

# 2022 FX Outlook

17 November 2021



Liquid Allsorts

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# FX Outlook: Liquid Allsorts



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It's hard to pinpoint a clear central theme for FX in 2022. The Fed lift-off should help the dollar, but not across the board. Commodity currencies are still favoured, but some more than others. And some Emerging Market currencies look much better positioned than others for a year of higher interest rates. We pick out our favourites from 2022's assorted mix

2022 stands to be a further year of convalescence and recovery in the global economy. Headwinds from the pandemic and supply chain disruption continue to blow. Yet an increasing number of policymakers are confident enough to place inflation ahead of growth concerns and embark on monetary tightening cycles.

All indicators point to strong US growth in 2022 (near 5%), persistent inflation and a Fed ready for policy rate lift-off. We expect further dollar strength against the euro and the yen through 2022, where the ECB and the BoJ have a much stronger case to keep policy loose. We see the Fed cycle as being prone to being re-priced higher and gentle dollar strength as a constant theme for 2022.

Unless backed by commodity exports, we expect European currencies, in general, to underperform against the dollar in 2022. More exposed to supply chain disruption via the greater weight of manufacturing in their economies, most will be dragged lower as EUR/USD softens through the year. Out-performing steep forward curves should be the energy exporters of NOK and RUB.

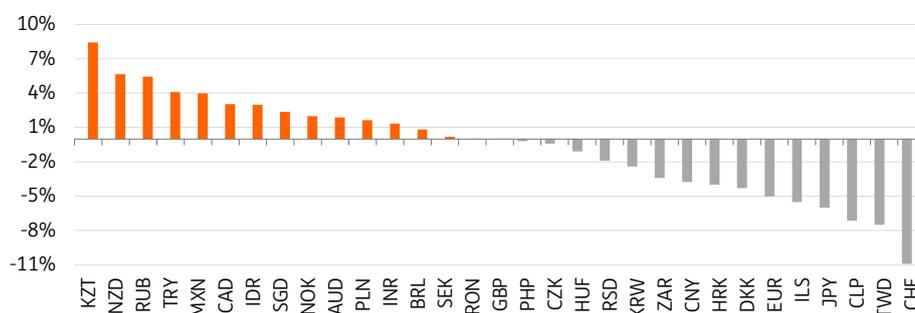
Within CEEMEA, the Czech National Bank has set the pace for tightening and is not done yet. Hungary and Poland have been a little slow out of the blocks, but light foreign positioning suggests the downside for the zloty should be limited. Elections in Hungary make the HUF a more volatile proposition. Expect the rouble to hold its gains backed by a very hawkish central bank, while the TRY and also the ZAR look more vulnerable.

In Asia, the renminbi remains an enigma. It has proven one of the strongest currencies of 2021 despite China being the epicentre of most concerns this year. Strong bond inflows and a trade surplus may have helped, yet we think the strong Renminbi has been a policy choice too. With commodity prices enjoying some mean reversion in 2022, we would expect the PBOC to allow for some trade-weighted weakening of the CNY. Within the region, we think the IDR and SGD may put up the stiffest resistance to dollar strength.

And finally, electoral poll risk will continue to stalk Latin currencies. Elections in Chile (November '21) and Brazil (October '22) pose challenges to right-wing incumbents and in Brazil's case, fiscal risk premia could return to the BRL. Better positioned, we think, is the MXN. Banxico looks to be building a strong, precautionary wedge in local interest rates and Mexico is better positioned to enjoy US demand.

Please see below for how we think currencies can perform against their end-2022 FX forwards and see all the linked articles for more details on each of the key currency pairs.

**12-month forecast returns against USD vs 12-month FX forwards**



Source: ING, Refinitiv



## G10: Mid-cycle dollar strength

**Pandemics and financial crises aside, exchange rates typically can be seen as an extension of monetary policy. They reflect whether central bankers want to hit the accelerator or the brakes. In 2022 it seems clear that the Fed will have the strongest cause to apply some monetary restraint and that the dollar should perform well**



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### Output gaps have closed/are closing

If equity markets embody some sense of confidence in the global economy, then this year's stellar returns suggest policymakers have achieved their goals in preventing the Covid-19 pandemic from turning into a multi-year recession. G10 economies are bouncing back and concerns about the strength of the recovery are shifting towards unease over the path of inflation.

Output gaps – or how economies are growing compared to potential – can provide some sense on whether central bankers can take their time in normalising loose monetary policy or need to act faster in response to the inflation threat. While output gaps are notoriously hard to forecast, the IMF believes 2022 will see positive gaps in the US (+3.3%) and Canada (+0.8%). In theory, the Fed and the Bank of Canada should be at the front of the queue when it comes to tightening.

Both the Euro area and Japan have seen negative output gaps since 2008 and probably again in 2022 – justifying the more entrenched dovish positions of those central banks.

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*“The Fed and the Bank of Canada should be at the front of the queue when it comes to tightening”*

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Though it seems a very much consensus view, we do favour dollar strength during the Fed lift-off – and largely against those currencies which will be more tolerant of higher inflation. This should mean the EUR, JPY and CHF will be the stand-out under-performers in 2022, while the SEK may lag too.

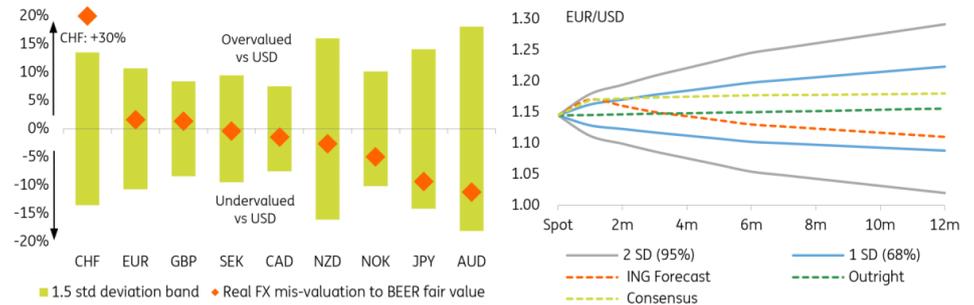
We do not think a stronger dollar against the low-yielders needs to upset the risk environment yet. After all, it is probably best to characterise the global economy as being in mid-cycle right now – growing confidence in the recovery, inflation picking up and central banks starting up tightening cycles. That should mean most commodity currencies can continue to perform well as their economies realise, through stronger business investment, the benefits of recent terms of trade gains.

GBP probably falls between the three stools of the: i) stronger dollar, ii) weaker low yielders and iii) steady commodity currencies. We think GBP can hold onto its 2021 gains unlike a market generally more pessimistic on the pound.

One final point. We do like to drop anchor on some kind of medium-term fair value for currencies against the dollar, using our Behavioural Equilibrium Exchange Rate (BEER) model. Recent terms of trade changes have depressed EUR/USD fair value to around 1.10. That is our year-end 2022 forecast which is well below the consensus of 1.18. Of

the under-valued currencies in our BEER model, we would favour NOK and NZD playing catch-up. We are bearish on the JPY in 2022 and whilst the AUD may benefit from being undervalued and over-sold, positioning for recovery here remains a high-risk proposition.

Please see all our regular currency sections below.



Source: ING, Refinitiv

### EUR/USD: Most roads lead to a stronger dollar

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/USD	1.13	Bearish	1.16	1.15	1.13	1.11	1.10

- Fed cycle under-priced:** What turned the dollar around this year was the Fed. Instead of unchanged policy and deeply negative real US rates into 2024, it now looks as though it may hike rates next summer. The Dot Plots have been a big driver here and, even now, money market curves are still some 40-50bp below Fed projections for the policy rate. Good growth momentum going into 2022 (we forecast GDP at 5%) backed by strong corporate and consumer balance sheets should mean that pricing power holds and inflation stays above 3% all year. A stronger dollar can play a role in tightening monetary conditions.
- ECB tightening expectations contained:** Pricing of the ECB policy path also fell foul of the energy price shock and at one point nearly 30bp of tightening was priced in for 2022. We view that pricing as extreme and unlikely, although it may take eurozone inflation dipping into next spring (the German VAT hike rolling out of calculations helps) before the market backs away from that kind of pricing. The eurozone is still expected to run a 0.5% of GDP negative output gap in 2022 and the ECB has made it pretty clear it does not want to repeat the mistakes that Trichet made by tightening policy in July 2008.
- Stagflation?** The main risk to the above scenario is probably stagflation, where early hikes to address a transitory price shock trigger a recession. The current Fed seems light years away from the Volcker Fed of the early 80s, thus we would see this scenario as unlikely. Even if it were to materialise, stagflation would be negative for risk assets and probably provide support for the anti-cyclical dollar. Perhaps the only scenario for a much stronger EUR/USD in 2022 would be a strong global recovery, a eurozone renaissance (as in 2017) and a Fed turning dovish. With supply chain disruptions expected to weigh on growth in manufacturing-heavy Europe next year, such a scenario seems unlikely.

### USD/JPY: Mind the output gap

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/JPY	114.50	Bullish	113.00	114.00	115.00	118.00	120.00

- **Perfect storm for JPY:** The JPY has been the worst-performing G10 currency this year. Driving the JPY weaker has been a reasonably benign environment for risk assets, higher US rates and more recently the energy shock. While our team does see energy correcting lower into next year (Brent to \$75/bl), US rates look firmly set to go higher and equities may well stay supported, if not repeating the strong gains of this year. This should keep USD/JPY supported near 115.00, with scope for a break towards 120 as the Fed embarks on its tightening cycle – potentially next summer.
- **BoJ happily behind the curve:** USD/JPY is certainly a tale of two output gaps. The US economy is expected to run a 2% of GDP positive output gap next year. That means that the Fed may push to the front of the queue when it comes to tightening in the major economies. Despite recent growth, Japan's economy is still expected to run a 1% negative output gap in 2022 – in other words pricing power is weak. Targeted Japanese CPI is not expected to rise up to 1% until FY23, keeping the BoJ tightly holding its convoluted policy setting of QQE with yield curve control.
- **Weak not strong JPY a problem?** In early October, the Japanese Finance Ministry seemed to express some concern with the weak JPY. At the time USD/JPY was trading under 112. Concern was, no doubt, related to some sharp moves in FX, but also in an environment of higher energy prices. We suspect Japanese officials will not want to see USD/JPY trading sharply through 115 for the time being, but the combination of a turn in energy lower next spring and the Fed preparing for lift-off suggests 2Q22 could be the topside break-out period for USD/JPY.

