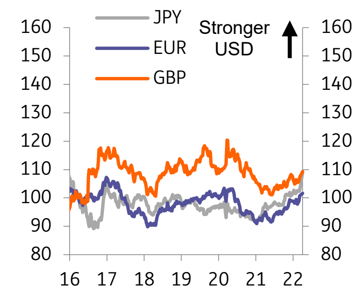
4 April 2022
FX Strategy

FX Talking

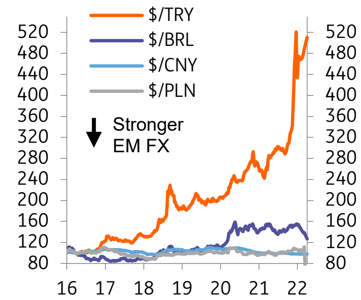
Go Hard or Go Home

USD/Majors (5 Jan 14=100)



Source: Refinitiv, ING forecast

USD/EM (5 Jan 14=100)



Source: Refinitiv, ING forecast

'Go Hard or Go Home' is the message the FX market is delivering to central bankers trying to protect their currencies in the face of an energy price shock. In practise this means that unless central bankers deliver aggressive monetary tightening to somehow insulate against a Fed policy rate at 3%, local currencies will continue to lose ground. Here, policymakers in the eurozone and particularly Japan remain on a very different page to the Fed. This argues for further dollar strength against EUR and JPY.

Additionally, the legacy of the war in Ukraine is a stagflationary one – especially for Europe. We think the negative terms of trade shock has damaged the medium-term fair value of the Euro and we can see EUR/USD starting to carve out a 1.05-1.10 range through the summer as the Fed front-loads its policy adjustment. We think it too early to be asking when the dollar will peak, but in short, we would favour dollar strength for most of this year and perhaps only a decisive turn lower starting in summer 2023.

Elsewhere, the lasting strength of commodity prices will continue to favour the commodity exporters in the energy, metals and softs arenas. In general, this is good news for the currencies of American energy exporters and Latam, while negative for Europe and large parts of Asia. Asia in particular will suffer both from wider energy deficits and also the relatively large weightings to food and energy in local CPI baskets.

And finally, monetary tightening in CE4 has been impressive. Were a path to peace to be found in Ukraine, some currencies in the region could rally further. The Polish Zloty is the standout here, where external transfers could now be converted in the spot market.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.09	↓	124	↑	1.30	↓
3M	1.08	↓	125	↑	1.32	↑
6M	1.08	↓	126	↑	1.30	↓
12M	1.11	↓	129	↑	1.32	↑
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.84	→	24.00	→	4.80	↑
3M	0.82	↓	24.20	↑	4.60	↓
6M	0.83	↓	24.50	↓	4.55	↓
12M	0.84	↓	24.80	↓	4.50	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	6.35	↑	20.25	↑	4.75	↑
3M	6.38	↑	20.50	↑	5.00	↑
6M	6.40	→	20.50	→	5.25	↑
12M	6.55	↑	20.50	↓	5.60	↑

↑ / → / ↓ 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	NZD/USD	USD/CAD
%MoM	-2.8	6.5	0.4	-4.7	3.6	-1.9
%YoY	-6.4	11.2	-1.5	-4.2	-1.0	-0.7
	USD/UAH	**USD/KZT**	**USD/BRL**	**USD/MXN**	**USD/CNY**	**USD/TRY**
%MoM	2.5	7.3	-9.2	3.9	0.4	7.0
%YoY	5.1	10.2	-18.5	20.9	-3.1	78.7

Source: Refinitiv, ING forecast

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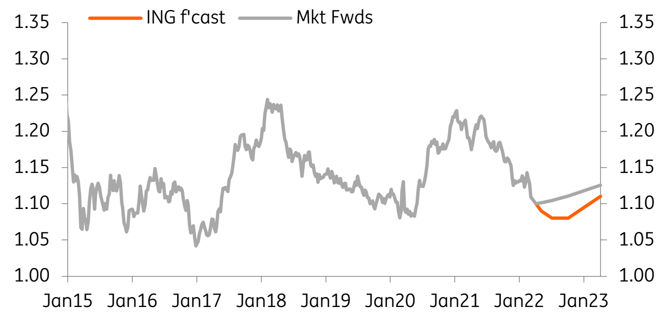
Developed markets

EUR/USD

Fed slamming on the brakes is a dollar positive

Current spot: 1.1002



Source: Refinitiv, ING forecasts

- Broad, trade-weighted measures of the dollar remain close to cyclical highs, buoyed by a Fed prepared to take the Fed Funds rate to 3.00% over the next twelve months and what will be the stagflationary legacy of the war in Europe. That the Fed is preparing to hike 300bp versus perhaps the 50bp cycle on offer from the ECB should keep EUR/USD pressured for most of 2022.
- We think EUR/USD could trade out a 1.05-1.10 trading range as the year progresses – with the Fed tightening by 50bp increments in May, June and July.
- ECB doesn't like EUR/$ under 1.10 and what it means for energy costs, but unless it hikes more aggressively, EUR/$ stays offered.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	1.09 (1.10)	1.08 (1.10)	1.08 (1.11)	1.11 (1.13)

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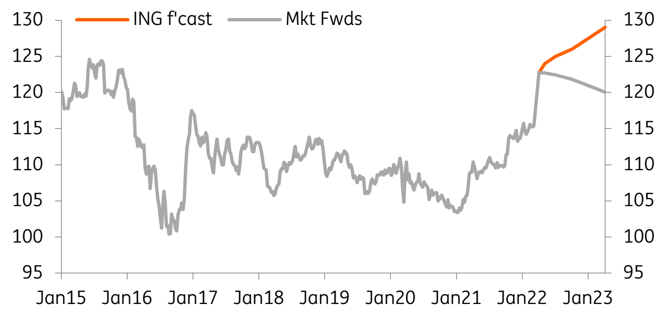
USD/JPY

Perfect storm for the JPY

Current spot: 122.75



Source: Refinitiv, ING forecasts

- As it does occasionally, USD/JPY realised and traded volatility has surged as spot broke up to 125. Driving that are three clean factors: i) a very aggressive Fed prompting a sharp bearish flattening of the US yield curve, ii) Russia's removal from fossil fuel supply chains and energy price spike are a major negative income shock for Japan and iii) a resolutely dovish BoJ.
- In fact, the spike to 125 was driven by the BoJ confirming its dovish credentials by buying unlimited JGBs at a yield of 0.25%.
- Japanese politicians (more than BoJ) are concerned by the move, but we cannot see FX intervention taking place this side of 130. All of bullish $/JPY factors should stay in place for 6-12 months.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	124.00 (122.68)	125.00 (122.43)	126.00 (121.83)	129.00 (120.06)

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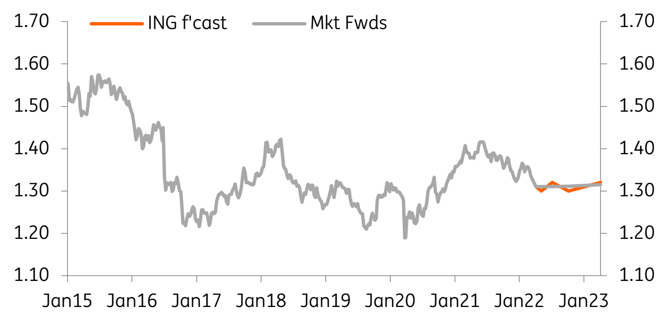
GBP/USD

