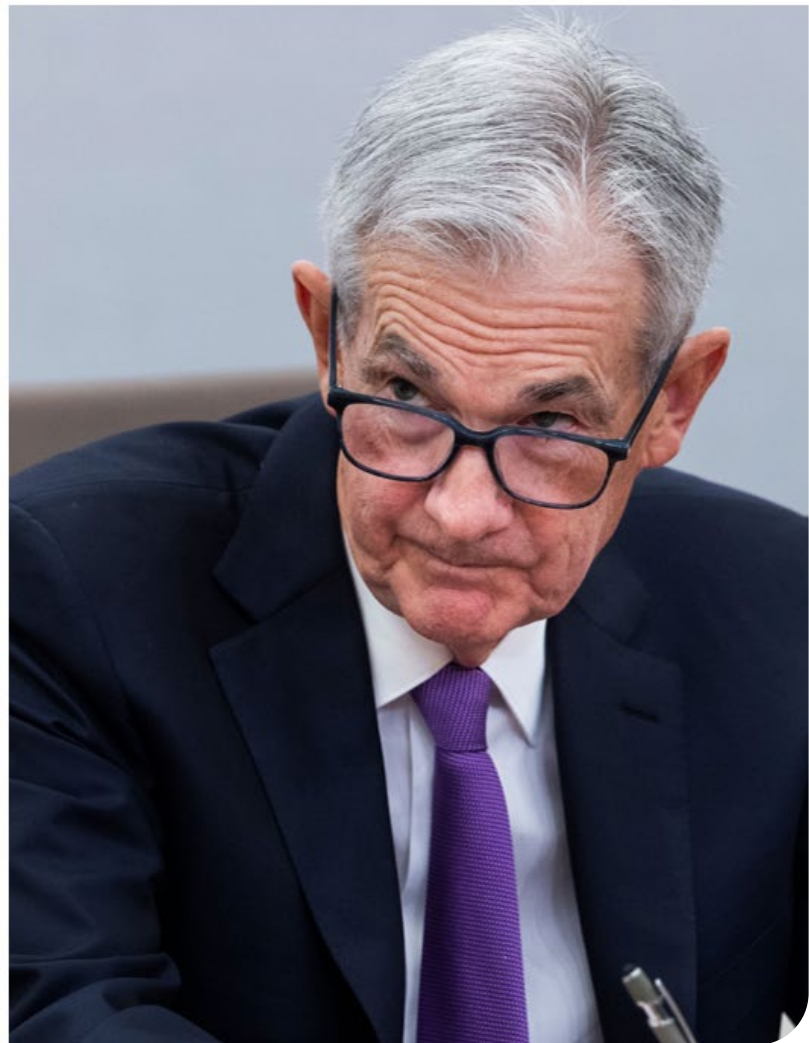


FX Talking

June 2024

Politics vs Policy



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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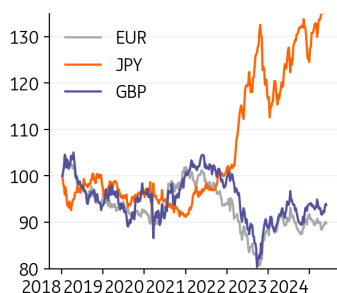
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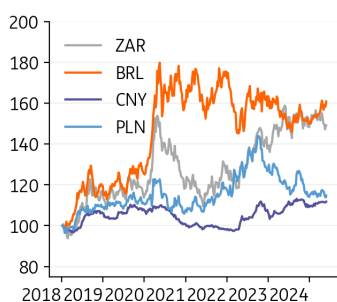
Politics vs Policy

USD/Majors (Jan 18=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 18=100)



Source: Refinitiv, ING forecast

FX markets look as though they will be dominated by two key themes over coming months. The first is the prospect of Marine Le Pen’s RN party coming to government and potentially setting Paris on a collision course with Brussels over France’s debt trajectory. The second are some welcome signs of disinflation coming out of the US, which will give the Federal Reserve enough confidence to start cutting rates in September.

These crosswinds suggest EUR/USD should stay volatile within ranges – although probably with a downside bias this month as investors reduce euro exposure ahead of French elections on 30 June and 7 July. EUR/CHF is proving a cleaner vehicle to hedge against election risk and looks to press 0.9500 – especially if the Swiss National Bank does not cut rates this month.

On the subject of rate cuts, we see downside risks to sterling this month when UK May CPI likely comes in lower and the Bank of England signals it is ready to cut rates in August. This could send EUR/GBP back above 0.85 again. And in the rest of the G10 space, our preference would be for outperformance of the commodities currencies whose central banks are last in the queue to cut rates – step forward the Australian dollar.

In EMEA, CEE currencies are suffering on the back of the weaker euro. Yet there remain some strong stories there – especially for the Polish zloty. And the Turkish lira should continue to outperform the steep forward curve, where Turkey has witnessed \$70bn of portfolio inflows over the last couple of months. Elsewhere in emerging markets, Latam is busy scrubbing itself off investors’ buy lists and Asian FX remains listless.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.07	→	153	↓	1.26	↓
3M	1.09	↑	148	↓	1.25	↓
6M	1.10	↑	145	↓	1.25	↓
12M	1.10	↑	140	↓	1.25	↓
	EUR/GBP		EUR/CZK		EUR/PLN	
1M	0.85	↑	24.65	↓	4.27	↓
3M	0.87	↑	24.60	↓	4.22	↓
6M	0.88	↑	24.55	↓	4.25	↓
12M	0.88	↑	24.50	↓	4.30	↓
	USD/CNY		USD/MXN		USD/BRL	
1M	7.25	↑	19.00	↑	5.50	↑
3M	7.19	↑	19.00	↑	5.50	↑
6M	7.13	↑	19.00	↓	5.50	↑
12M	7.00	↑	19.00	↓	5.50	↓

↑ / → / ↓ indicates our forecast for the currency pair is above/in line with/below the corresponding market forward or NDF outright

Source: Refinitiv, ING forecast

FX performance

	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	-1.9	1.6	-2.0	-1.7	-1.3	1.2
%YoY	-2.5	12.1	-1.8	-0.6	-4.1	4.1
	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	0.5	0.7	3.3	2.6	0.8	4.4
%YoY	2.2	5.4	6.7	-1.7	1.1	11.4

