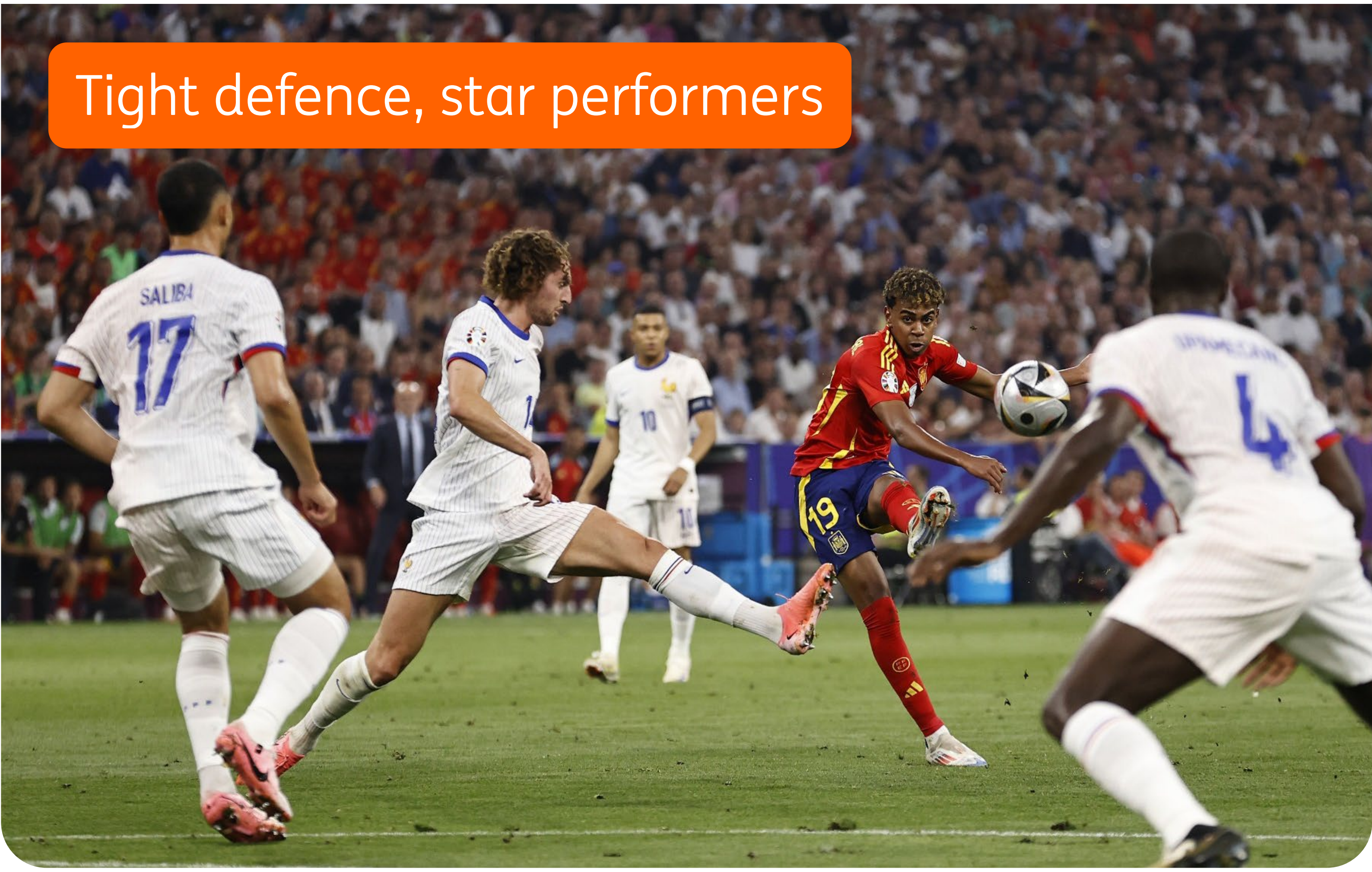
THINK Economic and Financial Analysis

FX Talking

July 2024

Tight defence, star performers



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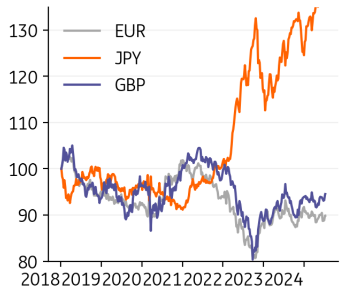
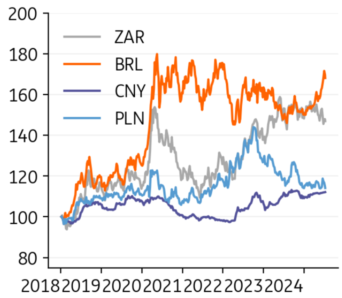
Tight defence, star performers

USD/Majors (Jan 18=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 18=100)



Source: Refinitiv, ING forecast

An FX market concerned with political risk on both sides of the Atlantic may keep taking cues from the defensive approach of many football teams at the ongoing Euros. And just as tight defences allow only a few attacking stars to shine, we expect markets to be selective and only favour currencies that can offer good fundamentals and/or hawkish domestic policy. Here's who we have in our FX squad this summer

The dichotomy between politics and monetary policy remains the central theme in FX. President Biden's debate fiasco and growing pressure on him to step down might encourage more pre-emptive rotations into the dollar in parallel with rising bets on a Donald Trump re-election, which is widely perceived as a positive for the greenback. That said, we suspect US macro can continue to be a bigger driver of the FX market in July and August. On the back of our economists' call for softer US data and a September Fed cut, there is room for selective performance in some procyclical currencies.

On the other shore of the Atlantic, French bonds have taken a breather after the election resulted in a hung parliament. We are not sure this calm will last, though, as fiscal concerns may end up being exacerbated by the political gridlock. We believe that means that the upside for EUR/USD is very limited despite the supportive Fed story.

In the rest of G10, we continue to like the Norwegian krone over the Swedish krona, and the Aussie and Kiwi dollars over the Canadian dollar. The highly undervalued yen may also start to recover as the Fed-BoJ gap could shrink. In EM, CEE currencies are looking generally attractive as central banks turn hawkish, and ZAR could find some more support. Domestic political uncertainty means a very tight window for gains in MXN and BRL, while some Asian currencies can have a few decent months before the US election.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.08	→	160	→	1.27	↓
3M	1.08	↓	157	↓	1.26	↓
6M	1.08	↓	153	↓	1.24	↓
12M	1.10	→	145	↓	1.25	↓
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.85	→	25.19	↓	4.25	↓
3M	0.86	↑	25.18	↓	4.21	↓
6M	0.87	↑	25.13	↓	4.25	↓
12M	0.88	↑	25.02	↓	4.30	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	7.28	↑	17.75	↓	5.35	↓
3M	7.23	↑	18.00	↓	5.50	↑
6M	7.26	↑	18.50	↑	5.50	↓
12M	7.18	↑	18.50	↓	5.50	↓

