

FX Talking

June 2023

Burden of proof



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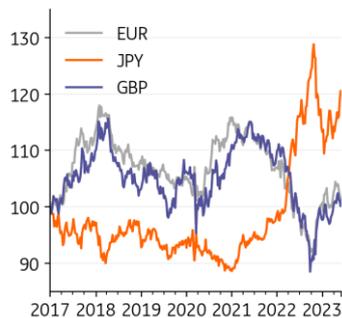
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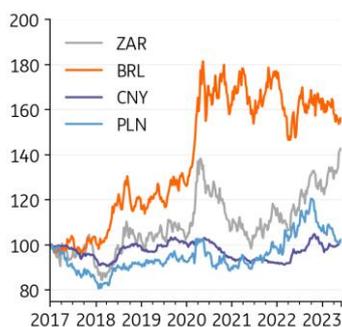
Burden of proof

USD/Majors (4 Jan 15=100)



Source: Refinitiv, ING forecast

USD/EM (4 Jan 15=100)



Source: Refinitiv, ING forecast

Despite all the talk of economic slowdown and the turn in the inflation cycle, it seems that policymakers still lack sufficient evidence that inflation is under control. Swiss National Bank President Thomas Jordan recently warned of 'second and third round effects' in this inflation cycle. Central bankers as far apart as Australia and Canada have recently had to restart tightening cycles after brief pauses. Investors are now increasingly questioning their own convictions that rates have peaked.

Nowhere is this challenge greater than in the US where tight labour markets and core inflation stubbornly above 4% are keeping the Fed vigilant. And there is a chance that the Fed has to hike one last time this summer. Yet our house view remains that US disinflation becomes much more obvious in the third quarter and that hard will follow soft activity data lower. We still look for substantial Fed cuts in the fourth quarter.

This means we are still looking for the start of a cyclical multi-year dollar bear trend – probably starting in the third quarter. This should carry EUR/USD above 1.15 and USD/JPY well below 130. The tide of a softening dollar should lift most currencies around the world – especially higher-yielding currencies enjoying the benefits of the carry trade.

Within Europe, we forecast most currencies to hold recent gains against the euro – although sterling looks most at risk to Bank of England re-pricing. Modest CEE FX appreciation can continue – despite looming easing cycles. Latin FX looks constructive on the back of high yields and pockets of Asia can appreciate – especially the Korean won.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.08	↑	135	↓	1.24	↓
3M	1.13	↑	130	↓	1.28	↑
6M	1.18	↑	125	↓	1.33	↑
12M	1.18	↑	120	↓	1.34	↑

	EUR/GBP		EUR/CZK		EUR/PLN	
1M	0.87	↑	23.70	↑	4.42	↓
3M	0.88	↑	23.70	↑	4.45	↓
6M	0.89	↑	23.50	↓	4.45	↓
12M	0.88	↑	23.50	↓	4.50	↓

	USD/CNY		USD/MXN		USD/BRL	
1M	7.15	↑	17.50	↑	5.10	↑
3M	7.00	↓	17.25	↓	5.20	↑
6M	6.90	↓	17.00	↓	5.20	↑
12M	6.80	↓	16.50	↓	5.20	↑

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

Source: Refinitiv, ING forecast

FX performance

	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	NZD/USD	USD/CAD
%MoM	-0.7	2.8	-1.8	0.0	1.8	-1.7
%YoY	3.5	3.7	-0.2	12.5	-2.3	3.3

	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	2.6	-3.5	-0.5	-1.7	-3.7	-0.8
%YoY	5.7	0.3	-8.0	-4.5	15.5	-4.6

Source: Refinitiv, ING forecast

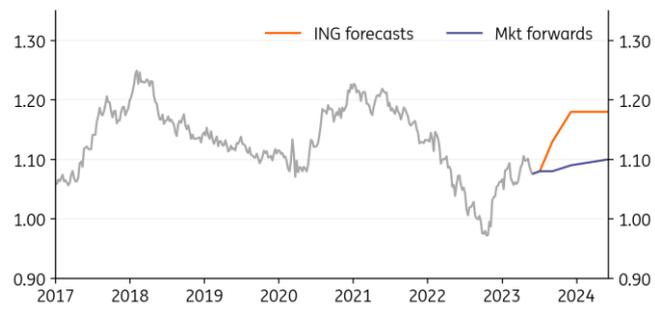


Developed markets

EUR/USD

Waiting for the US disinflation shoe to drop

Current spot: 1.0772



Source: Refinitiv, ING forecasts

- Like many other central banks around the world, the Federal Reserve's inflation fight is ongoing, restrictive policy remains in place and the dollar remains relatively strong. In theory, tighter credit conditions from this year's US regional banking crisis should help slow the economy – but there are no real signs of that yet.
- Our macro team cannot rule out one last Fed hike this summer, but still forecasts the start of sharp Fed rate cuts in 4Q. And over coming months there should be much clearer signs of US disinflation – data which should weigh heavily on the dollar.
- Our view is that 1.05/1.07 proves the base for EUR/USD, before softer US rates allow EUR/USD to rally to 1.15+ by year-end.

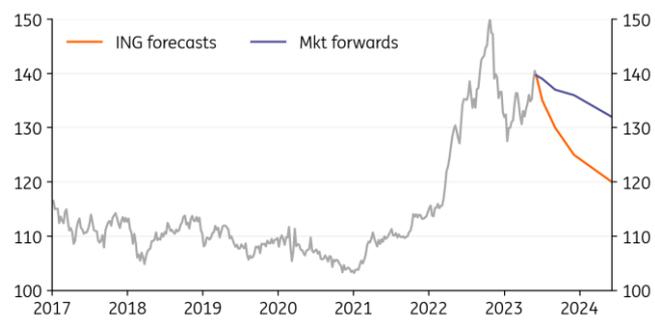
ING forecasts (mkt fwd)	1M 1.08 (1.0792)	3M 1.13 (1.0829)	6M 1.18 (1.0878)	12M 1.18 (1.0976)
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USD/JPY

Moving back into the FX intervention zone

Current spot: 139.47



Source: Refinitiv, ING forecasts

- In moving above 140, USD/JPY sparked the ire of Japanese officials again. Recall that FX intervention started at the 145 level last September. The problem for local officials is that: a) the dollar remains strong and b) low market volatility favours the carry trade, where the yen is by far the preferred funding currency.
- The question is whether policy makers in Tokyo are prepared to ride out another summer of strength in USD/JPY – or will be prepared to take action.
- We think the market is under-pricing the risk of further normalisation in the Bank of Japan's Yield Curve Control policy on 16 June. By the end of 3Q, the dollar decline should be underway.

