FX Talking

April 2023

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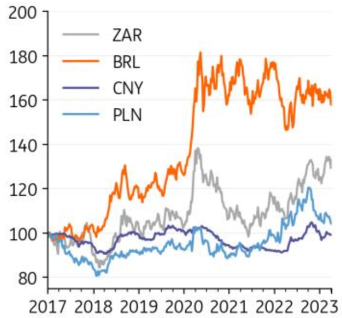
Survival of the fittest

USD/Majors (4 Jan 15=100)

Source: Refinitiv, ING forecast

USD/EM (4 Jan 15=100)



Source: Refinitiv, ING forecast

FX markets have started the second quarter cautiously optimistic. This is based on the assumptions that price and activity data will allow the Federal Reserve to cut in the second half – and that policymakers have done enough to restore financial stability after bank failures last month. We think the dollar will weaken this year, but timing is everything

Timing the dollar sell-off is key

Two US regional banks have failed and one systemically important Swiss bank was close to the brink. Investors are rightly asking whether these events were just aberrations or the harbinger of broader distress after a decade of cheap money. What seems clear is that tighter credit conditions make a US hard landing and a sharp Federal Reserve easing cycle more likely. The question is when, not if, the dollar falls.

With core central banks still delivering one or two more rate hikes this quarter and inflation staying quite sticky, we think the dollar can probably bounce around in ranges. Hence our forecast for EUR/USD to be trading around 1.08 over the next month. Into the second half of the year, however, disinflationary trends should have become clearer, and the Fed will be acknowledging slowing activity. By year-end, EUR/USD should be trading at 1.15.

The outperformance of the Japanese yen is probably the conviction call on the back of US financial stress and a forthcoming Fed easing cycle. A further adjustment in Bank of Japan policy this June may help the yen too. Later in the year, however, higher oil prices will probably be the biggest risk to what otherwise looks like a 120 story in USD/JPY. The end of|tightening cycles in many G10 economies also creates a tricky environment for commodity currencies. These should be performing better as the forthcoming Fed easing cycle is priced. Within that space, we prefer the oil exporting currencies of Canada and Norway based on our above consensus house view that Brent oil ends the year above $100/bbl.

We expect the British pound to remain relatively range-bound against European currencies. The same can be said for the Swiss franc, where the Swiss National Bank looks to be actively controlling its spot value through FX intervention on both sides of the market.

In the CEE region, the Hungarian forint and Czech koruna remain our top picks. The Polish zloty may well struggle to rally much further. Among the rest of the region, investors will watch political developments in Israel and Turkey with caution. And it even seems that South Africa's central bank is expecting the rand to weaken.

Elsewhere in emerging markets, the Mexican peso should hold gains and strengthen further this year on the nearshoring story. The outlook is far less certain for the Brazilian real. And in Asia, it looks too early to expect a broad USD/Asia decline. Here, the external trade position is not as strong as it needs to be to deliver the broad gains in Asian currencies one normally expects as we head into a Fed easing cycle.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.08	↓	132	→	1.21	↓
3M	1.10	↑	128	↓	1.24	→
6M	1.12	↑	125	↓	1.24	→
12M	1.15	↑	120	↓	1.28	↑
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.89	↑	23.45	↑	4.76	↑
3M	0.89	↑	24.30	↑	4.72	↓
6M	0.90	↑	24.20	↑	4.67	↓
12M	0.90	↑	24.20	↑	4.60	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	6.85	↓	18.20	→	5.30	↑
3M	6.80	↓	18.10	↓	5.30	↑
6M	6.70	↓	18.00	↓	5.20	→
12M	6.45	↓	17.75	↓	5.20	↓

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

Source: Refinitiv, ING forecast

FX performance

	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	NZD/USD	USD/CAD
%MoM	3.1	-2.3	-0.7	1.2	1.0	-1.7
%YoY	0.1	6.6	5.0	19.3	-10.8	7.3
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	-1.2	0.0	-0.7	-0.1	-0.6	-1.5
%YoY	7.9	7.9	-0.5	0.7	26.9	7.8

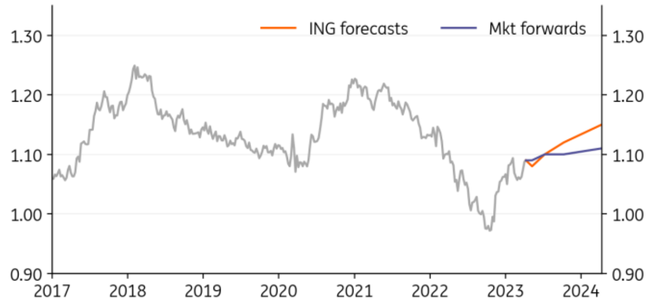
Source: Refinitiv, ING forecast

Developed markets

EUR/USD

A case of when, not if the dollar declines

Current spot: 1.0899



Source: Refinitiv, ING forecasts

- The collapse of two regional banks in the US has seen the Fed take action to address financial stability, while at the same time tightening rates to address monetary stability. We expect these two positions to collide in 2H23, where tighter credit conditions and greater evidence of a hard landing can see the Fed cut rates 100bp in 4Q23. It is a question of when, not if the dollar declines.
- Timing that sell-off is difficult. It is hard to rule out more stress emerging this quarter – especially if the Fed delivers one more 25bp rate hike. Thus, we favour a 1.05-1.10 range this quarter.
- But the European financial sector looks better positioned than the US. Higher for longer ECB rates target EUR/$ at 1.15 by year-end.

ING forecasts (mkt fwd)	1M 1.08 (1.0919)	3M 1.10 (1.0954)	6M 1.12 (1.1000)	12M 1.15 (1.1073)

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USD/JPY

The Bank of Japan can add to the yen's appeal

Current spot: 133.10

Source: Refinitiv, ING forecasts

- A lower USD/JPY is becoming the market's conviction call. It covers both the potential for a sharp Fed easing cycle and frailty in the US financial system. Also, there is the wild card event risk of a change in BoJ policy. At the 16 June meeting we think the BoJ could shorten their yield curve target to 5-year from 10- year JGB yields. 10-year JGB yields would rise sharply, and the yen would rally. That's why we target 128 for USD/JPY at end-June.
- Expect much focus on new BoJ governor, Kazuo Ueda, over coming months and what he has to say about recent wage trends and whether dovish policy has out served its time.
- One risk we see to the bearish USD/JPY call is energy prices. Our team are calling Brent to $110/bbl by year-end – a yen negative.

ING forecasts (mkt fwd)	1M 132 (132.49)	3M 128 (131.33)	6M 125 (129.57)	12M 120 (126.31)

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GBP/USD

Surprising sterling strength

Current spot: 1.2429

Source: Refinitiv, ING forecasts

- We have been surprised by sterling strength in March. Given the UK's large current account deficit and its large financial sector we'd have thought it would have underperformed during the recent financial turmoil. We suspect that positioning may have played a role in sterling's rally in March – where asset managers wrong-footed in bond markets also had to cover short sterling positions.
- What now? Based on our EUR/USD view for 2Q23, we suspect GBP/USD may bounce around in a 1.20-1.25 range. Events in the US, however, give us greater conviction that it trades 1.28/1.30 later in the year as the Fed pushes through with easing.
- An early pause from the BoE in May could also support the view that GBP/USD will struggle to sustain a move above 1.25 in 2Q23.

