

FX Talking

October 2024

Groundhog Day for the dollar?



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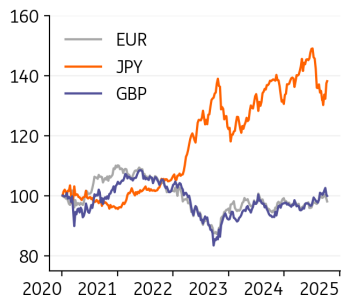


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FX Talking

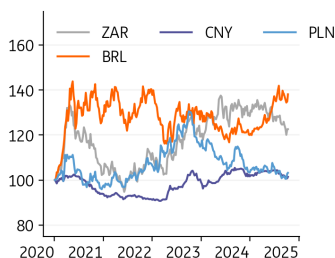
Groundhog Day for the dollar?

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

The US swing state of Pennsylvania is known not only for delivering the key votes for the next president of the US, but also giving us Groundhog Day. The latter being an idiom for events that happen repeatedly in exactly the same way. For FX markets, the question is whether Donald Trump wins and whether his turbocharging of the US economy at the rest of the world’s expense delivers a repeat of the 2018-19 dollar rally. The US election is too close to call, but [here’s how we think FX markets will react](#).

Were it not for the US election, investors would be left to focus on the two key themes of the likelihood of a soft landing and the risk of a surge in oil prices. After already seeing a 50bp back-up in short-dated US rates over the last month, we suspect the dollar does not need to rally too much further – unless Trump is successful.

At the same time, central bankers around the world (ex-Japan and Brazil) look committed to easing monetary policy. And with equity valuations looking a little stretched, we expect the defensive yen and the Swiss franc to outperform. In the bigger picture, EUR/USD is in the top half of a 1.0550-1.1150 range and the US election is key.

Looking across EM, the Czech koruna is our preferred pick in CE4. And more broadly in EMEA, the Turkish lira should continue to enjoy carry interest, while the South African rand could be due an upgrade due to better electricity supply and pension reform.

Chinese stimulus may provide a floor for the renminbi – but a much stronger currency is the last thing China needs right now. And Latam FX does not look particularly attractive. The Mexican peso may not have as easy a ride as last time should Trump prevail.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.10	↑	145	↓	1.31	→
3M	1.10	→	140	↓	1.29	↓
6M	1.10	→	138	↓	1.28	↓
12M	1.10	↓	137	↓	1.28	↓

	EUR/GBP		EUR/CZK		EUR/PLN	
1M	0.84	→	25.05	↓	4.27	↓
3M	0.85	↑	25.00	↓	4.28	↓
6M	0.86	↑	24.90	↓	4.29	↓
12M	0.86	↑	24.75	↓	4.30	↓

	USD/CNY		USD/MXN		USD/BRL	
1M	7.10	↑	20.00	↑	5.60	→
3M	7.10	↑	20.00	↑	5.50	↓
6M	7.05	↑	19.00	↓	5.50	↓
12M	7.02	↑	19.00	↓	5.50	↓

↑ / → / ↓ 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	4.8	-0.9	-1.8	0.8	1.3
%YoY	2.9	0.0	-3.0	1.8	4.9	1.2

	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	-0.8	0.8	1.2	0.0	-2.4	-1.3
%YoY	-3.2	0.9	3.8	-5.2	-7.2	10.6

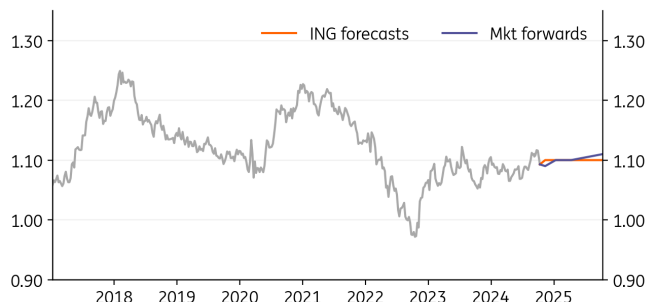
Source: Refinitiv, ING forecast



Developed markets

EUR/USD

Rally stalls



Source: Refinitiv, ING forecasts

Current spot: 1.0929

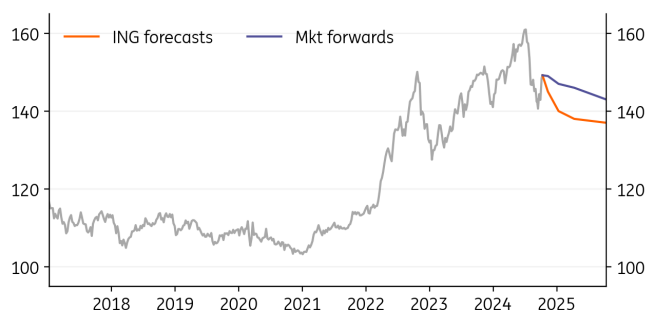
- As the Federal Reserve notes in its September FOMC minutes, interest rate differentials have been a big driver of the dollar. Two-year EUR:USD swap differentials narrowed from 160bp to 85bp between April and September this year – carrying EUR/USD to 1.12. The spike in oil prices and then the strong September US jobs report have now sent those differentials back to 130bp.
- Where from here? We think they’ll probably narrow again and were it not for US elections, EUR/USD would hold 1.0850/1.0900.
- However, the risk of major escalation in the Middle East and higher oil prices – a clear euro negative – plus a very uncertain outcome of the US elections on 5 November warn of volatility in a 1.06-1.11 range.

ING forecasts (mkt fwd)	1M 1.10 (1.0943)	3M 1.10 (1.0974)	6M 1.10 (1.1016)	12M 1.10 (1.1105)
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USD/JPY

Sensitivity to BoJ policy remains



Source: Refinitiv, ING forecasts

Current spot: 149.21

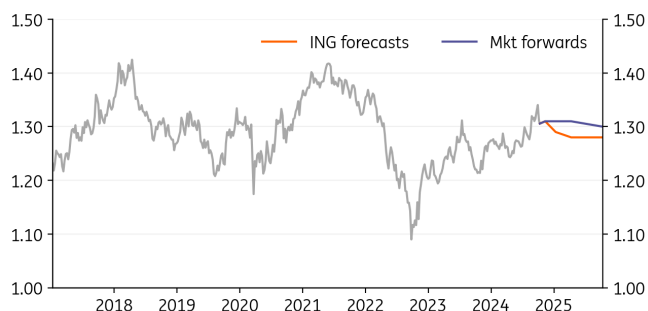
- Higher oil prices, higher US rates and a new Japanese prime minister saying it’s not the right environment for the Bank of Japan to hike rates have all lifted USD/JPY. We suspect short-dated US rates do not have to rise too much further now that expectations for the low point in the Fed easing cycle have already been re-priced 50bp higher. We still look for another 150bp of Fed rate cuts.
- Speculative market positioning remains modestly long yen. And with JPY volatility staying high, we do not look for a return of the yen-funded carry trade.
- Our team is still looking for a BoJ hike in December. We tend to like the yen whatever the outcome of the US election.

