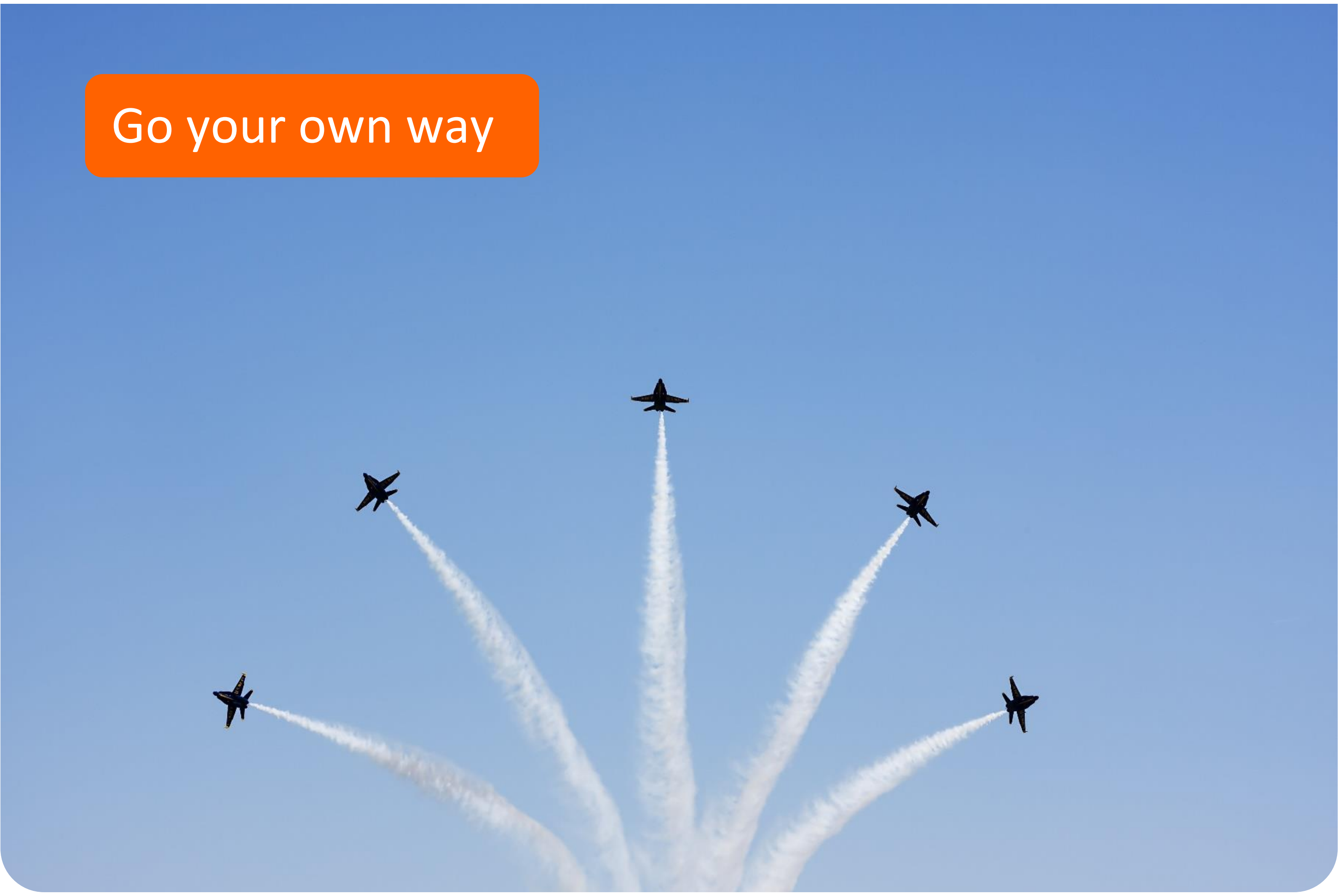
THINK Economic and Financial Analysis

FX Talking

April 2024



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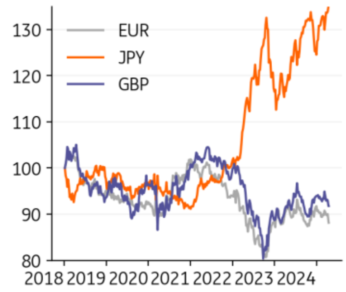
Go your own way

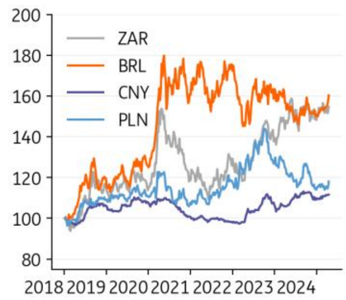
A month can seem like a long time in the world of FX, but over the last month the dollar has taken a decisive turn to the topside. Three months of core US inflation at 0.4% month-on-month has put paid to any thoughts of early Federal Reserve easing. At the same time, downside surprises in eurozone inflation have firmed up views that the European Central Bank can pursue its own path to eurozone happiness by starting an easing cycle in June. This quarter, expect to hear frequent use of the term 'divergence' and how much it will drag EUR/USD lower.

USD/Majors (Jan 18=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 18=100)



Source: Refinitiv, ING forecast

On the back of adjustments in the house Fed view this month – we now only look for three Fed rate cuts this year with the risk of two – we can no longer make the case for EUR/USD to trade above 1.10 over the next 18 months. We have cut our EUR/USD profile, but have not turned outright bearish – not unless Fed rate cuts are completely abandoned or geopolitics delivers a substantial spike in energy prices.

Away from EUR/USD, we note FX volatility finally trading higher as we approach likely USD/JPY intervention levels. Within G10 it is starting to look more interesting with central banks in Canada and Sweden potentially joining the ECB with rate cuts this quarter.

In the EM world, we continue to prefer the Polish zloty where EU transfers and a less dovish central bank should dominate. We are more worried about high yielders like the rand ahead of elections in late May. There is also much focus on whether China will allow notable depreciation in the renminbi. We think not. And in Latam, Mexico's peso should hold gains, while Chile's peso is vulnerable now that local rate cuts look too aggressive.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.07	↑	152	↓	1.26	↑
3M	1..08	↑	150	↓	1.26	↑
6M	1.10	↑	143	↓	1.26	↑
12M	1.10	↑	140	↓	1.25	→
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.85	→	25.30	→	4.23	↓
3M	0.86	→	25.30	↓	4.20	↓
6M	0.87	↑	24.80	↓	4.25	↓
12M	0.88	↓	24.00	↓	4.30	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	7.25	↑	16.75	↓	5.15	↓
3M	7.27	↑	16.75	↓	5.15	↓
6M	7.17	↑	16.75	↓	5.15	↓
12M	7.05	↑	16.50	↓	5.00	↓

