

# FX Talking

## Will the real safe haven please stand up?



**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)

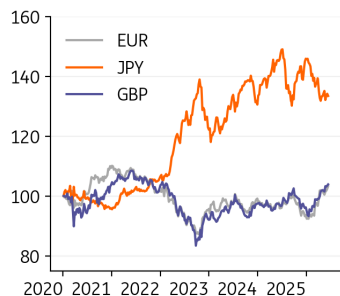


Follow us  
@ING\_Economics

# FX Talking

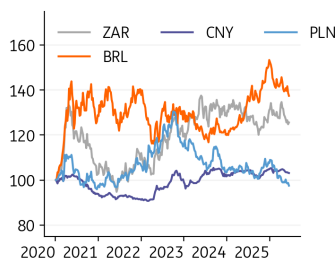
## Will the real safe haven please stand up?

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

In [May](#), we argued that the damage to the dollar was already done and that any de-escalation in trade tensions would offer diminishing support to the greenback. Recent weeks have backed up that view, which remains central to our FX outlook. Equities have rebounded, US Treasuries have stabilised, Trump’s rhetoric on trade has softened (especially with China), but the dollar has continued to test the lows. Even the latest oil rally on the back of geopolitical tensions has returned only limited and intermittent support for the greenback.

Markets appear happy to live with a large USD risk premium, which currently reflects several factors: US portfolio outflows, Trump’s de-dollarisation talk, Fed independence risks, and worries about US deficits and growth. The persistent nature of these risks argues against a substantial unwinding of the risk premium anytime soon, but equally, much of the bad news looks priced into the dollar. For this reason, calls for 1.20 in EUR/USD look premature unless paired with expectations for additional substantial pressure on US Treasuries.

We are not forecasting a dollar capitulation, but instead a *new normal* of structural USD weakness. In such an environment, local stories can take a more central role, for instance in determining which currencies stand to benefit most if global instability returns – as a return of the USD’s safe-haven appeal looks unlikely. The ECB is championing the idea of a “global euro moment”, which can keep EUR attractive, but equally faces political obstacles. Looking beyond the short term, we think the yen stands out as a winner in the safe-haven race, while a dovish SNB should curb CHF gains. In the rest of G10, we expect underperformance of GBP and CAD, while antipodeans and Scandies remain in a good position. In EM, higher energy prices should turn central banks hawkish and support stronger FX, net of shifts in global trade tensions.

### ING FX forecasts

	EUR/USD	USD/JPY	GBP/USD
1M	1.14 ↓	145 →	1.33 ↓
3M	1.14 ↓	142 ↓	1.33 ↓
6M	1.15 ↓	140 ↓	1.33 ↓
12M	1.15 ↓	137 ↓	1.32 ↓

	EUR/GBP	EUR/CZK	EUR/PLN
1M	0.86 ↓	24.80 ↓	4.19 →
3M	0.86 ↓	24.75 ↓	4.20 ↑
6M	0.86 →	24.65 ↓	4.25 ↑
12M	0.87 ↓	24.55 ↓	4.25 ↑

	USD/CNY	USD/MXN	USD/BRL
1M	7.17 →	19.75 ↑	5.60 ↑
3M	7.16 ↑	18.75 ↓	5.70 ↑
6M	7.20 ↑	19.00 ↓	5.70 ↑
12M	7.20 ↑	18.75 ↓	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	2.5	0.0	1.7	-1.4	0.8	-2.1
%YoY	7.3	-8.2	1.2	0.6	-2.2	-0.5

	USD/CNY	USD/KRW	EUR/HUF	EUR/PLN	USD/ZAR	USD/BRL
%MoM	-0.4	-1.5	0.4	0.5	-0.7	-2.7
%YoY	-1.0	-0.9	2.4	-1.5	-0.5	1.2

Source: Refinitiv, ING forecast

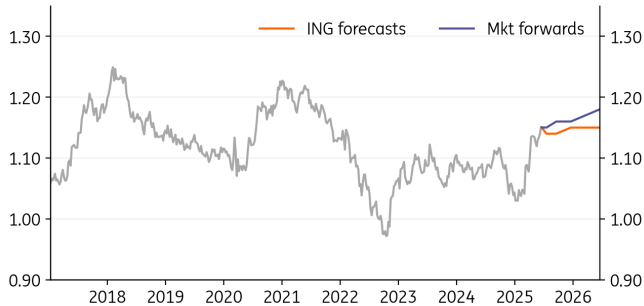


# Developed markets

## EUR/USD

1.20 still looks premature

**Current spot: 1.1503**



Source: Refinitiv, ING forecasts

- EUR/USD has continued testing the highs. A clear break above 1.160 would quickly bring the 1.20 discussion to the forefront. To get there already this summer, we think a material re-deterioration in the US Treasury market may be needed.
- While admitting upside risks, we are more conservative on EUR/USD. The current USD risk premium already embeds plenty of negatives, and 1.15 can prove the anchor, rather than the starting point for another major rally, at least this year. A patient Fed, possibly on hold till October, can also limit the upside.
- On the euro side, the timing of a final European Central Bank cut is less relevant for FX, given the disconnect from short-term rates. But renewed noise around a “global euro moment” can keep EUR/USD structurally supported

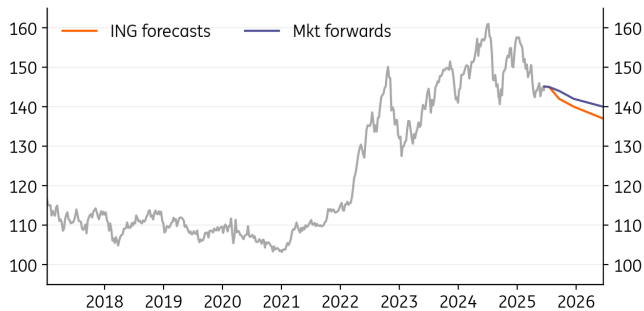
<b>ING forecasts (mkt fwd)</b>	<b>1M 1.14 (1.1557)</b>	<b>3M 1.14 (1.1608)</b>	<b>6M 1.15 (1.1676)</b>	<b>12M 1.15 (1.1801)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Francesco Pesole, francesco.pesole@ing.com

## USD/JPY

Yen may take time to shine

**Current spot: 145.12**



Source: Refinitiv, ING forecasts

- One of our core medium term views is that USD/JPY should trade structurally lower. The yen is the most undervalued (20%) currency based on our BEER model and is well placed to benefit from broad de-dollarisation trends.
- The near-term outlook is more nuanced. Much depends on the balance between any trade tension re-escalation this summer and whether further oil rallies erode JPY's safe-haven appeal.
- The Bank of Japan's focus on scaling back bond purchases and dovish-leaning view on inflation signals no rush to hiking rates already this summer. A serious test of 140 may well require a more hawkish BoJ and that might only happen in 4Q.

<b>ING forecasts (mkt fwd)</b>	<b>1M 145 (144.51)</b>	<b>3M 142 (143.49)</b>	<b>6M 140 (142.11)</b>	<b>12M 137 (139.62)</b>
--------------------------------	------------------------	------------------------	------------------------	-------------------------

Francesco Pesole, francesco.pesole@ing.com

## GBP/USD

Not very optimistic for the second half of the year

**Current spot: 1.3456**



Source: Refinitiv, ING forecasts

- The strong performance of cable has been primarily a consequence of USD weakness, while sterling has weakened against all other European currencies in the past few weeks.
- Our view is that the pace of dollar losses from here will slow, and domestic stories can come to the forefront. After absorbing the positives of the US and EU trade deals and a hawkish BoE tilt, a seasonally soft period for UK growth in 2H, signs of deterioration in the jobs market and seemingly inevitable tax hikes in autumn, means GBP's attractiveness can falter in the remainder of 2025.
- We favour GBP/USD trading close to 1.35 in the near term, and close to 1.33 into the autumn.