ING forecasts (mkt fwd)	1M 145 (148.56)	3M 140 (147.35)	6M 138 (145.84)	12M 137 (143.18)
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GBP/USD

Split BoE keeps sterling relatively bid



Source: Refinitiv, ING forecasts

Current spot: 1.3057

- The lack of commentary from the Bank of England means that the UK rates curve remains dragged around by US developments. This means that UK rates have actually risen since BoE Governor Andrew Bailey said that lower inflation could make the BoE a ‘bit more activist’. Yet the BoE’s Chief Economist, Huw Pill, warns against early rate cuts.
- Bottom line, however, is the ING house view that the BoE base rate is cut from 5.00% to 3.25% by late next year – a view not priced by the markets. That’s why we’re mildly negative on GBP. Look for two more BoE cuts this year.
- UK budget day on 30 October is also a big event risk for GBP. We do not see a repeat of the September 2022 Liz Truss sell-off.

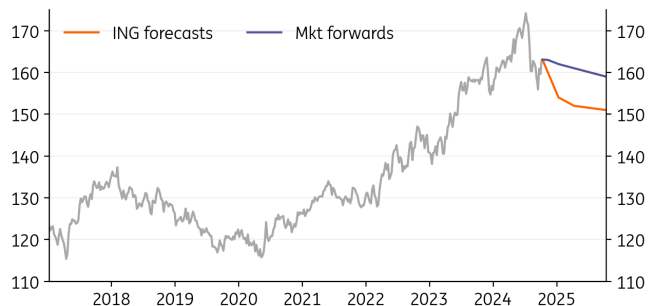
ING forecasts (mkt fwd)	1M 1.31 (1.3058)	3M 1.29 (1.3057)	6M 1.28 (1.3052)	12M 1.28 (1.3038)
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EUR/JPY

The equity correction hedge

Current spot: 163.06



Source: Refinitiv, ING forecasts

- We are taking quite a bearish view on EUR/JPY over coming months – largely given the growing risk of a sharp equity correction. Here it is a surprise that equities remain so bid despite the sharp back-up in US rates amidst higher oil prices. Equally, 3Q US earnings season could show the divergence between benign equity pricing and the growing economic headwinds.
- EUR/JPY has one of the highest correlations with US equities, while both currencies are exposed to oil shocks. The yen also has the advantage of higher BoJ rates & a potentially stronger China.
- The slight risk here is that the European Central Bank does not quite deliver on the aggressive easing priced. But we do see ECB cuts in October and December.

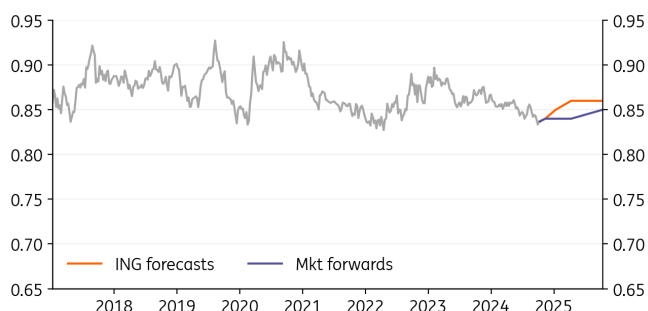
ING forecasts (mkt fwd)	1M 160 (162.59)	3M 154 (161.70)	6M 152 (160.65)	12M 151 (158.98)
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EUR/GBP

Tight fiscal, loose monetary policy is a EUR headwind

Current spot: 0.8369



Source: Refinitiv, ING forecasts

- We often talk about the combination of fiscal and monetary policy and what it means for a currency. The problem for the euro right now is that large parts of the bloc are undergoing austerity to rein in budget deficits – e.g. France. And this means the ECB has to do the heavy lifting by cutting rates. That's a euro bearish combination.
- There seems less fiscal consolidation in the UK and indeed, Chancellor Rachel Reeves may soften the budget rules to allow more spending for investment.
- We're bullish EUR/GBP on the back of the BoE easing cycle being underpriced. But there are a few reasons why EUR/GBP could stay offered down at these levels.

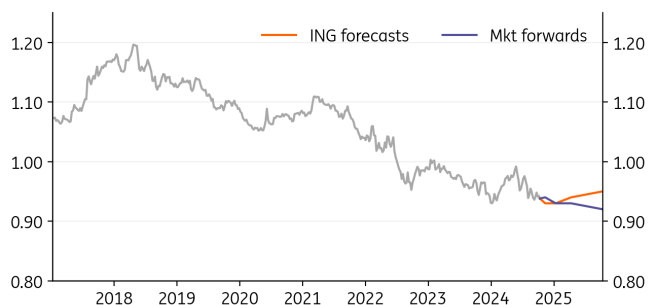
ING forecasts (mkt fwd)	1M 0.84 (0.8381)	3M 0.85 (0.8404)	6M 0.86 (0.8440)	12M 0.86 (0.8517)
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EUR/CHF

More SNB 'cuts' are coming

Current spot: 0.9381



Source: Refinitiv, ING forecasts

- The Swiss National Bank cut rates 25bp to 1.00% in September as expected. Recently, new SNB VP, Antoine Martin, said that inflation and output trends could make the case for 'multiple cuts'. EUR/CHF has remained relatively offered in a 0.93-0.95 range and the key issue for us is whether the SNB would take rates negative again. If not, lower global interest rates would see FX vs. CHF interest differentials narrow and the Swiss franc staying strong.
- Additionally in the background, the SNB has local export lobbies on its back asking for EUR/CHF to be driven back to 0.98.
- Lower global rates and a deteriorating geopolitical environment suggest EUR/CHF remains offered into year-end.

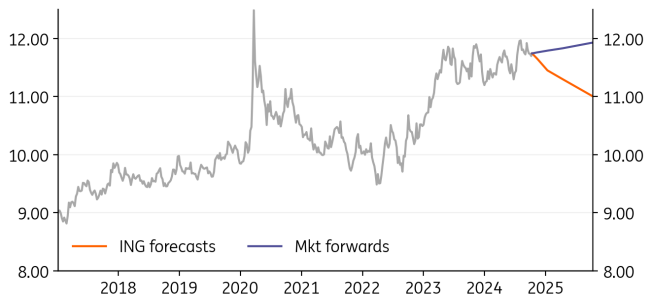
ING forecasts (mkt fwd)	1M 0.93 (0.9360)	3M 0.93 (0.9321)	6M 0.94 (0.9269)	12M 0.95 (0.9181)
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EUR/NOK

Structurally higher volatility

Current spot: 11.74



Source: Refinitiv, ING forecasts

- The krone is consolidating at structurally higher volatility levels, but speculative selling has eased since mid-September.
- Still, there is a non-negligible risk of another trip to 11.90-12.00 in EUR/NOK into the US election if markets decide to price in a greater probability of Trump winning. The 5 November cliffhanger is substantial for NOK, and can also make or break a December Norges Bank cut. We have 25bp pencilled in, but if Trump wins, we think a NOK selloff could delay easing further.
- If the US election doesn't generate FX market havoc, then NOK remains on track for a gradual appreciation thanks to strong fundamentals and rate attractiveness.

