

FX Talking

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Chris Turner

Global Head of Markets and Regional Head
of Research for UK & CEE
chris.turner@ing.com

Francesco Pesole

Foreign Exchange Strategy
francesco.pesole@ing.com

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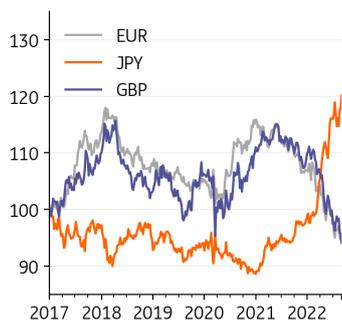
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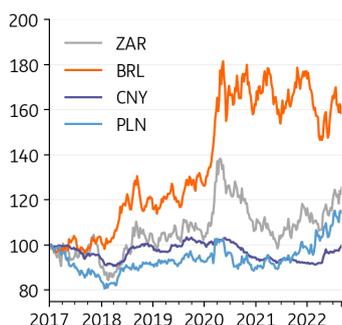
FX Talking

USD/Majors (4 Jan 15=100)



Source: Refinitiv, ING forecast

USD/EM (4 Jan 15=100)



Source: Refinitiv, ING forecast

This is going to hurt

Most central bankers around the world are now firmly fixated on addressing the biggest inflation threat since the 1980s. This was certainly the theme that dominated the recent Jackson Hole Fed symposium. Unable to influence the supply side of the economy, central bankers are now very much focused on slowing demand with restrictive monetary policy. Recessions will be accepted as the lesser of two evils.

This theme is very much playing out in global FX markets. Restrictive central bank policies, compounded by the Russian energy crisis, are weighing heavily on the pro-cyclical currency blocs of Europe and Asia. Left in the ascendancy remains the dollar - buoyed also by a hawkish Fed very happy to take the policy rate close to 4% and also US energy independence. The dollar looks the pre-eminent safe currency right now.

As the dollar reaches the highest levels in over twenty years, some are dusting off references to the 1985 Plaza Accord - a G5 agreement to reverse dollar strength. To be effective today, such an agreement would require the Fed to start easing monetary policy. And such a U-turn seems highly unlikely this year.

Instead, then the greater risk is probably of the dollar pushing even further ahead. Further 5% gains across the board cannot be ruled out even though our baseline sees EUR/USD staying offered near parity into year-end. Again, we would favour North American currencies to outperform in this environment.

EMFX remains undermined by renminbi weakness. Unless China presents some sizable fiscal stimulus or abandons its Zero Covid strategy, EMFX will continue to trade poorly.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.00	↑	140	→	1.16	↑
3M	1.00	↑	135	↓	1.16	↑
6M	1.02	↑	130	↑	1.19	↑
12M	1.07	↑	128	↓	1.23	↑

	EUR/GBP		EUR/CZK		EUR/PLN	
1M	0.86	→	24.60	↑	4.80	↑
3M	0.86	→	24.80	↑	4.75	↓
6M	0.86	↓	24.80	↓	4.70	↓
12M	0.87	↓	24.60	↓	4.64	↓

	USD/CNY		USD/MXN		USD/BRL	
1M	7.05	↑	20.50	↑	5.50	↑
3M	6.82	↓	20.25	↓	5.70	↑
6M	6.65	↓	20.00	↓	5.75	↑
12M	6.40	↓	20.00	↓	5.90	↑

↑ / → / ↓ 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	4.5	2.8	0.0	-2.8	2.3
%YoY	-16.3	27.9	0.6	-3.2	-13.9	4.6

	USD/UAH	USD/KZT	USD/BRL	USD/MXN	USD/CNY	USD/TRY
%MoM	0.1	-1.1	-1.8	5.7	2.7	1.7
%YoY	36.0	10.9	0.2	42.3	7.4	119.1

Source: Refinitiv, ING forecast



Developed markets

EUR/USD

The dollar remains in the driving seat

Current spot: 0.9900



Source: Refinitiv, ING forecasts

- EUR/USD remains soft below parity and there are still no signs of a significant low. The good news is that the August US jobs data showed a glimmer of labour supply pressures easing – as the US labour participation rate ticked up. This takes some pressure off the Fed to take rates to 4%+.
- Yet the energy crisis in Europe and the looming Eurozone recession means it is far too early to look for a sustainable EUR/USD turnaround this year. We think the dollar stays strong all year as restrictive policies slow economies and hit asset prices.
- For the Fed, we expect a 75bp hike in Sep, 50bp in Nov and 25bp in Dec. For the ECB it is just 50bp in Sep and 25bp in Oct.

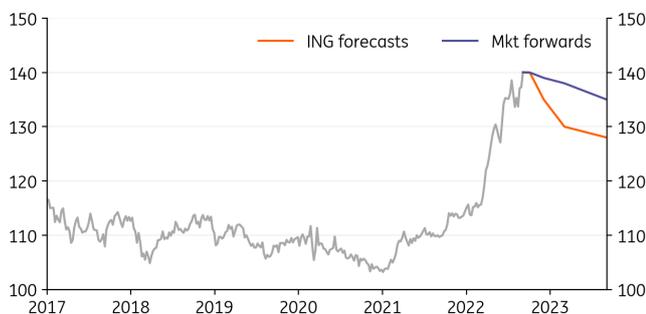
ING forecasts (mkt fwd)	1M 1.00 (0.9921)	3M 1.00 (0.9960)	6M 1.02 (1.0024)	12M 1.07 (1.0124)
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Chris Turner, chris.turner@ing.com

USD/JPY

Drifting into intervention levels

Current spot: 140.50



Source: Refinitiv, ING forecasts

- A very strong dollar and an energy crisis that has wiped out Japan's trade surplus – plus a still dovish BoJ – leaves USD/JPY over 140. The last time we saw these levels in the late 1990s, Japanese authorities had told the BoJ to intervene and sell USD/JPY. That was a long time ago and during the Asian crisis. The language from Japanese officials does not imply intervention is imminent – but a fast spot move to 145 could change that.
- Locally, the BoJ is sounding as dovish as ever. USD-JPY interest rate spreads are now over 3% and suggest Japanese bond investors will find it difficult to FX hedge investments in the US.
- The JPY is also caught up in the Asian FX sell-off, including CNY.