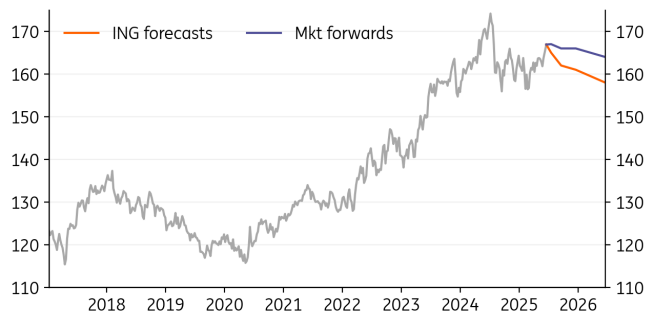
<b>ING forecasts (mkt fwd)</b>	<b>1M 1.33 (1.3515)</b>	<b>3M 1.33 (1.3522)</b>	<b>6M 1.33 (1.3529)</b>	<b>12M 1.32 (1.3540)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

Francesco Pesole, francesco.pesole@ing.com

## EUR/JPY

Equities hold keys to fresh moves

Current spot: 166.92



Source: Refinitiv, ING forecasts

- Equities remain the key catalyst for any major directional shifts in EUR/JPY. But so far, the resilience of global risk sentiment has largely underpinned support for the pair.
- Anyway, there may be room for a EUR/JPY correction in the coming weeks, especially if Trump re-escalates trade tensions with the EU while Japan moves ahead in trade talks with the US – which might include some type of FX clause.
- The ECB's cautious tone on further cuts and the BoJ's dismissal of headline inflation rises means that short-term rate gaps may not justify sustainable depreciation in EUR/JPY before 4Q, when both the next ECB cut and next BoJ hike should come through.

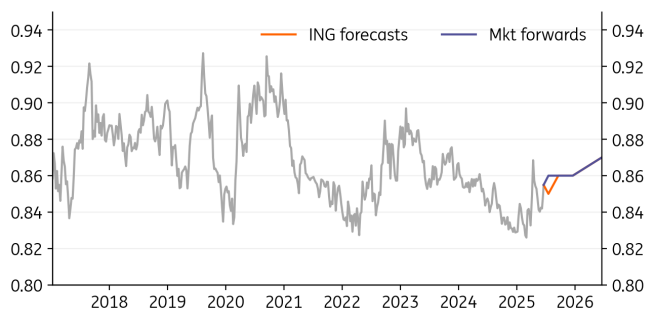
ING forecasts (mkt fwd)	1M 165 (167.03)	3M 162 (166.55)	6M 161 (165.91)	12M 158 (164.78)
-------------------------	-----------------	-----------------	-----------------	------------------

Francesco Pesole, francesco.pesole@ing.com

## EUR/GBP

More appreciation on the cards

Current spot: 0.8549



Source: Refinitiv, ING forecasts

- We see more upside for EUR/GBP in the second half of the year. The pound was often shielded by high funding costs and positive domestic UK news, but the Bank of England is likely to cut at least twice in the second half as the domestic outlook deteriorates.
- The euro incidentally stands to benefit more than the pound from de-dollarisation trends, and fresh turmoil in global risk sentiment can send EUR/GBP higher given GBP's higher beta.
- Some of EUR/GBP appreciation we had expected for the summer has been pre-empted in June, so we are not overly bullish in the near term. However, softer UK growth and tax rises can bring the pair to our 0.87-0.88 medium term target already in 4Q25.

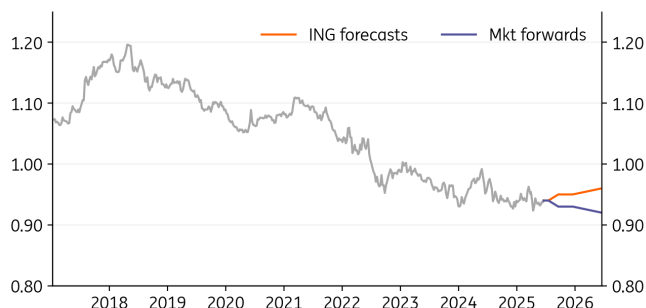
ING forecasts (mkt fwd)	1M 0.86 (0.8552)	3M 0.86 (0.8585)	6M 0.86 (0.8630)	12M 0.87 (0.8716)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

## EUR/CHF

SNB still determined to weaken franc

Current spot: 0.9400



Source: Refinitiv, ING forecasts

- Recent Middle East turmoil makes it risky to go against the franc near term, especially with the euro and yen more exposed to oil price rises. We also doubt the Swiss National Bank will cut rates by 50bp in June, despite some speculation.
- That said, we wouldn't chase EUR/CHF lower beyond the next few weeks. The SNB will in our view achieve a weaker franc one way or another, either by taking rates to negative in September (our baseline view) or by resuming FX interventions with the risk of unnerving the US Treasury.
- With the two-year EUR:CHF bond yield spread now back above 2%, a structural return above 0.95 in EUR/CHF seems appropriate.

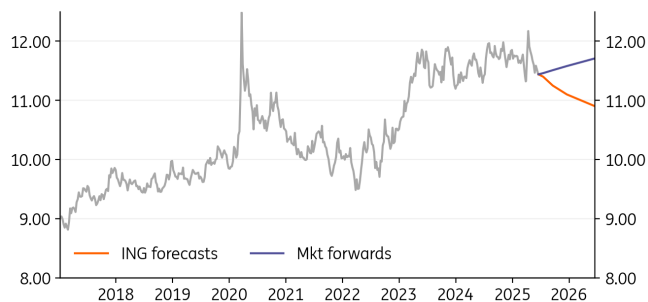
ING forecasts (mkt fwd)	1M 0.94 (0.9370)	3M 0.95 (0.9336)	6M 0.95 (0.9285)	12M 0.96 (0.9187)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

## EUR/NOK

### Norges Bank plays its chances

**Current spot: 11.44**



Source: Refinitiv, ING forecasts

- In this [note](#) we discuss how Norges Bank may be overly focused on short-term headline inflation swings, and potentially missing out on a good window to start cutting rates, given NOK stability.
- But we admit that latest geopolitical developments have been broadly hawkish for Norges Bank: higher oil prices and limited risk sentiment spillover. But if throughout the summer oil prices come back lower and the domestic growth outlook softens on the tariff impact, a rate cut in August would be a tangible possibility.
- We are still pencilling in a gradually depreciating EUR/NOK over the forecast period due to valuation. But NOK sell-offs can be severe and sudden if something breaks in global sentiment

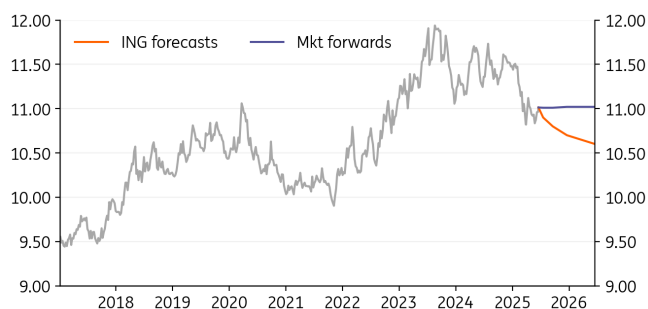
<b>ING forecasts (mkt fwd)</b>	<b>1M 11.40 (11.44)</b>	<b>3M 11.25 (11.48)</b>	<b>6M 11.10 (11.55)</b>	<b>12M 10.90 (11.68)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