Downside risks building

Current spot: 1.3107



Source: Refinitiv, ING forecasts

- GBP continues to hold up reasonably well, with the BoE's trade-weighted measure still towards the upper end of its range since the 2016 Brexit vote collapse. Somewhat surprisingly, market expectations of BoE tightening are resilient – markets still expect the Bank Rate (now at 0.75%) to be above 2% by year-end.
- BoE pricing is very much at odds with our house view that the BoE tightening cycle pauses at 1.00/1.25% this summer. If that is the case, GBP could have a rocky 2H22 as the cost-of-living crisis bites and the chancellor saves fiscal support for a 23/24 election.
- Currently we favour GBP/$ holding levels near 1.30 on a hawkish BoE, but risks are clearly building towards a brief dip to 1.25/28.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	1.30 (1.31)	1.32 (1.31)	1.30 (1.31)	1.32 (1.32)

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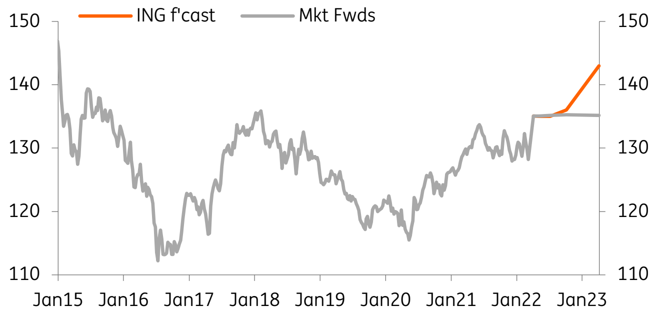
EUR/JPY

The battle of the energy importers

Current spot: 135.05



Source: Refinitiv, ING forecasts

- On trade-weighted measures both the Euro and the JPY are on their lows. Both are suffering from the surge in fossil fuel prices and the associated negative income shock. Both central banks currently have dovish settings – although the ECB seems far closer to normalising policy. Here we favour the ECB ending its APP QE scheme in 3Q22 and hiking by 25bp in 4Q22 and 1Q23. Hence our 140+ call for EUR/JPY over 12 months.
- We think neither the ECB nor the BOJ have the justification (yet) for own account FX intervention to support their currencies.
- The big surprise would be BoJ turning less dovish – ie, allowing 10-year JGB yields to trade above 0.25%. This is seen as unlikely.

ING forecasts (mkt fwd)	1M 135.00 (135.09)	3M 135.00 (135.19)	6M 136.00 (135.28)	12M 143.00 (135.18)

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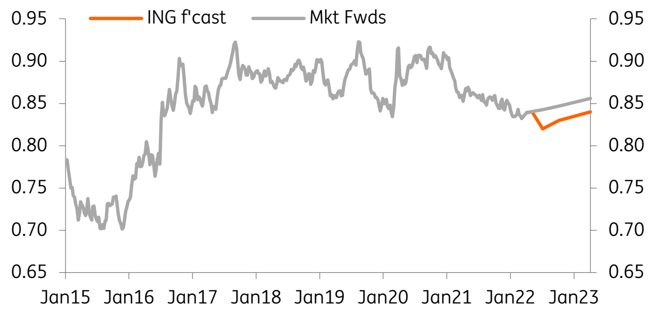
EUR/GBP

New-found volatility

Current spot: 0.8394



Source: Refinitiv, ING forecasts

- EUR/GBP realised volatility has picked up to levels last seen in late 2020 when the UK was nearing Brexit. 0.82 to 0.85 is the broad range. We suspect that it is too soon to write off GBP (against European FX anyway) given the still hawkish BoE and the fact that Europe is more physically exposed (diesel rationing in Germany?) to the energy supply shock.
- The next big input to EUR/GBP will probably be the 14 April ECB meeting. How the ECB deals with CPI at 7.5% YoY remains to be seen, but the feeling is that is seen as driven by a temporary supply shock, meaning that the ECB will not rush to hike.
- The nature of the energy shock – hitting industry – means Europe is more exposed and European business PMIs will hit EUR in 2Q.

ING forecasts (mkt fwd)	1M 0.84 (0.84)	3M 0.82 (0.84)	6M 0.83 (0.85)	12M 0.84 (0.86)

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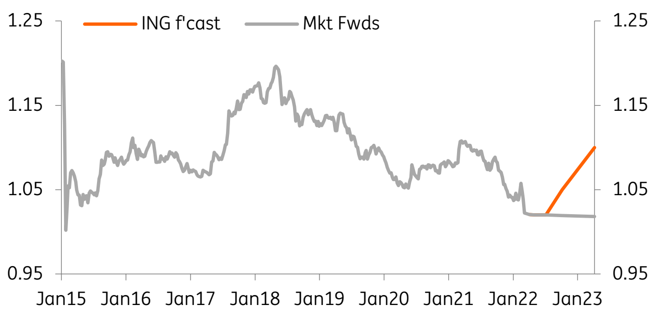
EUR/CHF

SNB wants to re-orient attention to the real exchange rate

Current spot: 1.0203



Source: Refinitiv, ING forecasts

- War in Ukraine has kept EUR/CHF on its lows near 1.00. Total CHF sight deposit data from the SNB suggest SNB may have bought around EUR5bn in FX intervention since early March – consistent with its monetary policy stance to keep rates at -0.75% and intervene when necessary against a highly valued CHF.
- A subtle change at the last SNB monetary meeting was to highlight the exchange rate adjusted by inflation differentials or the real exchange rate. In early March the real CHF was still some 5% lower than levels seen in Jan 2015, when the 1.20 peg ended.
- Focus on the real exchange rate means that SNB may not defend 1.00 with everything – meaning we could briefly see 0.95/0.98.

ING forecasts (mkt fwd)	1M 1.02 (1.02)	3M 1.02 (1.02)	6M 1.05 (1.02)	12M 1.10 (1.02)

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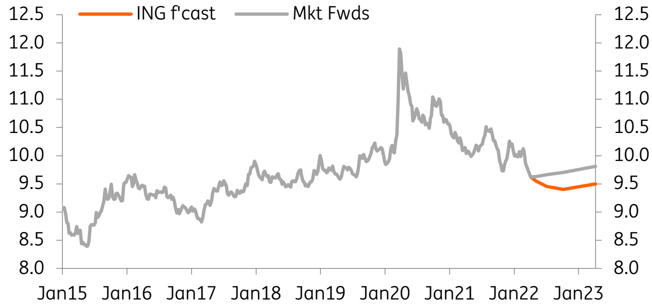
EUR/NOK

Not the end of the run for the krone **Current spot: 9.62**



Source: Refinitiv, ING forecasts

- After a very strong month, the krone suffered a sharp correction as the US release of SPR reserves sent oil prices lower and Norges Bank announced it was selling NOK on behalf of the government for the first time since 2013.
- The US oil reserve move is no fix to the medium-term supply deficit in the oil market. Most crucially, Russia's demands to the EU to pay for gas in robles and lingering diplomatic tensions are likely to keep demand for Norwegian gas as well as prices elevated.
- Norges Bank's selling of NOK is no FX intervention, but might suggest a somewhat smaller scope for appreciation. We still expect a move to 9.40 by year-end in EUR/NOK.

