THINK Economic and Financial Analysis

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FX Talking

Don't call it a dollar comeback

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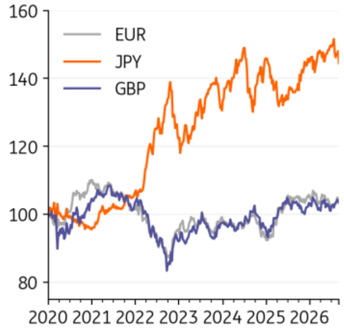
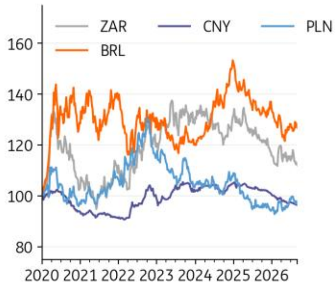
FX Talking

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

Don't call it a dollar comeback

It remains a very close call, but the ING house view now favours a Fed rate hike later this month. Bearish flattening of the US yield curve is typically positive for the dollar, especially against the low yielders. We now see EUR/USD ending this year at around 1.16 from 1.18 previously. Yet this is not 2022 and the Fed is not about to embark on a significant tightening cycle. Our forecast dollar decline is delayed not cancelled.

We now push that cyclical dollar drop back to next spring, when US inflation should have dropped close to 2% and markets should be swinging back towards a normalisation story of the policy rate returning to 3.25%. It is not our baseline call, but that dollar drop could come earlier were uncertainty to emerge around US mid-term results in November or if Washington lost control of the bond market.

Another wild card is USD/JPY. A lot of yen-positive news is priced in, including a faster Bank of Japan tightening cycle and perhaps some major portfolio adjustments amongst local fund managers. Unless we are under-estimating a major US-Japan policy accord, USD/JPY looks more likely to trade a 155-160 range than immediately drop under 150.

Elsewhere in G10, relative value trades will continue to be popular. The scope for even higher rates in Australia and Norway should keep the Aussie dollar and krone supported, while a higher interest rate environment should keep the Swiss franc on the back foot.

Within EM, high yielders should remain favoured given what should continue to be a low volatility world. The Turkish lira will remain popular, but the Brazilian real will be watched closely ahead of October elections. We still like the Hungarian forint, with budget plans in October shining a light on euro aspirations. And in Asia, the North-South divide continues.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.15	↓	159	↑	1.34	↓
3M	1.16	↓	159	↑	1.33	↓
6M	1.18	↑	158	↑	1.34	↓
12M	1.19	↑	157	↑	1.32	↓
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.86	→	24.20	↓	4.3	↑
3M	0.87	↑	24.20	↓	4.29	↑
6M	0.88	↑	24.15	↓	4.28	↑
12M	0.9	↑	24.10	↓	4.28	↑
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	6.70	→	17.25	↑	5.15	↓
3M	6.70	↑	17.25	↑	5.15	↓
6M	6.67	↑	17.25	↑	5.00	↓
12M	6.60	↑	17.25	↓	4.75	↓

↑ / → / ↓ 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

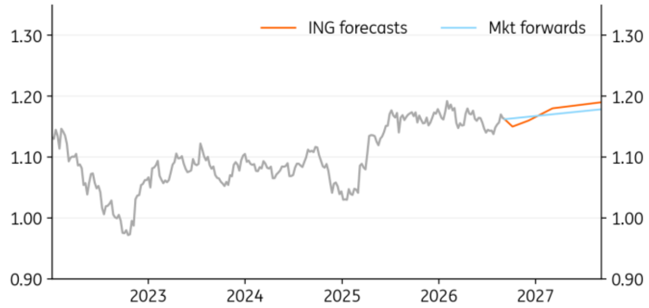
	EUR/USD	USD/JPY	EUR/GBP	EUR/NOK	AUD/USD	USD/CAD
%MoM	0.6	-1.4	0.3	-1.8	2.2	-0.8
%YoY	-1.2	5.4	-1.1	-8.1	9.6	0.2
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	-0.5	-4.6	-0.3	0.3	-1.1	1.0
%YoY	-5.9	-3.1	-7.9	1.5	-8.7	-5.4

Source: Refinitiv, ING forecast

Developed markets

EUR/USD

September Fed hike delays dollar drop **Current spot: 1.1623**



Source: Refinitiv, ING forecasts

- It is a close call, but after Kevin Warsh's hawkish speech at Jackson Hole, we now see a 25bp Fed hike to 4.00% on 16 September. The baseline view then assumes unchanged Fed policy until the fourth quarter of 2027. Importantly, we do not see a significant drop in short-dated US rates until the second quarter of next year, when US headline inflation should be back to 2%.
- A flatter US yield curve, assuming no disasters at the long end of the Treasury curve, can keep the dollar better supported against the low yielders into early 2027. Hence the lower EUR/$ profile.
- Expect an ECB hike to 2.50% on 10 September, but it may prove a dovish hike in light of the pressure building on French bonds ahead of budget season and elections next March.

ING forecasts (mkt fwd)	1M 1.15 (1.1627)	3M 1.16 (1.1654)	6M 1.18 (1.1695)	12M 1.19 (1.1785)

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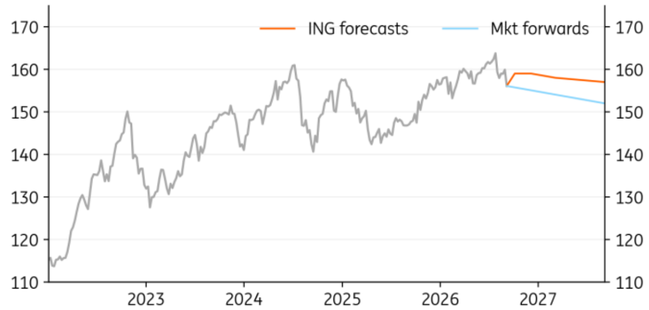
USD/JPY

Highly volatile **Current spot: 155.50**



Source: Refinitiv, ING forecasts

- Joint US-Japan intervention a month ago has been backed up by frenzied speculation of a Japanese policy response at home. The market now prices a Bank of Japan rate hike to 1.25% on 18 September, with strong expectations of another hike in December. One-month JPY OIS rates are now priced at 2.00% next summer, up by 50bp over the last month.
- A faster pace of BoJ tightening and speculation that Japan's $2tr GPIF could increase portfolio weights to domestic assets have dragged USD/JPY to 155. Lots of yen-positive news is priced in.
- A Fed hike can see USD/JPY trading a wide 155-160 range, rather than breaking lower just yet. But downside risks prevail if we are underestimating a Washington-Tokyo policy accord.

