

FX Talking

Powell plays dollar defence



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FX Talking

Powell plays dollar defence

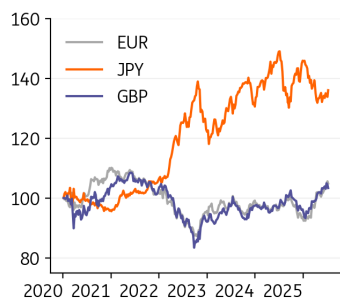
After an exceptional decline over the first half of the year, the dollar is starting to show some stability. That is partially on the view that the US labour market remains ‘solid’ and that the Fed does not need to rush into early rate cuts. Our baseline view over the next three months is that tariff-driven US price pressure starts to emerge and that the Fed will continue to resist political pressure to cut rates.

For EUR/USD that could mean a temporary correction to the 1.14/15 area – especially on our view that the ECB does take rates sub 2.00% in September. But by year-end we would expect EUR/USD to be back near 1.18/1.20 once the Fed is ready to cut, seasonal dollar selling emerges and speculation over Jay Powell’s replacement as Fed Chair is at fever pitch. An independent Fed really is crucial for the dollar.

Though markets have learned to live with tariff uncertainty, fiscal risks linger. We have some concerns over fresh US Treasury issuance later this quarter, but those concerns extend to UK Gilts and more recently to Japan’s JGBs. On the latter, uncertainty around fiscal policy after the 20 July Upper House election could see USD/JPY briefly approach 150 - but not hold those levels for long. Fiscal risks look more of a problem for GBP. Elsewhere in G10, we think the Scandinavian currencies look a little undervalued.

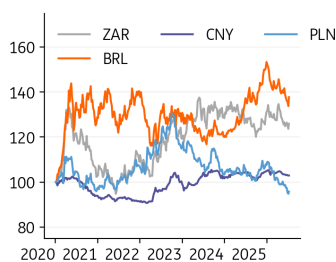
In EM, the carry trade has proven a dominant theme and lifted large parts of Latin America, plus high yield pockets such as in Hungary and Turkey. We do have increasing concerns about the forint but remain positive on the Czech koruna where the monetary easing cycle has finished in our view. In Asia, USD/CNY remains surprisingly calm and dependent on whether the US-China trade truce holds beyond August.

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	1.16	↓	147	↑	1.36	↑
3M	1.15	↓	145	→	1.34	↓
6M	1.18	→	140	↓	1.36	↑
12M	1.18	↓	137	↓	1.34	↓
	EUR/GBP		EUR/CZK		EUR/PLN	
1M	0.86	↓	24.60	↓	4.25	↓
3M	0.86	↓	24.55	↓	4.25	↓
6M	0.87	→	24.50	↓	4.25	↓
12M	0.88	→	24.40	↓	4.25	↓
	USD/CNY		USD/MXN		USD/BRL	
1M	7.17	↑	18.75	↓	5.60	↓
3M	7.15	↑	19.00	↑	5.70	→
6M	7.13	↑	18.75	↓	5.70	↓
12M	7.10	↑	18.50	↓	5.80	↓

↑ / → / ↓ 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	1.7	1.9	2.2	2.4	1.1	0.2
%YoY	7.5	-7.2	3.0	1.7	-2.8	0.5
	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	-0.3	0.6	0.0	0.2	1.3	1.0
%YoY	-1.2	0.3	1.6	0.0	-0.3	2.8

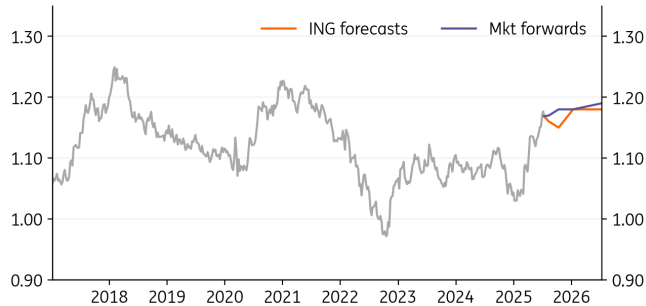
Source: Refinitiv, ING forecast



Developed markets

EUR/USD

Bull market correction



Source: Refinitiv, ING forecasts

ING forecasts (mkt fwd)	1M 1.16 (1.1711)	3M 1.15 (1.1759)	6M 1.18 (1.1827)	12M 1.18 (1.1944)
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Current spot: 1.1686

- Having rallied 15% this year, EUR/USD is going through some well-deserved consolidation. Helping the dollar has been solid US labour market data suggesting the Fed won't be hurried into an early rate cut. Our call for the coming quarter is that US price pressures re-appear and assuming US unemployment does not rise, the Fed waits until December to cut. That's a USD positive.
- European activity data is not particularly impressive and our house view for a September ECB rate cut (only 40% priced) can help with this EUR/USD retracement to the 1.14/15 area.
- But expect a lot of interest to buy the dip before EUR/USD rallies again into year-end on a 50bp Fed cut and Powell speculation.

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USD/JPY

Domestic challenges emerge



Source: Refinitiv, ING forecasts

ING forecasts (mkt fwd)	1M 147 (146.43)	3M 145 (145.44)	6M 140 (143.99)	12M 137 (141.69)
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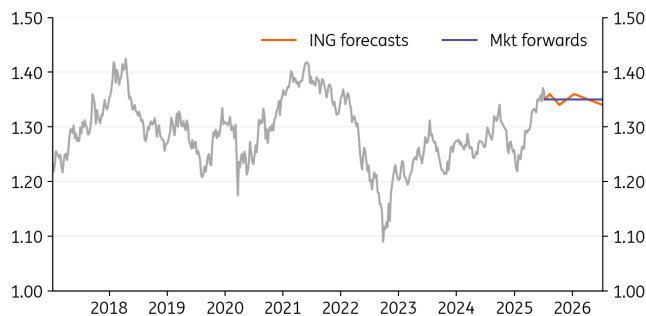
Current spot: 146.94

- Having previously been one of the preferred safe-haven currencies, the yen actually lagged in the second quarter. Clearly, it's never going to outperform in a carry trade environment, but domestic factors may be playing a role. Here progress on a US-Japan trade agreement has been slow. PM Ishiba may be constrained by the 20 July Upper House election and not want to concede too much – e.g. on rice imports.
- The election has also started to trigger some JGB weakness on the view of looser fiscal policy post-election.
- Ultimately, however, the yen remains a safe-haven and will participate in this broad multi-year USD adjustment. We suspect the buy-side will use any rally to 150 to lock in USD hedges.