ING forecasts (mkt fwd)	1M 9.55 (9.63)	3M 9.45 (9.66)	6M 9.40 (9.7)	12M 9.50 (9.81)

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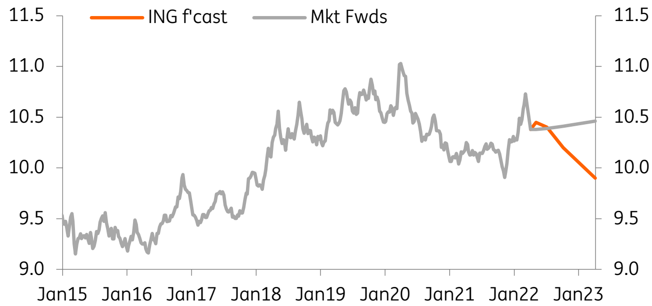
EUR/SEK

Riksbank tightening in fall is already priced in **Current spot: 10.38**



Source: Refinitiv, ING forecasts

- We have recently updated our Riksbank call and now forecast a 25bp hike in September, with non-negligible risk of another similar move in November.
- However, market pricing has already moved quite aggressively on the hawkish side, pricing a hike already by the end of the summer. We expect any Riksbank-related SEK strength to be delayed to late 2022 and the next year.
- SEK has nearly totally priced out geopolitical risk related to the Ukrainian crisis. Unless there are more tangible indications of military de-escalation in the region, there are downside risks to the krona – also from possible stagflation in Europe.

ING forecasts (mkt fwd)	1M 10.45 (10.38)	3M 10.40 (10.39)	6M 10.20 (10.41)	12M 9.90 (10.46)

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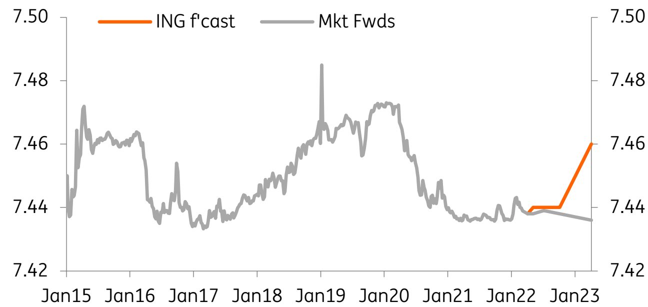
EUR/DKK

More interventions needed **Current spot: 7.438**



Source: Refinitiv, ING forecasts

- At the time of writing, the DN FX interventions for March haven't been published yet.
- Still, the downside pressure to EUR/DKK has brought the pair back to 7.4380, dangerously close to the 7.4360 area the DN had to defend with heavy interventions and a rate cut last year.
- We remain of the view that the DN can manage to keep EUR/DKK within the peg's tolerance band only though FX interventions, although markets will increasingly speculate on another rate cut should the pair fall further. We still expect a return to 7.46 next year.

ING forecasts (mkt fwd)	1M 7.44 (7.44)	3M 7.44 (7.44)	6M 7.44 (7.44)	12M 7.46 (7.44)

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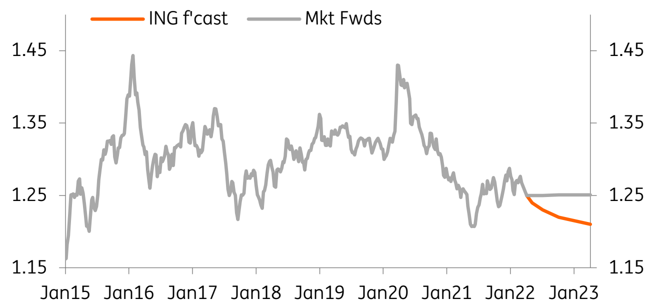
USD/CAD

BoC to accelerate tightening

Current spot: 1.250



Source: Refinitiv, ING forecasts

- The Canadian dollar has continued to perform moderately well amid a still supportive global commodity environment (despite the recent correction) and the Bank of Canada that has started its tightening cycle.
- Unless we see a significant slump in April's jobs numbers, the BoC will – in our view – deliver a 50bp hike on 13 April, to be followed by another 50bp hike in June, justified by high export prices, inflation and a tight jobs market.
- We expect an aggressive BoC to offer support to CAD, especially on the crosses. USD/CAD should also continue to grind lower, but at a moderate pace. We target 1.20 by year-end.

ING forecasts (mkt fwd)	1M 1.24 (1.25)	3M 1.23 (1.25)	6M 1.22 (1.25)	12M 1.21 (1.25)

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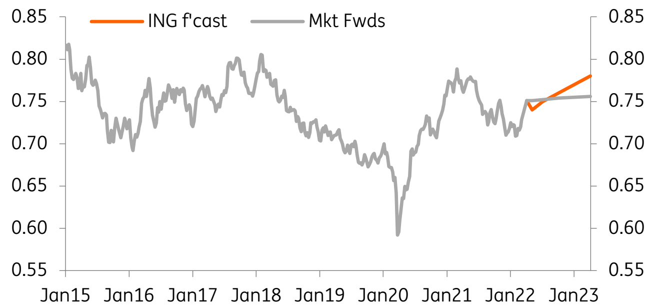
AUD/USD

Bullish push may fade

Current spot: 0.751



Source: Refinitiv, ING forecasts

- The Aussie dollar has been a big outperformer since the start of the Ukraine crisis, benefitting from high commodity prices and geographical distance.
- We suspect, however, that most positives are in the price now for AUD/USD, and China's decision to stick with its zero-Covid approach increases the risk of negative spill-overs from China's weakening growth sentiment into AUD.
- The RBA will likely have to turn more hawkish at its April meeting, although their stance is still to wait for evidence of wage acceleration. This implies that no major policy shifts may be due before May (when wage data is published). A lot of RBA tightening (7 hikes) is priced in by year-end, which reduces room for hawkish surprises.

ING forecasts (mkt fwd)	1M 0.74 (0.75)	3M 0.75 (0.75)	6M 0.76 (0.75)	12M 0.78 (0.76)

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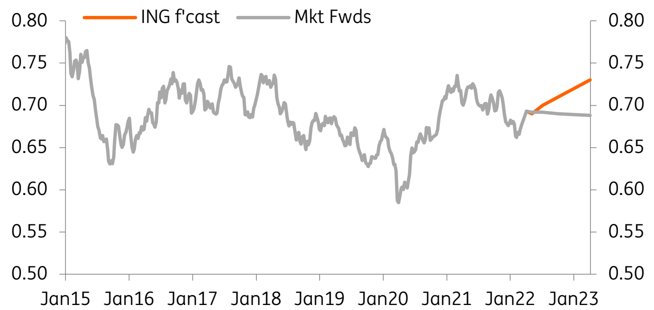
NZD/USD

No more hawkish surprises?

Current spot: 0.693



Source: Refinitiv, ING forecasts

- The Kiwi dollar recovery has been assisted not only by the external environment, but also by an even more hawkish RBNZ tone. The latest rate projections signalled rates will peak at 3.25% in 2023, 75bp higher than the November projections.
- Since the RBNZ has already brought rates to 1.0%, there is no urgency for 50bp hikes, but we could still see a half-point move on the back of a similar Fed move by the summer.
- Markets are pricing in 9 hikes by year-end, which also raises the bar for more hawkish surprise. NZD will, however, be in a good position to benefit from its high carry if market sentiment stabilises further. As for AUD, there are risks related to a re-pricing of China's growth expectations.