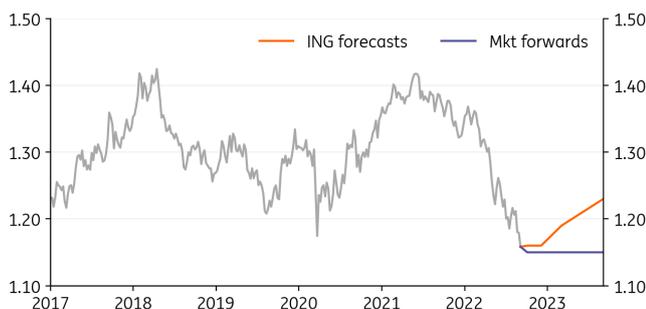
ING forecasts (mkt fwd)	1M 140 (140.14)	3M 135 (139.33)	6M 130 (137.78)	12M 128 (134.77)
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Chris Turner, chris.turner@ing.com

GBP/USD

Testing the March 2020 flash-crash low

Current spot: 1.1468



Source: Refinitiv, ING forecasts

- It has been a tough summer for the pound, where losses have not been just a strong dollar story. In fact, the BoE's trade-weighted pound has fallen close to 4% since the start of August – and UK assets (particularly Gilts) have underperformed.
- The sell-off in Gilts suggests international investors do not like either: i) the BoE's plans to start selling Gilts or ii) the new PM's, Liz Truss, likely plan to deliver large, unfunded government support.
- The BoE is expected to stay hawkish throughout (to hike 50bp in Sep and 50bp in Nov), but this has not been helping the pound. As a growth sensitive currency, sterling looks likely to stay pressured as Europe and the UK enter recession. 1.10 is the risk for Cable over coming months.

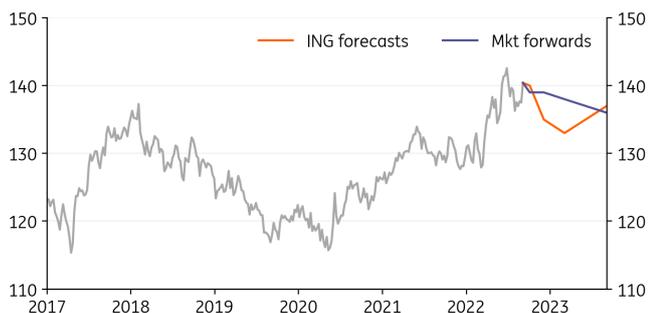
ING forecasts (mkt fwd)	1M 1.16 (1.1478)	3M 1.16 (1.1485)	6M 1.19 (1.1496)	12M 1.23 (1.1475)
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Chris Turner, chris.turner@ing.com

EUR/JPY

Negative growth outlook favours downside in EUR/JPY

Current spot: 139.09



Source: Refinitiv, ING forecasts

- EUR/JPY typically tends to be positively correlated with the global growth cycle – and clearly the cycle is not looking good. Fiscal efforts by governments to offset the energy crisis at both the consumer and business level will struggle to prevent economies entering recession. The recent hawkish turn from the ECB has yet to provide any lasting support to the euro.
- Our EZ macro team looks for just a 75bp ECB tightening cycle this year – compared to 166bp of tightening expected by the market. If correct, that should leave the euro vulnerable this autumn.
- Historically the BoJ have been more likely to intervene than ECB – but both central banks may now just have to suffer weak FX.

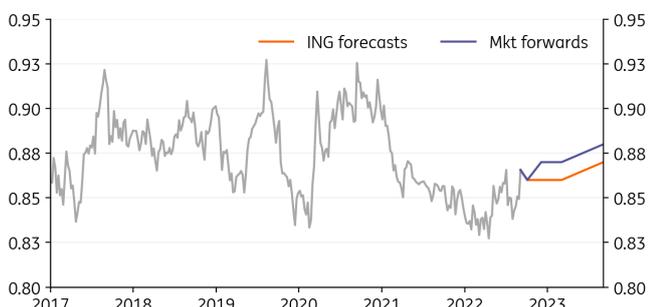
ING forecasts (mkt fwd)	1M 140 (139.04)	3M 135 (138.78)	6M 133 (138.11)	12M 137 (136.44)
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Chris Turner, chris.turner@ing.com

EUR/GBP

New UK government brings uncertainty

Current spot: 0.8631



Source: Refinitiv, ING forecasts

- In addition to the uncertain fiscal environment that faces the new UK PM, Liz Truss, she is also said to take a more hawkish line on Europe. We are worried that if hawkish BoE policy cannot provide much support to GBP – then what can?
- On the European side, we are starting to see Italian BTP-German Bund spreads push to the wides of the year as the ECB prepares to tighten more aggressively. The ECB does have a new TPI support programme for BTPs – the TPI. This may have to be fired up soon. Italian elections Sep 25th also pose some event risk.
- Neither the euro nor the pound look attractive right now. A sharper equity sell-off would bring our 0.88 forecast forward.

ING forecasts (mkt fwd)	1M 0.86 (0.8644)	3M 0.86 (0.8671)	6M 0.86 (0.8718)	12M 0.87 (0.8824)
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Chris Turner, chris.turner@ing.com

EUR/CHF

SNB looks set for a 75bp hike Sep 22nd.

Current spot: 0.9735



Source: Refinitiv, ING forecasts

- EUR/CHF has remained reasonably offered since the Swiss National Bank (SNB) surprised with a 50bp hike in June – preempting by the ECB by a month. The next SNB meeting is Sep 22nd. By this time the ECB will either have hiked 50bp or 75bp at its Sep 8th meeting.
- SNB President Jordan is sounding quite hawkish at the moment – suggesting inflation is driven by much broader factors than Ukraine – e.g. energy transition, de-globalisation, demographics.
- It seems fair to expect a 75bp hike from the SNB in late Sep and a hawkish setting should mean it continues to guide EUR/CHF lower over coming months – to 0.95 – to keep the real CHF stable.