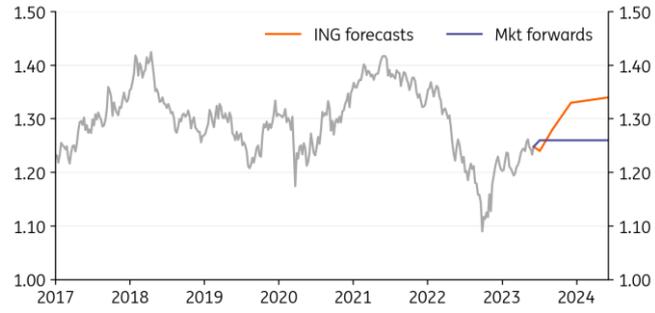
ING forecasts (mkt fwd)	1M 135 (138.83)	3M 130 (137.48)	6M 125 (135.51)	12M 120 (131.75)
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GBP/USD

Dragged higher by dramatic BoE expectations

Current spot: 1.2591



Source: Refinitiv, ING forecasts

- Somewhat amazingly, financial markets price the Bank of England Bank Rate at 5.50% for year-end – compared to 5.00% for the Fed funds. Sticky UK inflation has been the driver for this – and the BoE has adopted a strategy of saying very little.
- Our macro view is that the Bank Rate does not make it over 5.00% and that the market can be disavowed of its aggressive expectations by softer wage and price data over coming months.
- For GBP/USD that means slightly less help from the sterling side, but in what should be a weakening dollar environment. We see GBP/USD slowly grinding towards 1.30 this year – but suffering occasional setbacks when UK price data comes in soft.

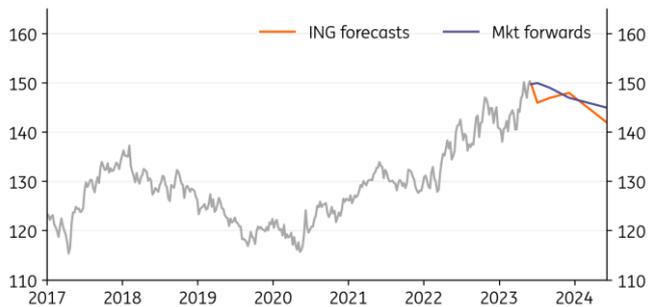
ING forecasts (mkt fwd)	1M 1.24 (1.2598)	3M 1.28 (1.2609)	6M 1.33 (1.2613)	12M 1.34 (1.2593)
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EUR/JPY

The risk asset sell-off that never was

Current spot: 150.28



Source: Refinitiv, ING forecasts

- Many of us are surprised that the US regional banking crisis in March – amid tighter liquidity conditions in general – did not trigger a broader sell-off in risk assets. This has allowed EUR/JPY to push back up to 150. Any signs of US disinflation would allow risk assets to stay bid for longer, keeping EUR/JPY bid.
- For the European Central Bank, we and the market look for two more 25bp hikes (June and July) taking the deposit rate to 3.75%. Our team also looks for the first ECB cut in 2Q24.
- Unless some financial crisis emerges, it now looks like EUR/JPY can stay stronger for longer. Alternatively, some independent BoJ tightening would have to be the bearish game changer here.

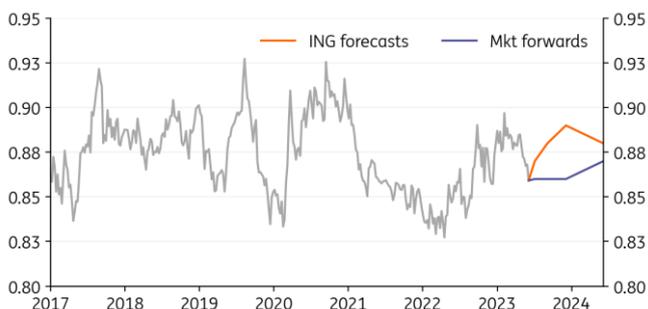
ING forecasts (mkt fwd)	1M 146 (149.83)	3M 147 (148.88)	6M 148 (147.43)	12M 142 (144.59)
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EUR/GBP

Sterling comes in from the cold

Current spot: 0.8558



Source: Refinitiv, ING forecasts

- Apart from the much higher yields now available in sterling deposits, it is hard to find many more supportive factors for sterling. True, Prime Minister Rishi Sunak seems to be engaging more with Europe, but UK economic prospects still look soft. We have full year 2023 growth at just 0.3%.
- The UK economy also faces a mortgage time-bomb, where 650,000 mortgage holders are due to refinance over the next six months at rates 400bp higher than their existing deals. The hit to consumption and house prices should weigh on sterling.
- We have been fighting this sterling strength for a while, but we cannot see a strong case for EUR/GBP to trade under 0.85.

ING forecasts (mkt fwd)	1M 0.87 (0.8567)	3M 0.88 (0.8588)	6M 0.89 (0.8625)	12M 0.88 (0.8712)
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EUR/CHF

SNB seems comfortable with softer EUR/CHF

Current spot: 0.9721



Source: Refinitiv, ING forecasts

- In a world where central bankers are desperate for lower inflation, one might have thought the Swiss National Bank would be happy with core CPI dropping back below 2.0% year-on-year. But no, SNB President Thomas Jordan is still expressing concern about 'second and third round' effects from last year's inflation spike. The SNB meet 22 June and are widely expected to hike rates 25bp to 1.75%. They will probably leave the door open for another 25bp hike in September.
- The SNB's view on inflation is relevant for EUR/CHF since the SNB is happy to use CHF strength as a monetary policy tool.
- Intervening on both sides of the market to keep EUR/CHF heavily managed, expect it to stay offered near 0.96/97 for a while.