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

FX performance

	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	-0.3	1.8	0.2	0.9	-2.1	1.9
%YoY	-0.6	12.8	-3.0	1.9	-4.2	3.0
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	0.6	4.9	0.4	0.7	1.0	3.8
%YoY	5.4	5.9	6.1	-6.4	3.6	4.9

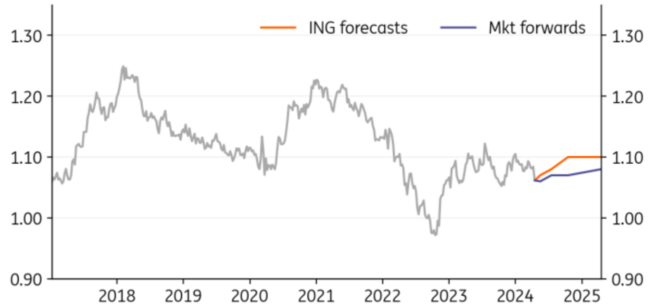
Source: Refinitiv, ING forecast

Developed markets

EUR/USD

Don't mess with the dollar

Current spot: 1.0616



Source: Refinitiv, ING forecasts

- This month we are dropping our call that EUR/USD can trade above 1.10 later this year and early next. Three months of US core CPI at 0.4% MoM has put paid to our more aggressive call for Fed easing. Equally, the strong US labour market suggests there is no pressing need for the Fed to cut. Our team now looks for the first Fed cut in September – meaning USD can hold gains in 2Q.
- The ECB is expressing its independence from the Fed. It should deliver its first cut in June. This policy divergence has seen rate spreads widen to late 2022 levels – when EUR/USD was trading at 1.05.
- Middle East tension only adds to the dollar's appeal – given it has the advantages of liquidity, high deposit rates and US energy independence. And clarity post November elections is poor.

ING forecasts (mkt fwd)	1M 1.07 (1.0629)	3M 1.08 (1.0656)	6M 1.10 (1.0703)	12M 1.10 (1.0813)

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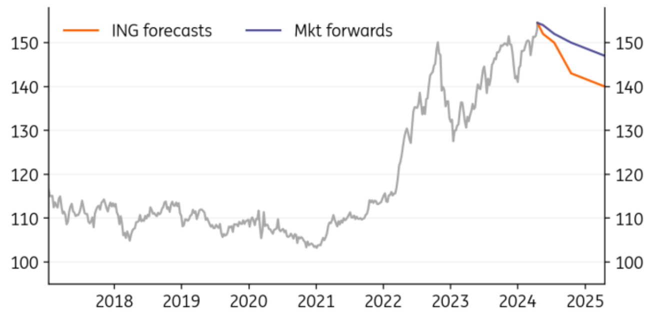
USD/JPY

Moving into intervention territory

Current spot: 154.50



Source: Refinitiv, ING forecasts

- Broad strength in the dollar has seen USD/JPY push through 152 and move closer to 155, where most think the chances of FX intervention are high. This has pushed 1m traded volatility back to 9%+ levels. Recall that the last intervention took place around 150 on September/October 2022 and Tokyo sold $70bn of FX.
- Regarding Bank of Japan policy, we now think the BoJ may hike twice more this year – probably in July and October. Yet a policy rate at 0.50% by year-end looks unlikely to turn the JPY trend around. For that we do need a broadly lower dollar - something for the second half of the year.
- Geopolitical risk poses mixed challenges for the JPY. Heavy short positioning squeezes the JPY higher in any broad deleveraging. Yet higher energy prices are typically a yen negative.

ING forecasts (mkt fwd)	1M 152 (153.76)	3M 150 (152.39)	6M 143 (150.34)	12M 140 (146.54)

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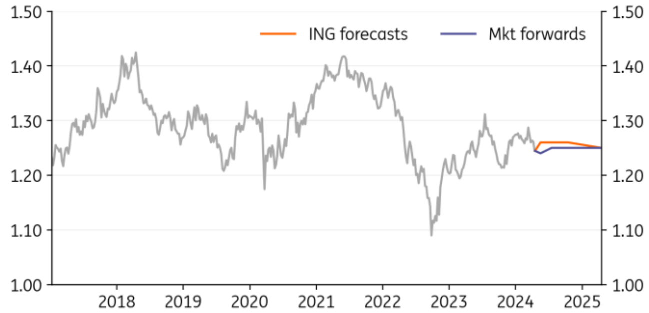
GBP/USD

We're still looking for four BoE rate cuts this year

Current spot: 1.2446



Source: Refinitiv, ING forecasts

- A rewrite of the US/Fed scenario means that we have had to cut our GBP/USD profile. A marginally more difficult investment environment on the back of higher US rates for longer will also be generating some headwinds for GBP/USD. When it comes to the Bank of England, we are still looking for four cuts this year starting in August. Some are looking for June – but that seems too early.
- As usual, independent sterling moves will be driven by key UK data releases – e.g. wages and services inflation. These could still prove a little sticky but should be falling sharply by the summer.
- We do not see a UK election (probably Oct. or Nov.) having a big say on sterling – given Labour's large and consistent 20% poll lead.

ING forecasts (mkt fwd)	1M 1.26 (1.2448)	3M 1.26 (1.2453)	6M 1.26 (1.2462)	12M 1.25 (1.2482)

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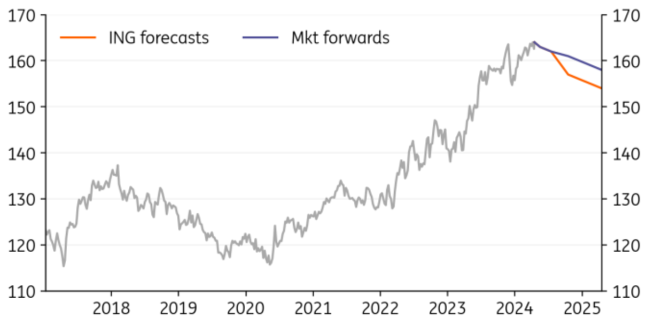
EUR/JPY

Dovish ECB helps slow upside momentum

Current spot: 164.01



Source: Refinitiv, ING forecasts

- Unlike the Fed, the ECB is happy to market the story that inflation has been purely a supply-constraint story – which has now been resolved. Even though the ECB does not want to outline a pre-ordained easing path, it very much looks like June will be the first cut – with follow up moves in September and December.
- Given we think the BoJ will be hiking through the year – this rare divergence in policy moves may finally apply the brakes to this powerful EUR/JPY bull trend – dominant since 2020.
- Add in the fact that we identify the yen as far more undervalued than the euro on a medium-term basis – and the high likelihood of Japanese FX intervention – EUR/JPY may well be topping.