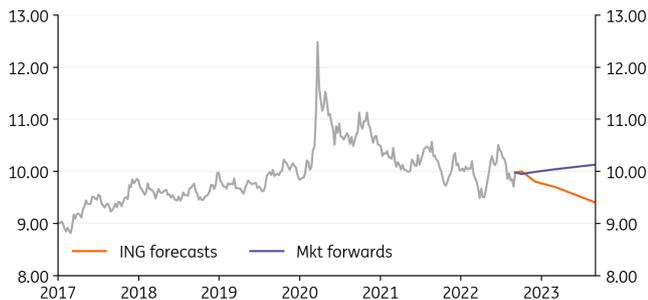
ING forecasts (mkt fwd)	1M 0.97 (0.9733)	3M 0.95 (0.9721)	6M 0.96 (0.9703)	12M 0.98 (0.9661)
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Chris Turner, chris.turner@ing.com

EUR/NOK

Still a downward-sloping profile

Current spot: 9.94



Source: Refinitiv, ING forecasts

- It was a challenging end of the month for NOK, as Norges Bank announced it will increase the daily sale of domestic currency from NOK1.5bn to NOK3.5bn per day in September.
- This is conveying the message to markets that the NB will keep neutralising a portion of the sharply rising revenues from commodity exports. While this might limit the scope of NOK appreciation in the near term, it looks like most of the market reaction to this news has already happened.
- NOK remains vulnerable to risk sentiment jitters, but 100bp of NB tightening by year-end (our forecast) and the supportive high energy price story still point to a weaker EUR/NOK.

ING forecasts (mkt fwd)	1M 10.00 (9.95)	3M 9.80 (9.99)	6M 9.70 (10.04)	12M 9.40 (10.13)
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Francesco Pesole, francesco.pesole@ing.com

EUR/SEK

Riksbank's FX purchases adding to SEK woes

Current spot: 10.74



Source: Refinitiv, ING forecasts

- Markets' focus has recently been on the FX reserve build-up by the Riksbank, which accelerated since February and has seen an increase in reserves by SEK81bn since end 1Q. This practically implies the RB is selling SEK, mostly against USD and EUR, and may well have exacerbated the krona's recent weakness.
- This theme could put some hawkish pressure on the RB: we expect 75bp in September and 50bp in December. But Europe's energy crisis suggests little room for short-term SEK recovery.
- Opinion polls on Sweden's general election (11 September) signal nearly split chances of either a centre-left coalition or nationalist-led right-wing coalition. Despite some volatility around the results, implications for SEK should be limited.

ING forecasts (mkt fwd)	1M 10.70 (10.75)	3M 10.60 (10.76)	6M 10.30 (10.78)	12M 9.90 (10.85)
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Francesco Pesole, francesco.pesole@ing.com

EUR/DKK

Large ECB hikes leave room for widening rate differential

Current spot: 7.4368



Source: Refinitiv, ING forecasts

- Despite EUR/DKK being back in the lower end of the Danmarks National bank's tolerance range, no FX Interventions were reported for the month of August.
- We still think that FX interventions will remain the preferred course of action for the DN, with the tightening path that will continue to be exactly the same as the ECB one. In line with our ECB call, we expect a 50bp hike by the DN in September.
- However, given the rising risk of a larger ECB move, the window for the DN to deliver a smaller hike (likely by 10bp) to support EUR/DKK is surely widening. We expect a return to 7.4500 only in 2023.

ING forecasts (mkt fwd)	1M 7.44 (7.4374)	3M 7.44 (7.4368)	6M 7.45 (7.4360)	12M 7.46 (7.4329)
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Francesco Pesole, francesco.pesole@ing.com

USD/CAD

Basis for a CAD recovery still intact

Current spot: 1.3159



Source: Refinitiv, ING forecasts

- We expect a 75bp hike by the Bank of Canada in September, followed by another 75bp worth of tightening by year-end, despite the few warning signs on the growth outlook recently.
- There is still some room for a hawkish repricing in the BoC rate expectations and that can support CAD. However, global risk sentiment swings are currently out-shadowing CAD's attractive rate profile and commodity exposure.
- In our view, the loonie remains the most attractive commodity currency in the medium term thanks to limited exposure to Europe and China as well as attractive carry. We expect USD/CAD to return to sub-1.25 levels in 1Q23.

ING forecasts (mkt fwd)	1M 1.29 (1.3162)	3M 1.26 (1.3166)	6M 1.22 (1.3160)	12M 1.21 (1.3157)
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Francesco Pesole, francesco.pesole@ing.com

AUD/USD

External woes keep upside capped

Current spot: 0.6782



Source: Refinitiv, ING forecasts

- At the time of writing, the RBA still hasn't delivered its September rate hike. But in terms of currency implications, the size of this increase may not matter that much.
- AUD/USD remains largely a function of external factors – global risk sentiment, USD moves, China's growth outlook, commodity prices – most of which suggest a fast recovery doesn't look very likely for the time being.
- We currently see only a minor jump to 0.70 by year-end, largely on the back of some potential USD seasonal weakness, but the required combination of improved risk sentiment and China outlook may have to wait for the next year.

ING forecasts (mkt fwd)	1M 0.69 (0.6785)	3M 0.70 (0.6791)	6M 0.72 (0.6798)	12M 0.74 (0.6796)
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Francesco Pesole, francesco.pesole@ing.com

NZD/USD

Hawkish RBNZ not helping much

Current spot: 0.6090



Source: Refinitiv, ING forecasts

- There was no dovish tilt by the RBNZ in August, and markets are pricing in 90bp of tightening in the last two meetings of the year (October and November).
- At this stage, a 50bp hike in October seems quite likely barring a big 2Q GDP miss or house prices falling significantly more than expected. For November, CPI and jobs data for 3Q will be the key determinants: the risk of a dovish pivot remains non-negligible.
- A hawkish RBNZ is not preventing NZD from suffering from a rather unfavourable market environment for commodity FX. Like AUD, the exposure to China's sentiment remains another major question mark. An NZD recovery should only be a 2023 story.

ING forecasts (mkt fwd)	1M 0.62 (0.6091)	3M 0.62 (0.6090)	6M 0.64 (0.6090)	12M 0.66 (0.6083)
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Francesco Pesole, francesco.pesole@ing.com

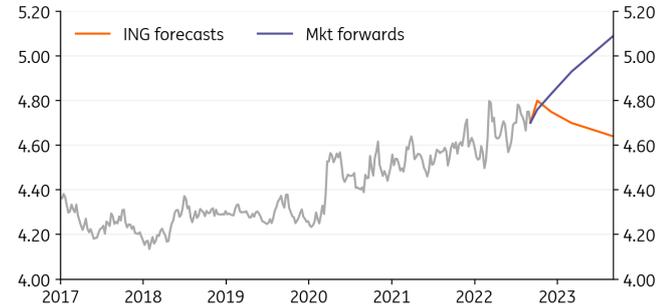


Emerging markets

EUR/PLN

PLN again at risk in September

Current spot: 4.7272



Source: Refinitiv, ING forecasts

- As the holiday period ends, PLN may again come under pressure. MPC statements indicate that the September rate hike in Poland will be smaller than the Fed & ECB (25bp vs 50-75bp). The standoff in Ukraine is also still far from resolved and Russia's actions may yet again hurt CEE sentiment.
- In the remainder of 2022 we expect €/\$ to remain in a broad horizontal trend. During the holiday period investors betting against the zloty took notable stop-losses on low liquidity. Hence now they should be less inclined to take long €/\$ or US\$/PLN positions. Next year we expect a gradual €/\$ decline. The zloty should be supported by high rates in Poland, while some key central banks gear towards easing.