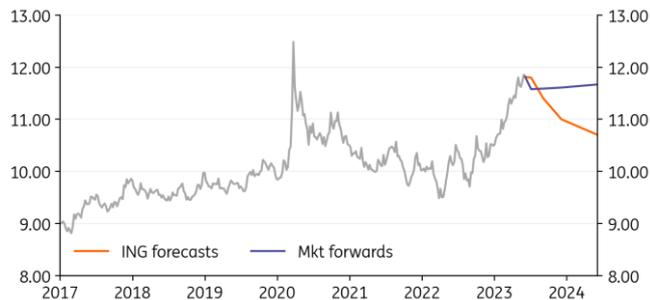
ING forecasts (mkt fwd)	1M 0.97 (0.9706)	3M 0.96 (0.9676)	6M 0.97 (0.9631)	12M 1.00 (0.9549)
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EUR/NOK

Norges Bank to step in with more hikes

Current spot: 11.58



Source: Refinitiv, ING forecasts

- We were not expecting a rebound in NOK in the near term, and the krone has indeed remained under pressure throughout May and into early June.
- This means that Norges Bank will now likely need to step in with more tightening – we think to 3.75%, but don't exclude 4.0% - especially considering FX rate purchases have remained relatively high at NOK 1.3bn daily in June and inflation has also rebounded.
- The threat of more Fed tightening argues against any snap rebound in the high-beta, illiquid NOK in the near term, but valuation and solid fundamentals can fuel a recovery initiated by NB hikes over the second half of 2023. A return to 11.00 is doable.

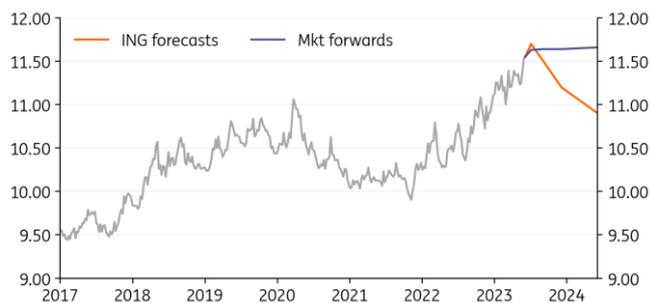
ING forecasts (mkt fwd)	1M 11.80 (11.58)	3M 11.40 (11.59)	6M 11.00 (11.61)	12M 10.70 (11.67)
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EUR/SEK

Riksbank's communication incidents are no quick fix

Current spot: 11.63



Source: Refinitiv, ING forecasts

- Except for verbally protesting SEK weakness, Riksbank members haven't done much to rebuild confidence in the krona. The emergence of dovish dissent, admitting to a lack of tools to lift SEK and ruling out FX intervention even before testing the market's reaction to this threat have left SEK vulnerable.
- On top of that, SBB (one of Sweden's largest landlords) remains in very troubled waters, and markets may price more aggressively commercial real estate tail risks into SEK now.
- We think RB Governor Erik Thedeén will try to convey a hawkish message to support SEK at the end-June meeting, but the degree of dissent within the Board is unpredictable. SEK's recovery almost solely relies on a benign turn in sentiment: this can happen in 2H23, but for now, SEK remains very vulnerable.

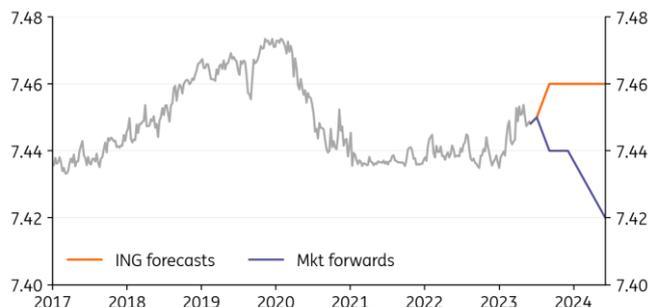
ING forecasts (mkt fwd)	1M 11.70 (11.63)	3M 11.50 (11.64)	6M 11.20 (11.64)	12M 10.90 (11.66)
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EUR/DKK

DN to follow the ECB with two more

Current spot: 7.4520



Source: Refinitiv, ING forecasts

- Danmarks Nationalbank refrained from intervening in the currency market for the fourth consecutive month in May.
- EUR/DKK traded marginally lower in the past month after April's jump but has remained well clear of the bottom of the peg's lower-bound, finding support at 7.4450. Crucially, EUR/DKK's volatility has continued to decline from the February/March peak.
- We expect DN to hike rates by 25bp in June and July, in line with our ECB call. FX intervention should remain the primary line of defence for the peg, but higher policy rates naturally mean greater discretion on using the rate gap as a tool.

ING forecasts (mkt fwd)	1M 7.45 (7.4499)	3M 7.46 (7.4448)	6M 7.46 (7.4362)	12M 7.46 (7.4242)
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USD/CAD

Bank of Canada hikes keep loonie going

Current spot: 1.3320



Source: Refinitiv, ING forecasts

- The Bank of Canada surprised with a rate hike in June, and we think another 25bp move in July is quite likely (60% priced in by markets). This is cementing CAD's position as the currency with the best volatility-adjusted carry in G10.
- When adding the stabilisation in the domestic growth outlook and supported oil priced, a softening in the USD can easily trigger a break below 1.30 as early as this summer.
- We still expect a negative re-rating in US growth expectations later this year to hit the highly exposed CAD more than other pro-cyclical currencies, but the coincident drop in USD means that USD/CAD can end the year closer to 1.25 than 1.30.

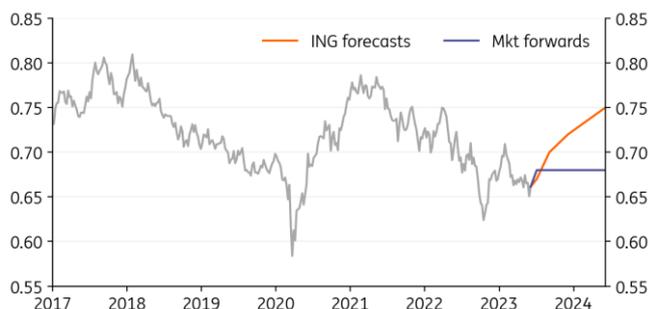
ING forecasts (mkt fwd)	1M 1.32 (1.3313)	3M 1.29 (1.3300)	6M 1.27 (1.3287)	12M 1.25 (1.3282)
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AUD/USD

The unpredictable RBA may be done with hikes

Current spot: 0.6765



Source: Refinitiv, ING forecasts

- A 4.10% peak rate for the Reserve Bank of Australia was our original call, but the path to this level was very tumultuous given some data releases pointed, and more than once, towards a pause in tightening.
- At the June meeting, the RBA turned a blind eye to grim jobs figures and focused on April's inflation spike. Moving forward, we expect inflation to start declining at a faster pace, which should make the real policy rate less negative and ultimately mark the of end of the hiking cycle. Still, risks are firmly on the upside.
- Any data surprise will likely re-ignite hawkish bets and support AUD, which is already benefiting from news of stimulus in China and a recovery in iron ore prices. We target 0.72 by year-end.