#### GBP/USD: Reports of sterling's demise look exaggerated

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
GBP/USD	1.34	Neutral	1.36	1.37	1.36	1.34	1.34

- **BoE policy error?** On a trade-weighted basis, GBP is up by more than 3% this year. Yet a common refrain now from GBP bears is that the Bank of England is about to make a policy error. The argument goes that the BoE is set to tighten policy at exactly the wrong moment – akin to President Trichet's ECB rate hike in July 2008 on the eve of the financial crisis. The difference is that there are no clear signals of a UK recession in 2022. Our economist sees a reasonably healthy UK growth profile next year, initially running at 1% QoQ. That should allow the BoE to hike 15bp this December and a further 50bp in 2022.
- **Brexit baggage:** GBP bears also point to London's thorny relationship with Brussels and the risk that the EU-UK Trade and Cooperation Agreement falls apart. Our team's take on this is a reminder that this agreement is barely better than a No Deal Brexit, such that its failure would not trigger the kind of GBP volatility witnessed in 2019. Additionally, as negotiations have shown, there is plenty of scope for last-minute position adjustment from both sides and we doubt 2022 becomes characterised as a year of looming Brexit deadlines.
- **Withstanding the dollar onslaught:** It is not a popular view, but we think GBP can withstand the strong dollar onslaught better than some. We doubt Cable has to trade substantially under 1.30 and expect the early BoE tightening to provide GBP with a cushion. In a year when the external environment could become tougher (higher US rates, later in the economic cycle), the UK does not look as vulnerable as some might think. The UK current account deficit has narrowed to a manageable 2% of GDP and the budget deficit is forecast to shrink to just 0.6% of GDP in FY22-23. The UK's 5-year CDS now trades inside of the US too.

## EUR/JPY: Mid cycle support

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/JPY	130.00	Neutral	132.00	131.00	130.00	131.00	132.00

- What of the risk environment?** Equity markets (ex-China) have had an excellent 2021. The asset class is seen as an inflation hedge and in theory, should continue to perform well - albeit less spectacularly - in 2022. Typically, equity markets are the last asset class to turn in a business cycle and it seems fair to describe the global economy as shifting to a mid-cycle phase as policymakers remove the punchbowl having grown confident in the recovery. This should be a gently positive environment for EUR/JPY and keep it supported within a 130-134 range.
- Abundant EUR liquidity:** Eurozone money market rates should remain depressed near the -0.50% ECB deposit rate through certainly 1H22, although may tick up a little in 2H22 after the ECB's TLTRO special interest period ends in June. Excess EUR reserves held at the ECB are currently EUR3.6trn and growing. While the ECB will have a challenging meeting on December 16th with regard to how to end the Pandemic Emergency Purchase Programme, we expect a new hybrid scheme to be introduced to smooth the PEPP exit. Like the JPY, we expect the EUR to remain a popular funding currency through 2022.
- Top risks in 2022:** Potential risks next year come in the form of **geo-political** (China-Taiwan/US), (Russia-Europe), **financial market** (China property crash, Fed over-tightens, EM debt crisis) and **social and environmental** (New Covid variants, inequality triggers unrest, e.g. Latam, climate events). Invariably at some point, there will be risk-off events that trigger sharp rallies in funding currencies such as JPY and EUR. History would probably suggest that the JPY still outperforms when these risks hit.

## EUR/GBP: Unfashionably weak

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/GBP	0.845	Mildly Bearish	0.85	0.84	0.83	0.83	0.82

- Brexit risk premium smaller:** As above, we doubt the noise regarding the unravelling of EU-UK trade negotiations has to hit GBP as hard as it did in 2019. Back then, GBP traded with a 5-6% risk premium to the EUR. In other words, we doubt EUR/GBP has to spike 5-7 big figures on any substantial deterioration in cross-channel relations. Based on how GBP has traded so far this year, we believe Brexit fatigue can keep the risk premium more to the 1-2% region. 0.8650/8700 could then remain at the top of the EUR/GBP trading range.
- ECB-BoE divergence:** Inflation looks set to rise in both the UK and the eurozone over the coming months. Eurozone CPI should peak this December at around 4.3%, but the UK highs shouldn't come until April and higher at 5%. Despite market pricing to the contrary, an ECB hike looks highly unlikely next year and abundant liquidity (pressing market rates to the deposit rate floor) looks set to remain well into 2023. In the UK, we are faced with the intriguing prospect of the BoE allowing its Gilt holdings to roll off once the policy rate hits 0.50%. The improvement in relative government bond yields should favour GBP.
- Politics:** The FX options market attaches a sizeable risk premium to the French elections next April, particularly the run-off on April 24th. President Macron looks

comfortably ahead in the polls at present with around 25% of the vote, though plenty can change over the next six months. French elections certainly weighed on the euro in early 2017. In the UK, the Johnson government seems to survive most missteps and the opposition Labour party are yet to mount a serious challenge. And we suspect Chancellor Rishi Sunak is keeping his powder dry for a pre-election tax give-away potentially in early 2023. Arguably, therefore, political risks are greater for the eurozone in 2022.

### EUR/CHF: Testing the SNB's tolerance

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/CHF	1.05	Bullish	1.05	1.07	1.08	1.10	1.12

- Hedging inflation with the Swiss Franc?:** The CHF has surprisingly been one of the biggest beneficiaries of the autumn energy price spike. The argument goes that with very low inflation in Switzerland, everyone else's real interest rates (nominal less inflation) have come lower – thus making the CHF more attractive. We think there are probably other factors at work here too. Switzerland's trade balance remains strong (surpluses in excess of CHF4bn per month since May) and continued ECB money printing is keeping EUR/CHF subdued. EUR excess reserves parked at the ECB are now EUR3.6trn!
- Looking for SNB's line in the sand:** The SNB retains a policy stance of rates at -0.75% and continued FX intervention to fight the 'highly valued' CHF. The SNB will be reluctant to draw a line in the sand, e.g. 1.0500, to try and defend. We note that the real trade-weighted CHF remains 5-6% off its 2015 highs, suggesting that if the SNB is to throw the kitchen sink at EUR/CHF, it may not be until it gets closer to 1.00. The reason for continued intervention is that the SNB still sees Swiss CPI less than 1% in 2024 and has more reason than many to hold into its dovish stance.
- Testing the SNB's resolve:** Like the Bank of Israel, the SNB's commitment to fighting currency strength is being tested. Even though the SNB's balance sheet is now greater than CHF1trn, there seems no domestic pressure to stop growing FX reserves. Instead, the pressure comes from investors wondering whether: a) the SNB will become less concerned about deflation and more tolerant of CHF strength and b) the US Treasury has effectively warned the SNB off intervention. As above, we very much doubt the SNB does a U-turn in policy in 2022 and would expect a slowing in ECB balance sheet expansion to start providing EUR/CHF with support as 2022 progresses.

### EUR/NOK: Still a bright outlook for the krone

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/NOK	9.89	Bearish	9.85	9.75	9.70	9.60	9.50

- Energy story:** NOK has already benefitted in the past few months from being a large energy exporter, but the positive implications for the Norwegian economy are likely there to stay, as rising investments in the energy industry are set to further underpin the recovery. We expect only a gradual decrease in oil prices in 2022 (Brent to average: 76\$/bl), which should partly offset the sharper contraction we expect in natural gas (TTF to average 39 €/Mwh in 2022). We must remember that, unlike other exporters, Norway's low hydro reserves makes it prone to a sharp rise in domestic energy costs. There is a non-negligible risk that the country may face a

situation where higher costs of living may coincide with wider room for wage increases as investments rise and the job market tightens; the result could be a considerable heat-up of the economy and inflation.

- **Norges Bank to stay hawkish:** We think the growth and inflation outlooks will continue to support the Norges Bank's tightening plans, which currently imply three hikes in 2022 after the already announced hike in December. The market pricing is broadly replicating the NB's latest projections. We think the risks are skewed towards the central bank overdelivering (four hikes in 2022); as highlighted in the point above, we see some risk that the economy may heat up excessively in early 2022, which could lead the NB to accelerate its tightening plans. Still, even with three hikes next year, a policy rate at 1.0% means that NOK will be at the forefront of benefitting from any revamp of carry trade interest in G10.
- **Risk environment and valuation:** NOK is the least liquid G10 currency and has the highest sensitivity to swings in global equities, so our bullish views on NOK rely on the assumption that global tightening cycles will not generate a persistently risk-averse environment in markets next year. Despite this year's extended downtrend, EUR/NOK is still around 7% overvalued according to our medium-term BEER model, and we see room for a move to 9.50 by 4Q22.