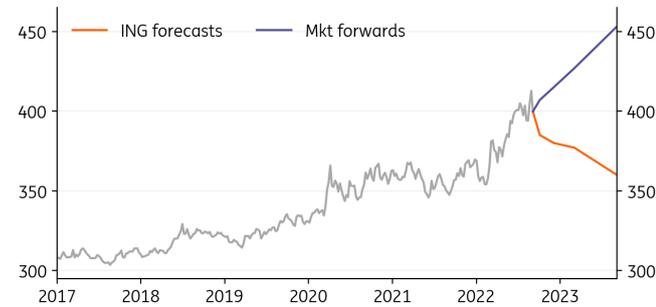
ING forecasts (mkt fwd)	1M 4.80 (4.7591)	3M 4.75 (4.8263)	6M 4.70 (4.9269)	12M 4.64 (5.0878)
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Piotr Poplawski, piotr.poplawski@ing.pl

EUR/HUF

The deal with the EU to change the fortune of HUF

Current spot: 403.20



Source: Refinitiv, ING forecasts

- Despite the quickly rising rate differential, HUF was very volatile in August as energy, geopolitics and a sovereign rating outlook downgrade pushed EUR/HUF to 415 again.
- The NBH has just decided to raise the stakes, [introducing three new measures](#) to drain excess liquidity, improve transmission and support HUF. This alongside the rising hope for an EU deal (i.e., prompting closure of HUF shorts) pushed HUF stronger again.
- The next milestone in the Rule-of-Law debate comes on 14 September, when EU president von der Leyen might address the issue publicly. We see a positive development here, which could give a serious and permanent boost to the forint.

ING forecasts (mkt fwd)	1M 385 (406.71)	3M 380 (414.79)	6M 377 (427.38)	12M 360 (453.07)
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Péter Virovác, peter.virovac@ing.com

EUR/CZK

The most boring currency in the region

Current spot: 24.55



Source: Refinitiv, ING forecasts

- The koruna has become the most boring currency in the CEE region, and we do not expect anything to change in the coming months. The depreciation pressure has eased, which puts the CNB in a comfortable position.
- According to our calculations, the central bank has spent roughly 15% of all FX reserves on defending the koruna, but recent weeks suggest essentially zero central bank activity in the FX market.
- Although the new board is not enthusiastic about the need to intervene, the lack of its use means this is a less pressing matter. Thus, we do not expect anything to change in the central bank's approach soon, which means no more rate hikes and a continuation of CNB FX interventions.

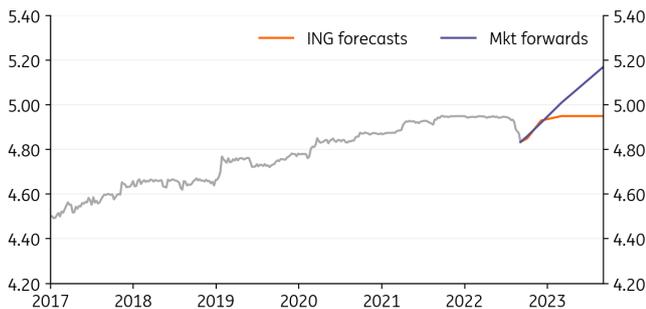
ING forecasts (mkt fwd)	1M 24.6 (24.69)	3M 24.8 (24.94)	6M 24.8 (25.23)	12M 24.6 (25.81)
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Frantisek Taborsky, frantisek.taborsky@ing.com

EUR/RON

Better sentiment towards ROMGBs triggering appreciation

Current spot: 4.8263



Source: Refinitiv, ING forecasts

- The EUR/RON broke the stability trend and appreciated by over 2.0% versus the euro in the last month. This seems to have been supported by stronger than expected ROMGBs inflows financed via selling euro.
- Strong inflows could as well have triggered some forced closures of long EUR/RON positions. At the same time, the central bank might have its hands tied to some extent, as buying EUR/RON would improve RON liquidity in the market. This can interfere with the “firm” liquidity management stance that the Bank still employs.
- Recent developments mean that our 4.95 year-end target might start to be under downward pressure.

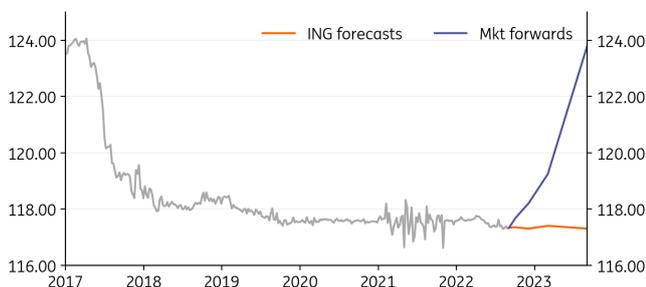
ING forecasts (mkt fwd)	1M 4.85 (4.8567)	3M 4.93 (4.9159)	6M 4.95 (5.0051)	12M 4.95 (5.1669)
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Valentin Tataru, valentin.tataru@ing.com

EUR/RSD

A new trading range setting-in around 117.30

Current spot: 117.39



Source: Refinitiv, ING forecasts

- July inflation reached 12.8% and it still seems that we haven't reached the peak of the inflationary cycle. The NBS has again revised its forecast sharply to the upside, seeing Dec-22 at 12.5% now and Dec-23 at 5.7%.
- Despite the forecasted inflation not getting to the target for the entire 2-year horizon, the NBS maintained its minimal hiking pace of 25bp as the key rate reached 3.00% in August. We maintain our 3.50% target for the year-end.
- We have marginally revised our year-end EUR/RSD forecast to 117.30 from 117.45 as a stronger dinar will help somewhat to contain inflationary pressures.

