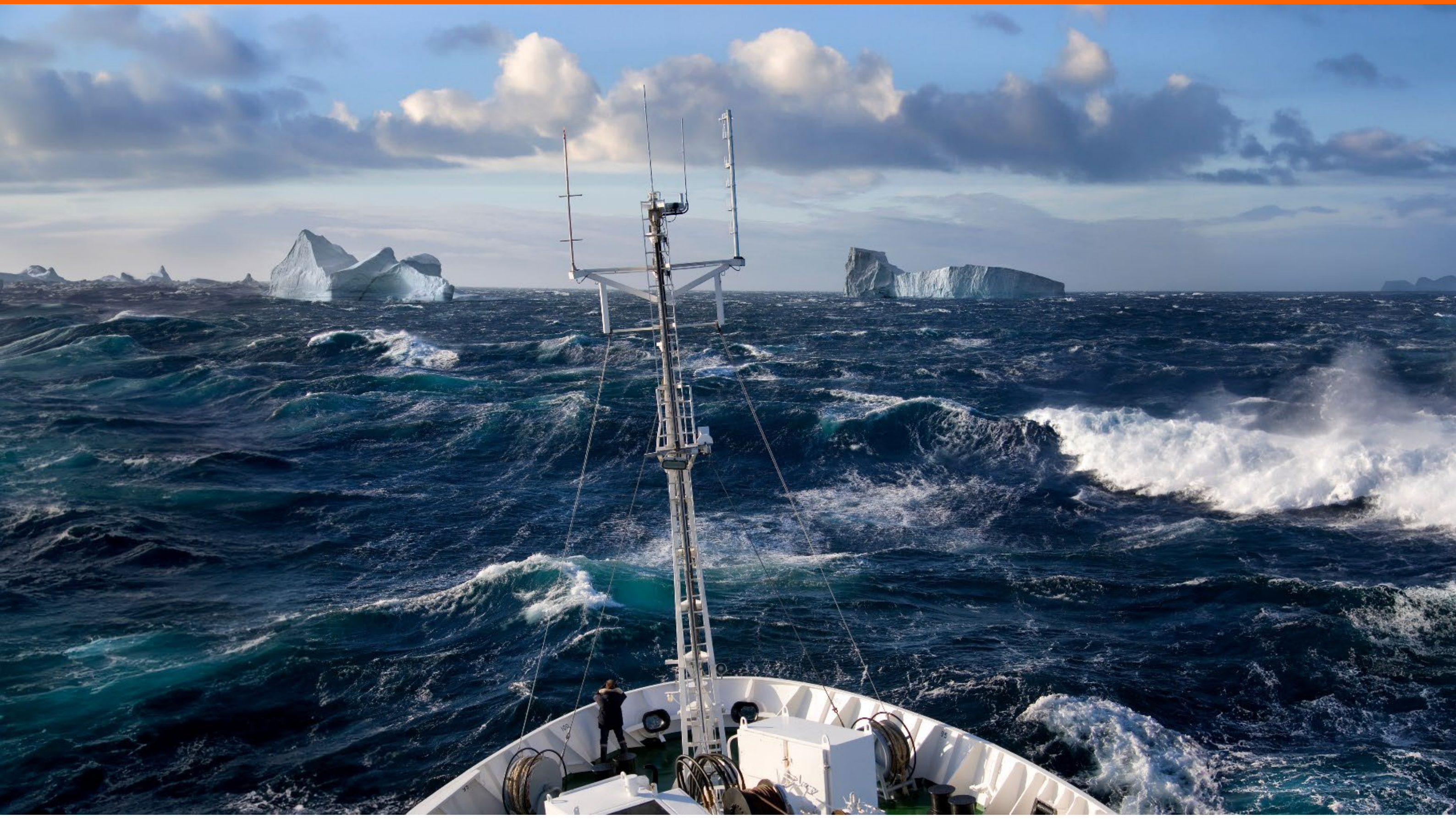
THINK Economic and Financial Analysis

January 2026

FX Talking

Choppy waters, Teflon dollar



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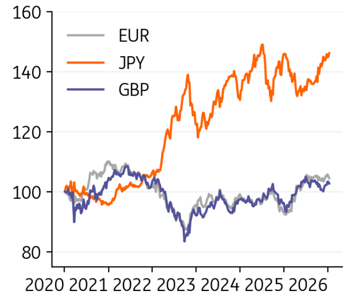
FX Talking

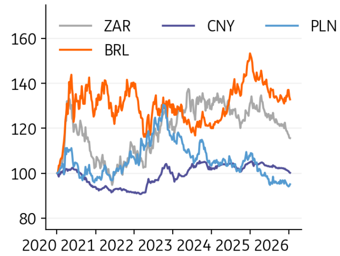
Choppy waters, Teflon dollar

USD/Majors (Jan 20=100)



Source: Refinitiv, ING forecast

USD/EM (Jan 20=100)



Source: Refinitiv, ING forecast

Washington's more aggressive foreign policy has led to a choppy start to the year for FX markets. While investors may regard the upending of international rules as another factor calling for long-term de-dollarisation, the short-term impact is far from clear. And the net takeaway so far of higher oil prices only adds to the seasonal dollar strength typically seen in January and especially in February.