ING forecasts (mkt fwd)	1M 159 (155.14)	3M 159 (155.15)	6M 158 (154.06)	12M 157 (151.99)

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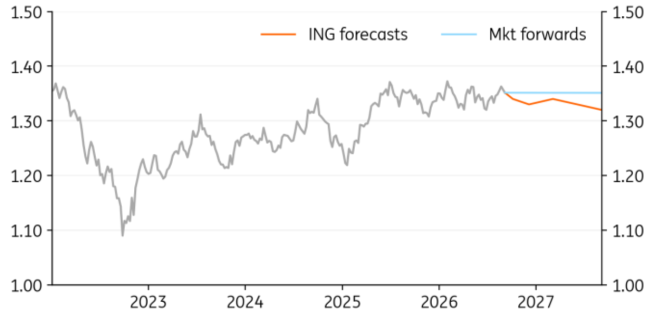
GBP/USD

Fiscal story returns **Current spot: 1.3532**



Source: Refinitiv, ING forecasts

- Sterling has been reasonably supported, helped by its high 3.80% deposit rate and low volatility. There was a hint of sterling weakness when the global bond sell-off dragged 10-year gilt yields over 5.20%, but it proved fleeting. The focus could shift over the next couple of months to the fiscal side, with new Chancellor John Healey delivering his first budget on 28 October.
- Presumably fiscal credibility will be paramount, but investors will be interested in any possible GBP-negative tax rises emerging.
- Money markets still price a 70bp Bank of England tightening cycle, which we see as unlikely. Those expectations may not completely disappear until early next year, however.

ING forecasts (mkt fwd)	1M 1.34 (1.3518)	3M 1.33 (1.3519)	6M 1.34 (1.3519)	12M 1.32 (1.3511)

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EUR/JPY

Intervention watch ongoing **Current spot: 180.72**

Source: Refinitiv, ING forecasts

- Following the US Treasury's decision to intervene in EUR/JPY in late July, this pair comes off sharply whenever there is talk of 'rate checks' or imminent intervention. As per the USD/JPY view, it looks like the yen has a lot of the good news priced in already, and it would take a 50bp BoJ rate hike on 18 September to drive this cross a lot lower. A 180-185 range remains our preference here.
- Another factor speaking against a summer 2024-like sell-off (EUR/JPY fell 11% at the time) is that the speculative market is far less short yen now than it was back then.
- Risks are probably skewed to the downside if we are underestimating Japanese initiatives or French politics flare up.

ING forecasts (mkt fwd)	1M 183 (181.23)	3M 184 (180.12)	6M 186 (180.17)	12M 187 (178.30)

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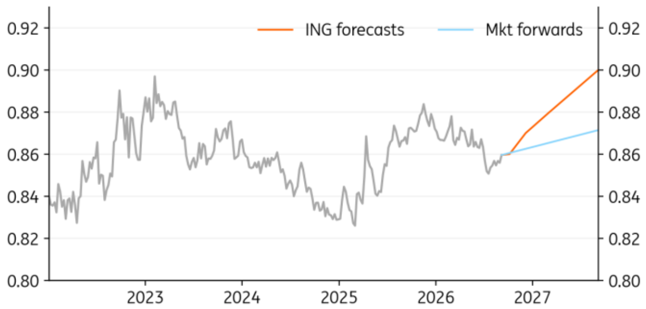
EUR/GBP

Finding the right level **Current spot: 0.8589**



Source: Refinitiv, ING forecasts

- Three-month EUR/GBP realised volatility has fallen to the lowest levels on record at under 3% per annum. FX option prices have never been lower. Clearly the market thinks EUR/GBP has found some equilibrium level in the 0.85-0.86 area.
- We had been looking for some sterling weakness to be coming through by now, but low volatility conditions and sterling's high risk-adjusted yields look to be keeping it bid.
- UK activity data typically slows down into year-end and at the margin will cement the majority position of the doves at the BoE. We still like EUR/GBP heading higher but are lowering the profile as high energy keeps tightening expectations embedded.

ING forecasts (mkt fwd)	1M 0.86 (0.8601)	3M 0.87 (0.8618)	6M 0.88 (0.8651)	12M 0.90 (0.8714)

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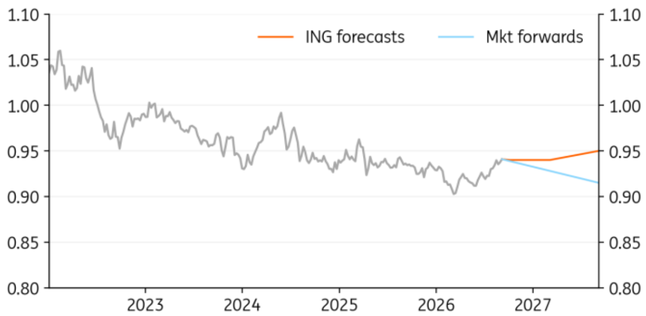
EUR/CHF

Rate differentials versus the debasement trade **Current spot: 0.9415**



Source: Refinitiv, ING forecasts

- Two opposing forces are driving EUR/CHF at present. The first is higher energy prices which are pushing short term interest rates higher around the world. But the Swiss National Bank is seen as one of the last to hike given that low inflation and wider differentials have largely supported EUR/CHF. Against that is the debasement trade. The first action of investors on hearing of US Treasury intervention in the bond market was to sell USD/CHF.
- The SNB meets on 24 September. Growth has been surprising on the upside, but low inflation suggests the central bank will be in no hurry to tighten.
- Expect EUR/CHF to continue trading off energy and US policy.

ING forecasts (mkt fwd)	1M 0.94 (0.9386)	3M 0.94 (0.9351)	6M 0.94 (0.9277)	12M 0.95 (0.9150)

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EUR/SEK

ECB and Riksbank pricing both too hawkish

Current spot: 11.15

Source: Refinitiv, ING forecasts

- Rising oil prices have brought renewed upside volatility to EUR/SEK, with developments in the Middle East set to remain the key near-term driver.
- We have become less convinced that the Riksbank will remain on hold through year-end. February remains our baseline for the next hike, but the risk of an earlier insurance move in November or December has increased. The outlook will depend largely on energy prices, core CPIF developments, and policy decisions by the ECB and Fed.
- Markets are pricing 30bp of tightening by year-end and 90bp by end-2027. While we view that pricing as overly hawkish, the same is true of EUR curve, limiting the case for material revisions higher in the EUR/SEK forecast. Given our geopolitical baseline views, we continue to expect a downward-sloping profile.

ING forecasts (mkt fwd)	1M 11.05 (11.11)	3M 10.90 (11.13)	6M 10.80 (11.08)	12M 10.60 (11.06)

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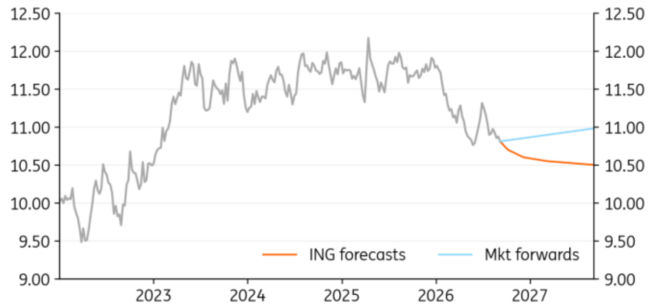
EUR/NOK

NOK remains in a solid spot

Current spot: 10.79



Source: Refinitiv, ING forecasts

- We expect the Norwegian krone to remain broadly appealing. Oil and gas prices may be slower on the way down in a new Gulf de-escalation, and likely to land above pre-war levels.
- We see the NOK curve as one of the few in G10 that doesn't overestimate tightening: 25bp by December and rates mostly flat at 4.50% afterwards. Our preference is for a hike in November, but September would become an option too as underlying inflation may bounce back above 3.0% in August. We don't think Norges Bank will want to close the door to further tightening, leaving additional upside room for NOK's front-end rates.
- We see downside risks in the short-term extending to around 10.70 in EUR/NOK. From 4Q onwards, we have a shallower profile as we expect energy prices to abate.

