THINK Economic and Financial Analysis

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FX Talking

Washington blinks first, but dollar damage is done

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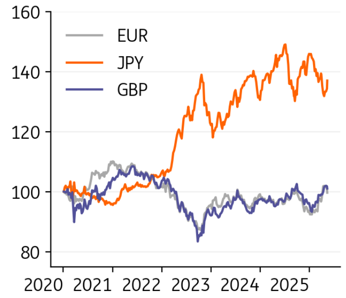
FX Talking

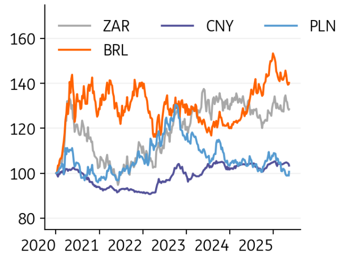
Washington blinks first, but dollar damage is done

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

US asset markets and the dollar have made a good recovery from their April lows. By agreeing to a 90-day temporary reduction in the most severe tariffs on China, it looks like pragmatic rather than ideological policymaking has won out in Washington after all. Still, the scars of April's events will likely be left on both the US economy and the dollar.

Real evidence of a portfolio shift away from US asset markets will emerge with a lag. And any evidence of foreign investors increasing FX hedge ratios on US assets will only ever be anecdotal. But the US policy scare last month – plus the latent fear of another 'sell America' moment emerging this summer as unfunded tax cuts proceed through Congress – should now limit the dollar recovery.

By nature of its liquidity and some real fiscal movement in Europe, the euro should be a beneficiary of dollar disillusionment. We now think EUR/USD finds support in the 1.08/1.10 area and heads back to the 1.13/15 region. The defensive yen should also see good demand should USD/JPY trade over 150 again. A lower USD/JPY trend will be helped by the Federal Reserve restarting its easing cycle in September as the Bank of Japan hikes again.

Elsewhere in G10, we like sterling as UK and EU relations improve, thrown together by US isolationism. In the emerging markets space, USD/CNY may explore the lower end of a 7.10-7.40 range – but the People's Bank of China won't want a stronger renminbi in a period of deflation. CEE has been dominated by political events in Romania, which remain unresolved. Latam FX has been a relative sea of calm, and its higher yields may still be attractive.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.12	↑	147	→	1.33	↑
3M	1.13	↑	142	↓	1.33	↑
6M	1.13	↑	142	↓	1.31	↓
12M	1.13	↓	138	↓	1.30	↓
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.84	→	24.95	↓	4.19	↓
3M	0.85	→	24.95	↓	4.20	↓
6M	0.86	↑	24.85	↓	4.25	↓
12M	0.87	↑	24.75	↓	4.25	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	7.15	↓	19.75	↑	5.80	↑
3M	7.10	↓	20.00	↑	5.90	↑
6M	7.15	↑	20.50	↑	6.00	↑
12M	7.20	↑	20.50	↑	6.00	↓

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

Source: Refinitiv, ING forecast

FX performance

	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	-1.6	3.3	-1.4	-3.7	0.9	0.2
%YoY	2.9	-5.3	-2.2	-0.9	-3.1	2.5
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	-1.6	-2.1	-0.7	-1.0	-3.9	-2.6
%YoY	-0.5	4.3	4.7	-0.8	-0.4	10.2

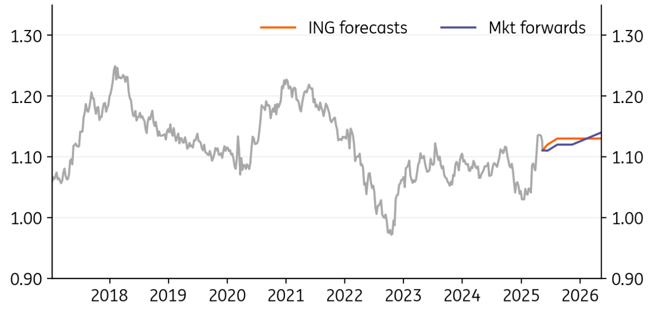
Source: Refinitiv, ING forecast

Developed markets

EUR/USD

Cyclical versus structural challenges

Current spot: 1.1105



Source: Refinitiv, ING forecasts

- The dollar is doing its best to unwind April's sharp losses. The temporary reductions in tariffs – pointing at room for negotiation – have helped a 5% risk premium come out of the dollar. But this year's rally in EUR/USD was not entirely driven by trade. EU fiscal stimulus drove a good part of the Feb/March rally and should be reason enough for support to be found at 1.09/1.10 now.
- The market's pricing of just 55bp of Fed rate cuts this year seems quite modest now. We think the Fed could start with a 25bp rate cut in September and bring the policy rate down towards the 3.50% area next year. The European Central Bank will likely cut by 25bp on two occasions – probably in June and September.
- Evidence on the structural de-dollarisation theme will be hard to come by, but the theme will undoubtedly weigh on the dollar.

ING forecasts (mkt fwd)	1M 1.12 (1.1127)	3M 1.13 (1.1171)	6M 1.13 (1.1239)	12M 1.13 (1.1355)

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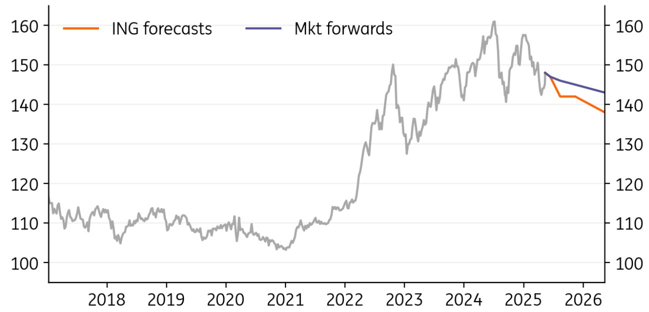
USD/JPY

Quite the round trip!

Current spot: 147.98



Source: Refinitiv, ING forecasts

- The yen was one of the prime beneficiaries of the 'sell America' theme that we briefly saw in April. The failure of US Treasuries to play the role of 'safe asset' was central here. Our rates strategy team does not rule out that happening again this summer should Washington push ahead with unfunded tax cuts. Recall that around $5tr is required to pay for an extension of the TCJA 2017 tax-cutting legislation.
- For the short term, heavy one-way positioning long yen could see the 150 level retested – but we doubt it stays there long.
- A 25bp rate hike from the Bank of Japan in the third quarter, when the Fed restarts its easing cycle, points to 140 for USD/JPY.

ING forecasts (mkt fwd)	1M 147 (147.45)	3M 142 (146.45)	6M 142 (144.99)	12M 138 (142.53)

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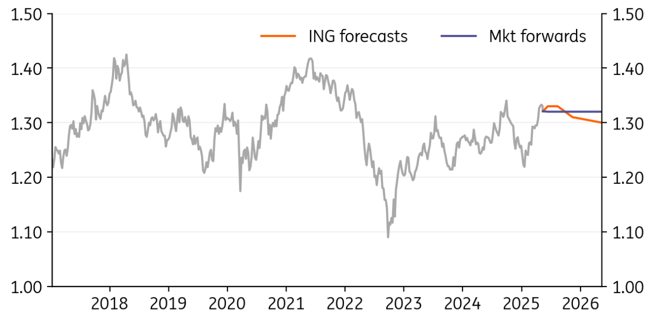
GBP/USD

Some emerging optimism for the pound

Current spot: 1.3208



Source: Refinitiv, ING forecasts

- Sterling is holding up quite well as UK Prime Minister Keir Starmer delivers some wins on trade and geopolitics. The big story this summer, however, could be warmer relations with Europe. The focal point here is the EU-UK summit on 19 May, where a defence pact should be signed and positive commentary should emerge on closer alignment. The desire here is to have the UK's growth potential revised higher by the Office for Budget Responsibility, providing more fiscal headroom to the government.
- Elsewhere, we look for the Bank of England to cut rates twice more this year (to 3.75%), but GBP rates to stay relatively high within the G10.
- Its liquidity should be a boon for GBP during de-dollarisation.