ING forecasts (mkt fwd)	1M 163 (163.42)	3M 162 (162.38)	6M 157 (160.91)	12M 154 (158.36)

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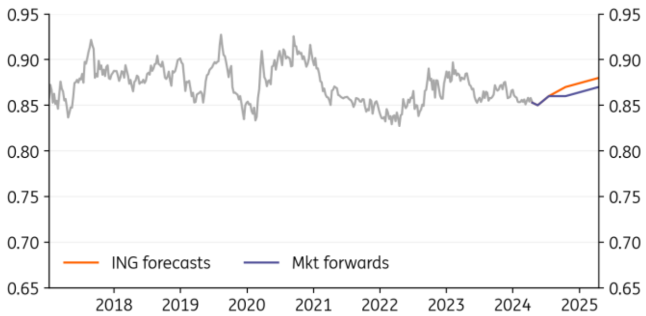
EUR/GBP

0.85 base still holding

Current spot: 0.8529



Source: Refinitiv, ING forecasts

- The ECB's clarity surrounding its first rate cut is keeping EUR swap rates subdued and has seen two year EUR:GBP swap differentials widen towards the 150bp area in sterling's favour. These are the widest levels of the year. We see a risk that greater BoE easing expectations and lower GBP swap rates only emerge towards mid-May/June – meaning that EUR/GBP could press 0.85 now.
- However, the BoE cycle is conservatively priced at just 50bp – we look for 100bp. And we forecast that EUR/GBP starts to make a decisive move higher this summer as key UK data better confirms the UK disinflation story.
- The options market remains relaxed about EUR/GBP prospects.

ING forecasts (mkt fwd)	1M 0.85 (0.8538)	3M 0.86 (0.8557)	6M 0.87 (0.8589)	12M 0.88 (0.8663)

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EUR/CHF

Further EUR/CHF upside may be hard work

Current spot: 0.9694

Source: Refinitiv, ING forecasts

- The EUR/CHF rally has stalled around 0.98. Two factors are at work. One is that ECB policy rate expectations are now falling faster than those for the Swiss National Bank. Two year EUR:CHF swap differentials are now moving against EUR/CHF. And arguably there is a lot more downside for ECB policy rates. Secondly, geopolitical risks are understandably on the rise.
- However, we doubt that the SNB is prepared to accept a much stronger CHF now and will be prepared to buy FX if need be.
- FX intervention for 1Q24 will be released at the end of June. Last year the SNB sold CHF100bn of FX to drive CHF stronger and fight inflation. This year, the SNB will probably revert to buying FX again.

ING forecasts (mkt fwd)	1M 0.97 (0.9670)	3M 0.98 (0.9631)	6M 0.99 (0.9572)	12M 1.00 (0.9468)

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EUR/NOK

Risks and good fundamentals both hard to ignore

Current spot: 11.67

Source: Refinitiv, ING forecasts

- We were expecting Norway's krone to be trading at stronger levels by now. But after an Easter FX liquidity drought, Fed repricing and geopolitical tensions, EUR/NOK at 11.60 actually looks cheap.
- March CPI and February GDP were both below consensus in Norway, but with oil prices at six-month highs and the trade-weighted NOK around year-to-date lows, Norges Bank still has little incentive to turn to a more dovish stance.
- If NB sticks to its projections of only cutting in autumn, the undervalued NOK remains in the best position in the G10 to benefit from a US rates/risk-on rally. Whether and when this rally can materialise is increasingly uncertain, and NOK's illiquid reputation keeps it a high-risk currency in the short term.

ING forecasts (mkt fwd)	1M 11.70 (11.68)	3M 11.40 (11.69)	6M 11.10 (11.72)	12M 11.00 (11.80)

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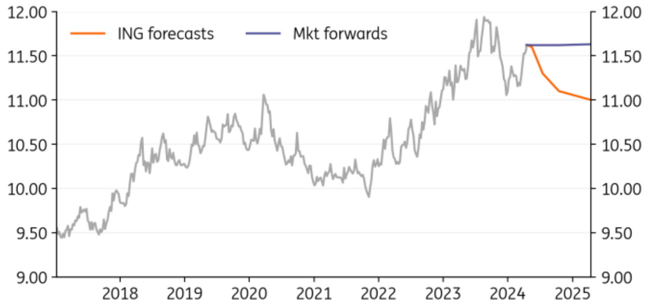
EUR/SEK

Riksbank May cut hinges on SEK

Current spot: 11.62



Source: Refinitiv, ING forecasts

- Sub-consensus headline and core CPIF in March would, in theory, make a rate cut in May a no-brainer for the Riksbank. However, the weakening of the krona remains a key concern.
- Recent verbal intervention by the Riksbank has further convinced us that a May cut remains at least partly a function of the krona's performance. Markets are currently pricing in -19bp for May, but expect easing bets to be scaled back if SEK sells off again.
- The recent EUR/SEK rally has probably a bit more to run given the volatile geopolitical scene and higher USD rates point to material risks of a break higher. Our new Fed call (only 75bp of cuts in 2024) also means a more contained EUR/SEK projected fall this year.

ING forecasts (mkt fwd)	1M 11.60 (11.62)	3M 11.30 (11.62)	6M 11.10 (11.62)	12M 11.00 (11.63)

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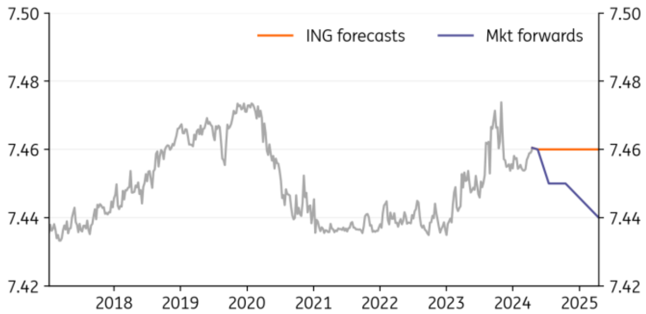
EUR/DKK

No major developments

Current spot: 7.4604



Source: Refinitiv, ING forecasts

- Danmarks Nationalbank hasn't intervened in the FX market since January 2023, and we doubt that will change this year. EUR/DKK is consolidating around the central peg level established by the central bank and has not faced concerning volatility events of late.
- Denmark's central bank should cut rates in June, in our view, or when the ECB moves. For the moment, we see no reason to doubt DN will follow each ECB step in the easing cycle this year.
- We maintain our view that EUR/DKK will stabilise around 7.46.