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

Source: Refinitiv, ING forecast

FX performance

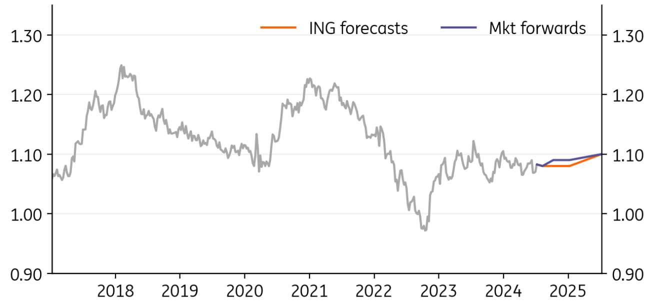
	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	0.7	2.8	0.3	0.3	2.1	-0.9
%YoY	-1.6	14.3	-1.2	0.0	1.0	2.7
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	0.3	0.6	-0.5	-2.0	-2.8	1.0
%YoY	0.3	5.1	3.5	-4.3	-3.8	10.7

Source: Refinitiv, ING forecast

Developed markets

EUR/USD

Limited potential | **Current spot: 1.0820**



Source: Refinitiv, ING forecasts

- The French election resulted in a hung parliament, a somewhat unintuitively pro-market result. But given fiscal concerns, markets had a preference for Marine Le Pen's alliance over the left-wing group to win more seats. The euro still faces downside risks during tricky coalition talks and given longer-term fiscal concerns.
- So, if you are searching for a star performer, look elsewhere than the euro. Aside from political uncertainty, eurozone activity surveys are starting to lose steam; and an ECB that relies on its own (optimistic) inflation projections can still cut twice in 2024.
- We believe any US-macro-driven rally close to 1.10 will offer opportunities for strategic EUR/USD selling this summer.

ING forecasts (mkt fwd)	1M 1.08 (1.0837)	3M 1.08 (1.0868)	6M 1.08 (1.0917)	12M 1.10 (1.1000)

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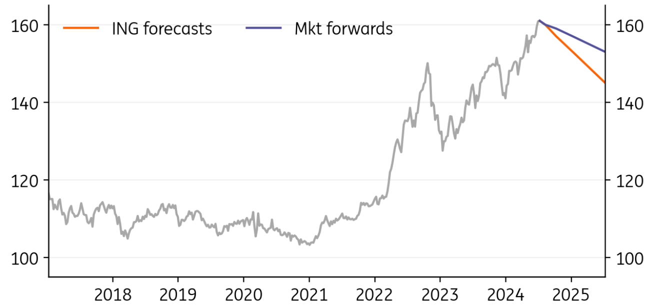
USD/JPY

Time for the BoJ to step in? | **Current spot: 161.42**



Source: Refinitiv, ING forecasts

- Observing the yen's most recent demise, it is clear that Japan's verbal interventions are ineffective. Despite some softer US data, speculative selling pressure on the yen remains elevated.
- Periods of quiet volatility may continue to push USD/JPY higher, with a new line in the sand for intervention now close to 165, in our view. Crucially, large FX sales in 2Q proved to be only a temporary solution, meaning more pressure on the BoJ to hike.
- Markets are pricing in 6bp for the 31 July Bank of Japan meeting. We are more hawkish, narrowly favouring a 15bp July hike and another move by year-end. The BoJ can help the yen, although our bearish USD/JPY profile primarily relies on Fed cuts.

ING forecasts (mkt fwd)	1M 160 (160.28)	3M 157 (158.88)	6M 153 (156.70)	12M 145 (153.26)

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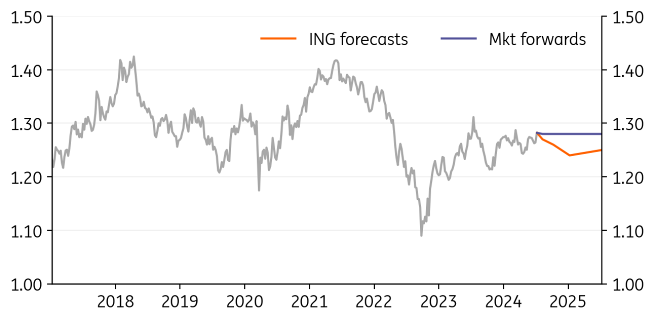
GBP/USD

BoE on track to cut in August | **Current spot: 1.2810**



Source: Refinitiv, ING forecasts

- The two-year GBP:USD swap rate is some 25bp below its March levels and almost 80bp below its August 2023 levels, which were the last two instances where GBP/USD traded in the current region. In other words, Cable is looking a bit expensive.
- Most importantly, we doubt there is much support on the way from Bank of England pricing. We see the MPC deliver a 25bp rate cut in August after the recent dovish tweak in communication, and to follow up with two more cuts by year-end.
- The pound has also been rather sensitive to French political risks, which may not dissipate soon. All in all, we do not see GBP/USD as an attractive way to play any US-macro-driven dollar decline.

ING forecasts (mkt fwd)	1M 1.27 (1.2814)	3M 1.26 (1.2820)	6M 1.24 (1.2828)	12M 1.25 (1.2833)

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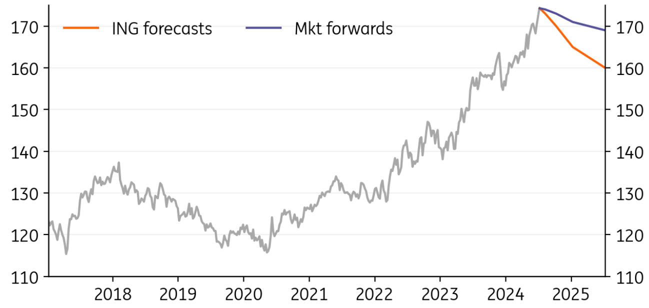
EUR/JPY

Not lacking arguments for a decline

Current spot: 174.70



Source: Refinitiv, ING forecasts

- Speculative, carry-driven pressure on the yen has out-shadowed French elections and sent EUR/JPY above the 170.0 highs in 2008.
- Things can change now if we are right with our views for a 15bp rate hike by the BoJ this month, a further softening in US data (generally, a EUR/JPY net-negative), and lingering EZ political risk.
- Still, we admit a BoJ hike in July is a very close call and cannot ignore the clear tendency to test Japanese officials' new tolerance levels on the yen. While our macro calls lead us to forecast a recovery in the highly undervalued yen, the path to a structurally lower EUR/JPY should not be a smooth one, and there are upside risks to our downward-sloping base case scenario.

ING forecasts (mkt fwd)	1M 173 (173.70)	3M 170 (172.66)	6M 165 (171.08)	12M 160 (168.58)

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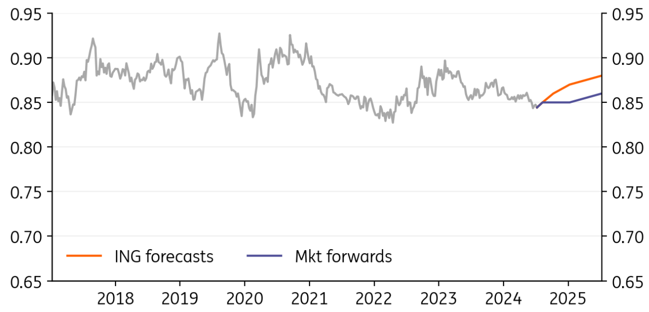
EUR/GBP

Cheap, but patience still needed

Current spot: 0.8446



Source: Refinitiv, ING forecasts

- Our bullish profile for EUR/GBP remains primarily a function of our more dovish call for BoE easing (75bp), against only 50bp by the ECB. The pair is already trading significantly on the cheap side compared to its short-term rate differential.
- As we discuss [here](), the new British government is facing a significant public finance challenge, which might lead to higher taxation already in the first year – a GBP negative.
- Still, we are aware more patience may be needed to see EUR/GBP trade higher, mostly due to the prolonged political uncertainty affecting the euro. Monetary policy divergence should still drive the pair back to the 0.86+ 2024 highs before year-end.