**Francesco Pesole, francesco.pesole@ing.com**

## EUR/SEK

### Period of stability for SEK can last

**Current spot: 11.01**



Source: Refinitiv, ING forecasts

- We're in line with consensus and market pricing in calling a June Riksbank cut, though recent Middle East events make this a closer call than expected. This should be the last cut of the cycle, but policymakers may keep options open given tariff uncertainty.
- The krona's stellar performance in the first half is not likely to be replicated in the rest of 2025, but our valuation estimates still tell us EUR/SEK is expensive from a fundamental perspective.
- Unless Riksbank and ECB end up with identical terminal rates, the modest rate gap can push EUR/SEK closer to fair value (around 10.0) in coming quarters. We target 10.60 for year-end.

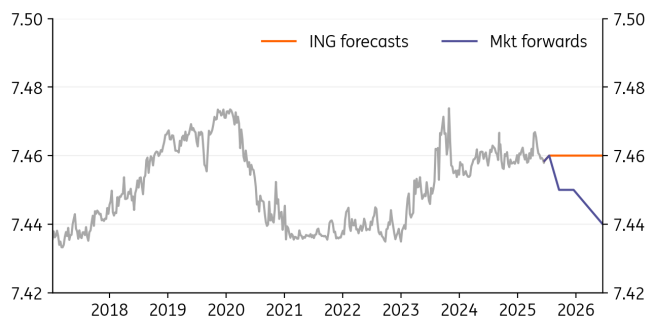
<b>ING forecasts (mkt fwd)</b>	<b>1M 10.90 (10.95)</b>	<b>3M 10.80 (10.95)</b>	<b>6M 10.70 (10.96)</b>	<b>12M 10.60 (10.96)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

**Francesco Pesole, francesco.pesole@ing.com**

## EUR/DKK

### Only Greenland can cause stress

**Current spot: 7.4584**



Source: Refinitiv, ING forecasts

- EUR/DKK remains close to the 7.460 peg target, posing no concerns for the Danish central bank. There were as expected no interventions in May, and rates were cut by 25bp in line with the ECB move.
- We expect the terminal rate in Denmark at 1.35%, 25bp below the current level and in line with our 1.75% ECB call.
- We don't expect FX intervention in the foreseeable future, but there is still the tail risk of the US invading Greenland, which can send shockwaves through Denmark's financial markets and test the EUR/DKK peg.

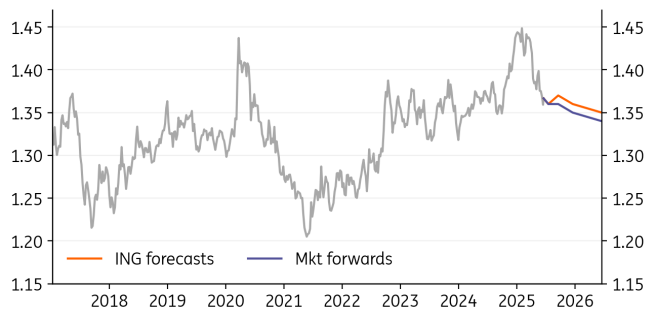
<b>ING forecasts (mkt fwd)</b>	<b>1M 7.46 (7.4579)</b>	<b>3M 7.46 (7.4544)</b>	<b>6M 7.46 (7.4482)</b>	<b>12M 7.46 (7.4358)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

**Francesco Pesole, francesco.pesole@ing.com**

## USD/CAD

### Oil-related CAD rally may not last

**Current spot: 1.3667**



Source: Refinitiv, ING forecasts

- Pressure on USD/CAD has intensified as oil prices soared in June, while the greenback continued to face its own headwinds. Should oil prices rally further, a break below 1.350 would become likely.
- Barring that, the Canadian dollar does not appear particularly attractive. With unemployment at 7.0% and fresh US metal tariffs increasing downside risks for Canadian growth, pricing for a Bank of Canada cut in July (now 7bp) looks too conservative.
- CAD also has the highest risk of importing negative news from the US, from economics to the bond market, and we think the loonie can face periods of underperformance in the crosses.

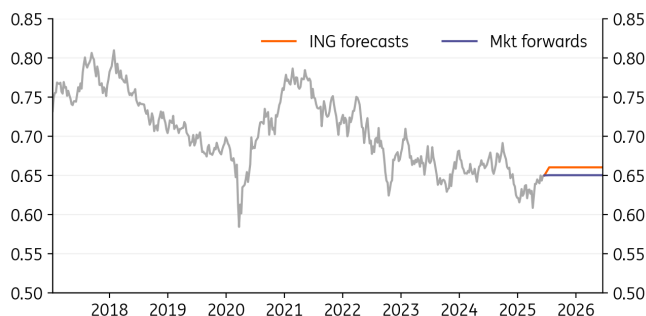
<b>ING forecasts (mkt fwd)</b>	<b>1M 1.36 (1.3572)</b>	<b>3M 1.37 (1.3529)</b>	<b>6M 1.36 (1.3473)</b>	<b>12M 1.35 (1.3377)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

**Francesco Pesole, francesco.pesole@ing.com**

## AUD/USD

### 0.66 can be the new anchor

**Current spot: 0.6475**



Source: Refinitiv, ING forecasts

- We remain confident in our short-term target of 0.660 in AUD/USD, as gradual improvements in US-China relations release some pressure from China proxies like AUD.
- A Reserve Bank of Australia cut in July is almost entirely priced in, but far from guaranteed considering the recent spike in oil prices and expectations for next Fed cuts shifting to later in 2025. Our call is for two cuts by year-end versus market expectations for three.
- We expect the anchor for AUD/USD to be around the 0.66 mark in the remainder of the year, with some upside potential should the RBA face more hindrance in its easing cycle, US reduces tariffs on China further, or more USD idiosyncratic pressure emerges.

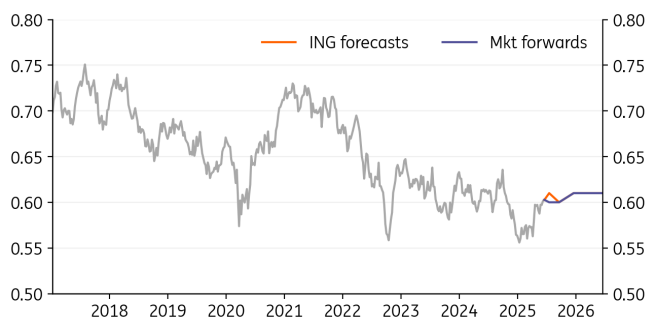
<b>ING forecasts (mkt fwd)</b>	<b>1M 0.66 (0.6513)</b>	<b>3M 0.66 (0.6522)</b>	<b>6M 0.66 (0.6535)</b>	<b>12M 0.66 (0.6557)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

**Francesco Pesole, francesco.pesole@ing.com**

## NZD/USD

### RBNZ can take its time

**Current spot: 0.6051**



Source: Refinitiv, ING forecasts

- The Reserve Bank of New Zealand tuned down its dovish tone at the May meeting, when one member voted against the rate cut. The governor said rates are close to neutral and that cutting below 3.0% is a possibility, not necessarily the baseline.
- We think services inflation stickiness will continue to give RBNZ some headaches and rates will only be trimmed once more to 3.0% in either August or October. Another cut may need to wait till 2026 and highly dependent on external impacts on growth.
- We expect NZD/USD to climb to 0.61 in the coming weeks and hover around that level for most of 2025.