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GBP/USD

Risks building



Source: Refinitiv, ING forecasts

ING forecasts (mkt fwd)	1M 1.36 (1.3506)	3M 1.34 (1.3513)	6M 1.36 (1.3521)	12M 1.34 (1.3529)
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Current spot: 1.3502

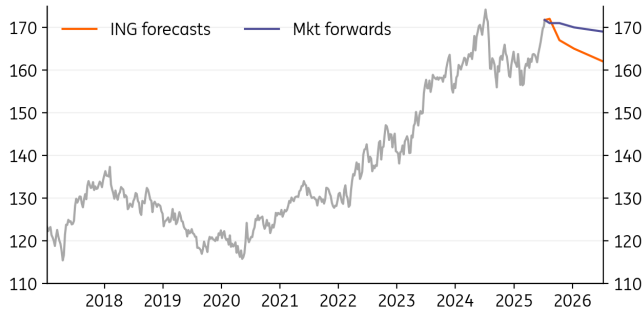
- Sterling is starting to underperform a little. Fiscal policy is back in the headlines after the government failed to deliver spending cuts in welfare. Other spending cut options look limited, leaving the alternatives of tax hikes or a softening of the fiscal rules – neither of which look good for sterling.
- This comes at a time when the UK labour market and wage growth is starting to soften. Labour market data is poor quality but is threatening to show a pick-up in layoffs.
- We still look for the Bank of England to cut rates on a quarterly cycle. But a quicker deterioration in the labour market could see the BoE terminal rate priced some 25-50bp lower to the 3.00/3.25% area. This could see GBP/USD lag in an otherwise soft multi-quarter dollar environment.

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EUR/JPY

Risks proving more balanced

Current spot: 171.72



Source: Refinitiv, ING forecasts

- EUR/JPY is trading above 170 again on the back of a resilient euro and a few more risks emerging for the yen. On the latter, the focus has been on the 20 July Upper House election and whether the LDP-New Komeito coalition loses control. If so, JGBs could get hit on the back of looser fiscal policy and the yen would join both the dollar and sterling as 2025 victims of fiscal concerns.
- What has been notable as well has been the breakdown in the EUR/JPY correlation with an equity sell-off. The euro is now the preferred liquid hedge in a risk-off environment.
- Also watch out for the yen and trade. High US tariffs are a yen negative, but Washington ultimately wants a weaker USD/JPY.

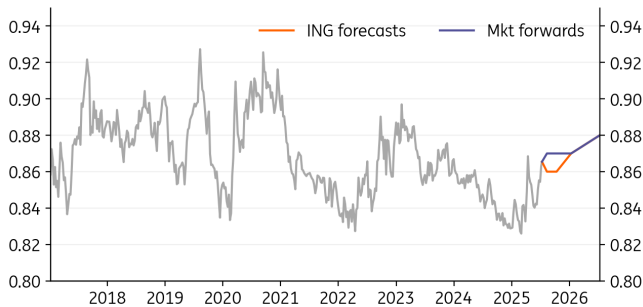
ING forecasts (mkt fwd)	1M 172 (171.49)	3M 167 (171.02)	6M 165 (170.31)	12M 162 (169.25)
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EUR/GBP

Fiscal challenges and easier BoE policy weigh

Current spot: 0.8655



Source: Refinitiv, ING forecasts

- EUR/GBP has been creeping higher, helped both by a softening inflation/lower rate environment and more recently some fiscal concerns. Here the Labour government's failure to cut spending on welfare hit Gilts on the view that the fiscally responsible Chancellor may be forced to resign. The fall-out means that taxes look likely to rise in November. Tighter fiscal and looser monetary policy look a mild sterling negative.
- The higher EUR/GBP profile looks even more compelling next year, when fiscal expansion in the eurozone justifies a continued euro rally. This at a time when BoE rates are likely cut to 3.25%.
- One outside bearish risk for the euro this summer is French politics, where the government could fall on budget woes.

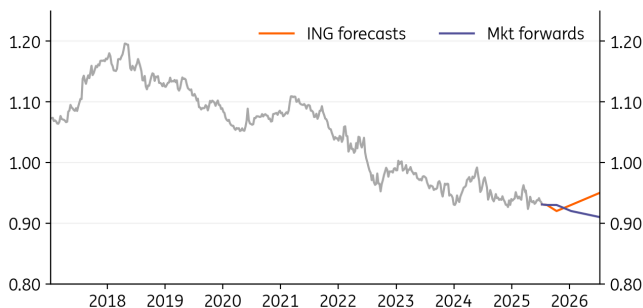
ING forecasts (mkt fwd)	1M 0.86 (0.8673)	3M 0.86 (0.8701)	6M 0.87 (0.8747)	12M 0.88 (0.8829)
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EUR/CHF

SNB will have to grin and bear CHF strength

Current spot: 0.9308



Source: Refinitiv, ING forecasts

- [Here](#) we argue that the Swiss National Bank faces a dilemma in how to limit CHF strength – which is undoubtedly a problem. FX intervention is challenging in that Switzerland is currently trying to negotiate its way out of a looming 31% US tariff. Here the US wants to see stronger currencies against the dollar. And the SNB may be reluctant to cut below negative because of the property market.
- Our baseline assumes that the SNB will probably intervene around the 0.9200/9250 level and does cut rates to -0.25% in mid-September. That is not a recipe for a higher EUR/CHF, however.
- EUR/CHF may not rally until 2026, when the eurozone growth story on the back of fiscal stimulus really starts to develop.

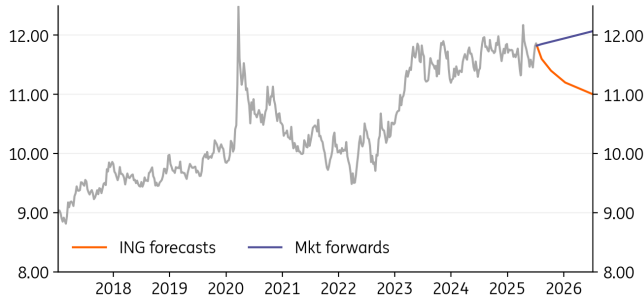
ING forecasts (mkt fwd)	1M 0.93 (0.9292)	3M 0.92 (0.9259)	6M 0.93 (0.9211)	12M 0.95 (0.9120)
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EUR/NOK

NOK has room to recover

Current spot: 11.82



Source: Refinitiv, ING forecasts

- Norway inflation came in hot in June, with underlying CPI returning above 3.0% and taking an August cut off the table. September remains an open question with markets pricing in 20bp. That is also our base case for the next cut.
- EUR/NOK is expensive at current levels. In our calculations, overvaluation is roughly 3%, and we think the euro may face some idiosyncratic pressure from dovish European Central Bank repricing.
- Most upside risks for the pair stem from potential hit to global sentiment from tariffs. Barring that, the rate gap still argues for a return to 11.50.