Source: Refinitiv, ING forecast

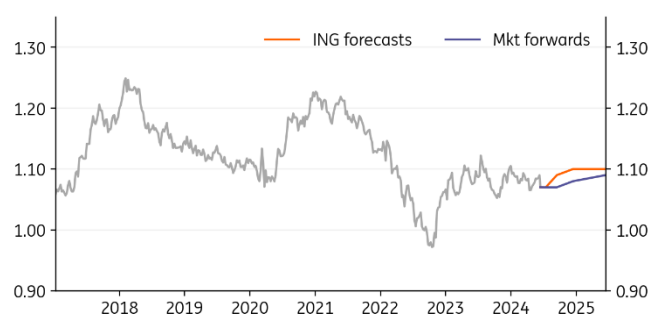


Developed markets

EUR/USD

Fed convergence trade faces French politics

Current spot: 1.0702



Source: Refinitiv, ING forecasts

- It has been a struggle, but it is starting to look like investors are swinging behind Federal Reserve rate cuts this year. US May CPI and PPI price data are showing encouraging signals and point to another low print for the Fed's preferred price gauge - core PCE - when it is released on 28 June. We think there is plenty of room for US short-dated yields to fall - a clear dollar negative.
- EUR/USD may not be able to take advantage of the softer dollar. French elections on 30 June / 7 July and the risk of a Le Pen-led government at loggerheads with the European Commission over spending plans creates risks for the French bond market.
- These will be the two themes dominating ahead of US elections.

ING forecasts (mkt fwd)	1M 1.07 (1.0717)	3M 1.09 (1.0750)	6M 1.10 (1.0797)	12M 1.10 (1.0889)
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Chris Turner, chris.turner@ing.com

USD/JPY

The yen is not a compelling sell

Current spot: 157.66



Source: Refinitiv, ING forecasts

- It was confirmed that the Bank of Japan sold around \$62bn of FX around the end of April near the 160 area. Most economists view this as a waste of valuable assets in what will be an ineffective move. We see it at as: i) the BoJ injecting more two-way risk into FX markets and ii) a likely view from Tokyo that US rates will turn lower later this year. A similar thing occurred in Sep/Oct 2022.
- We expect the BoJ to hike rates again at the late July meeting and announce a gradual reduction in its JGB buying plan.
- We doubt the BoJ's move will turn USD/JPY lower, but we do favour lower US rates and higher FX volatility, which are bearish factors for USD/JPY.

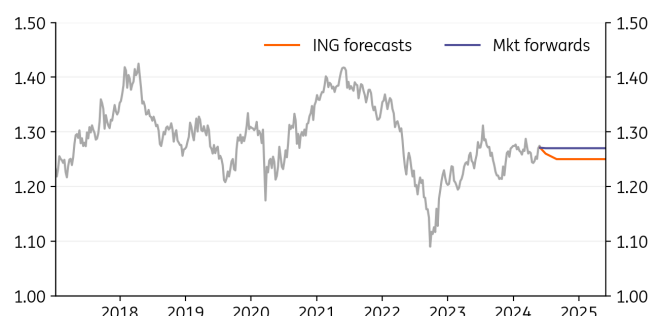
ING forecasts (mkt fwd)	1M 153 (156.93)	3M 148 (155.47)	6M 145 (153.44)	12M 140 (149.78)
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Chris Turner, chris.turner@ing.com

GBP/USD

Short lived gains

Current spot: 1.2727



Source: Refinitiv, ING forecasts

- Some softer US data plus sticky April UK CPI has pushed GBP/USD to the highs of the year. Despite ING's call for a Fed rate cut starting in September, we think GBP/USD comes lower. This is entirely based on the view that UK CPI follows US CPI lower - giving the Bank of England enough information to start cutting rates in August. We look for three BoE rate cuts this year.
- The trigger for that BoE rate repricing may come as soon as 19/20 June. On the 19th, we'll see May CPI, where services should drop to 5.2% year-on-year from 5.9%. A day later, the BoE's policy statement should hint strongly at an August rate cut.
- We doubt UK elections 4 July will have a big bearing on sterling.

ING forecasts (mkt fwd)	1M 1.26 (1.2728)	3M 1.25 (1.2734)	6M 1.25 (1.2741)	12M 1.25 (1.2749)
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Chris Turner, chris.turner@ing.com

EUR/JPY

French debt will be the focus this month

Current spot: 168.71



Source: Refinitiv, ING forecasts

- Looking more closely at French political risk we see that French government bonds are the focal point of stress. The fears are that Le Pen could perhaps do a ‘Liz Truss’ (unfunded tax cuts which crashed the UK bond market in 2022.) These fears will not be resolved for a while and at least not before 7 July, which marks the second round of the French elections.
- There is not a lot eurozone policymakers can do to address this. Should the French bond market sell off, the European Central Bank could try to use its new Transmission Protection Instrument to help.
- Yet that scheme requires France not to be under an excessive deficit procedure. That may not be the case after a decision on 19 June.

ING forecasts (mkt fwd)	1M 164 (168.17)	3M 161 (167.10)	6M 160 (165.65)	12M 154 (163.08)
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Chris Turner, chris.turner@ing.com

EUR/GBP

BoE versus French elections

Current spot: 0.8409



Source: Refinitiv, ING forecasts

- EUR/GBP has broken below big support at 0.8500. The driver has been a combination of UK interest rates staying firm and now French political risks. 19 June could be a big day. We get to see the May UK CPI (downside risks to sterling) but this could also be the day that the European Commission puts France under an Excessive Deficit Procedure.
- We estimate that the euro call fall another 1% if the political risk premium builds. We have greater confidence though in UK rates softening and EUR/GBP being dragged back above 0.8500.
- Currently, it looks like the UK Labour party could secure a landslide win on 4 July. Fiscal risks look contained.

ING forecasts (mkt fwd)	1M 0.85 (0.8419)	3M 0.87 (0.8441)	6M 0.88 (0.8474)	12M 0.88 (0.8540)
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Chris Turner, chris.turner@ing.com

EUR/CHF

Close call for the SNB policy meeting 20 June

Current spot: 0.9548



Source: Refinitiv, ING forecasts

- EUR/CHF volatility has picked up as spot has fallen sharply from 0.9930. Driving that move at first was the sense that the Swiss National Bank was a little concerned that the franc was falling too fast. President Thomas Jordan said a weaker CHF was the biggest risk to inflation. And then French politics hit.
- The market is now split on whether the SNB cuts rates 25bp to 1.25% on 20 June. The case for the cut is that core inflation remains very low at 1.2% YoY. The case against is that the SNB is not sounding as dovish as it once was and is in no hurry.
- It looks like we'll see a 0.96-0.99 range now, with the SNB using FX intervention on both sides of the market.