<b>ING forecasts (mkt fwd)</b>	<b>1M 0.61 (0.6057)</b>	<b>3M 0.60 (0.6070)</b>	<b>6M 0.61 (0.6087)</b>	<b>12M 0.61 (0.6113)</b>
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

**Francesco Pesole, francesco.pesole@ing.com**

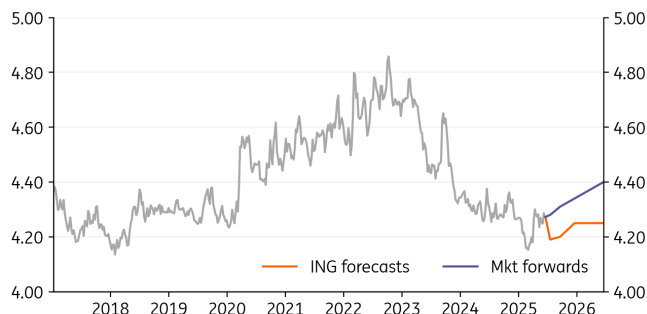


# Emerging markets

## EUR/PLN

Zloty remain relatively stable

**Current spot: 4.2768**



Source: Refinitiv, ING forecasts

- The zloty remains relatively stable even though the global markets are shaky due to the trade wars saga and the presidential elections in Poland came as a surprise compared to polls. The €/PLN exchange rate is moving around 4.25 level (200-day moving average) in a range-bound trading (4.20 – 4.30).
- Still, a positive carry trade is the main argument responsible for PLN strength. On one hand the ECB is closer to finish its loosening cycle, on the other the National Bank of Poland reversed its dovish tone in June. Moreover, fundamentals of the Polish economy (solid GDP growth) should help to stabilise the PLN, despite local political wobbles. Much will also depend on the geopolitical situation (trade tariffs, war in Ukraine).

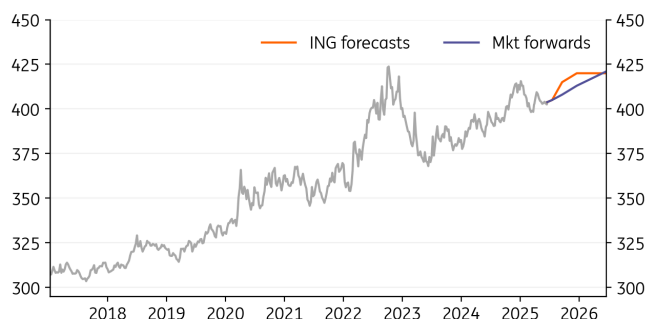
<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 4.19 (4.2864)	<b>3M</b> 4.20 (4.3099)	<b>6M</b> 4.25 (4.3433)	<b>12M</b> 4.25 (4.4049)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

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

## EUR/HUF

Forint's fate depends on the risk premium assessment

**Current spot: 403.84**



Source: Refinitiv, ING forecasts

- With a risk-on sentiment in May, HUF enjoyed some stability thanks to the higher interest rate risk premium relative to regional peers. However, this environment eventually led to more dovish expectations regarding the National Bank of Hungary.
- The upside surprise in the May inflation led to a hawkish repricing of the expected rate path, pushing EUR/HUF to 400. However, the Middle East escalation put a sudden stop to this.
- We continue to believe that the fate of the forint depends on how the market views the interest rate-related risk premium. A stable relative risk premium may not be enough to strengthen the HUF in the face of rising geopolitical and domestic risks (e.g. political and fiscal risks). Hence, we maintain our bullish bias in EUR/HUF.

<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 405 (405.05)	<b>3M</b> 415 (408.04)	<b>6M</b> 420 (412.50)	<b>12M</b> 420 (420.33)
--------------------------------	------------------------	------------------------	------------------------	-------------------------

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

## EUR/CZK

Hawkish CNB will support the koruna

**Current spot: 24.82**



Source: Refinitiv, ING forecasts

- The Czech rebound should continue, with strong real wage growth and a tight labour market supporting households. Booming construction will offset industrial job losses, sustaining spending. Persistent service inflation and rising rents tied to the housing market will keep the Czech National Bank hawkish, likely widening the rate gap with the ECB.
- Czech convergence with the eurozone picked up in 1Q, widening the real growth gap. Solid rates, stronger growth, and sound fiscal policy should support the koruna in the coming quarters.
- The Czech cutting cycle is nearing its end. Whether the base rate holds at 3.5% or drops to 3.25% in August will depend on the balance between investment support and inflation concerns.

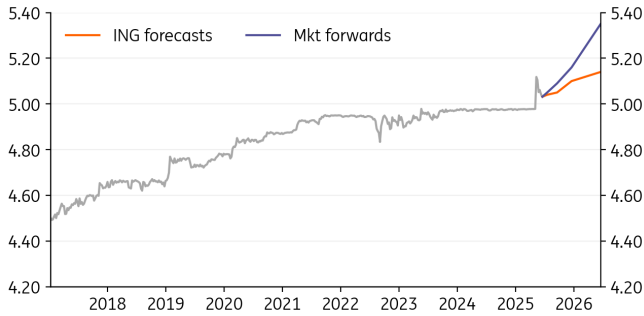
<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 24.80 (24.85)	<b>3M</b> 24.75 (24.90)	<b>6M</b> 24.65 (24.99)	<b>12M</b> 24.55 (25.14)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

David Havrlant, [David.havrlant@ing.com](mailto:David.havrlant@ing.com)

## EUR/RON

Fiscal and political uncertainties left their mark

Current spot: 5.0320



Source: Refinitiv, ING forecasts

- EUR/RON's upward pressures on the back of large outflows became more contained in the post-election environment and the pair eventually reversed course towards the 5.02 – 5.03 area at the time of writing.
- Heightened fiscal concerns and rather lengthy government negotiations continue to dominate the picture, while the deteriorating trade deficit situation points to even more persistent structural pressures for the RON.
- The National Bank of Romania has so far provided temporary liquidity through four consecutive one-week repo operations, with FX implied yields eventually falling again below the Lombard rate. Fiscal consolidation and political stability remain the key factors at play. We expect the pair to end the year at 5.10.

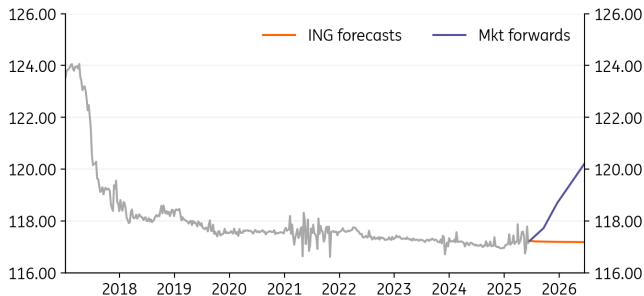
ING forecasts (mkt fwd)	1M 5.03 (5.0494)	3M 5.05 (5.0943)	6M 5.10 (5.1577)	12M 5.14 (5.2851)
-------------------------	------------------	------------------	------------------	-------------------

Valentin Tataru, valentin.tataru@ing.com

## EUR/RSD

No major changes envisioned ahead

Current spot: 117.23



Source: Refinitiv, ING forecasts

- EUR/RSD remained broadly stable at levels around 117.20. The country's macro prospects continue to remain in good shape, mainly on the back of fiscal discipline and improving infrastructure. That said, social tensions continue to bring some downside risks for economic activity.
- The central bank has largely muted outflows pressures throughout 2025, selling €1bn in January-May to maintain the pair stable. It has also kept rates on hold at the latest meeting, signaling the need for policy prudence.
- We continue to think the National Bank of Serbia will maintain currency stability in place through the forecast horizon and we don't expect any major deviations from the current levels ahead.

