

**FX Talking**  
**We need to**  
**talk about**  
**Kevin**



**Chris Turner**

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

**Francesco Pesole**

Foreign Exchange Strategy  
francesco.pesole@ing.com

View all our research on Bloomberg at  
RESP INGX<GO>

[www.ing.com/THINK](http://www.ing.com/THINK)



Follow us  
@ING\_Economics

# FX Talking

## We need to talk about Kevin

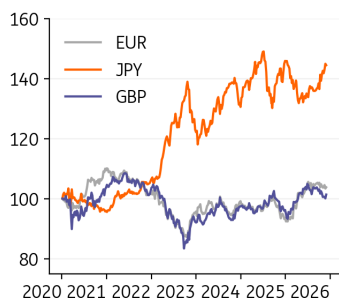
The DXY dollar index is ending the year around 9% lower, with the entirety of those losses coming in the first half. In retrospect, that dollar sell-off seems largely a function of the buyside adjusting their USD hedging ratios from levels that were too low. Importantly, there was no fire sale of US assets. However, the eurozone buyside now own over EUR2trn of US debt securities. We expect this community to raise their dollar hedge ratios through 2026 as hedging costs drop.

There is also the small matter of a change at the top of the Federal Reserve. Kevin Hassett looks the odds-on favourite to replace Jerome Powell as Fed Chair. Whether he will be as dovish as feared remains to be seen, but we think there will be increased focus on USD real interest rates. A Hassett-run Fed may well run real rates lower than now and that would be a clear negative for the dollar.

Our call remains that EUR/USD heads to 1.22 by end-2026 as lower US rates, lower energy prices and, crucially, the arrival of German fiscal stimulus supports higher valuation levels for the euro. In Europe, that will be played out in a higher EUR/GBP and perhaps even a higher EUR/CHF, too. Outperforming in Europe should be the Swedish krona – buoyed by fiscal stimulus in an election year. We also very much continue to like the Czech koruna – backed by strong domestic growth and high real interest rates.

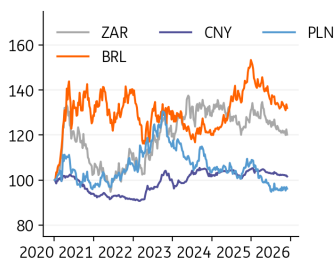
And for commodity currencies, those outperforming should be those backed by metals rather than energy. We’re still bullish on the Australian dollar and very positive on the South African rand. But for a full overview of our currency coverage, please see our [2026 FX Outlook](#). And more detailed Asian forecasts can be found in this [bundle](#).

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

### ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.18	↑	152	↓	1.34	↑
3M	1.19	↑	152	↓	1.35	↑
6M	1.20	↑	150	↓	1.35	↑
12M	1.22	↑	148	↓	1.36	↑

	EUR/GBP		EUR/CZK		EUR/PLN	
1M	0.88	↑	24.15	↓	4.24	→
3M	0.88	→	24.10	↓	4.25	→
6M	0.89	↑	24.05	↓	4.26	↓
12M	0.90	↑	23.95	↓	4.27	↓

	USD/CNY		USD/MXN		USD/BRL	
1M	7.06	↑	18.25	↓	5.40	↑
3M	7.04	↑	18.25	↓	5.50	↑
6M	7.02	↑	18.25	↓	5.50	↓
12M	7.00	↑	18.00	↓	5.50	↓

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

Source: Refinitiv, ING forecast

### FX performance

	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	1.3	0.7	-0.9	0.1	2.0	-1.2
%YoY	10.0	3.4	-5.2	0.6	2.9	-0.6

	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	-0.8	2.2	-1.3	-0.6	-2.8	-0.9
%YoY	-2.6	4.0	-7.5	-0.9	-6.0	-11.6

Source: Refinitiv, ING forecast

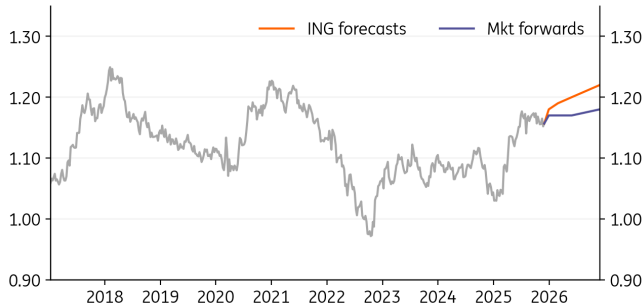


# Developed markets

## EUR/USD

Grinding higher

Current spot: 1.1659



Source: Refinitiv, ING forecasts

- It has been very hard work, but EUR/USD is managing to grind higher. December seasonality may be at work, but the core driver must be lower short-term rates which are cheapening up hedging costs for foreign investors in the US bond market. Remember, eurozone investors hold around EUR800bn of Treasuries and EUR1.5trn of other US debt securities.
- Given the poor performance of the dollar as a safe-haven currency in April, we expect investors to use lower US rates to increase hedge ratios. We look for three Federal Reserve cuts from here.
- The European Central Bank should keep its policy rate unchanged for the next two years. Fiscal stimulus and lower energy should help the euro.