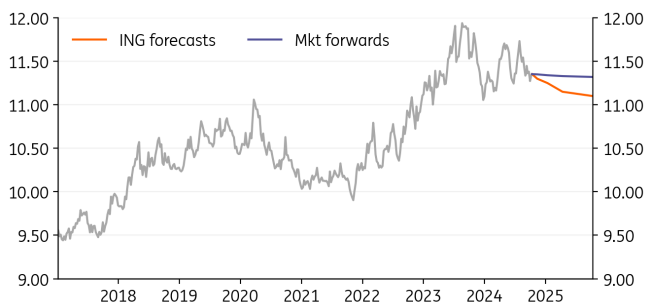
ING forecasts (mkt fwd)	1M 11.65 (11.76)	3M 11.45 (11.79)	6M 11.30 (11.83)	12M 11.00 (11.93)
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EUR/SEK

Dovish Riksbank leaves SEK unfazed

Current spot: 11.35



Source: Refinitiv, ING forecasts

- The Riksbank is feeling no restraint with its dovish guidance, having recently opened the way for 50bp cuts. To their advantage, the krona is not suffering from that.
- We expect 25bp reductions ahead, however, as disinflation is not sufficient to justify such an acceleration in easing, rates are already at 3.25%, and the activity outlook is not too concerning.
- SEK has shown decent resilience to some recent swings in sentiment, and faces less downside risk than NOK if Trump were to win. Still, the result of the US election will shape the profile for some quarters ahead, and a Harris win (or Trump not delivering on his hardline policy pledges) will be required for a EUR/SEK move to 11.00 next year.

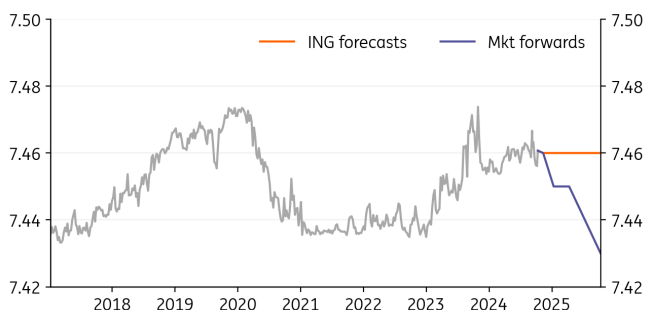
ING forecasts (mkt fwd)	1M 11.30 (11.35)	3M 11.25 (11.34)	6M 11.15 (11.33)	12M 11.10 (11.32)
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EUR/DKK

Cuts in October and December

Current spot: 7.4607



Source: Refinitiv, ING forecasts

- EUR/DKK had a couple of short-lived drops (possibly due to capital flows) but held above 7.4540 and is now back at the 7.460 peg range mid-point.
- It is still likely that the Danish central bank will not have to diverge from the ECB given the stable exchange rate, and we therefore expect two more 25bp cuts in Denmark this year (October and December).
- Should any pressure intensify, it is more likely that the Nationalbank will respond with FX intervention before considering changes in the rate gap with the eurozone.

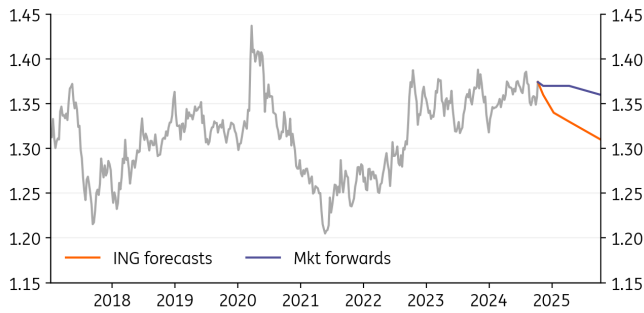
ING forecasts (mkt fwd)	1M 7.46 (7.4582)	3M 7.46 (7.4533)	6M 7.46 (7.4464)	12M 7.46 (7.4344)
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USD/CAD

Loonie starting to look cheap

Current spot: 1.3742



Source: Refinitiv, ING forecasts

- USD/CAD has been on an ascending path since the start of October and we suspect the rally could extend beyond 1.380 on the back of USD strength.
- At the same time, some pre-election defensive positioning should see CAD perform better than the highly exposed AUD and NZD, and we still think expectations for a 50bp rate cut by the Bank of Canada before the end of the year are a bit overblown.
- USD/CAD will start to be quite expensive above 1.37 if oil prices remain bid and bets on a half-point rate cut by the Bank of Canada diminish. The risk premium would then be associated with US election pre-positioning, but that also means that if Harris wins there would be enough inertia for a correction below 1.35.

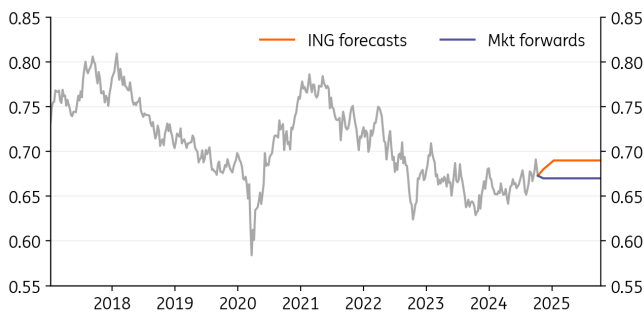
ING forecasts (mkt fwd)	1M 1.36 (1.3731)	3M 1.34 (1.3703)	6M 1.33 (1.3671)	12M 1.31 (1.3605)
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AUD/USD

A necessary correction

Current spot: 0.6730



Source: Refinitiv, ING forecasts

- AUD/USD was looking stretched on the upside around 0.69, and we think 0.67 can be the near-term anchor. Risks are skewed to the downside regardless as AUD is quite vulnerable to any Trump re-election hedging.
- What is still offering good support to AUD is the Reserve Bank of Australia's stance. Governor Michele Bullock may only begin to consider a rate cut once the Fed and Reserve Bank of New Zealand rates approach the current cash rate of 4.35%. This is likely to occur in the new year, and we expect the first 25bp cut in February.
- It also appears that the Chinese stimulus story is not a lasting bullish driver for China proxy currencies or iron ore, which our commodities strategy team sees correcting back below \$100 a tonne.