**EUR/SEK:** Waiting for the Riksbank's delayed hawkish turn

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
<b>EUR/SEK</b>	10.04	Mildly Bearish	10.00	9.90	9.85	9.75	9.65

- **Riksbank playing it cool:** The market is currently pricing in around 50bp of monetary tightening by the Riksbank in 2022. We think such hawkish expectations are unwarranted given a relatively subdued medium-term inflation outlook in Sweden. We expect no hikes before 2023, and we think the RB will push back against the market's hawkish bets in November and possibly until early-2022. Still, tightening plans elsewhere and a robust domestic story should force a hawkish shift in communication by 2H22, which should take the form of signals about balance sheet reduction and/or some 2023/24 hikes being added in the rate projections. Still, lower rate attractiveness suggests SEK will struggle to outperform higher-yielding currencies like NOK in periods of supported risk sentiment.
- **Global trade recovery:** Sweden is a very open economy (total trade-to-GDP ratio was around 60% before the pandemic) and its economic fate is heavily tied to the recovery in global trade. Our trade team expects global demand to stay strong, while supply strains may keep hindering the trade rebound in 1H22 before easing in 2H22. We expect a YoY increase in global trade by 2.9% in 2022. More than half of Swedish exports are intra-EU and while we don't see eurozone growth exceeding expectations, we still forecast a decent 3.9% YoY for 2022, which should keep supporting the Swedish export industry.
- **Valuation and historical considerations:** From a valuation point of view, EUR/SEK is fairly valued in the medium-term according to our BEER model. We see room for some overshoot on the undervaluation side in the next couple of years, which incidentally was the case in the post-GFC recovery when EUR/SEK dropped below 9.00 and was moderately undervalued until 2013. Back then, an aggressive Riksbank tightening cycle gave an extra boost to SEK. As this is unlikely to happen this time around, we expect SEK gains to prove more moderate. We target 9.65 in EUR/SEK for the end of 2022.

## EUR/DKK: More FX interventions, but another cut not very likely

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/DKK	7.437	Neutral	7.44	7.44	7.44	7.45	7.45

- Monetary/FX policy:** The Danmarks Nationalbank intervened for DKK 74.5bn in the FX market to defend the EUR/DKK peg before deciding to cut the deposit rate from -0.50% to -0.60% on 30 September. The positive impact on EUR/DKK has faded since then, and after peaking at 7.4410, the pair has now moved back to the middle of the 7.4350/7.4400 area. This may signal how the wider EUR/DKK rate differential may be a necessary but not sufficient driver for consistent re-appreciation in the pair, given current market conditions. At the same time, the differential should be able to provide a floor that is solid enough to let the DN manage the peg only with FX interventions and not with another rate cut in 2022. A potential shift to a more hawkish tone by the ECB in the second half of 2022 may also provide some support to the pair, but we may have to wait until late 2022 or even 2023 to see the pair stabilise in the 7.4500/7.4600 region.

## USD/CAD: Loonie is the safest commodity currency

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/CAD	1.255	Bearish	1.24	1.23	1.22	1.21	1.22

- Commodities and external factors:** We expect oil to average 76\$/bbl (Brent) in 2022, with a gradual return to surplus driving prices moderately lower. Such a gradual downtrend should not be enough to undermine the recovery in the Canadian oil and gas industry, currently a major driver of economic strength. Being a very open economy, Canada is also set to benefit from the further recovery in global trade, which could accelerate in 2H22 as supply strains ease. As 70% of Canada's exports head to the US, long-CAD should continue to be a proxy trade for the strong US growth story.
- Strong domestic economy:** In Canada, the jobs market is at pre-pandemic levels, record-level investments keep supporting the growth outlook and a very successful vaccination campaign is allowing a loosening of the so-far very strict border policy. When adding that demand from the neighbouring US for Canadian exports is likely to keep rising, and Trudeau's government pledged to keep fiscal policy loose for longer, the domestic economic story is set to remain a positive for CAD, and partly shield it from any risk-off waves or USD appreciation.
- BoC to act fast:** The Bank of Canada shifted to a more hawkish stance in October by ending QE and signalling a first hike should come in 2Q22 or 3Q22. Markets are currently pricing in the first hike at the March meeting and see a total of 125bp of tightening in 2022. We currently forecast four 25-bp rate hikes in 2022, so expect only limited scope for a re-pricing of tightening expectations. Having the lowest volatility among G10 commodity currencies, CAD may emerge as a popular carry bet against low-yielders next year. We think CAD has the lowest downside risk in the commodity FX space and expect USD/CAD to stay closer to 1.20 rather than to 1.25 in 2022.

## AUD/USD: Room to rise, but big downside risk

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
AUD/USD	0.73	Mildly Bullish	0.73	0.73	0.74	0.74	0.75

- Monetary policy outlook:** The RBA dropped its yield-curve-control policy in November but has retained dovish forward guidance to 2024. The lockdown-induced period of soft data should not last much longer and a 70% vaccination rate reduces the risk of new restrictions. We expect a solid rebound in unemployment and while a sharp rise in wage growth is not guaranteed, inflation should remain within the 2-3% RBA target in 2022. The growth outlook is blurrier as many headwinds may come from China. We think the RBA will taper asset purchases and end QE before the end of 2022. The first hike may only come in early 2023, although risks are skewed towards an earlier move. Still, the market pricing (75bp of tightening in the next 12 months) is too hawkish in our view.
- Commodities:** AUD has benefitted from Australia's energy-exporting industry (around 20% of all exports), but our commodities team expects natural gas and coal (Australia's second and third biggest exports) to be among the main victims of the energy price decline in 2022 – especially in the first half - and average 39 €/Mwh (TTF) and 110 \$/t (Newcastle coal) in 2022. Iron ore (Australia's primary export), whose prices have approximately halved since mid-2021, should be able to hold around the current \$100 levels on average next year, although a return to the 1H21 levels appears off the cards given China's new restrictions on steel production. All in all, we expect a moderate net-negative impact of commodities on AUD in 2022.
- Valuation and positioning are supportive:** The market is pricing in too much RBA tightening in our view, but AUD still has to catch up with the recent hawkish re-pricing. Incidentally, AUD is the most undervalued (-11%) G10 currency against the USD, according to our medium-term BEER model. AUD is also the most oversold currency in G10 and has the widest room to benefit from short squeezes in risk-on periods. Still, AUD is arguably facing the biggest deal of downside risks among G10 commodity currencies given its huge exposure to China-related sentiment and a potential commodities downturn. Even assuming only very few of those risks materialise, a return to the 2021 0.80 highs in AUD/USD seems quite unlikely in the next year.

## NZD/USD: Counting on a strong domestic story

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
NZD/USD	0.70	Bullish	0.70	0.71	0.72	0.73	0.74

- An aggressive RBNZ:** The RBNZ is one of the most hawkish central banks in G10, and markets are pricing in around 175bp of tightening between now and the end of 2022. We think hawkish expectations are overdone, as we expect 125bp of tightening (100bp are already embedded in the RBNZ's latest rate projections). We think markets will have to scale down tightening expectations for 2022, but signs of persistent inflation throughout the year should fuel speculation that the tightening cycle will have to continue in 2023-24, and put a floor below NZD. The currency should have the most attractive carry in G10 in the year ahead and should therefore benefit more than others from periods of low volatility a supported risk sentiment.

- **Strong domestic economy:** The RBNZ tightening should be supported by the strong domestic economy story. After likely facing some drag from the recent lockdown in Auckland, the vaccination programme should allow some gradual re-opening of borders. A rebound in tourism and education – two key sectors for the NZ economy – are set to give an extra boost to the economy. Given the exceptionally tight jobs market, inflationary pressure appears to have a less transitory nature than elsewhere in the developed world, even though easing housing and energy prices in 2022 should allow some normalisation.
- **Mixed external environment:** New Zealand commodity exports are almost solely in dairy and agriculture products. While not experiencing the same kind of rally seen in energy commodities, milk and forestry prices (the two main exports) are still considerably higher than in the last five years, and even in case of a correction in 2022, the exporting industry should continue to underpin the recovery. A big downside risk for NZD in 2022 is, however, China-related sentiment, which remains quite uncertain amid government crackdowns on some sectors and a potential economic slowdown. While being modestly undervalued vs USD in the medium term (3% according to our BEER model), NZD is the most overbought currency in G10 and is facing some position-squaring-related downside risk in the near term. We expect NZD/USD to rise gradually to 0.74 in 2022.

# CEEMEA: Treating inflation with respect



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Currencies from Central and Eastern Europe, the Middle East and Africa will struggle in the stronger dollar environment in 2022. Yet with a lot of tightening already priced in, we look for the Czech koruna and ruble to outperform steep FX forward curves. The Turkish lira and the South African rand look the most vulnerable



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## More hikes coming, growth holding up

As has been the case the world over, inflation has surprised across the CEEMEA regions and most authorities have been forced to act. Russia has been the stand-out early mover looking to take rates into restrictive territory. Turkey is operating off a quite different cycle, where disinflation and currency stability no longer seem to be a priority.



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In the CE4 region, all central banks should be hiking rates over coming months. Our team estimates that inflation rates should be peaking, perhaps in the 7-8% year-on-year range, into early next year. Of the four, the ever-hawkish Czech central bank should be taking rates towards the 3.50% area early next year, which should keep the CZK well supported. Our Polish team thinks the zloty is undervalued and that good interest for it emerges at EUR/4.70. Hungary faces some uncertainty from elections next spring and the forint may stay vulnerable, while the National Bank of Romania will likely require all its tools to keep EUR/RON stable.



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Among the high-yielders, we favour USD/RUB continuing to trade in a 70-75 range, buoyed by impressive rates and a strong external position. While a push under USD/70 may be a stretch, the ruble should, however, outperform a steep FX forward curve. The USD/TRY forward curve is also very steep, but could get steeper as a weaker Turkish lira questions whether the Central Bank of Turkey needs to reverse its easing course. The South African rand has enjoyed strong gains in 2021, but mean-reversion in commodities and a more difficult external environment signals that USD/ZAR could be trading close to 17 by end 2022.



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## EUR/PLN: Re-positioning into Polish debt should help the zloty



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	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/PLN	4.6700	Mildly Bearish	4.61	4.52	4.49	4.53	4.54



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- **NBP policy:** A long series of upside CPI surprises finally convinced the MPC that inflation is not going away anytime soon. The consumption-driven GDP structure, the strong labour market and another fiscal package (Polish Deal) etc. all hint at core inflation remaining elevated for years to come, even after the impact of energy commodities fades. We expect 2022 inflation to be even higher than this year (5.5% versus 4.9% year-on-year). The National Bank of Poland's rhetoric indicates that the central bank will continue rate hikes both in December and in 2022, reaching 2.50-3.00% in late 2022 / early 2023.