ING forecasts (mkt fwd)	1M 1.21 (1.2438)	3M 1.24 (1.2452)	6M 1.24 (1.2465)	12M 1.28 (1.2468)

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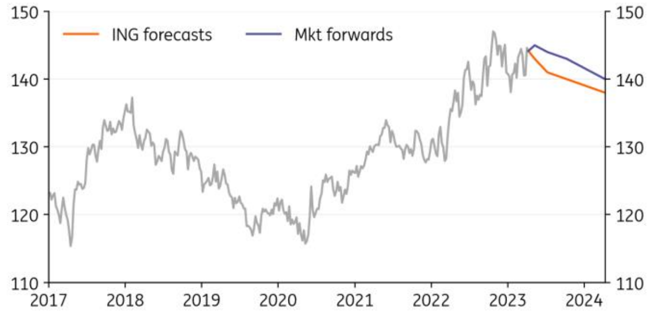
EUR/JPY

Downside looks more inviting — **Current spot: 145.07**



Source: Refinitiv, ING forecasts

- EUR/JPY briefly traded below 139 at the height of the US banking crisis only to trade to 145 as conditions settled. We suspect the risk environment remains fragile – the KBW US Regional Banking index continues to drop – and that EUR/JPY can turn lower again.
- From the eurozone side, growth is weak and stressed markets could make the case that the ECB does not need to tighten much more. We look for 25bp hikes from the ECB in May and June, but no cuts until 3Q24. The BoJ is at the other end of the spectrum, turning less dovish and possibly even hiking rates early in 2024.
- EUR/JPY is normally a good barometer for global growth and the forthcoming downturn favours a multi-quarter drop to 135.

ING forecasts (mkt fwd)	1M 143 (144.65)	3M 141 (143.84)	6M 140 (142.52)	12M 138 (139.85)

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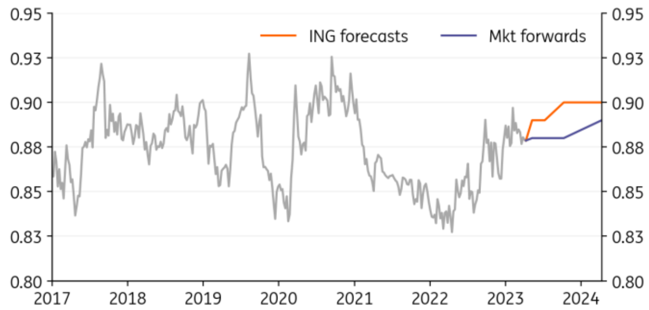
EUR/GBP

Non-consensus BoE view leaves GBP vulnerable — **Current spot: 0.8769**



Source: Refinitiv, ING forecastsEUR

- Our macro team think the Bank of England may have completed its tightening cycle with a 25bp hike to 4.25% in April. This is at odds with the market pricing a further 35bp of tightening over the next couple of months. A BoE pause should be a slight sterling negative. And assuming the ECB takes its own deposit rate (floor on overnight rates) to 3.50% in June, EUR/GBP should gravitate back to the 0.89 area.
- As we mentioned last month, we doubt the improvement in UK-EU relations delivers material improvement to sterling yet and the sterling rally in March had more to do with positioning.
- As an aside, local UK elections in May might provide some insights into how well the Labour Party is really doing.

ING forecasts (mkt fwd)	1M 0.89 (0.8779)	3M 0.89 (0.8797)	6M 0.90 (0.8826)	12M 0.90 (0.8882)

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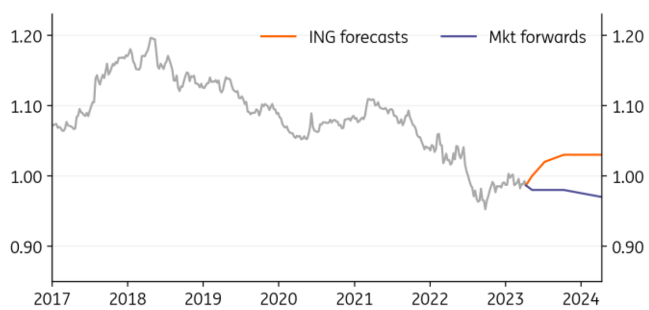
EUR/CHF

Swiss National Bank to remain in control — **Current spot: 0.9859**



Source: Refinitiv, ING forecasts

- Despite the Credit Suisse debacle, EUR/CHF has traded in a reasonably narrow range of 0.9850-1.000 over recent weeks. Probably limiting the topside at 1.00 has been the SNB. Here the SNB increasingly tells us it has been selling FX reserves to keep CHF stable – largely in line with monetary rather financial stability priorities. The SNB sold CHF27bn of FX in fourth quarter 2022.
- Last year we had felt that the SNB would want a lower EUR/CHF to help fight inflation. It is still threatening another hike – we look for a final move in the policy rate to 1.75% in June.
- But the financial stress and weaker economic outlook probably means the SNB prefers a 0.98-1.00 range near term.

ING forecasts (mkt fwd)	1M 1.00 (0.9842)	3M 1.02 (0.9811)	6M 1.03 (0.9765)	12M 1.03 (0.9687)

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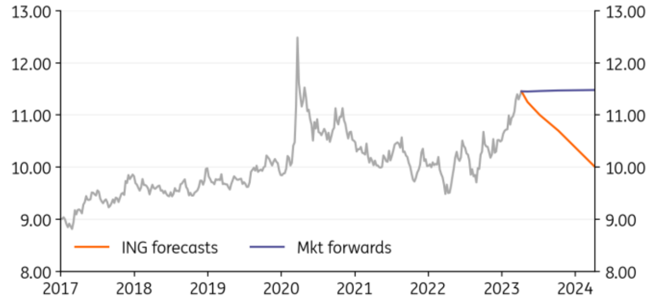
EUR/NOK

Let the rollercoaster continue **Current spot: 11.45**



Source: Refinitiv, ING forecasts

- Krone volatility remains very elevated, and despite the hawkish turn by Norges Bank likely aimed at offering support to the currency, intermittent selloffs have remained the norm.
- We doubt this will change soon, even if fundamentals point at NOK appreciation; especially after the OPEC+ cuts enhanced the oil price outlook and Norges Bank turned more hawkish. Liquidity conditions in the FX market need to improve and volatility needs to abate before NOK can enjoy a sustained recovery.
- Our view is that 11.00 can be touched in EUR/NOK by the end of this quarter on the back of easing appreciating pressure on the euro side and improving sentiment. But it won't be a smooth ride.