ING forecasts (mkt fwd)	1M 7.46 (7.4580)	3M 7.46 (7.4535)	6M 7.46 (7.4469)	12M 7.46 (7.4357)

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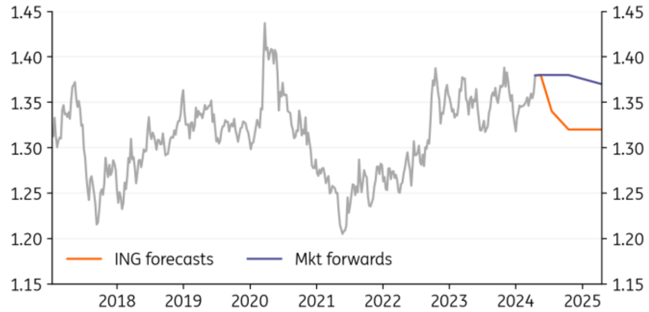
USD/CAD

Bank of Canada to cut in June

Current spot: 1.3796



Source: Refinitiv, ING forecasts

- A 25bp cut by the Bank of Canada in June is looking increasingly likely as inflation printed again below expectations and unemployment rose above 6.0% for the first time since 2022.
- At the April meeting, Governor Tiff Macklem said a move in June is possible, and we think markets are under-pricing it (14bp) only because of the strong correlation with higher USD rates.
- The loonie still looks less attractive than other G10 commodity currencies in the medium run due to monetary policy divergence. However, the prevailing drivers for all G10 remain US data and geopolitics; if these two factors both move against risk sentiment, CAD should be more resilient than other high-beta FX even if USD/CAD continues to face upside risks in the near term.

ING forecasts (mkt fwd)	**1M** 1.38 (1.3790)	**3M** 1.34 (1.3776)	**6M** 1.32 (1.3754)	**12M** 1.32 (1.3706)

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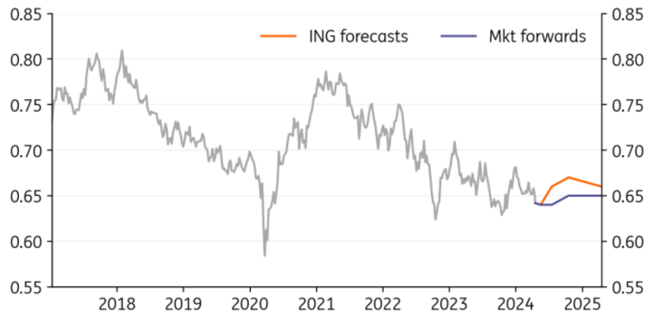
AUD/USD

Downside pressure can continue

Current spot: 0.6419



Source: Refinitiv, ING forecasts

- The Reserve Bank of Australia will be looking very carefully at incoming data on inflation and jobs. The latest monthly CPI prints were encouraging, but the labour market remains very tight.
- Our concern is that CPI may print higher than expected for a couple of months and that might prompt another rate hike in Australia. Anyway, cuts before 4Q look unlikely as of now.
- China's growth story has marginally improved of late, which is another positive factor for the highly-exposed AUD. However, risk sentiment and higher USD rates are overshadowing AUD fundamentals now and that continues to put the Aussie dollar more at risk of a further decline in the short term than a material rebound.

ING forecasts (mkt fwd)	**1M** 0.64 (0.6425)	**3M** 0.66 (0.6436)	**6M** 0.67 (0.6452)	**12M** 0.66 (0.6477)

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NZD/USD

Very exposed to risk sentiment woes

Current spot: 0.5890

Source: Refinitiv, ING forecasts

- The Reserve Bank of New Zealand remained firmly hawkish at the April meeting, implicitly pushing back against market bets for easing this summer.
- We still think the RBNZ will be slow to transition to monetary easing due to the sharp rise in net immigration, which we expect to be net-inflationary. However, the advantages from higher carry can only be reaped by the New Zealand dollar in a calm risk sentiment environment, quite the opposite of what we are seeing now.
- NZD is less oversold than AUD and other pro-cyclical currencies due to its high rates, and should therefore be more vulnerable to risk-off selloffs. Incidentally, New Zealand's trade composition does not offer advantages from a rise in energy prices.

ING forecasts (mkt fwd)	**1M** 0.59 (0.5891)	**3M** 0.61 (0.5891)	**6M** 0.62 (0.5891)	**12M** 0.62 (0.5890)

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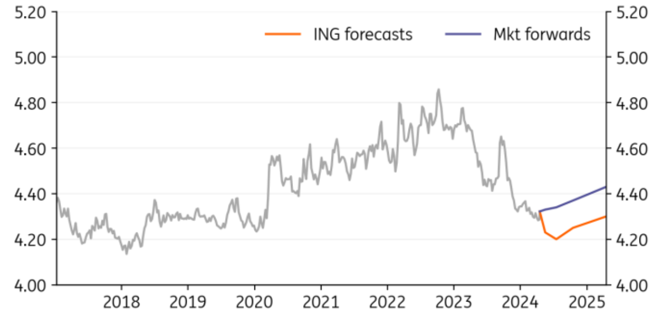
Emerging markets

EUR/PLN

NBP rates and EU inflows call for further PLN gains



Source: Refinitiv, ING forecasts

Current spot: 4.3220

- The zloty showed resilience to the recent drop in EUR/USD. Investors are most likely focusing on supportive domestic fundamentals, particularly the inflow of EU funds (PLN100bn net in both 2024 and 2025). Using the latest available data as a proxy (2022), around 40% of that should be converted on the market. This should support other PLN-positive factors, including the current account surplus and inflow of FDI. Moreover, we expect the National Bank of Poland to keep rates flat this year, given the gradual withdrawal of anti-inflation shields and the CPI rebound in the second half of this year.
- The global political environment remains a risk in 2H24 though, as we are yet to see if the US stance on the conflict in Ukraine changes after the presidential elections later this year.

ING forecasts (mkt fwd)	1M 4.23 (4.3290)	3M 4.20 (4.3429)	6M 4.25 (4.3678)	12M 4.30 (4.4335)

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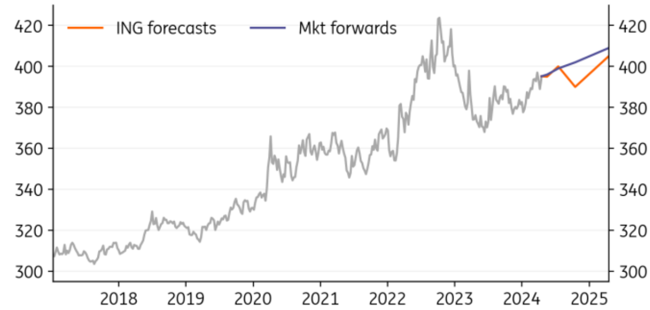
EUR/HUF

Calm before a possible storm in the forint market



Source: Refinitiv, ING forecasts

Current spot: 395.18

- Most country-specific risks have receded (at least temporarily) over the past month. This is due to the fact that policymakers seem to be pushing for a very market-friendly environment. This has helped EUR/HUF to come down to 390.
- Now the focus is back on the global risk environment and interest rate developments. As we believe that the central bank could use the recent positive market momentum to stick to a 75bp easing cycle, this could break the calm.
- As the market has gone too far in pricing out rate cuts in Hungary in our view, a significant correction could push EUR/HUF back into the 395-400 range, before finding its way back to 390.