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- **POLGBs:** Local debt took a heavy beating in 4Q21 and 10Y yields have risen almost 150bp since August. Asset swaps have widened as well. In tandem, a weak zloty may

entice foreign investors to approach the local market, especially since they are heavily underweight Polish bonds. This trend is partially under way already, as foreign holders have increased their positions since May, although at a slow rate. Increased unhedged exposure to POLGBs should help the zloty.

- **The outlook:** The zloty is heavily undervalued, based on our long-term models. While Poland no longer benefits from a hefty trade surplus, unlike other CEE economies, it does not suffer from a significant deficit. The rise in interest rates offers the zloty support as well. Models point to levels around 4.50 for fair value. Many investors seem to agree, as large option positions have been opened, betting on PLN gains. In the short term, much may happen though. EM sentiment is uncertain given the situation in Asia. Poland is also at risk of further tension with the EU, as both sides await the European Court of Justice's ruling on conditionality of access to EU funds (due in early December).

### EUR/HUF: Domestic policy divergence challenges the HUF

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/HUF	365.0000	Mildly Bullish	360.00	365.00	360.00	367.00	370.00

- **NBH policy:** Although the National Bank of Hungary does not have an FX target, it has clearly signalled recently that it is ready to manage short-term market risks to help reach its inflation target over the monetary policy horizon. In this respect, the hawkish forward guidance, and the readiness to take immediate action should keep EUR/HUF around the 360 gravity line in the short-term. We see the NBH continuing with rate hikes through the first half of next year with a terminal rate of 3.5%. In the event of turbulent FX markets, we see the NBH calming markets with rate hike(s) in the 1-week deposit facility.
- **General election:** The next Hungarian parliamentary election will be held in April 2022, which could be a really tight race between the governing Fidesz-KDNP and the six-party alliance. Such rare uncertainty in the political landscape could place the forint under extra pressure towards the end of the first quarter next year. Our base case scenario sees the reigning political force remaining in power with a small majority, which may help stabilise the HUF on the back of policy continuity. Should the opposition win the election, a power struggle could see more volatility in the currency.
- **Domestic policy divergence:** The central bank is fighting an uphill battle against inflation as the government is pushing for GDP growth via fiscal easing. This easing will amount to roughly 8% of GDP during 4Q21 and 1Q22. Measures include public investment, tax refunds, tax cuts, pension bonuses and wage settlements. But the Ministry of Finance has admitted that fiscal consolidation needs to take place soon. This could mean reduced budget spending from the second half of next year. As fiscal consolidation begins, we see the NBH stopping the tightening cycle. In this respect, local policy divergence will come to an end, but international monetary divergence will create an environment where the forint is vulnerable to depreciation, which is the reason for our end 2022 EUR/HUF forecast of 370.

## EUR/CZK: Front-loaded CZK gains

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/CZK	25.2000	Neutral	25.20	25.00	25.00	25.15	25.30

- Czech National Bank policy rate heading to 3.5%+:** Having hiked by 125bp to 2.75% in November, the CNB is expected to take the policy rate to the 3.50% area in early 2022 – 3.50% being the top of the CNB's range for a neutral policy setting. It is yet to discuss restrictive settings! Driving the move is the CNB's hawk-like focus on inflation, which is expected to hit 7% YoY by year-end. A 3.50% policy rate, dragging the 2-year CzechGB yields to the 2.75% area, would make Czech sovereign debt some of the most attractive investment grade bonds in Europe and very interesting for FX reserve managers.
- Time to let CZK do the tightening?:** The CNB's Autumn projections forecast growth at 2% this year and 3.5% next. This assumes that 3M CZK Pribor moves up to 3.60% and that EUR/CZK heads down to 24.00 by the end of 2022. But what if EUR/CZK stays at 25.00 – would the CNB need to tighten more aggressively? One policy discussion that could emerge is whether the CNB starts selling its EUR140bn stockpile of FX reserves to drive CZK stronger. This is probably unlikely since the CNB will not want to target the currency and might struggle with a domestic PR exercise of suffering heavy losses on the FX it bought defending the 27.00 floor.
- Deficits the Achilles' Heel:** Aggressive tightening has driven the CZK higher this year and so far, weak domestic activity has not weighed on it. Yet the Czech economy is very exposed to the supply chain challenge, and auto sector production in some companies is being shut down until the end of the year. That will impact trade and leaves the CZK exposed to twin deficits into 2022. Additionally, the CNB acknowledges that the CZK is starting to trade like an EM currency, i.e. it weakens when the dollar turns bid. Given that we're bullish on the dollar into 2022, we are therefore reluctant to forecast EUR/CZK substantially below 25.00.

## EUR/RON: Many balls for the NBR to juggle

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/RON	4.9400	Neutral	4.95	4.95	4.95	4.95	4.98

- Inflationary pressures:** Romanian inflation rose at an unexpectedly fast pace in 2021 as the global rise in energy prices overlapped the local market liberalisation for natural gas and electricity. This is pushing end-2021 inflation to around 8.0% and the profile will not look much better in 2022 when average inflation could well exceed 6.0%. The central bank began to tighten monetary conditions, squeezing liquidity out of the market and pushing implied yields higher by well over 100bp in less than two months starting in September. This makes long EUR/RON positions particularly expensive, and we expect to see this situation continue well into 2022.
- Local politics:** After the December 2020 general election, Romania was supposed to have four years of political tranquillity and plenty of time to do the right thing, given that no other elections are due until 2024. But the centre-right government coalition has nevertheless broken apart in less than a year and discussions now point towards a grand coalition between the liberals and socialists. This comes with important social measures to be included on the agenda for the future government, which in essence translate into increased pressure on spending. Whatever the outcome, it

looks almost certain that the political scene will remain volatile, and monetary-fiscal coordination could suffer.

- **Twin deficits:** While policy makers have long acknowledged the twin deficits, they've not only persisted but marginally deteriorated. We estimate both the current account deficit and the budget deficit to be around 6.5% of GDP in 2021, with the latter set to contract painfully slowly towards 3.0% of GDP – and most likely not before 2025, given that 2024 is an important election year. On the current account side, the improvements will likely be even slower due to the significant trade deficit. This represents a significant structural factor which will keep pressure on the local currency elevated, prompting constant FX intervention from the central bank. In this context, strong EU funds absorption will be key to maintaining the reserve adequacy levels within acceptable metrics.

### EUR/HRK: Inflows to keep pouring in

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/HRK	7.5100	Neutral	7.53	7.53	7.50	7.49	7.53

- **ERM-II:** Having entered the Exchange Rate Mechanism back in July 2020, Croatia will likely have no major issues in keeping the kuna stable around the central parity rate of 7.53 against the euro. The country is expected to have sizeable FX inflows in the coming years, the Recovery and Resilience Facility alone making the country the largest recipient of EU grants (around 11.6% of 2019 GDP). A sizeable part of these will likely end up in central bank's FX reserves.
- **Euro adoption:** With more or less transparent support from EU officials, the local policy makers continue to indicate that Croatia will be ready to join the eurozone in January 2023. Whether it will be 2023 or one to two years' later, it is becoming clear that the country has the EU support even without strictly meeting all the Maastricht criteria. Here, debt-to-GDP stands out as most divergent. Or, in the ECB's own words "Member States with government debt ratios to GDP in excess of 60% are expected to bring them down towards the reference level at a satisfactory pace".
- **Tourism & Vaccination:** The 2021 tourist season exceeded most expectations, with tourism revenues estimated at 90% of the 2019 level. However, with only around a 50% vaccination rate, Croatia is still exposed to pandemic waves and its "safe destination" status can be questioned. Thus, consolidating the economic recovery from 2021 into 2022 could be endangered if the pandemic dynamics are not firmly kept in check.

### EUR/RSD: Mild policy reaction to inflation spike

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
EUR/RSD	117.6000	Neutral	117.55	117.55	117.55	117.55	117.55

- **Inflation:** Having the National Bank of Serbia (NBS) praise currency stability as a pivotal pillar of financial and price stability whenever it has the chance, the current spike in inflation will only cement the NBS's stance on FX. We see relative policy complacency against inflation reaching and likely overshooting 6.0% in 1Q22. The NBS is most likely to revert to very limited rate hikes before 2Q22 - the bulk of the policy reaction possibly being postponed until after April 2022 general elections.

- **Politics:** Serbia holds general and presidential elections in April 2022. Current President Vucic and the leading SNS party will most likely win a comfortable victory. So far, the policy-making process seems to be surprisingly level-headed given the approaching elections, with the government cutting the 2021 budget deficit target to 4.9% of GDP from the previous 6.9% and already setting a 3.0% target for 2022.
- **Ratings:** Despite the pandemic putting a brake on the upward rating trajectory, we believe that Serbia remains a relevant investment grade candidate. The current BB+ with a stable outlook that S&P and Fitch have on the country make the upgrade story a matter for early 2023 at best, while the Ba2 from Moody's extends this horizon even further. However, we underline our belief that the rating trend remains positive and an investment grade is in sight.

**USD/RUB:** Local environment largely constructive, but external constraints matter too

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
<b>USD/RUB</b>	72.80	Neutral	70.00	72.00	73.00	74.00	74.00

- **Exports and fiscal rule are supportive:** The recovery in oil production, thanks to easing OPEC+ restrictions and global demand for commodities, should support Russia's current account. We expect annual export revenues for every US\$1/bbl of the price of oil to increase from US\$3.5b in 2021 to a historic high of US\$4.8-5.0b in 2022. While imports will play catch up, the current account surplus at US\$68/bbl Urals should reach US\$110-120b. The effect of high oil and gas prices will be largely sterilised by the fiscal rule. However, the planned local investment out of the sovereign fund may reduce the expected FX purchases by up to US\$12b per year – in 2022 – to US\$50b, or 42-45% of the current account.
- **Private capital account remains the weak link:** Our biggest concern from the balance of payments perspective is related to the capital account. Contrary to some other observers, we do not take private capital outflows as the technical mirror image of the high current account surplus. The nature of the outflows - sustainable outward FDI by corporates, and the accumulation of cash abroad by households suggests that at least a portion of the outflows is structural (steady at US\$30-40b per year), keeping the ruble weak enough to maintain an elevated current account surplus.
- **Portfolio flow is the key unknown:** In the environment of a strong current account counterbalanced by large private capital outflows, volatile portfolio flows are becoming an important factor tipping the scales for the local FX market despite its smaller volume. In Russia's case, local currency public debt (OFZ) is a key factor to watch. On the positive side, Russia's strong fiscal position and conservative monetary policy represent a competitive advantage over EM/commodity peers. However, foreign policy tension and higher inflationary concerns for the longer-term are restraining factors. And Russia is not immune to potential USD strengthening.