For that reason, we think EUR/USD will probably bounce around in a 1.15-1.18 range in the first quarter, but could end the quarter at the highs if we are correct with our call for a Fed cut in March. The January FOMC could actually prove a dollar positive event risk if the unprecedented political attack on the Fed prompts a hawkish backlash.

This quarter probably sees the greatest risk of USD/JPY trading through 160 as a strong dollar coincides with Japanese PM Sanae Takaichi solidifying the LDP's position in the Lower House. This comes at a time when a low seasonal CPI may lessen the concern over a weak yen adding to the cost-of-living crisis. Yet we should expect intervention at 160/162.

Elsewhere, we think some of our favourite currencies for 2026 may have come a little too far, too fast – e.g. the Swedish krona and the Australian dollar – but maintain most of the views we presented in our 2026 outlook. Those views were generally positive for Emerging Markets, which backed good stories in the Czech Republic and Poland in Central and Eastern Europe. Further afield we see the gains of South Africa's rand and Chile's peso as fully justified, while China's huge trade surplus continues the call for modest renminbi appreciation.

ING FX forecasts

	EUR/USD		USD/JPY		GBP/USD	
1M	1.17	→	157	→	1.34	↓
3M	1.18	↑	155	↓	1.34	↓
6M	1.20	↑	155	↓	1.35	→
12M	1.22	↑	152	↓	1.36	↑
	EUR/GBP		**EUR/CZK**		**EUR/PLN**	
1M	0.87	→	24.25	↓	4.21	↓
3M	0.88	↑	24.25	↓	4.23	→
6M	0.89	↑	24.20	↓	4.24	↓
12M	0.90	↑	24.10	↓	4.22	↓
	USD/CNY		**USD/MXN**		**USD/BRL**	
1M	6.97	↑	18.25	↑	5.45	↑
3M	6.95	↑	18.25	↑	5.50	↑
6M	6.95	↑	18.00	↓	5.50	↓
12M	6.90	↑	17.50	↓	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	-0.5	1.3	-1.2	-1.1	0.8	0.8
%YoY	14.0	0.3	3.4	0.5	8.6	-3.5
	USD/CNY	**USD/KRW**	**EUR/HUF**	**EUR/PLN**	**USD/ZAR**	**USD/BRL**
%MoM	-1.2	-0.7	0.6	-0.3	-2.8	-1.0
%YoY	-4.9	0.0	-6.3	-1.4	-13.8	-12.0

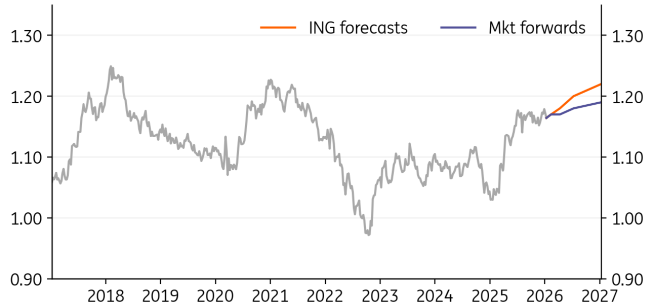
Source: Refinitiv, ING forecast

Developed markets

EUR/USD

Choppy first quarter

Current spot: 1.1674



Source: Refinitiv, ING forecasts

- Having sold off on December seasonals, the dollar should find some more support in the first quarter. US data has remained quite firm – certainly not weak enough to demand early Federal Reserve easing. That said, our team favours more Fed rate cuts in March and June compared to a market pricing June and December.
- Political pressure on the Fed is leading to some dollar selling. However, investors are wary of chasing this theme and unless the Department of Justice charges Fed Chair Jerome Powell, we think the market will remain reluctant to push the 'Sell America' theme on this.
- Our base case remains that fiscally-inspired eurozone growth emerges from 2Q onwards and it is euro strength which delivers 1.22 by the end of the year.