ING forecasts (mkt fwd)	1M 395 (396.49)	3M 400 (398.57)	6M 390 (401.86)	12M 405 (408.75)

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EUR/CZK

CNB cautious approach will keep the koruna stable

Source: Refinitiv, ING forecasts

Current spot: 25.29

- Inflation continues to slow with the headline number at the central bank's target for the second month in a row and core inflation gradually moving lower. However, service inflation is making the central bank worried which will likely lead the Czech National Bank to stay on a safe path with 50bp of rate cuts per] meeting.
- Hence, we don't expect much from the koruna for the coming months as the central bank cuts rates further. However, the second half of the year should be more positive due to a more advanced phase of rate cuts, economic recovery and ECB rate cuts improving the interest rate differential, which we believe is hitting a limit on the CZK leg.

ING forecasts (mkt fwd)	1M 25.3 (25.33)	3M 25.3 (25.38)	6M 24.8 (25.43)	12M 24.0 (25.51)

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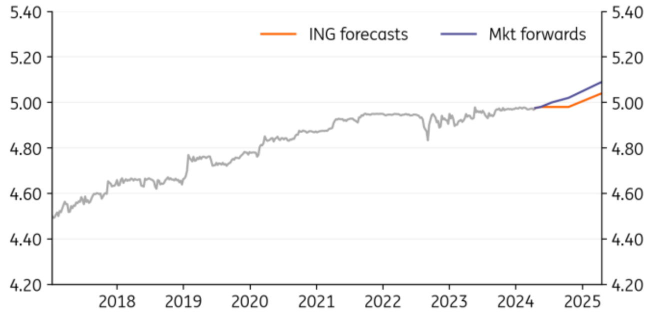
EUR/RON

Unlikely to shift soon

Current spot: 4.9755



Source: Refinitiv, ING forecasts

- EUR/RON was again stable in the range of 4.9650-4.9750. As the fight against rather sticky inflation carries on - and the FX rate plays a central role here- a departure from current levels remains unlikely in the near term.
- On the back of sharp retail sales growth in January-February and still robust wage growth, inflationary risks are rather tilting to the upside, setting the stage for FX overvaluation to persist. Higher oil prices and a likely increase in the tax burden next year add to the medium-term inflationary risks, keeping the need for FX stability in place further down the line.

  All told, we continue to see FX stability ahead. The chances of crossing the 5.00 level by autumn are not high, we think.

ING forecasts (mkt fwd)	1M 4.98 (4.9833)	3M 4.98 (4.9999)	6M 4.98 (5.0232)	12M 5.04 (5.0853)

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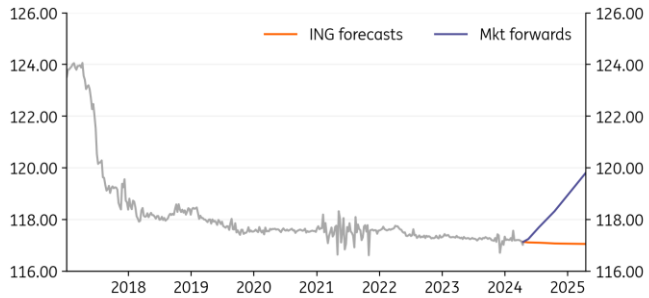
EUR/RSD

Stability to persist

Current spot: 117.13



Source: Refinitiv, ING forecasts

- The Serbian dinar picked up slightly vs the euro, in the range of 117.00-117.25. Key positives relate to inflation developments and an outlook upgrade by S&P from stable to positive. Intervention from the central bank likely cushioned more volatile developments.
- Tensions with Kosovo have continued and ending them remains a challenge, particularly on Kosovo EUR-only usage enforcement. That said, relatively strong fundamentals and policymakers' aspirations towards an investment grade upgrade could bring upside potential for RSD ahead.
- We continue to think that the RSD is set to remain broadly flat ahead, on the back of the intervention-driven stability induced by the central bank.

ING forecasts (mkt fwd)	1M 117.11 (117.24)	3M 117.10 (117.69)	6M 117.07 (118.32)	12M 117.05 (119.81)

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USD/UAH

Hryvnia remains at risk

Current spot: 39.58

Source: Refinitiv, ING forecasts

- Ukraine's hryvnia showed some signs of stabilisation in early April after two months of depreciation. The short and medium-term prospects of the Ukrainian currency largely hinge on the National Bank of Ukraine's policy. The depreciation in Feb-Mar reflected a significant reduction in the central bank's FX intervention (US$1.8bn in March vs. US$3.6bn in December). Given strong disinflation (CPI just at 3.2% year-on-year in March), we think the National Bank of Ukraine may remain reluctant to defend the currency in the coming weeks.
- The long-term prospects of the hryvnia remain negative. A weaker currency is both supportive to exports and provides better conversion rates for foreign aid absorption.

ING forecasts (mkt fwd)	1M 39.60 (39.70)	3M 40.00 (40.82)	6M 40.50 (42.36)	12M 41.50 (45.40)

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USD/KZT

Stronger oil extends the appreciation run **Current spot: 449.02**

Source: Refinitiv, ING forecasts

- Kazakhstan's tenge has traded slightly stronger than expected in a narrow range of 445-450 to 1 US dollar, outperforming the key trade partner currencies. A jump in oil prices and the benign dollar environment seem to be the primary supportive factors.
- The tenge's appreciation is modest compared to the spike in the oil price, meaning that the support of domestic factors is waning. FX sales by the NFRK sovereign fund declined from over $1bn in January to $600-750m in February-March.
- We improve our expected KZT levels for 2024 to account for the change in the house view on oil and the dollar but continue to see medium-term depreciation risks on domestic factors.

ING forecasts (mkt fwd)	1M 450 (452.36)	3M 457 (458.62)	6M 463 (467.53)	12M 480 (484.93)

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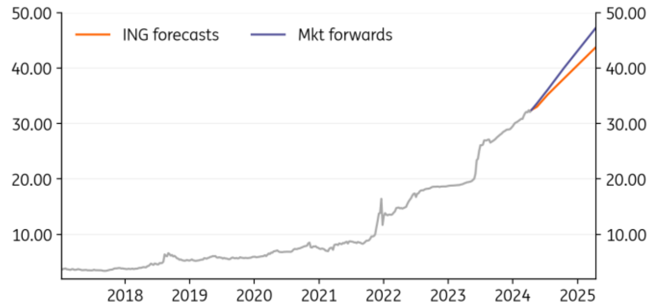
USD/TRY

Volatility has declined after the local elections **Current spot: 32.45**



Source: Refinitiv, ING forecasts

- Given the backdrop of a soft Turkish lira and a downward trend in net FX reserves, the central bank has responded with several tightening actions including a larger than expected rate hike and a determination to keep rates high and monetary conditions tight.
- Following this tightening, the Central Bank of Turkey seems confident that the tight monetary stance will lead to: i) a decline in the underlying trend of monthly inflation by moderating domestic demand, ii) real appreciation in TRY, and iii) an improvement in inflation expectations. Accordingly, the Bank expects that "disinflation will be established in the second half of 2024".
- With this monetary tightening, the strengthening in the currency has become more pronounced in the aftermath of local elections. Non-resident inflows and local corporate FX sales support the most recent CBT reserve data as early indicators of strong accumulation of TRY in the first week of April.

