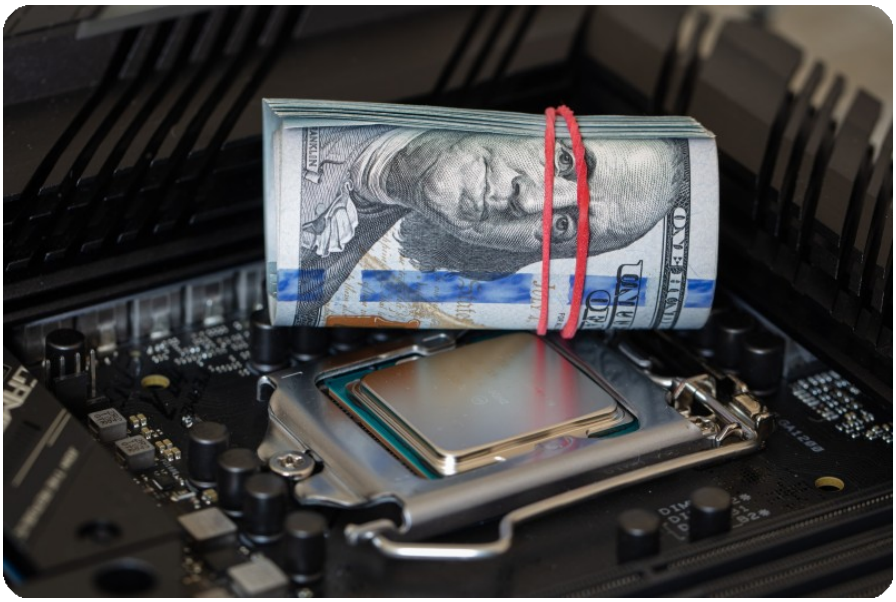
Article | 16 October 2026

FX

FX Daily: Inflation vs. AI overbuild story dominates

Financial markets have calmed a little after Coreweave stock bounced on Thursday. But the debate between intensifying price pressures needing tighter monetary policy and a tech correction requiring a softer policy outlook continues. Expect more consolidation in FX markets today and more interest in local stories, such as Indonesia's equity travails



FX markets remain caught between intensifying inflation and a re-pricing of AI risk

USD: What does the flatter yield curve mean?

The sell-off on Coreweave assets saw a modest reversal yesterday after Nvidia's CEO, Jensen Huang, said that Coreweave's financial strength was improving and its cost of capital was declining. Perhaps those comments should not be surprising from a major shareholder in Coreweave; let's see how long this bounce in Coreweave assets lasts. The big takeaway this week has been the recovery of the long-end of the US Treasury market, even as inflation data continues to come in hot. Here it seems that investors are starting to find value in long-dated Treasuries and are viewing those as a middling hedge against a correction in the AI trade. Were the tech sell-off to gain momentum, that Treasury buying would move to the shorter end of the curve.

While fears of an AI correction may be growing, inflation data continues to come in hot. Yesterday it was US September PPI data blowing away consensus. And today, import prices should come in near 8% year-on-year, the highest since summer 2022. Inflation data is keeping short-dated interest rates supported and has delivered a near 20bp flattening in the 2-10 year Treasury curve this week.

What does that mean for FX? Typically, an environment where the Fed is applying the brakes while growth prospects are being revised down is good for the dollar against activity and emerging market currencies. It is only when short end rates break lower that the dollar is ready to drop. And we are not there yet.

Barring another big leg down in AI stocks and risk assets in general, expect the dollar to consolidate near recent highs. We would continue to expect some defensive outperformance of the Swiss franc in this environment. DXY will probably struggle to get above the 102.40/50 area now, while support is 101.75/80.

Chris Turner

EUR: Inflation to be confirmed at 3.8% today

Today's eurozone data should see September CPI confirmed at 3.8% – well above the European Central Bank's 2% target. Markets are still reeling from the hawkish set of inflation forecasts delivered at the ECB September press conference, a key driver of the near 75bp of further tightening expected from the ECB. Our team looks for just one more hike, however, and developments in French bond markets will have a big say in whether the ECB needs to tighten much more from there.

EUR/USD has received a lift from this week's unease in US AI stocks and may be entering a decent consolidative phase now. This could be worth a move all the way to 1.1340/50. But do not expect EUR/USD to be the big outperformer on a further US equity correction. We think a lower USD/CHF would take the lead there.

Chris Turner

CEE: Wage embers and price sparks

The CEE week ends with mostly second-tier data. Hungary releases August wage figures this morning, one of the central bank's remaining domestic obstacles to achieving stable inflation. We forecast wage growth of 7.1%, still well above CEE peers, while the agreed minimum wage increase raises the risk of renewed wage pressures next year.

Later, the Czech Republic publishes September producer prices. Alongside agricultural prices, these suggest inflationary pressures are broadening beyond fuel costs, posing an upside risk to the CPI outlook, as discussed in our CEE report earlier this week. Turkey will also release

September inflation expectations, the final relevant data point before next week's central bank meeting. We expect the Central Bank of Turkey to resume its easing cycle, which was paused after the US-Iran conflict began, by cutting the policy rate from 37.0% to 36.0%.

CEE fixed income saw a strong rally yesterday, tracking core markets despite negative global sentiment; Hungary and Romania have outperformed the rest of the region over the past two days. We maintain the view that the koruna and zloty yield curves cannot decouple from the global narrative, and that higher energy prices will keep rate hikes priced in for longer. The Hungarian curve will face a test next Monday or Tuesday with the release of the draft budget for next year – an event drawing significant market attention, though expectations may be overly optimistic. FX, on the other hand, remains more or less stable, and we continue to hold our bearish views for the CEE region in general.

Frantisek Taborsky

IDR: MSCI downgrade warning sinks local assets

In a statement that will have been a difficult read for Indonesian authorities, MSCI said overnight that it was launching a consultation to reclassify MSCI Indonesia indexes from Emerging Market to Standalone Market status. Merely dropping Indonesia to Frontier Markets would not properly recognise the depth of the market problems, says MSCI. These problems are opaque shareholding structures and suspected coordinated trading behaviour, according to MSCI.

Local equity indices fell 10-11% on the announcement and an already weak rupiah gapped above the 18000 threshold. Expect more FX intervention from Bank Indonesia to protect this year's high at 18200 – but clearly pressure for a weaker rupiah is building. Please see ING's Deepali Bhargava's latest comments on USD/IDR here.

Indonesia's problems serve as a reminder that EMFX will increasingly be driven by local stories over the coming quarters. How the AI trade fares will dominate Korea and Taiwan, Brazilian assets could be re-rated further on a Bolsonaro presidency, and Hungary's euro ambitions will have a major say on local asset markets. Please see our latest thinking on this topic in October's edition of FX Talking.

Chris Turner

Author

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("**ING**") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.