ING forecasts (mkt fwd)	1M 1.17 (1.1692)	3M 1.18 (1.1723)	6M 1.20 (1.1770)	12M 1.22 (1.1853)

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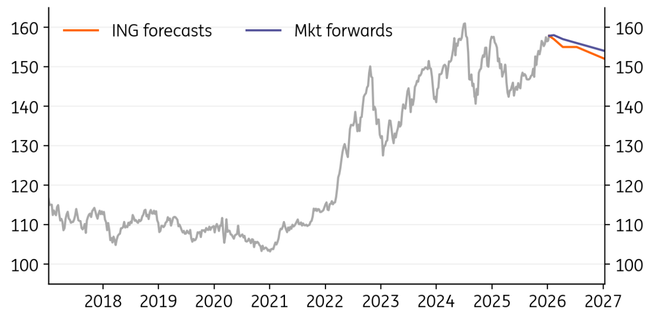
USD/JPY

Snap elections pose one more risk to the yen

Current spot: 158.09



Source: Refinitiv, ING forecasts

- The New Year has started with a focus back on Japanese politics. Here, the popular PM, Sanae Takaichi, is considering a snap election in February to secure an LDP majority in the Lower House. The view here would be that, if successful, she could pivot more towards super-loose fiscal and monetary policy – weakening the yen. Given Japanese CPI should be subdued in the first quarter, this looks the most likely window for 160/162 in USD/JPY.
- That said, we suspect Tokyo would still intervene at 160. You never know, but the US could join them in bilateral intervention since it would be in Washington's interests as well.
- The case for the yen to recover on undervaluation is weakening.

ING forecasts (mkt fwd)	1M 157 (157.68)	3M 155 (156.87)	6M 155 (155.72)	12M 152 (153.75)

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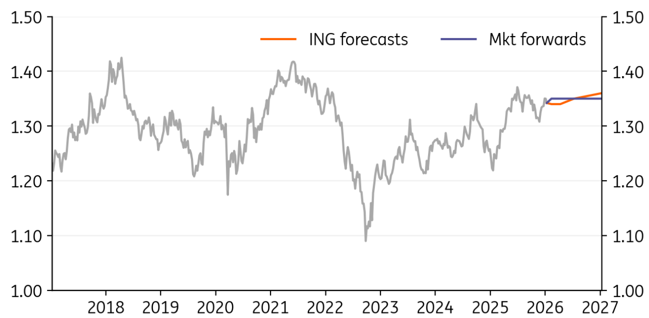
GBP/USD

Positioning and BoE provide temporary relief

Current spot: 1.3465



Source: Refinitiv, ING forecasts

- Sterling is enjoying a brief renaissance, helped by the Bank of England which was less than dovish in December, and a buyside which had found themselves heavily short sterling in late November. On the BoE story, we favour two further 25bp cuts in March and June in the 3.75% policy rate. Headline inflation should be falling below 2% in April and the BoE should have less to fear over sticky wage inflation – a key worry for them in December.
- Also helping sterling has been a UK government trying to get a little closer to Europe, with the focus now on 'dynamic alignment'.
- There is still a risk that PM Keir Starmer and Chancellor Rachel Reeves could be forced out after local elections in May – a big £ negative.

ING forecasts (mkt fwd)	1M 1.34 (1.3461)	3M 1.34 (1.3464)	6M 1.35 (1.3464)	12M 1.36 (1.3454)

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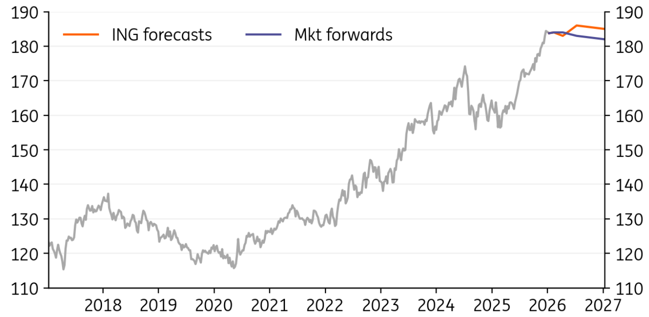
EUR/JPY

Hard to fight this powerful trend **Current spot: 184.56**



Source: Refinitiv, ING forecasts

- Looking at the potential forces driving the euro and yen this year it is hard to stand in the way of this powerful bull trend. On the yen side, PM Sakaichi's policies are yen-negative and the next Bank of Japan rate hike may not emerge until December. On the euro side, we are looking for a better year here, where fiscal stimulus powers eurozone growth higher sequentially. 200 seems an impossible number for EUR/JPY – but we traded close in 1990.
- The Japanese have a bigger problem with a weak yen than the European Central Bank has with a strong euro. The ECB seems more interested in EUR/USD – particularly its speed of appreciation.
- A substantial change in the benign risk environment is probably the main threat to EUR/JPY this year.