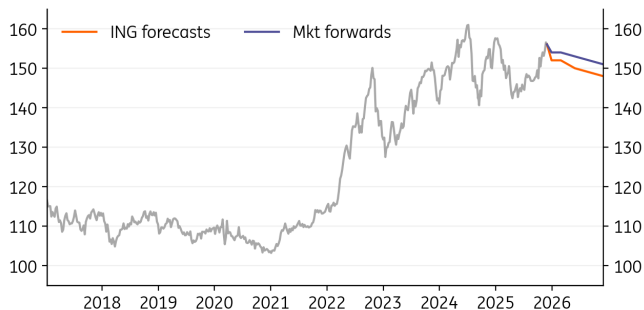
ING forecasts (mkt fwd)	1M 1.18 (1.1678)	3M 1.19 (1.1697)	6M 1.20 (1.1745)	12M 1.22 (1.1829)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## USD/JPY

Undervalued yen may stay undervalued

Current spot: 154.82



Source: Refinitiv, ING forecasts

- Many are asking why USD/JPY is staying so bid, when US-Japan rate differentials have turned so much lower. The answer seems to be a combination of fiscal concerns, politicians favouring reflationary policy, the carry trade and perhaps impending Japanese direct investment into the US.
- However, we think lower US rates will be meaningful for the Japanese buy-side, where we would expect a shift to hedged versus unhedged overseas bond investments.
- We've been asked whether JPY is losing its safe-haven appeal. We've replied 'no', in that the positive risk environment has yet to be properly tested. We'd back the yen if the AI bubble bursts.

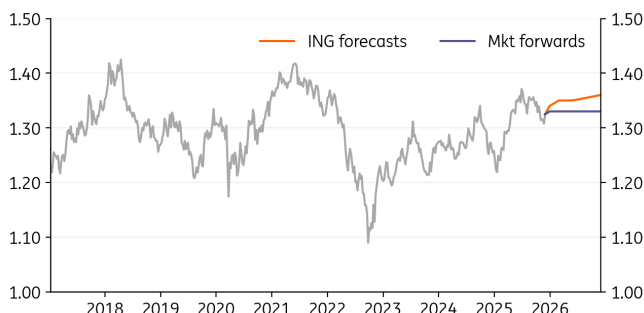
ING forecasts (mkt fwd)	1M 152 (154.33)	3M 152 (153.80)	6M 150 (152.63)	12M 148 (150.62)
-------------------------	-----------------	-----------------	-----------------	------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## GBP/USD

Budget event risk survived

Current spot: 1.3356



Source: Refinitiv, ING forecasts

- Sterling is enjoying a mini renaissance after Chancellor Rachel Reeves managed to deliver a credible budget. The £22bn of fiscal headroom means that there should be a little less panic in the Gilt market should growth disappoint. However, there are still substantial political risks for UK asset markets in 1H26, with both Prime Minister Keir Starmer and Chancellor Reeves remaining under pressure.
- We think sterling will come a little lower again if the Bank of England cuts rates on 18 December, as we expect. The governor, Andrew Bailey, is the swing voter and has probably seen enough to back a 25bp cut.
- We look for two further BoE cuts in 2026 (matching the Fed) with GBP/USD probably staying in the middle of a 1.31-1.37 range.

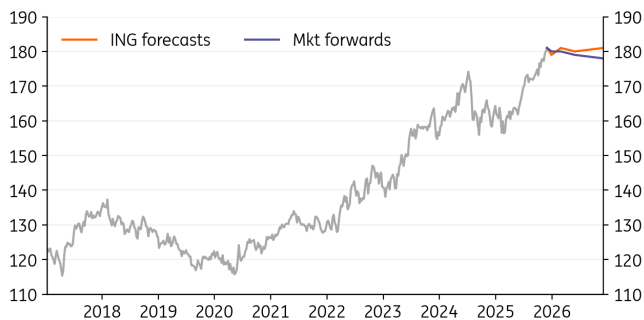
ING forecasts (mkt fwd)	1M 1.34 (1.3329)	3M 1.35 (1.3328)	6M 1.35 (1.3327)	12M 1.36 (1.3317)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## EUR/JPY

Reaching its limit?

Current spot: 180.50



Source: Refinitiv, ING forecasts

- EUR/JPY remains incredibly strong at levels over 180. Japanese politics has been the driver this quarter and it is dangerous to call a top in this cross. Typically, it does correlate well with global equity markets and when the big correction comes, EUR/JPY will likely trade a lot lower.
- Until then, EUR/JPY is expected to trade near 180. We do look for a 25bp Bank of Japan hike on 19 December and then we look for two further hikes in 2Q and 4Q next year. This should help to limit gains above 180 in this cross – but not to deliver a decisive turn.
- The yen is far more undervalued than the euro, but we think 2026 could be a year of low volatility keeping the yen soft.

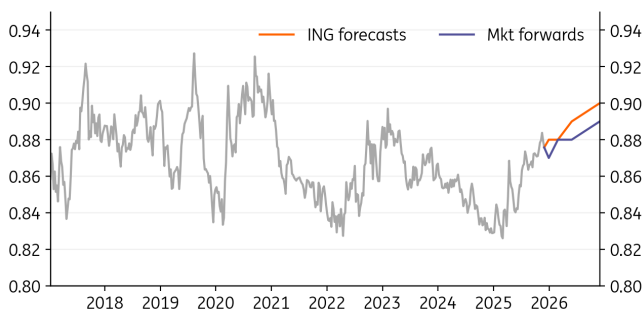
ING forecasts (mkt fwd)	1M 179 (180.25)	3M 181 (179.91)	6M 180 (179.29)	12M 181 (178.18)
-------------------------	-----------------	-----------------	-----------------	------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## EUR/GBP

Downside looks limited

Current spot: 0.8730



Source: Refinitiv, ING forecasts

- EUR/GBP has recently been drifting lower on the back of a short sterling squeeze. We doubt sterling needs to rally too far, however. We expect good demand to re-emerge in the 0.8700/8750 area as the BoE brings the policy rate from 4.00% to 3.25%. UK wage and price pressure is slowing and should create a better environment for the BoE to cut early next year.
- On the eurozone side, the million dollar question is whether fiscal stimulus is for real. Our team believes it is a question of when, not if, stimulus comes through and eurozone growth should gain momentum through the year.
- Politics is the worry for sterling – and it's not particularly cheap.