ING forecasts (mkt fwd)	1M 0.85 (0.8457)	3M 0.86 (0.8477)	6M 0.87 (0.8510)	12M 0.88 (0.8571)

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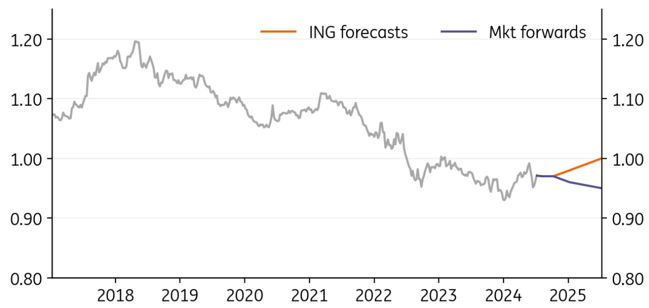
EUR/CHF

Low inflation softens franc

Current spot: 0.9712



Source: Refinitiv, ING forecasts

- EUR/CHF has rebounded from the mid-June 0.9500 lows thanks to a surprise 25bp rate cut by the Swiss National Bank, sub-consensus inflation and the unwinding of safe-haven positions on French politics.
- With core CPI falling to 1.1% in June, markets are pricing in 60% chances of a September cut. Total expected easing by year-end remains around 25bp, though, meaning markets agree with us that the SNB will slow easing as it approaches the neutral rate.
- EUR/CHF may be left without much sense of direction after an eventful June. The SNB's threat to intervene against fresh CHF appreciation should put a floor to the pair, but lingering EU political risk argues against big rallies for now.

ING forecasts (mkt fwd)	1M 0.97 (0.9691)	3M 0.97 (0.9650)	6M 0.98 (0.9588)	12M 1.00 (0.9481)

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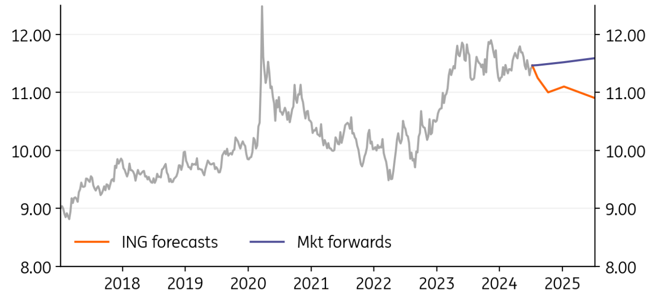
EUR/NOK

Krone can be a star **Current spot: 11.53**



Source: Refinitiv, ING forecasts

- We retain a preference for NOK over SEK, and see the Norwegian currency particularly well positioned for a rally in high-beta FX driven by lower USD rates. More details in this note.
- A hawkish Norges Bank (in stark contrast with the Riksbank) is a key factor that can support NOK, which has incidentally lower direct exposure to EU political risk than SEK, EUR or GBP.
- Norges Bank should remain hawkish this summer, and the declining FX purchases are unlocking more upside room for NOK. We cannot exclude that by the time the Fed cuts in September (as per our forecasts) EUR/NOK will trade as low as 11.00.

ING forecasts (mkt fwd)	**1M** 11.25 (11.47)	**3M** 11.00 (11.49)	**6M** 11.10 (11.52)	**12M** 10.90 (11.59)

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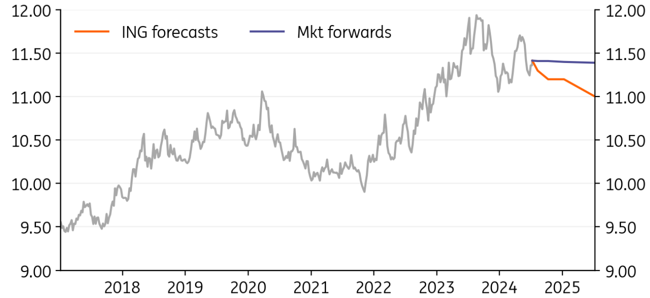
EUR/SEK

Riksbank can cut another 75bp **Current spot: 11.42**



Source: Refinitiv, ING forecasts

- Swedish inflation is set to drop substantially in the June print: consensus expect headline CPIF well below 2% and CPIF excluding energy at 2.5%. The rest of the macro picture is grim: growth was soft in May and unemployment is well above 8%.
- A dovish Riksbank has virtually no reasons to scale back on easing plans. They are projecting two or three cuts by year-end: recent data are reinforcing our call for three.
- As mentioned above, we strongly prefer NOK over SEK in a scenario where US data continues to soften. The prospect of RB cuts and weaker fundamentals can limit the upside for SEK.

ING forecasts (mkt fwd)	**1M** 11.30 (11.41)	**3M** 11.20 (11.41)	**6M** 11.20 (11.40)	**12M** 11.00 (11.39)

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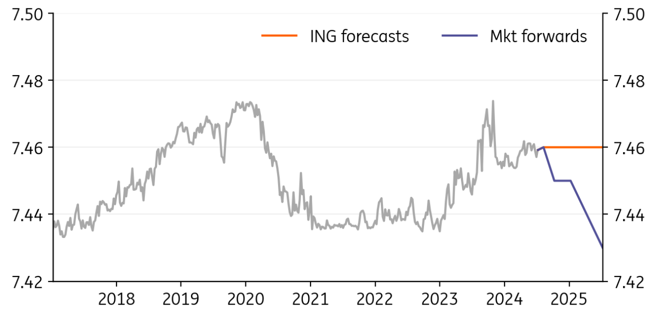
EUR/DKK

Unchanged 7.46 profile **Current spot: 7.459**



Source: Refinitiv, ING forecasts

- The turmoil in eurozone markets in June did not translate into any sort of volatility in EUR/DKK, and Danmarks Nationalbank continued to steer away from FX intervention.
- Our economics team is still expecting 50bp of easing by the ECB this year, and there are no reasons to expect Danmarks Nationalbank to diverge from the ECB's plans.
- We are keeping our EUR/DKK profile unchanged at 7.46 in the near and long-term.