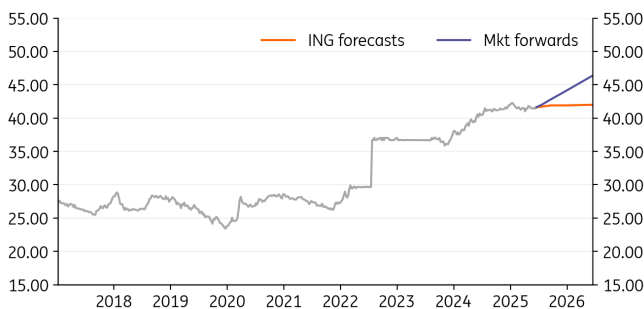
ING forecasts (mkt fwd)	1M 117.21 (117.39)	3M 117.20 (117.71)	6M 117.19 (118.70)	12M 117.18 (120.23)
-------------------------	--------------------	--------------------	--------------------	---------------------

Valentin Tataru, valentin.tataru@ing.com

## USD/UAH

Local peak of Ukrainian inflation in May.

Current spot: 41.64



Source: Refinitiv, ING forecasts

- The hryvnia exchange rate against the dollar has remained broadly stable - for another month in a row - moving in a tight range of 41.0 – 41.8. In June, the National Bank of Ukraine kept the key policy rate unchanged at 15.5%. The decision was intended to maintain the sustainability of the FX market and control inflation expectations, which will help bring inflation back to a steady deceleration trajectory towards the 5% target. Nevertheless, in April and May, consumer prices continued to rise. According to the NBU's estimates, inflation in May reached its local maximum (15.9%).
- In the meantime, growth in hryvnia deposits (thanks to high interest rates) contributed to a significant decline in households' net FX demand. This was an important factor in maintaining a stable situation in the hryvnia market.

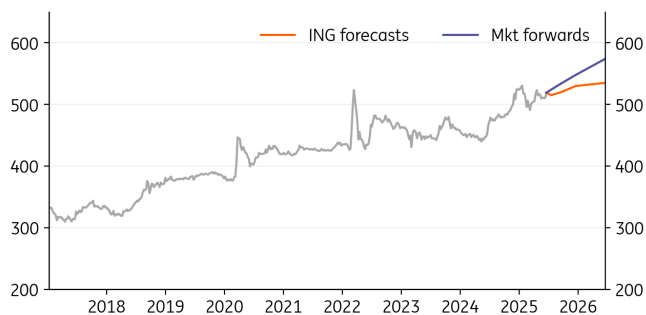
ING forecasts (mkt fwd)	1M 41.70 (41.90)	3M 41.90 (42.74)	6M 41.90 (43.92)	12M 42.00 (46.35)
-------------------------	------------------	------------------	------------------	-------------------

Mateusz Sutowicz, mateusz.sutowicz@ing.pl

## USD/KZT

Robust external context masks domestic pressures

Current spot: 519.10



Source: Refinitiv, ING forecasts

- The tenge has remained stable around 510 per US dollar, in line with our expectations. The supportive external backdrop, including a 12% spike in Brent prices and a 2.5% appreciation of the ruble, has been offset by country-specific headwinds.
- Total FX sales by the sovereign fund and the central bank are guided to decline from US\$1.1 bn in May to US\$0.9 bn in June, reflecting reduced fiscal spending.
- We maintain our constructive near-term outlook on the tenge, especially if renewed [tensions in the Middle East](#) support oil prices further amid [cautious monetary policy stance](#). However, over the longer term, domestic challenges related to the trade balance and private capital account may become more pronounced.

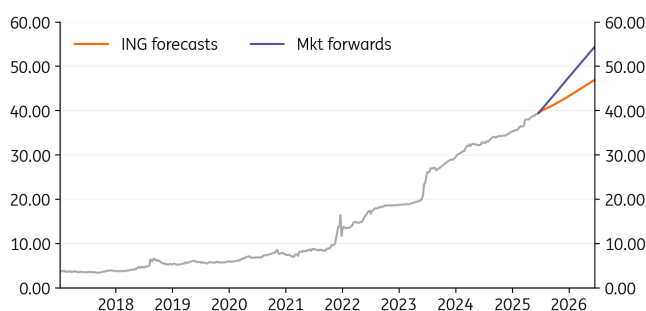
ING forecasts (mkt fwd)	1M 515 (523.05)	3M 520 (532.79)	6M 530 (547.10)	12M 535 (572.78)
-------------------------	-----------------	-----------------	-----------------	------------------

Dmitry Dolgin, dmitry.dolgin@ingbank.com

## USD/TRY

The Central Bank of Turkey is easing liquidity conditions

Current spot: 39.47



Source: Refinitiv, ING forecasts

- A strong base effect and broad declines in pricing pressures have driven annual inflation downward in May. This suggests that the impact of recent market volatility on inflation remains contained. We expect inflation to remain below 30% at the end of this year, though a further escalation in Iranian-Israeli tensions could take oil prices higher and weigh on the disinflation efforts.
- Reserve accumulation has also resumed, with the latest figure reaching \$29.8bn also contributed by the CBT's decision to transfer some of the banking sector's FX liquidity to its own balance sheet via reserve requirement hike. But geopolitics can pose a risk to the reserve build-up process in the near term.
- With continuing disinflation and improving appetite for TRY assets, the CBT started easing liquidity conditions to normalise the average funding cost around the one-week repo rate. In this environment, the Turkish lira continued its gradual depreciation against the dollar in May at a steady pace, while we do not see a change in the current direction currently.

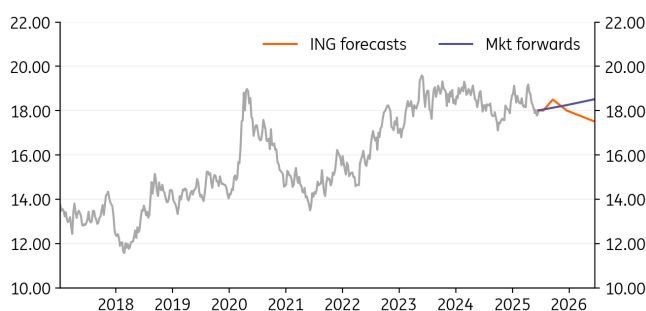
ING forecasts (mkt fwd)	1M 40.15 (40.65)	3M 41.20 (43.16)	6M 43.00 (46.97)	12M 47.00 (54.50)
-------------------------	------------------	------------------	------------------	-------------------

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

## USD/ZAR

Rand likes the idea of a lower inflation target

Current spot: 18.01



Source: Refinitiv, ING forecasts

- After an impressive run to the 17.60/USD area, the rand has started to hand back some gains. As a relative EM high yielder, the rand always has a high beta to global risk assets and recent events in the Middle East and higher energy prices are weighing. The South African Reserve Bank cut rates 25bp to 7.25%. And with inflation contained and growth forecasts being cut to just 1.2% this year, another 25bp should be delivered later this year.
- Also helping the rand recently has been speculation over an imminent shift to a 3% (from 3-6%) inflation target. Real rates staying higher for longer can help the rand.
- \$/ZAR should gravitate to the 17.50 area once the Fed cuts rates.