ING forecasts (mkt fwd)	1M 11.25 (11.45)	3M 11.00 (11.46)	6M 10.70 (11.47)	12M 10.00 (11.48)

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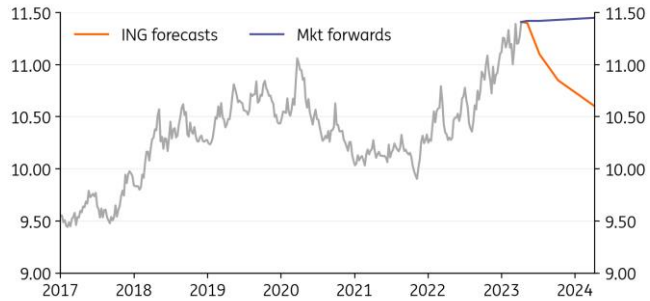
EUR/SEK

Riksbank walking a narrow path to save the krona **Current spot: 11.41**



Source: Refinitiv, ING forecasts

- The Riksbank has stuck to its hawkish, SEK-supporting tone, as inflation rose in February. Wage negotiations yielded a 7.4% increase for the next two years, which may ease fears of a wage-price spiral. Still, a 50bp April hike looks likely given SEK weakness.
- Meanwhile, the economic backdrop in Sweden remains concerning. The house price slump accelerated in March (-0.8% MoM) and retail sales fell 9.4% in February. March's activity surveys were slightly more encouraging.
- Perceived FX intervention risk may be on the rise, but we think the RB won't go beyond mere threats. Short-term upside risks for EUR/SEK remain material. While the path for a SEK recovery is quite narrow, we expect EUR/SEK to move below 11.00 in the second half of 2023 thanks to improved risk sentiment and Riksbank tightening.

ING forecasts (mkt fwd)	1M 11.40 (11.42)	3M 11.10 (11.42)	6M 10.85 (11.43)	12M 10.60 (11.45)

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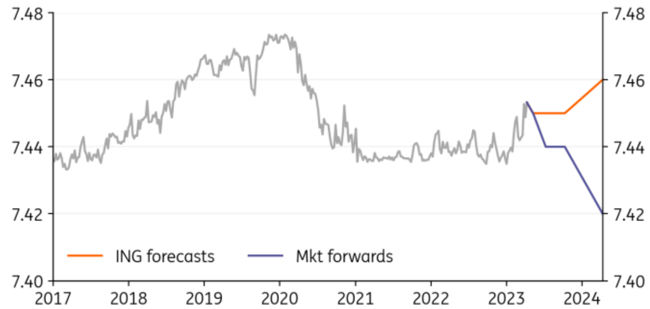
EUR/DKK

DN should replicate ECB rate hikes **Current spot: 7.4505**



Source: Refinitiv, ING forecasts

- Danmarks Nationalbank refrained from intervening in the currency market for a second consecutive month. This was justified by EUR/DKK rising to the 7.4500 area.
- Moving ahead, we expect two more 25bp rate hikes by DN this year, in line with our ECB call. At this stage, there is no clear need to widen the rate gap with the ECB given the higher EUR/DKK.
- Incidentally, inflation in Denmark proved rather sticky in February, which underpins tightening beyond the mere FX sphere. With FX interventions and smaller rate hikes compared to the ECB ready to be deployed if needed, EUR/DKK should stay around 7.45 and rise to 7.46 around the turn of the year.

ING forecasts (mkt fwd)	1M 7.45 (7.4479)	3M 7.45 (7.4436)	6M 7.45 (7.4356)	12M 7.46 (7.4216)

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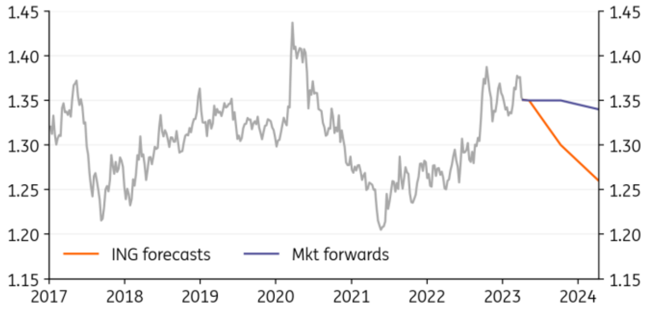
USD/CAD

Loonie still lacking the hawkish factor

Current spot: 1.3492



Source: Refinitiv, ING forecasts

- The US banking troubles initially weighed on CAD, but now, with financial risks having abated and oil prices shifting higher on OPEC+ supply crunch, CAD's attractiveness has improved.
- However, the Bank of Canada remains a dovish standout. While the door will remain open to more tightening if needed, it's looking increasingly likely the next move will be a cut. Core inflation measures have decline below 5.0%, and despite better-than-expected growth, the BoC Business Outlook Survey showed worsening sentiment as a result of monetary tightening.
- Investors may still favour pro-cyclical currencies backed by hawkish central banks than by a commodity push, and the USD/CAD decline may remain primarily a USD decline story.

ING forecasts (mkt fwd)	1M 1.35 (1.3486)	3M 1.33 (1.3472)	6M 1.30 (1.3452)	12M 1.26 (1.3423)

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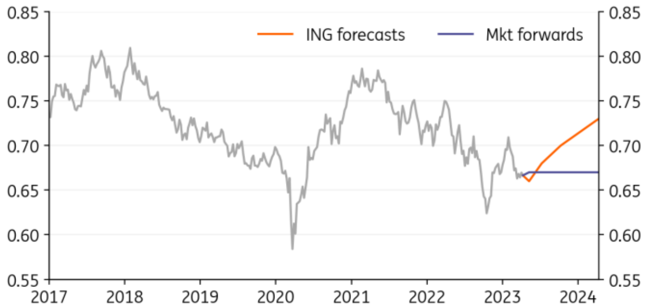
AUD/USD

Dealing with the Reserve Bank of Australia pause

Current spot: 0.6669



Source: Refinitiv, ING forecasts

- The Aussie dollar was the worst performing currency in March, when CPI data (for February) showed a surprise decline below 7.0% and fuelled dovish speculation on the RBA.
- Those expectations were matched by a pause at the April meeting. Despite efforts by Governor Philip Lowe to suggest more hikes are possible, markets aren't pricing any more tightening. We think another 25bp is possible, but that would mark the peak.
- With the RBA no longer offering AUD a hawkish undercurrent, further gains in the currency would need to be mainly driven by a benign USD decline, positive spill-over from China's growth story and supportive risk environment. We have trimmed our AUD/USD profile but remain moderately bullish in the medium term.