ING forecasts (mkt fwd)	1M 0.67 (0.6771)	3M 0.70 (0.6783)	6M 0.72 (0.6797)	12M 0.75 (0.6812)
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NZD/USD

RBNZ might not be done after all

Current spot: 0.6137



Source: Refinitiv, ING forecasts

- The Reserve Bank of New Zealand defied hawkish expectations at the May meeting, and despite the spending boost included in the latest budget and sharply rising migration, rate projections showed no more hikes.
- The latest round of tightening (Australia, Canada) and the risk of the RBNZ having underestimated inflationary risks mean another hike or even two by year-end cannot be excluded.
- The room for a hawkish repricing is quite large (only 10bp of tightening is in the price for now) but NZD can also be hit by more domestic tail risks – mostly related to the real estate market – than AUD, so we don't see a strong bearish case for AUD/NZD. USD softening can take NZD to 0.65 by year-end.

ING forecasts (mkt fwd)	1M 0.61 (0.6137)	3M 0.63 (0.6135)	6M 0.65 (0.6131)	12M 0.68 (0.6115)
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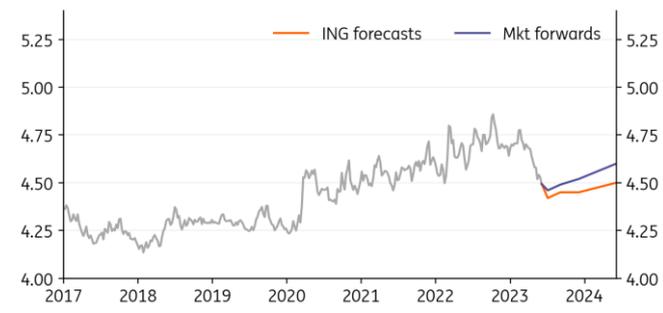


Emerging markets

EUR/PLN

Improving fundamentals and market perception

Current spot: 4.4452



Source: Refinitiv, ING forecasts

- The zloty significantly recovered in 2Q23 owing to a significant current account surplus and, perhaps, bets on a more market-friendly government after the general election. These factors are likely to persist over the remainder of the year.
- However, based on our estimates, the zloty is no longer undervalued against the euro. The National Bank of Poland has already effectively ended its tightening cycle and some MPC members are signalling prompt rate cuts. Simultaneously, markets are repricing the Fed and ECB rate paths. In tandem with elevated inflation in recent years, this has undermined to some extent the competitiveness of local companies and should limit the scope for EUR/PLN to drop to around 4.40.

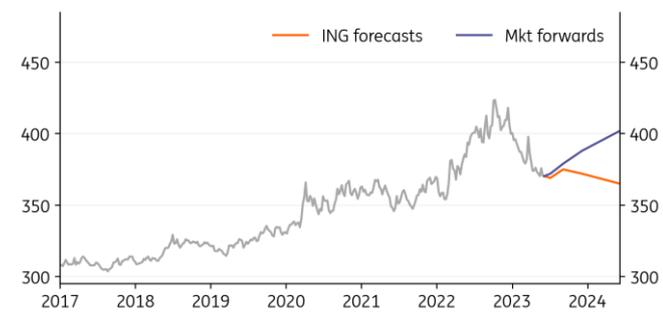
ING forecasts (mkt fwd)	1M 4.42 (4.4594)	3M 4.45 (4.4869)	6M 4.45 (4.5239)	12M 4.50 (4.5962)
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Piotr Poplawski, piotr.poplawski@ing.pl

EUR/HUF

Forint to hover within a tight range in the summer

Current spot: 368.91



Source: Refinitiv, ING forecasts

- Until the EU fund risk has been cleared, we see periods of weakness for the forint due to a lack of news on the progress of an EU deal and on seasonality in the summer. However, given the rather pessimistic market expectations already, we continue to see a working framework for the coming weeks in the 368-378 EUR/HUF range.
- We believe that the market will use weaker levels as a new entry point to build positions in the forint to benefit from a still very attractive carry. On the other hand, at the lower end of the range, bets will rise on more easing, limiting HUF upside.
- All of this should keep EUR/HUF in a rather tight range. We see potential for a positive breakout on an EU deal later this year.

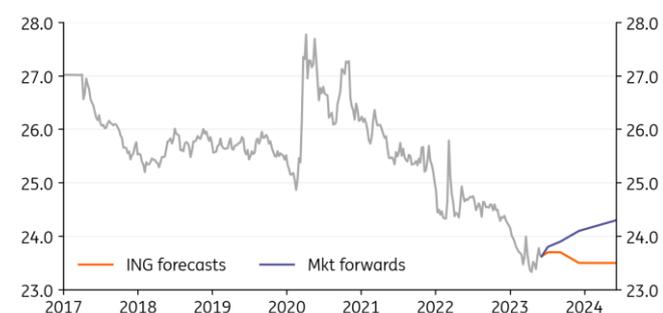
ING forecasts (mkt fwd)	1M 369 (372.46)	3M 375 (379.18)	6M 372 (387.52)	12M 365 (401.73)
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Péter Virovác, peter.virovac@ing.com

EUR/CZK

Waiting for rebound in EUR/USD

Current spot: 23.71



Source: Refinitiv, ING forecasts

- The Czech koruna has lost market interest in recent weeks and attention has shifted within the region to the Polish zloty, which has more potential for a rally based on the local story.
- However, the CZK shows by far the highest beta against the US dollar within the region, still offers a solid carry and the central bank is ready to defend the koruna against depreciation in case of problems. Moreover, market positioning is not as heavily long as in the case of PLN and HUF.
- Thus, we believe the CZK is a good proxy view for the global story within the region. Thus, the koruna should benefit the most from an EUR/USD rebound to the upside.