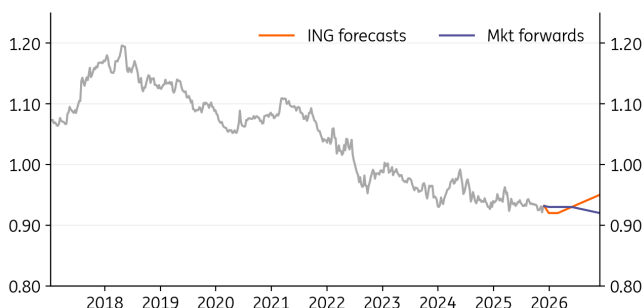
ING forecasts (mkt fwd)	1M 0.88 (0.8744)	3M 0.88 (0.8776)	6M 0.89 (0.8814)	12M 0.90 (0.8882)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## EUR/CHF

SNB hoping it doesn't have to cut

Current spot: 0.9365



Source: Refinitiv, ING forecasts

- EUR/CHF is holding above the lows of the year at 0.92 but does not want to move higher. Despite pressure from Washington, it is hard to see a Ukraine ceasefire anytime soon and thus a big EUR/CHF rally on a peace deal looks unlikely. Instead, we think CHF is receiving ongoing support from global investors losing faith in fiat currencies and government bonds.
- The Swiss franc is undoubtedly very strong and keeping CPI lower than the Swiss National Bank wants or indeed forecasts. However, the bar for the SNB to cut rates is exceptionally high. That outcome looks unlikely unless the ECB shocks with a new round of quantitative easing.
- A European recovery next year is the best hope for a EUR/CHF rally, given that the SNB's room for FX intervention is limited.

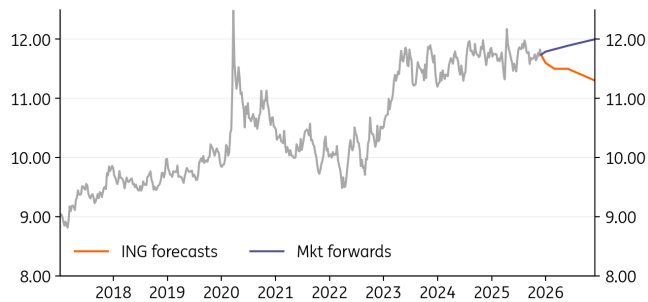
ING forecasts (mkt fwd)	1M 0.92 (0.9345)	3M 0.92 (0.9308)	6M 0.93 (0.9259)	12M 0.95 (0.9161)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## EUR/NOK

Good seasonality ahead for NOK

Current spot: 11.77



Source: Refinitiv, ING forecasts

- Norway's core inflation jumped to 3.4% in October as the headline rate slowed less than expected to 3.3%. While this acceleration may well prove to be temporary, it will likely keep Norges Bank firmly on the hawkish side into the new year.
- Our inflation view remains more benign than Norges Bank's for 2026, and we still think two or three rate cuts in 2026 are on the cards. That said, risks are clearly towards fewer and later cuts.
- NOK has lagged most of the G10 in the past month due to risk instability and oil depreciation. However, we are entering a seasonally bad period (Dec-Jan) for EUR/NOK, and we expect a return to 11.50-11.60 by February thanks to NOK's strong fundamentals and attractive carry.

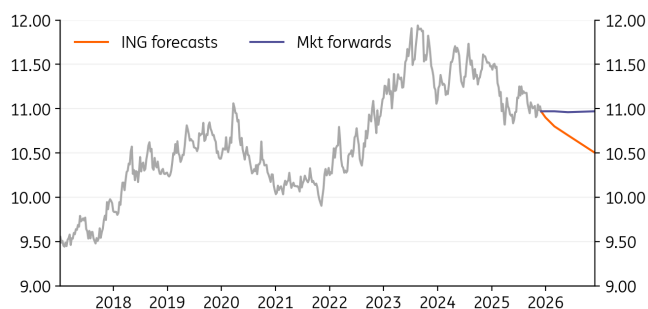
ING forecasts (mkt fwd)	1M 11.60 (11.79)	3M 11.50 (11.83)	6M 11.50 (11.89)	12M 11.30 (12.00)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

## EUR/SEK

Gradual depreciation can continue

Current spot: 10.97



Source: Refinitiv, ING forecasts

- Despite the sub-consensus November inflation print in Sweden, the chances of another cut by the Riksbank remain low after the pre-emptive 25bp reduction to 1.75% in September.
- The krona has shown relatively good resilience during risk-off episodes in November, reaffirming its improved stability. Should a peace deal in Ukraine be ultimately agreed, the benefits for the krona should be clearly visible in USD/SEK but less so in EUR/SEK given the euro's own geopolitical exposure.
- We continue to expect further gradual EUR/SEK depreciation in line with medium-term overvaluation and the improved economic outlook for Sweden.