ING forecasts (mkt fwd)	1M 1.33 (1.3209)	3M 1.33 (1.3213)	6M 1.31 (1.3220)	12M 1.30 (1.3224)

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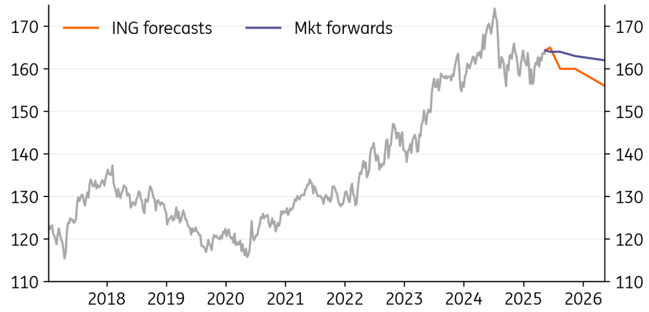
EUR/JPY

Temporary rally

Current spot: 164.34



Source: Refinitiv, ING forecasts

- We see EUR/JPY risks skewed to the downside from current levels. Not only is this an ECB cutting/BoJ hiking story, but also a view on precarious rally in risk assets.
- When it comes to the ECB, stagnant or contracting growth in the second and third quarters should see another 50bp of rate cuts coming through – to 1.75%. Lower oil prices and a stronger euro should also calm the ECB hawks.
- When it comes to medium-term valuations, lower energy prices are good news for both the euro and the yen. But we have the yen as significantly more undervalued. There is also the wild card of Japan somehow including FX in a trade deal with US President Donald Trump.

ING forecasts (mkt fwd)	1M 165 (164.07)	3M 160 (163.60)	6M 160 (162.95)	12M 156 (161.84)

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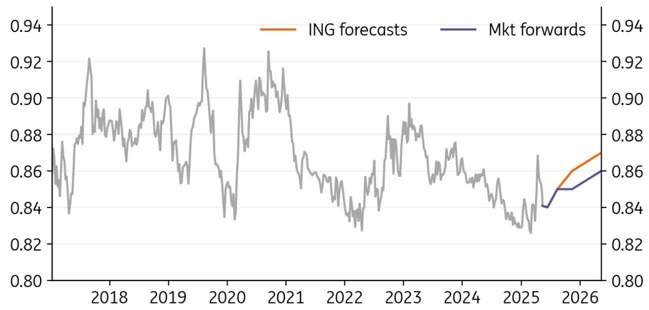
EUR/GBP

Adjusting to the European reset

Current spot: 0.8408



Source: Refinitiv, ING forecasts

- Washington's performance in February – especially the US Defence Secretary's words at the Munich security conference – has pushed the UK and Europe closer together. Both sides want to run with this theme, although PM Starmer is wary of the strong gains in the pro-Brexit reform party in recent local elections. Yet closer ties with Europe look likely this summer, helping GBP.
- This will come in the form of a Security and Defence Pact, plus warm words on youth mobility and other alignment. We're not quite ready to call for it, but this could all mean we see 0.82.
- Holding us back from being more bullish on GBP is the fact that UK inflation data can decelerate, and the BoE can turn more dovish.

ING forecasts (mkt fwd)	1M 0.84 (0.8424)	3M 0.85 (0.8455)	6M 0.86 (0.8502)	12M 0.87 (0.8587)

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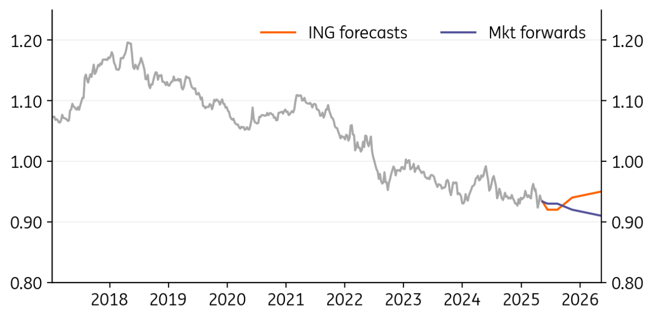
EUR/CHF

Downside risks on ECB vs SNB easing story

Current spot: 0.9334



Source: Refinitiv, ING forecasts

- The EUR/CHF bounce on the pause in US-China tariffs has been weak. That probably reflects the ongoing uncertainty and also the challenge for the Swiss National Bank in terms of how low it can cut rates. A 25bp rate cut in June should take SNB rates to zero, but ideally it does not want to take rates negative again. This could send EUR/CHF lower if the ECB does cut rates to the 1.50/75% area.
- With both EUR/CHF and USD/CHF under pressure, the SNB will be worried by the Swiss franc's strength – but its ability to intervene may be constrained by politics. Washington will be closely watching any trading partner intervening against local currency strength. After all, Switzerland was named a currency manipulator in 2020.
- We continue to see downside risks to EUR/CHF this summer.

ING forecasts (mkt fwd)	1M 0.92 (0.9317)	3M 0.92 (0.9284)	6M 0.94 (0.9235)	12M 0.95 (0.9144)

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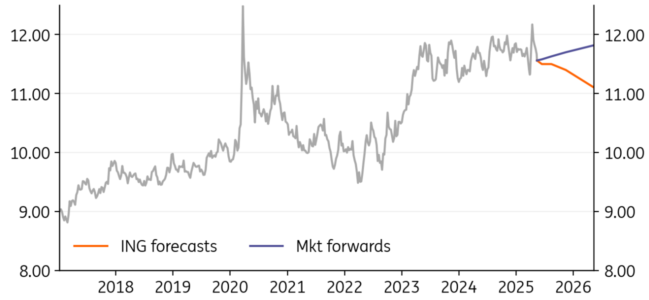
EUR/NOK

Krone's recovery can continue

Current spot: 11.56



Source: Refinitiv, ING forecasts

- The Norwegian krone has been in recovery mode since mid-April, outperforming other G10 currencies after taking a big hit after Liberation Day.
- If market sentiment continues to improve, there are no real impediments to a further NOK recovery. So, again, much depends on Trump's policies and the implications for risk sentiment. We think there may be more bumps for risk assets ahead, meaning that a EUR/NOK downtrend will hardly prove smooth.
- Norges Bank kept rates on hold again in May, and is still not signalling an imminent move. We think markets are underestimating a June cut (now 30% priced in), although the US-China de-escalation means August is slightly more likely.