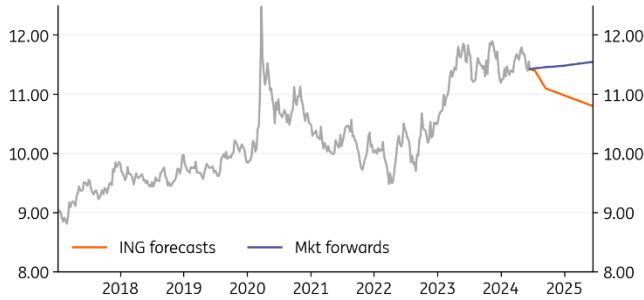
ING forecasts (mkt fwd)	1M 0.95 (0.9531)	3M 0.97 (0.9491)	6M 0.98 (0.9435)	12M 1.00 (0.9335)
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Chris Turner, chris.turner@ing.com

EUR/NOK

A major winner in the risk-on rally

Current spot: 11.43



Source: Refinitiv, ING forecasts

- The Norwegian krone remains uniquely positioned to benefit from more drops in USD rates and improvements in risk sentiment. The chances of a move below 11.30 this summer have increased after the latest US CPI report.
- We currently have two rate cuts pencilled in by Norges Bank this year, although that primarily depends on our call for three Fed cuts. Norges Bank has remained hawkish and that should not change until the Fed starts easing.
- There are some risks for NOK on the horizon: we suspect that markets will start to trade increasingly on the back of US election expectations after the summer, and NOK may be one of the major underperformers in a Trump victory scenario.

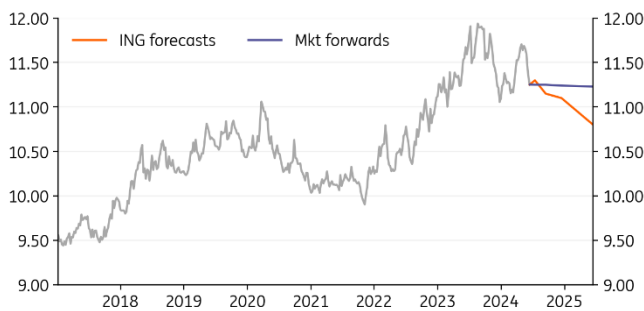
ING forecasts (mkt fwd)	1M 11.40 (11.44)	3M 11.10 (11.46)	6M 11.00 (11.48)	12M 10.80 (11.55)
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Francesco Pesole, francesco.pesole@ing.com

EUR/SEK

Krona may have rallied too fast

Current spot: 11.25



Source: Refinitiv, ING forecasts

- It is not news that global macro developments (especially in the US) are a much bigger driver of Sweden's krona than domestic factors. However, the outperformance of SEK over other high-beta currencies does not look likely to last, in our view.
- Disinflation halted in May but may well resume in the coming months in Sweden. Now that SEK is stronger, the Riksbank has more flexibility to cut rates. Our expectations are for 75bp of easing by year-end, more than market's 50bp.
- If we are right and the Fed cuts three times too, EUR/SEK should be able to stay capped. This summer, there is a chance we see sub-11.00 levels, although we are less constructive on SEK in 4Q.

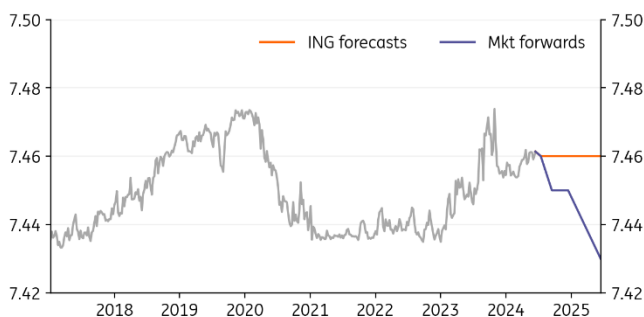
ING forecasts (mkt fwd)	1M 11.30 (11.25)	3M 11.15 (11.25)	6M 11.10 (11.24)	12M 10.80 (11.23)
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Francesco Pesole, francesco.pesole@ing.com

EUR/DKK

Denmark starts easing

Current spot: 7.4614



Source: Refinitiv, ING forecasts

- Danmarks Nationalbank followed the ECB with a 25bp rate cut in June. We currently estimate two more cuts in the eurozone and Denmark by the end of the year.
- Danish policymakers will need to acknowledge a higher inflation outlook and tighter jobs market, but the stabilisation of EUR/DKK around its central peg rate of 7.460 means policy divergence from the ECB remains unlikely.
- We also doubt FX intervention will be revamped any time soon, and we continue to forecast EUR/DKK flat at 7.46 in the coming quarters.

ING forecasts (mkt fwd)	1M 7.46 (7.4589)	3M 7.46 (7.4536)	6M 7.46 (7.4462)	12M 7.46 (7.4329)
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Francesco Pesole, francesco.pesole@ing.com

USD/CAD

Looking trapped

Current spot: 1.3754



Source: Refinitiv, ING forecasts

- The Bank of Canada rate cut in June will – in our view – be followed by 75bp in 2H24. This is more than the market's current pricing for 60bp, and means that we still expect the Canadian dollar to underperform other commodity currencies.
- USD/CAD looks trapped in a relatively tight range, as the loonie tends to underperform when US data come in soft. When adding BoC easing, the weaker USD effect is largely being offset.
- This summer could still see a gradual move lower in USD/CAD as the USD downtrend becomes more dominant. But don't expect the loonie to do any better than other high-beta currencies. On the flipside, CAD faces less US election-related downside risks further down the road.

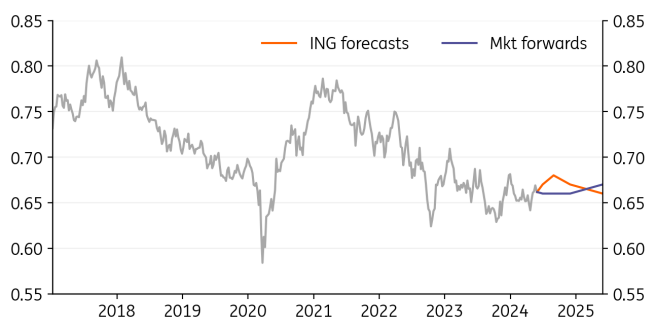
ING forecasts (mkt fwd)	1M 1.38 (1.3745)	3M 1.36 (1.3724)	6M 1.34 (1.3691)	12M 1.32 (1.3632)
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Francesco Pesole, francesco.pesole@ing.com

AUD/USD

Inflation to keep RBA hawkish

Current spot: 0.6613



Source: Refinitiv, ING forecasts

- The Reserve Bank of Australia continues to have an inflation problem. Monthly CPI figures beat expectations again in the April print, rising to 3.6% YoY. While the RBA shouldn't hike again, they may raise the threat of more tightening if needed at the 18 June meeting.
- Markets are pricing in 11bp of RBA easing by year-end, which is largely a function of Fed expectations. We recently changed our forecasts to no cuts this year.
- This hawkish domestic narrative is a positive for the Aussie dollar, and we still like the chances of more AUD gains (above 0.67) this summer before US election risk starts to creep in.