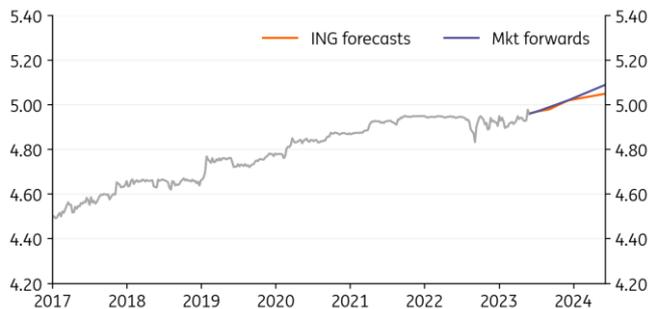
ING forecasts (mkt fwd)	1M 23.7 (23.78)	3M 23.7 (23.92)	6M 23.5 (24.09)	12M 23.5 (24.30)
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EUR/RON

A first upside move, but likely not the last this year

Current spot: 4.9549



Source: Refinitiv, ING forecasts

- EUR/RON touched 4.98 in May, which seems like a new line in the sand for now. Considering the record level of excess liquidity in the market, we think this situation cannot suit the central bank.
- Seen from this angle, allowing the EUR/RON to go higher might be an attempt to increase upside market pressure and get some of the excess liquidity out of the system.
- The new temporary range is likely to be 4.94-4.98, with no expectation of moves to the lower levels we saw in the first quarter of this year, supported by massive demand for ROMGBs. We can expect at least one more upward shift this year and we maintain our 5.02 estimate for year-end.

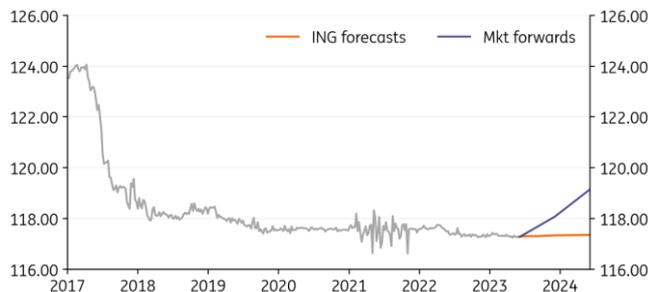
ING forecasts (mkt fwd)	1M 4.97 (4.9670)	3M 4.98 (4.9896)	6M 5.02 (5.0240)	12M 5.05 (5.0868)
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EUR/RSD

No deviation from the tightly managed floating policy

Current spot: 117.25



Source: Refinitiv, ING forecasts

- After raising the policy rate by 500bp to 6.00% in just over a year, the National Bank of Serbia seems to be taking its time now and contemplating the effects of past monetary tightening.
- We believe that the next policy decision will be a rate cut in 1Q24 when we will finally have positive real rates. We do not envisage headline inflation back within the NBS's 1.5%-4.5% target range over the next two years.
- We maintain our expectations for an essentially flat EUR/RSD profile for the rest of 2023 and even through 2024, with FX intervention likely to occur in a rather narrow range around the 117.30 level.

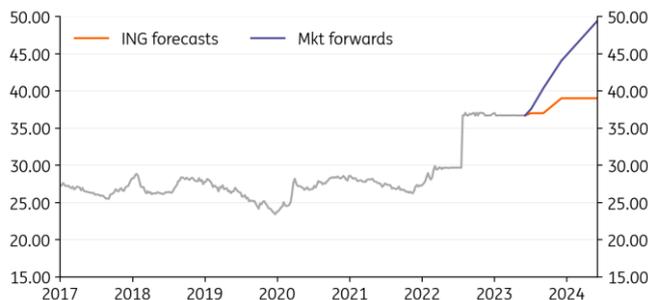
ING forecasts (mkt fwd)	1M 117.30 (117.40)	3M 117.30 (117.67)	6M 117.33 (118.07)	12M 117.35 (119.15)
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USD/UAH

Rising FX reserves provide stability

Current spot: 36.93



Source: Refinitiv, ING forecasts

- Ukraine's international reserves exceeded US\$36bn in May for the first time since 2011. This reflected continued foreign aid and the lower monthly cost of FX intervention (around US\$2bn in May, down from the monthly peak of US\$4bn in June 2022). This significantly decreases the near-term odds of another devaluation, as the central bank may prefer a stable currency to combat inflation.
- The fundamental factors behind the hryvnia remain unsupportive though. Ukraine is running a significant trade deficit, as exports collapsed in 2022, while imports remained quite stable. With the central bank aiming to re-liberalise the FX market at some point this signals the risk of further devaluation in the future.

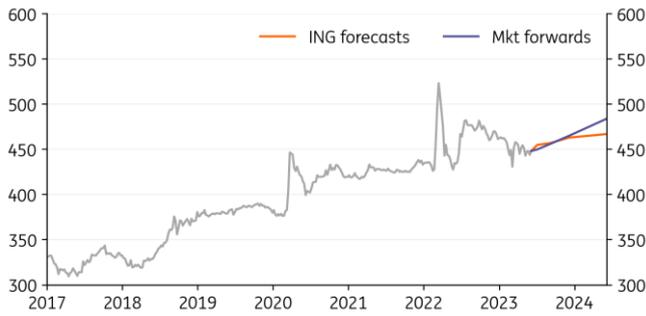
ING forecasts (mkt fwd)	1M 37.00 (37.56)	3M 37.00 (40.35)	6M 39.00 (44.05)	12M 39.00 (49.46)
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USD/KZT

Further appreciation is facing obstacles for now

Current spot: 446.05



Source: Refinitiv, ING forecasts

- USD/KZT ended May very close to our 450 target, showing mild appreciation during the month amid range-bound oil prices and despite the stronger dollar environment. The recent OPEC+ extension should be supportive of oil, but the longevity is questionable.
- Kazakhstan's current account returned to a \$1.5bn deficit in 1Q23 after a \$8.5bn surplus in 2022 and is likely to remain negative. KZT appreciation since 3Q22 was based on the atypical net private capital inflow of c. \$3bn per quarter, which can prove volatile.
- The new fiscal rule assumes lower state sales of FX out of NFRK, the sovereign fund, suggesting the prospects for the tenge will be further tied to its dependence on volatile oil prices and capital flows.