ING forecasts (mkt fwd)	1M 10.70 (10.83)	3M 10.60 (10.84)	6M 10.55 (10.91)	12M 10.50 (10.98)

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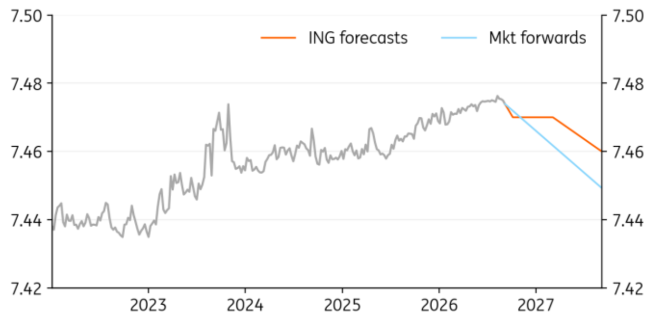
EUR/DKK

Scaling up FX intervention

Current spot: 7.4745



Source: Refinitiv, ING forecasts

- The Danish central bank returned to FX intervention in August, purchasing DKK5.6bn (around USD870m) to support the krone. That was a more sizeable intervention compared to the minuscule DKK0.7bn in June, but remains small compared to the 2022 FX buying that averaged more than DKK13bn per month.
- The small sizes can signal two things: 1) the central bank is fine with a slight appreciation in EUR/DKK (incidentally, the pair did inch lower in August) or 2) they are preparing to hike rates more than the ECB at one of the upcoming meetings.
- We think the latter remains a concrete risk, with September being a potential target meeting. We have revised our EUR/DKK marginally higher but still expect an eventual return to the 7.460 central peg by mid next year.

ING forecasts (mkt fwd)	1M 7.47 (7.4723)	3M 7.47 (7.4670)	6M 7.47 (7.4602)	12M 7.46 (7.4493)

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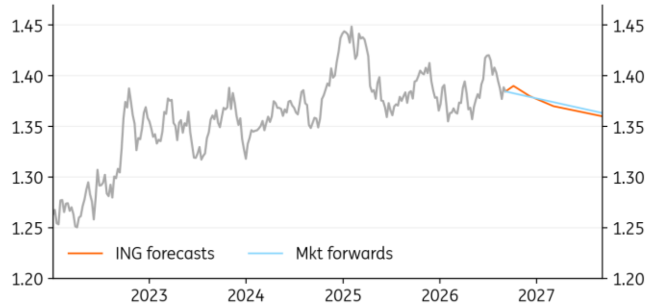
USD/CAD

Underpricing tariff impact

Current spot: 1.3829



Source: Refinitiv, ING forecasts

- We think there is room for some build-up in trade-related risk premium in CAD as ongoing tensions can have material ripple effect on Canadian activity and jobs. That should be most evident in CAD underperforming similar commodity peers.
- The Bank of Canada has turned more hawkish but admitted that rising inflation risks are linked to energy prices rather than tariffs. A Gulf de-escalation could quickly ease those concerns, as core inflation has remained anchored at or just below 2.0%. We still aren't convinced of a hike this year, which is now fully priced in.
- Our short-term bullish USD view paired with an underpriced tariff premium can lift USD/CAD back to 1.39-1.40 in the next weeks. But we assume negotiations will eventually lead to a deal, and a USD decline in 1H27 can take the pair back to 1.37.

ING forecasts (mkt fwd)	1M 1.39 (1.3821)	3M 1.38 (1.3772)	6M 1.37 (1.3726)	12M 1.36 (1.3633)

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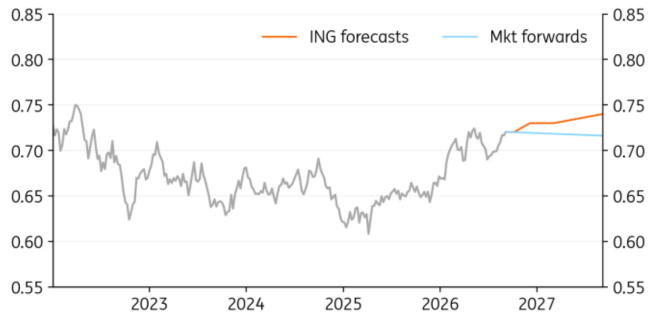
AUD/USD

RBA can hike once more

Current spot: 0.7222



Source: Refinitiv, ING forecasts

- A hot CPI print in July, followed by strong 2Q GDP figures, has reinvigorated hawkish expectations on the RBA. We now see a 25bp September hike to 4.60% as a very tangible possibility. Governor Michele Bullock has signalled no hesitation to tighten further if inflation proves sticky again, and a Fed hike in September can also help tilt the balance to the hawkish side.
- Market pricing is 16bp for September and 37bp by March. With Middle East uncertainty staying elevated, we expect the RBA to keep a hawkish tone, even if we don't forecast any further hikes beyond 4.60%, as our baseline remains a gradual oil decline.
- We expect AUD to weather a short-term USD rebound better than most other G10 currencies thanks to the strong domestic story. We are sticking to our 0.73 year-end AUD/USD forecast.

ING forecasts (mkt fwd)	1M 0.72 (0.7199)	3M 0.73 (0.7211)	6M 0.73 (0.7180)	12M 0.74 (0.7161)

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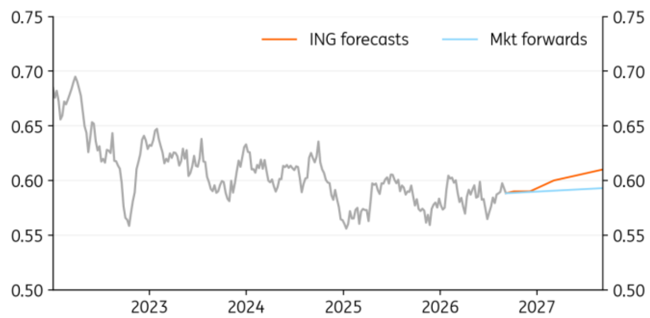
NZD/USD

Dovish RBNZ makes NZD a laggard

Current spot: 0.5880



Source: Refinitiv, ING forecasts

- The RBNZ delivered a dovish surprise in September, even as it raised rates to 2.75%. Latest guidance suggests further tightening remains possible, but updated projections pushed back against expectations for a terminal rate above 3.0%.
- We currently expect one more hike in December (fully priced in), but think markets still overestimate the tightening cycle, with over 60bp discounted by next summer. For the moment, we agree with RBNZ projections that inflation will stay below 4.0% in 3Q and 4Q, and return below 3.0% from 2Q27. The Bank's growth concerns mean that the oil rally needs to prove quite persistent to match markets' hawkish bets.
- At this stage, AUD still looks more attractive than NZD, which is less supported by domestic fundamentals and is more dependent on an eventual USD decline to return towards 0.60.