ING forecasts (mkt fwd)	1M 11.50 (11.58)	3M 11.50 (11.63)	6M 11.40 (11.70)	12M 11.10 (11.82)

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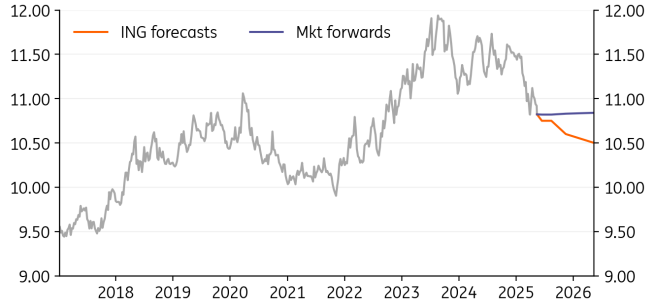
EUR/SEK

Equity inflows offer krona a decent floor

Current spot: 10.82



Source: Refinitiv, ING forecasts

- The rotation from US to Swedish equity funds continued in March, although at a less elevated pace than in February. April data should confirm a continuation of the trend after the first quarter saw a record 30bn SEK inflows into Sweden-focused funds and 30bn SEK outflows from US-focused funds in Sweden.
- Capital flows are likely continuing to support the krona. And an increasingly possible rate cut by Riksbank this summer (potentially in June) should have limited negative effects on SEK.
- The near-term bias remains for testing the downside in EUR/SEK. The next few weeks can see 11.70-11.80 being explored. However, this may not translate into a clear-cut SEK appreciation trend just yet.

ING forecasts (mkt fwd)	1M 10.75 (10.82)	3M 10.75 (10.82)	6M 10.60 (10.83)	12M 10.50 (10.84)

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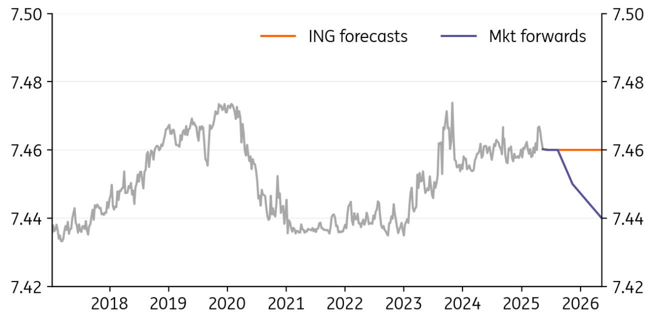
EUR/DKK

Back to stability

Current spot: 7.4602



Source: Refinitiv, ING forecasts

- EUR/DKK has dropped back to 7.460 after touching a 7.4690 high amid post-Liberation Day turmoil. Denmark's central bank decided to wait for the selloff to unwind autonomously; it didn't intervene in the FX market and cut rates by another 25bp in line with the ECB.
- DKK's low liquidity means it faces some risks from new risk shake-ups, but we don't expect enough pressure on the EUR/DKK peg to justify FX intervention or a tweak in the rate spread with the ECB.
- We have kept the EUR/DKK profile flat at 7.46 for the whole forecast horizon.

ING forecasts (mkt fwd)	1M 7.46 (7.4589)	3M 7.46 (7.4556)	6M 7.46 (7.4490)	12M 7.46 (7.4373)

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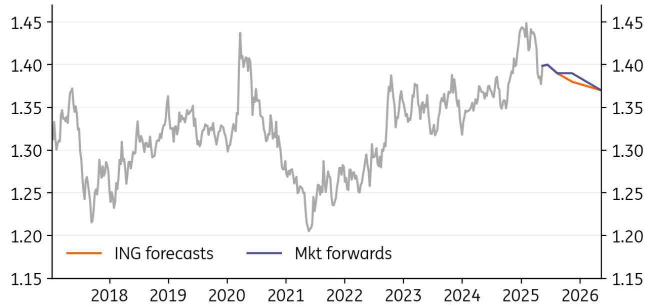
USD/CAD

Case for 1.40+ is stronger now

Current spot: 1.3987



Source: Refinitiv, ING forecasts

- USD/CAD observed volatility has eased back significantly, as the loonie seems to be trading again as an extension of US-growth sentiment – and is therefore more correlated with USD.
- May has started on a soft tone for CAD as Prime Minister Mark Carney's first trip to meet Trump didn't suggest that US-Canada tensions will abate soon. Renegotiations of the USMCA won't be as quick as transcontinental trade deals, either for the US or Canada.
- The short-term risks are moderately on the upside for USD/CAD, as the pair's short-term fair value still sits close to 1.42. Some risk premium on USD should remain, but the case for a return above 1.40 is now quite compelling, also as domestic data deterioration may prompt the Bank of Canada to cut rates again in June.

ING forecasts (mkt fwd)	1M 1.40 (1.3964)	3M 1.39 (1.3920)	6M 1.38 (1.3854)	12M 1.37 (1.3748)

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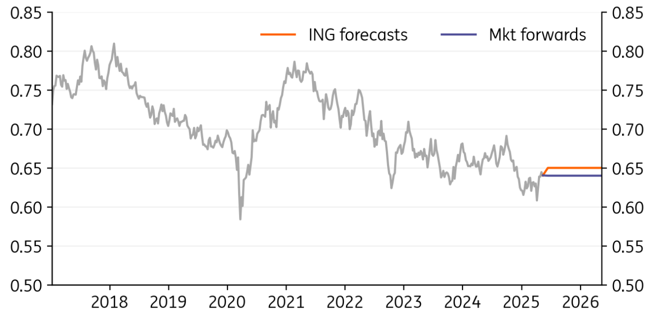
AUD/USD

Cheering the US-China de-escalation

Current spot: 0.6403



Source: Refinitiv, ING forecasts

- USD and the Australian dollar are the biggest beneficiaries in G10 from a de-escalation in US-China trade tensions. With the USD having to face the reality of the economic damage already dealt, AUD/USD may find some support in the coming weeks.
- Domestically, the deceleration in first-quarter core inflation means the Reserve Bank of Australia can deliver a widely expected 25bp rate cut on 20 May.
- The news on the US-China deal should not derail easing plans for now, but probably argues that market pricing for four cuts by year-end is a bit too aggressive.

ING forecasts (mkt fwd)	1M 0.65 (0.6406)	3M 0.65 (0.6412)	6M 0.65 (0.6422)	12M 0.65 (0.6435)

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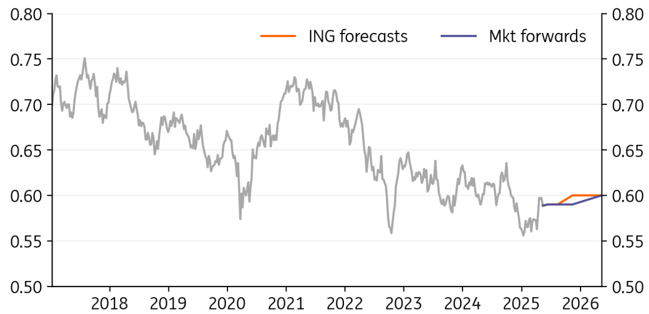
NZD/USD

RBNZ to keep cutting in May

Current spot: 0.5887



Source: Refinitiv, ING forecasts

- Another 25bp rate cut by the Reserve Bank of New Zealand on 28 May seems likely. Markets are fully pricing it in, following the RBNZ's previous indications that growth remains a major concern.
- However, market pricing for two additional cuts after May looks a little too dovish given non-tradable inflation remained elevated at 4% and the unemployment rate flattened at 5.1% in the first quarter.
- The Kiwi dollar should keep acting as a lower-beta version of AUD to trade news. Further de-escalation in US-China trade tensions can drive AUD/NZD back to the 1.10-1.11 area where it traded at the start of this year.