ING forecasts (mkt fwd)	**1M** 184 (184.33)	**3M** 183 (183.91)	**6M** 186 (183.28)	**12M** 185 (182.22)

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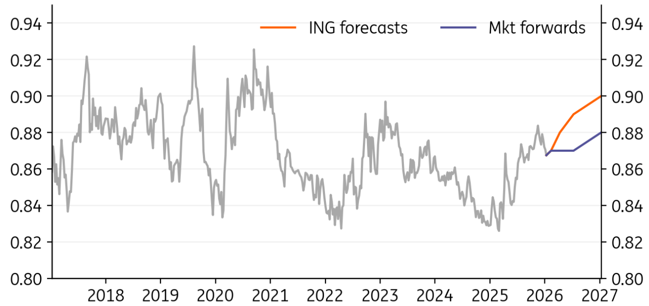
EUR/GBP

Bull market correction **Current spot: 0.8669**



Source: Refinitiv, ING forecasts

- On reflection, the market had probably been too bearish on sterling in late November – positioning in the asset management community certainly suggested that. While we can't rule out a further correction towards the 0.8600 area, we are still happy to sit with a multi-quarter bullish EUR/GBP view.
- Further rate cuts amid declining inflation in the UK should be offset against a stronger eurozone growth story this year. And in late '26, the market could well be focusing on ECB rate hikes.
- The biggest downside risk to EUR/GBP may come from somewhere like French politics/budget weighing on the euro. Or the UK Labour government surprising with a big pro-EU push.

ING forecasts (mkt fwd)	**1M** 0.87 (0.8685)	**3M** 0.88 (0.8707)	**6M** 0.89 (0.8742)	**12M** 0.90 (0.8810)

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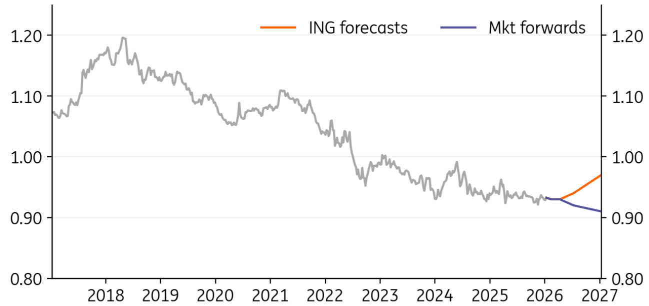
EUR/CHF

Waiting on the eurozone upturn **Current spot: 0.9302**



Source: Refinitiv, ING forecasts

- There remains a lot of discussion about the dollar de-basement trade in light of the pressure on US institutions. Gold and the Swiss franc continue to be seen as the go-to safe havens – perhaps a factor keeping EUR/CHF down at 0.92/0.93 despite the ECB policy rate remaining 200bp higher than that of the Swiss National Bank. Notably, however, the SNB has not been intervening to support EUR/CHF – it hardly bought any FX in 3Q25, having bought CHF5bn in 2Q25.
- Our mildly bullish call this year is on the back of the euro strength we expect to come through from 2Q onwards as German fiscal stimulus starts to cement an improvement for eurozone industry.
- Swiss growth is still seen weak in 2026 near 1%.

ING forecasts (mkt fwd)	**1M** 0.93 (0.9285)	**3M** 0.93 (0.9252)	**6M** 0.94 (0.9202)	**12M** 0.97 (0.9106)

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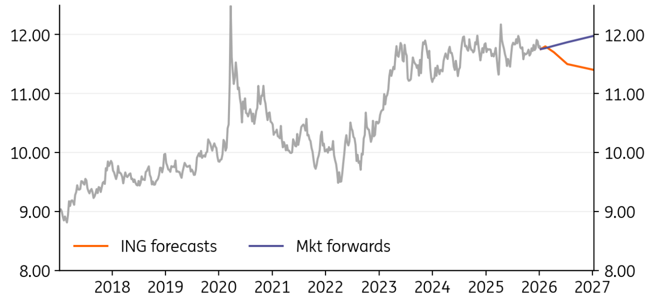
EUR/NOK

Waiting for improved external picture

Current spot: 11.75



Source: Refinitiv, ING forecasts

- Norway's inflation remains a wild card for the krone. Consensus has failed to track price volatility, as soft November figures were followed by a hot print for December. With core CPI above 3.0% year-on-year (now 3.1%), Norges Bank shouldn't make any dovish shift at the 22 January meeting.
- All this is challenging our call for three cuts by year-end, but we still think that inflation will have moderated enough for a cut in May or June – priced at 6bp and 15bp, respectively.
- Our relatively dovish call doesn't hugely influence our medium-term bullish NOK view, which is still based on solid fundamentals. In the near term, we see some upside risks for EUR/NOK amid a more challenging risk environment.