ING forecasts (mkt fwd)	1M 117.35 (117.68)	3M 117.30 (118.20)	6M 117.40 (119.24)	12M 117.30 (123.80)
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Valentin Tataru, valentin.tataru@ing.com

USD/RUB

Rouble stable now, but two-way risks mount for 4Q

Current spot: 60.52



Source: Refinitiv, ING forecasts

- Ruble was relatively stable in August, trading in a narrow USD/RUB 60-62 range in a \$70-80/bbl Urals environment. Changes to exports and imports appear to be marginal, and seasonally low tax payments in August allowed it to largely avoid RUB volatility in the 2nd half of the month.
- In September-November Gazprom is to pay extra RUB1.2tr (\$20bn) in tax and is going to pay RUB1.2tr in dividends for 1H22 (50% goes to the state) in October-November, which may add some appreciation pressure in the medium term.
- The longer-term should see headwinds due to the EU embargo, eventual recovery in imports and the potential restart in FX purchases by the Finance Ministry/CBR, which according to some media reports, could be as high as \$70bn until the year-end.

ING forecasts (mkt fwd)	1M 60.00 (63.22)	3M 63.00 (67.16)	6M 65.00 (69.88)	12M 70.00 (71.85)
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Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/UAH

USD/UAH stable for now, long term prospects uncertain

Current spot: 36.79



Source: Refinitiv, ING forecasts

- NBU has again picked a level to defend (near 36.80) and with foreign aid should be able to do so. Hence USD/UAH should remain stable for at least a few months.
- Long term prospects of the hryvnia remain uncertain. The Russian aggression will likely extend into 2023, putting the Ukrainian economy under further significant stress. If NBU continues to deplete its FX reserves fast, e.g. as the country remains unable to revive exports, another upward USD/UAH adjustment is likely.
- We still count on recovery aid to support the hryvnia after the conflict ends, but this prospect becomes increasingly distant.

ING forecasts (mkt fwd)	1M 36.80 (37.88)	3M 36.80 (40.34)	6M 39.00 (43.19)	12M 39.00 (47.12)
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Piotr Poplawski, piotr.poplawski@ing.pl

USD/KZT

Tenge likely to maintain bearish bias in near-term

Current spot: 472.25



Source: Refinitiv, ING forecasts

- KZT strengthened vs. USD from 477 to 468 amid large-scale oil tax payment for 2Q22 (\$2.5bn in August vs. \$0.65bn in June). That also led to overnight Repo and USD swap rates going up 154-261 bp to 15-16%.
- Kazakhstan's total exports are likely to moderate in 2H22 to \$41-42bn (\$vs. 45bn in 1H22) given the downgrade of 2022 house view on Brent to \$102/bbl from \$113/bbl and moderation in prices for non-oil commodities.
- Tenge is likely to maintain bearish bias in the USDKZT450-500 at year-end, based on fair value weakness and USD's global strength. But initiatives to redirect China-EU trade traffic from Russia to the Kazakhstan-Azerbaijan-Georgia transit route might be positive for sentiment in the region.

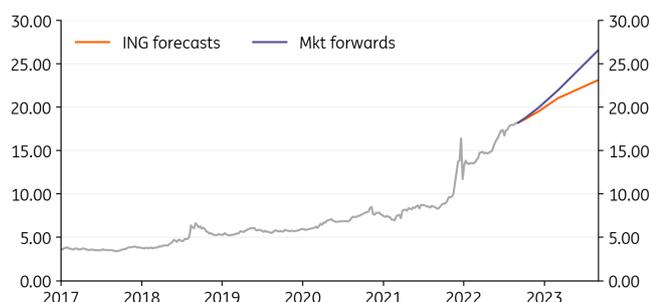
ING forecasts (mkt fwd)	1M 480 (476.82)	3M 490 (485.04)	6M 470 (496.26)	12M 480 (517.02)
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Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

Challenges remain for the Lira

Current spot: 18.23



Source: Refinitiv, ING forecasts

- While trying to limit growth in selected commercial loan types, the CBT has also taken some steps recently to control banks' pricing decisions and the composition of loan portfolios. These steps also aim to support demand for government bonds. Given this backdrop, policy makers' objectives have remained to keep financial conditions supportive.
- Gross reserves rose markedly recently thanks to an increase in the banking sector's FX deposits translating into higher FX reserve requirements as well as swap transactions with banks.
- While slowdown in lending should be supportive for the Lira, continuing high external financing needs, the less supportive global backdrop and the policy preference to maintain low rates should remain key factors determining the currency outlook.

ING forecasts (mkt fwd)	1M 18.60 (18.73)	3M 19.50 (19.92)	6M 21.05 (21.97)	12M 23.15 (26.62)
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Muhammet Mercan, muhammet.mercan@ing.com.tr

USD/ZAR

18 was not such a wild target after all

Current spot: 17.31



Source: Refinitiv, ING forecasts

- The ZAR has been one of the worst EMFX performers over the last month, not helped by higher US rates and softer asset prices, plus the renminbi softening to new lows on China slow-down fears. As a growth sensitive currency, it will be a challenging couple of quarters for the rand.
- The South African Reserve Bank has rates at 5.50% and is expected to take them to 7.75% next year. But the implied 3m yields currently available on the ZAR – 6.5% – are low for a pair with a 15% 1m implied volatility. MXN pays 10% on 11% vol.
- Barclays sale of its remaining stake in ABSA (around \$1bn) may also prove a headwind for the rand near term.

ING forecasts (mkt fwd)	1M 18.00 (17.37)	3M 17.75 (17.46)	6M 17.50 (17.60)	12M 17.25 (17.91)
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Chris Turner, chris.turner@ing.com

USD/ILS

Bol has a stronger case than many to hike 75bp

Current spot: 3.4034



Source: Refinitiv, ING forecasts

- Like other central banks around the world, it seems the Bank of Israel has kept rates too low for too long. CPI is now running at 5.2% YoY, above its 1-3% target range. That is not bad by international standards, but Israel's economy is growing strongly at a time of full employment. Second round price risks are high.
- In response, the Bol hiked 75bp in August to 2%. Suggestions are that it wants to take the real policy rate to zero – does that mean 5%? Expect more 75bp adjustments – next meeting Oct 3rd.
- Yet another election (Nov 1st) will prove a distraction to the shekel, but the underlying story is a strong one. The sharp pick-up in inflation and the Bol response favours \$/ILS sub 3 next year.