ING forecasts (mkt fwd)	1M 0.59 (0.5893)	3M 0.59 (0.5906)	6M 0.60 (0.5926)	12M 0.60 (0.5953)

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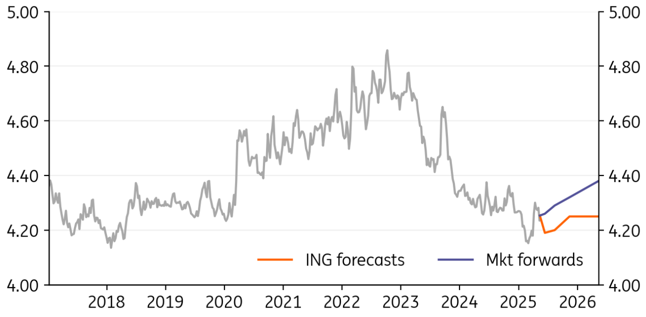
Emerging markets

EUR/PLN

Trade wars and MPC pivot hit PLN, but only slightly

Current spot: 4.2532



Source: Refinitiv, ING forecasts

- In April, the Polish zloty retreated from its strongest levels since 2018 vs the euro as US tariffs caused a risk-off mode. EUR/PLN briefly jumped from 4.16 to 4.30 as the Monetary Policy Council unexpectedly made a dovish pivot.
- Since then, EUR/PLN has traded in a tight range of 4.25-4.30 with a relatively low correlation with EUR/USD changes. We remain rather bullish on PLN as, in our opinion, market expectations regarding the scale of interest rate cuts in 2025 are exaggerated.
- From a fundamental point of view, the situation is supportive. The economy is resuming its recovery; in 2025, Poland should remain the EU growth leader due to robust domestic demand, and 2026 looks more optimistic for exporters given upward revisions of German and eurozone GDP.

ING forecasts (mkt fwd)	**1M** 4.19 (4.2648)	**3M** 4.20 (4.2881)	**6M** 4.25 (4.3203)	**12M** 4.25 (4.3764)

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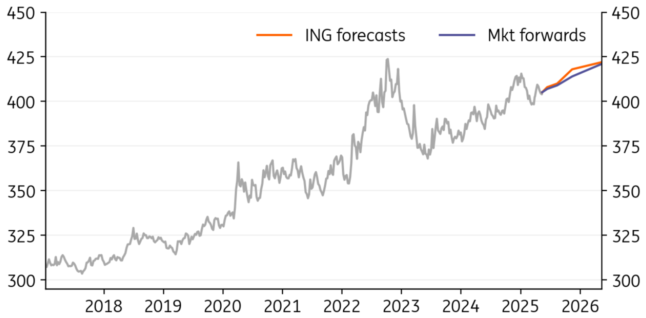
EUR/HUF

Forint to drift slowly towards weaker levels

Current spot: 405.12



Source: Refinitiv, ING forecasts

- The Hungarian forint strengthened following the National Bank of Hungary's April rate-setting meeting, which was labelled as more hawkish than expected by the market.
- This was halted by disappointing GDP growth in the first quarter and further price curbs, which reignited market speculation about the possibility of easing. On top of that, recent rate cuts by the National Bank of Poland and the Czech National Bank add more weight to these discussions.
- However, we don't think this will change the NBH's stance. We predict range trading over the next three months, with EUR/HUF slowly drifting towards 410. A rising chance of fiscal slippage and downgrade talk will push HUF out of this range towards 420 in the medium term.

ING forecasts (mkt fwd)	**1M** 408 (406.58)	**3M** 410 (409.42)	**6M** 418 (413.87)	**12M** 422 (421.49)

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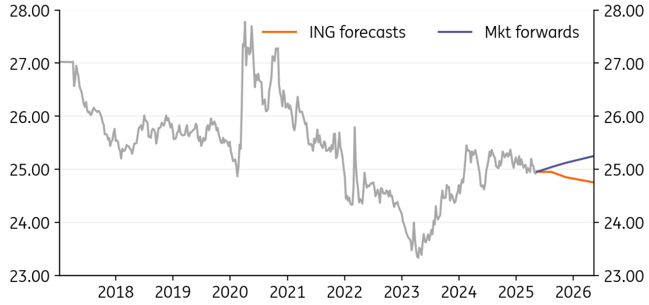
EUR/CZK

Rates differential towards euro gained substantially in real terms

Current spot: 24.95



Source: Refinitiv, ING forecasts

- The downward surprise in headline inflation for April, lower oil prices, and a stronger Czech koruna vs USD contributed to the recent base rate reduction and a less hawkish tone of the CNB. Still, the CZK is about to hold steady at just below 25 EUR/CZK for the upcoming months and will gradually appreciate thereafter. Broad fundamentals favour a stronger CZK, helped by real growth outperformance, a sound fiscal stance, and higher interest rates.
- The real CZK interest rate picked up to almost 2% in April when measured by headline CPI and is comfortably positive when assessed by core. For the euro, the real interest rate dropped to only 0.2% in the same month and turned negative when measured by core. This difference will likely get only more pronounced over the coming quarters, providing more oomph to CZK. We see the CNB delivering one more cut in August, but the potent core inflation will build a wall against further cuts.

ING forecasts (mkt fwd)	1M 24.95 (24.98)	3M 24.95 (25.04)	6M 24.85 (25.12)	12M 24.75 (25.25)

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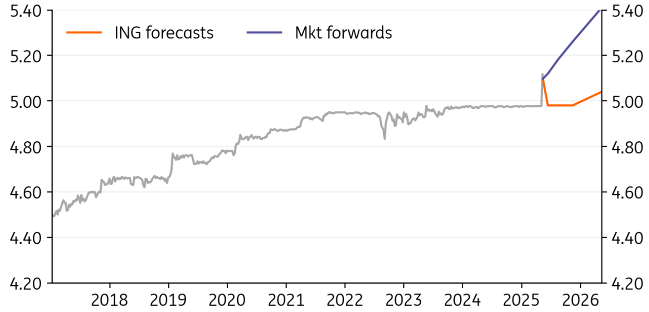
EUR/RON

Fiscal and political uncertainties left their mark

Current spot: 5.0975



Source: Refinitiv, ING forecasts

- EUR/RON climbed above 5.00 and later on broke the relatively strong 5.10 resistance level. Heightened fiscal concerns, coupled with political turmoil, impacted market confidence negatively. We estimate the National Bank of Romania spent in the range of EUR6-8bn to prevent the pair from drifting much higher in early May.
- FX swap implied yields have already spiked well above the 7.50% Lombard facility level. The NBR will aim to prevent excessive weakness for the leu, but its reserves of firepower have their limits. Risks are skewed toward further RON weakness
- The possibility of EUR/RON testing 5.20 in the near term cannot be excluded, especially if EU funds are in danger or a rating downgrade materialises. Fiscal consolidation clarity, continuity of EU support, and a return to political stability remain key for the stability of the leu.

