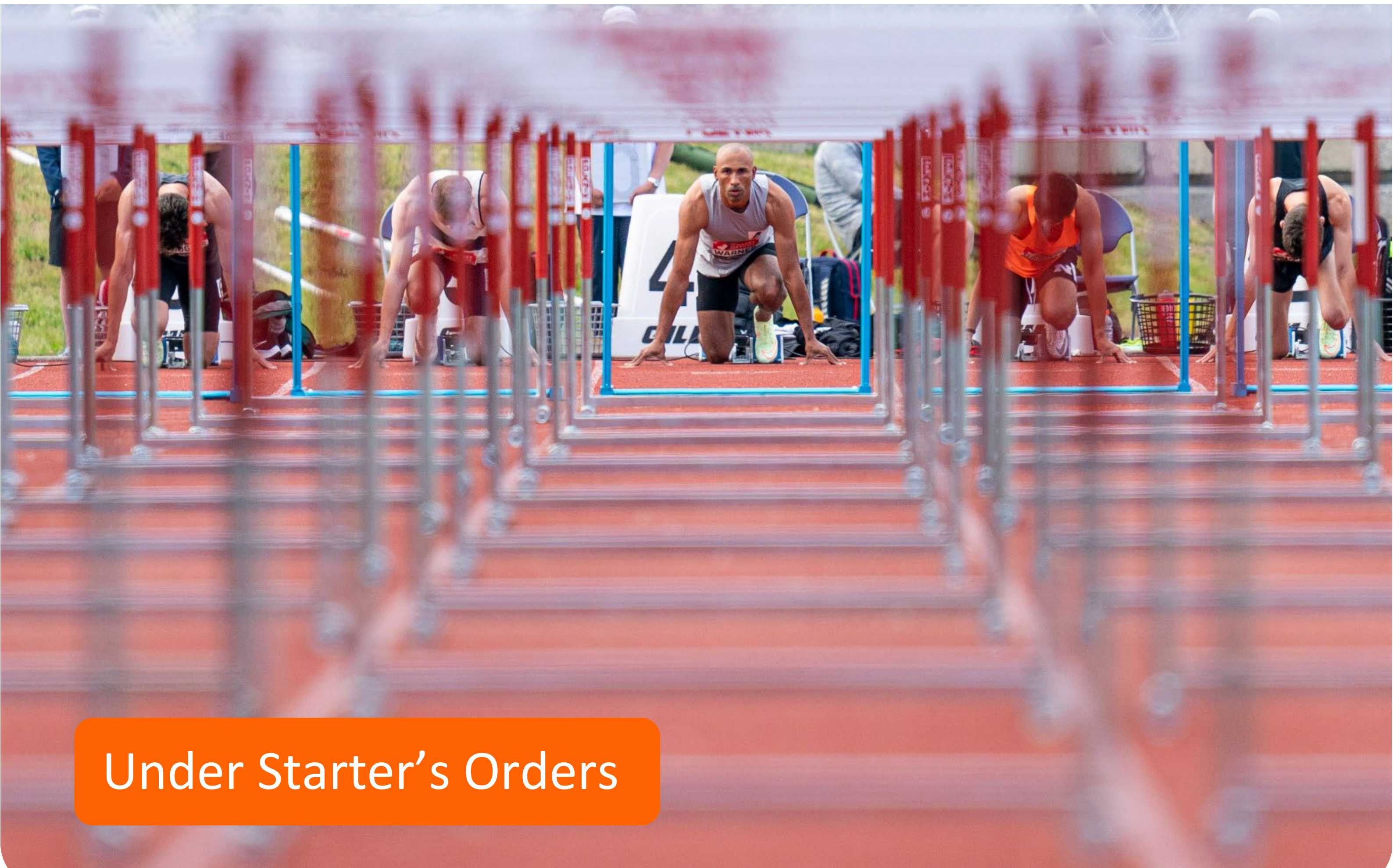
THINK Economic and Financial Analysis

FX Talking

May 2024



Under Starter’s Orders

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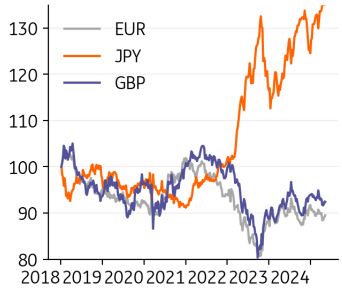
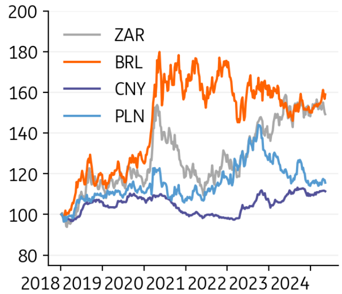
Under Starter's Orders

USD/Majors (Jan 18=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 18=100)



Source: Refinitiv, ING forecast

It looks like an increasing number of central banks are wanting to ease monetary policy. With countries like Switzerland and Sweden having already cut rates, speculation is now firming up for similar moves in the eurozone, the UK and Canada over the coming months. And listening to the Federal Reserve Chair Jerome Powell, it seems he would love to see lower rates in the US – if only the data would allow.

It is against this 'glass half full' backdrop that FX volatility has softened again and pro-cyclical currencies – including the euro – have found some support. We estimate that EUR/USD is close to medium term fair value at 1.08 and that it faces symmetrical risks over the months ahead. We do in fact have a slight upside bias here on the back of cooling US data – but the path beyond November's US elections remains very uncertain.

Within Europe, we are looking for some independent sterling weakness as the Bank of England's easing cycling gets priced closer to that of the European Central Bank. We are also worried about the Swedish krona now that the Riksbank is showing less interest in it. Within Central Europe, we like the Polish zloty and Czech koruna, given the limited downside for further rate cuts.

Commodity currencies have enjoyed the run up in metals prices. Amongst them our top pick would be the Australian dollar, where the Reserve Bank of Australia looks to be one of the last to cut rates. Also look out for difficult elections in South Africa later this month.

Elsewhere, a more hawkish Banxico looks like it could use a strong peso for a little longer. Politics looks to be weighing on the Brazilian real. And in Asia, the narrative remains one of damage limitation – in which we would include Tokyo's defence of the yen.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.08	→	152.00	↓	1.24	↓
3M	1.09	↑	150.00	↓	1.25	→
6M	1.10	↑	145.00	↓	1.25	→
12M	1.10	→	140.00	↓	1.25	↓
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.87	↑	25.00	→	4.24	↓
3M	0.87	↑	24.85	↓	4.20	↓
6M	0.88	↑	24.80	↓	4.25	↓
12M	0.88	↑	24.70	↓	4.30	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	7.25	↑	16.75	↓	5.15	↓
3M	7.19	↑	16.75	↓	5.15	↓
6M	7.13	↑	16.75	↓	5.15	↓
12M	7.00	→	16.50	↓	5.15	↓

↑ / → / ↓ 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	-1.05	4.55	0.62	0.90	0.75	0.80
%YoY	-1.38	15.88	-2.56	1.86	-1.37	1.92
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	0.52	2.88	-1.37	-0.12	-2.13	3.25
%YoY	5.34	3.90	4.15	-7.20	0.30	4.36

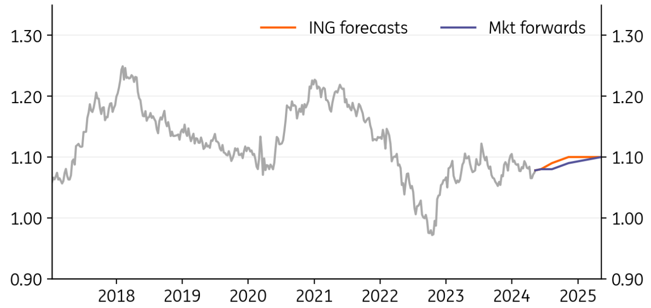
Source: Refinitiv, ING forecast

Developed markets

EUR/USD

Does the divergence trade have legs?