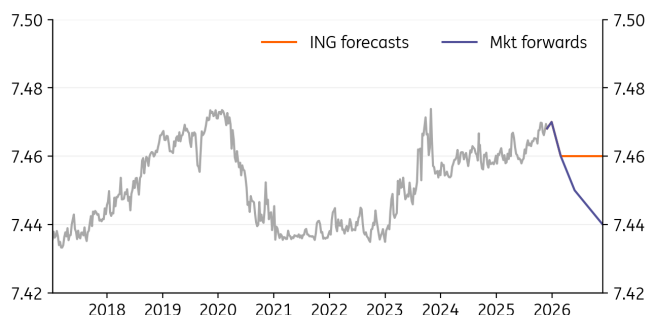
ING forecasts (mkt fwd)	1M 10.90 (10.97)	3M 10.80 (10.97)	6M 10.70 (10.96)	12M 10.50 (10.97)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

## EUR/DKK

Nearing intervention territory

Current spot: 7.4688



Source: Refinitiv, ING forecasts

- EUR/DKK has continued to trade on the strong side, but the Danish central bank refrained again from intervening in the FX market in November.
- However, we aren't far from levels that would warrant some FX selling to support the krone. Taking the late 2019 - early 2020 intervention rounds as a benchmark, 7.470 may well be the line in the sand.
- We therefore think EUR/DKK won't be able to trade much higher from here. The central bank has ample firepower to intervene given the huge increase in FX reserves to USD115bn.

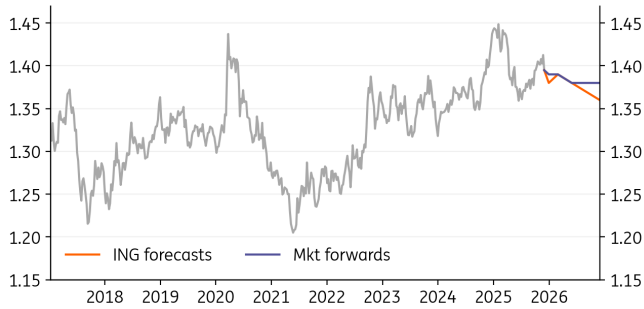
ING forecasts (mkt fwd)	1M 7.47 (7.4662)	3M 7.46 (7.4613)	6M 7.46 (7.4547)	12M 7.46 (7.4441)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

## USD/CAD

Don't rule out 1Q26 cut

Current spot: 1.3945



Source: Refinitiv, ING forecasts

- The upside surprise in Canada's 3Q GDP (2.6% annualised) was primarily due to a large rebound in trade. However, household spending was down 0.4%, suggesting the underlying story remains weak and more aligned with the Bank of Canada's business survey.
- Jobs figures also surprised on the upside, with unemployment dropping sharply to 6.5%, and 54k jobs added in November. We think unemployment could rise again but for now, the BoC is unlikely to signal any extra easing.
- A rate cut in 2026 remains a possibility, although rapid jobs losses are probably needed at this stage. Our main concern for the Canadian dollar remains the upcoming USMCA renegotiations, and we are reluctant to chase USD/CAD drops much further.

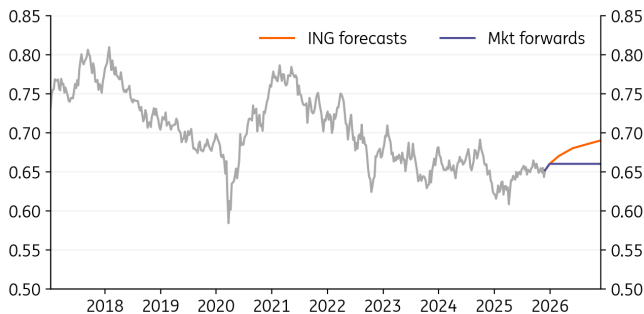
ING forecasts (mkt fwd)	1M 1.38 (1.3922)	3M 1.39 (1.3898)	6M 1.38 (1.3845)	12M 1.36 (1.3764)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

## AUD/USD

RBA cuts may be over

Current spot: 0.6631



Source: Refinitiv, ING forecasts

- We have reached our AUD/USD year-end target of 0.66 a few weeks in advance. The risks remain skewed to the upside (seasonality, poor US data), although our short-term fair value shows that the pair now has just over 1% overvaluation, signalling a lot of positives are in the price, for now.
- We have revised our call for the Reserve Bank of Australia and no longer expect a rate cut in 2026. The jump in October inflation will, in our view, keep policymakers even more cautious with easing, especially when paired with good growth and a still tight labour market.
- Good carry and strong fundamentals still point to AUD/USD appreciation throughout 2026.

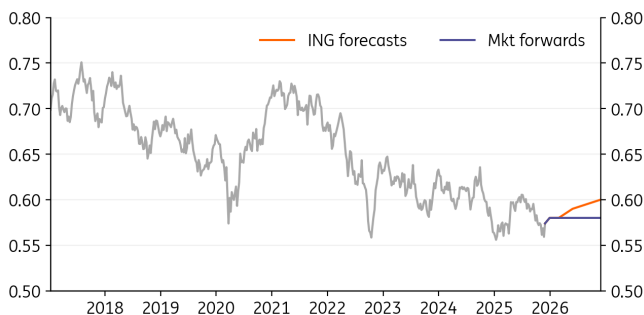
ING forecasts (mkt fwd)	1M 0.66 (0.6631)	3M 0.67 (0.6616)	6M 0.68 (0.6613)	12M 0.69 (0.6592)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

## NZD/USD

On more stable ground

Current spot: 0.5776



Source: Refinitiv, ING forecasts

- The Reserve Bank of New Zealand delivered a hawkish cut in November, in line with our expectations. Rate projections clearly signal that the current 2.25% is the terminal rate, and while there are some risks on the dovish side associated with new Governor Anna Breman (a former Riksbank dove) taking over, we agree with the RBNZ's call.
- A clearer sense that rates have finally bottomed out after a number of dovish surprises lays the ground for further support to the New Zealand dollar in 2026, assuming a stable risk sentiment.
- We have revised our NZD/USD profile slightly higher but continue to see the Aussie dollar as a broadly more attractive currency into mid next year.