ING forecasts (mkt fwd)	1M 4.98 (5.1226)	3M 4.98 (5.1803)	6M 4.98 (5.2615)	12M 5.04 (5.4132)

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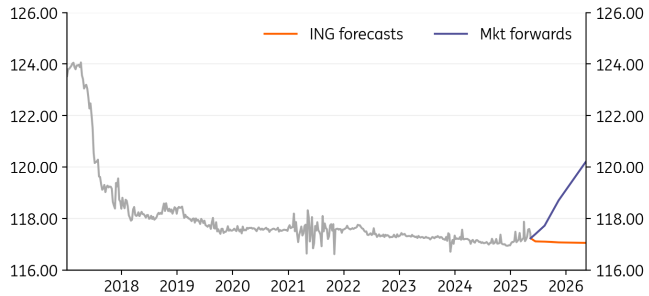
EUR/RSD

No major changes envisioned ahead

Current spot: 117.23



Source: Refinitiv, ING forecasts

- EUR/RSD continued to move sideways at levels slightly above 117.20. Expanding infrastructure and a solid, IMF-anchored fiscal policy continue to keep the country's prospects in good shape.
- However, social tensions have also continued, bringing some downside risks for economic activity. The National Bank of Serbia has used its firepower to mute some outflow pressures throughout 2025, selling EUR955bn in January-March to keep the pair stable.
- Overall, we think that policymakers will continue to favour currency stability in the foreseeable future, and we don't expect any major deviations from the 117.20 level ahead.

ING forecasts (mkt fwd)	1M 117.11 (117.39)	3M 117.10 (117.72)	6M 117.07 (118.70)	12M 117.05 (120.22)

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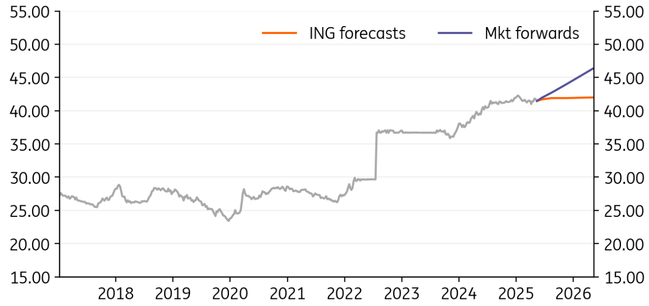
USD/UAH

MNB maintains the key rate, but lowers GDP forecast **Current spot: 41.47**



Source: Refinitiv, ING forecasts

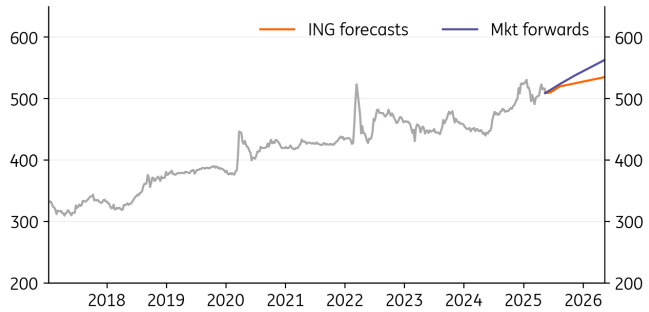
- The hryvnia exchange rate against the dollar has remained broadly stable in a tight range of 41.0-41.8. In April, the National Bank of Ukraine kept the key policy rate unchanged at 15.5% after a 100bp hike in February. According to the NBU, higher rates helped tame household demand for FX and reduced central bank interventions.
- At its April meeting, the NBU slightly lowered its growth forecasts for Ukraine's economy. The bank expects GDP growth this year at 3.1% YoY (versus 3.6% YoY previously). In 2026 and 2027, GDP growth is expected to accelerate to 3.7%–3.9% on the back of higher investment in reconstruction, recovered production, and robust consumer demand. Private investment and consumption will offset the impact of fiscal consolidation. However, much still depends on the prospect of a ceasefire.

ING forecasts (mkt fwd)	1M 41.70 (41.95)	3M 41.90 (42.70)	6M 41.90 (43.93)	12M 42.00 (46.44)

Mateusz Sutowicz, mateusz.sutowicz@ing.pl

USD/KZT

Calibrating our enthusiasm due to oil-related woes **Current spot: 509.10**



Source: Refinitiv, ING forecasts

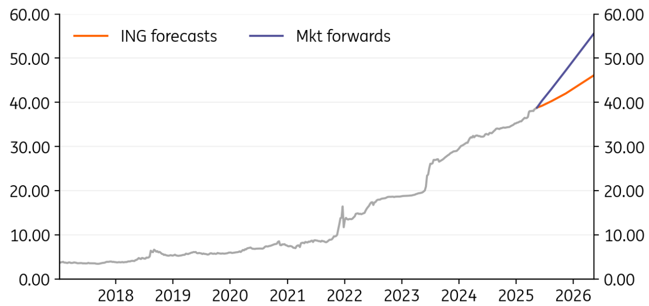
- The tenge managed to appreciate from the 520-525 range in mid-April to 510-515 by 13 May, in line with the direction and the level we expected – but the last round of appreciation was triggered by unexpected relief from US-China trade talks.
- Given the guidance from the National Bank of Kazakhstan, the total FX sales by the sovereign fund and the central bank should total US$1.3 bn in May, roughly the same as in April.
- We lower our outlook for Kazakhstan's fiscal and external balance due to changes in the house view on oil, but continue to expect the state FX sales to partially offset the external negativity at least in 2025.

ING forecasts (mkt fwd)	1M 510 (513.98)	3M 520 (523.53)	6M 525 (537.58)	12M 535 (562.66)

Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

The CBT has prioritised financial stability **Current spot: 38.80**



Source: Refinitiv, ING forecasts

- The deterioration in inflation expectations has been relatively contained after the volatility in March, but the Central Bank of Turkey has prioritised financial stability after large FX reserve depletion.
- It has announced several measures, including an across-the-board 200bp hike in FX reserve requirements, an increased surrender for exporters from 25% to 35% until end-July, and the introduction of a higher monthly conversion target for the Turkish lira deposit share of corporates for banks. These moves aim to encourage a switch from FX to TRY and start rebuilding FX reserves. The evolution of reserves, in addition to CPI prints and residents' portfolios, will be key for judging TRY appetite.
- A change in the CBT's funding composition towards 1-week repo auctions and a fall in the effective funding rate towards the policy rate will provide evidence on the timing of rate cuts.

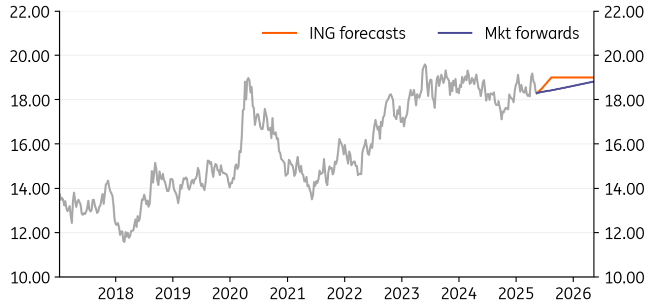
ING forecasts (mkt fwd)	1M 39.20 (40.32)	3M 40.25 (43.01)	6M 42.00 (47.22)	12M 46.15 (55.66)

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

USD/ZAR

Rand survives budget test

Current spot: 18.30



Source: Refinitiv, ING forecasts

- The rand is the second best-performing EM currency over the last month. That's a function of both international and local currency stories. On the international side, we've seen some welcome de-escalation in the tariff story, plus China taking some initiatives to support domestic demand.
- More important, perhaps, has been the decision from the African National Congress (ANC) to try to keep the ruling 10-party coalition together by withdrawing its planned VAT hike to address budget shortfalls.
- The rand may now do a little better than previously thought, and its strength should allow the South African Reserve Bank more leeway to cut rates. We should see 50bp of easing this year.