ING forecasts (mkt fwd)	1M 0.69 (0.69)	3M 0.7 (0.69)	6M 0.71 (0.69)	12M 0.73 (0.69)

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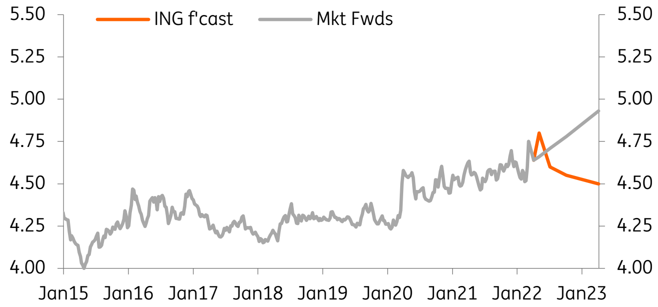
Emerging markets

EUR/PLN

PLN recovers, tighter policy and external funding may help

Current spot: 4.64



Source: Refinitiv, ING forecasts

- We see scope for PLN recovery in 2022. €/PLN should near 4.50 by year end, or sooner. This reflects a shift in NBP policy. The central bank looks set to not only considerably hike interest rates (by more than priced in currently). Conversion of external funding will now commence via the FX market. This will be a key factor supporting the zloty when Poland receives international aid for housing Ukraine refugees and potentially access to the Recovery Fund.
- Our estimates show the fair €/PLN level around 4.50, given NBP rate scenarios already priced in. This offers substantial scope for further PLN gains as the conflict on Ukraine loses market focus.

ING forecasts (mkt fwd)	1M 4.80 (4.66)	3M 4.60 (4.71)	6M 4.55 (4.78)	12M 4.50 (4.93)

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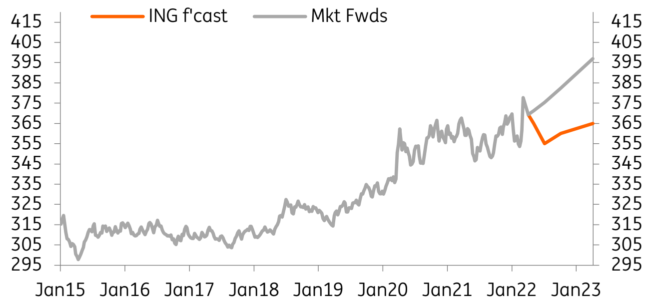
EUR/HUF

Central bank's 'higher rates for longer' vow supports HUF

Current spot: 369.36



Source: Refinitiv, ING forecasts

- After its all-time high at 400, EUR/HUF eased back into the 370-375 range for the second half of March. The move was supported both by higher interest rates and an improving risk environment.
- The central bank's double pledge to maintain tighter monetary conditions for a longer period, and to be flexible with its 1-week deposit rate decisions if money market moves warrant, can provide further support for the forint.
- In our view, even in a roughly unchanged risk environment, the hawkish NBH will help HUF to reach the 365 level, while a sudden de-escalation would trigger significant unwinding of HUF shorts with EUR/HUF moving back to the 355-360 range quite rapidly.

ING forecasts (mkt fwd)	1M 365.00 (371.23)	3M 355.00 (375.35)	6M 360.00 (382.53)	12M 365.00 (396.94)

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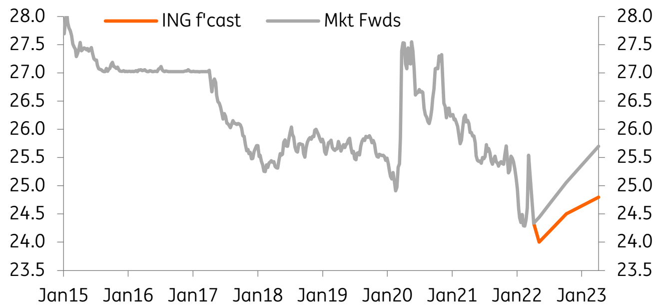
EUR/CZK

With peak in rates, koruna loses momentum

Current spot: 24.34



Source: Refinitiv, ING forecasts

- The CNB delivered a 50bp rate hike in March and promised further monetary tightening. We expect another 50bp hike in May and if inflation surprises to the upside again, we think we can expect another hawkish meeting.
- On the other hand, we are approaching the peak of the tightening cycle and the CNB's May forecast will, in our view, show rate cuts next year, which will be a theme for the market in the second half of this year.
- The falling interest rate differential against the EUR and the weak EUR/USD will thus halt the appreciation of the koruna, which has significantly outperformed its regional peers in the last months.

ING forecasts (mkt fwd)	1M 24.00 (24.44)	3M 24.20 (24.69)	6M 24.50 (25.06)	12M 24.80 (25.7)

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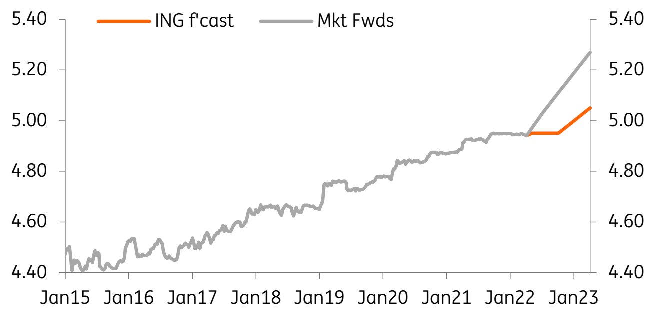
EUR/RON

Upside pressure easing

Current spot: 4.94



Source: Refinitiv, ING forecasts

- Although strong offers close to 4.95 are still visible, upside pressure has eased considerably, especially considering the decreased turnover seen over recent days.
- The high-frequency data point to a rather solid economic activity in the first quarter of 2021 with industrial production and construction starting the year strongly. As it stands, we anticipate a +0.2% quarterly expansion in 1Q22, which means that Romania should narrowly avoid a technical recession.
- We maintain our view for a stable EUR/RON rate close to 4.95. As expected, the liquidity context is providing a helping hand, as the entire FX swap yield curve trades decoupled from NBR's key rate.

ING forecasts (mkt fwd)	**1M** 4.95 (4.97)	**3M** 4.95 (5.03)	**6M** 4.95 (5.11)	**12M** 5.05 (5.27)

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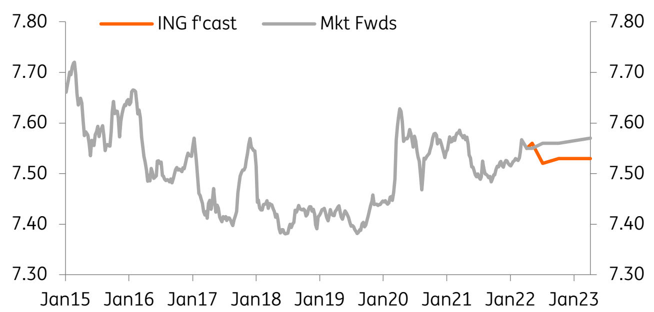
EUR/HRK

On autopilot until 1 January 2023

Current spot: 7.55



Source: Refinitiv, ING forecasts

- On 23 March the Croatian National Bank intervened in the FX market for the second time in the same month, selling EUR144m at an average rate of 7.5671.
- We have lowered our GDP growth forecast for 2022 to 3.2% and stress that risks are to the downside as spillover effects from Ukraine conflict will hit the economy via higher inflation and lower growth. We have revised 2022 inflation higher, from 4.5% to 5.5%.
- We maintain our year-end EUR/HRK forecasts at 7.53. Recent events are unlikely to prevent euro adoption on 1 January 2023.