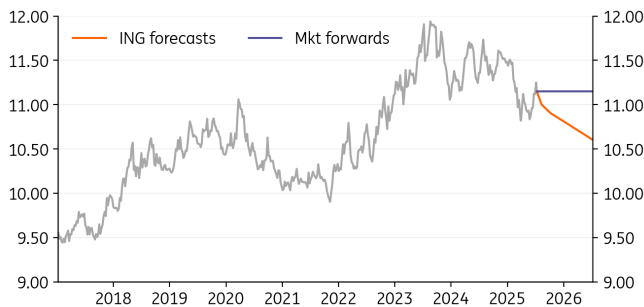
ING forecasts (mkt fwd)	1M 11.60 (11.85)	3M 11.40 (11.89)	6M 11.20 (11.95)	12M 11.00 (12.07)
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EUR/SEK

Riksbank done with cuts

Current spot: 11.15



Source: Refinitiv, ING forecasts

- Higher-than-expected inflation in June endorses our call that the Riksbank cycle is over at the 2.0% handle. Markets are however reticent to price out another cut, probably on the view that inflation is transitory and growth will be weaker.
- As we see another 25bp of cuts being priced out the SEK curve in the coming months, we remain confident on a sustainable return below 11.00 in EUR/SEK.
- A return to 10.70-10.80 by year-end is our base case given our hawkish Riksbank call. Should the central bank cut once again, the decline should be slower, but we don't doubt the medium-term direction.

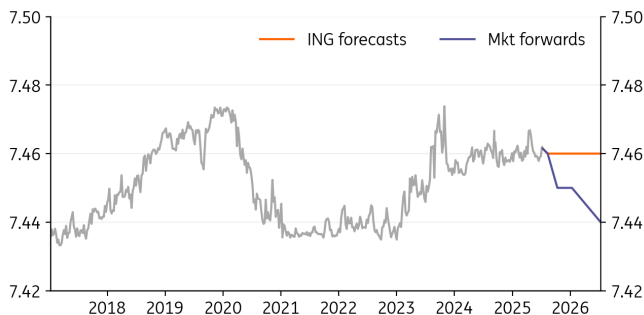
ING forecasts (mkt fwd)	1M 11.00 (11.15)	3M 10.90 (11.15)	6M 10.80 (11.15)	12M 10.60 (11.15)
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EUR/DKK

Volatility plummeting

Current spot: 7.4615



Source: Refinitiv, ING forecasts

- One-month EUR/DKK realised volatility has plummeted to the lowest levels since 2023 after April's spike. With EUR/DKK still very close to the 7.460 central rate peg, Denmark's central bank has remained clear of FX intervention.
- We expect the next cut in Denmark in September, in line with our ECB call. Barring a major escalation in US-Greenland tensions, there are no reasons to expect material deviations from the 7.460 anchor.

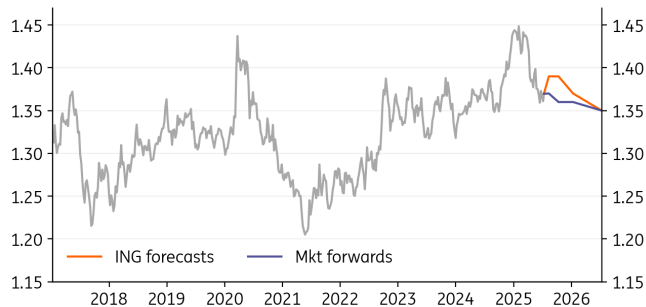
ING forecasts (mkt fwd)	1M 7.46 (7.4592)	3M 7.46 (7.4549)	6M 7.46 (7.4489)	12M 7.46 (7.4369)
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USD/CAD

Loonie's resilience to be tested

Current spot: 1.3698



Source: Refinitiv, ING forecasts

- The general consensus is that the US and Canada will agree on a trade deal in the coming weeks. But relations between the two countries remain tense, and Trump has threatened 35% tariffs.
- We see upside risks for USD/CAD as Canada is already asymmetrically impacted by existing US steel tariffs, and we could also see some hawkish Fed repricing helping USD.
- Spending cuts by the Canadian government are increasing the downside risk for the jobs market, and we think the Bank of Canada will need to move in September regardless of the Fed and potentially cut twice this year. We therefore see only limited upside potential for CAD in the second half of the year.

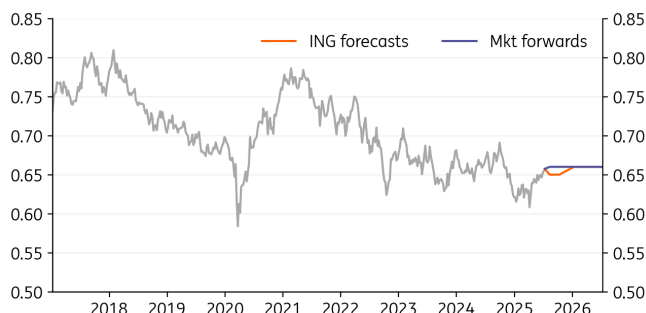
ING forecasts (mkt fwd)	1M 1.39 (1.3676)	3M 1.39 (1.3634)	6M 1.37 (1.3576)	12M 1.35 (1.3483)
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AUD/USD

RBA-led support to wane

Current spot: 0.6574



Source: Refinitiv, ING forecasts

- The Reserve Bank of Australia surprised with a hold in July, but [we think](#) the next cut has simply been postponed to August as we see trimmed CPI moderate.
- Outside of the impact from pharmaceutical tariffs – Australia does not seem a main target of this round of US protectionism. That opens the door to AUD outperformance against high-beta peers, considering also that an August RBA cut is fully priced in.
- However, AUD/USD looks set to remain strictly linked to Fed and US data dynamics; we expect that can add some pressure on the pair over the summer.

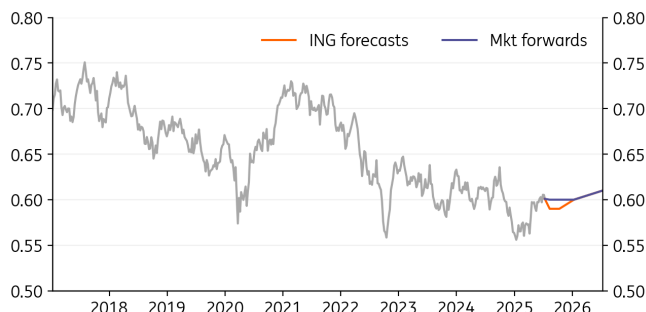
ING forecasts (mkt fwd)	1M 0.65 (0.6578)	3M 0.65 (0.6585)	6M 0.66 (0.6596)	12M 0.66 (0.6611)
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NZD/USD

August cut on the table

Current spot: 0.6009



Source: Refinitiv, ING forecasts

- Unlike in Australia, New Zealand's Reserve Bank hold in July was widely expected. The balance of communication looked tilted on the dovish side though, as policymakers signalled openness to cut rates later this year.
- 2Q data for inflation (20 July) and unemployment (5 August) will determine whether an August cut is warranted. Markets are pricing in 18bp for August, and 35bp in total for year-end.
- We think the risks are tilted to the downside for NZD in the near term as a USD rebound may be met with soft NZ data prompting some domestic dovish repricing.