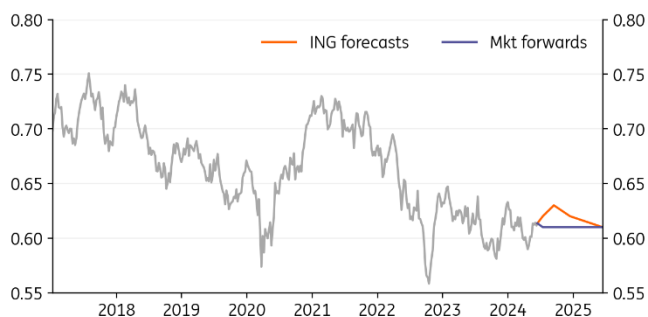
ING forecasts (mkt fwd)	1M 0.67 (0.6619)	3M 0.68 (0.6631)	6M 0.67 (0.6644)	12M 0.66 (0.6662)
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Francesco Pesole, francesco.pesole@ing.com

NZD/USD

RBNZ still awaiting key data inputs

Current spot: 0.6136



Source: Refinitiv, ING forecasts

- The 10 July Reserve Bank of New Zealand meeting should not be a huge event. The only extra bit of data available to policymakers will be 1Q GDP (quarter-on-quarter growth expected to inch back above zero), which should not move the needle dramatically from a policy perspective.
- The Kiwi dollar will remain primarily driven by external factors and in our view can have a good summer, in line with our AUD view. Domestic factors remain supportive.
- Once 2Q inflation and jobs data are released (July and August), a clearer path for the RBNZ should emerge. We suspect there will not be enough in the data to justify a 3Q cut, and we only expect easing to start in 4Q.

ING forecasts (mkt fwd)	1M 0.62 (0.6135)	3M 0.63 (0.6135)	6M 0.62 (0.6133)	12M 0.61 (0.6128)
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Francesco Pesole, francesco.pesole@ing.com

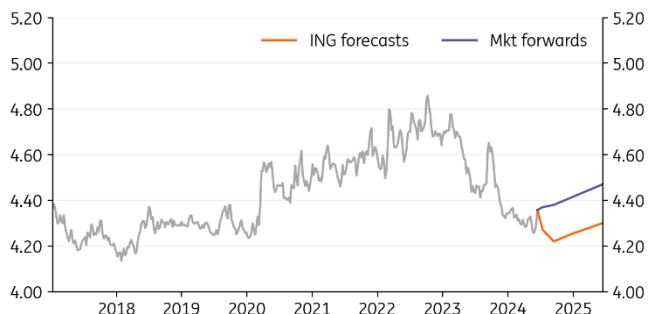


Emerging markets

EUR/PLN

Transitory PLN tensions

Current spot: 4.3574



Source: Refinitiv, ING forecasts

- The zloty, alongside other emerging market currencies, was hit after the recent wave of carry trade unwinding. Still, we consider this to be temporary. Usually such periods of high stress are followed by similar PLN appreciation. Domestic fundamentals remain supportive, including fading hopes for any central bank easing this year and a current account surplus. Moreover, another EU money tranche is due after summer, likely to be partially converted into PLN on the market. This calls for EUR/PLN to retest or even breach this year's lows.
- We remain cautious of 4Q24 EUR/PLN prospects, as the US presidential election may yield another period of negative CEE sentiment, particularly if followed by a EUR/USD decline.

ING forecasts (mkt fwd)	1M 4.27 (4.3650)	3M 4.22 (4.3812)	6M 4.25 (4.4071)	12M 4.30 (4.4667)
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Piotr Poplawski, piotr.poplawski@ing.pl

EUR/HUF

Forint will be turned around by local monetary policy

Current spot: 397.60



Source: Refinitiv, ING forecasts

- As we suspected, EUR/HUF moved towards 395 in the early days of the summer. While part of the story is being written at the global level, the underperformance of the forint is telling.
- While Hungary has dodged the downgrade bullet so far, investors remain nervous as the risk of fiscal loosening has increased following the local and European Parliament election results. Not to mention that, for the first time in a long while, there are some question marks about political stability.
- With market instability on the rise, the National Bank of Hungary could be the one to turn the tables on the forint with a hawkish cut in June. The new forward guidance could point to very limited to no room for cuts in the coming months. This could be enough for a positive change in the local FX space for the rest of the year.

ING forecasts (mkt fwd)	1M 395 (398.59)	3M 385 (400.56)	6M 389 (403.31)	12M 405 (408.58)
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Péter Virovác, peter.virovacz@ing.com

EUR/CZK

Demand-driven price pressures suggest gradual easing

Current spot: 24.69



Source: Refinitiv, ING forecasts

- The disinflationary process remains broadly intact, with the overall and core inflation softening in May. Such favourable conditions open the door to further easing in the rather restrictive monetary policy stance at this month's central bank meeting. However, the headline inflation two-month average of 2.8% remains above the 2.4% CNB spring forecast for 2Q, suggesting a more cautious approach to the upcoming rate cuts pace.
- Moreover, some fundamental inflationary factors are flashing, such as the buoyant nominal wage growth, a solid pick-up in consumer spending, and continued tightness in the labour market. The economic rebound propelled by household demand is likely to sustain upward price pressures in the medium term and contribute to a more gradual descent of the policy rate to 4.5% at the end of this year.
- Overall, all these factors along with the onset of the European Central Bank's monetary easing phase will lend support to the koruna throughout the forecast horizon.