ING forecasts (mkt fwd)	1M 0.59 (0.5885)	3M 0.59 (0.5894)	6M 0.60 (0.5908)	12M 0.61 (0.5930)

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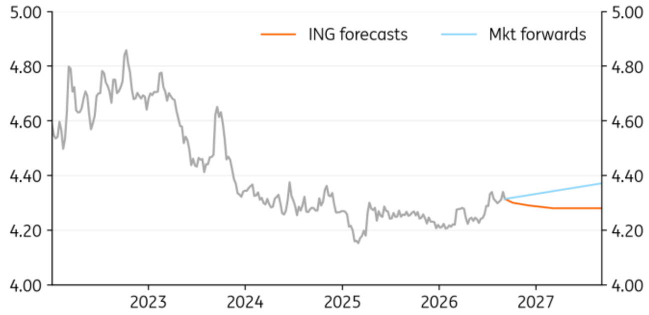
Emerging markets

EUR/PLN

Zloty hit by risk-off mood **Current spot: 4.3129**



Source: Refinitiv, ING forecasts

- The zloty weakened as the US-Iran conflict re-escalated and concerns about Russian hybrid warfare in Europe fuelled a risk-off mood. EUR/PLN recently rose towards 4.35, but we expect the move to be short-lived.
- Although we do not share the market's expectations of interest rate hikes in Poland in the coming months, those bets prevent the zloty from the negative impact of external factors.
- Our mid-term view on zloty remains unchanged. Expect a limited rise in €/USD in 2H26; sustainable GDP outperformance of regional peers and expected inflows of EU funds justify slightly lower levels of the €/PLN exchange rate.

ING forecasts (mkt fwd)	1M 4.30 (4.3169)	3M 4.29 (4.3272)	6M 4.28 (4.3398)	12M 4.28 (4.3712)

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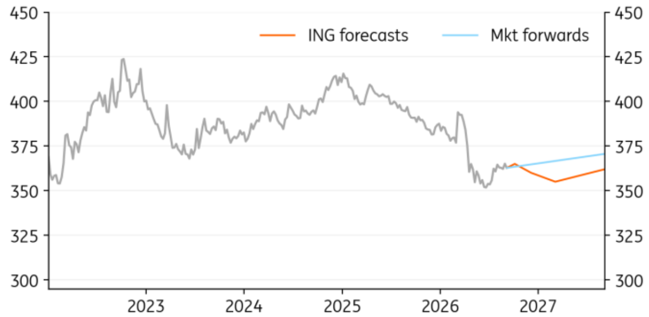
EUR/HUF

The gloomy days won't last too long for the forint **Current spot: 362.18**



Source: Refinitiv, ING forecasts

- With the HUF having outperformed peers and experienced a one-sided market since April, a correction was inevitable. However, we believe that the outlook remains positive.
- The Monetary Council is rightfully non-committal in the current environment. On the one hand, the inflation outlook is much better than the central bank anticipated in June. However, unfavourable developments in risk premiums and energy prices counterbalance this. As a result, markets are pricing in only a small chance of further rate cuts.
- We believe that a brief pause in the easing cycle and some calmness in global markets could see the EUR/HUF move back to 360 or even lower. This is especially likely if the inflation target review and the medium-term budget plan are credible.

ING forecasts (mkt fwd)	1M 365 (363.02)	3M 360 (364.59)	6M 355 (366.57)	12M 362 (370.61)

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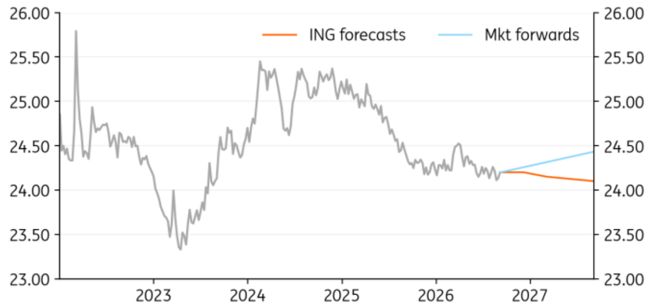
EUR/CZK

Koruna's main advantage will lose its lustre **Current spot: 24.21**



Source: Refinitiv, ING forecasts

- A positive interest rate differential in both nominal and real terms has given the koruna a significant advantage over the euro in recent years. This advantage has intensified since late 2024 in real terms, reaching 2.6 percentage points in August.
- The Czech real interest rate has averaged 1.8% this year, while the eurozone equivalent has remained negative since March. The expected pickup in Czech CPI is set to push the real yield close to zero early next year, reducing the koruna's leading advantage.
- Add the somewhat disappointing economic performance over 1H26, and the koruna no longer looks poised for the substantial appreciation it saw in 2025. It will hold its current value, but gradual strengthening trend requires a stronger economy.

ING forecasts (mkt fwd)	1M 24.20 (24.22)	3M 24.20 (24.27)	6M 24.15 (24.30)	12M 24.10 (24.43)

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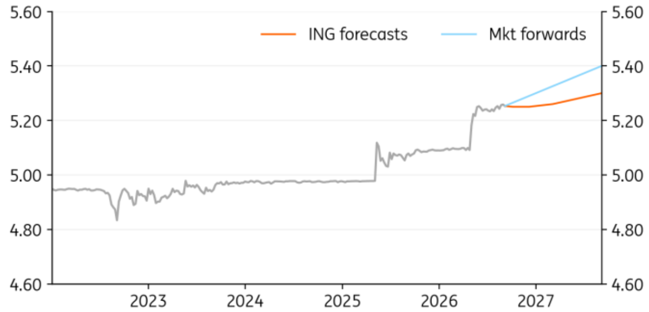
EUR/RON

Pressures could amplify in the near term

Current spot: 5.2520



Source: Refinitiv, ING forecasts

- EUR/RON moves have amplified slightly over the past month but have nevertheless remained contained in the 5.23-5.26 range. With the upcoming S&P rating decision due on 2 October, rating worries have been mounting. Positively, the budget deficit stood at 2.34% of GDP as of July 2026 (vs 3.99% in July last year), a key positive factor supporting Romania's credit story.
- That said, the main development to watch remains the push for a fully empowered government committed to fiscal consolidation. After narrowly escaping a downgrade in the summer, our base case is that Romania will maintain it provided a solid governance deal is sealed soon.
- We expect the pair to remain within its current range and close the year near 5.25.