ING forecasts (mkt fwd)	1M 0.59 (0.6015)	3M 0.59 (0.6028)	6M 0.60 (0.6046)	12M 0.61 (0.6071)
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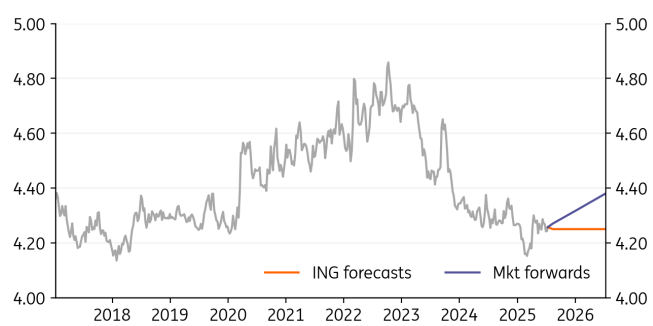


Emerging markets

EUR/PLN

Zloty refrains from gains despite higher EUR/USD

Current spot: 4.2570



Source: Refinitiv, ING forecasts

- Poland's zloty remains stable but has failed to appreciate despite fresh highs in EUR/USD. Most of the adjustment has occurred via USD/PLN, reflecting broader dollar weakness rather than zloty strength. EUR/PLN has underperformed both the HUF and CZK in response to the presidential elections in Poland, with the right-wing candidate's surprise win, and political polarisation undermining fiscal consolidation, despite a deficit of over 6% of GDP.
- The EUR/PLN exchange rate is moving around the 4.25 level (200-day moving average) in range-bound trading (4.24 – 4.25). The National Bank of Poland surprised with a July cut along with the governor's dovish pivot. We have a lower NBP rates forecast with the terminal rate at 3.5%, which would place the NBP as the most dovish central bank in CEE, and that is why the last tender showed a 1.6 bid cover on the Polish government bonds auction.

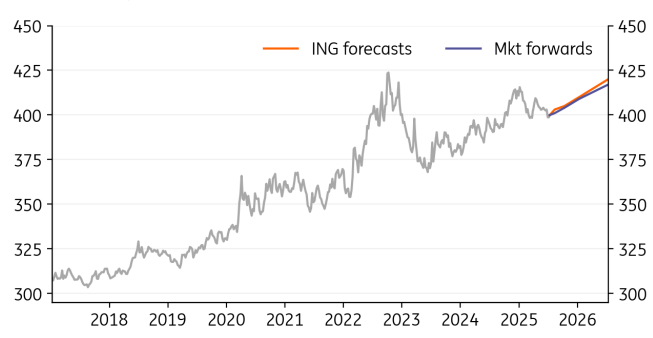
ING forecasts (mkt fwd)	1M 4.25 (4.2696)	3M 4.25 (4.2903)	6M 4.25 (4.3235)	12M 4.25 (4.3756)
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EUR/HUF

Forint enjoys a period of calm before the storm hits

Current spot: 399.88



Source: Refinitiv, ING forecasts

- The forint has benefited from the positive global sentiment in the last month. However, even in this favourable environment, the EUR/HUF gravity line remained at 400.
- The uptick in June's headline inflation convinced some market players of the central bank's ongoing hawkish rhetoric, but even with some rate repricing, the HUF wasn't able to break below 398.
- Given the deteriorating outlook for the Hungarian economy, the market will again take the opportunity to price in more rate cuts later this year. We anticipate a period of stability in the short term, but remain bearish in the medium term, expecting EUR/HUF to hit 410 by the end of the year.

ING forecasts (mkt fwd)	1M 403 (401.37)	3M 405 (404.27)	6M 410 (408.53)	12M 420 (416.86)
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Péter Virovác, peter.virovacz@ing.com

EUR/CZK

Growth and rates differential make the koruna shine

Current spot: 24.66



Source: Refinitiv, ING forecasts

- The Czech economy is set to maintain its growth performance edge over the eurozone. Fundamental forces linked to the real economic performance will continue to provide fair wind to the sails of the koruna. Indeed, the Czech economy may soon be powered by mighty engines of solid household spending, a booming construction sector, and perhaps a bottoming-out industry, preserving tight labour market conditions.
- The rate differential against the euro has been trending upward in nominal terms since mid-last year and switched to positive territory in real terms at the beginning of this year. Moreover, the CNB understands that domestic inflationary pressures have increased in both number and magnitude, which will foster the hawkishness of the board. With CNB rate stability as a baseline scenario, while ECB cuts in September, the koruna will stay bid.

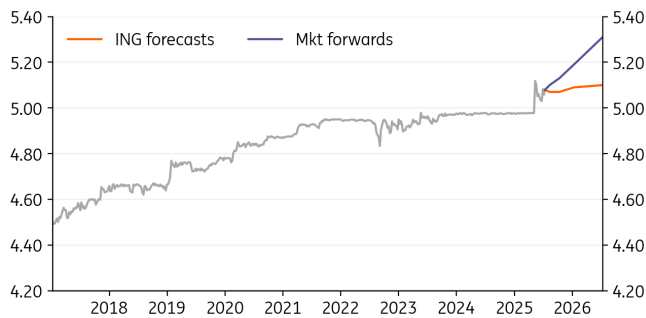
ING forecasts (mkt fwd)	1M 24.60 (24.69)	3M 24.55 (24.75)	6M 24.50 (24.82)	12M 24.40 (24.99)
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EUR/RON

Fiscal uncertainties partly cleared

Current spot: 5.0787



Source: Refinitiv, ING forecasts

- EUR/RON has drifted gradually higher over the past month, moving from the 5.02–5.03 area to around 5.07–5.08, as market dynamics normalised in the post-election environment.
- The adoption of the fiscal package has helped ease concerns, with markets responding positively. Still, structural imbalances—particularly the trade deficit—remain a source of medium-term pressure on the RON.
- The National Bank of Romania has maintained a steady hand, and we expect the key rate to remain on hold for the rest of the year, though interbank liquidity should gradually improve. We continue to see the pair ending the year near 5.10, with short-term moves likely contained within a more volatile 5.05–5.10 range.

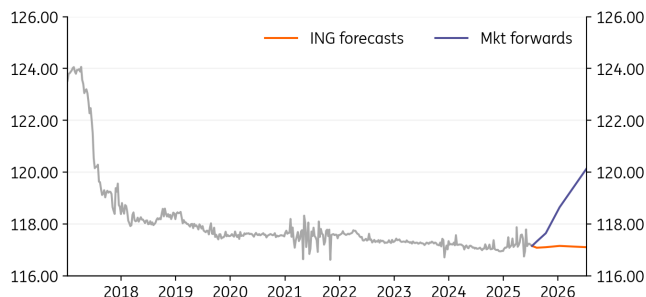
ING forecasts (mkt fwd)	1M 5.07 (5.0985)	3M 5.07 (5.1337)	6M 5.09 (5.1904)	12M 5.10 (5.3070)
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EUR/RSD

Dinar anchored by policy caution

Current spot: 117.15



Source: Refinitiv, ING forecasts

- EUR/RSD has remained remarkably stable around 117.20 over the past month, supported by solid macro fundamentals and continued fiscal discipline. Infrastructure investment remains a key growth driver, while social tensions pose limited downside risks.
- Against expectations, the National Bank of Serbia kept the key policy rate unchanged at 5.75% in its July meeting, reaffirming its cautious stance amid stable inflation and balanced risks. FX market stability has been maintained with minimal intervention.
- We continue to expect the NBS to preserve currency stability through the forecast horizon, with no major deviations from current levels anticipated.