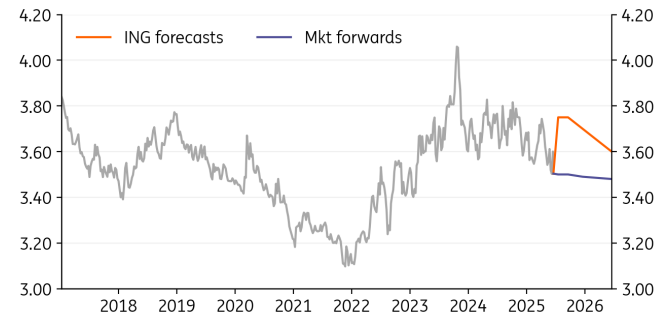
ING forecasts (mkt fwd)	1M 18.00 (17.98)	3M 18.50 (18.06)	6M 18.00 (18.18)	12M 17.50 (18.45)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

# USD/ILS

## Broader regional conflict takes its toll on shekel

**Current spot: 3.5035**



Source: Refinitiv, ING forecasts

- USD/ILS spiked sharply higher on news of the attack on Iran’s nuclear facilities. Geopolitical analysts had been warning of such a move for years, but the reality of now an open conflict with Iran has sent Israel’s sovereign CDS to a new high for the year and will now clearly prove a headwind for the shekel. Most analysts are now trying to estimate whether this conflict stays local to these two countries or somehow spreads within the Middle East.
- From a macro perspective, this broadening conflict looks set to add to Israel’s supply constraints (especially in the labour force) and keep inflation above target.
- Expect the Bank of Israel to remain on hold for a while at 4.50% and actively defend against ILS weakness in the 3.80/90 area.

<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 3.75 (3.5076)	<b>3M</b> 3.75 (3.5035)	<b>6M</b> 3.70 (3.4961)	<b>12M</b> 3.60 (3.4828)
--------------------------------	-------------------------	-------------------------	-------------------------	--------------------------

**Francesco Pesole, francesco.pesole@ing.com**

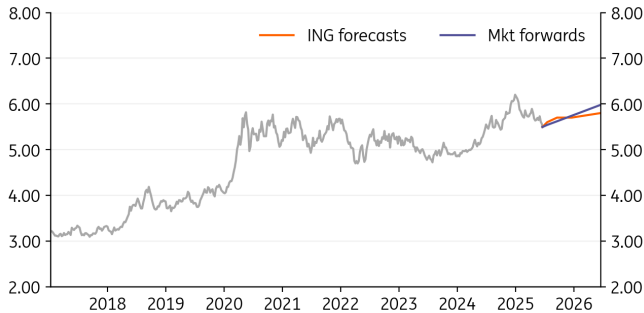


# LATAM

## USD/BRL

Policy rate may have peaked at 14.75%

Current spot: 5.4940



Source: Refinitiv, ING forecasts

- The Brazilian real has been doing quite well. The central bank's no-nonsense approach to stamping out inflation has seen the policy rate been taken to 14.75%. While no further hikes are promised, the central bank does say that rates this high will be required for a 'prolonged period' – given that inflation expectations remain stubbornly above 5%.
- Additionally, the economy has held up quite well despite higher interest rates. Growth is expected at 2% after recent 3%+ rates.
- Politics will be key for BRL over the next 18 months. President Lula could upset the BRL with any fiscal giveaways. Bolsonaro stepping away from the Presidential race would be a BRL +ve

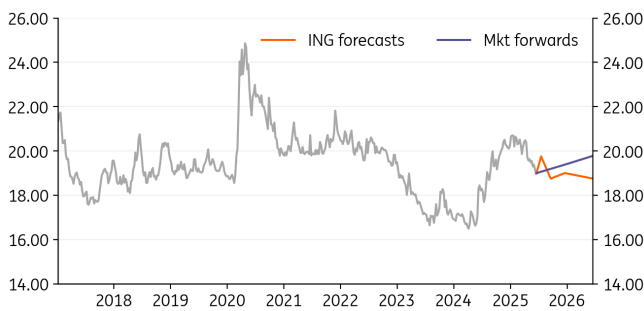
ING forecasts (mkt fwd)	1M 5.60 (5.5199)	3M 5.70 (5.6051)	6M 5.70 (5.7317)	12M 5.80 (5.9730)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

## USD/MXN

Peso enjoys Latam carry appetite

Current spot: 18.99



Source: Refinitiv, ING forecasts

- Just like the Brazilian real, the Mexican peso has been enjoying the low FX volatility environment and the renewed interest in carry. With implied yields above 8% and one of the better credit ratings in the region, the peso usually does well in a carry friendly environment. Can this last? We're worried that an increase in US tariffs again could upset the risk environment in July as could a sell-off in US Treasuries should US fiscal stimulus get passed.
- On tariffs, local politicians are sounding quite confident that Mexico can cut a trade deal with Trump.
- On rates, Banxico recently cut rates 50bp to 8.50% and suggests it can keep cutting at a similar pace. 7.50% is seen as the trough.

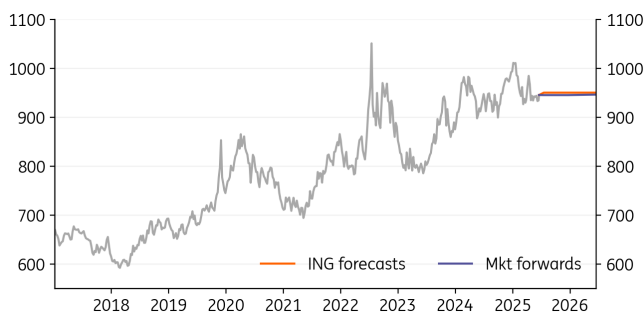
ING forecasts (mkt fwd)	1M 19.75 (19.03)	3M 18.75 (19.17)	6M 19.00 (19.36)	12M 18.75 (19.76)
-------------------------	------------------	------------------	------------------	-------------------

Francesco Pesole, francesco.pesole@ing.com

## USD/CLP

Lots of good news in the price

Current spot: 945.10



Source: Refinitiv, ING forecasts

- Chile's peso has been doing well this year, but with a policy rate at just 5% does not attract the carry trade flows enjoyed by Brazil and Mexico. Helping Chile has been higher copper prices, US consumers potentially front-loading copper imports before new tariffs and a view that elections in November can deliver a centre-right pro-business government. All this has helped Chile's equity benchmark to the tune of +20% year-to-date.
- Copper prices are likely to see volatility when Washington announces new copper tariffs over coming months. And there are some concerns that elections won't go as smoothly as expected this November.
- Expect the 900-1000 trading range to continue in USD/CLP, but we doubt that the central bank can cut rates much below 5%.