ING forecasts (mkt fwd)	**1M** 7.56 (7.55)	**3M** 7.52 (7.56)	**6M** 7.53 (7.56)	**12M** 7.53 (7.57)

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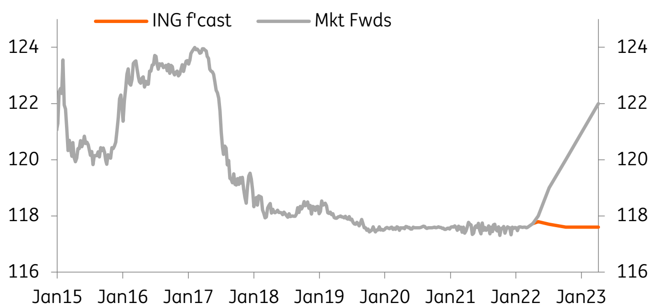
EUR/RSD

National Bank of Serbia showing some flexibility

Current spot: 117.73



Source: Refinitiv, ING forecasts

- Somewhat surprisingly the official EUR/RSD rate climbed to 117.75 in late March, just 0.15% away from the usual 117.58 fixing that we've had for a long time already. The small dinar depreciation occurred despite NBS selling a record EUR605m in February.
- As inflation looks set to near 9.0% in the next couple of months and the electoral cycle ends, we reaffirm our non-consensus view for the NBS to start hiking rates in April. We expect the key rate to reach 3.00% by the end of 2022.
- Despite recent developments, we do not expect the EUR/RSD rate to embark on a sustained upward trend, but rather increased flexibility in the 117.6-117.8 area.

ING forecasts (mkt fwd)	**1M** 117.80 (118.00)	**3M** 117.7.0 (119.00)	**6M** 117.60 (120.00)	**12M** 117.60 (122.00)

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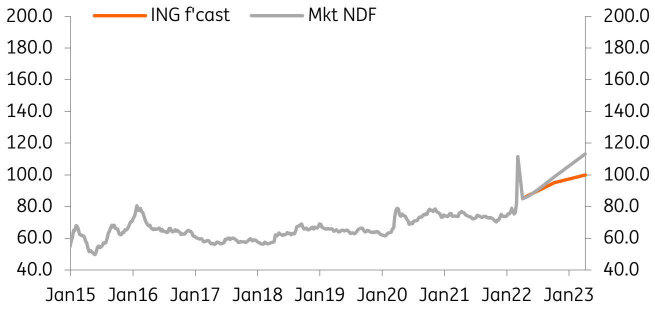
USD/RUB

Protected by strong current account and capital controls

Current spot: 85.02



Source: Refinitiv, ING forecasts

- After the initial geopolitical shock, the ruble managed to recover a big part of its losses, with $/RUB trading in the 80-85 range by end-March, or at a modest 15-20% discount to peers. Some progress in the RUS-UKR diplomatic efforts played a part but most of the credit goes to a current account wider US$20bn per month, mandatory FX sales by exporters, and capital controls.
- Given the expected fiscal stimulus, USD/RUB needs to be at around 100 to assure a balanced budget under a US$90/bbl Urals price assumption. Urals' widening discount to Brent and uncertainties about export volumes create risks of narrowing in the monthly current account going forward.
- Sustainable RUB strength requires capital inflows from non-US/UK/EU, which appears unlikely until after resolution in the conflict and structural transformation of the Russian economy.

ING forecasts (mkt fwd)	1M 87.00 (86.34)	3M 90.00 (90.85)	6M 95.00 (98.7)	12M 100.00 (113.19)

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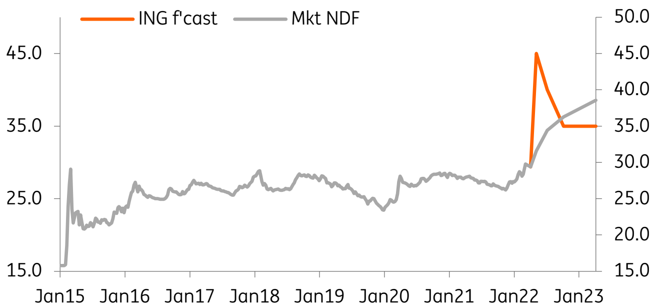
USD/UAH

Politics remain the key driver

Current spot: 29.40



Source: Refinitiv, ING forecasts

- The conflict in Ukraine is ongoing, with Russia refocussing its military actions. We fear that the recent wave of market optimism regarding the conflict may be premature. The conflict should remain a major drag on the hryvnia.
- Long term prospects of the Ukrainian currency primarily reflect the expected inflow of foreign relief funds for post-war reconstruction. Also an end to the war, with Ukraine retaining independence from Russia, (even if agreeing not to enter NATO in the foreseeable future) would be a major support for the currency, with EU accession looming in the future. The issue of EU membership certainly seems to be on the negotiating table, if press reports are to be believed.

ING forecasts (mkt fwd)	1M 45.00 (31.59)	3M 40.00 (34.41)	6M 35.00 (36.25)	12M 35.00 (38.58)

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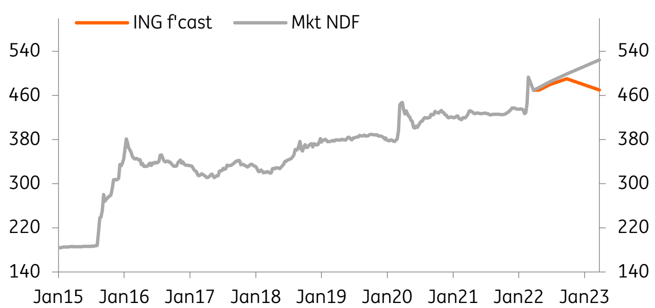
USD/KZT

Tenge weathered the storm but remains vulnerable

Current spot: 469.16



Source: Refinitiv, ING forecasts

- KZT fell 15% at the beginning of March on geopolitical contagion, but then recovered 11% on stabilisation of retail demand for FX, normalisation of banking FX liquidity on capital restrictions, the NBK's FX interventions totalling c.2% of US$34bn foreign reserves, and possible retail capital inflow from Russia.
- Kazakhstan has a mild risk of a 4-8% cut in annual oil production. However, lower volumes could be partially offset by higher prices, leading to annual oil exports of US$49-51bn vs. an initially expected US$53bn.
- We continue to expect USD/KZT in the 460-500 range due to geopolitical uncertainties, but high oil prices and the country's neutral foreign policy stance to neighbouring Russia and China create opportunities for further appreciation to 440-460.

ING forecasts (mkt fwd)	1M 470.00 (474.71)	3M 480.00 (484.84)	6M 490.00 (499.1)	12M 470.00 (524.68)

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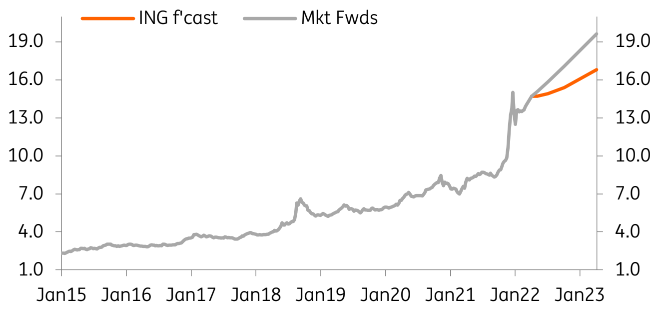
USD/TRY

TRY depends on new deposit scheme **Current spot: 14.71**



Source: Refinitiv, ING forecasts

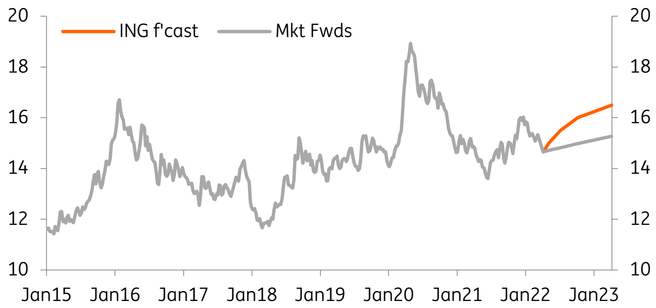
- After a peak in mid-February, we saw a continuous decline in gross FX reserves until the week to 18 March, by US$6.1bn to US$108.7bn. The decline in the last five weeks more than offset the positive impact from the increase in gold (up by US$2.5bn to US$42.2bn), mainly driven by valuation effects.
- Given this backdrop, the CBT is trying to boost its reserves via extension of the FX deposit scheme. Accordingly, foreign investors (both individuals and corporates) are also allowed to take part in the scheme, with a decision announced on 22 March.
- While some progress in peace negotiations between Russia and Ukraine prompted optimism in the financial markets, also supporting the TRY, the durability and attractiveness of FX protected deposit scheme will be key for the currency's performance.