ING forecasts (mkt fwd)	1M 117.08 (117.32)	3M 117.10 (117.64)	6M 117.15 (118.64)	12M 117.10 (120.14)
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USD/UAH

Inflation finally down in June, FX reserves still rising.

Current spot: 41.78



Source: Refinitiv, ING forecasts

- The stability of hryvnia's exchange rate against the dollar has been maintained in June, supported by a solid increase of international reserves to US\$45.1bn, up 1.2% month-on-month from US\$44.5bn in May. Ukraine received substantial inflows of hard currencies from Canada, the EU, and via World Bank accounts (US\$4.1bn in total), while selling around US\$3.0bn on the FX market. The remaining flows were debt repayments and valuation effects.
- The National Bank of Ukraine kept rates unchanged at 15.5%, supporting the hryvnia. This should bring inflation on a downward path. June's CPI reading of 14.3% year-on-year confirmed it passed the local peak in May (15.9%), and momentum slowing to 0.8% month-on-month from 1.3% in May.

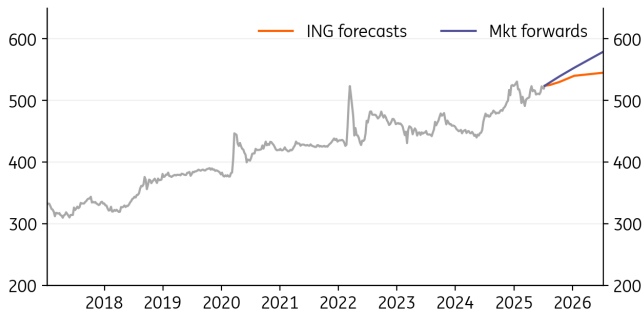
ING forecasts (mkt fwd)	1M 41.80 (41.92)	3M 41.90 (42.74)	6M 41.90 (43.90)	12M 42.00 (46.50)
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USD/KZT

Strengthening was short-lived, as expected

Current spot: 523.77



Source: Refinitiv, ING forecasts

- The tenge has depreciated to 518 per US dollar, slightly underperforming our expectations. The spike in oil prices was short-lived, making domestic pressure factors more pronounced.
- Total FX sales by the sovereign fund and the central bank are guided to recover from US\$1.0bn in June to US\$1.1bn in July as lower fiscal transfers should be offset by increased FX sales by the central bank.
- In our view, KZT depreciation is likely in the medium term, reflecting structural trade balance issues as well as a probable reduction in FX sales by the government. Meanwhile, near-term strengthening is not excluded given the recent increase in oil production, which has not yet translated into higher exports.

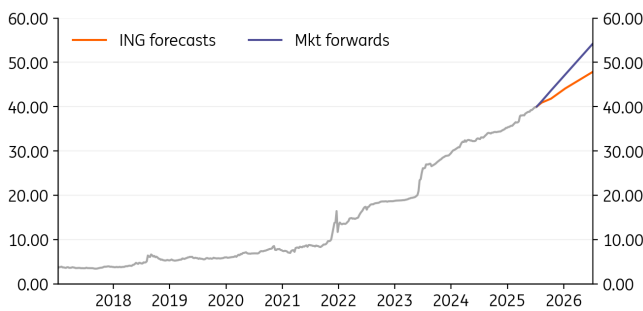
ING forecasts (mkt fwd)	1M 525 (528.75)	3M 530 (538.62)	6M 540 (553.19)	12M 545 (579.27)
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USD/TRY

Risks to keep the Central Bank of Turkey prudent

Current spot: 40.04



Source: Refinitiv, ING forecasts

- Improvement in headline inflation continued in June with another decline to 35.05% year-on-year by 36bp over the previous month as food inflation declined across processed and unprocessed groups. However, i) the rise in energy inflation driven by higher oil prices ii) higher-than-expected core inflation and iii) rise in services inflation momentum indicate continuing risks to the outlook.
- Disinflation will likely continue in the near term thanks to the slowdown in domestic demand, decline in inflation expectations as well as favourable base effects, however exchange rate stability has remained the key given recent political news.
- While the CBT is likely to start a rate cut cycle in July, it will remain cautious in the current environment with the possibility of additional developments on the political front. Thus, higher real rates and the move in EUR/USD should help the lira further.

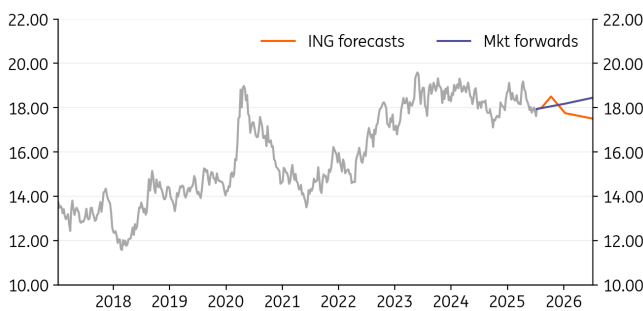
ING forecasts (mkt fwd)	1M 40.90 (41.21)	3M 41.80 (43.65)	6M 44.10 (47.23)	12M 47.90 (54.29)
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Muhammet Mercan, muhammet.mercan@ing.com.tr

USD/ZAR

New inflation target, tariffs and Treasuries

Current spot: 17.94



Source: Refinitiv, ING forecasts

- USD/ZAR is correcting off a recent low near 17.50 – some stability in the dollar is helping as is the news that South Africa's US tariff rate remains at 30%. President Ramaphosa believes that the 30% tariff rate can be cut – though not guaranteed.
- Yet the rand has found a lot of support from heightened speculation the SARB will shift to a new 3% inflation target. This compares to 4.5% currently. This speculation has seen inflation expectations derived via the 20-year inflation-linked bonds drop to 5.8% from 7.20% and triggered strong demand for ZAR debt. This should be a medium term positive for the rand.
- The reason we have 18.50 in our three-month profile is the call for a third quarter US Treasury sell-off to 4.75%. This is negative for the high yielders.