ING forecasts (mkt fwd)	1M 950 (939.98)	3M 950 (940.06)	6M 950 (940.08)	12M 950 (941.38)
-------------------------	-----------------	-----------------	-----------------	------------------

Francesco Pesole, francesco.pesole@ing.com

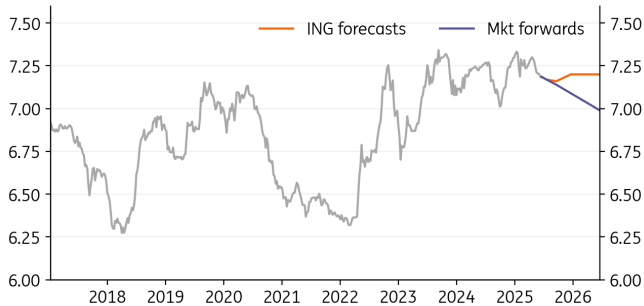


# Asia

## USD/CNY

CNY supported by trade talk developments

Current spot: 7.1852



Source: Refinitiv, ING forecasts

- USD/CNY continued to gradually strengthen over the past month amid positive development in US-China trade talks, trading in a range of 7.17-7.22. However, the CNY mostly softened vis-a-vis other currencies over the past month.
- The PBOC's countercyclical factor has returned to neutral over the past month. US-China yield spreads widened slightly amid more hawkish expectations in the US and after PBOC easing.
- Geopolitical tensions in the Middle East should have a limited impact on the USD/CNY, while the end of the 90-day negotiation window for reciprocal tariffs will be watched closely even if China's deadline is further out. Risks are broadly balanced in the upcoming month. We hold our call for a 7.00-7.40 fluctuation band for the year.

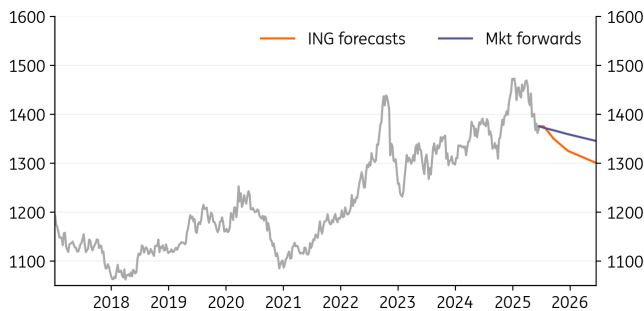
ING forecasts (mkt fwd)	1M 7.17 (7.1689)	3M 7.16 (7.1355)	6M 7.20 (7.0870)	12M 7.20 (6.9810)
-------------------------	------------------	------------------	------------------	-------------------

Lynn Song, [lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

## USD/KRW

Geopolitical tensions to keep the KRW above 1,350

Current spot: 1375.12



Source: Refinitiv, ING forecasts

- The KRW strengthened smartly due to optimism about the new government. Policies promoting consumption and local economies have improved market sentiment, despite concerns over US tariffs.
- The Bank of Korea will likely continue easing, but at a slow pace due to worries about household debt growth.
- Geopolitical tensions in the Middle East and the size of the second extra budget, along with additional KTB issuance, will be key drivers for the KRW in the near term. The critical resistance level is expected to be 1,350.

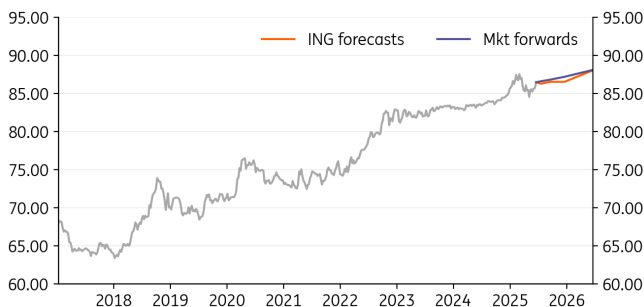
ING forecasts (mkt fwd)	1M 1375 (1367.75)	3M 1350 (1361.95)	6M 1325 (1354.10)	12M 1300 (1340.40)
-------------------------	-------------------	-------------------	-------------------	--------------------

Min Joo Kang, [min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

## USD/INR

INR could come under pressure from the oil price rally

Current spot: 86.45



Source: Refinitiv, ING forecasts

- INR underperformed most of the region and depreciated by a modest 0.3% the USD last month. While FIIs returned to be net buyers of both equity and debt in the month of May, RBI intervention to accumulate FX reserves likely curtailed INR gains.
- The Reserve Bank of India (RBI) delivered a larger-than-expected 50bp cut to the repo rate, bringing it down to 5.5% and changed its stance to neutral from accommodative. Our take is that the RBI is signalling a pause, but it's leaving the door open for more easing if growth or inflation weakens further.
- The unexpected turn in geopolitical events in the Middle East and the consequent oil prices rally suggests INR is likely to depreciate in the near term. However, any positive developments on trade negotiations and FII inflows should cap the downside.

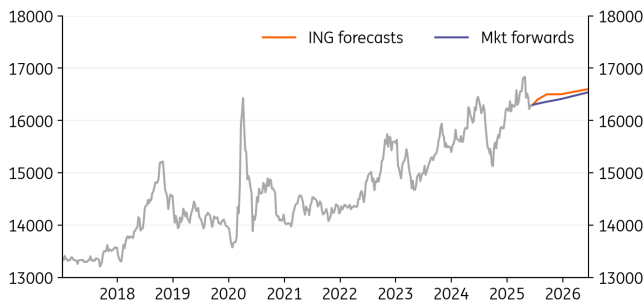
ING forecasts (mkt fwd)	1M 86.25 (86.34)	3M 86.50 (86.57)	6M 86.50 (86.93)	12M 88.00 (87.83)
-------------------------	------------------	------------------	------------------	-------------------

Deepali Bhargava, [deepali.bhargava@ing.com](mailto:deepali.bhargava@ing.com)

## USD/IDR

The IDR could face downward pressure

Current spot: 16300



Source: Refinitiv, ING forecasts

- After depreciating sharply in the month of April driven by persistent portfolio outflows, IDR appreciated by almost 2% last month. FIIs became net buyers of Indonesia debt, with net buying at USD1.5bn, the highest since August 2024.
- Inflation remains well under control and the local currency has been rather stable indicating there remains room for Bank Indonesia to cut rates. However, given the uncertainty around Fed's rate cut path, we do not see BI carrying out back-to-back rate cuts in June, delaying it to the third quarter.
- Rising risks to growth from tariffs and an uncertain investment climate, combined with domestic policy uncertainty, increases the risks of higher-than-expected rate cuts, which again is unlikely to support the rate sensitive IDR in the medium term.

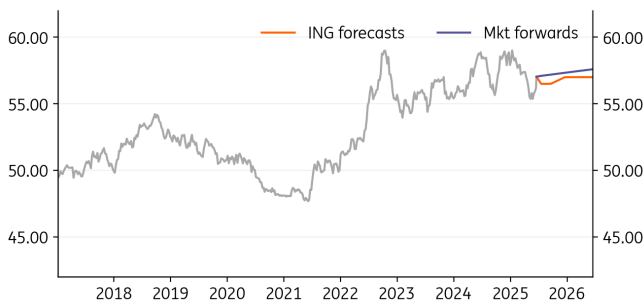
ING forecasts (mkt fwd)	1M 16400 (16300)	3M 16500 (16338)	6M 16500 (16384)	12M 16600 (16520)
-------------------------	------------------	------------------	------------------	-------------------

Deepali Bhargava, deepali.bhargava@ing.com

## USD/PHP

Higher oil prices is PHP negative

Current spot: 57.04



Source: Refinitiv, ING forecasts

- PHP underperformed the region last month and fell 0.7% against the USD. The recent spike above 56.0 has been driven by higher oil prices as the Philippines is one of the worst impacted given it's a large oil importer.
- We continue to expect the BSP to cut policy rate further by 25bp to 5.25% next week that could add to PHP downside. Moreover, equity markets remain weak with outflows from FIIs persisting since November 2024.
- From a valuation perspective, PHP remains overvalued on a real effective exchange rate basis with the weakest current account balance in the region. Our estimates indicate that a 10% increase in oil prices can add c.0.25% of GDP to the current account deficit, which will be a negative for the currency in the near term.