ING forecasts (mkt fwd)	1M 5.25 (5.2660)	3M 5.25 (5.2958)	6M 5.26 (5.3400)	12M 5.30 (5.4000)

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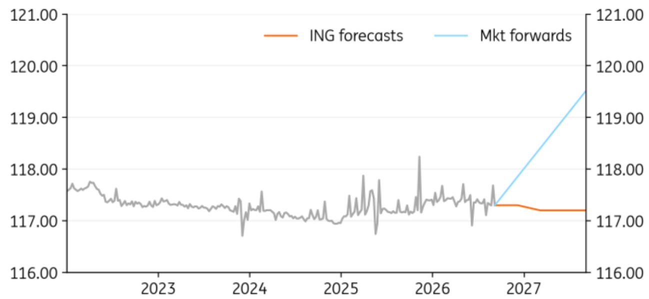
EUR/RSD

No major changes expected in the coming months

Current spot: 117.35



Source: Refinitiv, ING forecasts

- EUR/RSD has continued to trade mostly sideways in the range of 117.3–117.4. Importantly, the US Treasury's OFAC has extended the operating waiver for Serbia's NIS refinery until 30 September, as the deal with MOL is in its final stages.
- The recent fiscal expansionary measures led to a revision of the deficit from 3.0% to 3.5% of GDP in 2026, mainly reflecting higher social expenditure. That said, from a macro imbalances standpoint, Serbia's position remains robust at this stage.
- At its August meeting, the National Bank of Serbia kept the key rate in place at 5.75%, noting that uncertainty remains elevated despite a better inflation outlook. Between January and July, the Bank sold €320m to keep the pair stable – we expect FX stability to remain in place.

ING forecasts (mkt fwd)	1M 117.30 (117.50)	3M 117.30 (117.98)	6M 117.20 (118.42)	12M 117.20 (119.52)

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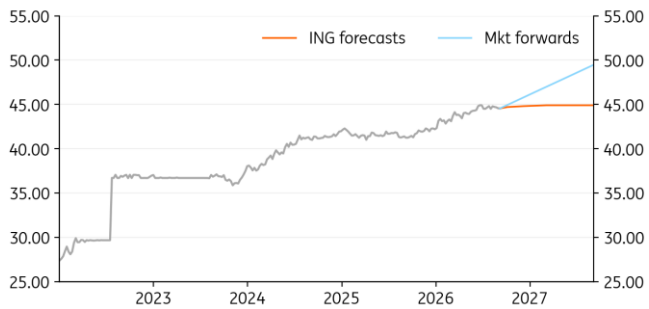
USD/UAH

Hryvnia strengthens despite headwinds

Current spot: 44.53



Source: Refinitiv, ING forecasts

- Even as the US dollar strengthened globally amid a more hawkish Fed, a renewed escalation in the Middle East and the ongoing war in Ukraine, the hryvnia managed to appreciate slightly.
- The hryvnia was supported by near-record FX interventions by Ukraine's central bank during the summer, and by July's 50bp rate hike to 15.5%, which strengthened the currency's resilience in an increasingly adverse external environment.
- According to National Bank of Ukraine minutes, most rate-setters believe that rates will need to be raised further this year. However, the outlook for the hryvnia remains cloudy as the macroeconomic environment remains challenging.

ING forecasts (mkt fwd)	1M 44.70 (44.93)	3M 44.80 (45.80)	6M 44.90 (47.04)	12M 44.90 (49.48)

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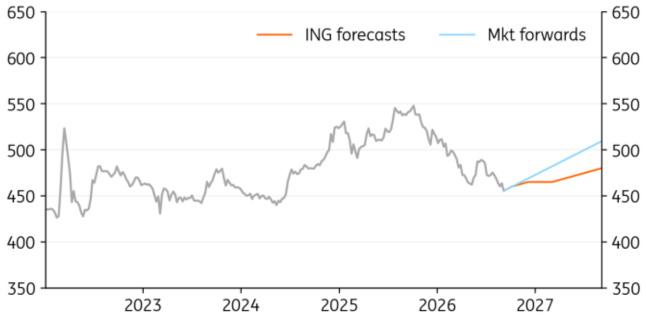
USD/KZT

High real rates favour continued carry-trade **Current spot: 455.21**



Source: Refinitiv, ING forecasts

- Contrary to our cautious expectations, the tenge appreciated to USD by 3% in August, and 5% during the summer months – despite oil flow disruptions and the decline in state support to the domestic FX market.
- In August, the combined net FX sales by quasi-sovereigns, the oil fund and the central bank dropped to $0.3bn vs. $1.7bn in May, while net foreign inflows into state bonds stopped after $0.3-0.5bn inflows in June and July.
- The growing role of private capital flows has increased the KZT's reliance on carry trades, which is currently supported by high real rates which are likely to remain. Meanwhile, in the longer run, appreciation should be limited by structural factors.

ING forecasts (mkt fwd)	1M 460 (460.84)	3M 465 (470.83)	6M 465 (484.99)	12M 480 (509.29)

Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/UZS

Supported by portfolio flows and restart of gold exports **Current spot: 11790.00**

Source: Refinitiv, ING forecasts

- The soum showed 1% appreciation to USD in August after a relatively flat first two months of the summer. This was likely supported by the restart of gold exports, which totalled $1.3bn in July.
- Between January and July, Uzbekistan exported only 18mt of gold vs. 85mt for the full-year 2025, suggesting scope for a pickup in the rest of the year, keeping us constructive on the current account and USZ prospects.
- Portfolio inflows are also likely to continue, as despite the recent indication from the central bank that the nominal policy rate of 14.00% may be lowered by year-end, the real rates are likely to remain attractive, given the 6.4% CPI.

ING forecasts (mkt fwd)	1M 11710 (11820.50)	3M 11500 (11928.50)	6M 11500 (12069.50)	12M 11700 (12225.00)

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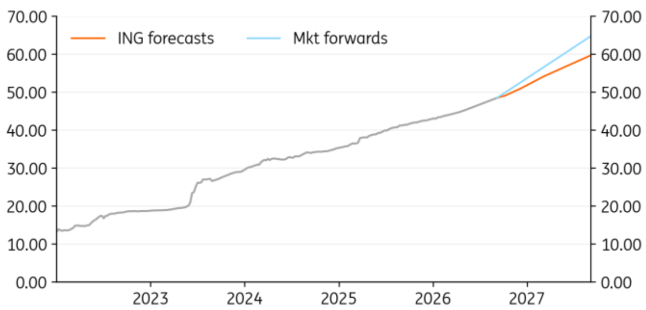
USD/TRY

Recovery in flows, moderation in growth **Current spot: 48.44**



Source: Refinitiv, ING forecasts

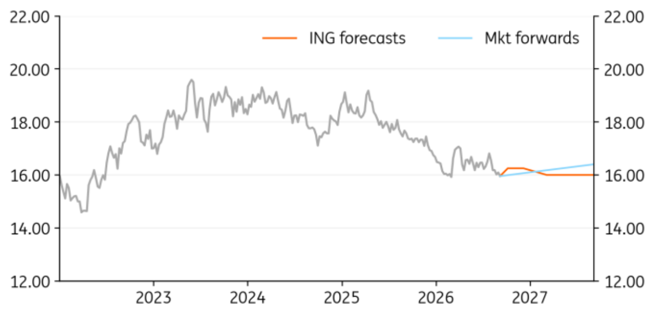
- Foreign investor positioning has recovered from the US-Iran conflict shock, with long TL positions in FX swaps exceeding pre-war levels. However, bond inflows have remained modest. Meanwhile, TL deposit inflows continued, while the sector's dollarisation ratio fell from 39.9% in May to 38.5% by late August. Gross reserves reached US$188.2bn.
- High borrowing costs and tighter macroprudential measures are contributing to a deeper slowdown in 2Q GDP growth. We expect the economy to maintain moderate growth in 2H26, although risks surrounding our 3.0% full-year GDP growth forecast have increased.
- Recently the central bank took a step to normalise liquidity by resuming repo auctions. Effective funding costs fell from 40% to the policy rate at 37%. The CBT is likely to remain on hold in September, but cut 200bp to 35% in the last qtr.