ING forecasts (mkt fwd)	**1M** 7.46 (7.4571)	**3M** 7.46 (7.4524)	**6M** 7.46 (7.4455)	**12M** 7.46 (7.4338)

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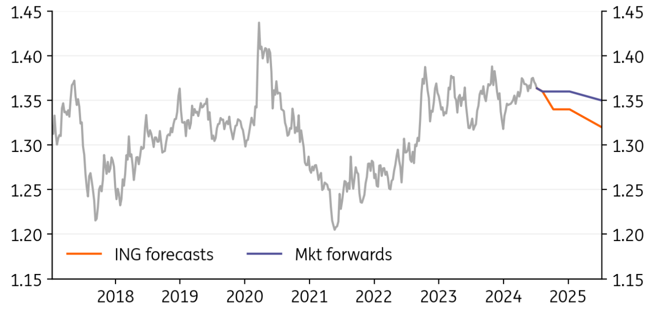
USD/CAD

Cannot exclude a July BoC cut

Current spot: 1.3641



Source: Refinitiv, ING forecasts

- Our latest forecast saw Bank of Canada cuts in September, October and December. But the latest hiring contraction and rise in unemployment to 6.2% has put a July cut on the table.
- Markets are pricing in 16bp of easing for July: we think the deciding factor will be the June inflation report on 16 July, after May's figures came in a bit higher than expected.
- Still, market pricing for total BoC easing in 2024 looks conservative: 55bp versus our call for 75bp. There is therefore ample room for dovish repricing along the way. We think CAD will continue to underperform other commodity currencies due the domestic story and its lower sensitivity to a decline in USD rates.

ING forecasts (mkt fwd)	1M 1.36 (1.3631)	3M 1.34 (1.3610)	6M 1.34 (1.3578)	12M 1.32 (1.3530)

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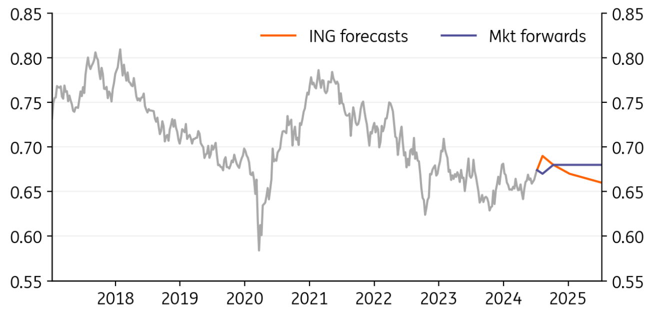
AUD/USD

Rally can extend this summer

Current spot: 0.6750



Source: Refinitiv, ING forecasts

- Higher chances of Trump winning in November spell trouble for the China-sensitive AUD in the longer run. But the tactical picture hinges much more on US macro and domestic central banks.
- The RBA is perhaps facing the worst inflation issue in G10, with consistently hot monthly CPI prints taking it closer to another hike. 31 July will be the decisive day: 2Q CPI data are out, and if they surprise on the upside, we think the RBA will hike in August.
- Even if another hike can be averted, the prospect of cuts is increasingly remote. Given our view that markets will reward currencies with hawkish central banks, AUD still has room to run this summer, before the US election becomes too close to ignore.

ING forecasts (mkt fwd)	1M 0.685 (0.6745)	3M 0.680 (0.6755)	6M 0.670 (0.6765)	12M 0.660 (0.6769)

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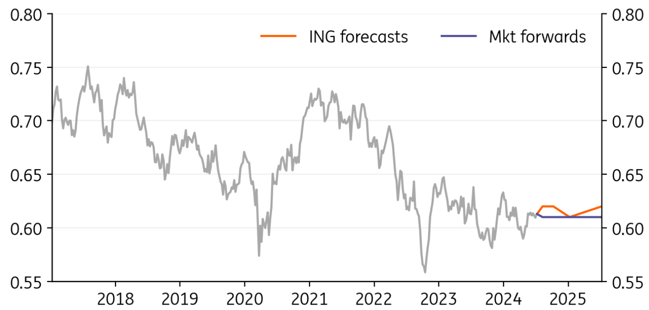
NZD/USD

RBNZ less hawkish, but cuts fully priced in

Current spot: 0.6090



Source: Refinitiv, ING forecasts

- The Reserve Bank of New Zealand surprised with a dovish shift in its July statement, showing greater confidence on disinflation and rising concerns on activity weakness. This probably points to two rate cuts this year, which are – however - fully priced in.
- We cannot exclude that the RBNZ took a peek at 2Q CPI before the July meeting, but based on our estimates, non-tradable CPI should print above the 5.3% RBNZ estimate.
- The RBNZ dovish tilt means NZD may lag AUD. However, with rates at 5.50%, more than two cuts already in the price for this year (60bp), potential upside surprises in service and marked undervaluation, we remain bullish on NZD/USD this summer.

ING forecasts (mkt fwd)	1M 0.625 (0.6126)	3M 0.620 (0.6126)	6M 0.610 (0.6125)	12M 0.620 (0.6120)

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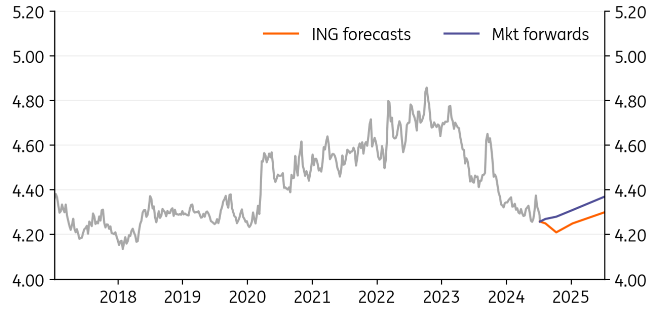
Emerging markets

EUR/PLN

More scope for PLN gains **Current spot: 4.25**



Source: Refinitiv, ING forecasts

- We expect the €/PLN rate to move close to 4.22 during the summer. The zloty remains supported by relatively weak dollar and the unexpected tightening rhetoric of the National Bank of Poland, extinguishing expectations of any rate cuts this year and limiting scope for 2025 easing as well.
- We are also counting on the rebuilding of carry trade positions. After large losses in LatAm, investors should seek PLN as a way to diversify.
- Geopolitical concerns, mainly related to the US presidential election, remain the key risk in the year-end, suggesting some PLN weakening in 4Q24.

ING forecasts (mkt fwd)	1M 4.25 (4.2660)	3M 4.21 (4.2814)	6M 4.25 (4.3119)	12M 4.30 (4.3692)

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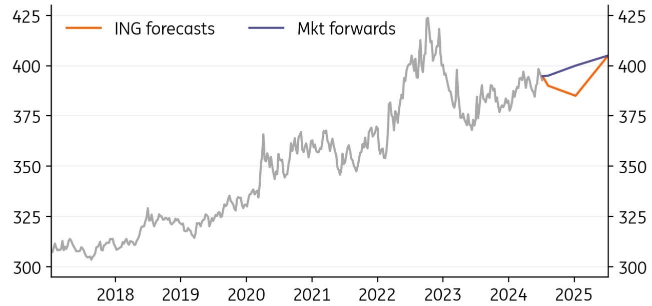
EUR/HUF

Both fiscal and monetary policies to support the HUF **Current spot: 393.50**



Source: Refinitiv, ING forecasts

- The forint's weakening in early July is clearly a country-specific move, as the government has introduced some new sources of revenue that could impact the banking, energy, and retail sectors, which creates some pro-inflationary risk in the future.
- What has been somewhat forgotten is the significant cut in public investments, once again. This should improve the fiscal outlook, a positive development from an FX perspective.
- We believe that the National Bank of Hungary will pause its easing cycle amid heightened financial market volatility and unfavourable developments in underlying inflation. Thus, we see enough reasons to be bullish on the HUF for the rest of the year.