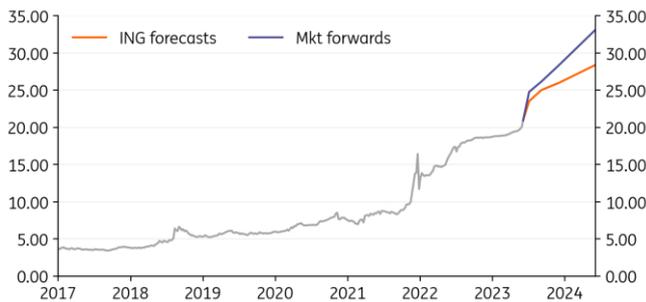
ING forecasts (mkt fwd)	1M 455 (449.54)	3M 457 (455.86)	6M 463 (465.22)	12M 467 (484.09)
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USD/TRY

Higher pace of TRY depreciation

Current spot: 23.65



Source: Refinitiv, ING forecasts

- Under the existing Central Bank of Turkey policy, gross FX reserves have been under pressure since the beginning of this year. Gold reserves are also on the decline, as the CBT directly matches gold demand. Accordingly, total reserves fell below the US\$100bn threshold. However, excluding swaps with banks and other central banks, the CBT's net reserve position is at US\$-60.5bn, an all-time low.
- Since the run-off elections, which reduced the extent of indirect intervention, the CBT has allowed an increase in the pace of the lira's depreciation.
- Given new names in the economy management team after the elections, any CBT signal on a policy shift will be closely watched by the market.

ING forecasts (mkt fwd)	1M 23.50 (24.75)	3M 25.00 (26.14)	6M 26.00 (28.41)	12M 28.40 (33.14)
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Muhammet Mercan, muhammet.mercan@ing.com.tr

USD/ZAR

Geopolitics recommends caution on the rand

Current spot: 18.63



Source: Refinitiv, ING forecasts

- The rand has recovered well after USD/ZAR nearly hit 20.00 in early June. Positive real rates are back in fashion in emerging markets, where the rand offers something like 3% (policy rate 8.25%, core inflation 5.3%). However, the benign international environment has certainly helped i.e. low volatility conditions.
- Geopolitics may discourage investors chasing rand gains. In August, South Africa hosts a summit of BRICS leaders. Expect to hear more on the story of possible South African arms sales to Russia – and US Congress questioning trade ties.
- Weak growth (0.5-1.0% over coming years) and a current account deficit in the 2-3% of GDP area will hold ZAR back.

ING forecasts (mkt fwd)	1M 19.50 (18.68)	3M 19.00 (18.80)	6M 18.50 (18.97)	12M 18.00 (19.35)
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Chris Turner, chris.turner@ing.com

USD/ILS

ILS losses reverse. Politics and central bank help

Current spot: 3.5891



Source: Refinitiv, ING forecasts

- Three factors have probably helped USD/ILS reverse sharply from the 3.75 area: 1) The central bank saying in late May it would have to hike more if the shekel weakened any further. 2) An interim agreement in parliament to try and diffuse controversial judicial reforms and 3) the more benign global environment.
- It will be interesting to see whether the sharp drop from 3.75 to 3.60 has been assisted by FX intervention. We will learn more in early July. The better news on politics could easily reverse as well – warning against chasing shekel strength too soon.
- If we're right with our bearish dollar call and the furore over judicial reforms can settle – USD/ILS can trade 3.40/50 later in 2023.

ING forecasts (mkt fwd)	1M 3.60 (3.5859)	3M 3.50 (3.5761)	6M 3.40 (3.5593)	12M 3.30 (3.5228)
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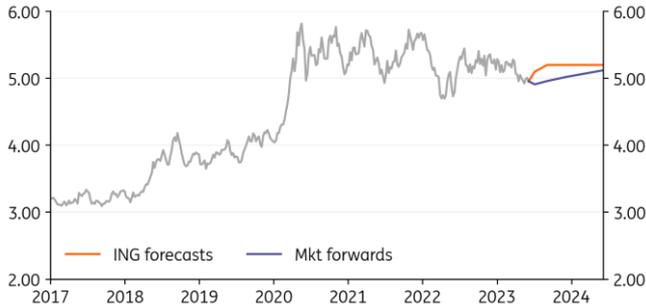
Chris Turner, chris.turner@ing.com

LATAM

USD/BRL

Investors are warming to the Brazil trade

Current spot: 4.8796



Source: Refinitiv, ING forecasts

- We have not been big fans of the Brazilian real but have to admit that a bullish case could be building and that we risk missing a strong rally. The bull case is that a credible central bank, operating now with 'patience & serenity', is keeping rates at 13.75% to ensure that inflation really does come under control. With inflation now at 4%, real rates are very attractive.
- Equally, bond investors have bought into fiscal credibility – where Brazil's five-year CDS is now trading under 200bp and yields on the 10y local currency have fallen to 11.20% from 13.65%.
- A final Fed hike this summer could keep USD/BRL not far from 5, but our forecasts will be on review for a possible revision to 4.50.

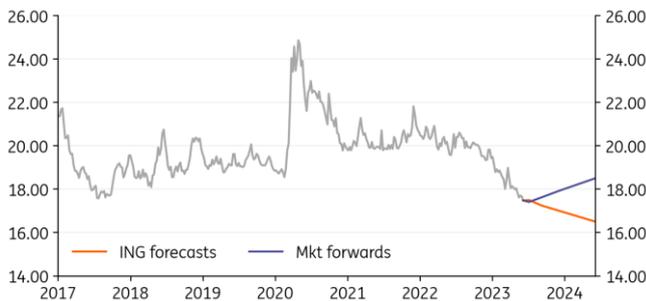
ING forecasts (mkt fwd)	1M 5.10 (4.9093)	3M 5.20 (4.9629)	6M 5.20 (5.0202)	12M 5.20 (5.1211)
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Chris Turner, chris.turner@ing.com

USD/MXN

Peso remains the market's best friend

Current spot: 17.30



Source: Refinitiv, ING forecasts

- The continued fall in cross-market volatility is favouring the carry trade, where the Mexican peso continues to offer high risk-adjusted returns. This is becoming a crowded trade – meaning that any corrections could be violent – but the core story remains a strong one for the peso. Namely, high yields, good country risk and a country well-positioned for the nearshoring story in the new bipolar geopolitical world.
- Banxico's policy has certainly helped the peso. A small risk is MXN coming under pressure should Banxico fail to match a summer hike from the Fed – but that seems manageable.
- If we're right with our weaker dollar call, USD/MXN can trade sub-17.