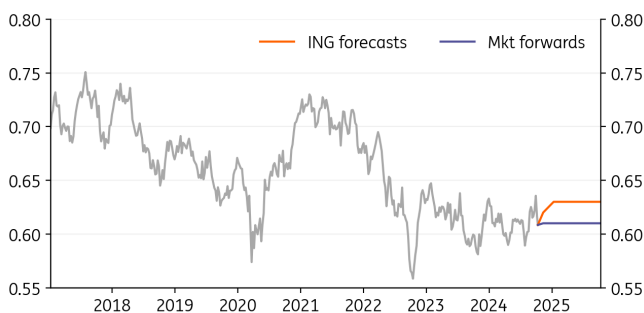
ING forecasts (mkt fwd)	1M 0.68 (0.6733)	3M 0.69 (0.6736)	6M 0.69 (0.6736)	12M 0.69 (0.6729)
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NZD/USD

Don't count on another 50bp cut

Current spot: 0.6085



Source: Refinitiv, ING forecasts

- The RBNZ cut by 50bp in October, in line with our expectations, but markets appear a bit too committed to another half-point move in December.
- The main hurdle is the 3Q CPI report (out on 15 October), where headline CPI is seen falling back close to the 2% target, but we still suspect non-tradable inflation can prove sticky and thwart plans for another 50bp cut.
- Regardless of the RBNZ plans, NZD remains vulnerable to any defensive positioning ahead of the US election. But given recent pressure on NZD and the risks that CPI data might give NZD rates some support, we think AUD/NZD can slip back below 1.10.

ING forecasts (mkt fwd)	1M 0.62 (0.6086)	3M 0.63 (0.6090)	6M 0.63 (0.6095)	12M 0.63 (0.6107)
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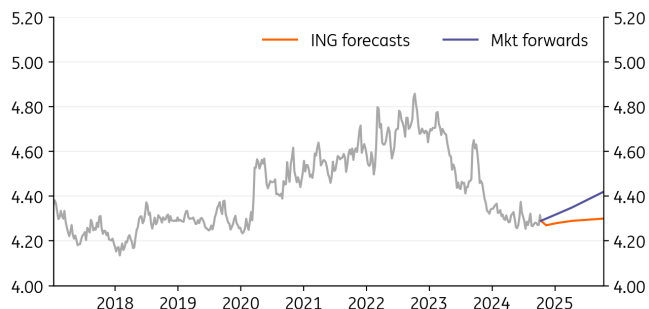


Emerging markets

EUR/PLN

PLN should gain in the year end

Current spot: 4.2902



Source: Refinitiv, ING forecasts

- In a supportive external environment, we may see EUR/PLN re-testing this year's lows (around 4.25). Key central banks are already in easing mode, while persistently high core inflation and an upward adjustment in retail energy prices do not allow the National Bank of Poland to ease policy this year. Our estimates (based on other market variables such as swaps) show room for an even deeper EUR/PLN decline (closer to 4.20), but this would be temporary.
- We see the long term prospects for the zloty as mixed. The government should retain the option to stabilise the currency in the coming quarters, by converting EU funds into PLN on the market or at the NBP. This should offset risks to the zloty to a large extent after the NBP starts to catch up with core central banks with its own policy easing.

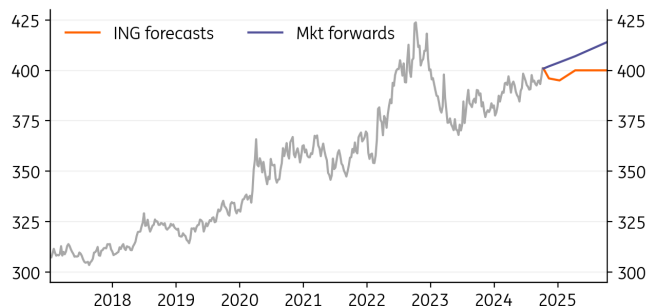
ING forecasts (mkt fwd)	1M 4.27 (4.2989)	3M 4.28 (4.3207)	6M 4.29 (4.3535)	12M 4.30 (4.4226)
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EUR/HUF

NBH's forint sensitivity acts as a backstop for weakness

Current spot: 400.87



Source: Refinitiv, ING forecasts

- The forint came under pressure during the recent global sell-off and broke the 400 EUR/HUF level for a few days in early October. A weaker forint also means a more hawkish central bank which, as in the last two years, acts as a backstop for FX weakness.
- Although we continue to see the 392-400 EUR/HUF range as the main playing field for the rest of the year, chances are visibly deteriorating for HUF to get into the lower part of this range.
- In the medium term, however, we expect the rate cut discussion to return. Moreover, the market sees the changes in NBH leadership as dovish, which will lead to a gradual weakening of the HUF next year with our range shifting to EUR/HUF 400-410.

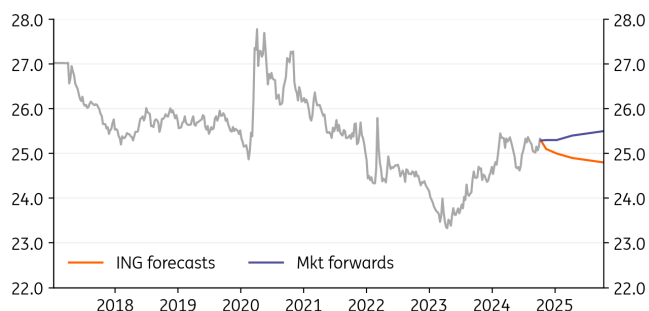
ING forecasts (mkt fwd)	1M 396 (401.95)	3M 395 (403.97)	6M 400 (407.12)	12M 400 (413.54)
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Péter Virovác, peter.virovac@ing.com

EUR/CZK

Koruna drops alongside CEE peers

Current spot: 25.29



Source: Refinitiv, ING forecasts

- The Czech koruna has weakened on the back of geopolitical risks and has been hovering around 25.35 EUR/CZK. Headwinds to global growth are not good news for the Czech currency, and a potential deterioration in the growth outlook will prevent the currency from returning to levels below 25 EUR/CZK in the coming months.
- At the same time, the domestic economic rebound is set to continue, driven by household spending. September CPI brought an upward surprise, contributing to a cautious approach to monetary policy easing - especially as consumer price growth could cross the 3% upper bound of the Czech National Bank's tolerance band in December or before. Both will contribute to a gradual koruna appreciation trend in the coming year, especially if we see a December pause in the current cutting cycle.

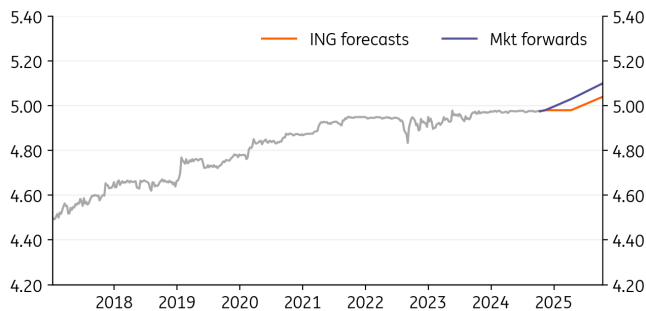
ING forecasts (mkt fwd)	1M 25.1 (25.31)	3M 25.0 (25.33)	6M 24.9 (25.38)	12M 24.8 (25.48)
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David Havrlant, David.havrlant@ing.com

EUR/RON

NBR on defence close to 4.98

Current spot: 4.9755



Source: Refinitiv, ING forecasts

- As we move into the year-end there is little to make us believe that the current narrow trading range for the EUR/RON will change in the short term.
- We've had a mixed bag of data, with inflation somewhat above the National Bank of Romania's expectations, and GDP growth well below everyone's estimates. Overall, it appears that the arguments for maintaining the stability of the exchange rate still prevail.
- All told, we continue to expect the NBR to keep its tight grip on the currency, as evidenced by the increased turnover around 4.9750-4.9760. A break above 5.00 seems a matter for 2025.