ING forecasts (mkt fwd)	1M 390 (395.33)	3M 388 (397.17)	6M 385 (399.93)	12M 405 (405.32)

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EUR/CZK

The CNB cuts make CZK unattractive amid fragile recovery **Current spot: 25.32**

Source: Refinitiv, ING forecasts

- Concerns about overly tight monetary policy led the Czech National Bank to cut rates by 50bp in June, which led to a CZK depreciation of more than 3%.
- The narrowing interest rate differential reduces the attractiveness of the CZK and we see this as an obstacle to future appreciation. For the next meeting, we expect the CNB to slow the pace of rate cuts, but further weakness may put a pause in rate cuts into the discussion.
- In the medium term, economic recovery and improvement in the current account should support FX. But recent numbers show only a cautious recovery for now, which remains a risk.

ING forecasts (mkt fwd)	1M 25.2 (25.25)	3M 25.2 (25.28)	6M 25.1 (25.30)	12M 25.0 (25.35)

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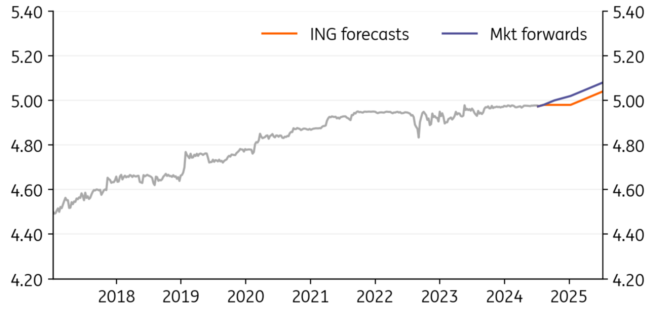
EUR/RON

Likely to remain in place

Current spot: 4.9727



Source: Refinitiv, ING forecasts

- EUR/RON was again stable in the range of 4.9715-4.9860. A departure from current levels continues to remain unlikely in the short run. Inflation has behaved better than expected recently but some of the gains will be lost in July due to higher fuel excise duties and gas transportation costs. Non-food and services inflation remain the main headaches for the NBR, and FX depreciation is unlikely to be on the table in the short run.
- Strong retail sales growth, double-digit wage growth, the persistent fiscal slippage and a likely increase in the tax burden next year continue to pose upside risks for inflation, keeping the needs for FX stability in place further down the line.
- All told, we continue to expect the NBR to keep its tight grip on the currency for the foreseeable future. The chances of crossing the 5.00 level until autumn are still slim, we think.

ING forecasts (mkt fwd)	1M 4.98 (4.9817)	3M 4.98 (4.9982)	6M 4.98 (5.0217)	12M 5.04 (5.0773)

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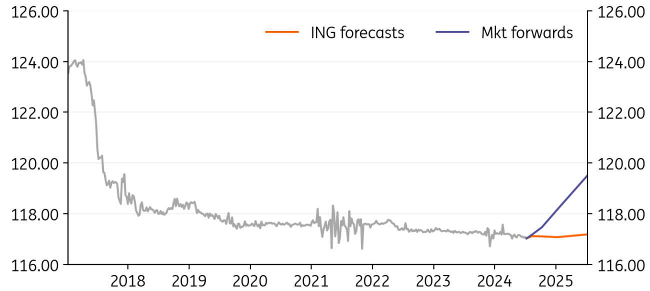
EUR/RSD

No major deviations expected

Current spot: 117.05



Source: Refinitiv, ING forecasts

- RSD picked up slightly vs EUR, in the range of 116.93-117.27. Key positives relate to inflation developments and an outlook upgrade by S&P from stable to positive. Interventions from the central bank likely cushioned more volatile developments.
- The latest EU-mediated discussion attempts with Kosovo planned for late-June failed before they even started, and the situation continues to remain uncertain. That said, upside potential for RSD ahead is set to come from policymakers' aspiration to continue to improve the macro fundamentals (which are already in good shape) in order for Serbia to get an investment grade this year.
- Intervention-driven stability from the central bank is likely to keep RSD relatively flat ahead, with the capital inflows' impact on the currency is likely to remain muted.

ING forecasts (mkt fwd)	1M 117.11 (117.16)	3M 117.10 (117.46)	6M 117.07 (118.16)	12M 117.18 (119.51)

Stefan Posea, tiberiu-stefan.posea@ing.com

USD/UAH

Weak hryvnia fundamentals

Current spot: 40.69

Source: Refinitiv, ING forecasts

- The hryvnia remains vulnerable in the short and medium term. While global sentiment towards EM FX improved, the Ukrainian currency remains undermined by domestic fundamentals. Easing delivered by the National Bank of Ukraine suggests that the central bank is no longer focussed on stabilising the hryvnia, as long as inflation is under control. NBU interventions remain relatively high but are unlikely to prevent further hryvnia losses.
- A persistent current account deficit is unlikely to improve any time soon and calls for further depreciation of the hryvnia in the long term. US presidential elections may prove an additional risk, as some investors fear that Trump may soften the US stance on Russia.

ING forecasts (mkt fwd)	1M 40.80 (41.19)	3M 41.00 (42.32)	6M 41.50 (43.90)	12M 42.00 (47.07)

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USD/KZT

Scale of depreciation exceeds expectations

Current spot: 478.3

Source: Refinitiv, ING forecasts

- The tenge lost around 5.5% to USD in June, exceeding our expectations, and kept dropping in early July. We had warned some depreciation was possible, but the scale of the actual move suggests that the list of contributing factors may be larger.
- Although the depreciation move was evident since late-May and was related to declining FX sales out of the sovereign fund from $1.1bn in April to $0.8bn in May and $0.4bn in June, since 12 June pressure on KZT may have been intensified by a new round of sanctions against Russia, which may have triggered a repatriation of Russian capital from several trade partner countries.
- The sharp drop in KZT somewhat lowers the risks of further softness in coming months. But we keep our long-term call for KZT depreciation amid lower FX sales out of the sovereign fund.

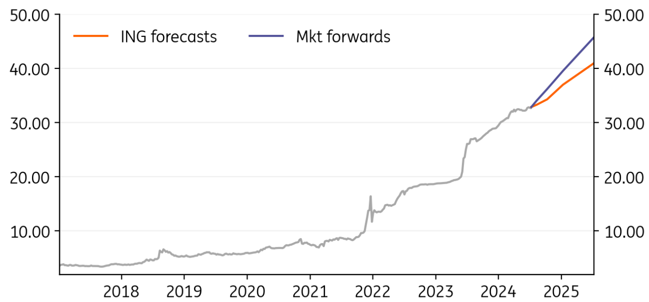
ING forecasts (mkt fwd)	1M 475 (483.73)	3M 480 (489.99)	6M 490 (498.90)	12M 490 (516.30)

Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

Inflation on a downtrend in the second half of the year

Current spot: 32.95



Source: Refinitiv, ING forecasts

- Annual inflation dropped more than expected in June and is likely to drop rapidly with the large base in the remainder of this year.
- The extent of decline will be determined by administrative price adjustments as we saw in the beginning of this month with a 38% increase in electricity prices. The cumulative effect on the headline is expected to be around 1ppt. In addition to a possible hike in natural gas prices, revisions in the special consumption tax on certain products will weigh on the pace of decline. However, the lagged effects of monetary tightening on credit and domestic demand and the real appreciation of the TL are factors that are likely to keep the underlying inflation trend on a downward path.
- We think that inflation may be close to the upper band of the Central Bank of Turkey's forecast range at 42% by the end of 2024, assuming currency stability and no exogenous shock. The CBT is likely to maintain a tight stance with the policy rate at 50% in the near term, while keeping the funding cost and ON repo rate close to the policy rate via liquidity policy, in our view.