**USD/KZT:** Energy market to support tenge in the near-term, longer view remains cautious

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
<b>USD/KZT</b>	431.0000	Neutral	425.00	420.00	425.00	420.00	430.00

- Energy exports are supportive:** The post-2020 recovery of the energy market is positive for the current account. We expect fuel exports to jump from \$24b in 2020 to \$31b in 2021 and \$38b in 2022. This will be thanks to the \$25/bbl price growth in 2021 and at least a 2% increase in volumes in 2022 amid an easing in the country's OPEC+ quota by 16 ths bbl/day each month till September 2022 - assuming no material oilfield maintenance. Fuel exports should help narrow the current account deficit from 3.7% GDP in 2020 to 1.9% in 2021, but the import catch-up should widen it to 2.5% GDP in 2022.
- Tighter fiscal policy may weaken state support to the tenge:** In 2022, the government is planning to tighten fiscal policy to fight inflation and to lower the consolidated budget breakeven oil price from \$100-110/bbl in 2020-21 to a more comfortable \$60-90/bbl in 2022-23. This will boost the accumulation of the state oil FX savings and limit the amount of FX the sovereign fund NFRK will transfer to finance current budget spending. Officials forecast it to decrease from \$11-12b in 2020-21 to \$7b in 2022, limiting the FX available to be spent on the local FX market.
- State capital inflows to narrow, private sector flows uncertain:** In 2020-21, Kazakhstan's capital account has been supported by the government: spending from NFRK and \$2.2b state foreign borrowing contributed to the overall net capital inflow of \$5.6b in 2020 and \$4.1b in the first nine months of 2021. For 2022, the expected fiscal tightening suggests a net increase of NFRK assets, and modest \$1.5b increase of public foreign debt, leaving the tenge vulnerable to private sector flows, which have been negative so far. In 2020 to the first half of 2021, net private capital outflows totalled \$4.7b and may narrow on a post-Covid recovery, but will remain subject to volatility.

### USD/UAH: Hard to repeat the UAH gains of 2021

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/UAH	26.4000	Neutral	26.50	26.50	26.50	26.50	26.50

- NBU policy:** The National Bank of Ukraine reacted swiftly to emerging inflation risks in 2021 and raised its key policy rate from 6% in late 2020 to 8.5% in mid-2021. Because inflation stabilised around 11% in October and is expected to decline in the following months, the NBU kept its key policy rate unchanged at 8.5% at its late October decision meeting. According to NBU estimates, CPI peaked at 11% in 3Q and its macro forecast envisages that inflation will slow to 9.6% in 4Q 2021, and then to the target level of 5% at the end of 2022. At the same time, the projected policy rate is to fall to 7.5% in late 2022 and to 6.5% by end-2023, which - provided ongoing interest rate hikes in the CEE region and forthcoming Fed hikes in 2022 - will translate into a narrower interest rate differential.
- Low vaccination rates but relatively sound medium-term outlook:** Because of record high new Covid-19 cases in recent weeks, the authorities have been forced to introduce some preventive measures given that vaccination rates remains very low. In mid-November, the percentage of fully vaccinated people amounted to barely 20%, compared to 66% on average in the EU. Therefore, there is a risk that stricter lockdown measures will be introduced, constraining economic activity in 4Q this year and early next. Nonetheless, in 2021 as a whole, GDP is projected to grow at about 3% and accelerate to about 4% in 2022. This is because the economy is to become more resilient to the pandemic, and the country benefits from elevated export prices of industrial and agricultural goods.

- **External flows affected by the natural gas shock in the EU:** Ukraine's current account deficit will be relatively low in 2021 on the back of a strong harvest and high export commodity prices. However, it will widen considerably next year as domestic demand recovers. Ukraine has been indirectly involved in the recent EU natural gas crisis which is translating into higher energy prices. This is due to Russia's policy to make the EU members buy natural gas from its new Nord Stream 2 pipeline, which is awaiting the green light from the European regulator, rather than use the existing pipelines in transit via Ukraine. Elsewhere, one positive for the UAH could be the inclusion of one Ukraine UAH-denominated sovereign bond in the JPM GBI-EM benchmark, effective end-March 2022.

#### USD/TRY: Policy mix leaves lira vulnerable

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/TRY	10.2000	Bullish	10.00	10.40	10.70	11.05	11.50

- **Inflation Outlook:** Inflation will likely remain under pressure in the near term and at elevated levels in the first half of next year before starting to decline into year-end 2022, with the support of large base effects. We expect year-end and 2022 inflation at 19.2% and 16.5%, respectively, versus central bank projections of 18.4% and 11.8%. Given the broad-based deterioration in price dynamics due to high commodity prices, relatively high trend inflation and an increase in the FX pass-through, risks are significantly tilted to the upside for next year. This requires a restrictive policy stance.
- **Monetary Policy:** Despite: i) all six core inflation indicators being above the policy rate after the focus shifted to core inflation, ii) recent sharp moves in commodity prices already impacting headline inflation and iii) significant weakness in the lira creating further cost-led pressures, the Central Bank of Turkey shifted to a more supportive stance with 300bp cuts recently. This is likely attributable to the objective of providing support to the real sector. Yet moves in the exchange rate will likely see expectations deteriorate further. This will add to already high inflationary pressures and implies that disinflation is not a policy priority currently. Unless we see a tighter stance to anchor expectations and foster price stability, the current policy setting is negative for the lira.
- **Capital Flows:** Capital flows had improved since the change in CBT governorship in March. Portfolio flows had gradually returned to the bond market, issuance in the international market had increased, as had corporate rollovers. However, since the monetary policy shift (to easing) in early September, outflows from the bond market have amounted to US\$0.8b, and outflows via swap positions are at US\$8.2b, pulling the swap stock down to US\$5.4b. Going forward, external financing will likely remain a challenge given confidence issues among non-residents due to concerns about geopolitics, the grey listing of Turkey and the quality of the domestic policy framework. Vulnerability to a stronger USD and rising US real yields do not bode well for the currency outlook.

#### USD/ZAR: South African Reserve Bank thinks ZAR is overvalued

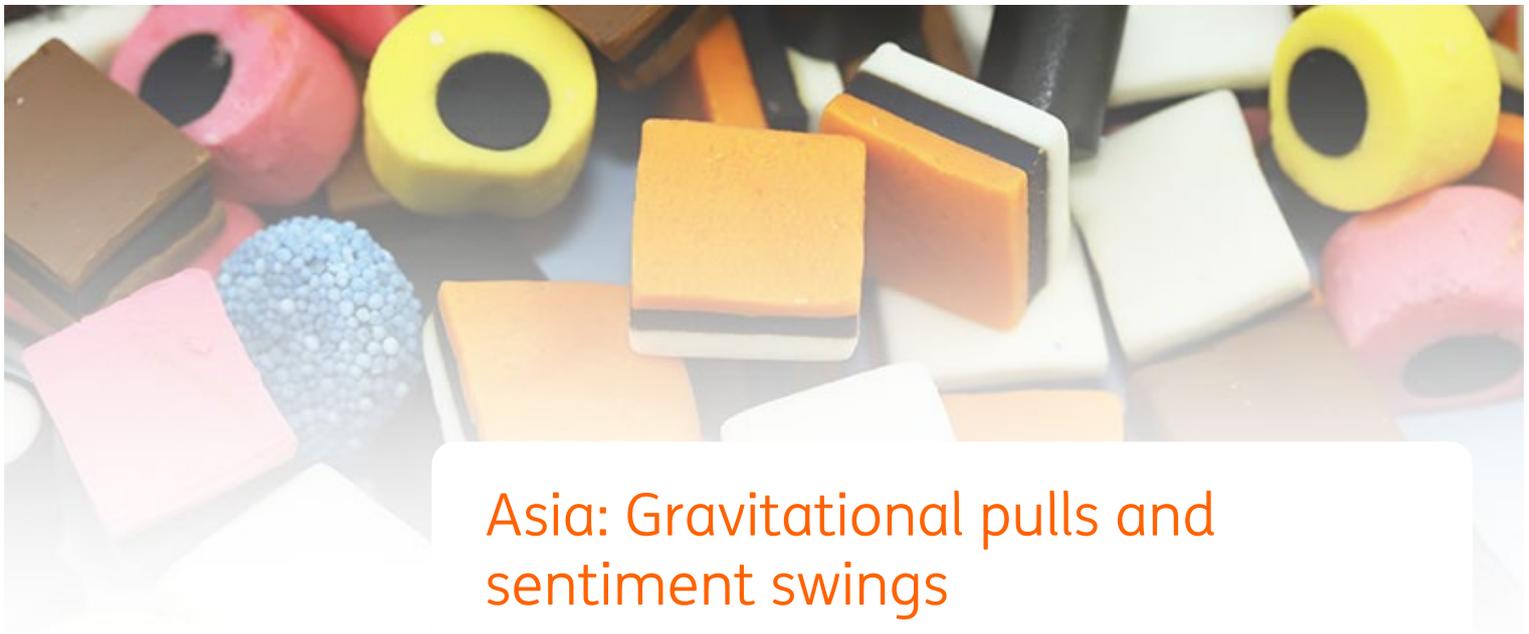
	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/ZAR	15.2500	Bullish	14.75	15.50	15.75	16.00	16.50