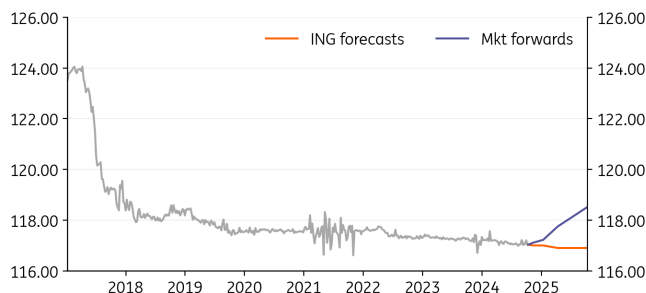
ING forecasts (mkt fwd)	1M 4.98 (4.9842)	3M 4.98 (5.0015)	6M 4.98 (5.0312)	12M 5.04 (5.0990)
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Valentin Tataru, valentin.tataru@ing.com

EUR/RSD

Stay on course

Current spot: 117.03



Source: Refinitiv, ING forecasts

- With inflation back within its 1.5%-4.5% target range and economic growth above expectations, the National Bank of Serbia decided to interrupt its cutting cycle in October, waiting for the effects of past easing to come into play.
- Uncertainties around the energy and primary commodities prices seem to be on the NBS's mind now, together with the risks for higher oil prices stemming from the Middle East conflict.
- On 4 October, S&P upgraded Serbia to a long-expected investment grade – a first in Serbia's history. This should be supportive for the currency, possibly prompting one-sided FX intervention from the NBS.

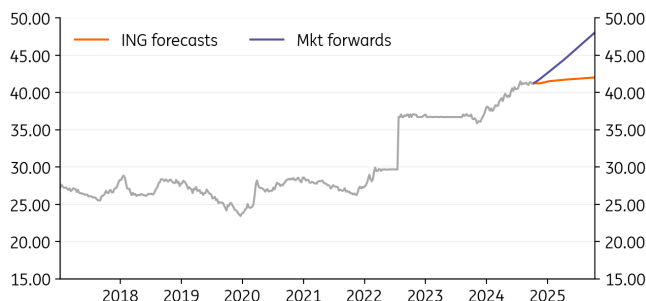
ING forecasts (mkt fwd)	1M 117.00 (117.11)	3M 117.00 (117.22)	6M 116.90 (117.75)	12M 116.90 (118.52)
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USD/UAH

External environment keeps the hryvnia stable

Current spot: 41.25



Source: Refinitiv, ING forecasts

- Ukraine's hryvnia remains range-bound against the dollar. This is likely to continue into year-end, as core central banks are to continue monetary easing. Large foreign aid is helping to shore up Ukraine's international reserves, allowing the central bank to stabilise the currency.
- However, the fundamentals behind the currency remain unsupportive, and uncertainty is very high. The war continues to take a toll on the economy, and the country has to cope with the energy deficit in the coming winter. Given the heavy current account deficit, the NBU is likely to allow for further gradual easing of the hryvnia, while stabilising the currency as reserves allow. In recent months, the NBU spent more than US\$2.5bn a month to shore up the currency against US\$40bn of overall reserves.

ING forecasts (mkt fwd)	1M 41.20 (41.72)	3M 41.50 (42.81)	6M 41.70 (44.44)	12M 42.00 (48.06)
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USD/KZT

Under further pressure and without state support

Current spot: 484.42



Source: Refinitiv, ING forecasts

- USD/KZT traded close to 480 until the end of September, in line with our near-term expectations, but broke out into a 490-500 range at the very beginning of October amid a global rally in the US dollar, and ignoring the stronger oil price environment.
- The performance of Kazakhstan's tenge confirms our view that the local FX market is increasingly reliant on state capital flows. Balance of payments data shows net capital outflows by the government and central bank of US\$1.2 bn in 2Q24 after five consecutive quarters of net inflows.
- We do not exclude additional FX sales out of the sovereign fund (NFRK) until the year end to provide some support to KZT, but our medium-term expectations remain bearish.

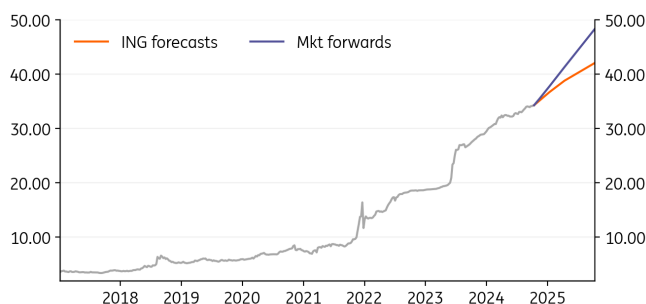
ING forecasts (mkt fwd)	1M 490 (488.19)	3M 490 (495.82)	6M 490 (505.54)	12M 495 (527.13)
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Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

Inflation data impacts CBT timing

Current spot: 34.29



Source: Refinitiv, ING forecasts

- The de-dollarisation trend has resumed following the Central Bank of Turkey's actions in August. These moves have eased any possible depreciation pressure on the lira from Turkish residents because of the accelerated FX-protected deposit (KKM) unwind.
- Given this backdrop, the CBT recovered its FX reserves losses in September, following pressure in August, thanks to renewed foreign appetite and a resumption of de-dollarisation among residents. Global financial conditions are likely to be supportive for foreign inflows as the Fed has started its easing cycle with a 50bp cut in September.
- The changes in the September MPC statement suggest that the CBT is cautiously setting the scene for rate cuts. However, following the latest inflation print, some market participants are now expecting the CBT to delay easing to early 2025. We see room to cut in December, though a delay should not be ruled out.

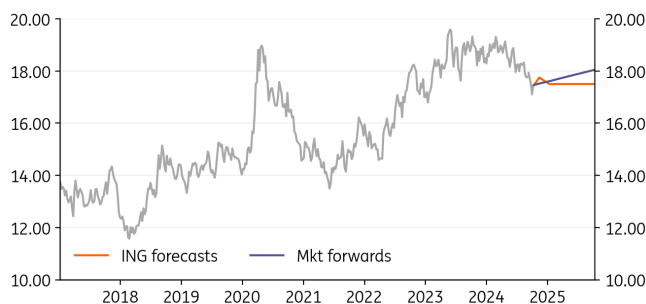
ING forecasts (mkt fwd)	1M 35.10 (35.43)	3M 36.70 (37.77)	6M 38.80 (41.31)	12M 42.10 (48.39)
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Muhammet Mercan, muhammet.mercan@ing.com.tr

USD/ZAR

Things are looking up

Current spot: 17.46



Source: Refinitiv, ING forecasts

- Not currently reflected in the valuation of the rand are several positive developments for South Africa. Business confidence is bucking the global trend and edging higher as electricity network improvements deliver more stable supply. And we're really interested in this 'Two-Pot' pension reform where retail can access a third of their pot early. This seems to be far more ordered than what was seen in Chile and could add 0.5% to South Africa's GDP next year.
- The SARB cut rates 25bp to 8.00% in September and is aiming for 7.00% next year - all because inflation is well behaved.
- If South Africa can dodge the bullet of a Trump trade war with China then the rand could prove a standout performer into 2025.