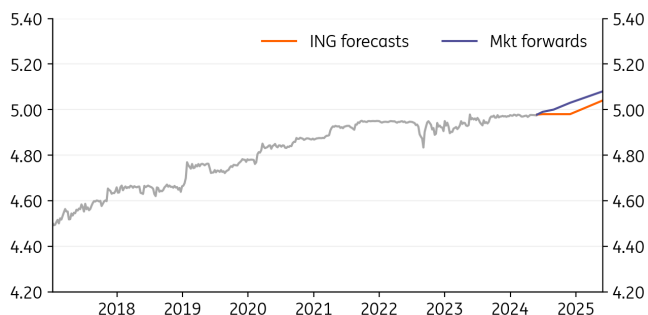
ING forecasts (mkt fwd)	1M 24.6 (24.72)	3M 24.6 (24.77)	6M 24.6 (24.81)	12M 24.5 (24.89)
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David Havrlant, David.havrlant@ing.com

EUR/RON

NBR's grip on the currency unlikely to weaken

Current spot: 4.9774



Source: Refinitiv, ING forecasts

- EUR/RON has remained in the range of 4.9620-4.9800 recently. Inflation printed below expectations for a second consecutive month in May. But it remains unlikely that the National Bank of Romania will make any moves that could change the leu's stable path in the near term given still-sticky core price pressures.
- Private consumption, wages and credit activity remained strong, weighing on the trade deficit. Still, we think that until services inflation cools down, FX overvaluation will persist. What's more, strong consumption also boosts firms' confidence in their pricing power ahead of next year's likely increase in taxes, potentially keeping FX stable for longer.
- All told, we don't see much room for devaluations or volatility ahead. The chances of crossing the 5.00 level before autumn are slim but have nevertheless increased due to lower inflation.

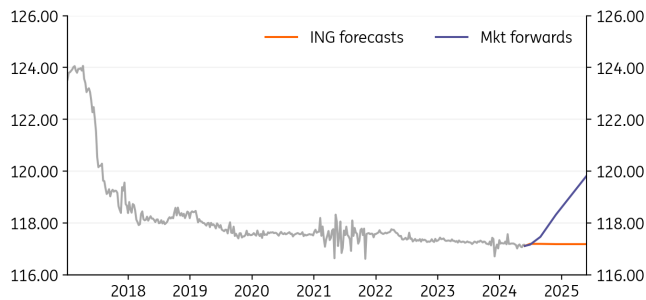
ING forecasts (mkt fwd)	1M 4.98 (4.9855)	3M 4.98 (5.0031)	6M 4.98 (5.0285)	12M 5.04 (5.0763)
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Valentin Tataru, valentin.tataru@ing.com

EUR/RSD

Intervention-driven stability to persist

Current spot: 117.08



Source: Refinitiv, ING forecasts

- Serbia and Kosovo's relations continue to remain tense, with no clear resolution agreed yet. This continues to weigh on Serbia's EU ascension path, which could depend on whether it takes clear steps to normalise relations with Kosovo.
- The Serbian dinar hasn't changed much over the past month, staying in a range of 116.78-117.16. The central bank continued to dampen appreciation pressures in May. 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 the central bank will likely continue to use FX as a pillar of stability for prices in the last mile of the battle against inflation, as well as in the easing cycle that follows.

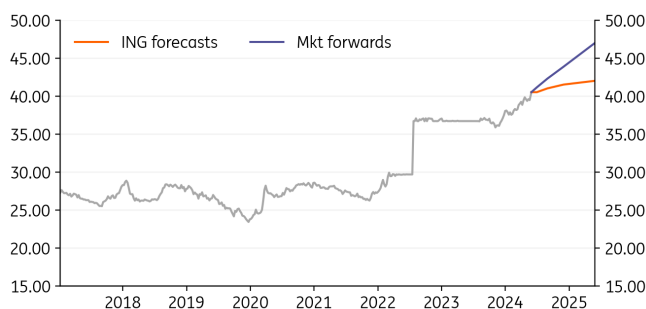
ING forecasts (mkt fwd)	1M 117.19 (117.16)	3M 117.19 (117.46)	6M 117.18 (118.32)	12M 117.18 (119.82)
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Valentin Tataru, valentin.tataru@ing.com

USD/UAH

Hryvnia remains at risk

Current spot: 40.61



Source: Refinitiv, ING forecasts

- The hryvnia was hit hard in recent weeks, reflecting both unfavourable EM global sentiment, as well as persistent woes caused by the Russian aggression and the National Bank of Ukraine's own policy (50bp rate cut in June).
- We expect the global factors to prove temporary, as a huge trimming of carry trade positions has already happened. Local woes are likely to persist though. The persistent current account deficit still calls for medium- and long-term depreciation of the hryvnia. The NBU increased FX intervention in May, but it proved insufficient to shore up the currency given both the global sentiment and NBU June policy easing. The central bank remains less determined to defend the hryvnia since the CPI slowed down to just above 3% YoY (from over 25% in late 2023).

ING forecasts (mkt fwd)	1M 40.50 (41.13)	3M 41.00 (42.29)	6M 41.50 (43.85)	12M 42.00 (47.00)
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Piotr Poplawski, piotr.poplawski@ing.pl

USD/KZT

Support from NFRK's FX sales is weakening

Current spot: 451.02



Source: Refinitiv, ING forecasts

- The Kazakhstani tenge ended May at 447/USD, very close to our 445 expectations and it has continued to depreciate in early June after seven consecutive months of strengthening. Oil prices are down, but it hasn't been a consistent predictor of KZT in recent months.
- A reduction in the FX sales out of NFRK, the sovereign wealth fund, from \$1.1bn in April to \$0.8bn in May was one of the reasons behind the KZT weakening. This reduction may have been prompted by a narrowing in the fiscal deficit.
- Given that in January-May 2024 nearly KZT2.5tr was transferred out of the NFRK, or almost 80% of the annual plan, we expect the intensity of FX sales to decline in the remainder of the year. Tightening in the fiscal rule is the watch factor beyond 2024.

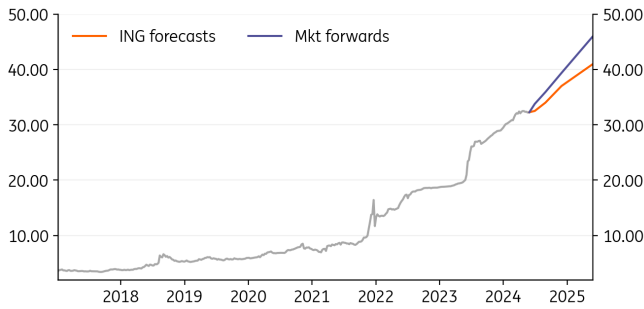
ING forecasts (mkt fwd)	1M 450 (454.36)	3M 455 (460.62)	6M 460 (469.53)	12M 470 (486.93)
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Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

Lira has been supported by the policy framework

Current spot: 32.65



Source: Refinitiv, ING forecasts

- Given the clear message from the Central Bank of Turkey, which has left the door open for further hikes following the recent rate and non-rate tightening, foreign interest in the lira has been on the rise. Accordingly, the inflation path and inflation expectations are the focus, while the bank will continue to keep the funding cost and ON repo rate high via its liquidity policy.
- Improved expectations and very high interest rates have led to a rapid increase in the CBT's net FX position. In fact, the CBT purchased more than USD70bn in the two-month period after the elections. A continued recovery in the current account and tight monetary policy will continue to have a positive impact on CBT reserves.
- With the breakdown of the exchange rate depreciation expectations, the downward trend in FX deposits (including FX protected deposits), has resumed, while gold imports are also falling. These developments indicate a return to the de-dollarisation in the economy. The currency will likely remain supported in the period ahead.