ING forecasts (mkt fwd)	1M 33.00 (33.60)	3M 35.20 (36.09)	6M 38.10 (40.00)	12M 43.80 (47.31)

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

USD/ZAR

Who will govern after 29 May? **Current spot: 19.09**

Source: Refinitiv, ING forecasts

- The 29 May general election is fast approaching. The popularity of South Africa's ruling ANC party has fallen sharply and it now polls below 40%. But it is by far the biggest party and the issue will be one of who joins it in a coalition government. Depending on how off-shoots of the ANC party perform – i.e. the EFF and the MK parties – the outcome could be market unfriendly. A national unity government with the DA party would be the best outcome for markets.
- Given much uncertainty, expect USD/ZAR to continue to trade on high volatility. Higher US rates/soft China will also weigh on the rand.
- The better news is the metals rally triggering some nice terms of trade gains for the rand. But we think USD/ZAR risks appear to be skewed higher.

ING forecasts (mkt fwd)	1M 19.00 (19.14)	3M 19.00 (19.24)	6M 18.75 (19.40)	12M 18.50 (19.74)

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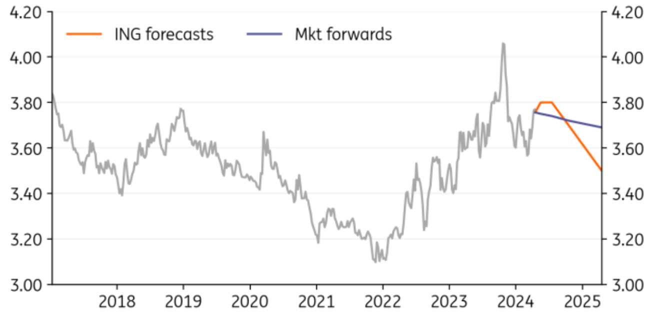
USD/ILS

Israel builds its war chest

Current spot: 3.7561



Source: Refinitiv, ING forecasts

- March FX reserve data published by the Bank of Israel showed government activity added $4.8bn to FX reserves in March. In the past, that has represented FX buying intervention, but in March represented Israel issuing $8bn of 5-, 10- and 30-year USD bonds – presumably to support defence spending.
- The BoI's research staff have recently published 2024 and 2025 forecasts on the assumption that the war carries on for the rest of the year. It forecasts GDP at 2% and 5% in '24 and '25, with CPI staying near 2.5%. The policy rate is expected to be cut 75bp.
- Given the risk of escalation in the Middle East region and the Fed keeping policy tighter for longer, USD/ILS risks look skewed higher.

ING forecasts (mkt fwd)	**1M** 3.80 (3.7507)	**3M** 3.80 (3.7403)	**6M** 3.70 (3.7230)	**12M** 3.50 (3.6915)

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LATAM

USD/BRL

BRL underperformance continues

Current spot: 5.1851

Source: Refinitiv, ING forecasts

- The Brazilian real continues to lag and USD/BRL looks quite comfortable above 5.00. The broadly stronger dollar is playing a role, but it does look as though there is a Brazilian story here too. There is increasing focus on the interventionism of President Lula – especially with Petrobras – which could damage sentiment. Equally, the fear is that the Lula administration somehow overrules the fiscal plan such that a balanced budget is missed.
- Brazilian activity is doing quite well. Strong real wage growth is helping consumption and Brazil should grow 2% this year.
- The policy rate is now 10.75% and is expected at 10.25% in June. The market struggles to price the policy rate sub 10%, however.

ING forecasts (mkt fwd)	1M 5.15 (5.2010)	3M 5.15 (5.2275)	6M 5.15 (5.2740)	12M 5.00 (5.3610)

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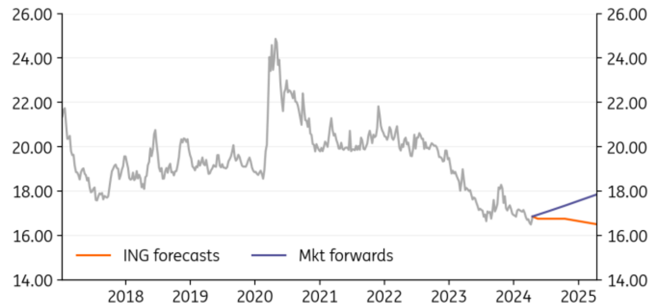
USD/MXN

The Teflon peso

Current spot: 16.85



Source: Refinitiv, ING forecasts

- Despite the back-up in US rates, the Mexican peso has been performing strongly. Some think that may be a function of Banxico needing to join the Fed in keeping rates higher for longer. But FX volatility still seems relatively low and the carry trade also remains popular. MXN offers high, risk-adjusted yields.
- We are a little worried that Mexican policy makers will see the peso as too strong – on an inflation-adjusted basis it is back to levels last seen in 2007. To address this, Banxico may well start to cut rates quicker (the 11% policy rate is priced at 8.5% in two years' time) or come up with some FX reserve rebuild programme.
- This may only happen after Presidential elections on 2 June.

ING forecasts (mkt fwd)	1M 16.75 (16.93)	3M 16.75 (17.09)	6M 16.75 (17.34)	12M 16.50 (17.85)

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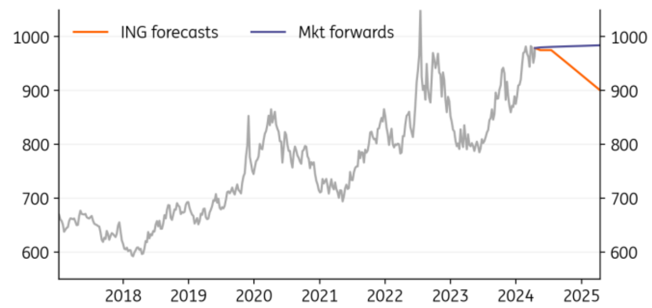
USD/CLP

Yields are not particularly supportive for CLP

Current spot: 978.88



Source: Refinitiv, ING forecasts

- Chile's policy rates have been slashed from 11.25% to 6.50% over the last nine months as the central bank has gone for growth. However, it has now started to slow the pace of rate cuts since USD/CLP had traded close to 1000 again. The central bank wants to take rates to 6.00% in June – but we are worried that such a low real rate of just 2% leaves the Chilean peso vulnerable.
- Given the prospect of US rates staying higher for a little longer, we therefore see USD/CLP trading longer in this 950-1000 range.
- Chile's 3-4% of GDP current account deficit and dovish central bank means that USD/CLP trades on 14% volatility compared to 10% for Brazil's real and Mexico's peso. i.e. Chile requires a risk premium.