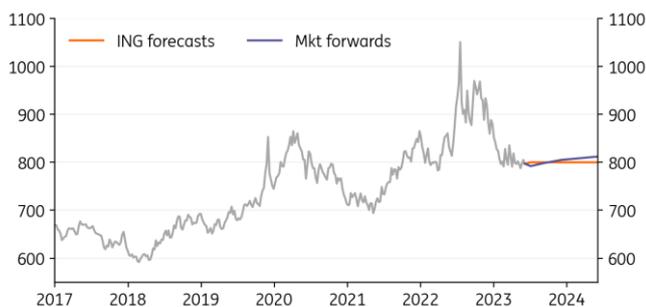
ING forecasts (mkt fwd)	1M 17.50 (17.41)	3M 17.25 (17.62)	6M 17.00 (17.93)	12M 16.50 (18.51)
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Chris Turner, chris.turner@ing.com

USD/CLP

Peso doing well – less compelling case to be bullish

Current spot: 788.30



Source: Refinitiv, ING forecasts

- USD/CLP is drifting towards the lower end of this year's ranges as low volatility conditions encourage investments in EM high yielders such as Chile. Some modest bounce back in copper and iron prices over recent weeks is providing support to the peso. However, our commodities team still favours a mixed outlook for metals amid weak growth in China's property sector.
- Expectations are that the central bank will start to cut rates within three months. That seems a little soon given that core inflation is still 10% and the central bank's target is 3%.
- The mixed metals outlook and our view that the central bank may want to rebuild FX reserves keeps us neutral on USD/CLP.

ING forecasts (mkt fwd)	1M 800 (792.20)	3M 800 (798.05)	6M 800 (804.75)	12M 800 (812.10)
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Chris Turner, chris.turner@ing.com



Asia

USD/CNY

Disappointing reopening weighing on CNY

Current spot: 7.1415



Source: Refinitiv, ING forecasts

- China's disappointing economic reopening has taken its toll on the Chinese yuan, which has lost almost 3% over the last month, putting it towards the bottom of the Asia pack.
- With even the service sector likely to see growth moderating in the near-term, we don't believe we have yet seen the top for USD/CNY.
- However, it seems unlikely that this will be allowed to continue indefinitely without some policy support. Targeted RRR cuts, housing support and subsidies on E-vehicles, for example, may be in the pipeline, and possibly policy rate cuts, too.

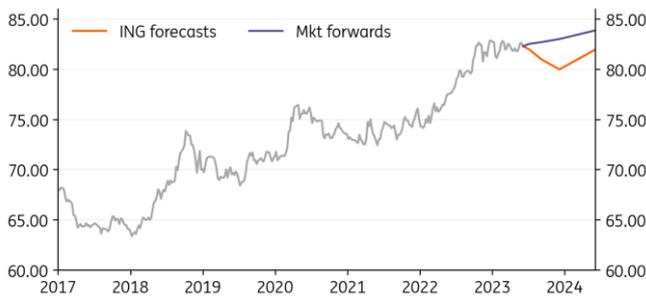
ING forecasts (mkt fwd)	1M 7.15 (7.1178)	3M 7.00 (7.0705)	6M 6.90 (7.0042)	12M 6.80 (6.8937)
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Iris Pang, iris.pang@asia.ing.com

USD/INR

Still range-trading

Current spot: 82.45



Source: Refinitiv, ING forecasts

- Since October last year, the Indian rupee has traded very narrowly between about 81 and 83 and is currently towards the weaker end of that range.
- Over the last month, all Asian FX has softened against the USD, but the INR has lost less ground than many of its peers and is only down a little over 1% over this period.
- Looking ahead, India's impressive reduction in inflation should provide near-term support to the INR, though in due course, a reversal of central bank tightening could see the currency reverting to a depreciating trend.

ING forecasts (mkt fwd)	1M 82.00 (82.54)	3M 81.00 (82.72)	6M 80.00 (83.03)	12M 82.00 (83.90)
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Rob Carnell, robert.carnell@asia.ing.com

USD/IDR

IDR falters as foreign investors exit the bond market

Current spot: 14862



Source: Refinitiv, ING forecasts

- The Indonesian rupiah slid as foreign investors exited from the local bond market. Meanwhile, Indonesia's trade surplus continues to fall short of the highs recorded in 2022, raising concerns about the current account balance.
- Bank Indonesia Governor Perry Warjiyo indicated that BI was not likely to hike rates anymore but also clarified that they would not be in a rush to cut policy rates soon.
- We expect the IDR be pressured in the near term with the BI pledging to keep rates untouched to support the domestic recovery.

ING forecasts (mkt fwd)	1M 14850 (14868)	3M 14650 (14879)	6M 14600 (14896)	12M 14700 (14968)
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Nicholas Mapa, nicholas.mapa@asia.ing.com

USD/KRW

Equity-led appreciation on chip hype

Current spot: 1286.49



Source: Refinitiv, ING forecasts

- The Korean won has been the Asian region’s best performing currency over the last month, and one of the only ones to register an appreciation against the US dollar over this period,
- Like Taiwan, Korea has benefited from its position as one of the world’s pre-eminent semiconductor-producing economies amid the hype over AI chip demand, and has seen both the KOSPI and KOSDAQ picking up as capital inflows to equities recovered.
- The export sector remains in sharp decline, though, and that is before we have even seen the US slow significantly. That, and the disappointing Chinese economic reopening, could delay and temper any further KRW appreciation.

ING forecasts (mkt fwd)	1M 1290 (1284.29)	3M 1240 (1279.39)	6M 1280 (1271.24)	12M 1210 (1256.44)
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Kang Min Joo, min.joo.kang@asia.ing.com

USD/PHP

PHP retreats as BSP signals rate hikes are over

Current spot: 56.06



Source: Refinitiv, ING forecasts

- The Philippine peso slipped in May after foreign investors exited from the local equity market, with the PSE down roughly 2.9% for the month. Meanwhile, trade data reported during the month also showed the trade deficit swelling to \$4.9bn, indicating strong corporate demand for the dollar.
- Bangko Sentral ng Pilipinas (BSP) Governor Felipe Medalla opted to keep rates unchanged at 6.25% and telegraphed he was done hiking rates.
- The PHP faces additional pressure to weaken as the BSP takes on a more dovish stance.