ING forecasts (mkt fwd)	1M 14.78 (15.06)	3M 14.90 (15.85)	6M 15.40 (17.09)	12M 16.80 (19.63)

Muhammet Mercan, Istanbul +90 212 329 0751

USD/ZAR

Commodity rally and hawkish SARB lift ZAR **Current spot: 14.65**



Source: Refinitiv, ING forecasts

- The ZAR has been doing very well, largely driven by the commodity supply shock of the war in Ukraine. Recall that South Africa's key exports are: Coal, Iron Ore, Platinum and Rhodium – the first three of which will be squeezed by buyers retreating from Russian supplies. South Africa's central bank (SARB) has increased its 2022 forecast of the current account surplus to 3% of GDP from 0%, based on higher commodity prices.
- SARB also delivered a hawkish 25bp hike (2 of the 5 MPC members voted for 50bp) in March. The policy rate is now 4.25% and the market prices the policy rate close to 6% by year-end.
- ZAR may hold gains for this year, but 2023 looks much tougher.

ING forecasts (mkt fwd)	1M 15.00 (14.71)	3M 15.50 (14.82)	6M 16.00 (14.98)	12M 16.50 (15.27)

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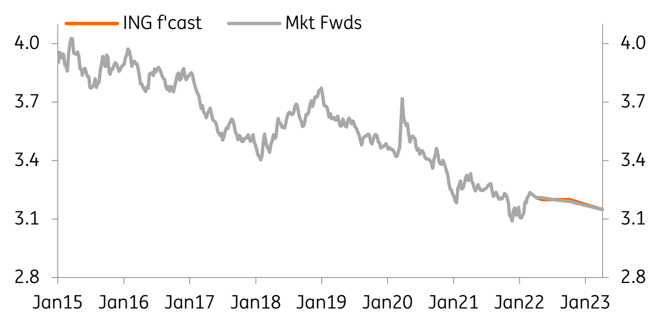
USD/ILS

Powerful inflows to keep the Shekel as an out-performer **Current spot: 3.21**



Source: Refinitiv, ING forecasts

- At long last it looks as though the Bank of Israel (BoI) is ready to tighten policy. Its next meeting falls on 11 April and it could start off with a 15bp hike taking the policy rate to 0.25%. The fact that the BoI is ready to tighten might also question its appetite for large scale FX intervention to resist ILS strength.
- Keeping the ILS bid near 3.15-3.20/USD is Israel's strong Balance of Payments position. In 4Q21, the current account saw US$6.6bn of inflows into Israel, while Foreign Direct Investment (into Israel's tech sector) was worth US$8.8bn in the quarter.
- We suspect $/ILS can trace out a 3.10-3.30 range this year while the Fed is tightening – next year could be a 2.50 story for $/ILS.

ING forecasts (mkt fwd)	1M 3.20 (3.21)	3M 3.20 (3.20)	6M 3.20 (3.19)	12M 3.15 (3.15)

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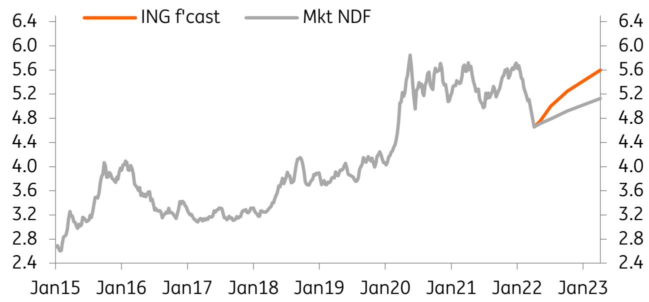
LATAM

USD/BRL

Front-loaded and temporary BRL gains

Current spot: 4.66



Source: Refinitiv, ING forecasts

- In taking the policy rate to 11.75% in March, Brazil's central bank (BACEN) acknowledged that it was taking policy into deeply restrictive territory. And it has promised another 100bp hike for the meeting in May. Money markets think rates have nearly hit their peak and price the top near 13.25% and then a sharp easing
- Aggressive BACEN tightening has delivered a sharply inverted Brazilian curve. Inverted curves are temporarily good news for currencies until the central bank is ready to ease. Higher commodity prices (Soy, Iron ore, Crude, Sugar) also helping BRL.
- Strong equity markets have also helped BRL (US$20bn in inflows in the last 4 months). But we still see BRL struggling in 2H22.

ING forecasts (NDF)	1M 4.75 (4.71)	3M 5.00 (4.79)	6M 5.25 (4.92)	12M 5.60 (5.13)

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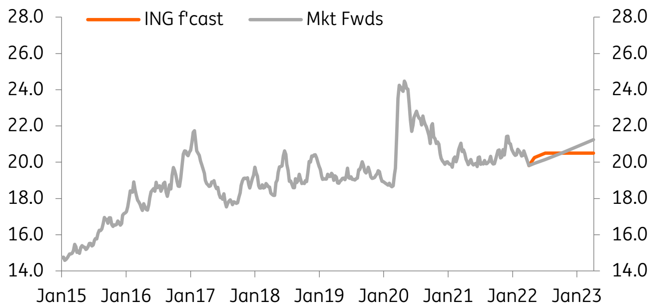
USD/MXN

Peso rebounds quicker than expected

Current spot: 19.82



Source: Refinitiv, ING forecasts

- MXN has been performing exceptionally well, buoyed by its exposure to strong US demand and its distance from Europe. Banxico continues to deliver a strong tightening cycle – raising rates 50bp to 6.50% in March. The market expects Banxico to hike another 250bp over next 12 months, roughly matching what is expected of Fed. This 600bp+ cushion should keep MXN steady.
- How Banxico deals with the inflation spike will be key for the MXN – although history suggests that USD/MXN stability is prioritised, and that the MXN will remain popular as a carry trade target.
- Main risks to MXN remain external. Global EM remains fragile and there is a chance BRL drags MXN lower into October elections.