ING forecasts (mkt fwd)	1M 975 (979.78)	3M 975 (980.75)	6M 950 (981.77)	12M 900 (983.99)

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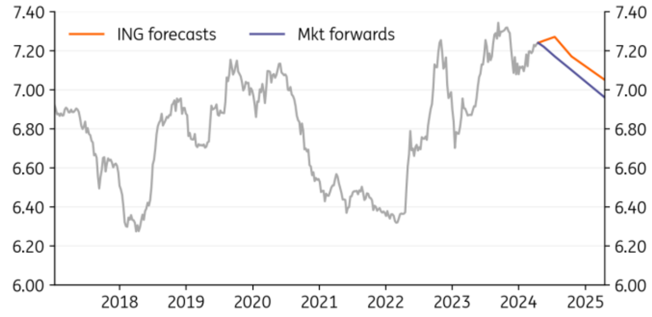
Asia

USD/CNY

PBoC clamps down on depreciation bets

Current spot: 7.2394



Source: Refinitiv, ING forecasts

- The renminbi has come under pressure and the People's Bank of China has continued to push back against depreciation. USD/CNY has traded near the weak end of the 2% band, prompting speculation about whether we will see further intervention, or if the PBoC will allow for weakening.
- We expect the central bank to continue to resist against rapid depreciation, and see low odds for last year's 7.34 level to be breached. Rate cuts may be delayed until the pressure subsides.
- The latest weakness is mostly due to a stronger dollar rather than domestic developments. Given our updated house view on Fed rate cuts, we have pushed back the timeline for a CNY rebound.

ING forecasts (mkt fwd)	1M 7.25 (7.2161)	3M 7.27 (7.1720)	6M 7.17 (7.1015)	12M 7.05 (6.9587)

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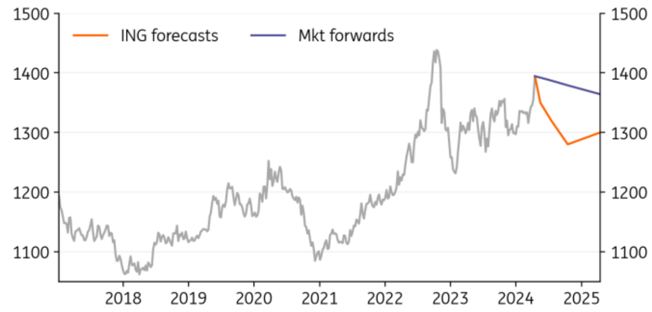
USD/KRW

KRW will be in gridlock

Current spot: 1394.21



Source: Refinitiv, ING forecasts

- The Korean won broke the 1350 level again as the policy vacuum is expected to be extended longer than expected. The Korean dividend payout season may have also fuelled the move.
- Semiconductor-driven export gains are likely to drive overall growth, but inflation rebounded to the 3% range recently. This means that the BoK will remain hawkish for a while.
- The end of 2Q24 is likely to be the time to see a clear sign of appreciation, once the BoK and Fed signal rate cuts. Slowing US growth and rising uncertainty about US macro policies will work against the KRW towards year-end.

ING forecasts (mkt fwd)	1M 1350 (1391.90)	3M 1320 (1387.31)	6M 1280 (1379.40)	12M 1300 (1364.40)

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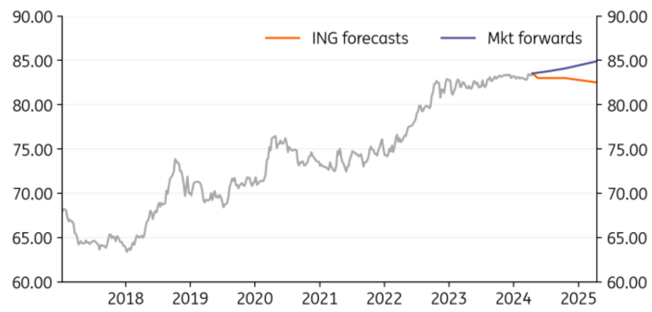
USD/INR

De-facto peg softens

Current spot: 83.52



Source: Refinitiv, ING forecasts

- The last month has seen more volatility in the Indian rupee. In early March, USD/INR hit an intraday low of 82.65 on generalised USD weakness, but as doubts crept in about the speed and scale of any Fed easing this year, USD/INR has drifted higher. It is now back above 83.0, where it has been trading since last October.
- Although small in relative terms, recent swings show that the INR is no longer a de-facto peg but is acting more like a very dirty float and is not immune to the ebbs and flows of other currencies.
- We expect the Reserve Bank of India to hold the topside of the recent INR range (83.50) in the coming months if the USD strengthens further.

ING forecasts (mkt fwd)	1M 83.00 (83.60)	3M 83.00 (83.77)	6M 83.00 (84.08)	12M 82.50 (84.90)

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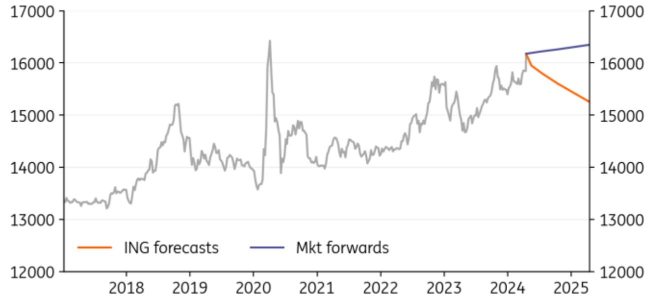
USD/IDR

IDR backpedals on fading trade surplus support

Current spot: 16175



Source: Refinitiv, ING forecasts

- The Indonesian rupiah was pressured over the past few weeks as the trade surplus dwindled to a very modest $867m, down from a peak of more than $7.5bn in 2022. The stark narrowing of the trade surplus suggests less support for the IDR.
- Bank Indonesia kept policy rates unchanged at 6% and still signalled openness to cutting policy rates this year despite renewed pressure on the currency. BI has relied heavily on FX stabilisation efforts, and falling reserves data could have weighed on the IDR as well.
- The IDR will likely remain pressured on a fading trade surplus and less-than-hawkish statements from the central bank.

ING forecasts (mkt fwd)	1M 15950 (16191)	3M 15800 (16221)	6M 15600 (16260)	12M 15250 (16348)

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USD/PHP

PHP remains pressured as BSP rules out further hikes

Current spot: 56.98

Source: Refinitiv, ING forecasts

- The Philippine peso came under pressure early in the month after January trade data showed a wider-than-anticipated trade deficit. Corporate demand also picked up in the past few weeks, adding pressure to PHP.
- The PHP did not receive any support from the central bank with Bangko Sentral ng Pilipinas Governor Eli Remolona ruling out further rate hikes this year.
- The PHP will continue to face pressure in the coming months given the lean season for overseas remittances and with the BSP indicating it is done raising rates.