ING forecasts (mkt fwd)	1M 0.66 (0.6677)	3M 0.68 (0.6693)	6M 0.70 (0.6716)	12M 0.73 (0.6748)

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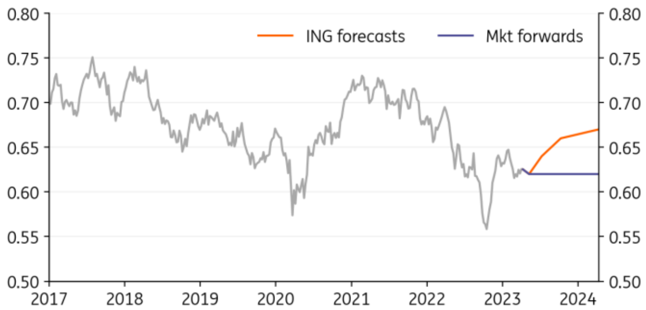
NZD/USD

RBNZ went big, but may have to cut big

Current spot: 0.6225



Source: Refinitiv, ING forecasts

- The Reserve Bank of New Zealand surprised with a 50bp rate hike in April, but NZD failed to find support after an initial jump. The OIS curve embeds another 25bp hike, in line with the Bank's projections.
- Most importantly, there are quite contained market expectations about rate cuts later in the year. Inflation may well fall faster than the RBNZ expects and with the housing market slump weighing on the already fragile economy, markets may soon price in rate cuts in the second half of 2023, in line with the Fed.
- Accordingly, we are reluctant to jump into RBNZ-led NZD rallies in the crosses. Still, NZD/USD can rise on a weak USD and improved risk sentiment, as well as a supportive China narrative.

ING forecasts (mkt fwd)	1M 0.62 (0.6223)	3M 0.64 (0.6220)	6M 0.66 (0.6212)	12M 0.67 (0.6187)

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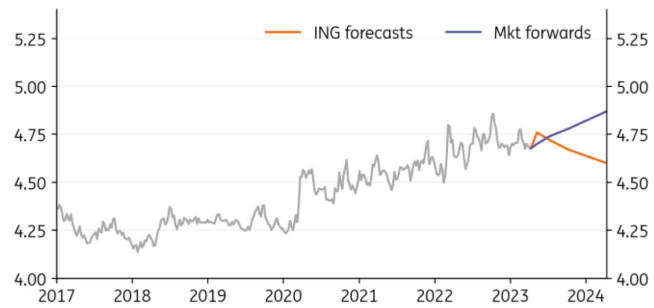
Emerging markets

EUR/PLN

Negative local situation against positive global backdrop

Current spot: 4.6856



Source: Refinitiv, ING forecasts

- The zloty should remain relatively unattractive in the CEE space for short term trading. Much of positioning seems to have been squared ahead of the ECJ opinion on FX mortgages in February.
- The local situation should come to the fore as the global financial stress fades. Domestic data points towards an economic slump and slowflation, maintaining market expectations for NBP cuts in 2H23 – expectations with which we disagree. Moreover, both the ECJ opinion and the looming statutory solution for FX mortgages may trigger local banks to increase provisioning in foreign currencies. This happens against a positive backdrop of rising EUR/USD though. Hence EUR/PLN is unlikely to exceed technical resistance at 4.76 in April.

ING forecasts (mkt fwd)	**1M** 4.76 (4.7034)	**3M** 4.72 (4.7350)	**6M** 4.67 (4.7801)	**12M** 4.60 (4.8703)

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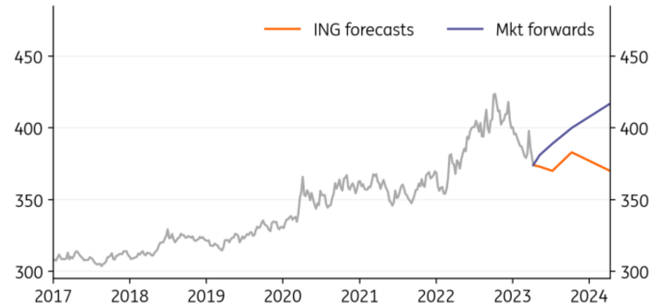
EUR/HUF

Local and global factors make case for a HUF rally

Current spot: 376.19



Source: Refinitiv, ING forecasts

- After weeks of heightened volatility, the forint has recovered to pre-SVB collapse levels and posted the best year-to-date performance in the CEE region by the end of the first quarter.
- HUF has maintained the highest beta against the global story, which, assuming favourable global conditions, creates room for further improvement. Together with the CZK, HUF remains our favourite CEE currency in the current market conditions.
- The National Bank of Hungary has made it clear that easing is not on the table now, which should keep FX carry by far the highest in the region. The decline in risk aversion, higher EUR/USD and lower energy prices provide perfect conditions for a forint rally in the coming weeks.

ING forecasts (mkt fwd)	**1M** 373 (380.88)	**3M** 370 (388.78)	**6M** 383 (399.69)	**12M** 370 (417.37)

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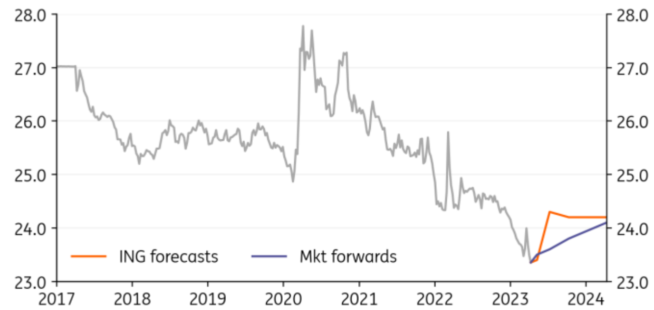
EUR/CZK

Close to historically strongest levels

Current spot: 23.42



Source: Refinitiv, ING forecasts

- The koruna visibly welcomed the Czech National Bank's hawkish tone and is once again attacking historically strong levels. The central bank has confirmed that it is ready to intervene if needed, but current levels are far from where the CNB was last active.
- The central bank's statement is clearly supportive and implies that the koruna is safe in the event of a global sell-off. Moreover, with the prospect of higher rates for a longer period of time, a solid FX carry is also guaranteed.
- Overall, the koruna is together with Hungarian forint our favourite currency within CEE region, offering very decent risk/reward.

ING forecasts (mkt fwd)	**1M** 23.4 (23.51)	**3M** 24.3 (23.65)	**6M** 24.2 (23.85)	**12M** 24.2 (24.12)

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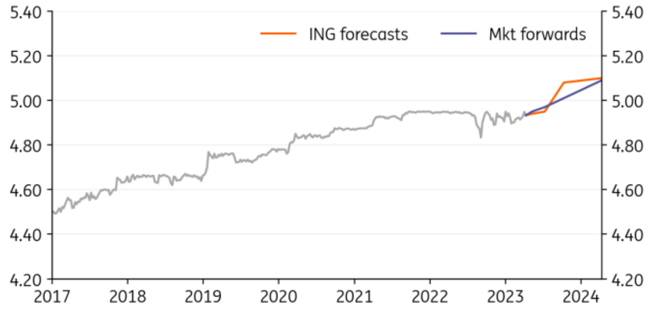
EUR/RON

Upside pressures on EUR/RON **Current spot: 4.9332**



Source: Refinitiv, ING forecasts

- As the liquidity surplus remains at historical high levels (we estimate it around RON26bn in March) money market rates remain anchored closer to the deposit facility. The entire curve up to 1-year is in fact well below the 7.00% key rate.
- The end of March came with upside pressures on EUR/RON. The 4.95 level held again very well, with the increased turnover around it suggesting official offers protecting the leu.
- We believe that mild upside pressures would in fact be rather welcomed by the National Bank of Romania as it has the chance to mop up some of the excess liquidity. Once liquidity will be more within NBR's control, an upside move in EUR/RON could be expected.