Current spot: 1.0768



Source: Refinitiv, ING forecasts

- A month ago, the standout narrative was a strong US economy and dwindling chances of Fed rate cuts offset against an ECB confidently predicting a rate cut. A month later, the US story has softened, the eurozone picture has improved, and volatility has fallen as EUR/USD continues to trade near 1.07/1.08.
- We suspect this environment can continue for another month or so with probably symmetrical risks for EUR/USD from here. US activity data, including jobs, could start to slow, yet the US price data could stay sticky and limit Fed easing expectations.
- We suspect US election risk will only start to hit FX markets from August/September onwards, with Trump seen more positive for the dollar.

ING forecasts (mkt fwd)	1M 1.08 (1.0782)	3M 1.09 (1.0812)	6M 1.10 (1.0860)	12M 1.10 (1.0959)

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USD/JPY

Tokyo presses the intervention button

Current spot: 155.84

Source: Refinitiv, ING forecasts

- It looks like Japanese authorities have intervened twice to sell USD/JPY – selling a total of $50bn in the 158/159 area. The amounts will only be confirmed at the end of May. Tokyo's objective here will be to inject some two-way risk into USD/JPY and buy some time until – they hope – the broad dollar trend turns lower in the second half.
- At the same time the Bank of Japan is starting to talk up the effects of the weak yen on inflation. We look for rate hikes in July and October, but speculation of a hike may emerge as early as 14 June.
- We estimate the yen is the most undervalued G10 currency, but a weaker dollar or higher volatility is needed to turn the trend.

ING forecasts (mkt fwd)	1M 152 (155.12)	3M 150 (153.70)	6M 145 (151.66)	12M 140 (147.94)

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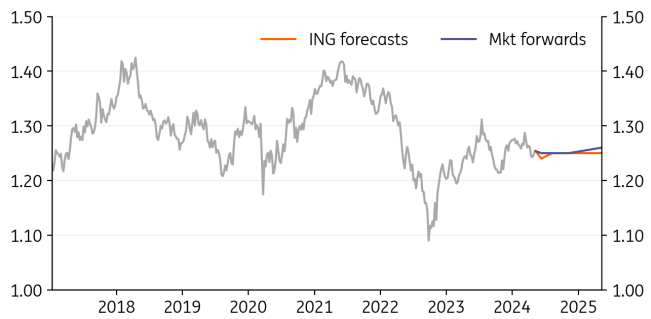
GBP/USD

BoE inches towards the first rate cut

Current spot: 1.2518



Source: Refinitiv, ING forecasts

- The BoE policy cycle is getting interesting! We think Governor Andrew Bailey would like to join two fellow MPC members in voting for a cut, but is struggling to convince the majority. A June rate cut is now priced with a 60% probability (entirely possible) but our slight preference is for August. The key piece of data determining the timing of the cut will be April services CPI on 22 May.
- We look for sterling underperformance from here as the BoE cycle is priced closer to the ECB than to the Fed.
- The core story here is that the UK is running a negative output gap – making the BoE far more likely to cut rates earlier and deeper than the Fed. This should keep GBP/USD subdued.

ING forecasts (mkt fwd)	1M 1.24 (1.2520)	3M 1.25 (1.2526)	6M 1.25 (1.2537)	12M 1.25 (1.2561)

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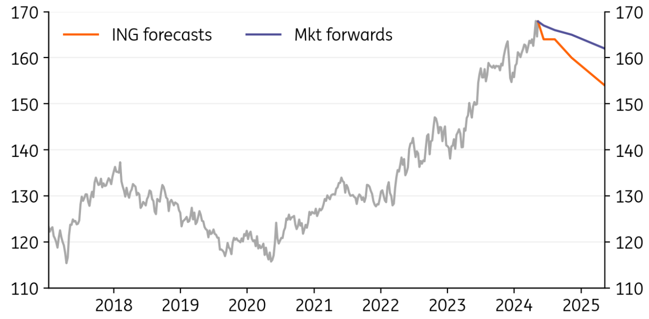
EUR/JPY

170 was too much for Tokyo **Current spot: 167.82**



Source: Refinitiv, ING forecasts

- If one wanted to draw lines in the sand, one could argue that 160 in USD/JPY and 170 in EUR/JPY were the triggers for FX intervention. In reality, however, it was more about the speed of the moves than the levels. Investors may now be asking how much firepower the BoJ has for intervention. For reference, BoJ FX reserves are in excess of $1tr and we could see them using $200-250bn in this exercise.
- Both the eurozone and Japanese economies are showing signs of improving. Yet the ECB should be cutting in June, while the BoJ has already hiked. A scaled-back ECB easing cycle could help EUR.
- EUR/JPY is overvalued and 155 seems a reasonable 12m target.

ING forecasts (mkt fwd)	**1M** 164 (167.25)	**3M** 164 (166.19)	**6M** 160 (164.70)	**12M** 154 (162.12)

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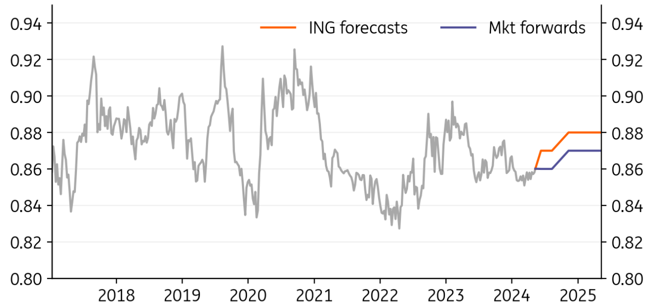
EUR/GBP

Starting to move **Current spot: 0.8602**



Source: Refinitiv, ING forecasts

- The 0.8500 base in EUR/GBP now looks more secure and we think this pair is ready to break higher. The only question is whether the move happens in May or June. We have a slight preference for June – when we have a better chance of seeing UK services CPI coming in lower. EUR/GBP downside should be limited now.
- Regarding the UK election, polls continue to show a substantial 20% lead for Labour. We doubt sterling requires a risk premium for the election, although global FX volatility is skewed higher into and after the main event of the year – US elections in November.
- The ECB is reluctant to be drawn on the scale of its easing cycle – though most expect the low point in the 2.25/2.50% area, with the neutral real rate seen something like 0.25%.