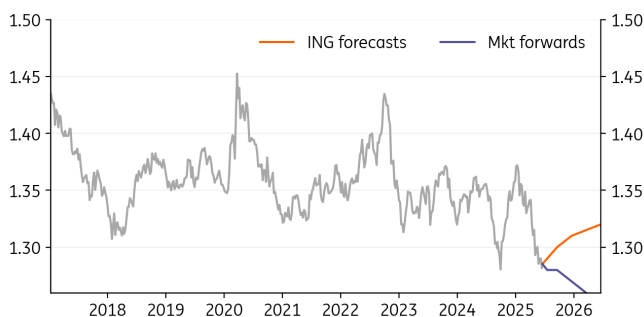
ING forecasts (mkt fwd)	1M 56.5 (56.37)	3M 56.5 (56.46)	6M 57.00 (56.59)	12M 57.00 (56.84)
-------------------------	-----------------	-----------------	------------------	-------------------

Deepali Bhargava, deepali.bhargava@ing.com

## USD/SGD

Weaker growth opens room for more monetary easing

Current spot: 1.2853



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 especially when growth and inflation have continued to disappoint.
- To reflect this, we think more fiscal and monetary support is likely on its way, which should further push interest rates downwards. The Monetary Authority of Singapore (MAS) has eased monetary policy twice in a row via a reduction in the S\$NEER slope, and we expect another move in 3Q.

Hence, we continue to expect SGD to underperform the region. We continue to expect the trading range of SGD NEER to drift lower in 2025 driven by slower growth and inflation, and USD/SGD to trade in the 1.28-1.33 range in the next 12 months.

ING forecasts (mkt fwd)	1M 1.29 (1.2804)	3M 1.30 (1.2748)	6M 1.31 (1.2672)	12M 1.32 (1.2531)
-------------------------	------------------	------------------	------------------	-------------------

Deepali Bhargava, deepali.bhargava@ing.com

## USD/TWD

### TWD continues to strengthen

**Current spot: 29.58**



Source: Refinitiv, ING forecasts

- The TWD remained on a strengthening trajectory over the past month, with the USDTWD pair falling from around 30.2 to as low as 29.6 on the month.
- Taiwanese regulators tweaked regulation on calculation of risk-based capital, offering some relief. That said, hedging activity should continue to increase. Other drivers of the TWD were mixed. Equity market net inflows remained positive, but yield spreads slightly widened over the past month.
- We expect there is still room for some TWD strengthening in the coming few months, especially if hedging ratios continue to move higher. Surprises from the Central Bank of the Republic of China or a broader USD recovery trend represent the biggest risks to this outlook.

<b>ING forecasts</b> (mkt fwd)	<b>1M</b> 29.5 (29.51)	<b>3M</b> 29.3 (29.36)	<b>6M</b> 29.0 (29.15)	<b>12M</b> 28.8 (28.75)
--------------------------------	------------------------	------------------------	------------------------	-------------------------

Lynn Song, [lynn.song@asia.ing.com](mailto:lynn.song@asia.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	1.15	1.14	1.14	1.15	1.15						
EUR/JPY	167	165	162	161	158	USD/JPY	145	145	142	140	137
EUR/GBP	0.85	0.86	0.86	0.86	0.87	GBP/USD	1.35	1.33	1.33	1.33	1.32
EUR/CHF	0.94	0.94	0.95	0.95	0.96	USD/CHF	0.82	0.82	0.83	0.83	0.83
EUR/NOK	11.44	11.40	11.25	11.10	10.90	USD/NOK	9.95	10.00	9.87	9.65	9.48
EUR/SEK	11.01	10.90	10.80	10.70	10.60	USD/SEK	9.57	9.56	9.47	9.30	9.22
EUR/DKK	7.46	7.46	7.46	7.46	7.46	USD/DKK	6.48	6.54	6.54	6.49	6.49
EUR/CAD	1.57	1.55	1.56	1.56	1.55	USD/CAD	1.37	1.36	1.37	1.36	1.35
EUR/AUD	1.77	1.73	1.73	1.74	1.74	AUD/USD	0.65	0.66	0.66	0.66	0.66
EUR/NZD	1.91	1.87	1.90	1.89	1.89	NZD/USD	0.60	0.61	0.60	0.61	0.61
<b>EMEA</b>											
EUR/PLN	4.27	4.19	4.2	4.25	4.25	USD/PLN	3.71	3.68	3.68	3.70	3.70
EUR/HUF	403.8	405	415	420	420	USD/HUF	351.1	355	364	365	365
EUR/CZK	24.82	24.80	24.75	24.65	24.55	USD/CZK	21.58	21.8	21.7	21.4	21.3
EUR/RON	5.03	5.03	5.05	5.10	5.14	USD/RON	4.37	4.42	4.43	4.43	4.47
EUR/RSD	117.23	117.21	117.20	117.19	117.18	USD/RSD	101.92	102.82	102.81	101.90	101.90
EUR/UAH	47.89	47.54	47.77	48.19	48.30	USD/UAH	41.64	41.70	41.90	41.90	42.00
EUR/KZT	580.1	587.1	592.8	609.5	615.3	USD/KZT	519.1	515	520	530	535
EUR/TRY	45.48	45.77	46.97	49.45	54.05	USD/TRY	39.47	40.15	41.20	43.00	47.00
EUR/ZAR	20.72	20.52	21.09	20.70	20.13	USD/ZAR	18.01	18.00	18.50	18.00	17.50
EUR/ILS	4.03	4.28	4.28	4.26	4.14	USD/ILS	3.50	3.75	3.75	3.70	3.60
<b>LATAM</b>											
EUR/BRL	6.32	6.38	6.50	6.56	6.67	USD/BRL	5.49	5.60	5.70	5.70	5.80
EUR/MXN	21.85	22.52	21.38	21.85	21.56	USD/MXN	18.99	19.75	18.75	19.00	18.75
EUR/CLP	1087.21	1083	1083	1093	1093	USD/CLP	945.19	950	950	950	950
<b>Asia</b>											
EUR/CNY	8.27	8.17	8.16	8.28	8.28	USD/CNY	7.19	7.17	7.16	7.20	7.20
EUR/IDR	18773	18696	18810	18975	19090	USD/IDR	16300	16400	16500	16500	16600
EUR/INR	99.44	98.33	98.61	99.48	101.20	USD/INR	86.45	86.25	86.50	86.50	88.00
EUR/KRW	1581.73	1568	1539	1524	1495	USD/KRW	1375.12	1375	1350	1325	1300
EUR/PHP	65.60	64.41	64.41	65.55	65.55	USD/PHP	57.04	56.50	56.50	57.00	57.00
EUR/SGD	1.48	1.47	1.48	1.51	1.52	USD/SGD	1.29	1.29	1.30	1.31	1.32
EUR/TWD	34.02	33.63	33.40	33.35	33.12	USD/TWD	29.58	29.50	29.30	29.00	28.80

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>