ING forecasts (mkt fwd)	1M 11.80 (11.77)	3M 11.70 (11.81)	6M 11.50 (11.87)	12M 11.40 (11.98)

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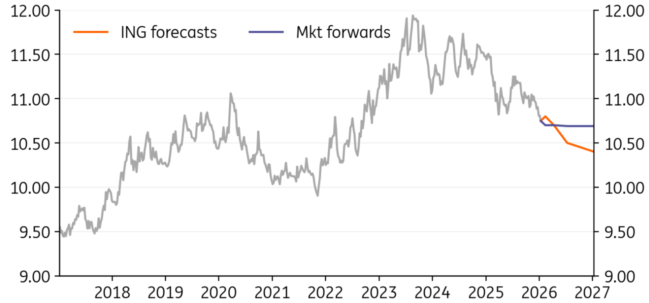
EUR/SEK

Looking cheap in the near term

Current spot: 10.70



Source: Refinitiv, ING forecasts

- The krona's exceptional 2025 performance is extending into the new year, but we think further EUR/SEK depreciation in the near term would be a bit stretched. The pair is already trading close to 2.0% undervaluation, and we think it can trade back above 11.80 before re-entering a downward trend.
- November GDP came in strong, with YoY growth at 2.7%, underpinning the krona's solid medium-term outlook.
- The Riksbank is unlikely to signal anything different anytime soon, and the market may well keep speculating on a hike in the coming year (now 20bp priced in) even though that's not our base case.

ING forecasts (mkt fwd)	1M 10.80 (10.70)	3M 10.70 (10.70)	6M 10.50 (10.69)	12M 10.40 (10.69)

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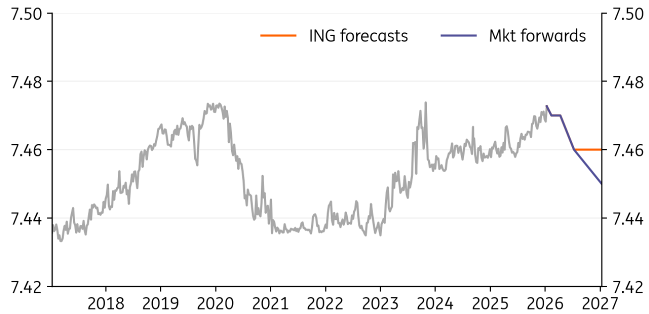
EUR/DKK

Unusual activity

Current spot: 7.4722



Source: Refinitiv, ING forecasts

- The EUR/DKK forward market has shown some unusual upside volatility in January. We dissect those moves in this note.
- While we suspect there is some hedging/speculation on a potential US-Denmark direct confrontation over Greenland, we believe the central bank is intervening in spot, which is having a knock-on effect on FX forwards liquidity - exacerbating the moves.
- So far, those moves aren't concerning, particularly considering Danmarks Nationalbank has grown its reserves to c.25% of GDP and has therefore plenty of ammunition to defend the EUR/DKK peg at much narrower ranges than the +/- 2.25% ERM II band.

ING forecasts (mkt fwd)	1M 7.47 (7.4692)	3M 7.47 (7.4653)	6M 7.46 (7.4607)	12M 7.46 (7.4522)

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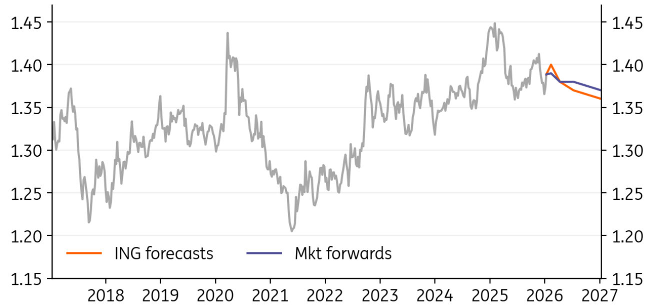
USD/CAD

Loonie feels some Venezuela effect

Current spot: 1.3870



Source: Refinitiv, ING forecasts

- Markets have started to price in a rate hike in Canada by the end of this year: we think that is premature, but we no longer expect another rate cut.
- The Venezuela events left some marks on CAD, as Canada's heavy crude may be the most negatively affected by an increase in supply from Venezuela. The Western Canada Select traded at a $15 discount to WTI at one point in early January.
- We remain unexcited about CAD's prospects. Unemployment is on the rise again (6.8%) in Canada, and the upcoming USMCA renegotiation may be rocky and add to economic uncertainty. We think a return to 1.40 in the near term is possible.