ING forecasts (mkt fwd)	**1M** 0.87 (0.8612)	**3M** 0.87 (0.8632)	**6M** 0.88 (0.8662)	**12M** 0.88 (0.8725)

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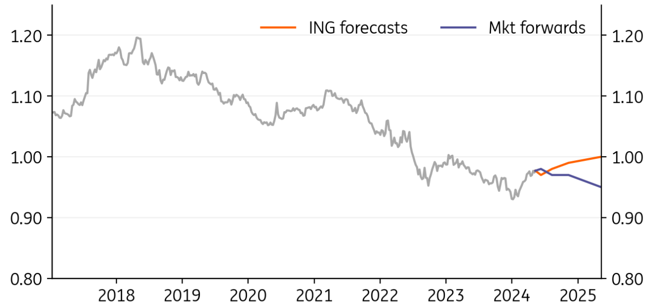
EUR/CHF

Slight upside surprise in core inflation helps CHF **Current spot: 0.9775**



Source: Refinitiv, ING forecasts

- A key driver of Swiss franc weakness this year has been low Swiss inflation. This has seen the Swiss National Bank change tact on FX policy – no longer using the franc as a tool to fight inflation. The slight upside surprise in Swiss core inflation in April – albeit at only 1.2% YoY – has thus provided a little support to the CHF.
- Equally two-year EUR:CHF swap differentials have been a big driver of EUR/CHF. With the Swiss leg of this differential very anchored, EUR/CHF has therefore been a function of ECB easing expectations. Markets price 75bp of ECB easing, ING call is for 75bp, but the bigger risk is now 50bp – i.e., a +ve risk for EUR/CHF.
- Look for an SNB 25bp cut in June – taking the policy rate to 1.25%

ING forecasts (mkt fwd)	**1M** 0.97 (0.9752)	**3M** 0.98 (0.9711)	**6M** 0.99 (0.9652)	**12M** 1.00 (0.9547)

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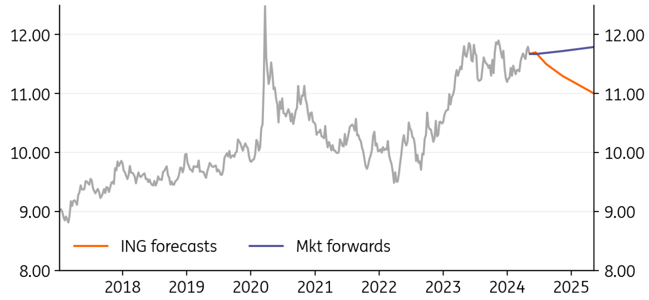
EUR/NOK

Norges Bank remains a NOK-positive **Current spot: 11.67**



Source: Refinitiv, ING forecasts

- Norges Bank kept moving to the hawkish side of the spectrum, signalling at the May meeting that rates may be kept high for longer than previously anticipated, and keeping a hike on the table if necessary. It also stressed concerns about the weak krone and its inflationary potential.
- FX purchases have been increased from NOK 350m to 550m daily in May. That isn't positive for NOK, but also far from the 1bn+ of 2023, which still did not hinder NOK's rally in December.
- Admittedly, the outlook for the relatively illiquid krone remains almost entirely a function of USD rates. We still like the chances of Fed cuts this year, so we remain positive on a NOK recovery after some more short-term downside risks.

ING forecasts (mkt fwd)	**1M** 11.70 (11.67)	**3M** 11.50 (11.69)	**6M** 11.30 (11.72)	**12M** 11.00 (11.79)

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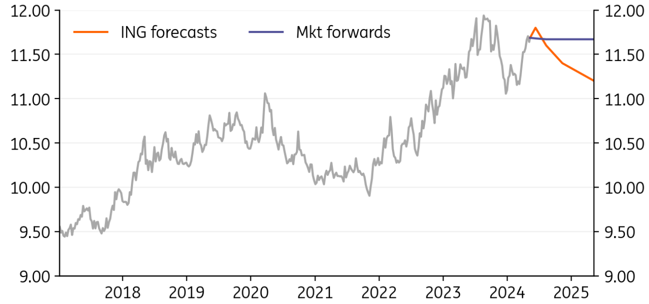
EUR/SEK

Don't rule out back-to-back Riksbank cuts **Current spot: 11.68**



Source: Refinitiv, ING forecasts

- The Riksbank rate cut in May conveyed the message that policymakers are probably less concerned about a weak krona than what they signal in their communication (more in this note).
- The forward guidance (two cuts in 2H) should not be taken by the letter. If inflation keeps slowing, the growth outlook doesn't materially improve and SEK at least stabilises, then risks are skewed towards three cuts this year.
- All this means SEK is less attractive than NOK, AUD and NZD in a bullish (lower USD rates) scenario. EUR/SEK upside risks remain tangible in the near term, with new FX reserve hedging potentially being re-deployed if EUR/SEK closes in on 12.00.

ING forecasts (mkt fwd)	**1M** 11.80 (11.68)	**3M** 11.60 (11.67)	**6M** 11.40 (11.67)	**12M** 11.20 (11.67)

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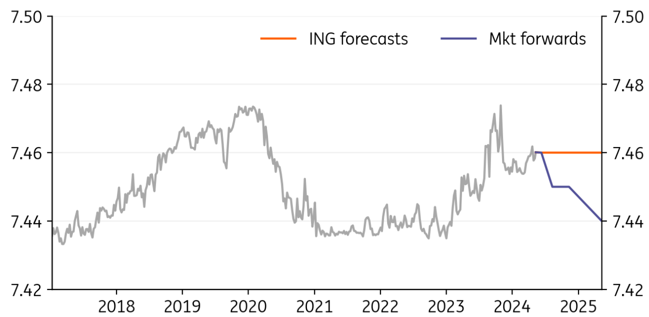
EUR/DKK

Denmark awaiting the ECB cut **Current spot: 7.4604**



Source: Refinitiv, ING forecasts

- Danmarks Nationalbank's last FX intervention was in January 2023, and a quite stable EUR/DKK around the 7.4600 central peg level means chances of more intervention remains very low.
- A 25bp rate cut by the ECB in June appears carved in stone, and there are no reasons for the Danish central bank not to follow with the same amount. The exchange rate is the target of monetary policy, but inflation below 1.0% in Denmark makes it quite inconsistent with the current 3.60% policy rate. The krone remains also quite weak in trade-weighted real terms.
- We maintain our view that EUR/DKK will keep stabilising around 7.46 over coming quarters.

ING forecasts (mkt fwd)	**1M** 7.46 (7.4580)	**3M** 7.46 (7.4533)	**6M** 7.46 (7.4465)	**12M** 7.46 (7.4355)

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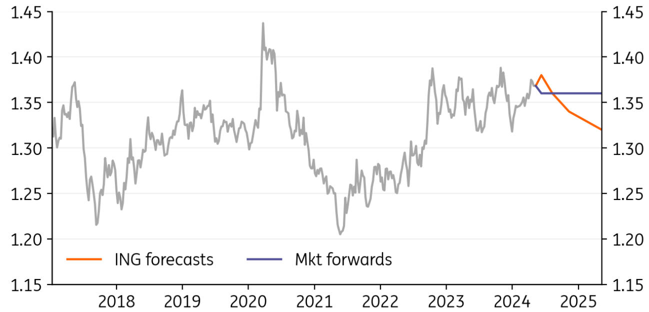
USD/CAD

BoC June cut still on the table **Current spot: 1.3654**



Source: Refinitiv, ING forecasts

- Canadian inflation slowed to 2.9% in March, with core measures at 2.8% (median) and 3.1% (trim). With the Bank of Canada setting the inflation target at 1-3% - and having signalled openness to cuts recently - we think a 25bp rate cut at the 5 June meeting looks more than possible.
- Canada's jobs market has been showing some signs of loosening, but employment gains proved very strong (+90k) in April. We still think the BoC will be more focused on inflation, though.
- We see downside risks for CAD moving ahead. While the direction of travel for USD/CAD will depend on developments in US jobs and inflation, the loonie can show some weakness in the crosses as the BoC starts cutting rates.