- Challenging 2022 ahead:** The rand sits towards the slightly better end of EMFX performers this year. This seems to be wholly down to the Terms of Trade gains delivered by higher commodity prices. South Africa's current account surplus rose to a whopping 5.6% of GDP in 2Q21, driven by the trade surplus. This natural demand for rand from the export community has provided strong insulation to the ZAR. The problem is that the expected levelling off of commodity prices and the recovery in imports sees the South African Reserve Bank (SARB) forecasting the current account surplus dropping back to zero in 2022.
- Monetary policy looks unlikely to help:** South Africa has not suffered the kind of inflation spikes seen elsewhere in the world, meaning that the SARB has not rushed to hike interest rates. Indeed, with GDP set to slow from 5% in 2021 to 2% in 2022 and inflation looking set to remain within the SARB's 3-6% target range, the SARB may keep rates at 3.50% for longer than the market expects. Yet that puts the rand at an interest rate disadvantage to its commodity peer group and leaves the currency more exposed to the higher US rate environment in 2022.
- An over-valued ZAR:** In September, the SARB said that rand was trading above its long-term equilibrium value (USD/ZAR was around 14.50 at the time). An uncertain environment for China in 2022 (South Africa's main export market), receding help from commodity prices and a firmer dollar should all combine to drive USD/ZAR higher as 2022 unfolds. Additionally, the ANC government looks under pressure after scoring poorly in recent municipal elections, and South Africa's FX reserve defences look to be some of the weakest in the EM space. We think a weaker rand is the most likely catalyst for SARB hikes in 2022, which forewarns of a possible surge in USD/ZAR outright forwards.

#### USD/ILS: An interventionist Bank of Israel unlikely to change tack

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/ILS	3.1000	Mildly Bullish	3.10	3.10	3.15	3.20	3.25

- Intervention, intervention, intervention:** In a weak dollar environment in January, the Bank of Israel (BoI) announced a new \$30b FX intervention fund when USD/ILS was trading down near 3.15. That kept USD/ILS supported up until recently when: i) the BoI announced the end to its QE plan ii) BoI 'used up' its \$30b intervention target and iii) inflation over 2% questioned whether the BoI really still needed a weaker shekel. In our experience, the BoI has been one of the most interventionist central banks around and it would be quite a shock were it to let USD/ILS crash below 3.00.
- Shekel story is a good one:** Yet the shekel story is a good one. Israel's 5%+ of GDP current account surplus is not just one driven by a temporary rise in commodity prices (even though Israel does have gas). Instead, Israel's strong position is driven by direct investment into its tech industry. Israel's economy is also expected to grow 7% this year and 5.5% next. And inflation above 2% may raise questions about whether the BoI should be lifting the base rate substantially off zero for the first time since 2015.
- Shekel as a safe haven:** In the EM hard currency bond world, Israel is known as a safe haven. A five-year sovereign CDS trading inside of 50bp and a solid investment grade rating sees Israeli assets outperform in more difficult investment environments. We suspect the stronger dollar environment will see USD/ILS trend gently higher through 2022, but we would fully expect the shekel to outperform some of the more vulnerable EM currencies such as the South African rand and the Brazilian real.



## Asia: Gravitational pulls and sentiment swings



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Despite our bullish dollar view for next year, the managed Chinese yuan should lend some stability to Asian emerging market currencies. Any depreciation in the yuan will likely require some easing in energy prices in China, while the likes of the Korean won and Taiwan dollar appear quite vulnerable to the rise in global inflation and tightening cycles

The Asian FX pack is a heterogeneous one, and the outlook for 2022 requires consideration of a number of competing themes. At the heart of all this, is dollar strength. But China's yuan also acts as a local source of gravitational attraction, and China's managed currency stability is lending some stability to other currencies in the region, dampening the dollar's influence to some extent. That could change, but it will probably require commodity prices to moderate for China to soften its protective stance. The last thing China wants to do with growth already challenged, is to undermine consumer spending power by importing inflation through a weaker CNY.



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Covid and the reopening of economies is also still a live topic in Asia, which despite a 'good' pandemic in 2020, suffered in 2021 due to a dismal vaccination rollout. This will be particularly relevant for the region's main tourist hotspots and their associated currencies, but also to Australia, which has spent much of 2021 in lockdown.

And for the high beta currencies such as the region's main "proxy-currency" the KRW, global inflation, central bank tightening, and in turn, risk sentiment and equity performance will provide an additional source of volatility (TWD, too, is exposed to such sentiment swings). This will need to be factored against rate increases locally, with a number of economies likely joining Korea in lift-off next year (Indonesia, India, and possibly the Philippines).



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Additional risk factors that could exacerbate volatility include the ongoing restructuring of China's property development sector, which faces some big bond maturities next year, not just coupon payments. Also, we are likely to see current accounts, which in many cases improved measurably during the pandemic, begin to deteriorate as domestic demand recovers. And after being given the benefit of the doubt in 2020 and 2021, 2022 may be a year of reckoning for the ratings agencies given bloated fiscal deficits and the persistence of some unorthodox monetary policies.

### USD/CNY: Currency stability amidst policy upheaval

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/CNY	6.3800	Mildly Bullish	6.40	6.56	6.60	6.70	6.80

- Macro picture:** Though China has largely recovered from Covid, it continues a strict lockdown policy in the event that cases are found. While lockdowns remain sporadic, the government has focused more on policies aimed at restructuring the economy for a higher quality of growth in the longer run. A large number of policies are being implemented at the same time, which complicates the short-term impact on the economy. We expect that many of these policies will remain effective over the year-end and so there is likely to be some further drag on activity in 2022. This is an inevitable process. But the result will be more balanced growth in time with an emphasis on ESG compared to just speedy but unsustainable debt-fueled growth.
- PBoC policy:** The central bank is not going to change policy interest rates or the Required Reserve Ratio in 2021. There is little room for monetary policy change. The complication of the mixed policy effects on the economy implies that doing nothing is probably the best option for monetary policy. Even with that in mind, the central bank will adjust liquidity when the system needs fine tuning. If there were another Evergrande moment, the People's Bank of China would likely release liquidity into the money market to avoid spikes in interest rates that could lead to market contagion. Conversely, if the market allows, there should be some absorption of liquidity to keep the interest rate spread against the dollar as stable as possible.
- Capital flows:** China opened up investment channels for foreign investors in 2021. The pace has been quite fast compared to 2020. This opening up will continue in 2022 as the economy needs to transform in order to open up the capital account even more. The process will be slow. But as 2022 is expected to be a year of recovery for the global economy, more channels are likely to be opened which should see more capital inflows. These flows will support the yuan. However, as the Federal Reserve is going to hike in 2022 and there will be no interest rate action from the PBoC, the yuan will still largely be driven by depreciation forces. It is just that the speed of the depreciation will not be particularly fast.

#### USD/INR: At risk if the hot money turns cold

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/INR	74.4000	Mildly Bullish	74.00	74.50	74.70	76.00	76.80

- Macro picture:** Following what was a fairly 'bad' pandemic in early 2021, India has emerged with daily Covid case numbers under control and a steadily rising vaccination rate for its population, suggesting a more stable 2022. The ongoing reopening of the economy is leading to stronger domestic economic growth – evidenced by a rising service sector PMI already in strong expansion territory. Manufacturing output growth is also recovering well, though like elsewhere, this is tempered by some supply constraints and rising prices. Current inflation spikes are concentrated in seasonal foods and should pass but inflation will end the year pushing into the top half of the Reserve Bank of India's 2-6% target range and high energy prices could further worsen India's current account and fiscal balance in 2022.
- RBI policy:** The last RBI meeting on 8 October kept the policy repo rate at 4.00%, the reverse repo rate at 3.35% and the cash reserve ratio at 4.00%. Despite the improving growth backdrop and rising inflation, the RBI gave little indication that it is about to move to tighten its policy stance, saying at that meeting that it would maintain “the accommodative stance as long as necessary...while ensuring that inflation remains within the target going forward”. That said, the economy has sufficiently improved such that we anticipate some reduction in accommodation beginning 1Q22, with the repo rate ending 2022 50bp higher at 4.50%.

- Capital flows:** The Indian rupee has lost about 1.8% versus the US dollar year-to-date in 2021, though it has been a relative outperformer compared to other Asian peers. We put this outperformance down to a strong pipeline of IPOs and portfolio inflows which has offset the stronger dollar backdrop. Some have suggested that the successful IPOs of companies like Zomato in 2021 will open the floodgates to an even stronger pipeline next year, which would provide further INR support. But with the Fed possibly tightening as early as next year, the equity and IPO environment is likely to be much more challenged and we see the INR losing ground and rising to 76.80 by end-2022.

#### USD/IDR: Bank of Indonesia to keep IDR volatility low

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/IDR	14,213.0000	Mildly Bullish	14220.00	14486.00	14783.00	14436.00	14313.00

- Macro picture:** Growth momentum hit a snag in 3Q as the authorities were forced to tighten restrictions due to the spread of the Covid-19 Delta variant. New daily infections have flattened more recently, allowing restrictions to be relaxed and growth momentum appears to have returned. Export growth has been robust, and we expect this sector to be a key driver of the overall recovery. Manufacturing rebounded sharply with recent PMI reports showing a substantial pickup in overall activity. Growth is expected to pick up further in the coming quarters as long as the pandemic remains subdued. Efforts to accelerate the vaccination rollout remain very important given that only 29% of the population is fully vaccinated.
- BI policy:** Bank Indonesia (BI) has kept policy rates untouched in 2021 and will likely retain this accommodative stance well into next year. BI Governor Perry Warjiyo has supported a “pro-growth” stance suggesting that he will keep rates stable until late 2022. Meanwhile, BI has also pledged to maintain its presence in the spot market to maintain its currency and bond stability objectives. With inflation below the central bank target, we expect BI to keep rates at 3.50% well into next year and will only consider adjusting rates when the Fed begins its rate hike cycle.
- Risk sentiment:** The Indonesian rupiah has been relatively stable in recent months helped by the sustained presence in markets by the monetary authorities as well as robust exports leading to a hefty widening of the trade surplus. Foreign investors have yet to return to the bond market with foreign bond ownership still in a downtrend. However, we do expect the trade surplus to remain in place in the near term, we also expect some volatility ahead for the IDR, especially as we edge closer to the Fed lift off next year. This development, alongside a dovish Bank Indonesia, suggests at least some modest depreciation for the IDR as we head into 2022.