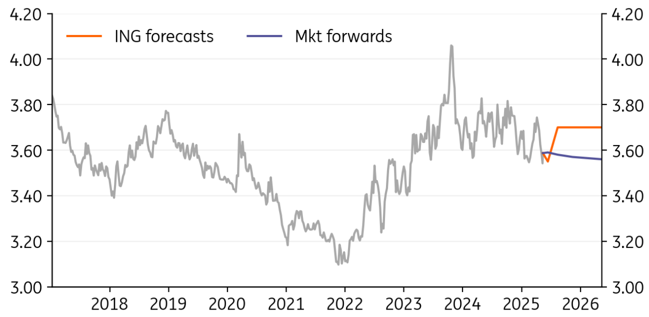
ING forecasts (mkt fwd)	1M 18.50 (18.35)	3M 19.00 (18.42)	6M 19.00 (18.55)	12M 19.00 (18.82)

Chris Turner, chris.turner@ing.com

USD/ILS

Shekel strengthens, will the BoI allow more strength?

Current spot: 3.5870



Source: Refinitiv, ING forecasts

- The shekel has done well over the last month, and USD/ILS is now near 3.50 – the lower end of a two-year trading range. Historically, the Bank of Israel has been quite interventionist in FX and has wanted to avoid too strong a shekel, which would hurt the export sector. But with inflation stubbornly above its 1-3% target band for so long, perhaps the BoI will now be more tolerant of shekel strength?
- Domestically, the Israeli economy is expected to grow around 3-4%, so there is not a pressing need for a cut in the 4.50% policy rate. The market, however, is pricing close to 50bp of cuts this year.
- A sustained intensification of the war risks higher CPI again.

ING forecasts (mkt fwd)	1M 3.55 (3.5856)	3M 3.70 (3.5804)	6M 3.70 (3.5721)	12M 3.70 (3.5558)

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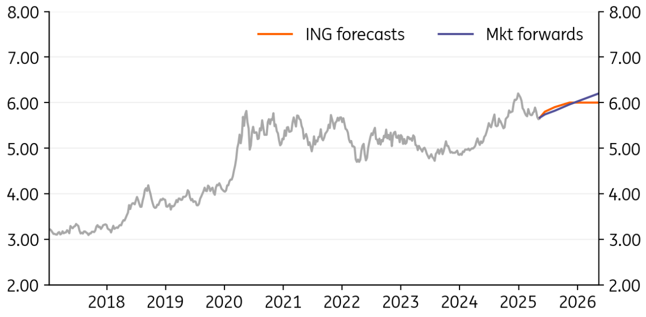
LATAM

USD/BRL

Policy rate may have peaked at 14.75%

Current spot: 5.6704



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 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 in spite of higher interest rates. Growth is expected at 2% after recent 3%+ rates.
- President Luiz Inácio Lula de Silva's popularity is inching up after securing a low 10% baseline US tariff rate. BRL looks okay in the near term, but fiscal risks ahead of the 2026 elections are never far away.

ING forecasts (mkt fwd)	1M 5.80 (5.7364)	3M 5.90 (5.8215)	6M 6.00 (5.9557)	12M 6.00 (6.2034)

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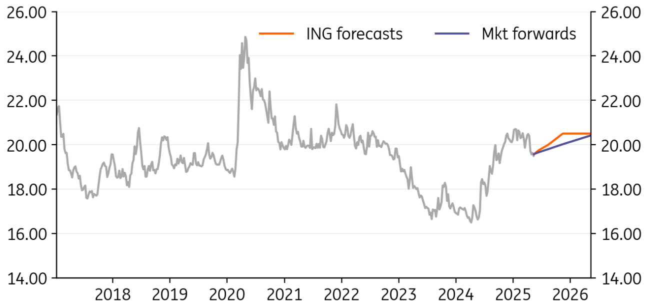
USD/MXN

Peso performs well

Current spot: 19.57



Source: Refinitiv, ING forecasts

- It seems the calming of trade tensions since April is helping the high-yielding peso. This is despite the economic outlook remaining poor (consensus expects 0% GDP growth this year). The central bank looks set to continue cutting the policy rate (now 9.00%) in 50bp increments.
- President Claudia Sheinbaum is riding high in the opinion polls for her handling of tariff negotiations. That said, Mexico is still exposed to 25% tariffs on steel and auto part exports, plus 25% on its non-USMCA compliant exports (about 50% of total exports).
- A lower USD/MXN requires a benign and orderly decline in the dollar and predictable policymaking in Washington. That's tough.

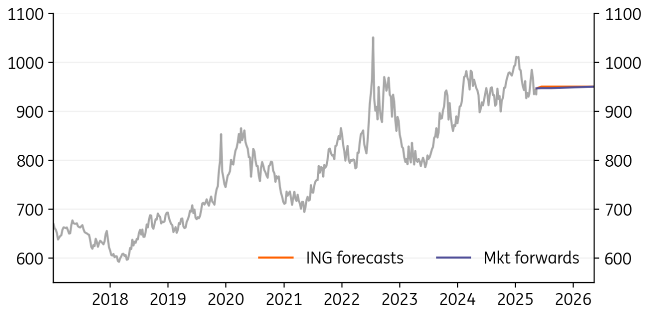
ING forecasts (mkt fwd)	1M 19.75 (19.66)	3M 20.00 (19.80)	6M 20.50 (20.02)	12M 20.50 (20.42)

Chris Turner, chris.turner@ing.com

USD/CLP

So far, so good on the copper story

Current spot: 946.48



Source: Refinitiv, ING forecasts

- So far, it seems like Chile has been one of the beneficiaries of the US tariff story, where it can continue to export its copper tariff-free to the US. It's not clear whether that will continue to be the case when the US Commerce Dept reports back on the subject of copper imports being a threat to national security. For the time being, copper prices are staying quite high and Chile can still export to the US – all good.
- The central bank sounds like it wants to cut rates some more. Some expect 50-75bp in a 5.00% policy rate in the second half. We have presidential and parliamentary elections in November. And we suspect the central bank wants to rebuild FX reserves should USD/CLP near 900. We now tend to favour a 900-1000 range.