ING forecasts (mkt fwd)	1M 1.38 (1.3647)	3M 1.36 (1.3632)	6M 1.34 (1.3608)	12M 1.32 (1.3564)

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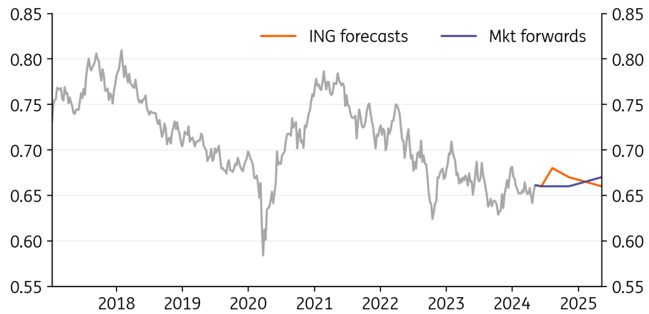
AUD/USD

Could the RBA hike again? **Current spot: 0.6608**



Source: Refinitiv, ING forecasts

- In line with our expectations, the disinflation process in Australia is facing some hiccups. With measures of core CPI still above 4.0% (1Q data), the RBA has no incentive in turning to an even slightly more dovish narrative at this stage.
- It is not our base case, but we still see some risks that the RBA will have to hike rates again if inflation proves stickier than expected.
- The AUD curve is not pricing any easing by the RBA before year-end but might start to flirt with the idea of another hike, keeping AUD's advantage over many other G10 currencies well justified. AUD/USD may stay under some pressure as US data still proves slow to turn lower, but we still like the chances of a summer rally.

ING forecasts (mkt fwd)	1M 0.66 (0.6614)	3M 0.68 (0.6625)	6M 0.67 (0.6639)	12M 0.66 (0.6655)

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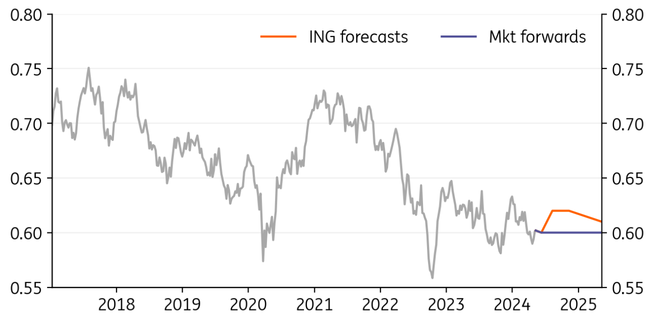
NZD/USD

Sticky inflation to discourage RBNZ doves **Current spot: 0.6016**



Source: Refinitiv, ING forecasts

- We don't expect major changes in communication by the Reserve Bank of New Zealand at the 22 May policy meeting. 1Q data showed some loosening in the Kiwi jobs market, with unemployment ticking higher to 4.3%.
- However, non-tradeable inflation came in above expectations at 1.6% QoQ in 1Q, endorsing our view that the spike in net migration will make the disinflation process lengthier.
- In light of all this and the repricing higher in USD rates, the RBNZ should refrain from signalling more openness to rate cuts this year. That can help the New Zealand dollar recover some ground against AUD, while an NZD/USD rally does not look too likely already this month.

ING forecasts (mkt fwd)	1M 0.60 (0.6015)	3M 0.62 (0.6015)	6M 0.62 (0.6015)	12M 0.61 (0.6015)

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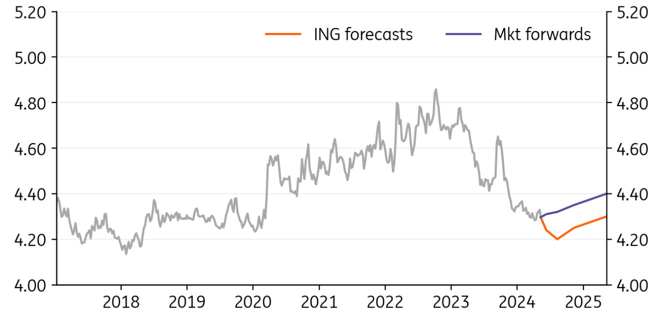
Emerging markets

EUR/PLN

EUR/PLN to retest 2024 lows

Current spot: 4.2997



Source: Refinitiv, ING forecasts

- EUR/PLN should retest this year's lows in the coming weeks. Despite a series of disappointing real economy data, the MPC remains convinced that any prompt monetary easing is unwarranted given the fiscal stimulus, planned withdrawal of anti-inflation shields and an overall tight labour market. Poland also maintains a current account surplus. Moreover, Poland is to receive some PLN100bn net from EU this year, a large chunk of which should be converted into the zloty via the market.
- The global political environment remains a risk in 2H24 though, as we are yet to see if the US stance on the conflict in Ukraine changes after the presidential elections later this year.

ING forecasts (mkt fwd)	1M 4.24 (4.3064)	3M 4.20 (4.3213)	6M 4.25 (4.3453)	12M 4.30 (4.3999)

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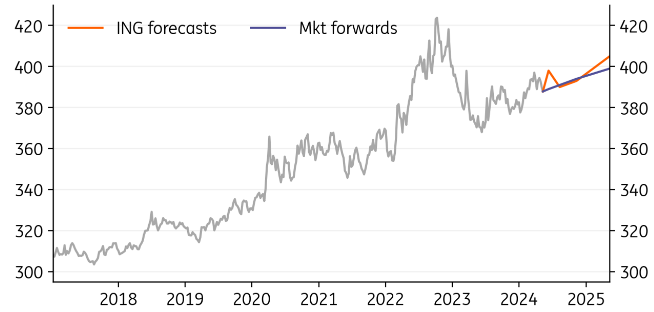
EUR/HUF

HUF once again enters a complicated period

Current spot: 387.71



Source: Refinitiv, ING forecasts

- EUR/HUF has returned below 390, but for most of March and April, it traded more around 395 with a few moves towards 400. We believe this will be the range for the coming months.
- On the local side, we think the risk of looser fiscal policy, a rising debt-to-GDP ratio, a potential sovereign rating downgrade and the upcoming elections will keep the forint under pressure.
- At the global level, HUF is not helped by global central bank hesitations and thus only an ECB rate cut may offer limited relief to the forint, but that is priced in already. Overall, we believe EUR/HUF will be more in the 395-400 range in the coming months with 395 at the end of this year in our forecast.

ING forecasts (mkt fwd)	1M 398 (388.83)	3M 390 (390.73)	6M 393 (393.57)	12M 405 (399.28)

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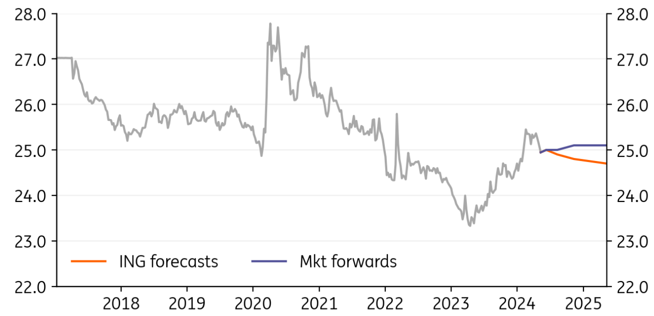
EUR/CZK

Real wage growth limits the CNB easing cycle

Current spot: 24.94



Source: Refinitiv, ING forecasts

- Stronger economic performance and the pick-up in domestic demand will provide support for the Czech koruna, which will likely remain around EUR/CZK 25.00 in the near term. Households' appetite to spend is driven by renewed real wage growth and continuously improving consumer confidence.
- The relatively tight labour market and continued nominal wage growth are about to contribute to an accumulation of inflationary pressures over the medium term, which will make the Czech National Bank more cautious about the further pace of monetary easing. The koruna is expected to embark on a gradual appreciation trajectory from 3Q24.
- The anticipated interest rate cuts by the ECB will promote the interest rate differential vis-à-vis the CNB rates, providing fresh wind into the sails of the koruna in the second half of the year.