ING forecasts (mkt fwd)	1M 4.94 (4.9470)	3M 4.95 (4.9732)	6M 5.08 (5.0109)	12M 5.10 (5.0889)

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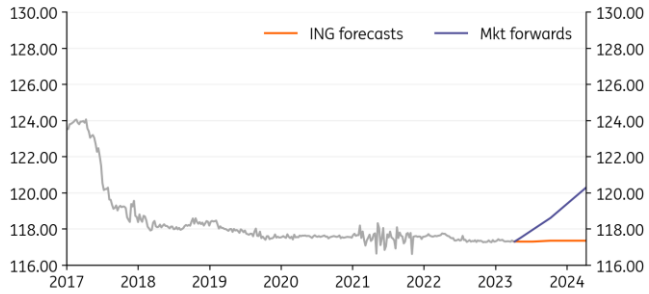
EUR/RSD

Hiking cycle may have reached the peak **Current spot: 117.30**



Source: Refinitiv, ING forecasts

- The inflationary developments did not leave much room to choose for the National Bank of Serbia and the Bank had to tighten policy again by 25bp at its 6 April meeting, bringing the key rate to 6.00%.
- We believe that future policy decisions will be much more data dependent. We see inflation having already reached a peak in February 2023 at 16.1% but not getting within NBS's 1.5%-4.5% target range over the next two years.
- We maintain our expectations for an essentially flat EUR/RSD profile for the rest of 2023, with FX interventions likely to occur sideways in a rather narrow range.

ING forecasts (mkt fwd)	1M 117.30 (117.51)	3M 117.30 (117.95)	6M 117.35 (118.61)	12M 117.35 (120.30)

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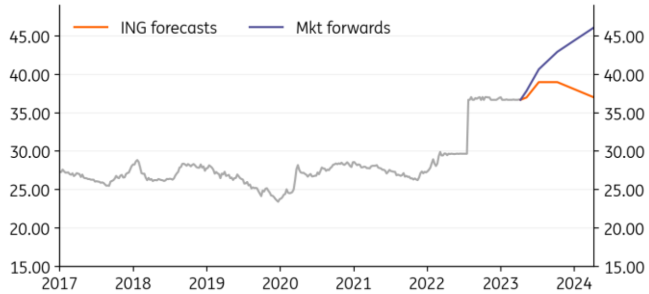
USD/UAH

Short term risks less severe, but longer ones remain high **Current spot: 36.93**



Source: Refinitiv, ING forecasts

- Pressure on the hryvnia eased in recent weeks. Monthly costs of FX interventions in March dipped below US$2bn (vs US$4bn in mid-2022). In tandem with the international aid, including a new multi-year IMF programme of US$15.6bn IMF, it helped NBU FX reserves stabilise near US$30bn, relatively close to pre-war levels. This eases the short-term risks to the hryvnia considerably.
- We still remain wary of the UAH prospects around the middle of the year. Improved weather will encourage larger scale fighting in East Ukraine and possibly another major Russian offensive. Moreover, with no end to the conflict in sight, pressure on the Ukrainian economy will further increase in the coming months.

ING forecasts (mkt fwd)	1M 37.00 (37.85)	3M 39.00 (40.67)	6M 39.00 (42.95)	12M 37.00 (46.14)

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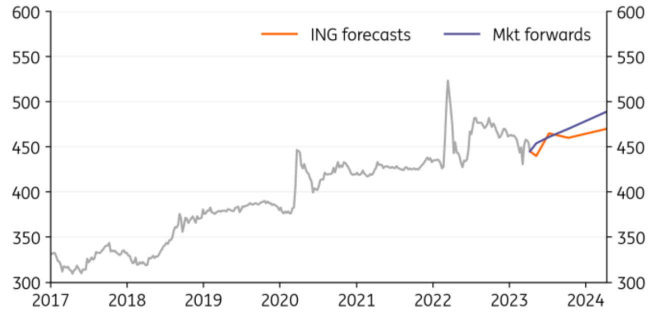
USD/KZT

Higher volatility, in line with commodities **Current spot: 451.00**



Source: Refinitiv, ING forecasts

- USD/KZT ended March at 445-450, close to the end-February levels and in line with our expectations. But the intra-month volatility was high, as KZT traded in a wide 430-465 range, reflecting Brent falling from US$86 to US$73/bbl and then recovering recently to US$85.
- The positive momentum on the oil market following the OPEC+ production cut and calmer global financial markets has set the stage for further KZT appreciation in the near term.
- We remain constructive on the tenge in the medium term, given the expected increase in exports. However, exposure to geopolitical risks in the region could be a source of two-way volatility.

ING forecasts (mkt fwd)	1M 440 (454.34)	3M 465 (460.67)	6M 460 (470.02)	12M 470 (488.90)

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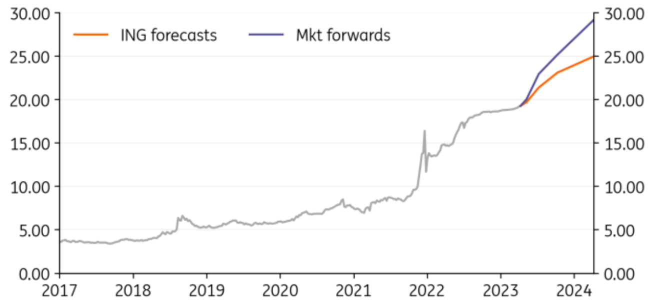
USD/TRY

May elections key catalyst for the outlook **Current spot: 19.29**



Source: Refinitiv, ING forecasts

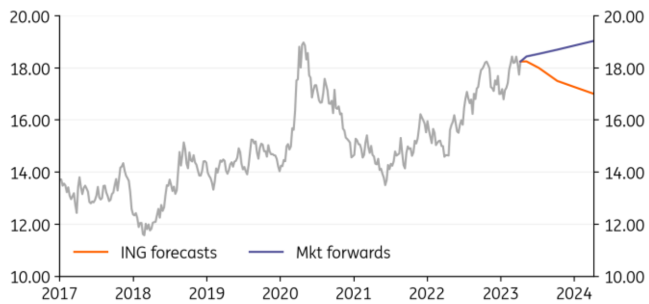
- In the March meeting, the Central Bank of Turkey hinted that it would maintain a wait-and-see mode, while we can expect further macro-prudential measures to maintain favourable financial conditions with an objective of minimising the effects of the earthquakes.
- Recently, we saw a signal to reduce the maturity of FX-protected deposits supported by the CBT down to 1 month and the removal of the interest rate cap in Treasury supported FX-protected deposits. In this environment, the CBT is likely to maintain its control over locals' FX flows to sustain low rates.
- Given elevated inflation and ongoing upside risks, the real value of the exchange will likely remain in focus ahead of the elections.