ING forecasts (mkt fwd)	**1M** 1.40 (1.3856)	**3M** 1.38 (1.3817)	**6M** 1.37 (1.3767)	**12M** 1.36 (1.3698)

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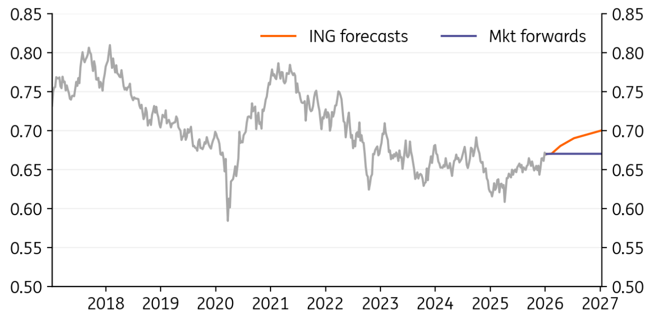
AUD/USD

Hike speculation a bit premature

Current spot: 0.6714



Source: Refinitiv, ING forecasts

- The Aussie dollar has held gains at the start of 2026, partly thanks to markets now fully discounting a rate hike by this summer.
- Inflation has indeed remained elevated, with core measures struggling to find their way below 3.0%, but we haven't seen enough to call for rate increases yet. Recently, consumer sentiment has dipped on the back of monetary tightening fears, and that may contribute to keeping the central bank on hold for longer.
- Aside from this, we still like some upside in AUD/USD over the course of 2026, but the pair is close to medium term fair value and should appreciate at a slower pace from now on.

ING forecasts (mkt fwd)	**1M** 0.67 (0.6714)	**3M** 0.68 (0.6714)	**6M** 0.69 (0.6709)	**12M** 0.70 (0.6686)

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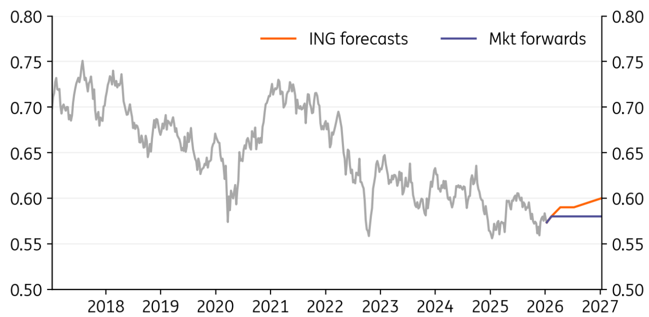
NZD/USD

Improved outlook

Current spot: 0.5768



Source: Refinitiv, ING forecasts

- The Reserve Bank of New Zealand is another central bank now expected by markets to hike rates by the end of 2026. We see slightly higher chances of this happening in New Zealand and Australia, even though pricing is more dovish for the Reserve Bank of Australia.
- The main reason is the starting point: 2.25% rates in NZ relative to 3.60% in Australia. We have had the suspicion for a while the RBNZ went too far with rate cuts, and the risks are of further stickiness in services inflation.
- Anyway, we'll need to hold that thought until Governor Anna Breman's first policy meeting in February. Our NZD/USD view remains in line with AUD/USD, with slightly higher upside potential for the NZD.

ING forecasts (mkt fwd)	**1M** 0.58 (0.5775)	**3M** 0.59 (0.5788)	**6M** 0.59 (0.5806)	**12M** 0.60 (0.5830)

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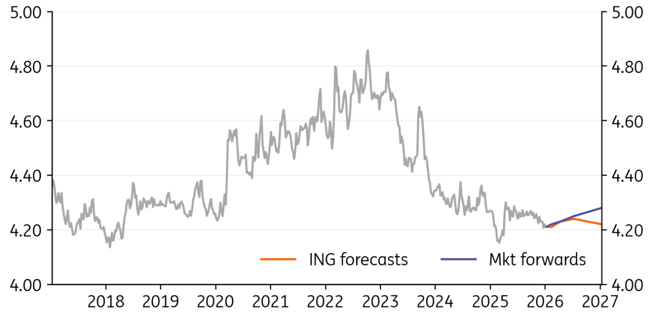
Emerging markets