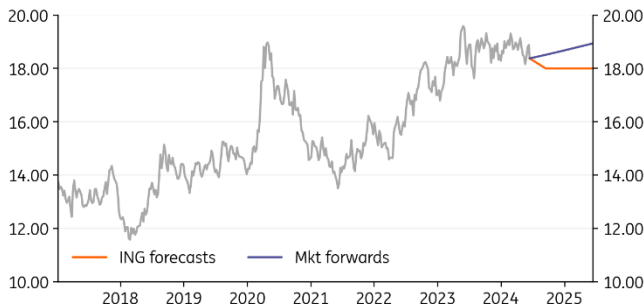
ING forecasts (mkt fwd)	1M 32.50 (33.78)	3M 34.00 (35.91)	6M 37.00 (39.36)	12M 41.00 (46.03)
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Muhammet Mercan, muhammet.mercan@ing.com.tr

USD/ZAR

Shape of new government will be key

Current spot: 18.38



Source: Refinitiv, ING forecasts

- Last month we said that election risks look under-priced in the rand and indeed USD/ZAR traded back to 19.00 on the very poor performance of the ANC and the risk it would need left-leaning parties in its national unity government. As it stands currently, it looks like the ANC may be going into a more market-friendly coalition with just the Democratic Alliance party.
- Should the above coalition come through, the rand, with its 8.25% rates, may well pick up some of the carry trade flows from the out of favour Mexican peso.
- It seems unlikely a new coalition will be able to turbo-charge the economy, but lower US rates will help world growth and the rand.

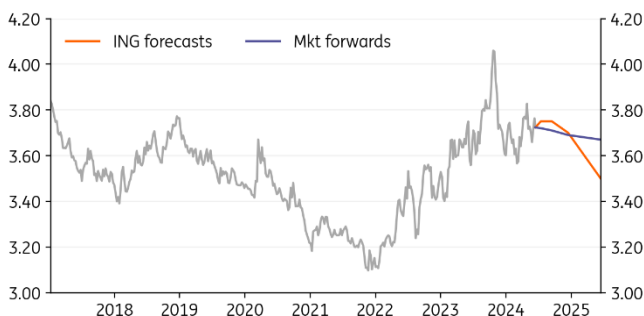
ING forecasts (mkt fwd)	1M 18.25 (18.42)	3M 18.00 (18.51)	6M 18.00 (18.65)	12M 18.00 (18.94)
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Chris Turner, chris.turner@ing.com

USD/ILS

Bank of Israel likely to keep rates at 4.50% all year

Current spot: 3.7231



Source: Refinitiv, ING forecasts

- USD/ILS looks to be stabilising around 3.70 now. Perhaps helping the shekel has been the re-pricing of the Bank of Israel easing cycle. Since the start of the year, the market has taken about 75bp out of the cycle and now sees the policy rate staying unchanged at 4.50% all year. Driving that pricing has been sticky inflation and inflation expectations on the rise as demand picks up.
- The Bol assumes that the impact of the war on the economy will fade by the end of this year and growth can bounce back to 5% in 2025. However, large budget deficits are a worry.
- If the Fed does cut rates as we suspect, the broad dollar trend should drag USD/ILS towards the 3.50 area.

ING forecasts (mkt fwd)	1M 3.75 (3.7187)	3M 3.75 (3.7082)	6M 3.70 (3.6930)	12M 3.50 (3.6654)
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Chris Turner, chris.turner@ing.com



LATAM

USD/BRL

Lula starts to flex his populist muscles

Current spot: 5.3633



Source: Refinitiv, ING forecasts

- Brazilian asset markets are starting to soften. The sharp sell-off in Mexico has not helped, but we are starting to hear some quite worrying comments from President Lula. He seems to have little appetite to cut government spending to hit fiscal goals and instead seems to be relying on interest rate cuts. Local Brazilian government yields have been rising and if the market starts to think he is really exerting pressure on BACEN to cut rates, the Brazilian real will tumble.
- There is a BACEN meeting on 19 June. Recall the real was hit in May when political appointees voted for a bigger rate cut.
- USD/BRL looks biased towards 5.50, despite the weaker USD.

ING forecasts (mkt fwd)	1M 5.50 (5.3826)	3M 5.50 (5.4165)	6M 5.50 (5.4700)	12M 5.50 (5.5855)
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Chris Turner, chris.turner@ing.com

USD/MXN

Morena's threat of constitutional reforms upends MXN

Current spot: 18.56



Source: Refinitiv, ING forecasts

- We, and the market, had thought that Mexican elections would be a non-event with a smooth transfer of power from AMLO to Claudia Sheinbaum. However, the Morena party's gains were so large that it looks that it will have the power to change the constitution. This has sent shockwaves through the market fearful that AMLO is seeking to dismantle independent institutions and removes checks on his regime.
- The 11% sell-off so far in the peso means that Banxico's plans to cut rates have been curtailed. Rates could stay at 11.25% all year.
- The peso may not recover until much later in the year. Investors will want to see what the new Congress does in September.

ING forecasts (mkt fwd)	1M 19.00 (18.65)	3M 19.00 (18.84)	6M 19.00 (19.11)	12M 19.00 (19.71)
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Chris Turner, chris.turner@ing.com

USD/CLP

Last Latam currency standing

Current spot: 917.90



Source: Refinitiv, ING forecasts

- Latam currencies have had a bad month. Even the high yield Colombian peso has been hit with concerns about fiscal slippage and changes to the debt limit. Yet Chile's peso has managed to post modest gains against the dollar - largely buoyed by copper prices. Our commodities team, however, thinks that the Chinese glut of finished copper means that copper prices will come down over the next couple of months. This could weigh on Chile's peso.
- The local central bank is expected to push ahead with rate cuts on 18 June. The risk is that a 50bp cut hits the peso.
- With low FX reserves and a largish (4% of GDP) current account deficit, we remain concerned about the peso.