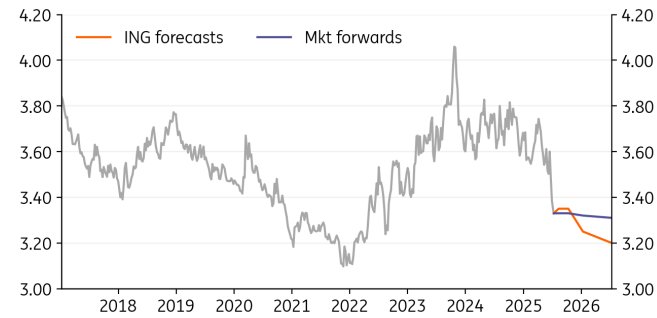
ING forecasts (mkt fwd)	1M 18.00 (17.98)	3M 18.50 (18.06)	6M 17.75 (18.18)	12M 17.50 (18.45)
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Chris Turner, chris.turner@ing.com

USD/ILS

Israel sovereign risk repriced

Current spot: 3.3298



Source: Refinitiv, ING forecasts

- Operation Rising Lion and Operation Midnight Hammer (US bombing of Iran's nuclear sites) has prompted a dramatic re-pricing of Israeli sovereign risk. The 5 yr CDS has been marked down to 85bp from 125bp and the shekel has rallied 7% - on the view that US intervention has proved a game-changer for Middle East politics. In effect, the risk premium has come out of the shekel and USD/ILS has reconnected with the weak USD story.
- The Bank of Israel is tolerating shekel strength because inflation is above target and any large-scale FX intervention would interfere with US discussions on trade, where tariffs could be 17%.
- We're cutting our long term USD/ILS forecasts based on geopolitics.

ING forecasts (mkt fwd)	1M 3.35 (3.3317)	3M 3.35 (3.3253)	6M 3.25 (3.3183)	12M 3.20 (3.3053)
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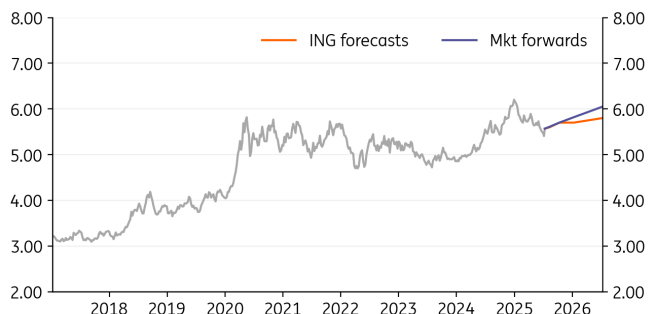
Chris Turner, chris.turner@ing.com

LATAM

USD/BRL

50% tariffs may not do too much damage

Current spot: 5.5684



Source: Refinitiv, ING forecasts

- The prospect of 50% US tariffs on Brazil has come as a surprise – especially since Brazil had fared quite well with ‘Liberation Day’ tariffs of only 10%. However, Brazil is less dependent on trade than its Latam peers (exports to GDP sub 20%) and only 10% of its exports go to the US. Some estimates suggest tariffs could knock 0.5% off GDP, but domestic demand is more important.
- By nature of the benign external environment and Brazil’s 15% interest rates, the currency has been performing well. What we’re more worried about in the third quarter is a US Treasury sell-off and higher volatility – which could send USD/BRL to 5.75.
- But unless President Lula misjudges with pre-election fiscal giveaways, we expect currency losses to be contained.

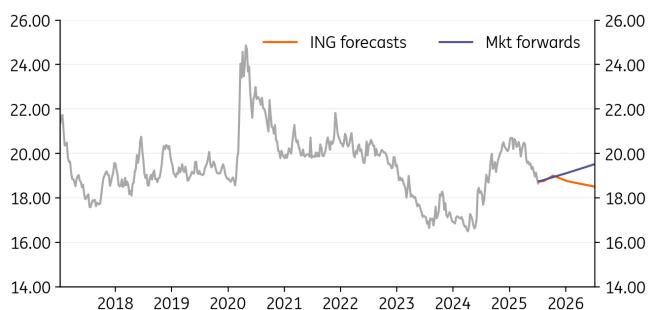
ING forecasts (mkt fwd)	1M 5.60 (5.6133)	3M 5.70 (5.6963)	6M 5.70 (5.8235)	12M 5.80 (6.0455)
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USD/MXN

Peso pullback

Current spot: 18.74



Source: Refinitiv, ING forecasts

- USD/MXN is correcting from levels just above 18.50 – largely on the back of a little stability in the dollar. Scope for a little further dollar correction in 3Q could drive a correction towards 18.75 – possibly higher if there’s any disorderly adjustment in Treasuries.
- Domestically, Mexico has avoided the worst of the tariffs and hopes that will continue. Having cut rates 200bp to 8.00% this year 50bp at a time, it looks like Banxico will shift to 25bp increments or perhaps wait until the Fed is ready to move. The Fed-Banxico policy spread is already quite narrow at 350bp – the narrowest since 2016.
- Weak Mexican growth, a slowing US economy, an uncertain trade and FDI environment prevent us from becoming too MXN bullish.

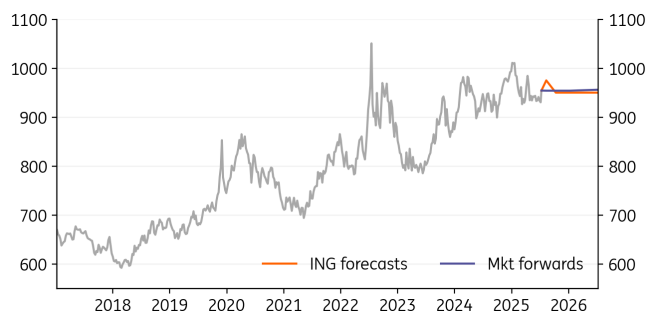
ING forecasts (mkt fwd)	1M 18.75 (18.80)	3M 19.00 (18.93)	6M 18.75 (19.12)	12M 18.50 (19.52)
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Chris Turner, chris.turner@ing.com

USD/CLP

Copper challenges ahead

Current spot: 954.23



Source: Refinitiv, ING forecasts

- Leaders in the government and private sector in Chile currently remain in the dark over whether the 50% US copper tariffs will apply to Chile. Whether they do or not remains to be seen, but overall, we think Chile and the peso face headwinds from copper prices. Here the front-loading of inventory into the US should now be complete and weaker global demand trends should see copper prices starting to come lower.
- The corrective rally in the dollar should drag USD/CLP closer to the upper end of a broad 900-1000 trading range, with domestic rates providing much less protection than in Brazil and Mexico.
- Presidential elections in November could also require a risk premium in what so far has been a good year for Chile’s assets.

ING forecasts (mkt fwd)	1M 975 (954.23)	3M 950 (954.23)	6M 950 (954.33)	12M 950 (955.80)
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Chris Turner, chris.turner@ing.com

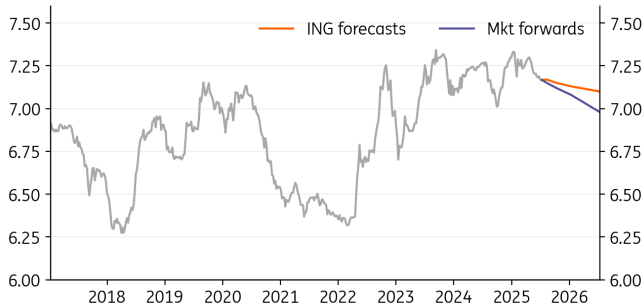


Asia

USD/CNY

CNY extended period of calm ahead of August catalyst

Current spot: 7.1674



Source: Refinitiv, ING forecasts

- USD/CNY continued its period of calm, with last month's trading range quite narrow between 7.16-7.19. The CNY continued to weaken on a trade-weighted basis on the month.
- With no heavy pressure in either direction, the People's Bank of China's countercyclical factor was neutral over the past month. US-China yield spreads narrowed amid more dovish expectations for the US, while China Government Bond yields were little changed.
- A sleepy start to the summer could be disrupted in the month ahead, with looming August tariff deadlines both globally and possibly for China as well. Nonetheless, the PBOC has shown commitment to stabilisation in both directions, and we continue to hold our call for a 7.00-7.40 fluctuation band for the year.