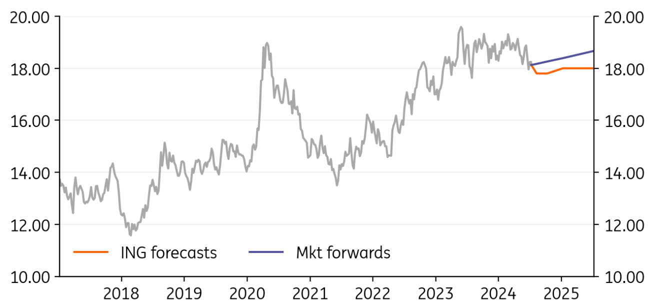
ING forecasts (mkt fwd)	1M 33.30 (34.06)	3M 34.30 (36.20)	6M 37.00 (39.56)	12M 41.00 (45.79)

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

USD/ZAR

Surprise rand rally can last longer

Current spot: 18.07



Source: Refinitiv, ING forecasts

- The rand's stellar performance in the past month has been unmatched by any other major currency, as markets took an optimistic view on the reformist ability of the new governing coalition, which has left out the most left-wing parties.
- Looking at this summer, it appears ZAR can continue to find support, thanks to its strong inverse correlation to lower USD yields and expectations that SABR won't cut before the Fed.
- However, coalitions are a new experience for South Africa, and there is a risk markets have got ahead of themselves on policy expectations. Underlying economic headwinds remain and can come back to haunt the rand in the longer run.

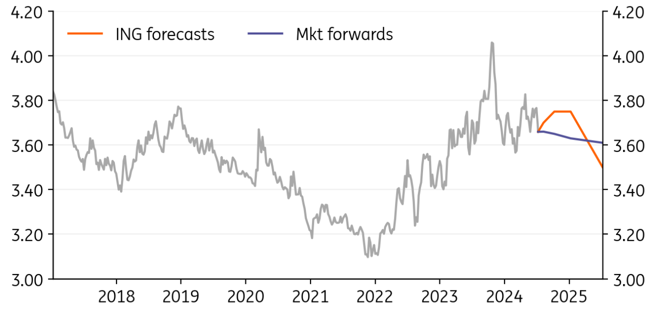
ING forecasts (mkt fwd)	1M 17.80 (18.17)	3M 17.80 (18.26)	6M 18.00 (18.39)	12M 18.00 (18.67)

Francesco Pesole, francesco.pesole@ing.com

USD/ILS

Hawkish BoI as longer war expected

Current spot: 3.67



Source: Refinitiv, ING forecasts

- The Bank of Israel signalled a more hawkish policy path in July, as policymakers now see the war in Gaza extending into 2025. This likely mirrors expectations of Israel's top government officials.
- The shekel seems to be drawing some benefits from the prospects of prolonged tight policy and generally positive risk sentiment for EM FX. There are still around 12bp of easing priced into the ILS curve by year-end, but our view is that the BoI won't tweak its policy rate before next year.
- Despite a better yield profile, the economic impact of a longer conflict in Gaza and risks of an escalation on the Lebanese front means a stabilisation in USD/ILS is more likely than a decline.

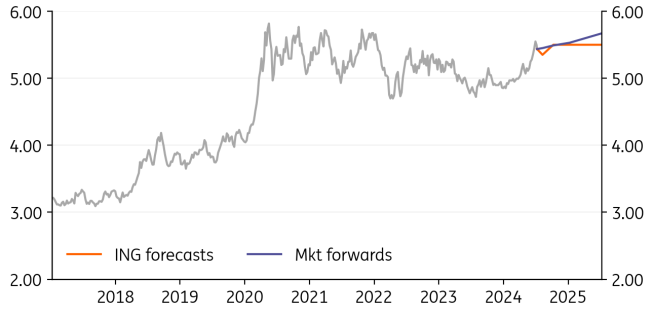
ING forecasts (mkt fwd)	**1M** 3.70 (3.6583)	**3M** 3.75 (3.6477)	**6M** 3.75 (3.6327)	**12M** 3.50 (3.6053)

Francesco Pesole, francesco.pesole@ing.com

LATAM

USD/BRL

Careful fiscal optimism — **Current spot: 5.42**



Source: Refinitiv, ING forecasts

- The Lula administration approved spending cuts to meet the fiscal framework in early July, helping a rebound in the BRL after a nearly two-month long depreciating streak.
- Markets are pricing in close to 150bp of hikes by BCB in the next twelve months, which seem too aggressive. At the same time, our rates colleagues believe that BCB has overshot the rate cutting process by around 50bp, and some tightening is needed.
- A dovish Fed repricing can help in the near term, but despite the improvement in the fiscal situation may only be temporary and Lula's threat to central bank independence remains a key risk. A return to 5.50 in the medium term remains our base case.

ING forecasts (mkt fwd)	1M 5.35 (5.4529)	3M 5.50 (5.4880)	6M 5.50 (5.5330)	12M 5.50 (5.6690)

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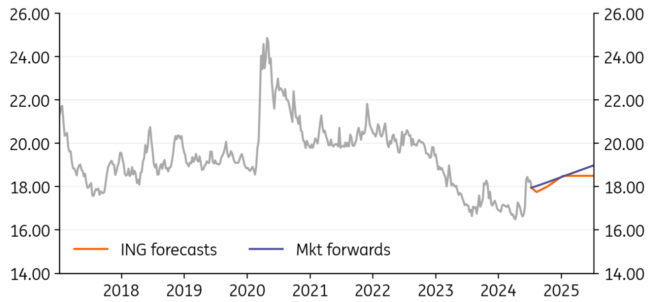
USD/MXN

Small window for MXN recovery — **Current spot: 17.83**



Source: Refinitiv, ING forecasts

- USD/MXN is back below 18.0 after some efforts by newly elected President Claudia Sheinbaum to turn more market-friendly. Still, the degree of uncertainty for policy expectations remains high.
- Speculative net-longs on MXN have also started to rebound, and the more balanced positioning now may offer more flexibility to benefit from softer US data in the short term.
- But aside from domestic political uncertainty, we have quite dovish expectations on Banxico, and think markets are underestimating chances of a 25bp cut in August and the whole policy path beyond. Rising Trump re-election chances also bode ill for the highly exposed MXN in the medium term.