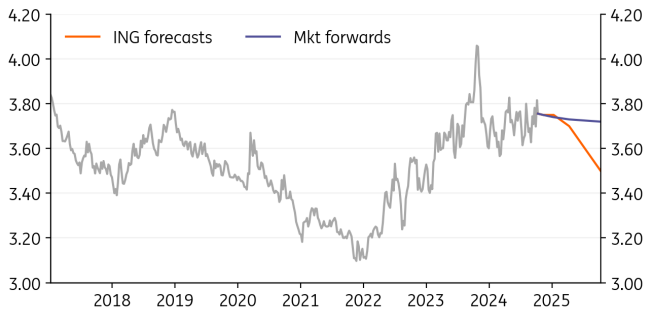
ING forecasts (mkt fwd)	1M 17.75 (17.52)	3M 17.50 (17.61)	6M 17.50 (17.76)	12M 17.50 (18.05)
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Chris Turner, chris.turner@ing.com

USD/ILS

Shekel remains contained

Current spot: 3.7557



Source: Refinitiv, ING forecasts

- USD/ILS continues to trade in a remarkably stable 3.60-3.80 in spite of the ongoing conflict. Israeli authorities now expect the conflict to continue at a high intensity into early 2025 – prompting the central bank to cut its growth and raise its inflation forecasts. Israel's year-to-date budget deficit is also near 8% of GDP and its sovereign CDS has widened 40bp over the last month.
- We wonder whether central bank intervention is being used to keep USD/ILS in its range. Market stability is one of the central bank's core objectives now. However, monthly FX reserve data releases suggest no intervention has been seen so far.
- It is very hard to see a re-rating of the shekel until there is a lot more certainty in the region.

ING forecasts (mkt fwd)	1M 3.75 (3.7521)	3M 3.75 (3.7431)	6M 3.70 (3.7327)	12M 3.50 (3.7164)
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Chris Turner, chris.turner@ing.com

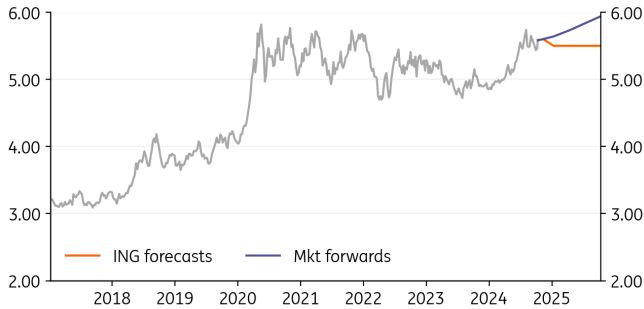


LATAM

USD/BRL

Poor performer

Current spot: 5.5838



Source: Refinitiv, ING forecasts

- The real should have been doing a little better on news that China is finally taking measures to reflate its economy. But higher US rates have hurt the real and there are some local challenges as well. At the forefront of those are fiscal concerns. Worryingly, Brazil's recent upgrade by Moody's has not really helped the sovereign CDS. The fear here is that after recent poor local election results, President Lula will accelerate government spending in the run up to the 2026 presidential election.
- Monetary policy should be supportive. BACEN hiked 25bp in September to 10.75% and the market prices 13% in a year.
- The big question, however, is whether new central bank governor, Gabriel Galipolo, proves a dove in hawk's clothing.

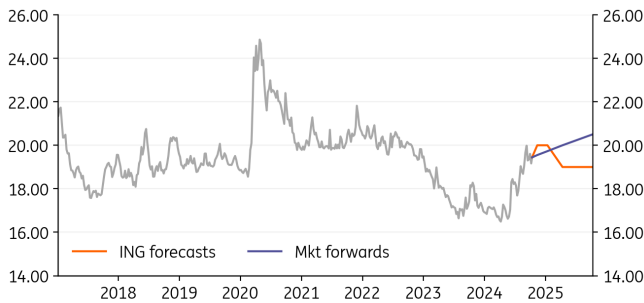
ING forecasts (mkt fwd)	1M 5.60 (5.6045)	3M 5.50 (5.6435)	6M 5.50 (5.7294)	12M 5.50 (5.9388)
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Chris Turner, chris.turner@ing.com

USD/MXN

US elections will have a major say in pricing

Current spot: 19.44



Source: Refinitiv, ING forecasts

- This time next month we will probably know who has won the US presidential election and the composition of the US Congress. A win by Donald Trump would have the greatest impact for the peso where the threat of universal tariffs or the review of the USMCA in 2026 could prove troublesome. The peso was the biggest mover (down) in election week 2016.
- Domestically, Banxico looks firmly set on an easing cycle. It has cut rates three times this year to 10.50% and is expected to take rates to 8.50% by the end of 2025. Core inflation is key here.
- Even though MXN has very attractive real yields, the political uncertainty on both sides of the border keeps us a little bearish.

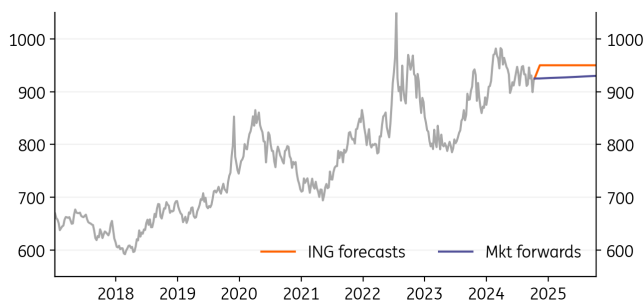
ING forecasts (mkt fwd)	1M 20.00 (19.55)	3M 20.00 (19.73)	6M 19.00 (20.00)	12M 19.00 (20.51)
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Chris Turner, chris.turner@ing.com

USD/CLP

Low real rates leave CLP vulnerable

Current spot: 924.95



Source: Refinitiv, ING forecasts

- The pick-up in US rates since late September has seen Chile's peso underperform within the region. The reason behind that is probably because Chile's real rates only offer wafer thin protection to the peso. Here, inflation is running around 4% and the local central bank is expected to cut rates to just 5.25% on 17 October.
- China's reflationary policies may offer Chile a lifeline. Though we suspect the monetary/fiscal stimulus will not be sufficient to trigger a wholesale re-assessment of Chinese demand.
- For reference, Chile's peso was one of the worst performers during Trump's 2018-19 trade war against China.