#### USD/KRW: Facing weakness even as BoK hikes

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/KRW	1,180.0000	Bullish	1180.00	1190.00	1220.00	1240.00	1215.00

- Macro picture:** Korea is set to achieve GDP growth of just under 4% in 2021. This is slower growth than we expected, especially as South Korea has had a relatively moderate pandemic in terms of its direct impact on the economy. Softer than expected 3Q21 GDP growth of just 0.3% illustrates, however, how indirect supply constraints are weighing on growth and we anticipate growth moderating to just

2.6% in 2022. Like many other economies, South Korean inflation has spiked higher on base effects – reaching 3.2% in October and will likely not peak until the November figures are released, though it should ease back towards the mid-to-high 2's in 2022 depending on how persistent current energy price inflation is.

- **BoK policy:** The Bank of Korea was one of the first central banks in Asia to raise policy rates, which currently stand at 0.75% (7-day repo rate). We do not think this is the end for hikes this year. We see a further 25bp before year-end and more in 2022, with policy rates ending the year at 1.25% and expectations for a further 25bp of hikes in 2023. The BoK has demonstrated that it does not need to wait for the Fed to move and is also motivated to tighten by high household debt ratios, and a frothy housing market.
- **Risk sentiment:** Although it has a solid economy, strong external balance, rising domestic rates and is a key beneficiary of rising semiconductor prices, helping to lift the terms of trade, the Korean won was one of the region's worst performing currencies in 2021, acting as a proxy currency for ebbing risk sentiment as the USD rallied. It is hard to come up with a convincing reason why things should be any different in 2022. The risk environment may be even more challenged in the face of rates actually starting to go up in the UK and some other G-7 economies, and we see KRW pushing above the 1200 level by 2Q22 before slowly recovering in 2023.

#### USD/PHP: Opening up could bring renewed currency weakness

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/PHP	50.3200	Bullish	50.85	51.21	51.36	51.23	51.11

- **Macro picture:** Philippine economic activity has been in stop-start mode throughout most of 2021 as the authorities resorted to sweeping lockdowns to tamp down episodes of surging Covid-19 cases. As a result, the recovery effort has lost some momentum and we expect only a modest pickup in economic activity as vaccination rates remain relatively low, at 28% of the total population. A strong rebound in 3Q GDP growth however suggests that economic activity can expand despite lockdowns, although overall momentum may still be capped until the country achieves “full” vaccination by mid-2022.
- **BSP policy:** Bangko Sentral ng Pilipinas (BSP) has retained its accommodative stance despite above-target inflation in 2021. BSP Governor Benjamin Diokno vowed to keep rates unchanged “for as long as necessary” to aid the economic recovery, opting to look past supply-side driven inflation. But we do expect BSP to adjust policy rates by 2Q 2022 ahead of the projected Fed lift-off next year.
- **Risk sentiment:** A surprise rebound in GDP boosted overall sentiment towards the Philippines. Foreign investors have returned to support the Philippine equity market on prospects for faster growth. However, the faster reopening of the economy has led to surging imports, which in turn has caused the trade deficit to widen and the current account to revert to deficit. With growth expected to pick up in the coming quarters, we expect the current account deficit to widen further, resulting in a weakening bias for the Philippine peso in the coming months.

#### USD/SGD: NEER appreciation path could steepen in 2022

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/SGD	1.3500	Neutral	1.35	1.32	1.34	1.33	1.32

- Macro picture:** Singapore’s economy returned to pre-pandemic levels of GDP in early 2021 and the recovery has gained momentum despite tightened restrictions in 3Q. Retail sales outside automobiles are robust and the export sector should benefit from the strong global demand for electronics. The authorities have shifted their focus from growth to rising inflation, with price pressures representing the primary potential dampener to an otherwise robust recovery.
- MAS policy:** The Monetary Authority of Singapore tightened its stance at least a quarter ahead of expectations, viewing the recovery to be well in-hand. The Singapore dollar’s nominal effective exchange rate (NEER) is now slightly appreciating which should see it outperform many of its Asian peers. The MAS may very well increase the pace of NEER appreciation in 2022 given relatively hawkish commentary of late. The central bank has highlighted the threat of inflation, and with the overall economic outlook improving, we could see a more aggressive adjustment of policy in the coming months should inflation prove to be more persistent.
- Risk sentiment:** Core inflation, the price indicator monitored by the MAS, has accelerated recently as supply chain bottlenecks force commodity prices higher. Accelerating inflation will be the key threat to growth in the near term although the export sector stands to benefit from sustained global demand. A possible downturn in China’s growth prospects may also dent momentum in terms of the export outlook.

**USD/TWD:** Under pressure from capital flows

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
<b>USD/TWD</b>	27.7900	<b>Bullish</b>	27.90	28.20	28.40	28.80	29.20

- Macro picture:** Taiwan will keep its comparative advantage in manufacturing advanced semiconductor chips in 2022. At the same time, production bottlenecks will become more obvious in terms of yearly growth. Consumption will not increase until Taiwan’s borders are reopened, and the timing of this is uncertain. Production and exports of semiconductors could again be offset by growth in imports of equipment to build factories for the future production of semiconductor as in late 2021. The main risk is still the relationship with Mainland China. The risk of a military event is small, but it is nonetheless a tail risk. Taipei could change its tone and try to re-establish unofficial communication channels but otherwise this deadlock will remain in 2022.
- CBC policy:** The central bank is well known for its lack of policy activity. The policy rate is currently at 1.125% The last time rates were cut was in the first quarter of 2020. Even though Covid case numbers have started to pick up again, the central bank does not look likely to change the policy rate. Compared to many other central banks, including the US Federal Reserve, the Central Bank of the Republic of China has kept policy very steady since 2015, and we believe that this lack of policy action will not change in 2022, with the policy rate staying flat at 1.125%.
- Capital flows:** The unchanging policy rate from the central bank provides a stable backdrop for capital flows. Capital inflows to Taiwan’s asset markets are usually directed at the semiconductor industry. But the current chip shortage has challenged foreign portfolio inflows. The semiconductor shortage will continue in 2022 and Taiwan is responding by building more plants to cater for this. Consequently, we should continue to see inflows into Taiwan. But the overall trend of Taiwan’s dollar will still likely be dominated by the strong US dollar and looming US rate hikes in contrast to Taiwan’s monetary policy stasis.



## LATAM: Return of the Pink Tide?

**2022 is a big political year for Latin America. After presidential elections in Chile later this year, we will see further elections in Colombia and Brazil. Right-wing incumbents look vulnerable and local currencies may suffer**



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### **Brazilian real vulnerable into 2022, MXN to outperform**

Latin American politics has already seen a decisive shift to the left in 2021 and it is not over yet. Peru elected a left-wing president in June (Peruvian sol down 9% year-to-date) and Chile elected a left-leaning Constitutional Convention in May (Chilean peso down 11% YTD). Polling for Chile's presidential election later this year looks very tight and next year sees further presidential elections in Colombia (May) and Brazil (October).

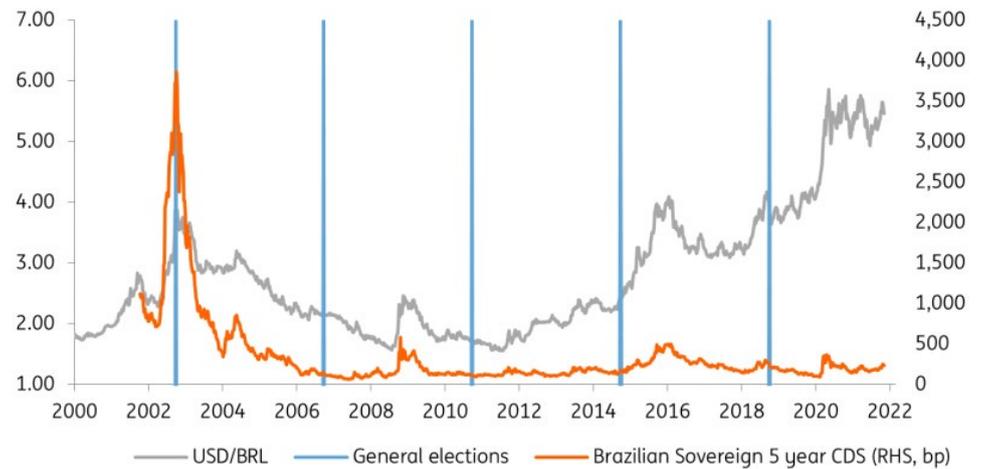
The leftward shift in politics, akin to the 'Pink Tide' a decade ago, reflects not only Latin America suffering greatly through the pandemic, but the kind of deep-seated resentment of inequality that characterised riots in Chile in 2019.

In this article, we take a look at the currencies of Brazil, Mexico and Chile. Unlike some other commodity producers, Brazil's real and Colombia's peso fared poorly in 2021 and are expected to depreciate again in 2022.

For Brazil, we see the policy mix heading in the wrong direction. Heavy spending to fight the pandemic and to support sentiment into an election year sees the Bolsonaro administration threatening to suspend the fiscal ceiling. A fiscal risk premium being built into the currency and aggravating inflation fears has prompted a very aggressive tightening cycle from Brazil's central bank. The combination of loose fiscal policy and tight monetary policy has typically not been a positive one for the BRL. We see USD/BRL heading towards 6.00 as the left makes a challenge for control into October.