ING forecasts (mkt fwd)	1M 25.0 (24.96)	3M 24.9 (25.01)	6M 24.8 (25.06)	12M 24.7 (25.12)

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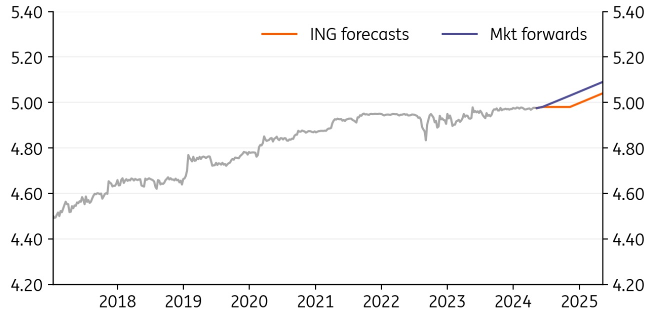
EUR/RON

Unlikely to depart from current levels

Current spot: 4.9758



Source: Refinitiv, ING forecasts

- Developments in EUR/RON were yet again muted, in the range of 4.9642-4.9787. While inflation came in marginally below expectations in March, its current levels and upside risks ahead make it unlikely that the National Bank of Romania will let the Romanian leu escape its stable path in the near term.
- Retail sales grew substantially during the first quarter and wage growth remains high. As such, rates are likely to remain higher for longer and FX overvaluation will likely persist. Moreover, next year's likely increase in taxes could catch the economy accelerating, fueling inflationary pressures further down the line too and calling for extended FX stability by extension.

All in all, we don't see much room for devaluations or volatility ahead. The chances of a crossing of the 5.00 level before autumn are slim.

ING forecasts (mkt fwd)	1M 4.98 (4.9840)	3M 4.98 (5.0020)	6M 4.98 (5.0314)	12M 5.04 (5.0856)

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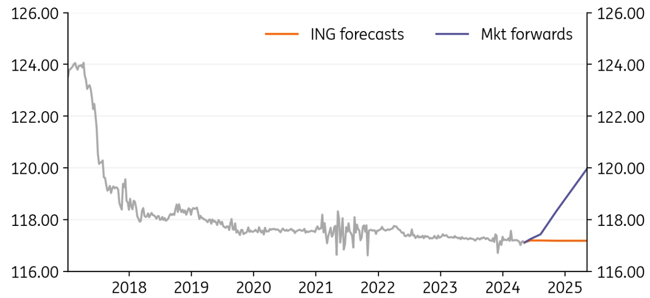
EUR/RSD

Intervention-driven stability to persist

Current spot: 117.13



Source: Refinitiv, ING forecasts

- Not much has improved in the tense relations between Serbia and Kosovo and the situation remains uncertain, continuing to take a toll on Serbia's EU ascension path.
- The Serbian dinar continued moving sideways in a relatively muted manner, in the range of 117.08-117.38. The central bank likely continued to keep the market in check. Authorities aim to get Serbia upgraded to investment grade by year-end.
- It's unlikely that we will see any big changes ahead in the EUR/RSD pair as persistent National Bank of Serbia interventions should limit volatility and make use of FX stability on the last mile of the fight against inflation.

ING forecasts (mkt fwd)	1M 117.19 (117.24)	3M 117.19 (117.43)	6M 117.18 (118.32)	12M 117.18 (119.97)

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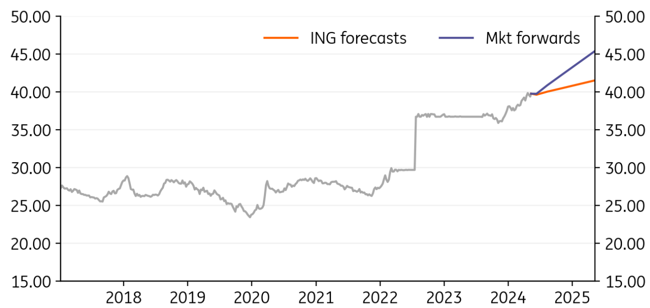
USD/UAH

Hryvnia remains at risk

Current spot: 39.65



Source: Refinitiv, ING forecasts

- The hryvnia has stabilised since mid-April. The National Bank of Ukraine likely stepped up interventions to shore-up the currency. The prospects of the hryvnia still largely depend on NBU policy. Ukraine's external imbalance remains crippling, and interventions are required to stabilise the currency. Given strong disinflation (CPI just around 3% YoY), the NBU may be willing to allow for further depreciation in the coming weeks.
- Long-term prospects of the hryvnia remain negative as well. A weaker currency is both supportive to exports and provides a better conversion rate for foreign aid absorption. Upcoming US presidential elections are a risk as well.

ING forecasts (mkt fwd)	1M 39.60 (39.72)	3M 40.00 (40.84)	6M 40.50 (42.38)	12M 41.50 (45.39)

Piotr Poplawski, piotr.poplawski@ing.pl

USD/KZT

Stronger balance of payments supports tenge in 1H24

Current spot: 440.00

Source: Refinitiv, ING forecasts

- The tenge keeps appreciation, crossing the KZTUSD 440 level in early May, outperforming our oil and trade partner currencies.
- In 1Q24, the trade balance strengthened thanks to a 7% YoY drop in imports. Combined with smaller dividend outflow, this contributed to narrowing in the current account deficit to $0.9bn. Weaker private capital (including errors and omissions) flows was somewhat offset by active FX sales by the government.
- We continue to improve our near-term outlook on KZT, reflecting the better external context and the recent BoP data, but still see longer-term depreciation risks on domestic factors, including the expected decline in the FX sales by the sovereign fund.

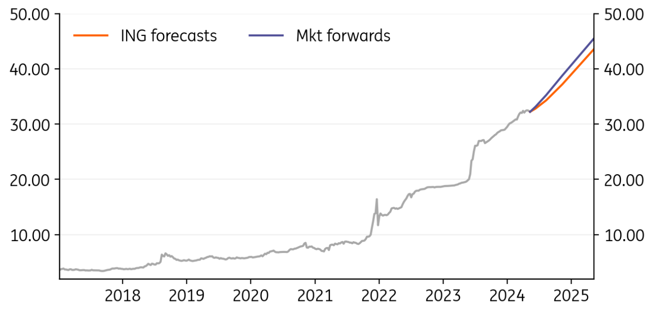
ING forecasts (mkt fwd)	1M 445 (443.34)	3M 450 (449.59)	6M 457 (458.51)	12M 470 (475.90)

Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

Lira on a strengthening path lately

Current spot: 32.22



Source: Refinitiv, ING forecasts

- Given tightening actions and a hawkish stance by the Central Bank of Turkey with a determination to keep rates high and monetary conditions tight, foreign interest for the lira has resumed.
- While the CBT's gross reserves have been relatively flat, the net reserve position (excluding swaps) improved by a significant US$17.0bn (between March 29-April 26). This implies that it prefers to reduce bank swaps to contain TRY liquidity created by this tool. Accordingly, the overnight repo rate remains close to the upper band of the interest rate corridor at 53%.
- There are also efforts to tighten deposit interest rates, which in turn encourage reverse dollarisation and reduce domestic demand by encouraging savings. Accordingly, with deposit rates on total lira deposits exceeding 60% lately, the share of TRY in the total deposit base has returned to an increasing trend. The currency will likely remain supported in the period ahead.