ING forecasts (mkt fwd)	1M 3.40 (3.3985)	3M 3.30 (3.3865)	6M 3.20 (3.3693)	12M 3.10 (3.3392)
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Chris Turner, chris.turner@ing.com

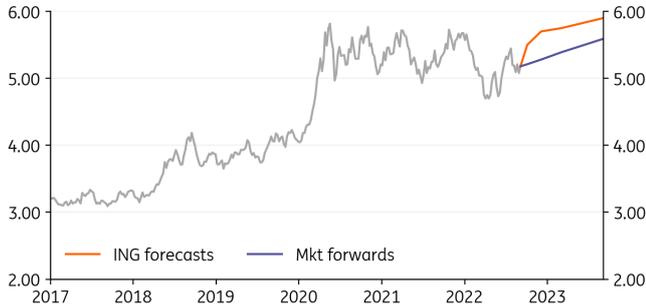


LATAM

USD/BRL

First round of elections on October 2nd

Current spot: 5.1660



Source: Refinitiv, ING forecasts

- Brazil Presidential elections are fast approaching. The first round takes place on October 2nd. Should the winner fail to secure 50% of the vote, a runoff poll takes place October 30th. Currently former President (and previously jailed) Lula leads incumbent Bolsonaro by 10% in the polls for second round voting.
- Bolsonaro's chances may be a little under-estimated in that Brazil growth and employment have been a little stronger than expected – helped by government intervention. Interestingly, Brazilian sovereign risk premia trades in line with peers.
- We're bearish on the BRL given the risk that Bolsonaro challenges any Lula win (rigged electronic voting etc) – uncertainty reigns.

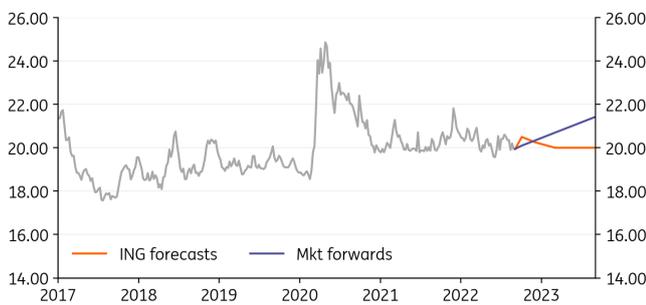
ING forecasts (mkt fwd)	1M 5.50 (5.2100)	3M 5.70 (5.2812)	6M 5.75 (5.3864)	12M 5.90 (5.5930)
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Chris Turner, chris.turner@ing.com

USD/MXN

MXN looks much better supported than BRL

Current spot: 19.99



Source: Refinitiv, ING forecasts

- USD/MXN continues to trade close to 20.00 – held there by Banxico matching the Fed hike-for-hike. That means Banxico's policy rate is now 8.50% and should move to 9.25% on Sep 29th after the Fed moves on Sep 21st. 75bp is not guaranteed from either the Fed or Banxico – with recent minutes of the August Banxico meeting showing some dissent from matching the Fed.
- But these fears are probably overblown and Banxico will prioritize keeping USD/MXN stable. That means MXN is quite an attractive investment prospect – where implied yields are 10%.
- Equally MXN paying 10% looks more compelling than BRL at 12.5%, given Mexico's sovereign rating 4 notches higher than that of Brazil.

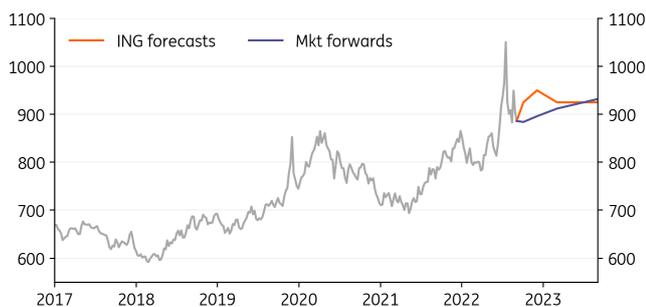
ING forecasts (mkt fwd)	1M 20.50 (20.10)	3M 20.25 (20.34)	6M 20.00 (20.70)	12M 20.00 (21.43)
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Chris Turner, chris.turner@ing.com

USD/CLP

Chile calls in the IMF

Current spot: 878.72



Source: Refinitiv, ING forecasts

- In a surprise move for a nation carrying an 'A' in its credit rating, Chile in August announced the signing of a \$18bn Flexible Credit Line with the IMF. While this line is precautionary, leaders in Chile clearly felt they could do with some help to support the peso – this since committing half of its FX reserves to defending the peso in July only delivered modest gains.
- USD/CLP broke below 900 on the IMF news, but this may not deliver a big turnaround. Chile struggles with an 8% current account deficit and is suffering from an 8% YoY contraction in production of its main export, copper.
- A strong dollar and a weakened China can keep \$/CLP bid.

ING forecasts (mkt fwd)	1M 925 (884.29)	3M 950 (895.98)	6M 925 (911.63)	12M 925 (932.27)
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Chris Turner, chris.turner@ing.com

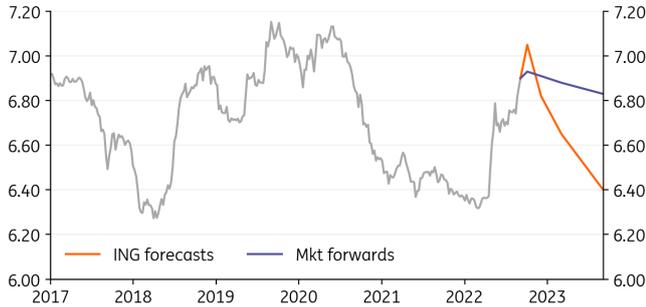


Asia

USD/CNY

Further yuan weakness likely

Current spot: 6.9358



Source: Refinitiv, ING forecasts

- China's struggling property developers are still weighing on the economy, leading not just to weak construction, but also weak fixed asset investment, industrial production and retail sales. Heatwaves, drought and electricity shortages have added to China's woes, though have mostly now been addressed.
- The PBoC delivered a series of "defensive" CNY fixings and have cut the reserve requirement on FX deposits to support the CNY. But it also cut the MLF rate by 10bp on August 15 to boost property demand.
- The CNY has weakened since then. We expect USD/CNY will push up to 7.00 or above over the coming month, before turning lower into the year end.