ING forecasts (mkt fwd)	1M 19.70 (20.04)	3M 21.40 (22.96)	6M 23.10 (25.16)	12M 25.00 (29.23)

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

USD/ZAR

Even the SARB thinks the rand will weaken **Current spot: 18.39**



Source: Refinitiv, ING forecasts

- The rand has been quite volatile, helped in part by the softer dollar environment and the surprise 50bp hike from the South African Reserve Bank in late March. The SARB felt that it had no other alternative to a larger hike given that inflation expectations were on the rise and inflation looked unlikely to return to target until late 2024.
- In a brutally honest statement, the SARB said that "further currency weakness looks likely". The SARB hangs this on load-shedding/power outages hitting growth, upside inflation risks and the current account deficit widening on softer commodity prices.
- We think the rand can rally a little on the softer dollar story in 2H23, but the shorter-term risks in USD/ZAR lie to the upside.

ING forecasts (mkt fwd)	1M 18.25 (18.44)	3M 18.00 (18.54)	6M 17.50 (18.70)	12M 17.00 (19.04)

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USD/ILS

No signs of political tension easing

Current spot: 3.6266

Source: Refinitiv, ING forecasts

- The shekel has recovered a little over the last month, but that looks entirely down to the softer dollar. Domestically, the situation remains very tense. Here the Netanyahu government so far is showing no signs of backing down in its push for judicial reforms. The Bank of Israel's research department recently presented scenarios as to what this tension may mean for growth, inflation and Israel's sovereign risk premium.
- A quick resolution to the crisis could knock 0.8% off GDP per year over the next three years. Lasting effects/structurally higher sovereign risk premium could knock 2.8% off GDP per year.
- The macro fundamentals for the shekel are good, but unless the crisis is resolved, USD/ILS may not head down to 3.50 after all.

ING forecasts (mkt fwd)	1M 3.60 (3.6192)	3M 3.50 (3.6084)	6M 3.35 (3.5931)	12M 3.20 (3.5686)

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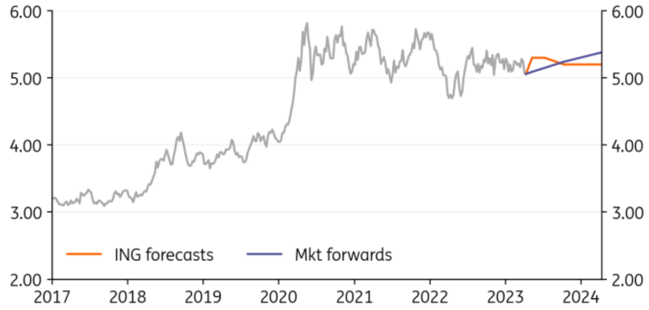
LATAM

USD/BRL

New fiscal framework delivers a brief lift

Current spot: 5.0667



Source: Refinitiv, ING forecasts

- USD/BRL is pressing 5.00 and the real has been one of the better EMFX performers over the last month. Helping the real has been the positive reception of new fiscal framework announced at the end of March. It seeks to stabilise debt-to-GDP levels at around 75% and limit government expenditures. Having done its part, the government will now be leaning on the central bank to cut rates. So far, the central bank is still sounding hawkish given that inflation expectations are heading in the wrong direction.
- BRL is enjoying a short honeymoon, but renewed pressure on the central bank or poor fiscal developments can easily end the rally.
- We favour USD/BRL returning to the middle of a 5.00-5.50 range.

ING forecasts (mkt fwd)	1M 5.30 (5.0945)	3M 5.30 (5.1505)	6M 5.20 (5.2370)	12M 5.20 (5.3820)

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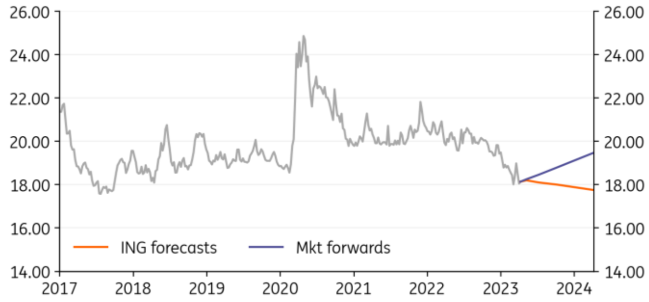
USD/MXN

MXN rally stalls

Current spot: 18.13



Source: Refinitiv, ING forecasts

- Now that everyone agrees that the Mexican peso should be the best performing EM currency in the world, the rally has stalled. That is probably a function of positioning, a big level at 18.00 and concerns over the US economy. In addition, this month has seen the government announce the US$6bn purchase of Iberdola's gas and wind assets. President AMLO describes this as 'new nationalisation', ie, securing strategic assets such as lithium.
- The Iberdola deal may keep USD/MXN above 18.00 temporarily but we doubt it undoes Mexico's position as a key recipient of nearshoring FDI inflows.
- Expect Banxico to continue matching Fed policy – ie, perhaps one last 25bp hike in May and then a 100bp easing cycle into 2024.

ING forecasts (mkt fwd)	1M 18.20 (18.25)	3M 18.10 (18.46)	6M 18.00 (18.80)	12M 17.75 (19.48)

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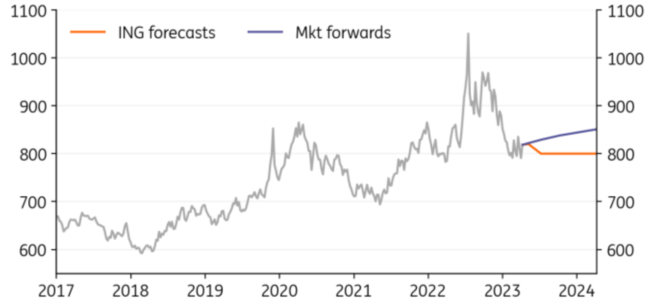
USD/CLP

Copper story isn't as good as it looks

Current spot: 819.08



Source: Refinitiv, ING forecasts

- Copper trading back at US$9000/MT should have been great news for the CLP. Ironically, part of the reason that copper is trading so high is the production shortfall in Chile. In February, Chile's copper production was the lowest in six years. Underinvestment and ageing deposits are being blamed here and clearly this will weigh on Chile's FX income in a year when growth may well contract.
- The above is probably the reason why USD/CLP is not participating in the broad dollar decline. We are also closely watching Chile's FX reserves for signs of intervention to rebuild its reserves, which fell from US$55bn to US$38bn last year.
- Despite 10% yields, we do not see CLP as attractive.