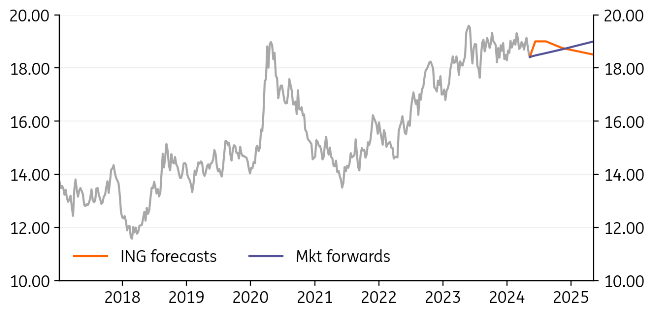
ING forecasts (mkt fwd)	1M 32.80 (33.14)	3M 34.30 (35.25)	6M 37.20 (38.79)	12M 43.60 (45.53)

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

USD/ZAR

Metals rally helps the rand

Current spot: 18.43



Source: Refinitiv, ING forecasts

- The recent run up in commodity prices has managed to provide some support to the rand. The rand's terms of trade have been picking up since March and have pushed USD/ZAR to the lower end of its 2024 18.40 to 19.40 trading range. 29 May election risk is hard to discern in the rand. And we tend to think the market is being too complacent on the risks.
- Here the ruling ANC is very likely to lose it majority in parliament and rely on a few of the smaller – market non-friendly parties – for support. At the very least, the path ahead looks uncertain.
- Pricing of the local policy cycle sees rates being left at 8.25% for the next 12 months. That looks unlikely to change soon.

ING forecasts (mkt fwd)	1M 19.00 (18.47)	3M 19.00 (18.56)	6M 18.75 (18.70)	12M 18.50 (19.00)

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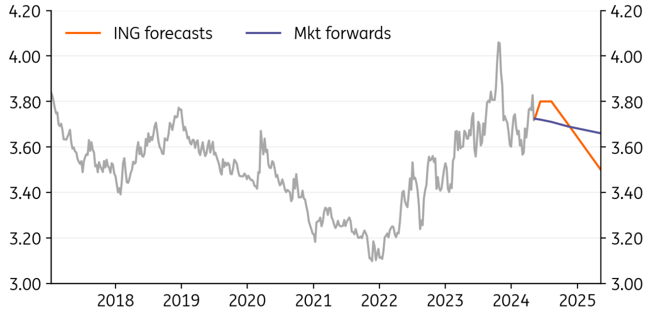
USD/ILS

Finding a new equilibrium



Source: Refinitiv, ING forecasts

Current spot: 3.7250

- USD/ILS looks to have found a new equilibrium in the 3.70-3.80 area. There was no FX intervention in April to support the shekel and Bank of Israel data showed institutional investors returning to the shekel in the first quarter – reversing the outflows of the fourth quarter last year.
- In its forecasts, the Bank of Israel sees growth at 2% this year and at 5% next year on the assumption there will be no knock-on effects in 2025 from the current conflict.
- Markets price a gentle, back-loaded easing cycle over the next 12 months – worth about 50bp. The shekel's real rates are quite low by EM standards, but Israel's higher sovereign rating helps.

ING forecasts (mkt fwd)	**1M** 3.80 (3.7199)	**3M** 3.80 (3.7098)	**6M** 3.70 (3.6928)	**12M** 3.50 (3.6617)

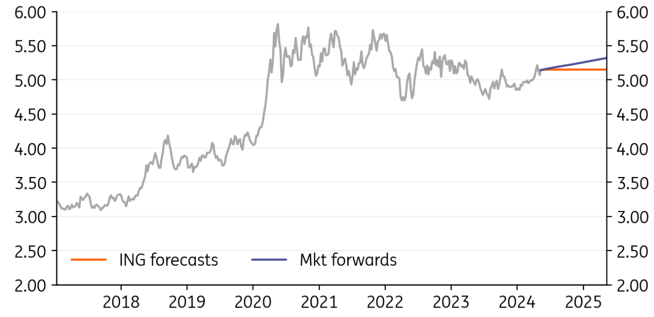
Chris Turner, chris.turner@ing.com

LATAM

USD/BRL

Easing cycle slows down

Current spot: 5.1388



Source: Refinitiv, ING forecasts

- The Brazilian real has had a better month, although we suspect its gains are fragile. Lower volatility has helped high yield currencies in general, but we doubt USD/BRL is ready to sustain a move under 5.00. In fact, we are a little surprised that the real and Brazilian CDS have not suffered more on the news that the government is scaling back its plans for budget surpluses in 2025 and 2026. This sets the scene for fiscal slippage this year too.
- On the monetary side, BACEN has slowed the pace of rate cuts to 25bp (policy rate now 10.50%) and dropped forward guidance. The 5-4 vote split could raise concerns over political pressure to cut rates a little deeper than necessary.
- Government involvement in the private sector is a worry too.

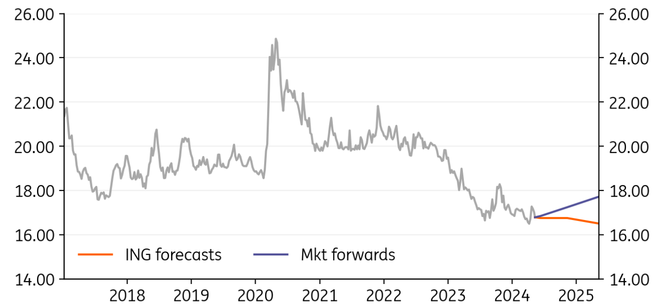
ING forecasts (mkt fwd)	1M 5.15 (5.1562)	3M 5.15 (5.1865)	6M 5.15 (5.2344)	12M 5.15 (5.3155)

Chris Turner, chris.turner@ing.com

USD/MXN

Banxico remains hawkish despite the March cut

Current spot: 16.75



Source: Refinitiv, ING forecasts

- Having cut rates 25bp to 11.00% in March, Banxico guided expectations of unchanged policy in May. Yet the May meeting proved far more hawkish than most were thinking. Core inflation forecasts were revised up substantially and suggest Banxico will be reluctant to cut independently of the Fed – largely because it might need a strong peso for a little longer.
- Banxico's hawkish shift is music to the ears of peso bulls – where MXN's high, risk-adjusted carry keeps it very popular.
- The path ahead after November's US elections is not clear. The peso is too expensive hedge and corporates will probably wait to see who wins the White House and if a new trade war breaks out.

ING forecasts (mkt fwd)	1M 16.75 (16.84)	3M 16.75 (17.00)	6M 16.75 (17.24)	12M 16.50 (17.72)

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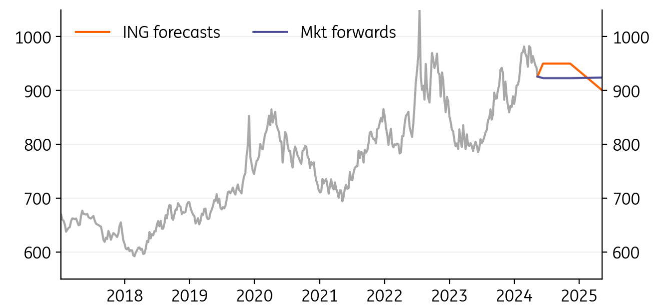
USD/CLP

Don't chase the CLP rally

Current spot: 922.20



Source: Refinitiv, ING forecasts

- USD/CLP has broken lower as the powerful copper rally and softer US rates have finally broken through into peso pricing. 950 might now prove resistance for USD/CLP. However, we are not looking for copper prices to push much further ahead from here. This because of ongoing woes in the China property market and higher copper inventory levels over there too.
- Expect much focus on the local easing cycle. Inflation is proving sticky near 4.0% and inflation expectations are fractionally on the rise. Another big (50-75bp cut) could unnerve the CLP.
- As discussed last month, we think a wide current account deficit and low FX reserves should maintain a risk premium in the CLP.