ING forecasts (mkt fwd)	1M 49.00 (49.63)	3M 50.90 (52.09)	6M 54.10 (55.93)	12M 59.70 (64.77)

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

USD/ZAR

Holding its own **Current spot: 15.96**



Source: Refinitiv, ING forecasts

- The rand is enjoying a strong quarter and is the third-best performer in the EMFX space. It does tend to benefit from the dollar debasement trade, where the pick-up in gold and precious metals tends to be ZAR-supportive. It also performs well in the low-vol carry trade environment, where 6.5% implied yields remain attractive. Here investors think the South African Reserve Bank will need to hike again over the coming quarters.
- Notably South Africa's sovereign CDS continues to decline, implying a rating closer to BBB than its current BB. Domestic reforms in energy, logistics and fiscal are being welcomed.
- Stronger ZAR gains will probably come in 2Q27, when $ rates drop.

ING forecasts (mkt fwd)	1M 16.25 (16.00)	3M 16.25 (16.07)	6M 16.00 (16.18)	12M 16.00 (16.40)

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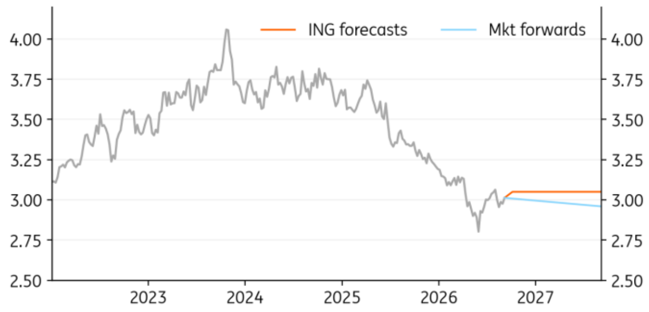
USD/ILS

Low inflation allows rate cuts, weaker shekel **Current spot: 3.0042**



Source: Refinitiv, ING forecasts

- Low inflation allowed the Bank of Israel to cut rates again in early September, with the policy rate now at 3.25%. That compares to 4.00% at the start of the year. If money markets are to be believed, investors expect some further aggressive rate cuts over the coming months – potentially taking the policy rate closer to 2.00%. For reference, three-month implied yields stand at 2.40%.
- FX buying intervention earlier in the year, rate cuts and what should now be at least one Fed hike should serve to keep USD/ILS above 3.00 now – which is the BoI preference.
- We also think the shekel is one of the most closely correlated currencies to the tech boom, so any correction here can weigh.

ING forecasts (mkt fwd)	1M 3.05 (3.0089)	3M 3.05 (3.0014)	6M 3.05 (2.9886)	12M 3.05 (2.9594)

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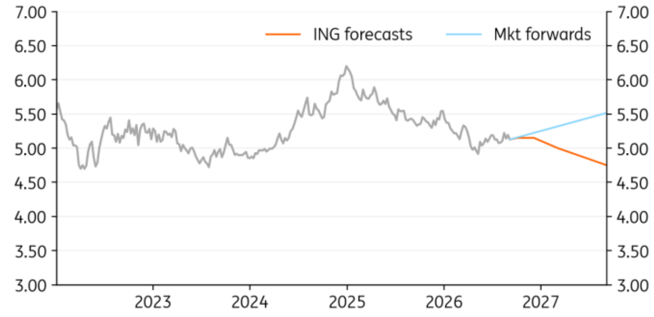
LATAM

USD/BRL

Presidential election race tightens **Current spot: 5.1261**



Source: Refinitiv, ING forecasts

- Opinion polls show President Lula's lead over Flavio Bolsonaro narrowing sharply ahead of the 4 October election. As always, it is quite personal, with President Lula's son now seen weighing on his father's chances, and negative headlines on Supreme Court Justice Alexandre de Moraes. Some polls have Lula's lead cut to just 1-2%. Foreign investors prefer Bolsonaro's policies of fiscal restraint and deregulation over Lula's plans for more social spending.
- We expect the BRL to hold onto recent gains and continue to outperform the forwards, where three-month implied yields stand at around 12.3%.
- The market thinks BACEN can still cut the policy rate another 50bp to 13.50%, but much will depend on the election outcome.

ING forecasts (mkt fwd)	1M 5.15 (5.1649)	3M 5.15 (5.2249)	6M 5.00 (5.3144)	12M 4.75 (5.5150)

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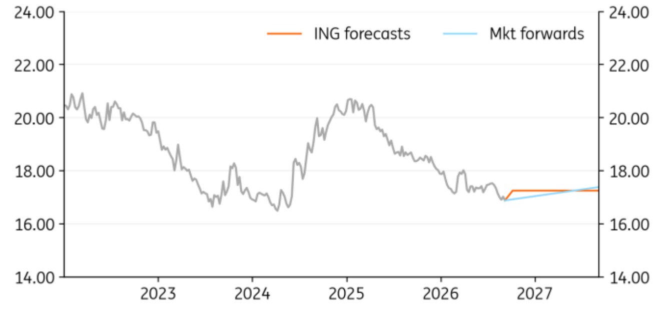
USD/MXN

USMCA uncertainty **Current spot: 16.89**



Source: Refinitiv, ING forecasts

- USD/MXN has been flirting with sub-17 levels as low volatility continues to favour the carry trade. Implied volatility probably has some further way to fall, meaning that the peso's risk-adjusted carry can nudge a little higher.
- But we are not comfortable calling a sustained move lower in USD/MXN. The policy spread over the US is very narrow at 275bp and could get narrower if Banxico doesn't follow a Fed hike.
- The macro is less MXN-supportive too. Washington switching to an annual review of the USMCA damages the investment environment. Reports suggest some automakers might move production facilities from Mexico to Vietnam now.