ING forecasts (mkt fwd)	1M 950 (946.67)	3M 950 (946.97)	6M 950 (947.58)	12M 950 (950.08)

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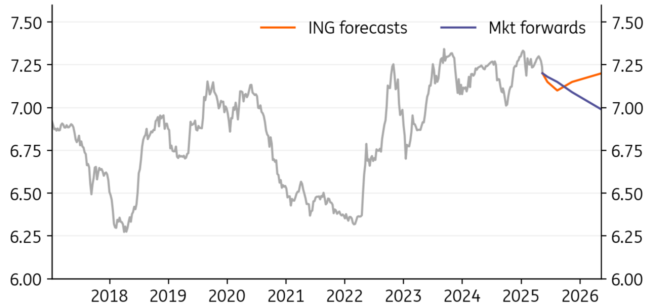
Asia

USD/CNY

CNY outlook to improve post-tariff de-escalation

Current spot: 7.2008



Source: Refinitiv, ING forecasts

- USD/CNY fell from the 7.35 high in April to as low as 7.21 over the past month. Tariff developments and PBoC policy were the main catalysts.
- We expect the China-US trade war de-escalation will help the yuan recover, after underperforming for much of the year. The PBoC looks set to remain committed to currency stabilisation in both directions.
- De-escalation represents an upgrade to the medium-term outlook, and may spark capital inflows, while US rate cuts could help further support CNY strengthening. We hold our call for a 7.00-7.40 fluctuation band for the year.

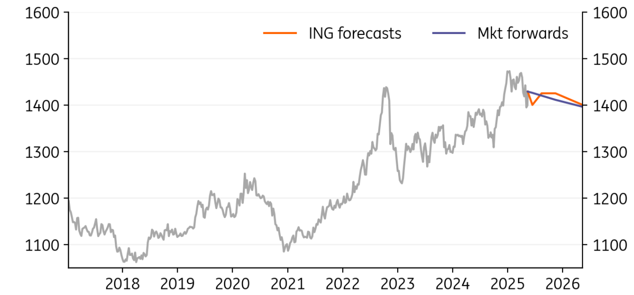
ING forecasts (mkt fwd)	1M 7.15 (7.1828)	3M 7.10 (7.1490)	6M 7.15 (7.0943)	12M 7.20 (6.9858)

Lynn Song, lynn.song@asia.ing.com

USD/KRW

The KRW seemingly peaked out, but still under pressure

Current spot: 1428.72



Source: Refinitiv, ING forecasts

- USD/KRW's sudden drop to 1,380 in early May was short-lived. Domestic political uncertainty has improved since early April, and the dividend season has passed.
- With the resignations of key government officials, trade talks are likely to stall while the nation enters election campaign mode. The long-awaited supplementary budget was passed and should cushion any further fallout.
- With FX stabilising and headwinds from external demand intensifying, the Bank of Korea is likely to cut its policy rate in May.

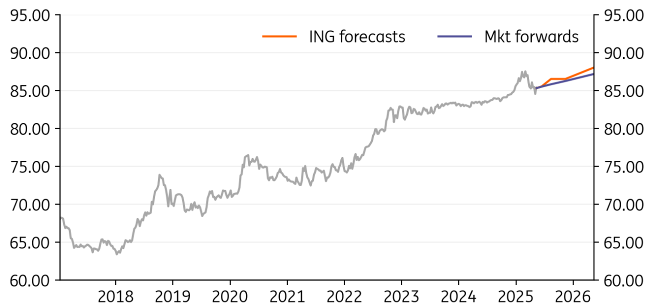
ING forecasts (mkt fwd)	1M 1400 (1425.71)	3M 1425 (1419.57)	6M 1425 (1411.41)	12M 1400 (1396.32)

Min Joo Kang, min.joo.kang@asia.ing.com

USD/INR

More volatility in the near term

Current spot: 85.30



Source: Refinitiv, ING forecasts

- The Indian rupee underperformed most of the region and appreciated by just 1.1% vs the USD last month. FIIs were net sellers of both equity and debt in April. Escalated geopolitical tensions between India and Pakistan in the last week led to some reversal of almost 2% gains in INR vs USD.
- India secured a bilateral trade deal with the UK, boosting market confidence. The deal focuses on tariff reductions for British and Indian goods across almost all sectors. including whisky, medical devices, advanced machinery and cars.
- Looking ahead, we think two-way volatility is likely, but overall, the Reserve Bank of India's renewed focus on FX reserve accumulation, slower GDP growth this year as the impact of tariffs filters through, and geopolitical uncertainty should all mean the currency pair finds a floor around current levels and moves up from here.

ING forecasts (mkt fwd)	1M 85.50 (85.48)	3M 86.50 (85.80)	6M 86.50 (86.23)	12M 88.00 (87.15)

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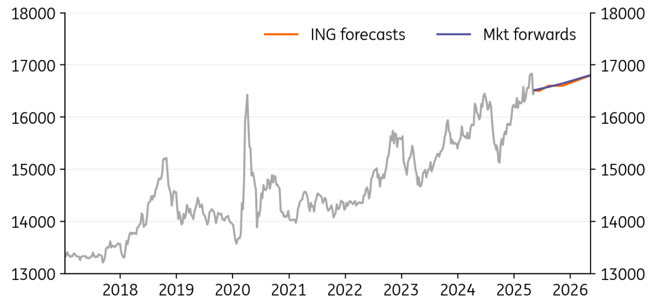
USD/IDR

The IDR could face more downward pressure

Current spot: 16515



Source: Refinitiv, ING forecasts

- After depreciating sharply in April, driven by persistent portfolio outflows both in equity and bond markets, the Indonesian rupiah did find some support recently from the broad USD selling. However, we think the currency pair is likely to find a floor at current levels, given that risk sentiment remains weak around the domestic story.
- Seasonal dividend repatriation flows in the second quarter could add further pressure on the IDR in the near term. Indonesia's foreign exchange reserves fell by over $4bn in April, indicating large intervention by Bank Indonesia to support the local currency.
- Rising risks to growth from tariffs and an uncertain investment climate, combined with domestic policy uncertainty, increase the risks of higher-than-expected rate cuts, which again is unlikely to support the rate-sensitive IDR.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	16500 (16536)	16600 (16578)	16600 (16645)	16800 (16805)

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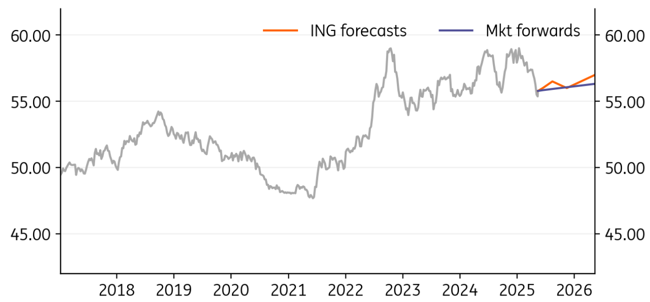
USD/PHP

The BSP unlikely to cap peso strength

Current spot: 55.78



Source: Refinitiv, ING forecasts

- The Philippine peso appreciated 3% last month vs the USD, largely driven by USD weakness. While the Philippines is largely a domestic demand-driven economy, tariffs and the global trade slowdown are likely to impact export growth and BPO business negatively in 2025.
- A lower-than-expected inflation trajectory, stronger-than-expected local currency, and high real rates – combined with uncertainty on global growth – all suggest a deeper rate cut cycle. We now expect the policy rate to reach 4.75% by the end of the year, which should contain PHP appreciation.
- Balance of Payments (BoP) weakness persisted into the first quarter of 2025. Consequently, we anticipate the PHP to exhibit a mild depreciation bias. However, this view could be challenged by potential further USD weakness and comments from the Bangko Sentral ng Pilipinas indicating limited intervention to curb peso strength in such a scenario.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	56.00 (55.84)	56.50 (55.93)	56.00 (56.06)	57.00 (56.32)