ING forecasts (mkt fwd)	1M 20.25 (19.93)	3M 20.50 (20.15)	6M 20.50 (20.50)	12M 20.50 (21.25)

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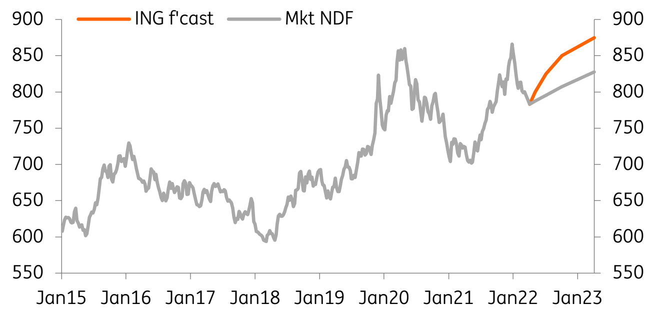
USD/CLP

CLP underperforms

Current spot: 783.00



Source: Refinitiv, ING forecasts

- CLP should really have been performing much better. Copper remains strong, Latam FX is in demand and the local central bank is in tightening mode. Yet recently the central bank disappointed on its tightening (hiking 150bp instead of the expected 200bp) and has warned about a looming slowdown. Remember Chile grew nearly 12% last year, warning of a boom-bust scenario.
- One of the main challenges for the CLP is politics. There are still calls for another raid on private pension pots after US$50bn was removed in three rounds last year.
- This summer sees the drafting of the new constitution. Extreme left-wing policies look unlikely – but also look under-priced.

ING forecasts (NDF)	1M 800.00 (787.25)	3M 825.00 (795.47)	6M 850.00 (807.25)	12M 875.00 (827.75)

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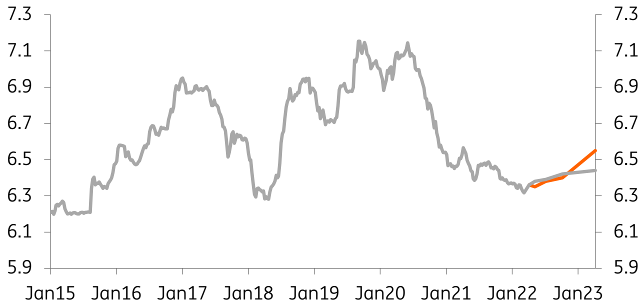
Asia

USD/CNY

Safe haven with its own risk

Current spot: 6.36



Source: Refinitiv, ING forecasts

- For the first time the yuan is emerging as a safe-haven currency. This has arisen from the Russia-Ukraine conflict and the possibility that some Russian flows are finding their way into the Renminbi.
- With Covid breaking out again in China, with the second highest infection numbers when compared to the early days of Covid in China, the yuan has started to lose ground.
- This shows us a clear dynamic for the currency. It can play the role of a safe-haven currency if there is no negative news on the domestic economy. Otherwise, it can still suffer like any currency. Overall, we favour a higher USD/CNY on tighter Fed policy.

ING forecasts (mkt fwd)	1M 6.35 (6.38)	3M 6.38 (6.39)	6M 6.40 (6.42)	12M 6.55 (6.44)

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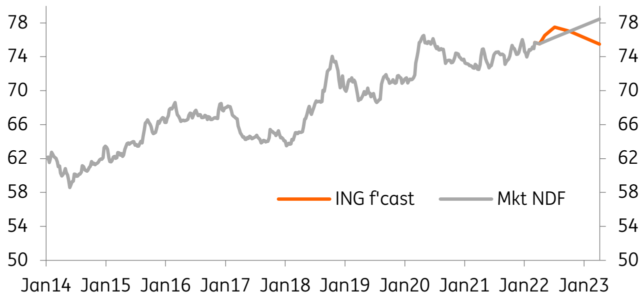
USD/INR

INR heavily exposed to higher energy and food prices

Current spot: 75.54



Source: Refinitiv, ING forecasts

- The INR has been one of the hardest hit currencies in Asia following the Russian invasion of Ukraine, rising to just below USDINR 77.0 on 7 March.
- Although direct trade linkages with Russia and Ukraine for India are not that large in absolute terms, India is heavily exposed to higher energy prices as it runs a large net deficit in trade on energy and we should see further INR weakness on crude spikes.
- India also has a large weighting to energy and food in its CPI basket, which means the RBI will probably face a much more challenging inflation outlook than it would like, given its preference for a growth supportive stance. Trailing "behind the curve" will likely be punished by FX and bond markets.

ING forecasts (mkt fwd)	1M 76.50 (75.79)	3M 77.50 (76.28)	6M 77.00 (77.01)	12M 75.50 (78.46)

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USD/IDR

IDR shows resilience after trade surplus surprise

Current spot: 14354.50

Source: Refinitiv, ING forecasts

- IDR moved sideways, with depreciation pressure driven by brewing tensions in eastern Europe. On the other hand, the currency gained support from developments on the trade front as exports gained sharply due to the resumption of coal exports.
- Bank Indonesia (BI) refrained from adjusting its stance to support growth. BI pointed to still subdued inflation and a stable currency, suggesting any adjustments to rates would come only if core inflation picked up considerably.
- IDR is likely to move sideways again, with the recent commodity price spike expected to be a positive to export earnings.

ING forecasts (mkt fwd)	1M 14350 (14377)	3M 14506 (14424.5)	6M 14605 (14502)	12M 14554 (14672)

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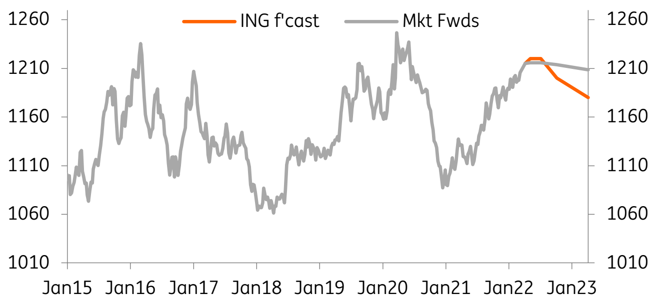
USD/KRW

Unwinding its earlier weakness

Current spot: 1215.15



Source: Refinitiv, ING forecasts

- The KRW touched 1,243 in mid-March, the highest since the pandemic, yet rapidly unwound its earlier weakness since the March FOMC meeting. This coincided with foreign investment returning back to KOSPI during the same period.
- Other than financial market volatility, the Korean economy showed its resilience with improvement in trade, consumption, and labour markets. Relatively high dependency on Russia commodities is a concern, more relevant to inflation than growth, which probably will keep the BoK on a hiking cycle.
- We expect the KRW to stay range bound in the short term, mostly because of a high level of geopolitical uncertainty. However, with sound Korean growth backed by government support in coming quarters, KRW appreciation is favoured.

ING forecasts (NDFs)	**1M** 1220.00 (1215.75)	**3M** 1220.00 (1215.65)	**6M** 1200.00 (1213.75)	**12M** 1180.00 (1208.65)

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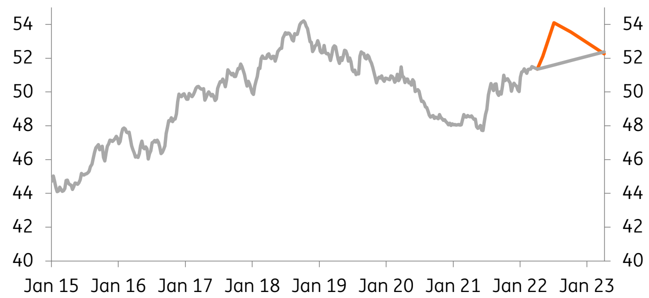
USD/PHP

PHP weakened initially as the trade deficit widened

Current spot: 51.35



Source: Refinitiv, ING forecasts

- PHP slid considerably during the month given expectations for a much wider trade deficit. The currency managed to be steady to close out the month as sentiment improved on hopes of a resolution to the conflict in Ukraine.
- Meanwhile, the Bangko Sentral ng Pilipinas (BSP) decided to retain its dovish bias to support growth. Inflation, however, is forecast to move past target again this year as energy prices soar.
- We expect PHP to remain susceptible to depreciation spells as dollar demand stays elevated to cover rising import requirements.