ING forecasts (mkt fwd)	1M 0.58 (0.5773)	3M 0.58 (0.5786)	6M 0.59 (0.5805)	12M 0.60 (0.5831)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

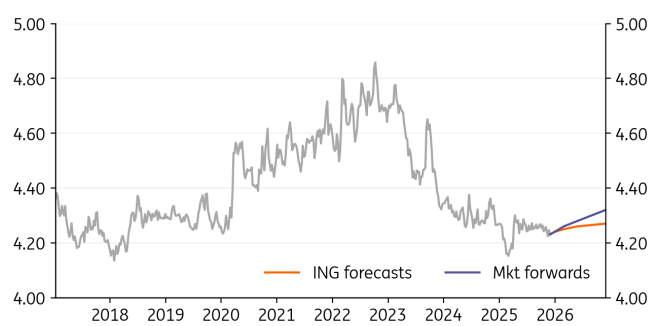


# Emerging markets

## EUR/PLN

Zloty stabilises despite more dovish central bank

**Current spot: 4.282**



Source: Refinitiv, ING forecasts

- The EUR/PLN exchange rate is moving in a tight range of 4.20 - 4.25 supported by the stabilisation of the EUR/USD and a lack of data from the US economy due to the government shutdown. Signs of a possible peace agreement between Russia and Ukraine have also helped to reduce volatility in the Polish currency.
- We maintain a neutral outlook for the zloty. Solid macroeconomic fundamentals and flows of European Union funds should shield the currency from significant depreciation, while the external environment remains supportive for EM FX given the expected weakening of the US dollar. This depreciation should offset the central bank's possible dovish stance in 2026.
- Current risks to the zloty are linked to geopolitical factors. The ongoing trade war and a delay in fiscal stimulus threatens the expected recovery of the German economy, while an escalation of the conflict in Ukraine or a Russian hybrid war in the EU or Poland could act as headwinds for the zloty.

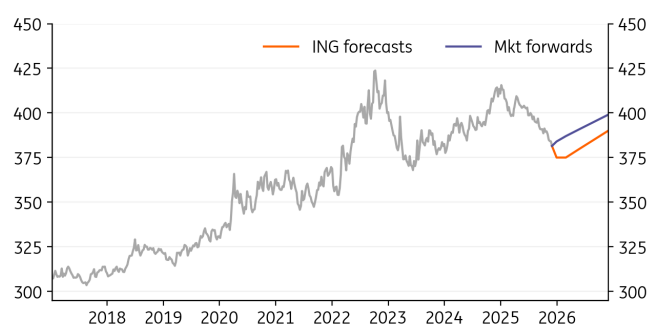
<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 4.24 (4.2372)	<b>3M</b> 4.25 (4.2570)	<b>6M</b> 4.26 (4.2768)	<b>12M</b> 4.27 (4.3157)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Mateusz Sutowicz, [mateusz.sutowicz@ing.pl](mailto:mateusz.sutowicz@ing.pl)

## EUR/HUF

Next quarter brings two-way risk for the forint

**Current spot: 381.71**



Source: Refinitiv, ING forecasts

- The EUR/HUF has continued its run, reaching a low of 380 - a level not seen since the end of 2023. Therefore, there is no end in sight to the HUF carry trade, at least not in the short term.
- We think the forint will reach the 370-375 range by the end of this year and into next, particularly if tangible progress is made in the Russia-Ukraine ceasefire/peace negotiations.
- The FX outlook is becoming murkier as the 2026 general election in spring approaches. Moreover, the looming EU SAFE loan decision in 1Q26 is creating a two-way risk, and we think the market will err on the side of caution, taking some profits, and pushing EUR/HUF back up to around 380-385 in six months' time.

<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 375 (384.42)	<b>3M</b> 375 (387.01)	<b>6M</b> 380 (391.12)	<b>12M</b> 390 (399.16)
--------------------------------	------------------------	------------------------	------------------------	-------------------------

Péter Virovác, [peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

## EUR/CZK

**Strong economy, sound fiscal stance support the koruna**

**Current spot: 24.17**



Source: Refinitiv, ING forecasts

- The Czech economy is set to continue its solid economic rebound, outperforming the eurozone. The Czech National Bank will likely hold rates steady at 3.5% for quite some time, while headline inflation is set to hover close to target over the next year. Such a combination makes the real interest rate average of 1.4% over the next year a solid foundation for the koruna. Even more so, as the eurozone's real interest rate will likely be substantially lower.
- Both growth outperformance and punchy interest rate differentials will further support the koruna on its gradual appreciation path. At the same time, the CNB governor does not seem to be spooked by somewhat stronger koruna levels. We are on the same page, taking the stance that a strong currency generally reflects the decent structural shape of the economy, especially compared to other eurozone economies such as Germany or France. A solid fiscal stance and relatively low debt will become an even more tangible advantage in the not-so-distant future, providing more oomph to the domestic currency.