Chile's peso has suffered, not only at the hands of politics but also from the decision to allow residents to tap their private pension pots - selling \$50b worth of assets. Despite likely aggressive hikes from the local central bank, we expect USD/CLP to press 875/900 as copper turns lower. The Mexican peso should outperform, however. A much better sovereign balance sheet and Banxico looking to insert a 5%+ wedge over US rates ahead of the Federal Reserve's tightening cycle should keep MXN more insulated.

**The election cycle can un-nerve the BRL**



Source: ING, Refinitiv

**USD/BRL: Policy mix undermines BRL**

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/BRL	5.46	Bullish	5.25	5.50	5.75	6.00	6.00

- Fiscal monetary mix heads south:** Having been on a positive trajectory since 2016 and into the pandemic, it looks as though Brazil's post-pandemic policy mix could be heading in the wrong direction. This can be categorised as a pre-election government looking to find loopholes in the constitutional spending cap and deteriorating fiscal risk premia forcing the central bank into even more aggressive rate hikes. The policy rate is already 7.75% and the market prices a cycle up to the 12% area into spring 2022, as the central bank responds to 10%+ headline inflation and a soft BRL.
- Politics:** Brazil holds presidential elections on 2 October 2022 with a run-off on 30 October, if necessary. Candidates have yet to declare, yet it seems that President Bolsonaro could be facing a challenge from former President Lula. Latest opinion polls favour Lula in a run-off. While there's no guarantee the past will repeat itself, the previous Lula administration, especially in the Rousseff years (impeached 2016) was synonymous with unfunded government spending and Brazil's loss of investment grade status. Brazil's fiscal credibility looks as though it will come under pressure through 2022.
- It's not all gloom and doom:** Given a strong dollar environment and elections in 2022, we favour USD/BRL trading towards the 6.00 area through the year. Yet the local central bank is relatively interventionist and has a large stock of FX reserves and swaps with which to resist BRL depreciation. At the same time, Brazil's external position should remain more manageable versus prior years, with a current account close to balance. Here, our team expects soybeans, Brazil's main export, to average above \$1300/bu next year – maintaining the trade surplus. In September, the IMF estimated that the BRL was 5% undervalued, but a bullish correction in the BRL requires many things to go right next year.

**USD/MXN: AMLO's frugality pays off**

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/MXN	20.56	Neutral	20.00	20.25	20.50	20.75	21.00

- Mexico's better balance sheet:** In contrast to heavy government spending in Brazil, and Chile cracking open private sector pension pots, Mexican President Lopez Obrador (AMLO) adopted a much more frugal approach to the pandemic. In 2020, Mexico spent just 0.7% of GDP on direct budgetary support measures compared to a 4% average for emerging markets. Having contracted 8% in 2020, growth in 2021 is expected at 6.2% and then 4% in 2022. Smaller budget deficits and lower levels of public debt (gross debt under 60% of GDP) leave Mexico in a much better place than some heading into a more difficult external environment in 2022.
- Help from the North:** Mexican activity should continue to be supported by strong US growth (near 5% in 2022). A point we have been making all year is that remittance flows down into Mexico have been very supportive for the peso. These are currently running at close to US\$50b per year and are expected to remain near that level in 2022. These flows help to keep the current account in balance (offsetting net negative FDI). One point of attention is the auto sector. The semiconductor crisis is estimated to have knocked 1% off GDP in 2021 and delays in resolving this crisis could weigh.
- Credible monetary policy:** Banxico is one of the most respected central banks in the region and has already taken the policy rate to 5% this year. Inflation is expected to peak in the 6.00/6.50% area early next year and Banxico may well take rates to around that level too in the first half of 2022. That significant wedge over Fed policy should provide a cushion for the peso through 2022 - as it did between 2017-2019 - and help keep USD/MXN in a 20-21 range. Indeed, on some measures the peso is considered substantially undervalued and foreign holdings of Mexican government debt (MBONOs) remain relatively low.

USD/CLP: Peso needs some assistance

	Spot	Year ahead bias	4Q21	1Q22	2Q22	3Q22	4Q22
USD/CLP	800.00	Bullish	825.00	850.00	850.00	875.00	900.00

- Politics:** Ever since the social unrest of 2019, politics has played a significant role in the pricing of the peso. Front and centre now is the first round of the presidential election to be held on 21 November. Most recent opinion polls point to the left-wing threat of Gabriel Boric fading and conservative candidate Jose Kast likely to win in a run-off on 19 December. That could provide a little more stability to the peso, as could any sign that Congress is blocking any further release of private pensions. So far, around \$50b of assets (largely local assets) have been sold during the pandemic.
- Intervention Programme and Tightening:** In October, the Central Bank Of Chile (CBC) suspended its \$12b buying programme. This original intention here was to build FX reserves before the expiry of an IMF Flexible Credit Line in May '22. The fact that the peso was too weak to continue FX intervention suggests that the issue could become a point of vulnerability for the peso next spring. The CBC has also been aggressive in its tightening and is talking about bringing the policy rate to neutral more quickly than expected. Where is neutral? The policy rate was 3.00% pre-pandemic, but we suspect that neutral now could be closer to the 5% area seen a decade ago.
- Copper:** Despite copper prices staying strong all year, near \$9500/MT, they failed to prevent the 15% decline in the peso since May. Our commodities team warns that copper could average closer to the \$8650/MT area through 2022 - clearly a negative for the peso. Driving that decline is both increased copper supply and downside risks to demand. On the former, we think the likes of Peru and Indonesia, not Chile, will be increasing marginal supply. Ongoing concerns over China's real estate market will weigh on demand. At this stage, we are concerned for the peso's prospects next year and a stronger dollar/higher US rate environment could see USD/CLP pressing 850/900.

## ING foreign exchange forecasts

EUR cross rates	4Q21	1Q22	2Q22	3Q22	4Q22	USD cross rates	4Q21	1Q22	2Q22	3Q22	4Q22
<b>Developed FX</b>											
EUR/USD	1.16	1.15	1.13	1.11	1.10						
EUR/JPY	131	131	130	131	132	USD/JPY	113	114	115	118	120
EUR/GBP	0.85	0.84	0.83	0.83	0.82	GBP/USD	1.36	1.37	1.36	1.34	1.34
EUR/CHF	1.05	1.07	1.08	1.10	1.12	USD/CHF	0.91	0.93	0.96	0.99	1.01
EUR/NOK	9.85	9.75	9.70	9.60	9.50	USD/NOK	8.49	8.48	8.58	8.65	8.56
EUR/SEK	10.00	9.90	9.85	9.75	9.65	USD/SEK	8.62	8.61	8.72	8.78	8.69
EUR/DKK	7.44	7.44	7.44	7.45	7.45	USD/DKK	6.41	6.47	6.58	6.71	6.71
EUR/CAD	1.44	1.41	1.38	1.34	1.34	USD/CAD	1.24	1.23	1.22	1.21	1.22
EUR/AUD	1.59	1.58	1.53	1.50	1.47	AUD/USD	0.73	0.73	0.74	0.74	0.75
EUR/NZD	1.66	1.62	1.57	1.52	1.49	NZD/USD	0.70	0.71	0.72	0.73	0.74
<b>EMEA</b>											
EUR/PLN	4.61	4.52	4.49	4.53	4.54	USD/PLN	3.97	3.93	3.97	4.08	4.09
EUR/HUF	360	365	360	367	370	USD/HUF	310	317	319	331	333
EUR/CZK	25.20	25.00	25.00	25.15	25.30	USD/CZK	21.72	21.74	22.12	22.66	22.79
EUR/RON	4.95	4.95	4.95	4.95	4.98	USD/RON	4.27	4.30	4.38	4.46	4.49
EUR/HRK	7.53	7.53	7.50	7.49	7.53	USD/HRK	6.49	6.55	6.64	6.75	6.78
EUR/RSD	117.55	117.55	117.55	117.55	117.55	USD/RSD	101	102	104	106	106
EUR/RUB	81.20	82.80	82.49	82.14	82.14	USD/RUB	70.00	72.00	73.00	74.00	74.00
EUR/UAH	30.74	30.48	29.95	29.42	29.42	USD/UAH	26.50	26.50	26.50	26.50	26.50
EUR/KZT	493	483	480	466	477	USD/KZT	425	420	425	420	430
EUR/TRY	11.60	11.96	12.09	12.27	12.77	USD/TRY	10.00	10.40	10.70	11.05	11.50
EUR/ZAR	17.11	17.83	17.80	17.76	18.32	USD/ZAR	14.75	15.5	15.75	16.00	16.50
EUR/ILS	3.60	3.57	3.56	3.55	3.61	USD/ILS	3.10	3.10	3.15	3.20	3.25
<b>LATAM</b>											
EUR/BRL	6.09	6.33	6.50	6.66	6.66	USD/BRL	5.25	5.50	5.75	6.00	6.00
EUR/MXN	23.2	23.29	23.17	23.03	23.31	USD/MXN	20.00	20.25	20.50	20.75	21.00
EUR/CLP	957	978	961	971	999	USD/CLP	825	850	850	875	900
<b>Asia</b>											
EUR/CNY	7.42	7.54	7.46	7.44	7.55	USD/CNY	6.40	6.56	6.60	6.70	6.80
EUR/IDR	16,707	16,659	16,705	16,024	15,887	USD/IDR	14,403	14,486	14,783	14,436	14,313
EUR/INR	85.84	85.68	84.41	84.36	85.25	USD/INR	74.00	74.50	74.70	76.00	76.80
EUR/KRW	1,369	1,369	1,379	1,376	1,349	USD/KRW	1,180	1,190	1,220	1,240	1,215
EUR/PHP	58.99	58.89	58.04	56.87	56.73	USD/PHP	50.85	51.21	51.36	51.23	51.11
EUR/SGD	1.57	1.52	1.51	1.48	1.47	USD/SGD	1.35	1.32	1.34	1.33	1.32
EUR/TWD	32.36	32.43	32.09	31.97	32.41	USD/TWD	27.90	28.20	28.40	28.80	29.20

Source: ING

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