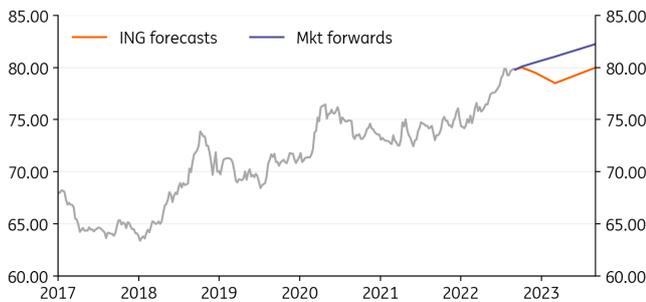
ING forecasts (mkt fwd)	1M 7.05 (6.9299)	3M 6.82 (6.9126)	6M 6.65 (6.8846)	12M 6.40 (6.8283)
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Iris Pang, iris.pang@asia.ing.com

USD/INR

Speculation about bond index supports INR

Current spot: 79.89



Source: Refinitiv, ING forecasts

- The Indian rupee was one of Asia's best performing currencies in August, declining by only 0.48% against the USD.
- There is undoubtedly some currency support from the RBI, but the INR has also benefited from renewed speculation about the inclusion of government securities in a global bond index.
- At 13.5%YoY, the 2Q22 GDP print undershot expectations and activity will be softer in the coming quarters as the boost from reopening wanes, external headwinds increase, and further RBI rate hikes begin to bite. We would expect the INR to weaken into the year-end unless the bond index inclusion happens, or unless oil prices soften.

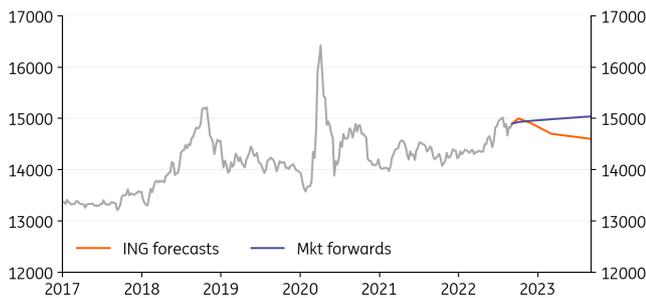
ING forecasts (mkt fwd)	1M 80.00 (80.09)	3M 79.50 (80.49)	6M 78.50 (81.05)	12M 80.00 (82.26)
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Rob Carnell, robert.carnell@asia.ing.com

USD/IDR

IDR outperforms regional peers in August

Current spot: 14916



Source: Refinitiv, ING forecasts

- The IDR had a solid start to the month and was helped by the bigger than expected trade surplus reported mid-month, helping the currency to outperform its regional peers in August and ending almost flat against the USD over the month.
- Bank Indonesia (BI) surprised markets with a rate hike at the 23 August meeting. BI Governor Warjiyo acted pre-emptively ahead of planned fuel price hikes.
- Another moderate inflation print for August will also provide further near-term support as too will BI's bond purchase plan – a sort of "operation twist".

ING forecasts (mkt fwd)	1M 15000 (14930)	3M 14900 (14954)	6M 14700 (14984)	12M 14600 (15040)
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Nicholas Mapa, nicholas.mapa@asia.ing.com

USD/KRW

Weak KRW will rise above 1350

Current spot: 1372.22



Source: Refinitiv, ING forecasts

- The KRW broke through 1,350 soon after the Jackson Hole conference. Verbal intervention and smoothing operations will follow if the pace of depreciation accelerates.
- The Bank of Korea has made it clear that hikes will not come to an end until inflation slows significantly. The market widely expects at least two more rate hikes by the end of this year and is pencilling in an additional hike early next year.
- Growth concerns with weak production and trade could weigh on the KRW next month. The trade deficit is expected to widen with weak global semiconductor demand, which will add another negative factor for the short-term KRW outlook.

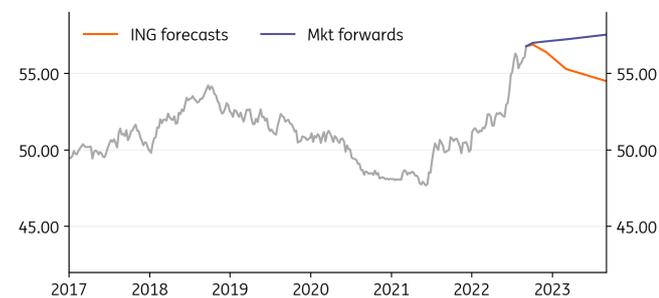
ING forecasts (mkt fwd)	1M 1380 (1371.63)	3M 1350 (1369.39)	6M 1300 (1365.54)	12M 1280 (1357.54)
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Kang Min Joo, min.joo.kang@asia.ing.com

USD/PHP

PHP slides as trade deficit swells

Current spot: 56.96



Source: Refinitiv, ING forecasts

- The PHP depreciated this month after the trade balance slipped to its widest ever deficit. Imports surged due to high energy prices and demand for capital machinery.
- Bangko Sentral ng Pilipinas (BSP) hiked policy rates by 50bp on 18 August to combat above-target inflation. Despite the rate hike, the PHP didn't benefit much from the move which was largely priced in.
- The PHP will continue to be pressured in the near term given expectations that the trade deficit will remain wide. Foreign selling in the local equity market due to concerns of slowing growth will also weigh on the PHP.

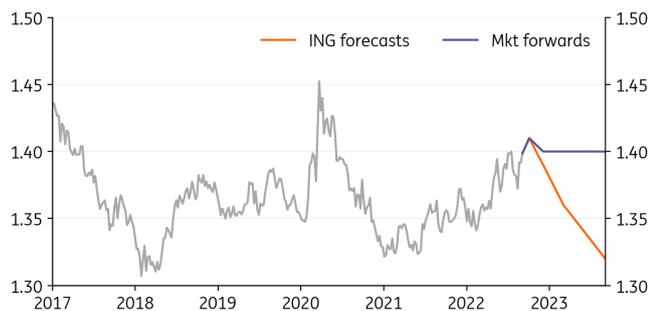
ING forecasts (mkt fwd)	1M 56.90 (57.01)	3M 56.40 (57.11)	6M 55.30 (57.24)	12M 54.50 (57.55)
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Nicholas Mapa, nicholas.mapa@asia.ing.com

USD/SGD

SGD falls as sentiment sours

Current spot: 1.4057



Source: Refinitiv, ING forecasts

- The SGD tracked regional currencies early in the month, before weakening on souring sentiment tied to hawkish Fed comments.
- Inflation continued to surge, hitting the highest level seen since 2008. Surging inflation has prompted the Monetary Authority of Singapore to tighten policy several times this year and they will likely need to tighten again at the scheduled October meeting with inflation still rising.
- The SGD will remain pressured in the near term as weakness in trading partner currencies allows the NEER to remain relatively strong while the USD/SGD rises.