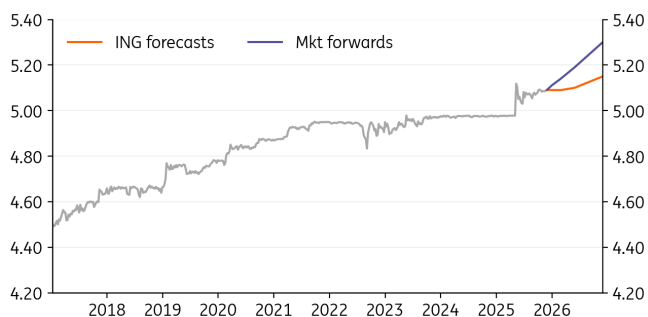
<b>ING forecasts (mkt fwd)</b>	<b>1M 24.15 (24.23)</b>	<b>3M 24.10 (24.28)</b>	<b>6M 24.05 (24.36)</b>	<b>12M 23.95 (24.52)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

David Havrlant, David.havrlant@ing.com

## EUR/RON

**No large changes expected ahead**

**Current spot: 5.0923**



Source: Refinitiv, ING forecasts

- EUR/RON has been pushing slightly higher in the 5.09-5.10 area, with some speculative flows potentially at play. Risks stemming from the fiscal situation have moderated for now but the political and inflationary developments continue to bring some uncertainties ahead.
- The visible improvement in the October budget deficit outturn (-5.7% vs -6.2% of GDP in 2024, same month), coupled with the European Commission's suspension of the Excessive Deficit Procedure for Romania, bode well for Romania's sovereign rating considerations ahead. Moreover, the tight deadlines for the National Recovery and Resilience Plan investments should keep economic activity afloat in the quarters ahead, despite rather lacklustre consumption recently.
- On the monetary policy outlook, our base case remains that the National Bank of Romania will start easing again from May 2026 onwards and we expect a total of 100bp of rate cuts through next year. We continue to expect policymakers to hold a firm grip on the currency, with the pair broadly stable ahead, ending the year around the current levels and 2026 at 5.15.

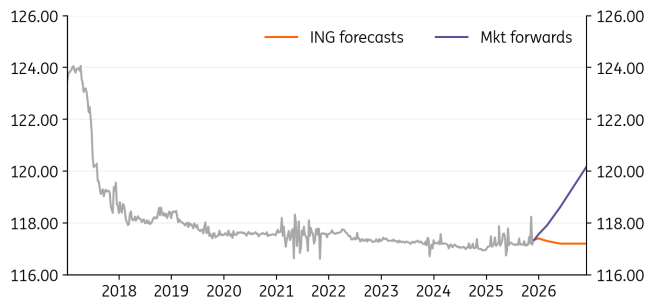
<b>ING forecasts (mkt fwd)</b>	<b>1M 5.09 (5.1104)</b>	<b>3M 5.09 (5.1428)</b>	<b>6M 5.10 (5.1947)</b>	<b>12M 5.15 (5.3040)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Valentin Tataru, valentin.tataru@ing.com

## EUR/RSD

### RSD adjustment unlikely to bring instability

**Current spot: 117.40**



Source: Refinitiv, ING forecasts

- EUR/RSD went up through late November towards the 117.40-117.50 range from the previous range of 117.10-117.20. Uncertainties related to the impact of the NIS refinery shutdown, and its impact on the economy, have likely added some pressure to the currency. Fuel constraints impacting economic activity, as well as budget revenues to an extent, pose key risks ahead.
- Ultimately, before this event, Serbia's macro fundamentals looked robust underpinned by strong investments, prudent fiscal policy, and ample FX reserves. Higher energy spending has been featured in the 2026 budget, which envisions a deficit of 3.0%.
- At its November meeting, the National Bank of Serbia kept the key rate in place at 5.75%, as global uncertainties continue to prevail. We continue to believe that FX stability should remain a key focus ahead, with the Bank buying a net EUR355mn as of October to keep the pair stable.

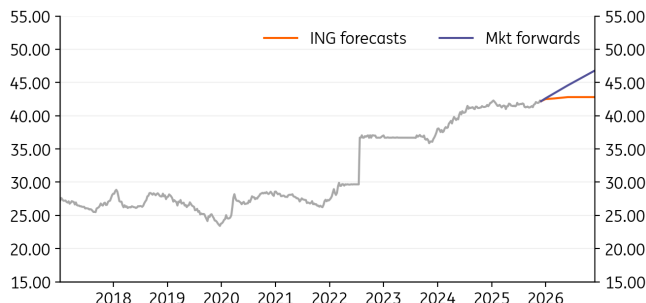
<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 117.40 (117.56)	<b>3M</b> 117.30 (117.91)	<b>6M</b> 117.20 (118.61)	<b>12M</b> 117.20 (120.18)
--------------------------------	---------------------------	---------------------------	---------------------------	----------------------------

**Valentin Tataru, valentin.tataru@ing.com**

## USD/UAH

### Weaker UAH due to ongoing war

**Current spot: 42.19**



Source: Refinitiv, ING forecasts

- The USD/UAH exchange rate rose in November and temporarily touched the 42.4 level – a multi-month high. The hryvnia remains under pressure due to ongoing war-related disruptions. Recent significant losses from intensified aerial attacks on critical infrastructure, power outages, and a shortage of qualified staff have impeded economic activity.
- Ukraine has reached an agreement with the IMF on a new arrangement to potentially gain access to USD8.1bln. However, the outlook for the hryvnia depends heavily on a possible peace plan with Russia. If conditions are strongly unfavourable for Ukraine, this could translate into a lower willingness to invest in the country or risk re-starting the conflict.
- Ahead of the December National Bank of Ukraine meeting, CPI inflation dropped to a yearly low but remained in double-digit territory. Despite the easing of inflation, the central bank remains cautious. This stance is helping to sustain demand for hryvnia-denominated assets and limits speculative pressure on the currency.