ING forecasts (mkt fwd)	**1M** 52.10 (51.43)	**3M** 54.09 (51.59)	**6M** 53.55 (51.86)	**12M** 52.26 (52.37)

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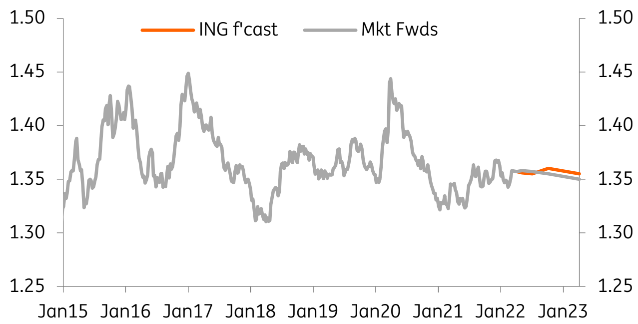
USD/SGD

SGD pressured initially on risk off tone and inflation fears

Current spot: 1.357



Source: Refinitiv, ING forecasts

- SGD was on the back foot for the month as investors priced in the fallout from the ongoing conflict in eastern Europe. Concerns about slowing trade and rising inflation weighed on sentiment.
- MAS will likely be monitoring inflation dynamics closely, especially after global commodity prices surged in response to sanctions against Russia. We expect inflation to heat up further in the near term and MAS will move to tighten its policy stance further in early 2Q.
- SGD may move sideways as sentiment improves somewhat but ongoing concerns about a potential flare-up of fighting should cap SGD gains.

ING forecasts (mkt fwd)	1M 1.36 (1.36)	3M 1.36 (1.36)	6M 1.36 (1.36)	12M 1.36 (1.35)

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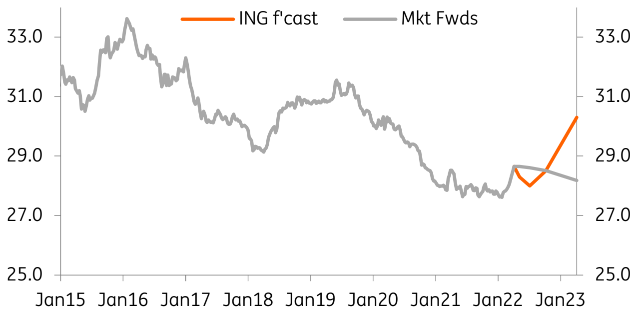
USD/TWD

Risk-off tone weighs on TWD

Current spot: 28.65



Source: Refinitiv, ING forecasts

- For most of March, TWD was in a risk off-mode. Even when the Taiwan central bank raised the policy rate unexpectedly by 25bp, the currency continued its weakening trend.
- The main factor behind the currency's movement has been the inflows and outflows of foreign investments in the Taiwan stock market.
- Selling of Taiwanese stocks has been the main factor behind the weak currency. This could continue if the Russia-Ukraine conflict escalates any further.

ING forecasts (mkt fwd)	1M 28.30 (28.65)	3M 28.00 (28.61)	6M 28.50 (28.51)	12M 30.30 (28.18)

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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	1.10	1.09	1.08	1.08	1.11						
EUR/JPY	135.1	135.16	135.00	136.08	143.19	USD/JPY	122.75	124	125	126	129
EUR/GBP	0.84	0.84	0.82	0.83	0.84	GBP/USD	1.31	1.30	1.32	1.30	1.32
EUR/CHF	1.02	1.02	1.02	1.05	1.10	USD/CHF	0.93	0.94	0.94	0.97	0.99
EUR/NOK	9.62	9.55	9.45	9.40	9.50	USD/NOK	8.74	8.76	8.75	8.70	8.56
EUR/SEK	10.38	10.45	10.40	10.20	9.90	USD/SEK	9.43	9.59	9.63	9.44	8.92
EUR/DKK	7.438	7.440	7.440	7.440	7.460	USD/DKK	6.76	6.83	6.89	6.89	6.72
EUR/CAD	1.38	1.35	1.33	1.32	1.34	USD/CAD	1.250	1.24	1.23	1.22	1.21
EUR/AUD	1.46	1.47	1.44	1.42	1.42	AUD/USD	0.75	0.74	0.75	0.76	0.78
EUR/NZD	1.59	1.58	1.54	1.52	1.52	NZD/USD	0.69	0.69	0.70	0.71	0.73
EMEA											
EUR/PLN	4.64	4.80	4.60	4.55	4.50	USD/PLN	4.22	4.40	4.26	4.21	4.05
EUR/HUF	369.4	365.00	355.00	360.00	365.00	USD/HUF	335.7	335	329	333	329
EUR/CZK	24.34	24.0	24.2	24.5	24.8	USD/CZK	22.12	22.0	22.4	22.7	22.3
EUR/RON	4.94	4.95	4.95	4.95	5.05	USD/RON	4.49	4.54	4.58	4.58	4.55
EUR/HRK	7.55	7.56	7.52	7.53	7.53	USD/HRK	6.86	6.94	6.96	6.97	6.78
EUR/RSD	117.7	117.8	117.7	117.6	117.6	USD/RSD	107.0	108.1	109.0	108.9	105.9
EUR/RUB	93.43	94.8	97.2	102.6	111.0	USD/RUB	85.02	87.0	90.0	95.0	100.0
EUR/UAH	32.75	49.1	43.2	37.8	38.9	USD/UAH	29.40	45.00	40.00	35.00	35.00
EUR/KZT	516.2	512.3	518.4	529.2	521.7	USD/KZT	469.2	470	480	490	470
EUR/TRY	16.19	16.02	16.09	16.63	18.65	USD/TRY	14.71	14.70	14.90	15.40	16.80
EUR/ZAR	16.12	16.4	16.7	17.3	18.3	USD/ZAR	14.65	15.00	15.50	16.00	16.50
EUR/ILS	3.53	3.49	3.46	3.46	3.50	USD/ILS	3.21	3.20	3.20	3.20	3.15
LATAM											
EUR/BRL	5.13	5.18	5.40	5.67	6.22	USD/BRL	4.66	4.75	5.00	5.25	5.60
EUR/MXN	21.80	22.1	22.1	22.1	22.8	USD/MXN	19.82	20.25	20.50	20.50	20.50
EUR/CLP	861.46	872	891	918	971	USD/CLP	783.00	800	825	850	875
Asia											
EUR/CNY	7.00	6.92	6.89	6.91	7.27	USD/CNY	6.36	6.35	6.38	6.40	6.55
EUR/IDR	15837	15642	15666	15773	16155	USD/IDR	14355	14350	14506	14605	14554
EUR/INR	83.11	83.4	83.7	83.2	83.8	USD/INR	75.54	76.50	77.50	77.00	75.50
EUR/KRW	1336.91	1330	1318	1296	1310	USD/KRW	1215.15	1220	1220	1200	1180
EUR/PHP	56.50	56.8	58.4	57.8	58.0	USD/PHP	51.35	52.1	54.09	53.55	52.26
EUR/SGD	1.49	1.48	1.46	1.47	1.50	USD/SGD	1.36	1.36	1.36	1.36	1.36
EUR/TWD	31.52	30.8	30.2	30.8	33.6	USD/TWD	28.65	28.3	28.0	28.5	30.3

Source: Refinitiv, ING

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