ING forecasts (mkt fwd)	1M 950 (922.89)	3M 950 (922.81)	6M 950 (923.31)	12M 900 (924.01)

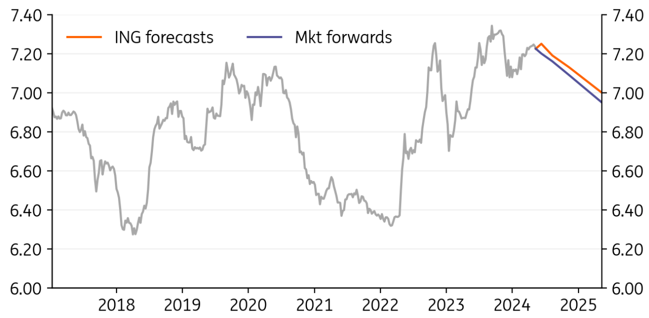
Chris Turner, chris.turner@ing.com

Asia

USD/CNY

Stabilisation priority remains in place

Current spot: 7.2249



Source: Refinitiv, ING forecasts

- USD/CNY traded within a tight band over the past month. Volatility was low before depreciation pressure eased toward the end of April. The yuan may have also benefited from capital inflows during a rebound of equities.
- The People's Bank of China's stance on the RMB remains focused on stability, meaning depreciation pressure will be managed.
- Yield spreads will remain the main catalyst for the CNY. A politburo meeting noted that rate cuts were on the table this year, which could worsen the interest rate differential if cuts were made before the Fed makes its move.

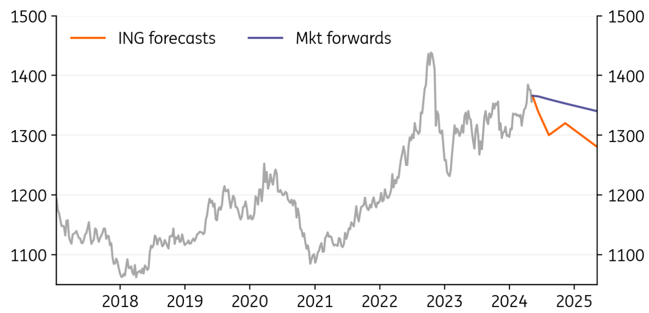
ING forecasts (mkt fwd)	1M 7.25 (7.2027)	3M 7.19 (7.1566)	6M 7.13 (7.0854)	12M 7.00 (6.9462)

Lynn Song, lynn.song@asia.ing.com

USD/KRW

KRW eases some pressure towards end of month

Current spot: 1367.07



Source: Refinitiv, ING forecasts

- The won hit a year-high of 1,400 in April as rate inaction expectations were extended despite a solid recovery of trade.
- 1Q24 GDP (1.3% QoQ) showed the resilience of the economy, while inflation is expected to remain around the 3% level for a considerable time. The Bank of Korea's first rate cut is unlikely now until 4Q24.
- The end of 2Q24 should show clear signs of KRW appreciation, assuming US data slows down. But rising uncertainty about US politics and government policies will work against the KRW towards the year-end

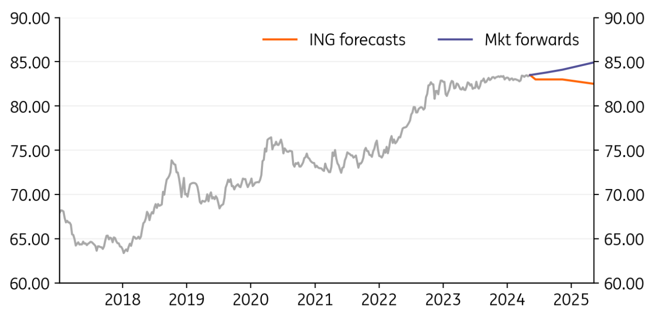
ING forecasts (mkt fwd)	1M 1340 (1364.82)	3M 1300 (1360.27)	6M 1320 (1353.27)	12M 1280 (1339.57)

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

USD/INR

Slipping from pole position

Current spot: 83.52



Source: Refinitiv, ING forecasts

- USD/INR is trading up around the 83.5 level, which is higher than it has been for most of the period since October last year, but still only a very slight depreciation compared to other Asian FX.
- In the last 12 months, the rupee has been the best performing currency after the Hong Kong dollar, though it has been a bit softer in the last month, lagging the Malaysian ringgit and Chinese yuan.
- Although there appears to be a little more tolerance for volatility than previously, we still don't see the Reserve Bank of India's control on the INR being loosened appreciably this year.

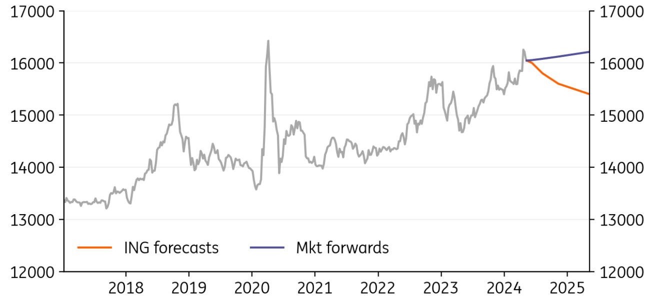
ING forecasts (mkt fwd)	1M 83.00 (83.59)	3M 83.00 (83.78)	6M 83.00 (84.10)	12M 82.50 (84.93)

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

USD/IDR

IDR pulls back on tight differential

Current spot: 16045



Source: Refinitiv, ING forecasts

- The Indonesian rupiah gapped higher after the long Eid holidays in April, tracking other Asian currencies weaker. There was some support from more positive trade balance data on 22 April.
- Bank Indonesia surprised markets with a 25bp rate hike on 30 April, taking the BI-rate to 6.25%. IDR weakness was cited as a reason for the decision. At the press conference, Governor Perry Warjiyo took on a noticeably more hawkish tone.
- Indonesia's external balance will remain important for the currency while the rate differential with the US remains tight at just 75bp.

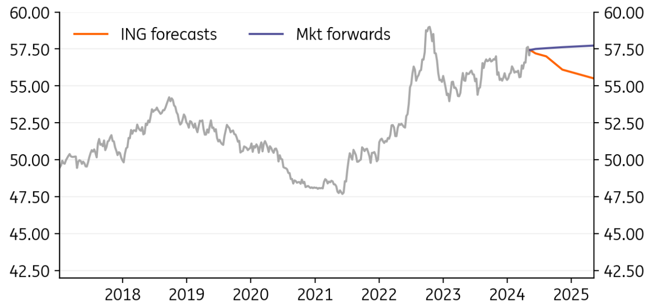
ING forecasts (mkt fwd)	1M 16000 (16054)	3M 15800 (16079)	6M 15600 (16121)	12M 15400 (16212)

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

USD/PHP

PHP weakens as foreign investors dump local stocks

Current spot: 57.46



Source: Refinitiv, ING forecasts

- The Philippine peso weakened sharply in April as foreign investors dumped local shares on concerns about economic growth and on heightened geopolitical tension.
- This was not helped by remarks from Bangko Sentral ng Pilipinas Governor Eli Remolona, who all but ruled out further rate hikes this year.
- The PHP will continue to be pressured as remittance flows slow during the summer season although a slight improvement in the trade deficit could offset some of this weakness.