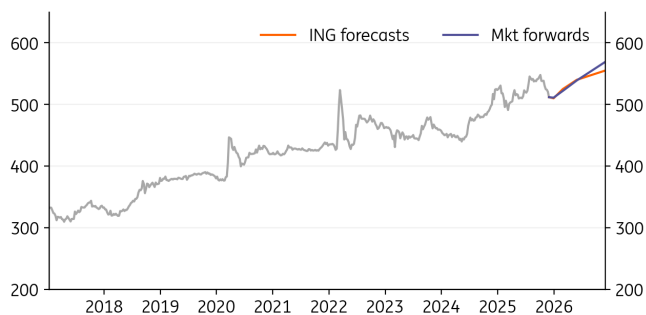
<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 42.50 (42.61)	<b>3M</b> 42.60 (43.39)	<b>6M</b> 42.80 (44.57)	<b>12M</b> 42.80 (46.82)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

**Mateusz Sutowicz, mateusz.sutowicz@ing.pl**

## USD/KZT

Ending the year on a strong note

Current spot: 504.12



Source: Refinitiv, ING forecasts

- The tenge rose 3.2% against the US dollar in November and continued to rally in the first week of December. While the direction of travel is aligned with our expectations, the scale of appreciation has exceeded our forecasts.
- The strong performance was likely supported by strong growth in oil exports (+23% year-on-year as of September), production (20% YoY in October), as well as persistently strong \$1.5bn net FX sales by the government in November.
- We expect the tenge to finish the year on a strong note thanks to the robust near-term oil sector fundamentals and expected \$1.4 bln net FX sales by the government in December. For the longer run, we remain cautious given the structural weakness in the balance of payments.

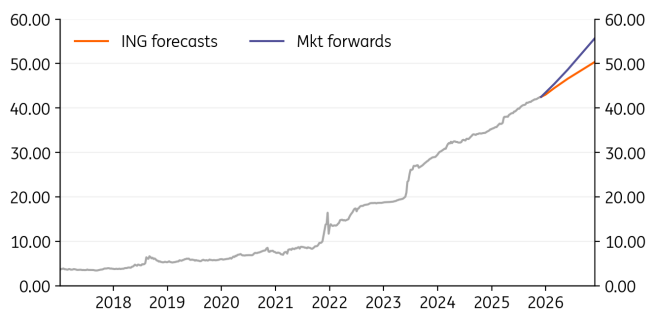
ING forecasts (mkt fwd)	1M 510 (511.18)	3M 525 (522.09)	6M 540 (539.02)	12M 555 (568.91)
-------------------------	-----------------	-----------------	-----------------	------------------

Dmitry Dolgin, dmitry.dolgin@ingbank.com

## USD/TRY

Central Bank of Turkey likely to remain cautious

Current spot: 42.53



Source: Refinitiv, ING forecasts

- Despite the headline weakness in third quarter GDP, the seasonally-adjusted quarterly pace has remained strong, defying earlier expectations of a significant slowdown in momentum. Meanwhile, leading indicators including the PMI, capacity utilisation, and consumer and real sector confidence point to an acceleration in GDP growth in the fourth quarter.
- While November's inflation data supports continued easing, 3Q GDP and early 4Q indicators suggest demand is not soft enough to secure disinflation in line with the envisaged 2026 path. This increases upside risks to inflation amid ongoing rate cuts and looser financial conditions.
- Accordingly, the central bank will likely remain cautious, with a measured pace of cuts, driving the policy rate down to 38.5% in 2025 (from 39.5% currently) and to 27% in 2026. However, risks to the rate trajectory are on the upside given possible negative inflation surprises and the political newsflow.

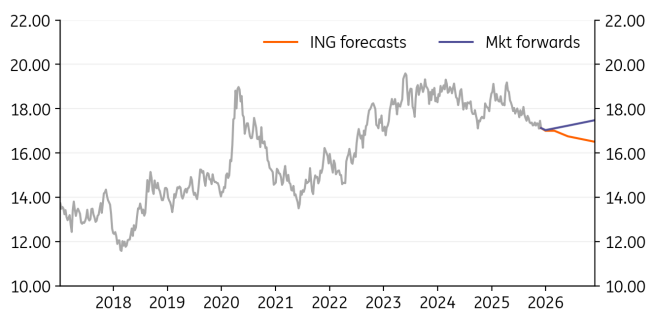
ING forecasts (mkt fwd)	1M 43.00 (43.47)	3M 44.50 (45.44)	6M 46.60 (48.66)	12M 50.40 (55.76)
-------------------------	------------------	------------------	------------------	-------------------

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

## USD/ZAR

Lots of positives for the rand

Current spot: 16.93



Source: Refinitiv, ING forecasts

- We've previously talked here about the shift to a new CPI target (now 3% +/- 1%) and what it has meant for the bond market. Here, 10-year local government bond yields have fallen to 8.25% from 11% earlier this year. Last month's sovereign upgrade by S&P has helped as well - the first adjustment since a downgrade in 2020. In addition, South Africa's removal from the Financial Action Task Force's grey list is good news for borrowing costs.
- Rising commodity prices and what they mean for the rand's terms of trade is still very supportive as well.
- Growth forecasts are being revised up, and credit growth looks quite positive. USD/ZAR could head further under 17.00 this year.