ING forecasts (mkt fwd)	1M 950 (918.20)	3M 950 (918.35)	6M 950 (918.65)	12M 900 (919.64)
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Chris Turner, chris.turner@ing.com

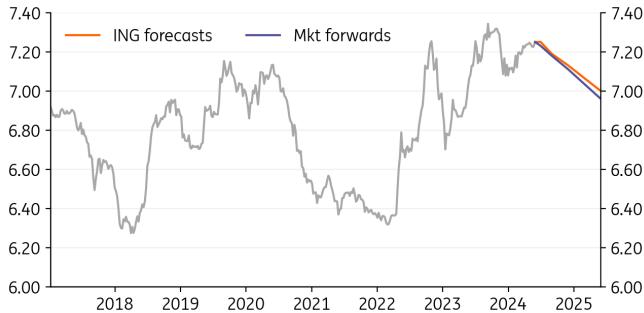


Asia

USD/CNY

Near-term weakness ahead of monetary policy moves

Current spot: 7.2557



Source: Refinitiv, ING forecasts

- USD/CNY has trended weaker over the past month, in line with our expectations. The reprieve from depreciation pressure amid a few dovish US developments proved to be short-lived.
- The People's Bank of China has held back on rate cuts so far this year to help stabilise the renminbi. However, with more global central banks easing now, and weak domestic credit and confidence data, the odds of a rate cut in the next few months are rising.
- Yield spreads will likely remain the main catalyst for FX moves. Though both the US and China are expected to cut rates, yield spreads should favour strengthening in USD/CNY in the second half of the year.

ING forecasts (mkt fwd)	1M 7.25 (7.2323)	3M 7.19 (7.1829)	6M 7.13 (7.1083)	12M 7.00 (6.9648)
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Lynn Song, lynn.song@asia.ing.com

USD/KRW

KRW is likely to trade at a lower level

Current spot: 1382.82



Source: Refinitiv, ING forecasts

- The Korean won has traded in a range between 1340-1380 for the past month, as market appetite for risk assets has lacked direction.
- Thanks to robust AI chip demand, exports and manufacturing grew strongly, while inflation eased to 2.7%. The Bank of Korea is expected to cut rates by 25bp in 4Q24 once inflation cools down to 1-2%.
- We continue to believe that a short window of appreciation will open at the end of 2Q24 for about one quarter as US data slows. But rising uncertainty about US politics and policies should limit further appreciation of the KRW.

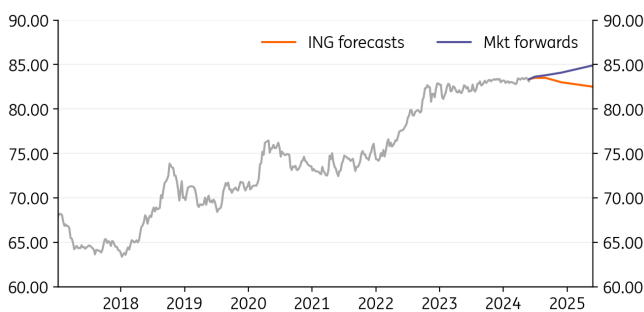
ING forecasts (mkt fwd)	1M 1340 (1380.42)	3M 1300 (1375.57)	6M 1320 (1368.32)	12M 1280 (1354.12)
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Min Joo Kang, min.joo.kang@asia.ing.com

USD/INR

Election results add volatility

Current spot: 83.54



Source: Refinitiv, ING forecasts

- The loss of a parliamentary majority by Prime Minister Narendra Modi's BJP party initially caused the rupee to come under significant weakening pressure.
- Since then, support by the BJP's main allies, and the likelihood that there will be no change in leadership at the Ministry of Finance means that markets have calmed down.
- The Reserve Bank of India left rates unchanged in June but note that they do not have to wait for the Fed before easing. The last MPC meeting was close, with two members voting for a cut.

ING forecasts (mkt fwd)	1M 83.50 (83.63)	3M 83.50 (83.79)	6M 83.00 (84.09)	12M 82.50 (84.91)
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Rob Carnell, robert.carnell@asia.ing.com

USD/IDR

IDR initially steadies after BI hike but slides on trade data

Current spot: 16400



Source: Refinitiv, ING forecasts

- The Indonesian rupiah managed to steady for most of May after Bank Indonesia's surprise rate hike to 6.25% on 24 April. However, the IDR began to slide again after trade data showed the surplus narrowing.
- Bank Indonesia opted to leave rates unchanged at its May meeting although sustained pressure on the IDR forced it to retain a hawkish tone.
- The IDR could remain pressured in the near term which could force BI to consider hiking again to push the differential with the Fed funds rate to 100 bp.

ING forecasts (mkt fwd)	1M 16250 (16406)	3M 16050 (16424)	6M 15800 (16466)	12M 15500 (16570)
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Nicholas Mapa, nicholas.mapa@asia.ing.com

USD/PHP

PHP slid on dovish speak from BSP

Current spot: 58.65



Source: Refinitiv, ING forecasts

- The Philippine peso came under pressure after Bangko Sentral ng Pilipinas Governor Eli Remolona indicated he was open to cutting policy rates ahead of the Fed.
- The PHP slid further after data supported early BSP easing with GDP disappointing and inflation cooling faster than forecast. Remolona reiterated his openness to cutting by August.
- The PHP will likely lag regional peers as BSP keeps up the dovish talk with a rate cut by August now a possibility.

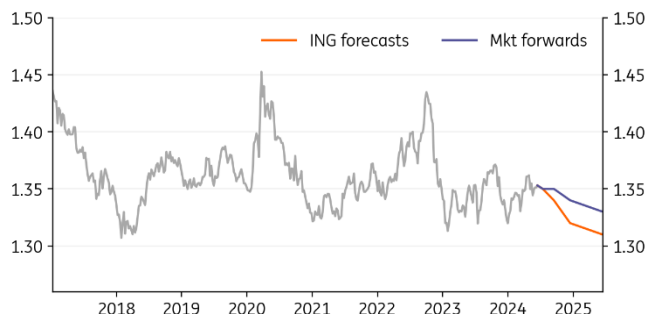
ING forecasts (mkt fwd)	1M 58.60 (58.67)	3M 58.00 (58.72)	6M 57.60 (58.77)	12M 56.00 (58.87)
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Nicholas Mapa, nicholas.mapa@asia.ing.com

USD/SGD

SGD moves sideways for the period

Current spot: 1.3530



Source: Refinitiv, ING forecasts

- High frequency economic data has been mostly disappointing suggesting that current growth is still modest. Still elevated inflation and contracting non-oil domestic exports and industrial production have weighed on overall sentiment.
- The persistence of inflation should keep the Monetary Authority of Singapore on hold in the near term with any adjustments only likely at the last meeting of the year in October.
- The Singapore dollar nominal effective exchange rate should continue its modest appreciation path until that meeting, taking direction from regional peers such as the CNY near-term.