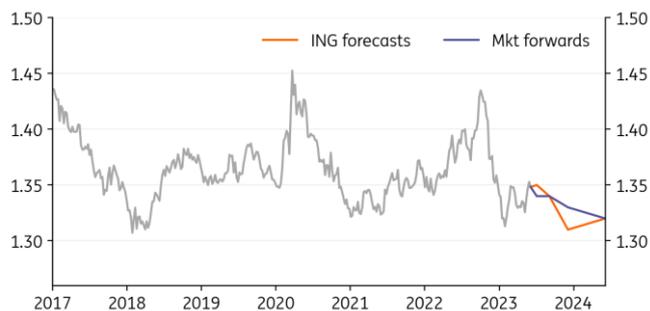
ING forecasts (mkt fwd)	1M 56.00 (56.11)	3M 55.60 (56.21)	6M 54.80 (56.30)	12M 54.50 (56.55)
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USD/SGD

SGD was pressured after inflation surprised on the upside

Current spot: 1.3417



Source: Refinitiv, ING forecasts

- The Singapore dollar weakened, tracking most regional currencies on heightened anxiety over the US debt ceiling issue and the outlook for Fed policy.
- Non-oil domestic exports remained in negative territory on soft demand while inflation surprised on the upside with both core and headline beating expectations. The SGD NEER was steady over the past month.
- We expect the SGD to move sideways with the MAS retaining its current hawkish stance given the upside surprise in the most recent inflation report.

ING forecasts (mkt fwd)	1M 1.35 (1.3403)	3M 1.34 (1.3369)	6M 1.31 (1.3313)	12M 1.32 (1.3213)
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USD/TWD

TWD supported by AI excitement

Current spot: 30.77



Source: Refinitiv, ING forecasts

- Despite the ongoing geopolitical tensions, domestic recession and semiconductor cycle downturn, the Taiwan dollar has held very steady over the last month.
- Improving sentiment about future semiconductor demand stemming from AI demand is helping to boost related equities, and portfolio capital inflows into Taiwan's equity market have helped support the currency over the last month.
- Some further recovery in Mainland China could provide a further boost to Taiwan's economy and the TWD, though the very near-term doesn't look too promising.

ING forecasts (mkt fwd)	1M 30.50 (30.66)	3M 30.30 (30.45)	6M 29.50 (30.13)	12M 30.00 (29.54)
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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	1.08	1.08	1.13	1.18	1.18						
EUR/JPY	150.3	145.80	146.90	147.50	141.60	USD/JPY	139.48	135	130	125	120
EUR/GBP	0.86	0.87	0.88	0.89	0.88	GBP/USD	1.26	1.24	1.28	1.33	1.34
EUR/CHF	0.97	0.97	0.96	0.97	1.00	USD/CHF	0.90	0.90	0.85	0.82	0.85
EUR/NOK	11.58	11.80	11.40	11.00	10.70	USD/NOK	10.74	10.93	10.09	9.32	9.07
EUR/SEK	11.63	11.70	11.50	11.20	10.90	USD/SEK	10.80	10.83	10.18	9.49	9.24
EUR/DKK	7.452	7.450	7.460	7.460	7.460	USD/DKK	6.92	6.90	6.60	6.32	6.32
EUR/CAD	1.44	1.43	1.46	1.50	1.48	USD/CAD	1.332	1.32	1.29	1.27	1.25
EUR/AUD	1.59	1.61	1.61	1.64	1.57	AUD/USD	0.68	0.67	0.70	0.72	0.75
EUR/NZD	1.76	1.77	1.79	1.82	1.74	NZD/USD	0.61	0.61	0.63	0.65	0.68
EMEA											
EUR/PLN	4.45	4.42	4.45	4.45	4.50	USD/PLN	4.13	4.09	3.94	3.77	3.81
EUR/HUF	368.9	369.00	375.00	372.00	365.00	USD/HUF	342.4	342	332	315	309
EUR/CZK	23.71	23.7	23.7	23.5	23.5	USD/CZK	22.00	21.9	21.0	19.9	19.9
EUR/RON	4.95	4.97	4.98	5.02	5.05	USD/RON	4.60	4.60	4.41	4.25	4.28
EUR/RSD	117.3	117.3	117.3	117.3	117.4	USD/RSD	108.8	108.6	103.8	99.4	99.4
EUR/UAH	39.78	40.0	41.8	46.0	46.0	USD/UAH	36.93	37.00	37.00	39.00	39.00
EUR/KZT	480.4	491.4	516.4	546.3	551.1	USD/KZT	446.1	455	457	463	467
EUR/TRY	25.48	25.38	28.25	30.68	33.51	USD/TRY	23.65	23.50	25.00	26.00	28.40
EUR/ZAR	20.07	21.1	21.5	21.8	21.2	USD/ZAR	18.63	19.50	19.00	18.50	18.00
EUR/ILS	3.87	3.89	3.96	4.01	3.89	USD/ILS	3.59	3.60	3.50	3.40	3.30
LATAM											
EUR/BRL	5.26	5.51	5.88	6.14	6.14	USD/BRL	4.88	5.10	5.20	5.20	5.20
EUR/MXN	18.56	18.9	19.5	20.1	19.5	USD/MXN	17.30	17.50	17.25	17.00	16.50
EUR/CLP	849.39	864	904	944	944	USD/CLP	788.30	800	800	800	800
Asia											
EUR/CNY	7.69	7.72	7.91	8.14	8.02	USD/CNY	7.14	7.15	7.00	6.90	6.80
EUR/IDR	15,983	16,038	16,555	17,228	17,346	USD/IDR	14,863	14,850	14,650	14,600	14,700
EUR/INR	88.84	88.6	91.5	94.4	96.8	USD/INR	82.45	82.00	81.00	80.00	82.00
EUR/KRW	1,386.20	1,393	1,401	1,510	1,428	USD/KRW	1,286.49	1,290	1,240	1,280	1,210
EUR/PHP	60.41	60.5	62.8	64.7	64.3	USD/PHP	56.06	56.0	55.6	54.8	54.5
EUR/SGD	1.45	1.46	1.51	1.55	1.56	USD/SGD	1.34	1.35	1.34	1.31	1.32
EUR/TWD	33.15	32.9	34.2	34.8	35.4	USD/TWD	30.77	30.5	30.3	29.5	30.0

Source: Refinitiv, ING

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