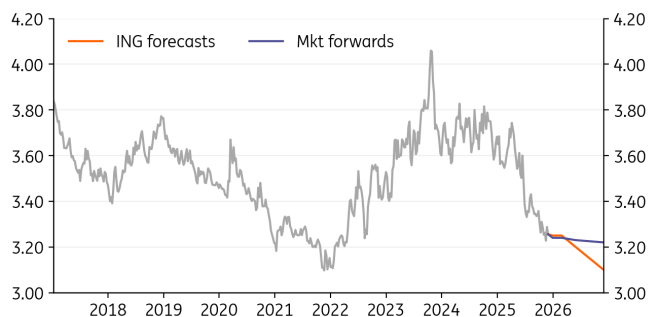
ING forecasts (mkt fwd)	1M 17.00 (17.03)	3M 17.00 (17.11)	6M 16.75 (17.23)	12M 16.50 (17.48)
-------------------------	------------------	------------------	------------------	-------------------

Chris Turner, chris.turner@ing.com

# USD/ILS

## Back to its lows

**Current spot: 3.2289**



Source: Refinitiv, ING forecasts

- The peace dividend in Gaza has seen USD/ILS drop back towards the lows of the year. Indeed, it briefly traded below 3.20 last month. Third quarter GDP saw a strong bounce-back after weakness in the second quarter, and the Bank of Israel is now hoping that some of the supply constraints will ease – especially in the labour market. It recently cut rates 25bp to 4.25% and the market expects another 100bp of rate cuts over the next year.
- The mild tech shock on the US left the shekel relatively unscathed and the Bank of Israel now says there are strong capital inflows to the Israeli tech sector this quarter. In the past, these have been worth as much as \$5bn per quarter.
- We retain the view USD/ILS will be pressing 3.10 next year.

<b>ING forecasts (mkt fwd)</b>	<b>1M 3.25 (3.2389)</b>	<b>3M 3.25 (3.2362)</b>	<b>6M 3.20 (3.2314)</b>	<b>12M 3.10 (3.2217)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Chris Turner, [chris.turner@ing.com](mailto:chris.turner@ing.com)

## ING foreign exchange forecasts

EUR cross rates	Spot	1M	3M	6M	12M	USD cross rates	Spot	1M	3M	6M	12M
<b>Developed FX</b>											
EUR/USD	1.17	1.18	1.19	1.20	1.22	USD/JPY	155	152	152	150	148
EUR/JPY	181	179	181	180	181	GBP/USD	1.34	1.34	1.35	1.35	1.36
EUR/GBP	0.87	0.88	0.88	0.89	0.9	USD/CHF	0.80	0.78	0.77	0.78	0.78
EUR/CHF	0.94	0.92	0.92	0.93	0.95	USD/NOK	10.09	9.83	9.66	9.58	9.26
EUR/NOK	11.77	11.60	11.50	11.50	11.30	USD/SEK	9.41	9.24	9.08	8.92	8.61
EUR/SEK	10.97	10.90	10.80	10.70	10.50	USD/DKK	6.41	6.33	6.27	6.22	6.11
EUR/DKK	7.47	7.47	7.46	7.46	7.46	USD/CAD	1.39	1.38	1.39	1.38	1.36
EUR/CAD	1.63	1.62	1.63	1.65	1.66	AUD/USD	0.66	0.66	0.67	0.68	0.69
EUR/AUD	1.76	1.79	1.78	1.76	1.77	NZD/USD	0.58	0.58	0.58	0.59	0.60
EUR/NZD	2.02	2.03	2.05	2.03	2.03						
<b>EMEA</b>											
EUR/PLN	4.23	4.24	4.25	4.26	4.27	USD/PLN	3.63	3.59	3.57	3.55	3.50
EUR/HUF	381.7	375	375	380	390	USD/HUF	327.4	318	315	317	320
EUR/CZK	24.17	24.15	24.1	24.05	23.95	USD/CZK	20.74	20.5	20.3	20.0	19.6
EUR/RON	5.09	5.09	5.09	5.1	5.15	USD/RON	4.37	4.31	4.28	4.25	4.22
EUR/RSD	117.40	117.40	117.30	117.20	117.20	USD/RSD	100.71	99.49	98.57	97.67	96.07
EUR/UAH	49.19	50.15	50.69	51.36	52.22	USD/UAH	42.19	42.50	42.60	42.80	42.80
EUR/KZT	580.1	601.8	624.8	648.0	677.1	USD/KZT	504.1	510	525	540	555
EUR/TRY	49.62	50.74	52.96	55.92	61.49	USD/TRY	42.53	43.00	44.50	46.60	50.40
EUR/ZAR	19.74	20.06	20.23	20.10	20.13	USD/ZAR	16.93	17.00	17.00	16.75	16.50
EUR/ILS	3.76	3.84	3.87	3.84	3.78	USD/ILS	3.23	3.25	3.25	3.20	3.10
<b>LATAM</b>											
EUR/BRL	6.19	6.37	6.55	6.60	6.71	USD/BRL	5.31	5.40	5.50	5.50	5.50
EUR/MXN	21.23	21.54	21.72	21.90	21.96	USD/MXN	18.21	18.25	18.25	18.25	18.00
EUR/CLP	1069.37	1092	1101	1080	1098	USD/CLP	917.20	925	925	900	900
<b>Asia</b>											
EUR/CNY	8.24	8.33	8.38	8.42	8.54	USD/CNY	7.07	7.06	7.04	7.02	7.00
EUR/IDR	19396	19588	19873	20040	20496	USD/IDR	16640	16600	16700	16700	16800
EUR/INR	104.98	105.61	105.32	105.60	106.75	USD/INR	90.05	89.50	88.50	88.00	87.50
EUR/KRW	1714.40	1682	1666	1650	1708	USD/KRW	1470.45	1425	1400	1375	1400
EUR/PHP	68.73	69.03	69.62	70.50	71.98	USD/PHP	58.95	58.50	58.50	58.75	59.00
EUR/SGD	1.51	1.53	1.54	1.55	1.57	USD/SGD	1.30	1.30	1.29	1.29	1.29
EUR/TWD	36.43	37.17	37.25	37.20	37.21	USD/TWD	31.24	31.50	31.30	31.00	30.50

Source: Refinitiv, ING

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies). The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is deemed authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. The nature and extent of consumer protections may differ from those for firms based in the UK. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <https://www.ing.com>.