ING forecasts (mkt fwd)	1M 17.25 (16.93)	3M 17.25 (17.01)	6M 17.25 (17.13)	12M 17.25 (17.38)

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USD/CLP

Copper challenges **Current spot: 934.58**

Source: Refinitiv, ING forecasts

- The pickup in short-dated US yields has helped USD/CLP move closer to the top of its 910-950 range. Copper prices remain supportive for CLP, generating strong profits for local miner Codelco, but mask local production challenges. Here, Chile's copper production has fallen 10% YoY, with northern mines hit by bad weather. A super El Niño later this year may only make matters worse.
- A low-probability, high impact and negative event for copper and the peso is the US tariff story. Copper stockpiles are still being sucked into the US ahead of possible tariffs. Were tariffs to be avoided, these flows could strongly reverse.
- CLP is a little more vulnerable now that US rates are higher.

ING forecasts (mkt fwd)	1M 925 (934.45)	3M 925 (933.80)	6M 925 (932.38)	12M 900 (931.28)

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Asia

USD/CNY

CNY appreciation trajectory remains intact **Current spot: 6.7106**

Source: Refinitiv, ING forecasts

- USDCNY continued to grind lower over the past month, reaching 6.71 at the time of writing, which is the lowest level since early 2023.
- The CNY has shrugged off widening US-China yield spreads, as market participants weigh the risks of CNY appreciation with the interest rate spreads. The main impetus for CNY strength continues to be exporter conversions, as China's trade surplus remains massive. Rallies in the USDCNY have typically been sold into by exporters this year.
- We hold our 6.67-6.92 fluctuation band for 2H26, and risks remain tilted to the downside. A contrarian view: yield spreads might further widen if the Fed hikes and the PBoC cuts rates (the current ING forecast), and at some point it may draw CNY bears back into action.

ING forecasts (mkt fwd)	1M 6.70 (6.6976)	3M 6.70 (6.6686)	6M 6.67 (6.6239)	12M 6.60 (6.5278)

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USD/KRW

Sustaining a break of 1350 will be tough **Current spot: 1344.83**

Source: Refinitiv, ING forecasts

- USD/KRW's jaw-dropping decline continues, with the fall from the summer's high now around 13%. This pair does occasionally have corrections of this magnitude – e.g. in 2022 – and we suspect a move below 1350 will be hard to sustain in the near term. This is especially so since we think the dollar can find some support from a Fed hike in September.
- But the medium-term trend looks to have shifted. Korean exporters now seem to have a lot more confidence in the won and the 3.00% policy rate looks attractive. This could be taken to 3.50% over the next six months according to the Bank of Korea.
- Strengthening domestic demand on the chip boom clearly helps.

ING forecasts (mkt fwd)	1M 1375 (1344.14)	3M 1375 (1342.74)	6M 1350 (1340.14)	12M 1300 (1335.44)

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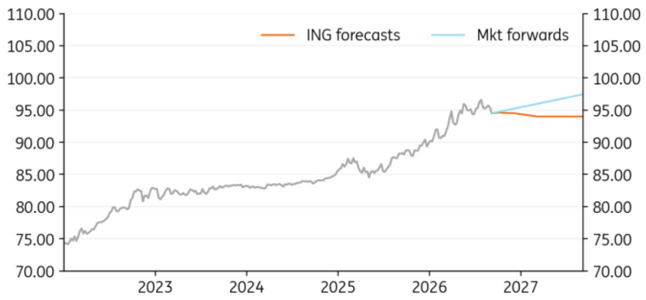
USD/INR

INR likely to stabilise at current levels

Current spot: 94.46



Source: Refinitiv, ING forecasts

- GDP growth surprised on the upside in 2Q, rising by 7.8% YoY on the back of strong consumer demand, resilient exports, and robust public capital expenditure. While growth is likely to moderate in 2H, we still expect a healthy 7.1% expansion for the full year, reinforcing underlying support for the INR.
- Recent measures to attract FCNR deposits have exceeded expectations, generating inflows of more than USD125bn. These inflows should help swing the anticipated balance-of-payments deficit into a surplus of over USD50bn, while further strengthening the RBI's FX reserve position.
- Foreign investment in Indian equities rebounded in July and August, providing an additional tailwind for the currency. We expect USD/INR to stabilise around current levels, supported by rising FX reserves and the RBI's ability to manage market pressures, including a sizeable, short FX position.

ING forecasts (mkt fwd)	1M 94.60 (94.68)	3M 94.50 (95.18)	6M 94.00 (95.95)	12M 94.00 (97.45)

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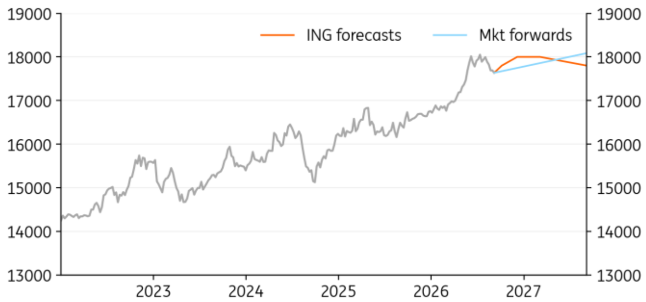
USD/IDR

Under-performance in IDR to remerge

Current spot: 17635



Source: Refinitiv, ING forecasts

- IDR was Southeast Asia's best-performing currency last month, supported by renewed foreign inflows into equity and bond markets and broad US dollar weakness. However, concerns over government policy, including greater intervention in the private sector, and the risk of a sovereign rating downgrade continue to weigh on sentiment.
- The broader external account picture has yet to improve. Weak FDI inflows and a widening current account deficit are likely to keep depreciation pressure on the rupiah. We therefore continue to expect Bank Indonesia to deliver one additional 25bp rate hike this year.
- Falling FX reserves and weakening reserve adequacy have reduced BI's scope for aggressive FX intervention. While we are lowering our USD/IDR forecast to reflect recent IDR strength, we continue to expect depreciation pressures to re-emerge.

ING forecasts (mkt fwd)	1M 17800 (17680)	3M 18000 (17764)	6M 18000 (17870)	12M 17800 (18085)

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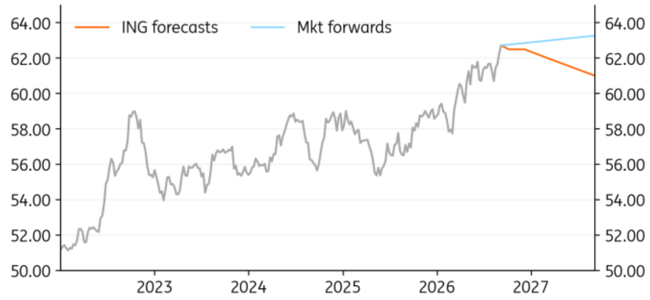
USD/PHP

Weakening bias to persist for PHP

Current spot: 62.61



Source: Refinitiv, ING forecasts

- The BSP raised rates by 25bp to 5.0% last month and delivered a hawkish message, lifting its 2027 inflation forecast amid concerns over El Niño-related food price pressures and stronger-than-expected wage growth.
- With inflation risks remaining elevated and core inflation yet to show convincing moderation, we continue to expect another 25bp rate hike in 4Q26, despite GDP growth continuing to surprise significantly on the downside in 2Q.
- Real policy rates are now close to historic lows, reducing the degree of monetary restraint. At the same time, interest rate differentials between the Philippines and the US have narrowed materially, limiting support for the peso. Peso stability could face additional pressure if the Fed delivers another 25bp rate hike as we expect.