EUR/PLN

Stabilisation at the beginning of 2026, outlook positive

Current spot: 4.2102



Source: Refinitiv, ING forecasts

- The EUR/PLN slipped to 4.20 (nine-month low) in December, due to the economic outperformance of Poland vs the EU, aided by positive EM sentiment and the rise of EUR/USD. We are neutral short term with the risk skewed towards a stronger PLN as positive EM sentiment and Poland's strong GDP are set to continue due to the public investment boom. The rise of EUR/USD should offset the below consensus NBP cuts (3.25%).
- Current risks to the zloty remain linked to geopolitical factors, primarily the potential escalation of Russia's conflict with Europe and possible military provocations. In the medium term, changes to Poland's growth model and the effectiveness of German fiscal stimulus will be crucial for CEE economies and sentiment towards CEE FX.

ING forecasts (mkt fwd)	**1M** 4.21 (4.2180)	**3M** 4.23 (4.2295)	**6M** 4.24 (4.2468)	**12M** 4.22 (4.2816)

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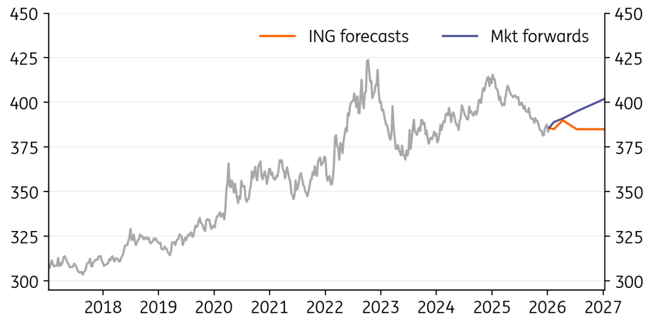
EUR/HUF

The HUF rally fizzled out, giving way to stability

Current spot: 387.35



Source: Refinitiv, ING forecasts

- The National Bank of Hungary's unexpected dovish shift in December eventually brought an end to the year-long rally in the forint. The new gravity line appears to be around 385, and it seems that the central bank has found its own 'happy place' there.
- As the market has already priced in two rate cuts for the first quarter of 2026, we believe the eventual start of the easing cycle will have a moderately negative impact on the forint.
- We expect volatility to rise as we approach the general election in spring 2026. However, we believe that the central bank will be as opportunistic as possible. A downside surprise in inflation, improving risk sentiment, or a dovish shift among major central banks could prompt the NBH to adopt a more dovish stance, potentially pushing the EUR/HUF exchange rate towards 390 in the coming months.

ING forecasts (mkt fwd)	**1M** 385 (388.90)	**3M** 390 (391.21)	**6M** 385 (394.91)	**12M** 385 (401.77)

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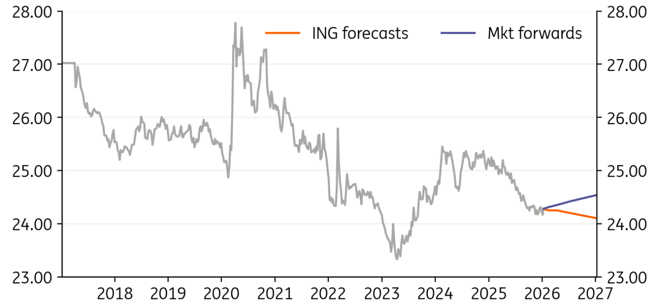
EUR/CZK

Fundamentals will kick in after a short intermezzo **Current spot: 24.28**



Source: Refinitiv, ING forecasts

- The Czech economy is in a good place, with fixed investment expected to do as good a job as household consumption. Its projected growth outperformance relative to the eurozone strengthens the fundamental driver of the Czech koruna's resilience throughout 2026. At the same time, we see headline inflation dropping to 1.1% on average this year, pushed down by energy prices.
- When market participants see January's low inflation print and realise that monetary policy easing is likely to arrive sooner or later, the koruna's smooth ride will be interrupted in the first quarter. Yet we are looking at an economy with solid expansion and subdued inflation - who wouldn't want that? A robust real interest rate and a positive rate differential versus the ECB form the second pillar of the koruna's strength. Once the dust settles around the low January inflation reading, the koruna should be ready to embark on another appreciation journey.