ING forecasts (mkt fwd)	1M 820 (822.33)	3M 800 (828.79)	6M 800 (838.21)	12M 800 (850.71)

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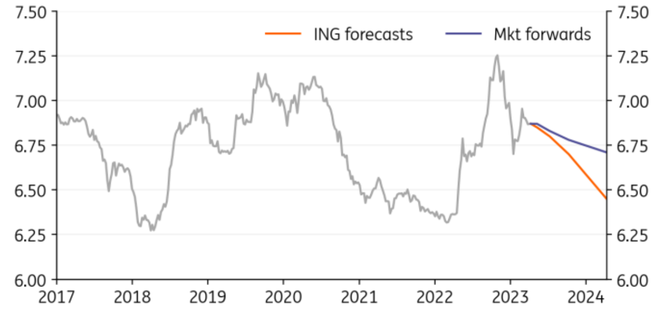
Asia

USD/CNY

Exports dragging the economy **Current spot: 6.8861**



Source: Refinitiv, ING forecasts

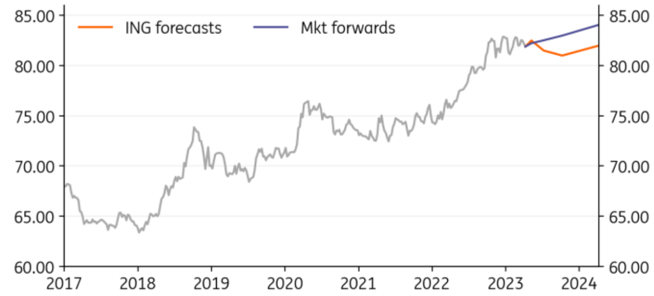
- Domestically, the economy has been growing on track. We expect retail sales to grow at 5% year-on-year in March compared to 3.5% YoY for January-February.
- Growth risk comes mainly from exports and related manufacturing. This is a risk that we believe might not improve quickly. As such we revise downward GDP for the first quarter of 2023 to 3.8% from 4.5%.
- The government should hand out stimulus for consumption and infrastructure quickly after the weak GDP in 1Q. GDP for 2Q should rise faster to 6.8% YoY from our previous forecast of 5.2% YoY. We keep our GDP forecast for the whole of 2023 at 5%.

ING forecasts (mkt fwd)	1M 6.85 (6.8666)	3M 6.80 (6.8308)	6M 6.70 (6.7801)	12M 6.45 (6.7093)

Iris Pang, iris.pang@asia.ing.com

USD/INR

Holding pattern looking strained **Current spot: 82.09**



Source: Refinitiv, ING forecasts

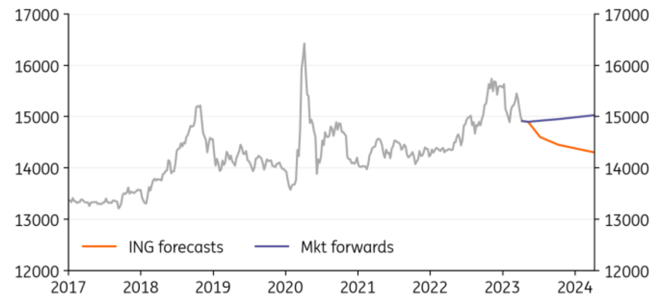
- The INR continues to trade in a narrowing range of about 81.70 and 82.90, managing to hold below 83.00.
- Slightly stronger on the year, the INR has not been affected as much as some other regional peers by CNY movements, nor has it moved as much on G-10 swings as some of the higher beta currencies of the region. Failure of Indian government bonds to be included in benchmarks has not hurt INR too much either.
- But while our broader USD view suggests that the current range will break with a movement to the downside, the INR price action looks more like that of a currency trying not to depreciate. So near-term weakness is probably the most likely path.

ING forecasts (mkt fwd)	1M 82.50 (82.23)	3M 81.50 (82.52)	6M 81.00 (82.99)	12M 82.00 (84.07)

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

USD/IDR

IDR tracks global risk sentiment **Current spot: 14883**



Source: Refinitiv, ING forecasts

- The IDR initially retreated on general risk-off tone sparked by developments in the banking sector over in Europe and the US. The currency stabilised as risk sentiment improved and after President Jokowi passed a crucial labour law that could pave the way for investment flows.
- Bank Indonesia (BI) met at the height of the concerns over the banking sector, but Governor Warjiyo opted to keep rates unchanged, citing relatively subdued core inflation.
- We expect the IDR to enjoy bouts of appreciation as the current account remains in surplus with upside potential driven by renewed investment flows related to Jokowi's new labour law.

ING forecasts (mkt fwd)	1M 14900 (14897)	3M 14600 (14920)	6M 14450 (14950)	12M 14300 (15028)

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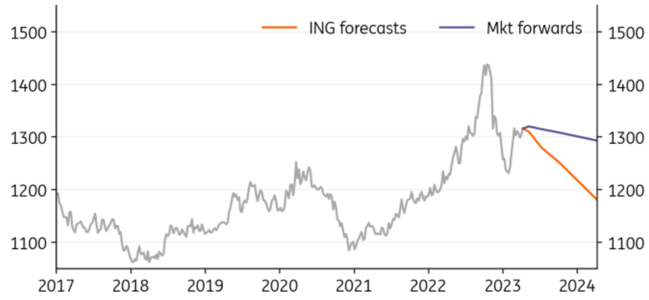
USD/KRW

KRW to strengthen despite chip slump

Current spot: 1322.69



Source: Refinitiv, ING forecasts

- The KRW followed global risk sentiment with demonstrating higher volatility than other Asian currencies.
- The Bank of Korea (BoK) is expected to stand pat at the April meeting. As signs of slowing inflation become more pronounced and the dovish Fed is expected, the BoK will take time to monitor how the recent oil price hike evolves.
- We expect the current account to be temporarily in the red in April, with soaring dividend pay-outs. Thus, the depreciation pressure will let the KRW float over 1300. KRW is likely to remain the worst performer of the Asian market in the near term.

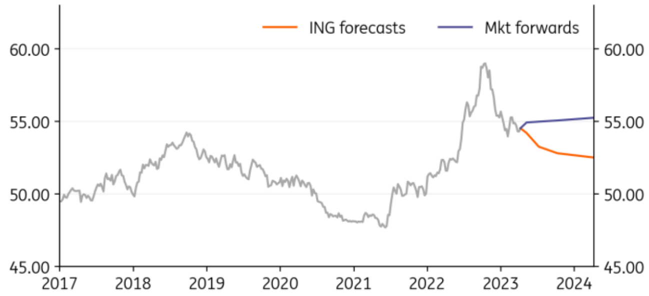
ING forecasts (mkt fwd)	**1M** 1310 (1320.26)	**3M** 1280 (1315.45)	**6M** 1250 (1307.70)	**12M** 1180 (1293.40)

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

USD/PHP

PHP lags rally as trade deficit remains wide

Current spot: 54.88



Source: Refinitiv, ING forecasts

- The Philippine peso was on the backfoot early in the month as the currency tracked regional peers. With heightened anxiety driven by global banking developments, foreign investors offloaded local equities.
- Bangko Sentral ng Pilipinas (BSP) hiked policy rates by 25bp at their policy meeting, helping lend some support to the PHP. Gains may have been limited as Governor Medalla opened the door for an eventual pause in rate hikes.
- The chronic trade deficit is likely to keep the peso on a depreciation bias while dovish hints from BSP officials could also mean the PHP will be lagging any regional rally.