ING forecasts (mkt fwd)	1M 62.50 (62.70)	3M 62.50 (62.81)	6M 62.00 (62.96)	12M 61.00 (63.27)

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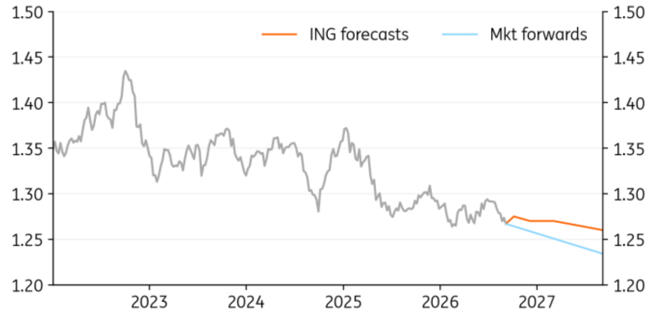
USD/SGD

SGD should continue to outperform

Current spot: 1.2663



Source: Refinitiv, ING forecasts

- Singapore continues to benefit from robust AI-related investment and data centre activity, which is sustaining domestic demand and contributing to upward pressure on services inflation.
- While July's inflation data undershot consensus expectations, the continued acceleration in both headline and core inflation, coupled with persistent upside risks from energy, food and domestic demand, suggests the MAS may not be done tightening.
- In July, the MAS surprised markets by increasing the slope of the SGD NEER policy band "very slightly", signalling greater concern about inflation risks than investors had anticipated. As such, we believe the October policy meeting remains live and cannot rule out further modest policy tightening. We expect SGD to continue to outperform within the region.

ING forecasts (mkt fwd)	1M 1.27 (1.2643)	3M 1.27 (1.2591)	6M 1.27 (1.2509)	12M 1.26 (1.2341)

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USD/TWD

TWD appreciates as headwinds fade

Current spot: 31.55

Source: Refinitiv, ING forecasts

- The TWD strengthened over the past month, with the USDTWD dropping from around 32.5 to 31.6, despite a relatively steady USD backdrop. With Taiwan's peak dividend season passing, this removed a source of outflow pressure.
- Equity market inflows and exporter USD selling were the main sources of support for the TWD over the past month. Furthermore, the CBC looks increasingly likely to hike rates by year-end, perhaps as early as this month given the upside surprises in inflation.
- Looking ahead, we still hold an appreciation bias for the TWD in the medium term, but we're looking for broadly sideways momentum in the short-term. We have pushed back the timeline for our TWD appreciation and now look for the USDTWD to end the year around 31.5.

ING forecasts (mkt fwd)	1M 31.60 (31.57)	3M 31.50 (31.45)	6M 31.30 (31.28)	12M 31.10 (30.91)

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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	1.16	1.15	1.16	1.18	1.19						
EUR/JPY	181	183	184	186	187	USD/JPY	155	159	159	158	157
EUR/GBP	0.86	0.86	0.87	0.88	0.9	GBP/USD	1.35	1.34	1.33	1.34	1.32
EUR/CHF	0.94	0.94	0.94	0.94	0.95	USD/CHF	0.81	0.82	0.81	0.80	0.80
EUR/SEK	11.15	11.05	10.90	10.80	10.60	USD/SEK	9.59	9.61	9.40	9.15	8.91
EUR/NOK	10.79	10.70	10.60	10.55	10.50	USD/NOK	9.28	9.30	9.14	8.94	8.82
EUR/DKK	7.47	7.47	7.47	7.47	7.46	USD/DKK	6.43	6.50	6.44	6.33	6.27
EUR/CAD	1.61	1.60	1.60	1.62	1.62	USD/CAD	1.38	1.39	1.38	1.37	1.36
EUR/AUD	1.61	1.60	1.59	1.62	1.61	AUD/USD	0.72	0.72	0.73	0.73	0.74
EUR/NZD	1.98	1.95	1.97	1.97	1.95	NZD/USD	0.59	0.59	0.59	0.60	0.61
EMEA											
EUR/PLN	4.31	4.3	4.29	4.28	4.28	USD/PLN	3.71	3.74	3.70	3.63	3.60
EUR/HUF	362.2	365	360	355	362	USD/HUF	311.6	317	310	301	304
EUR/CZK	24.21	24.20	24.2	24.15	24.1	USD/CZK	20.83	21.0	20.9	20.5	20.3
EUR/RON	5.25	5.25	5.25	5.26	5.3	USD/RON	4.52	4.57	4.53	4.46	4.45
EUR/RSD	117.35	117.30	117.30	117.20	117.20	USD/RSD	100.97	102.00	101.12	99.32	98.49
EUR/UAH	51.75	51.41	51.97	52.98	53.43	USD/UAH	44.53	44.7	44.8	44.9	44.9
EUR/KZT	529.2	529.0	539.4	548.7	571.2	USD/KZT	455.2	460	465	465	480
EUR/UZS	13703.5	13466.5	13340.0	13570.0	13923.0	USD/UZS	11790.0	11710	11500	11500	11700
EUR/TRY	56.34	56.35	59.04	63.84	71.04	USD/TRY	48.44	49.00	50.90	54.10	59.70
EUR/ZAR	18.55	18.69	18.85	18.88	19.04	USD/ZAR	15.96	16.25	16.25	16.00	16.00
EUR/ILS	3.49	3.51	3.54	3.60	3.63	USD/ILS	3.00	3.05	3.05	3.05	3.05
LATAM											
EUR/BRL	5.96	5.92	5.97	5.90	5.65	USD/BRL	5.13	5.15	5.15	5.00	4.75
EUR/MXN	19.63	19.84	20.01	20.36	20.53	USD/MXN	16.89	17.25	17.25	17.25	17.25
EUR/CLP	1086.26	1064	1073	1092	1071	USD/CLP	934.58	925	925	925	900
Asia											
EUR/CNY	7.80	7.71	7.77	7.87	7.85	USD/CNY	6.71	6.70	6.70	6.67	6.60
EUR/IDR	20487	20470	20880	21240	21182	USD/IDR	17635	17800	18000	18000	17800
EUR/INR	109.79	108.79	109.62	110.92	111.86	USD/INR	94.46	94.60	94.50	94.00	94.00
EUR/KRW	1563.10	1581	1595	1593	1547	USD/KRW	1344.83	1375	1375	1350	1300
EUR/PHP	72.77	71.88	72.50	73.16	72.59	USD/PHP	62.61	62.50	62.50	62.00	61.00
EUR/SGD	1.47	1.47	1.47	1.50	1.50	USD/SGD	1.27	1.28	1.27	1.27	1.26
EUR/TWD	36.68	36.34	36.54	36.93	37.01	USD/TWD	31.55	31.60	31.50	31.30	31.10

Source: Refinitiv, ING

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