ING forecasts (mkt fwd)	1M 57.20 (57.50)	3M 57.00 (57.55)	6M 56.10 (57.62)	12M 55.50 (57.73)

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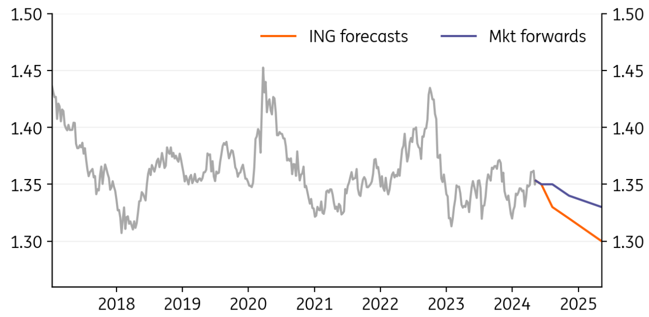
USD/SGD

SGD slips alongside regional pullback

Current spot: 1.3543



Source: Refinitiv, ING forecasts

- A 20.7% YoY decline for March non-oil domestic exports highlights that the Singapore economy continues to struggle to find momentum and is missing out on the regional pick up in semiconductor demand. 1Q24 GDP came in below expectations at 2.7%, though this was a slight improvement from the previous quarter.
- The Monetary Authority of Singapore maintained all policy settings at its April meeting as inflation remained elevated while economic growth remained tepid.
- Persistent inflation means that MAS policy for modest Singapore dollar NEER appreciation is unlikely to be relaxed any time soon.

ING forecasts (mkt fwd)	1M 1.35 (1.3524)	3M 1.33 (1.3485)	6M 1.32 (1.3425)	12M 1.30 (1.3311)

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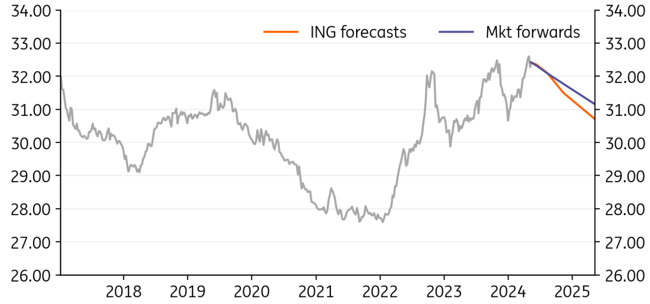
USD/TWD

Potential for larger rebound if dollar softens

Current spot: 32.43



Source: Refinitiv, ING forecasts

- The Taiwan dollar underperformed most Asian currencies over the past month, weakening to 32.65 - the weakest level in eight years – before finding some support and recovering to toward 32.4 in early May.
- Capital outflows continued through much of April but recovered in early May and have been one of the factors supporting the TWD. The US-Taiwan interest rate spread narrowed after Taiwan's rate hike, and the equity market saw a small rally.
- Concerns over geopolitical risk may intermittently add to TWD weakness. Though we would expect the TWD to outperform regional currencies in any dollar-weakening window.

ING forecasts (mkt fwd)	**1M** 32.35 (32.32)	**3M** 32.10 (32.09)	**6M** 31.50 (31.77)	**12M** 30.70 (31.15)

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	1.08	1.08	1.09	1.10	1.10						
EUR/JPY	167.8	164	164	160	154	USD/JPY	155.84	152	150	145	140
EUR/GBP	0.86	0.87	0.87	0.88	0.88	GBP/USD	1.25	1.24	1.25	1.25	1.25
EUR/CHF	0.98	0.97	0.98	0.99	1.00	USD/CHF	0.91	0.90	0.90	0.90	0.91
EUR/NOK	11.66	11.70	11.50	11.30	11.00	USD/NOK	10.83	10.83	10.55	10.27	10.00
EUR/SEK	11.68	11.80	11.60	11.40	11.20	USD/SEK	10.84	10.93	10.64	10.36	10.18
EUR/DKK	7.46	7.46	7.46	7.46	7.46	USD/DKK	6.93	6.91	6.84	6.78	6.78
EUR/CAD	1.47	1.49	1.48	1.47	1.45	USD/CAD	1.365	1.38	1.36	1.34	1.32
EUR/AUD	1.63	1.64	1.60	1.64	1.67	AUD/USD	0.66	0.66	0.68	0.67	0.66
EUR/NZD	1.79	1.80	1.76	1.77	1.80	NZD/USD	0.60	0.60	0.62	0.62	0.61
EMEA											
EUR/PLN	4.30	4.24	4.20	4.25	4.30	USD/PLN	3.99	3.93	3.85	3.86	3.91
EUR/HUF	387.7	398.00	390.00	393.00	405.00	USD/HUF	360.0	369	358	357	368
EUR/CZK	24.94	25.0	24.9	24.8	24.7	USD/CZK	23.15	23.1	22.8	22.5	22.5
EUR/RON	4.98	4.98	4.98	4.98	5.04	USD/RON	4.62	4.61	4.57	4.53	4.58
EUR/RSD	117.1	117.2	117.2	117.2	117.2	USD/RSD	108.8	108.5	107.5	106.5	106.5
EUR/UAH	42.70	42.8	43.6	44.6	45.7	USD/UAH	39.65	39.60	40.00	40.50	41.50
EUR/KZT	473.8	480.6	490.5	502.7	517.0	USD/KZT	440.0	445	450	457	470
EUR/TRY	34.70	35.42	37.39	40.92	47.96	USD/TRY	32.22	32.80	34.30	37.20	43.60
EUR/ZAR	19.84	20.5	20.7	20.6	20.4	USD/ZAR	18.42	19.00	19.00	18.75	18.50
EUR/ILS	4.01	4.10	4.14	4.07	3.85	USD/ILS	3.72	3.80	3.80	3.70	3.50
LATAM											
EUR/BRL	5.54	5.56	5.61	5.67	5.67	USD/BRL	5.14	5.15	5.15	5.15	5.15
EUR/MXN	18.05	18.1	18.3	18.4	18.2	USD/MXN	16.76	16.75	16.75	16.75	16.50
EUR/CLP	995.00	1026	1036	1045	990	USD/CLP	923.78	950	950	950	900
Asia											
EUR/CNY	7.78	7.83	7.84	7.84	7.70	USD/CNY	7.23	7.25	7.19	7.13	7.00
EUR/IDR	17238	17280	17222	17160	16940	USD/IDR	16045	16000	15800	15600	15400
EUR/INR	89.95	89.6	90.5	91.3	90.8	USD/INR	83.51	83.00	83.00	83.00	82.50
EUR/KRW	1472.37	1447	1417	1452	1408	USD/KRW	1366.98	1340	1300	1320	1280
EUR/PHP	61.89	61.8	62.1	61.7	61.1	USD/PHP	57.46	57.2	57.0	56.1	55.5
EUR/SGD	1.46	1.46	1.45	1.45	1.43	USD/SGD	1.35	1.35	1.33	1.32	1.30
EUR/TWD	34.93	34.9	35.0	34.7	33.8	USD/TWD	32.43	32.4	32.1	31.5	30.7

Source: Refinitiv, ING

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