ING forecasts (mkt fwd)	1M 17.75 (18.03)	3M 18.00 (18.20)	6M 18.50 (18.47)	12M 18.50 (18.99)

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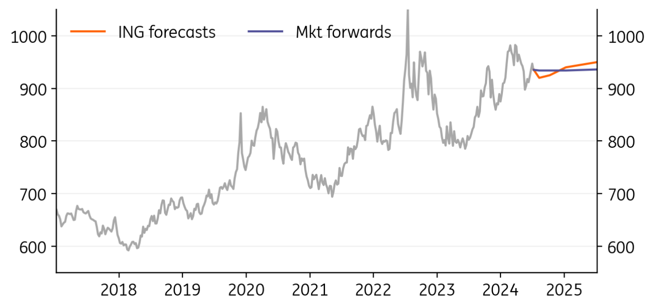
USD/CLP

Less volatile, but soft fundamentals — **Current spot: 930.40**



Source: Refinitiv, ING forecasts

- Chile's peso has followed the rebound in the Latam FX since the start of July, after having shown some relative resilience given turmoil in the region and a correction in copper prices in June.
- Banco de Chile has cut by 25bp at every policy meeting this year, and markets are expecting one cut from the next two meetings. Our rates team agrees with that, as they believe Chile's policymakers need a Fed rate cut before they can ease again.
- We remain reluctant to call for large CLP gains due to low FX reserves, a 4%+ current account deficit and our commodities teams' short-term bearish view on copper (slow China demand).

ING forecasts (mkt fwd)	1M 920 (933.80)	3M 925 (933.98)	6M 940 (934.28)	12M 950 (936.02)

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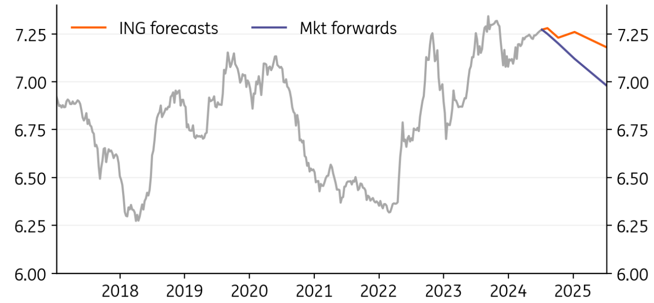
Asia

USD/CNY

Near-term weakness ahead of monetary policy moves **Current spot: 7.28**



Source: Refinitiv, ING forecasts

- USDCNY weakened over the past month from around 7.25 to 7.27, reflecting capital outflows amid market weakness and broader dollar strength. The People's Bank of China usage of the counter-cyclical factor hit a new high in July.
- Another month of soft data has increased the odds of easing in the next few months. However, the PBOC also announced it would start borrowing bonds to sell and try to cool the government bond rally. The net impact on yields is unclear.
- We are adjusting our CNY forecasts weaker as yield differentials will remain unfavourable until the Fed starts easing.

ING forecasts (mkt fwd)	1M 7.28 (7.2478)	3M 7.23 (7.1997)	6M 7.26 (7.1227)	12M 7.18 (6.9786)

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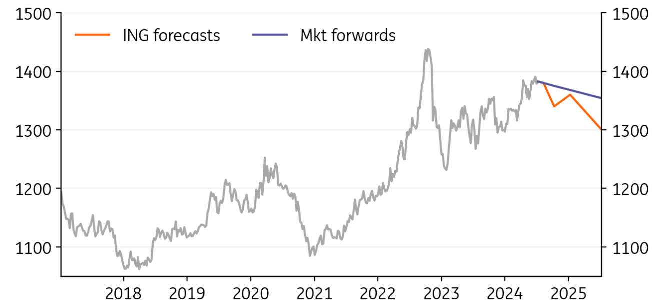
USD/KRW

KRW is likely to remain soft in the near term **Current spot: 1384.42**



Source: Refinitiv, ING forecasts

- The positive correlation between the KRW and the KOSPI has been broken so far this year. The tech-led export recovery is prominent, but not a dominant factor for the KRW.
- The KRW is likely to stick at the current levels in the near term as market expectations that the BoK could cut rates ahead of the Fed have risen. Our BoK base scenario is still for an October cut.
- If we are right about the BoK call, we expect a short window of appreciation to open up in 3Q24 as the slowdown in US data becomes clearer. But heightened uncertainty about US politics and policies will limit further appreciation of the KRW.

ING forecasts (mkt fwd)	1M 1380 (1379.88)	3M 1340 (1375.33)	6M 1360 (1367.92)	12M 1300 (1354.02)

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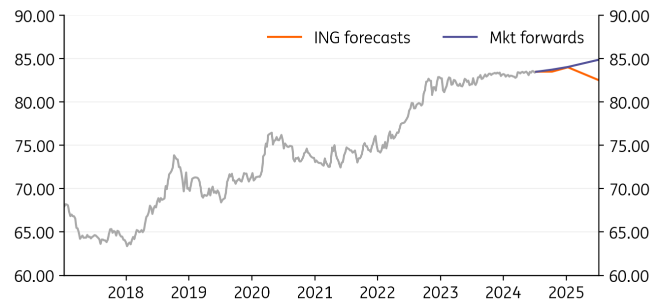
USD/INR

Back to range trading **Current spot: 83.48**



Source: Refinitiv, ING forecasts

- The Reserve Bank of India has continued to keep the INR pegged in a tight range over the last month. At its strongest, the INR has been about 83.3, at its weakest, about 83.7 and for the most part, close to 83.5.
- While capital inflows into India's bond market continue over the rest of the year, we can see little reason for the RBI to change this approach.
- FX reserves remain ample, and the currency does not look particularly misaligned relative to fundamentals. We see this range trading persisting.

ING forecasts (mkt fwd)	1M 83.50 (83.57)	3M 83.50 (83.73)	6M 84.00 (84.04)	12M 82.50 (84.88)

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USD/IDR

Concern about fiscal policy weighs on the IDR **Current spot: 16248**

Source: Refinitiv, ING forecasts

- The IDR has had a rough month, though is not the weakest Asian currency. That honour goes to the JPY. But it is still about half a per cent down against the dollar over the last month.
- Incoming President Prabowo's signature free school meals and milk programme has raised concern about the continuation of fiscal consolidation, and this has been cited as one of the reasons for the IDR's slippage.
- That said, we think this mostly relates to the USD's ongoing strength, and on weaker days for the USD, the IDR has been one of the region's better performers and could outperform the region average should Fed rate cut hopes grow.

ING forecasts (mkt fwd)	1M 16250 (16260)	3M 16000 (16278)	6M 16650 (16319)	12M 15750 (16432)

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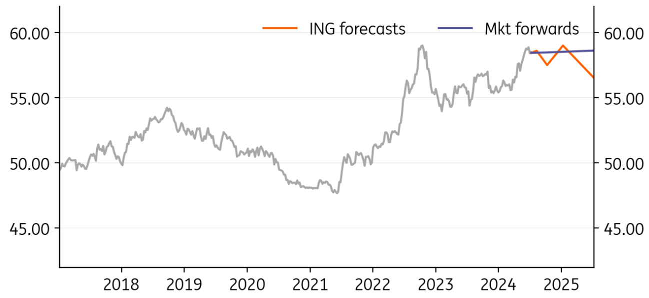
USD/PHP

Better inflation prospects buoy the PHP **Current spot: 58.34**



Source: Refinitiv, ING forecasts

- The PHP has had a good month and is virtually unscathed against the USD over the last month, which is a good result relative to its peers.
- The announcement of a cut in rice tariffs from 35% to 15% means that the current rate of inflation, which is about 50% driven by high rice prices, could fall very sharply in the months ahead. Even the recent June inflation data that predates the tariff cuts was better.
- That has meant that BSP Governor Eli Remolona's preference to start cutting rates in August no longer looks as likely to result in a weaker PHP. He will be easing for the "right" reasons if so.