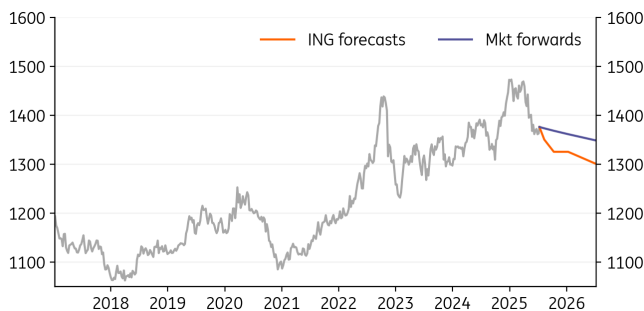
ING forecasts (mkt fwd)	1M 7.17 (7.1509)	3M 7.15 (7.1201)	6M 7.13 (7.0759)	12M 7.10 (6.9826)
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USD/KRW

Trade tensions are taking centre stage for a weaker KRW

Current spot: 1375.70



Source: Refinitiv, ING forecasts

- The KRW softened quite meaningfully in early July as trade tensions escalated. We don't expect the KRW to go back to near 1,400 levels as the domestic uncertainty factor has dissipated.
- The Bank of Korea paused its rate cuts in July over the concerns on rapidly rising housing prices. Yet, a negative GDP gap is likely to continue, thus additional cuts will be needed but once they confirm the slowdown of the housing market.
- Uncertainty surrounding tariffs will be a key swing factor in the near term. Short-term volatility is expected depending on the US Korea trade negotiations.

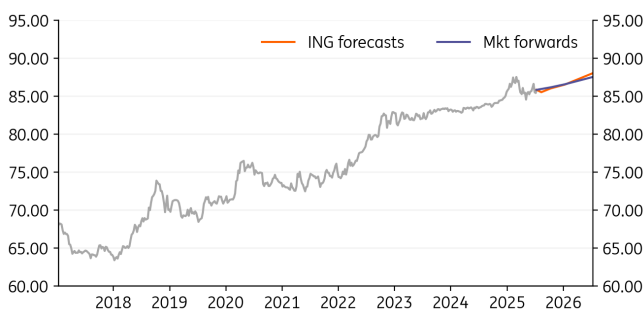
ING forecasts (mkt fwd)	1M 1350 (1373.04)	3M 1325 (1368.30)	6M 1325 (1360.60)	12M 1300 (1347.60)
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Min Joo Kang, min.joo.kang@asia.ing.com

USD/INR

INR likely to remain strong

Current spot: 85.81



Source: Refinitiv, ING forecasts

- INR remain largely unchanged on a month-on-month basis but witnessed a volatile month largely because of the spike in global oil prices in June and as the Reserve Bank of India likely refrained from intervening in the FX market.
- India's exclusion from recent US tariff letters suggests it may be next in line for a trade deal, potentially boosting exports in textiles and electronics and lifting investor sentiment.
- FII inflows into equity rose to a nine-month high of US\$2.3bn. FII inflows into bonds weakened but remained positive. We expect INR to trade with a strengthening bias in the near term unless India gets hit by higher tariffs compared to the region.

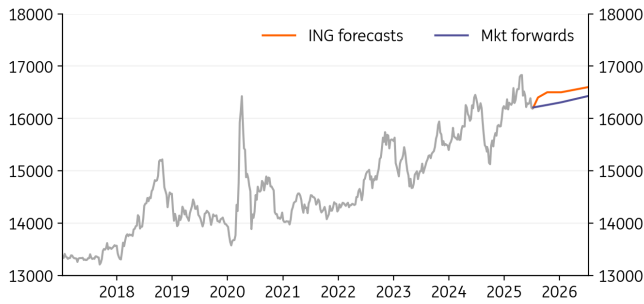
ING forecasts (mkt fwd)	1M 85.50 (85.92)	3M 86.00 (86.14)	6M 86.50 (86.54)	12M 88.00 (87.50)
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USD/IDR

IDR is stabilising, helped by foreign inflows

Current spot: 16210



Source: Refinitiv, ING forecasts

- Inflation remains contained and the local currency stable, giving room for Bank Indonesia to cut rates further. However, Indonesia’s tariffs remain elevated at 32%, adding to investment uncertainty. Combined with domestic policy ambiguity, this raises the risk of deeper-than-expected rate cuts that could impact IDR later in the year.
- We remain relatively unconcerned about Indonesia’s current account, as slowing exports are likely to be offset by weaker import demand. While FDI remains soft, FII inflows in debt have gained momentum.
- The recent appreciation in the IDR seems less driven by direct BI intervention, as FX reserves remained largely unchanged, suggesting the central bank is comfortable with current levels.

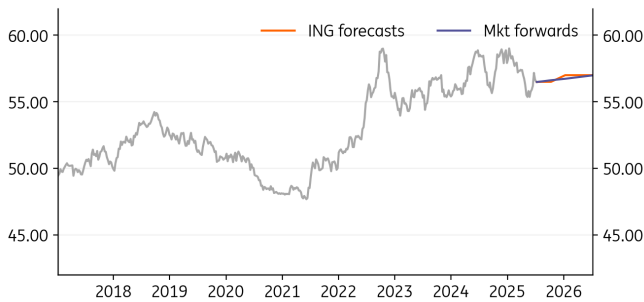
ING forecasts (mkt fwd)	1M 16400 (16226)	3M 16500 (16258)	6M 16500 (16308)	12M 16600 (16430)
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USD/PHP

Headwinds from over-valuation and wider fiscal deficit

Current spot: 56.49



Source: Refinitiv, ING forecasts

- PHP underperformed last month, slipping 1% against the USD. While Trump’s tariff hike on Philippines—from 17% to 20%—was unexpected, the FX market largely shrugged off the news.
- Falling rice and oil prices, along with easing currency pressures, should keep CPI inflation contained. We maintain our forecast for two more 25bp rate cuts in the third and fourth quarters, ending 2025 at 4.75%, driven by softer inflation and downside growth risks.
- While PHP may benefit from USD weakness, we think REER overvaluation and fiscal deficit concerns will continue to remain headwinds. Considering shifting fiscal dynamics, the government raised its 2025 fiscal deficit target to 5.5% of GDP, up from 5.3%.