ING forecasts (mkt fwd)	**1M** 54.20 (54.92)	**3M** 53.25 (54.98)	**6M** 52.80 (55.06)	**12M** 52.50 (55.25)

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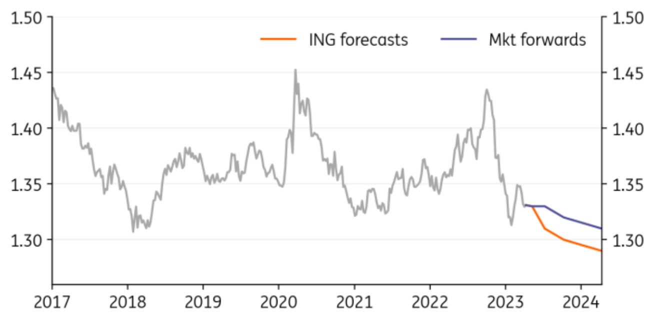
USD/SGD

SGD remains on appreciating NEER path

Current spot: 1.3312



Source: Refinitiv, ING forecasts

- The SGD initially lost ground in early March, tracking other regional currencies due to general risk off tone. The SGD NEER has remained steady over the month. Singapore's exports were down a fifth month given the challenging external environment.
- Inflation came in below market consensus expectations for yet another month but both headline and core remain much higher than target. Despite the downside miss, price pressures are still evident and should stay so for at least the first half of the year.
- The Monetary Authority of Singapore is likely to maintain its hawkish stance at the April meeting given elevated inflation, although we do not think more aggressive action is warranted given the economy's struggles.

ING forecasts (mkt fwd)	**1M** 1.33 (1.3296)	**3M** 1.31 (1.3267)	**6M** 1.30 (1.3220)	**12M** 1.29 (1.3130)

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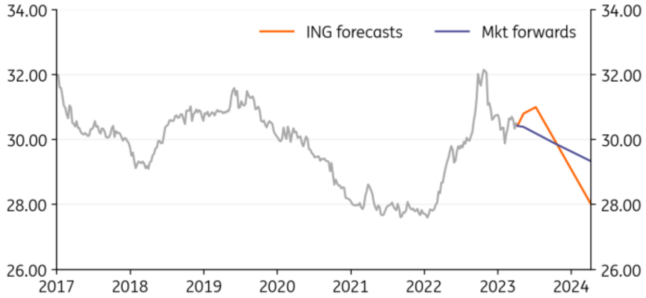
USD/TWD

Still weak economy from low demand for chips **Current spot: 30.49**



Source: Refinitiv, ING forecasts

- Taiwan continues to suffer from weak global demand for semiconductor chips in the first quarter of 2023. GDP was -0.4% YoY in fourth quarter 2022 and we expect -0.5% YoY for the first quarter of 2023. If that is true, it means that Taiwan has entered a mild recession.
- This should create more cross-border flows in the Taiwan equity market, which is a key driver of TWD volatility.
- We expect the economic recovery in Mainland China could not fill the gap of weak semiconductor demand from the US.
- Due to the low base effect, GDP growth should turn positive in the second quarter. However, this does not change the macro backdrop of weak external demand.

ING forecasts (mkt fwd)	**1M** 30.80 (30.39)	**3M** 31.00 (30.19)	**6M** 30.00 (29.89)	**12M** 28.00 (29.33)

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ING foreign exchange forecasts

EUR cross rates	Spot	1M	3M	6M	12M	USD cross rates	Spot	1M	3M	6M	12M
Developed FX											
EUR/USD	1.09	1.08	1.10	1.12	1.15						
EUR/JPY	145.1	142.56	140.80	140.00	138.00	USD/JPY	133.11	132	128	125	120
EUR/GBP	0.88	0.89	0.89	0.90	0.90	GBP/USD	1.24	1.21	1.24	1.24	1.28
EUR/CHF	0.99	1.00	1.02	1.03	1.03	USD/CHF	0.90	0.93	0.93	0.92	0.90
EUR/NOK	11.45	11.25	11.00	10.70	10.00	USD/NOK	10.50	10.42	10.00	9.55	8.70
EUR/SEK	11.41	11.40	11.10	10.85	10.60	USD/SEK	10.47	10.56	10.09	9.69	9.22
EUR/DKK	7.451	7.450	7.450	7.450	7.460	USD/DKK	6.84	6.90	6.77	6.65	6.49
EUR/CAD	1.47	1.46	1.46	1.46	1.45	USD/CAD	1.349	1.35	1.33	1.30	1.26
EUR/AUD	1.63	1.64	1.62	1.60	1.58	AUD/USD	0.67	0.66	0.68	0.70	0.73
EUR/NZD	1.75	1.74	1.72	1.70	1.72	NZD/USD	0.62	0.62	0.64	0.66	0.67
EMEA											
EUR/PLN	4.69	4.76	4.72	4.67	4.60	USD/PLN	4.30	4.41	4.29	4.17	4.00
EUR/HUF	376.2	373.00	370.00	383.00	370.00	USD/HUF	345.1	345	336	342	322
EUR/CZK	23.42	23.5	24.3	24.2	24.2	USD/CZK	21.49	21.7	22.1	21.6	21.0
EUR/RON	4.93	4.94	4.95	5.08	5.10	USD/RON	4.53	4.57	4.50	4.54	4.43
EUR/RSD	117.3	117.3	117.4	117.4	117.3	USD/RSD	107.6	108.6	106.6	104.8	102.0
							81.96	0.0	0.0	0.0	0.0
EUR/UAH	40.0	42.9	43.7	42.6	40.0	USD/UAH	36.93	37.00	39.00	39.00	37.00
EUR/KZT	475.2	511.5	515.2	540.5	475.2	USD/KZT	451.0	440	465	460	470
EUR/TRY	21.28	23.54	25.87	28.75	21.28	USD/TRY	19.29	19.70	21.40	23.10	25.00
EUR/ZAR	19.7	19.8	19.6	19.6	19.7	USD/ZAR	18.39	18.25	18.00	17.50	17.00
EUR/ILS	3.89	3.85	3.75	3.68	3.89	USD/ILS	3.63	3.60	3.50	3.35	3.20
LATAM											
EUR/BRL	5.72	5.83	5.82	5.98	5.72	USD/BRL	5.07	5.30	5.30	5.20	5.20
EUR/MXN	19.7	19.9	20.2	20.4	19.7	USD/MXN	18.13	18.20	18.10	18.00	17.75
EUR/CLP	886	880	896	920	886	USD/CLP	819.08	820	800	800	800
Asia											
EUR/CNY	7.40	7.48	7.50	7.42	7.40	USD/CNY	6.89	6.85	6.80	6.70	6.45
EUR/IDR	16092	16060	16184	16445	16092	USD/IDR	14883	14900	14600	14450	14300
EUR/INR	89.1	89.7	90.7	94.3	89.1	USD/INR	82.09	82.50	81.50	81.00	82.00
EUR/KRW	1415	1408	1400	1357	1415	USD/KRW	1322.70	1310	1280	1250	1180
EUR/PHP	58.5	58.6	59.1	60.4	58.5	USD/PHP	54.89	54.2	53.25	52.8	52.5
EUR/SGD	1.44	1.44	1.46	1.48	1.44	USD/SGD	1.33	1.33	1.31	1.30	1.29
EUR/TWD	33.3	34.1	33.6	32.2	33.3	USD/TWD	30.49	30.8	31.0	30.0	28.0

Source: Refinitiv, ING

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