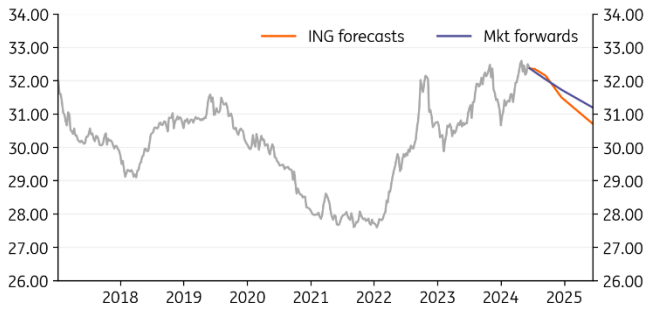
ING forecasts (mkt fwd)	1M 1.35 (1.3511)	3M 1.34 (1.3473)	6M 1.32 (1.3415)	12M 1.31 (1.3308)
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Nicholas Mapa, nicholas.mapa@asia.ing.com

USD/TWD

Net inflows drove appreciation

Current spot: 32.37



Source: Refinitiv, ING forecasts

- USD/TWD traded within a band of 32.1-32.5 over the past month, with the Taiwan dollar remaining in an overall strengthening trend over the past two months.
- Capital flows switched from net outflows to inflows May, supporting the TWD. President Lai Ching-te's inauguration avoided major friction and focused on maintaining the status quo, attracting net inflows toward the end of May. The TAIEX stock exchange hit a new record high.
- As the TWD has been one of the weaker Asian currencies year-to-date, in a potential dollar weakening window, the TWD could have more room for a rebound.

ING forecasts (mkt fwd)	1M 32.35 (32.26)	3M 32.15 (32.04)	6M 31.50 (31.73)	12M 30.70 (31.19)
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Lynn Song, lynn.song@asia.ing.com

ING foreign exchange forecasts

EUR cross rates	Spot	1M	3M	6M	12M	USD cross rates	Spot	1M	3M	6M	12M
Developed FX											
EUR/USD	1.07	1.07	1.09	1.10	1.10						
EUR/JPY	168.12	164	161	160	154	USD/JPY	157.35	153	148	145	140
EUR/GBP	0.84	0.85	0.87	0.88	0.88	GBP/USD	1.27	1.26	1.25	1.25	1.25
EUR/CHF	0.95	0.95	0.97	0.98	1.00	USD/CHF	0.89	0.89	0.89	0.89	0.91
EUR/NOK	11.42	11.40	11.10	11.00	10.80	USD/NOK	10.69	10.65	10.18	10.00	9.82
EUR/SEK	11.28	11.30	11.15	11.10	10.80	USD/SEK	10.56	10.56	10.23	10.09	9.82
EUR/DKK	7.46	7.460	7.460	7.460	7.460	USD/DKK	6.98	6.97	6.84	6.78	6.78
EUR/CAD	1.47	1.48	1.48	1.47	1.45	USD/CAD	1.38	1.38	1.36	1.34	1.32
EUR/AUD	1.62	1.60	1.60	1.64	1.67	AUD/USD	0.66	0.67	0.68	0.67	0.66
EUR/NZD	1.74	1.73	1.73	1.77	1.80	NZD/USD	0.61	0.62	0.63	0.62	0.61
EMEA											
EUR/PLN	4.37	4.27	4.22	4.25	4.30	USD/PLN	4.09	3.99	3.87	3.86	3.91
EUR/HUF	397.79	395	385	389	405	USD/HUF	372.34	369	353	354	368
EUR/CZK	24.73	24.7	24.6	24.6	24.5	USD/CZK	23.15	23.00	22.60	22.30	22.30
EUR/RON	4.98	4.98	4.98	4.98	5.04	USD/RON	4.66	4.65	4.57	4.53	4.58
EUR/RSD	117.08	117.20	117.20	117.20	117.20	USD/RSD	109.57	109.50	107.50	106.50	106.50
EUR/UAH	43.49	43.30	44.70	45.70	46.20	USD/UAH	40.68	40.50	41.00	41.50	42.00
EUR/KZT	482.88	481.50	496.00	506.00	517.00	USD/KZT	452.03	450	455	460	470
EUR/TRY	34.88	34.78	37.06	40.70	45.10	USD/TRY	32.65	32.50	34.00	37.00	41.00
EUR/ZAR	19.62	19.50	19.60	19.80	19.80	USD/ZAR	18.36	18.25	18.00	18.00	18.00
EUR/ILS	3.98	4.01	4.09	4.07	3.85	USD/ILS	3.73	3.75	3.75	3.70	3.50
LATAM											
EUR/BRL	5.73	5.89	6.00	6.05	6.05	USD/BRL	5.36	5.50	5.50	5.50	5.50
EUR/MXN	19.86	20.30	20.70	20.90	20.90	USD/MXN	18.60	19.00	19.00	19.00	19.00
EUR/CLP	983.57	1017	1036	1045	990	USD/CLP	920.60	950	950	950	900
Asia											
EUR/CNY	7.75	7.76	7.84	7.84	7.70	USD/CNY	7.26	7.25	7.19	7.13	7.00
EUR/IDR	17563	17388	17495	17380	17050	USD/IDR	16400	16250	16050	15800	15500
EUR/INR	89.26	89.30	91.00	91.30	90.80	USD/INR	83.54	83.50	83.50	83.00	82.50
EUR/KRW	1481.75	1434	1417	1452	1408	USD/KRW	1386	1340	1300	1320	1280
EUR/PHP	62.66	62.70	63.20	63.40	61.60	USD/PHP	58.65	58.60	58.00	57.60	56.00
EUR/SGD	1.45	1.44	1.46	1.45	1.44	USD/SGD	1.35	1.35	1.34	1.32	1.31
EUR/TWD	34.61	34.60	35.00	34.70	33.80	USD/TWD	32.40	32.40	32.20	31.50	30.70

Source: Refinitiv, ING

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