ING forecasts (mkt fwd)	1M 56.70 (57.03)	3M 56.20 (57.10)	6M 55.60 (57.20)	12M 55.00 (57.33)

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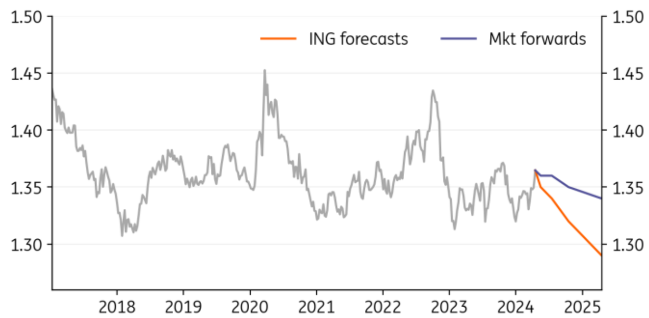
USD/SGD

SGD retreats alongside regional peers

Current spot: 1.3646



Source: Refinitiv, ING forecasts

- A string of disappointing data reports put pressure on the Singapore dollar with non-oil domestic exports falling well-short of expectations.
- Sentiment remained anxious ahead of the Monetary Authority of Singapore meeting in April with most analysts expecting policy settings to be retained despite recent developments such as a pickup in domestic inflation.
- The SGD NEER should continue its modest appreciation path in 2024 although in the near-term, SGD NEER could take direction from regional peers such as China's yuan, which will be impacted by adjusted expectations on Fed policy.

ING forecasts (mkt fwd)	1M 1.35 (1.3625)	3M 1.34 (1.3587)	6M 1.32 (1.3525)	12M 1.29 (1.3406)

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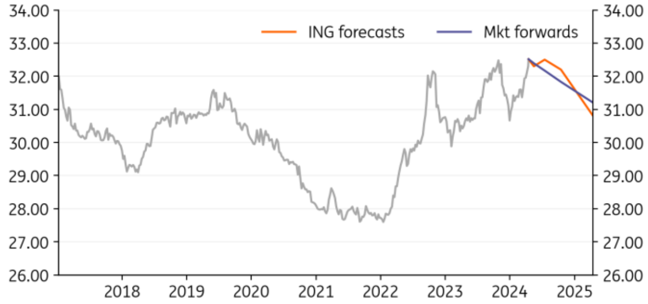
USD/TWD

Surprise rate hike did little to slow depreciation



Source: Refinitiv, ING forecasts

Current spot: 32.51

- Despite various factors which in theory were positive for Taiwan's dollar, including a surprise rate hike, a larger trade surplus in February, and subsiding geopolitical headwinds, the TWD continued to weaken over the past month and broke past 32 as portfolio outflows intensified.
- Interest rate spreads worsened and remained unfavourable to the TWD amid hawkish developments in the US. Two-year yield spreads have widened to the highest level since November 2023.
- It is possible that geopolitical factors will still play a role in the TWD's trajectory this year, particularly if US-China tensions ramp up.

ING forecasts (mkt fwd)	**1M** 32.30 (32.39)	**3M** 32.50 (32.17)	**6M** 32.20 (31.83)	**12M** 30.80 (31.20)

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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	1.06	1.07	1.08	1.10	1.10						
EUR/JPY	164.0	163	162	157	154	USD/JPY	154.51	152	150	143	140
EUR/GBP	0.85	0.85	0.86	0.87	0.88	GBP/USD	1.24	1.26	1.26	1.26	1.25
EUR/CHF	0.97	0.97	0.98	0.99	1.00	USD/CHF	0.91	0.91	0.91	0.90	0.91
EUR/NOK	11.67	11.70	11.40	11.10	11.00	USD/NOK	11.00	10.93	10.56	10.09	10.00
EUR/SEK	11.62	11.60	11.30	11.10	11.00	USD/SEK	10.95	10.84	10.46	10.09	10.00
EUR/DKK	7.460	7.460	7.460	7.460	7.460	USD/DKK	7.03	6.97	6.91	6.78	6.78
EUR/CAD	1.46	1.48	1.45	1.45	1.45	USD/CAD	1.380	1.38	1.34	1.32	1.32
EUR/AUD	1.65	1.67	1.64	1.64	1.67	AUD/USD	0.64	0.64	0.66	0.67	0.66
EUR/NZD	1.80	1.81	1.77	1.77	1.77	NZD/USD	0.59	0.59	0.61	0.62	0.62
EMEA											
EUR/PLN	4.32	4.23	4.20	4.25	4.30	USD/PLN	4.07	3.95	3.89	3.86	3.91
EUR/HUF	395.2	395.00	400.00	390.00	405.00	USD/HUF	372.3	369	370	355	368
EUR/CZK	25.29	25.3	25.3	24.8	24.0	USD/CZK	23.83	23.6	23.4	22.5	21.8
EUR/RON	4.98	4.98	4.98	4.98	5.04	USD/RON	4.69	4.65	4.61	4.53	4.58
EUR/RSD	117.1	117.1	117.1	117.1	117.1	USD/RSD	110.3	109.4	108.4	106.4	106.4
EUR/UAH	42.01	42.4	43.2	44.6	45.7	USD/UAH	39.58	39.60	40.00	40.50	41.50
EUR/KZT	476.2	481.5	493.6	509.3	528.0	USD/KZT	449.0	450	457	463	480
EUR/TRY	34.40	35.31	38.02	41.91	48.18	USD/TRY	32.45	33.00	35.20	38.10	43.80
EUR/ZAR	20.27	20.3	20.5	20.6	20.4	USD/ZAR	19.09	19.00	19.00	18.75	18.50
EUR/ILS	3.99	4.07	4.10	4.07	3.85	USD/ILS	3.76	3.80	3.80	3.70	3.50
LATAM											
EUR/BRL	5.50	5.51	5.56	5.67	5.50	USD/BRL	5.19	5.15	5.15	5.15	5.00
EUR/MXN	17.88	17.9	18.1	18.4	18.2	USD/MXN	16.85	16.75	16.75	16.75	16.50
EUR/CLP	1039	1043	1053	1045	990	USD/CLP	978.88	975	975	950	900
Asia											
EUR/CNY	7.69	7.76	7.85	7.89	7.76	USD/CNY	7.24	7.25	7.27	7.17	7.05
EUR/IDR	17167	17067	17064	17160	16775	USD/IDR	16175	15950	15800	15600	15250
EUR/INR	88.66	88.8	89.6	91.3	90.8	USD/INR	83.52	83.00	83.00	83.00	82.50
EUR/KRW	1480	1445	1426	1408	1430	USD/KRW	1394	1350	1320	1280	1300
EUR/PHP	60.49	60.7	60.7	61.2	60.5	USD/PHP	56.98	56.7	56.2	55.6	55.0
EUR/SGD	1.45	1.44	1.45	1.45	1.42	USD/SGD	1.36	1.35	1.34	1.32	1.29
EUR/TWD	34.52	34.6	35.1	35.4	33.9	USD/TWD	32.51	32.3	32.5	32.2	30.8

Source: Refinitiv, ING

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