/UAH	41.31	41.20	41.50	41.70	42.00
EUR/KZT	523.5	524.7	514.5	514.8	510.0	USD/KZT	492.5	495	490	495	500
EUR/TRY	36.53	36.68	37.59	39.31	41.92	USD/TRY	34.36	34.60	35.80	37.80	41.10
EUR/ZAR	19.16	18.82	18.90	19.24	19.89	USD/ZAR	18.02	17.75	18.00	18.50	19.50
EUR/ILS	3.98	4.03	3.99	4.06	4.08	USD/ILS	3.74	3.80	3.80	3.90	4.00
LATAM											
EUR/BRL	6.12	6.15	6.20	6.24	6.38	USD/BRL	5.75	5.80	5.90	6.00	6.25
EUR/MXN	21.81	22.26	22.58	22.88	23.46	USD/MXN	20.52	21.00	21.50	22.00	23.00
EUR/CLP	1043.47	1034	1050	1040	1071	USD/CLP	981.40	975	1000	1000	1050
Asia											
EUR/CNY	7.67	7.58	7.46	7.33	7.29	USD/CNY	7.21	7.15	7.10	7.05	7.15
EUR/IDR	16742	16430	16013	15808	15504	USD/IDR	15775	15500	15250	15200	15200
EUR/INR	89.73	89.04	88.20	86.84	85.68	USD/INR	84.39	84.00	84.00	83.50	84.00
EUR/KRW	1487.73	1511	1470	1430	1403	USD/KRW	1399.23	1425	1400	1375	1375
EUR/PHP	62.33	61.48	60.90	59.80	57.12	USD/PHP	58.62	58.00	58.00	57.50	56.00
EUR/SGD	1.42	1.39	1.38	1.36	1.30	USD/SGD	1.34	1.31	1.32	1.31	1.27
EUR/TWD	34.48	33.92	33.50	32.86	33.15	USD/TWD	32.43	32.00	31.90	31.60	32.50

Source: Refinitiv, ING

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