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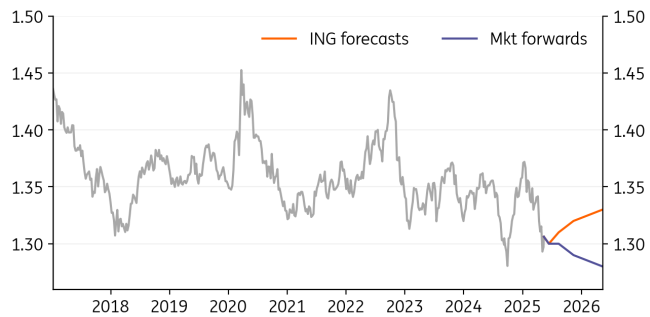
USD/SGD

Weaker growth opens room for more monetary easing

Current spot: 1.3061



Source: Refinitiv, ING forecasts

- Singapore indeed managed to avoid the worst of the US tariffs, receiving the lowest retaliatory tariff rate of 10%. However, its heavy reliance on global trade suggests both GDP growth and inflation should weaken meaningfully in 2025.
- More fiscal and monetary support is likely on its way. The Monetary Authority of Singapore has eased monetary policy twice in a row via a reduction in the S$NEER slope, and we expect another move in the third quarter.
- 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 1.30-1.34 range in the next 12 months.

ING forecasts (mkt fwd)	1M	3M	6M	12M
	1.30 (1.3038)	1.31 (1.2992)	1.32 (1.2919)	1.33 (1.2792)

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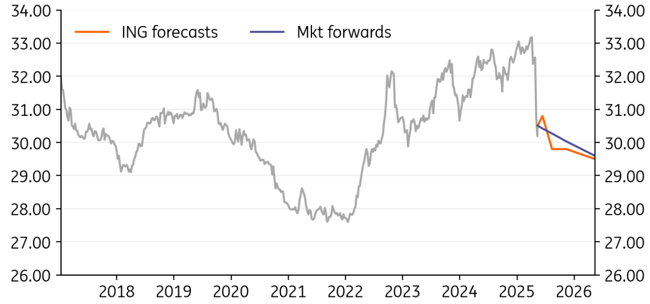
USD/TWD

Rush to hedge drove the biggest surge in TWD in decades



Source: Refinitiv, ING forecasts

Current spot: 30.51

- The USD/TWD pair finally broke out of its holding pattern, falling to as low as 29.6 before rebounding to above 30 again amid a broader USD recovery.
- The sudden Taiwan dollar appreciation was primarily tied to hedging activity. Taiwan investors were under-hedging currency risks compared to historical averages, reportedly with 62-64% hedging ratios on average versus a 60-80% historical range. Many investors had been positioned long USD as well, given the yield spreads, and this led to high hedging costs. Upon USD weakness, a rush to hedge drove the TWD much stronger.
- Domestic drivers of the TWD favour appreciation. Equity market net inflows returned, while yield spreads mostly narrowed over the past month. Dividend payments could add to near-term outflow pressures, but the Central Bank of the Republic of China will likely try to stabilise the currency and avoid further violent moves.

ING forecasts (mkt fwd)	**1M** 30.80 (30.42)	**3M** 29.80 (30.27)	**6M** 29.80 (30.03)	**12M** 29.50 (29.60)

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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	1.11	1.12	1.13	1.13	1.13						
EUR/JPY	164	165	160	160	156	USD/JPY	148	147	142	142	138
EUR/GBP	0.84	0.84	0.85	0.86	0.87	GBP/USD	1.32	1.33	1.33	1.31	1.30
EUR/CHF	0.93	0.92	0.92	0.94	0.95	USD/CHF	0.84	0.82	0.81	0.83	0.84
EUR/NOK	11.56	11.50	11.50	11.40	11.10	USD/NOK	10.41	10.27	10.18	10.09	9.82
EUR/SEK	10.82	10.75	10.75	10.60	10.50	USD/SEK	9.75	9.60	9.51	9.38	9.29
EUR/DKK	7.46	7.46	7.46	7.46	7.46	USD/DKK	6.72	6.66	6.60	6.60	6.60
EUR/CAD	1.55	1.57	1.57	1.56	1.55	USD/CAD	1.40	1.40	1.39	1.38	1.37
EUR/AUD	1.73	1.72	1.74	1.74	1.74	AUD/USD	0.64	0.65	0.65	0.65	0.65
EUR/NZD	1.89	1.90	1.92	1.88	1.88	NZD/USD	0.59	0.59	0.59	0.60	0.60
EMEA											
EUR/PLN	4.25	4.19	4.2	4.25	4.25	USD/PLN	3.83	3.74	3.72	3.76	3.76
EUR/HUF	405.1	408	410	418	422	USD/HUF	364.8	364	363	370	373
EUR/CZK	24.95	24.95	24.95	24.85	24.75	USD/CZK	22.47	22.3	22.1	22.0	21.9
EUR/RON	5.10	4.98	4.98	4.98	5.04	USD/RON	4.59	4.45	4.41	4.41	4.46
EUR/RSD	117.23	117.11	117.10	117.07	117.05	USD/RSD	105.56	104.56	103.63	103.60	103.58
EUR/UAH	46.05	46.70	47.35	47.35	47.46	USD/UAH	41.47	41.70	41.90	41.90	42.00
EUR/KZT	565.3	571.2	587.6	593.3	604.6	USD/KZT	509.1	510	520	525	535
EUR/TRY	43.14	43.90	45.48	47.46	52.15	USD/TRY	38.80	39.20	40.25	42.00	46.15
EUR/ZAR	20.32	20.72	21.47	21.47	21.47	USD/ZAR	18.30	18.50	19.00	19.00	19.00
EUR/ILS	3.98	3.98	4.18	4.18	4.18	USD/ILS	3.59	3.55	3.70	3.70	3.70
LATAM											
EUR/BRL	6.30	6.50	6.67	6.78	6.78	USD/BRL	5.67	5.80	5.90	6.00	6.00
EUR/MXN	21.74	22.12	22.60	23.17	23.17	USD/MXN	19.57	19.75	20.00	20.50	20.50
EUR/CLP	1051.11	1064	1074	1074	1074	USD/CLP	946.48	950	950	950	950
Asia											
EUR/CNY	8.00	8.01	8.02	8.08	8.14	USD/CNY	7.20	7.15	7.10	7.15	7.20
EUR/IDR	18585	18480	18758	18758	18984	USD/IDR	16515	16500	16600	16600	16800
EUR/INR	94.73	95.76	97.75	97.75	99.44	USD/INR	85.30	85.50	86.50	86.50	88.00
EUR/KRW	1586.67	1568	1610	1610	1582	USD/KRW	1428.73	1400	1425	1425	1400
EUR/PHP	61.95	62.72	63.85	63.28	64.41	USD/PHP	55.78	56.00	56.50	56.00	57.00
EUR/SGD	1.45	1.46	1.48	1.49	1.50	USD/SGD	1.31	1.30	1.31	1.32	1.33
EUR/TWD	33.88	34.50	33.67	33.67	33.34	USD/TWD	30.51	30.80	29.80	29.80	29.50

Source: Refinitiv, ING

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