ING forecasts (mkt fwd)	1M 58.60 (58.45)	3M 57.50 (58.47)	6M 59.00 (58.52)	12M 56.50 (58.61)

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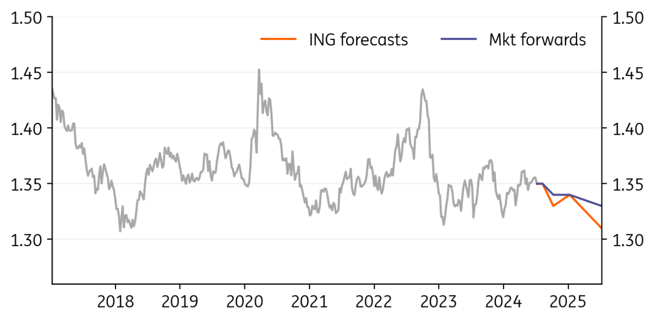
USD/SGD

No change in sight for MAS policy **Current spot: 1.3503**



Source: Refinitiv, ING forecasts

- It has been a mixed month for Singapore. Inflation data edged higher in May from April, ruling out any near-term adjustment to the Monetary Authority of Singapore's policy stance. But the activity data has looked a little more promising.
- Non-oil domestic exports were not as bad as feared, and the electronics sector has shown some recent signs of life. Retail sales also strengthened in May.
- The SGD NEER has been appreciating by about half a percent per quarter. We think the MAS will keep that pace up until 4Q24, when it could be reduced to half that pace.

ING forecasts (mkt fwd)	1M 1.35 (1.3482)	3M 1.33 (1.3446)	6M 1.34 (1.3389)	12M 1.31 (1.3292)

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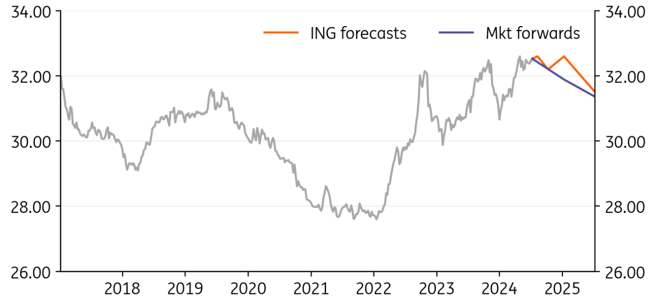
USD/TWD

Net inflows drove appreciation

Current spot: 32.58



Source: Refinitiv, ING forecasts

- The USDTWD generally trended a little weaker over the past month, moving up to around 32.68 before pulling back to around 32.5. In the near term, the dividend season in July and August is expected to add to depreciation pressure.
- Capital flows have driven the TWD trajectory in recent months, and this has largely been correlated with the performance of the Taiex, which hit a new record high in early July. Foreign fund net inflows slowed slightly in June compared to May.
- Yield spreads continue to add downward pressure on the TWD and have to an extent balanced out the upward pressure from equity market inflows.

ING forecasts (mkt fwd)	**1M** 32.60 (32.42)	**3M** 32.20 (32.21)	**6M** 32.60 (31.89)	**12M** 31.50 (31.36)

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ING foreign exchange forecasts

EUR cross rates	Spot	1M	3M	6M	12M	USD cross rates	Spot	1M	3M	6M	12M
Developed FX											
EUR/USD	1.08	1.08	1.08	1.08	1.10						
EUR/JPY	174.7	173	170	165	160	USD/JPY	161.42	160	157	153	145
EUR/GBP	0.84	0.85	0.86	0.87	0.88	GBP/USD	1.28	1.27	1.26	1.24	1.25
EUR/CHF	0.97	0.97	0.97	0.98	1.00	USD/CHF	0.90	0.90	0.90	0.91	0.91
EUR/NOK	11.53	11.25	11.00	11.10	10.90	USD/NOK	10.65	10.42	10.19	10.28	9.91
EUR/SEK	11.42	11.30	11.20	11.20	11.00	USD/SEK	10.55	10.46	10.37	10.37	10.00
EUR/DKK	7.459	7.460	7.460	7.460	7.460	USD/DKK	6.89	6.91	6.91	6.91	6.78
EUR/CAD	1.48	1.47	1.45	1.45	1.45	USD/CAD	1.364	1.36	1.34	1.34	1.32
EUR/AUD	1.604	1.577	1.588	1.612	1.667	AUD/USD	0.675	0.685	0.680	0.670	0.660
EUR/NZD	1.778	1.728	1.742	1.770	1.774	NZD/USD	0.609	0.625	0.620	0.610	0.620
EMEA											
EUR/PLN	4.25	4.25	4.21	4.25	4.30	USD/PLN	3.93	3.94	3.90	3.94	3.91
EUR/HUF	393.50	390.00	388.00	385.00	405.00	USD/HUF	363.6	361	359	356	368
EUR/CZK	25.32	25.2	25.2	25.1	25.0	USD/CZK	23.39	23.3	23.3	23.3	22.7
EUR/RON	4.97	4.98	4.98	4.98	5.04	USD/RON	4.60	4.61	4.61	4.61	4.58
EUR/RSD	117.0	117.1	117.1	117.1	117.2	USD/RSD	108.2	108.4	108.4	108.4	106.5
EUR/UAH	44.04	44.1	44.3	44.8	46.2	USD/UAH	40.69	40.80	41.00	41.50	42.00
EUR/KZT	518.6	513.0	518.4	529.2	539.0	USD/KZT	478.3	475	480	490	490
EUR/TRY	35.67	35.96	37.04	39.96	45.10	USD/TRY	32.95	33.30	34.30	37.00	41.00
EUR/ZAR	19.56	19.2	19.2	19.4	19.8	USD/ZAR	18.07	17.80	17.80	18.00	18.00
EUR/ILS	3.97	4.00	4.05	4.05	3.85	USD/ILS	3.67	3.70	3.75	3.75	3.50
LATAM											
EUR/BRL	5.86	5.78	5.94	5.94	6.05	USD/BRL	5.42	5.35	5.50	5.50	5.50
EUR/MXN	19.29	19.2	19.4	20.0	20.4	USD/MXN	17.83	17.75	18.00	18.50	18.50
EUR/CLP	1006.97	994	999	1015	1045	USD/CLP	930.40	920	925	940	950
Asia											
EUR/CNY	7.87	7.86	7.81	7.84	7.90	USD/CNY	7.28	7.28	7.23	7.26	7.18
EUR/IDR	17581	17550	17280	17982	17325	USD/IDR	16248	16250	16000	16650	15750
EUR/INR	90.35	90.2	90.2	90.7	90.8	USD/INR	83.48	83.50	83.50	84.00	82.50
EUR/KRW	1498.30	1490	1447	1469	1430	USD/KRW	1384.42	1380	1340	1360	1300
EUR/PHP	63.15	63.3	62.1	63.7	62.2	USD/PHP	58.34	58.6	57.5	59.0	56.5
EUR/SGD	1.46	1.46	1.44	1.45	1.44	USD/SGD	1.35	1.35	1.33	1.34	1.31
EUR/TWD	35.26	35.2	34.8	35.2	34.7	USD/TWD	32.58	32.6	32.2	32.6	31.5

Source: Refinitiv, ING

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