ING forecasts (mkt fwd)	1M 950 (925.17)	3M 950 (925.61)	6M 950 (926.77)	12M 950 (930.17)
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Chris Turner, chris.turner@ing.com

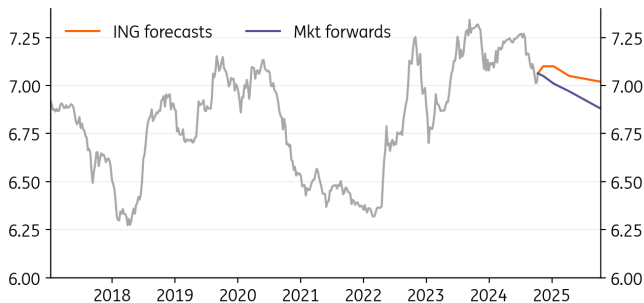


Asia

USD/CNY

Stimulus moves send CNY stronger with uncertainty ahead

Current spot: 7.0634



Source: Refinitiv, ING forecasts

- The Chinese yuan strengthened over the past month as policymakers ramped up stimulus support, at one point nearing 7.00, the lower bound of our expected fluctuation band.
- Capital inflows following stimulus sent the CNY stronger despite a 20bp cut to the 7-day reverse repo rate. The next steps are uncertain and will depend on the speed and strength of the fiscal stimulus follow-up. External catalysts from the US election and Fed also add to near-term uncertainty.
- Yield spreads will move more in favour of the CNY once the Fed cuts get underway and supports a medium-term strengthening trajectory. The People's Bank of China fixing continues to resist rapid movements in either direction, keeping the CNY as a low volatility currency.

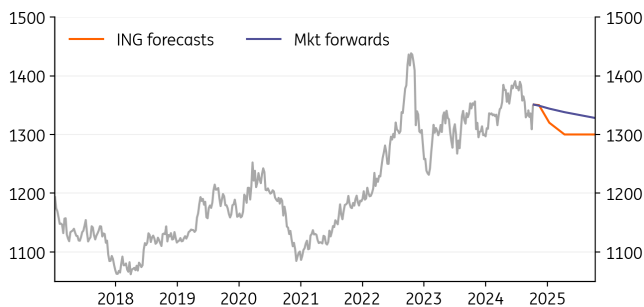
ING forecasts (mkt fwd)	1M 7.10 (7.0456)	3M 7.10 (7.0122)	6M 7.05 (6.9658)	12M 7.02 (6.8812)
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Lynn Song, lynn.song@asia.ing.com

USD/KRW

KRW is likely to remain volatile in the short-term

Current spot: 1350.89



Source: Refinitiv, ING forecasts

- The Korean Treasury Bond will join the FTSE's WGBI from November 2025. The news itself won't provide much support for the Korean won for now, but it is expected to lead to a bond rally and a strengthening of the KRW in the medium-term. Reports suggest index inclusion will start in late 2025.
- The Bank of Korea delivered its first rate cut in October, and will continue to ease but at a much slower pace than the Fed.
- Uncertainty over the Middle East conflict and the US economy will keep the KRW in a range of 1,340-1,370 in the near term.

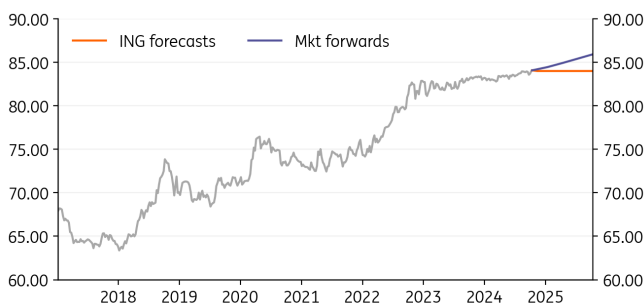
ING forecasts (mkt fwd)	1M 1350 (1348.51)	3M 1320 (1343.56)	6M 1300 (1337.86)	12M 1300 (1328.16)
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Min Joo Kang, min.joo.kang@asia.ing.com

USD/INR

RBI taking its time to start easing

Current spot: 84.08



Source: Refinitiv, ING forecasts

- The Indian rupee benefited briefly from the Fed's easing in September, but quickly resumed its tight "fix" at just under 84 as aggressive US easing bets were unwound.
- The Reserve Bank of India has yet to ease policy, and this month, rising inflation may make that trickier. However, some easing before the year-end remains probable as inflation spikes will likely be short-lived.
- We can see no end in sight to the RBI's ongoing currency stabilisation policy. Looked at in terms of the real effective exchange rate, the INR only looks slightly more expensive than some of its APAC peers.

ING forecasts (mkt fwd)	1M 84.00 (84.20)	3M 84.00 (84.45)	6M 84.00 (84.92)	12M 84.00 (85.93)
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Rob Carnell, robert.carnell@asia.ing.com

USD/IDR

Not a good month for the IDR

Current spot: 15578



Source: Refinitiv, ING forecasts

- It has not been a good month for Indonesia's rupiah. After recent IDR strength, Bank Indonesia took advantage of low inflation to start trimming rates and cut the policy rate by 25bp on 18 September to 6.0%.
- This has also coincided with a re-think on US rate cut aggression and some USD recovery, and as a result, the IDR has found itself trailing its regional peers over the last 30 days.
- We expect further easing over the coming quarters from BI, but the pace and extent of this may be tempered by occasional bouts of IDR weakness. Market concern over Indonesia's budget and spending plans may provide further volatility.

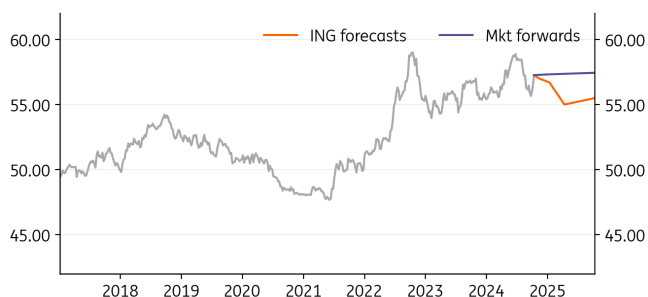
ING forecasts (mkt fwd)	1M 15500 (15598)	3M 15250 (15634)	6M 15000 (15698)	12M 15250 (15852)
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Rob Carnell, robert.carnell@asia.ing.com

USD/PHP

BSP to ease despite PHP weakness

Current spot: 57.26



Source: Refinitiv, ING forecasts

- The Philippine peso is about 1.4% weaker against the US dollar over the last month, which puts it towards the bottom of the APAC performance league alongside the IDR.
- The macro growth backdrop has been indifferent. Export growth is very soft, and the trade deficit is only managing to stay steady thanks to weak imports. But the inflation story is looking much better. The latest inflation rate is 1.9%.
- The central bank cut rates by 25bp back in August, front-running the Fed. And despite the PHP's recent weakness, it is forecast to cut again in October by 25bp, matching the Fed's easing overall so far.