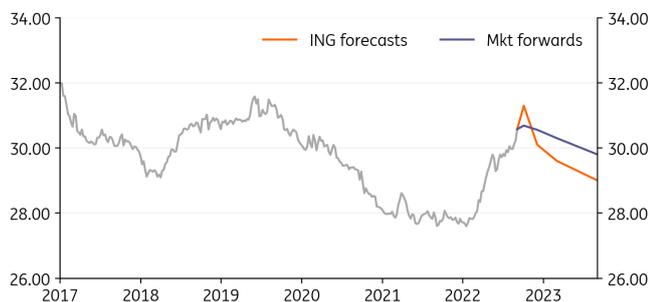
ING forecasts (mkt fwd)	1M 1.41 (1.4055)	3M 1.39 (1.4047)	6M 1.36 (1.4025)	12M 1.32 (1.3969)
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Nicholas Mapa, nicholas.mapa@asia.ing.com

USD/TWD

Semiconductor demand slows

Current spot: 30.74



Source: Refinitiv, ING forecasts

- Taiwan's export orders in July fell -1.9% YoY, and industrial production only grew 1.12% YoY in the same month. This weakness suggests that semiconductor demand is falling and may be starting to weigh on Taiwan's economy and currency.
- The source of this weakness is weaker consumer demand for electronic items in Mainland China and in major consumer markets where inflation is sapping consumer spending power.
- Heightened tension with Mainland China over the Pelosi visit has not helped and equity outflows since the middle of August will have also weighed on the TWD.

ING forecasts (mkt fwd)	1M 31.30 (30.69)	3M 30.10 (30.56)	6M 29.60 (30.30)	12M 29.00 (29.80)
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Iris Pang, iris.pang@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	0.99	1.00	1.00	1.02	1.07						
EUR/JPY	139.1	140.00	135.00	132.60	136.96	USD/JPY	140.50	140	135	130	128
EUR/GBP	0.86	0.86	0.86	0.86	0.87	GBP/USD	1.15	1.16	1.16	1.19	1.23
EUR/CHF	0.97	0.97	0.95	0.96	0.98	USD/CHF	0.98	0.97	0.95	0.94	0.92
EUR/NOK	9.94	10.00	9.80	9.70	9.40	USD/NOK	10.04	10.00	9.80	9.51	8.79
EUR/SEK	10.74	10.70	10.60	10.30	9.90	USD/SEK	10.85	10.00	9.80	9.51	8.79
EUR/DKK	7.437	7.440	7.440	7.450	7.460	USD/DKK	7.51	7.44	7.44	7.30	6.97
EUR/CAD	1.30	1.29	1.26	1.24	1.29	USD/CAD	1.316	1.29	1.26	1.22	1.21
EUR/AUD	1.46	1.45	1.43	1.42	1.45	AUD/USD	0.68	0.69	0.70	0.72	0.74
EUR/NZD	1.63	1.61	1.61	1.59	1.62	NZD/USD	0.61	0.62	0.62	0.64	0.66
EMEA											
EUR/PLN	4.73	4.80	4.75	4.70	4.64	USD/PLN	4.78	4.80	4.75	4.61	4.34
EUR/HUF	403.2	385.00	380.00	377.00	360.00	USD/HUF	407.3	385	380	370	336
EUR/CZK	24.55	24.6	24.8	24.8	24.6	USD/CZK	24.80	24.6	24.8	24.3	23.0
EUR/RON	4.83	4.85	4.93	4.95	4.95	USD/RON	4.87	4.85	4.93	4.85	4.63
EUR/RSD	117.4	117.4	117.3	117.4	117.3	USD/RSD	118.6	117.4	117.3	115.1	109.6
EUR/RUB	60.11	60.0	63.0	66.3	74.9	USD/RUB	60.53	60.0	63.0	65.0	70.0
EUR/UAH	36.44	36.8	36.8	39.8	41.7	USD/UAH	36.79	36.80	36.80	39.00	39.00
EUR/KZT	467.4	480.0	490.0	479.4	513.6	USD/KZT	472.3	480	490	470	480
EUR/TRY	18.04	18.60	19.50	21.47	24.77	USD/TRY	18.23	18.60	19.50	21.05	23.15
EUR/ZAR	17.14	18.0	17.8	17.9	18.5	USD/ZAR	17.31	18.00	17.75	17.50	17.25
EUR/ILS	3.37	3.40	3.30	3.26	3.32	USD/ILS	3.40	3.40	3.30	3.20	3.10
LATAM											
EUR/BRL	5.11	5.50	5.70	5.87	6.31	USD/BRL	5.17	5.50	5.70	5.75	5.90
EUR/MXN	19.84	20.5	20.3	20.4	21.4	USD/MXN	19.99	20.50	20.25	20.00	20.00
EUR/CLP	869.94	925	950	944	990	USD/CLP	878.72	925	950	925	925
Asia											
EUR/CNY	6.87	7.05	6.82	6.78	6.85	USD/CNY	6.94	7.05	6.82	6.65	6.40
EUR/IDR	14920	15000	14900	14994	15622	USD/IDR	14916	15000	14900	14700	14600
EUR/INR	79.09	80.0	79.5	80.1	85.6	USD/INR	79.89	80.00	79.50	78.50	80.00
EUR/KRW	1358.50	1380	1350	1326	1370	USD/KRW	1372.22	1380	1350	1300	1280
EUR/PHP	56.39	56.9	56.4	56.4	58.3	USD/PHP	56.96	56.9	56.4	55.3	54.5
EUR/SGD	1.39	1.41	1.39	1.39	1.41	USD/SGD	1.41	1.41	1.39	1.36	1.32
EUR/TWD	30.43	31.3	30.1	30.2	31.0	USD/TWD	30.74	31.3	30.1	29.6	29.0

Source: Refinitiv, ING

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