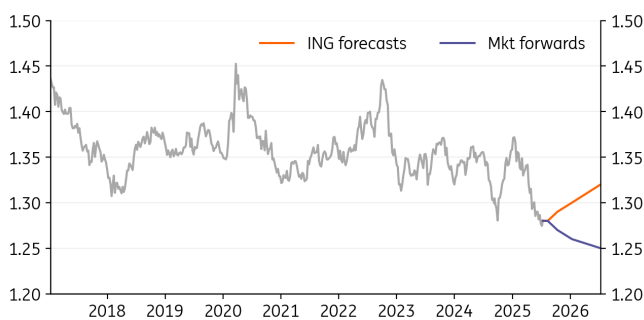
ING forecasts (mkt fwd)	1M 56.50 (56.53)	3M 56.50 (56.62)	6M 57.00 (56.73)	12M 57.00 (56.99)
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USD/SGD

SGD outperformance to fade gradually

Current spot: 1.2801



Source: Refinitiv, ING forecasts

- SGD continued to appreciate against the USD and remained one of the top performing currencies in the region, taking the currency overvaluation to higher levels even as growth and inflation indicators remained weak.
- We expect this outperformance to continue in the near term, with Singapore seen as a safe-haven amid tariff uncertainty. As one of the region’s most trade-dependent economies, it stands to gain if the 10% US tariff rate is maintained.
- However, we expect the Monetary Authority of Singapore to ease monetary policy further this month by reducing the slope of the policy band, which should mean that the NEER overvaluation gradually corrects over the course of the second half of the year.

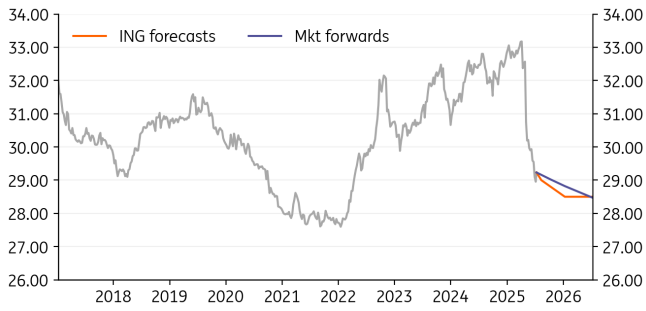
ING forecasts (mkt fwd)	1M 1.28 (1.2773)	3M 1.29 (1.2717)	6M 1.30 (1.2636)	12M 1.32 (1.2497)
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USD/TWD

TWD rally continued to unfold

Current spot: 29.23



Source: Refinitiv, ING forecasts

- The TWD continued to strengthen over the past month, with the USD/TWD pair reaching a new low of 28.8 before rebounding back above 29 in the following days.
- Domestic drivers of the TWD supported further appreciation. Equity market net inflows accelerated over the past month, and yield spreads slightly narrowed over the past month. The Central Bank of the Republic of China remained on hold as expected in June.
- After several months of TWD strengthening, we still continue to hold a slight appreciation bias, but risks to the short-term outlook are now more balanced than they have been in the past few months.

ING forecasts (mkt fwd)	1M 29.00 (29.16)	3M 28.80 (29.02)	6M 28.50 (28.82)	12M 28.50 (28.47)
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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	1.17	1.16	1.15	1.18	1.18						
EUR/JPY	172	172	167	165	162	USD/JPY	147	147	145	140	137
EUR/GBP	0.87	0.86	0.86	0.87	0.88	GBP/USD	1.35	1.36	1.34	1.36	1.34
EUR/CHF	0.93	0.93	0.92	0.93	0.95	USD/CHF	0.80	0.80	0.80	0.79	0.81
EUR/NOK	11.82	11.60	11.40	11.20	11.00	USD/NOK	10.12	10.00	9.91	9.49	9.32
EUR/SEK	11.15	11.00	10.90	10.80	10.60	USD/SEK	9.54	9.48	9.48	9.15	8.98
EUR/DKK	7.46	7.46	7.46	7.46	7.46	USD/DKK	6.38	6.43	6.49	6.32	6.32
EUR/CAD	1.60	1.61	1.60	1.62	1.59	USD/CAD	1.37	1.39	1.39	1.37	1.35
EUR/AUD	1.78	1.78	1.77	1.79	1.79	AUD/USD	0.66	0.65	0.65	0.66	0.66
EUR/NZD	1.94	1.97	1.95	1.97	1.93	NZD/USD	0.60	0.59	0.59	0.60	0.61
EMEA											
EUR/PLN	4.26	4.25	4.25	4.25	4.25	USD/PLN	3.64	3.66	3.70	3.60	3.60
EUR/HUF	399.9	403	405	410	420	USD/HUF	342.2	347	352	347	356
EUR/CZK	24.66	24.60	24.55	24.5	24.4	USD/CZK	21.10	21.2	21.3	20.8	20.7
EUR/RON	5.08	5.07	5.07	5.09	5.1	USD/RON	4.35	4.37	4.41	4.31	4.32
EUR/RSD	117.15	117.08	117.10	117.15	117.10	USD/RSD	100.24	100.93	101.83	99.28	99.24
EUR/UAH	48.82	48.49	48.19	49.44	49.56	USD/UAH	41.79	41.80	41.90	41.90	42.00
EUR/KZT	580.1	609.0	609.5	637.2	643.1	USD/KZT	523.8	525	530	540	545
EUR/TRY	47.04	47.44	48.07	52.04	56.52	USD/TRY	40.04	40.90	41.80	44.10	47.90
EUR/ZAR	20.96	20.88	21.28	20.95	20.65	USD/ZAR	17.94	18.00	18.50	17.75	17.50
EUR/ILS	3.89	3.89	3.85	3.84	3.78	USD/ILS	3.33	3.35	3.35	3.25	3.20
LATAM											
EUR/BRL	6.51	6.50	6.56	6.73	6.84	USD/BRL	5.57	5.60	5.70	5.70	5.80
EUR/MXN	21.90	21.75	21.85	22.13	21.83	USD/MXN	18.74	18.75	19.00	18.75	18.50
EUR/CLP	1115.21	1131	1093	1121	1121	USD/CLP	954.23	975	950	950	950
Asia											
EUR/CNY	8.38	8.32	8.22	8.41	8.38	USD/CNY	7.17	7.17	7.15	7.13	7.10
EUR/IDR	18948	19024	18975	19470	19588	USD/IDR	16210	16400	16500	16500	16600
EUR/INR	100.29	99.18	98.90	102.07	103.84	USD/INR	85.81	85.5	86.00	86.5	88.00
EUR/KRW	1607.78	1566	1524	1564	1534	USD/KRW	1375.70	1350	1325	1325	1300
EUR/PHP	66.02	65.54	64.98	67.26	67.26	USD/PHP	56.49	56.5	56.5	57.0	57.0
EUR/SGD	1.50	1.48	1.48	1.53	1.56	USD/SGD	1.28	1.28	1.29	1.30	1.32
EUR/TWD	34.16	33.64	33.12	33.63	33.63	USD/TWD	29.23	29.00	28.80	28.50	28.50

Source: Refinitiv, ING

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