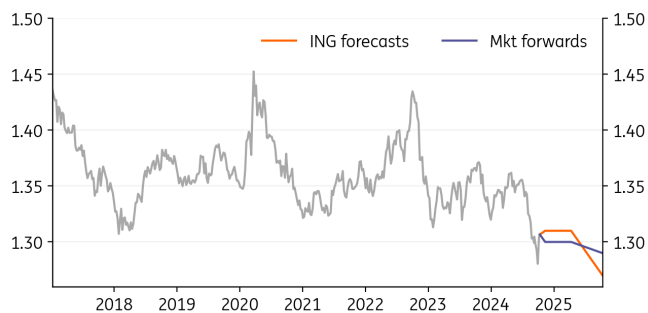
ING forecasts (mkt fwd)	1M 57.00 (57.28)	3M 56.70 (57.32)	6M 55.00 (57.36)	12M 55.50 (57.44)
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USD/SGD

MAS could flatten SGD NEER path further

Current spot: 1.3067



Source: Refinitiv, ING forecasts

- USD/SGD got as low as 1.2789 in late September but has bounced back above 1.30 since then.
- We believe the Monetary Authority of Singapore will flatten the SGD NEER appreciation path at its October meeting as inflation has moderated. Short-term interest rates, which show the direction in which the MAS has been leaning, have dropped by about 75bp since the middle of the year.
- A flatter SGD NEER path should still see USD/SGD moving lower over the coming 12 months as regional trading peers are also likely to appreciate.

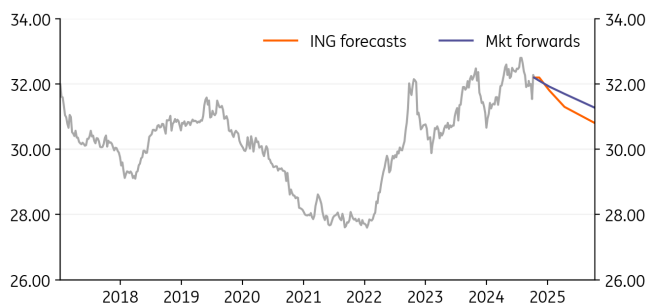
ING forecasts (mkt fwd)	1M 1.31 (1.3047)	3M 1.31 (1.3011)	6M 1.31 (1.2959)	12M 1.27 (1.2871)
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Rob Carnell, robert.carnell@asia.ing.com

USD/TWD

Equity market outflows remained a headwind

Current spot: 32.20



Source: Refinitiv, ING forecasts

- The Taiwan dollar has fluctuated within a tight range over the past month, with the USD/TWD pair at one point hitting a low of 31.6 before rebounding to around 32.2.
- Yield spreads drove most of that action, with the TWD's strongest days coinciding with the narrowest yield spread. Another factor was equity market outflows, which continued to suppress the TWD.
- In the near term, the US elections and the risk of a tech sector pullback are also factors which could drag down the TWD relative to other Asian currencies. If these uncertainties are resolved, the TWD has room to see a bounce later.

ING forecasts (mkt fwd)	1M 32.20 (32.10)	3M 31.80 (31.92)	6M 31.30 (31.70)	12M 30.80 (31.27)
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Lynn Song, lynn.song@asia.ing.com

ING foreign exchange forecasts

EUR cross rates	Spot	1M	3M	6M	12M	USD cross rates	Spot	1M	3M	6M	12M
Developed FX											
EUR/USD	1.09	1.10	1.10	1.10	1.10						
EUR/JPY	163	160	154	152	151	USD/JPY	149	145	140	138	137
EUR/GBP	0.84	0.84	0.85	0.86	0.86	GBP/USD	1.31	1.31	1.29	1.28	1.28
EUR/CHF	0.94	0.93	0.93	0.94	0.95	USD/CHF	0.86	0.85	0.85	0.85	0.86
EUR/NOK	11.74	11.65	11.45	11.30	11.00	USD/NOK	10.74	10.59	10.41	10.27	10.00
EUR/SEK	11.35	11.30	11.25	11.15	11.10	USD/SEK	10.39	10.27	10.23	10.14	10.09
EUR/DKK	7.46	7.46	7.46	7.46	7.46	USD/DKK	6.83	6.78	6.78	6.78	6.78
EUR/CAD	1.50	1.50	1.47	1.46	1.44	USD/CAD	1.37	1.36	1.34	1.33	1.31
EUR/AUD	1.62	1.62	1.59	1.59	1.59	AUD/USD	0.67	0.68	0.69	0.69	0.69
EUR/NZD	1.80	1.77	1.75	1.75	1.75	NZD/USD	0.61	0.62	0.63	0.63	0.63
EMEA											
EUR/PLN	4.29	4.27	4.28	4.29	4.3	USD/PLN	3.93	3.88	3.89	3.90	3.91
EUR/HUF	400.9	396	395	400	400	USD/HUF	366.6	360	359	364	364
EUR/CZK	25.29	25.05	25	24.9	24.75	USD/CZK	23.14	22.8	22.7	22.6	22.5
EUR/RON	4.98	4.98	4.98	4.98	5.04	USD/RON	4.55	4.53	4.53	4.53	4.58
EUR/RSD	117.03	117.00	117.00	116.90	116.90	USD/RSD	107.08	106.36	106.36	106.27	106.27
EUR/UAH	45.11	45.32	45.65	45.87	46.20	USD/UAH	41.25	41.20	41.50	41.70	42.00
EUR/KZT	529.3	539.0	539.0	539.0	544.5	USD/KZT	484.4	490	490	490	495
EUR/TRY	37.35	38.61	40.37	42.68	46.31	USD/TRY	34.29	35.10	36.70	38.80	42.10
EUR/ZAR	19.10	19.53	19.25	19.25	19.25	USD/ZAR	17.46	17.75	17.50	17.50	17.50
EUR/ILS	4.10	4.13	4.13	4.07	3.85	USD/ILS	3.76	3.75	3.75	3.70	3.50
LATAM											
EUR/BRL	6.10	6.16	6.05	6.05	6.05	USD/BRL	5.58	5.60	5.50	5.50	5.50
EUR/MXN	21.23	22.00	22.00	20.90	20.90	USD/MXN	19.44	20.00	20.00	19.00	19.00
EUR/CLP	1010.83	1045	1045	1045	1045	USD/CLP	924.95	950	950	950	950
Asia											
EUR/CNY	7.72	7.81	7.81	7.76	7.72	USD/CNY	7.06	7.10	7.10	7.05	7.02
EUR/IDR	17056	17050	16775	16500	16775	USD/IDR	15578	15500	15250	15000	15250
EUR/INR	91.88	92.40	92.40	92.40	92.40	USD/INR	84.08	84.00	84.00	84.00	84.00
EUR/KRW	1476.32	1485	1452	1430	1430	USD/KRW	1350.89	1350	1320	1300	1300
EUR/PHP	62.57	62.70	62.37	60.50	61.05	USD/PHP	57.26	57.00	56.70	55.00	55.50
EUR/SGD	1.43	1.44	1.45	1.44	1.40	USD/SGD	1.31	1.31	1.32	1.31	1.27
EUR/TWD	35.19	35.42	34.98	34.43	33.88	USD/TWD	32.20	32.20	31.80	31.30	30.80

Source: Refinitiv, ING

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