ING forecasts (mkt fwd)	1M 24.25 (24.31)	3M 24.25 (24.35)	6M 24.20 (24.42)	12M 24.10 (24.54)

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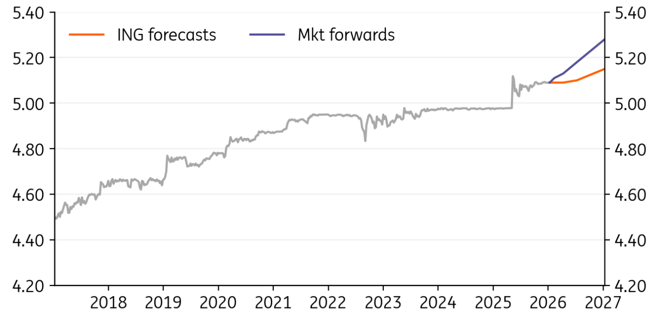
EUR/RON

Stability to prevail around 5.09 **Current spot: 5.0933**



Source: Refinitiv, ING forecasts

EUR/RON dynamics: Year-end saw buying pressure in EUR/RON, likely influenced by bond market factors. However, strong offers emerged in the 5.0930–5.0950 range, and the pair ended the year close to our 5.09 forecast.

Fiscal and liquidity context: The budget deficit stood at -6.4% of GDP in November and likely just below -8.4% in December. This drove a substantial liquidity injection from the Ministry of Finance in December - around RON 30bn or more - pushing carry rates well below the 5.50% deposit facility level.

- Outlook: We expect the pair to remain within its current range and close the year near 5.15, as inflation trends do not warrant a more accommodative stance from the central bank on currency movements.

ING forecasts (mkt fwd)	1M 5.09 (5.1095)	3M 5.09 (5.1338)	6M 5.10 (5.1841)	12M 5.15 (5.2808)

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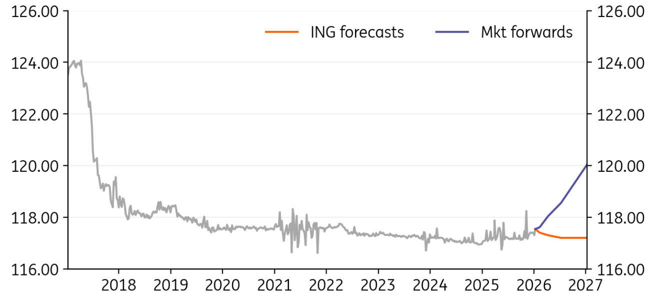
EUR/RSD

RSD unlikely to move significantly from current levels

Current spot: 117.32



Source: Refinitiv, ING forecasts

- EUR/RSD traded mostly sideways though early January, hovering mostly between the 117.25 – 117.40 range. While the outlook on the NIS refinery shutdown situation has improved, with a temporary restart as of mid-January and a potential deal by the end month end, the situation remains uncertain.
- In the background, the positive fundamentals are backed by strong investments, with the Expo 2027 infrastructure buildup to be now doubled by the beginning of the long-awaited Belgrade metro development. On the fiscal side, the deficit is expected to remain at 3.0% this year, with public debt staying below 50%.
- At its December meeting, the National Bank of Serbia (NBS) kept the key rate in place at 5.75%. We continue to believe that FX stability should remain a key focus ahead, with the Bank buying a net EUR 145mn as of November, visibly lower compared to October after it sold EUR 210mn through the month to prevent outflows and keep the pair stable.

ING forecasts (mkt fwd)	1M 117.40 (117.61)	3M 117.30 (118.04)	6M 117.20 (118.55)	12M 117.20 (120.04)

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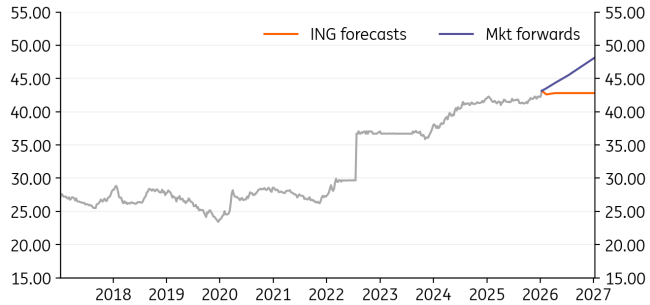
USD/UAH

Ongoing war still the biggest threat to hryvnia

Current spot: 43.29



Source: Refinitiv, ING forecasts

- The USD/UAH spiked to a record high of 43.1, driven by seasonality and the ongoing war (destruction of power production and distribution, logistical facilities, labour shortage), which have undermined GDP.
- To ensure the attractiveness of the hryvnia and the sustainability of the FX market, the National Bank of Ukraine decided to keep the policy rate unchanged in December (at 15.5%). International aid also helped, with FX reserves reaching an historic high.
- The outcome of peace negotiations could be important, but the challenge is overcoming the remaining hurdles afterwards. The peace deal seems ready, but the toughest issues remain unresolved, i.e. the border lines and the Zaporizhzhia nuclear power plant.

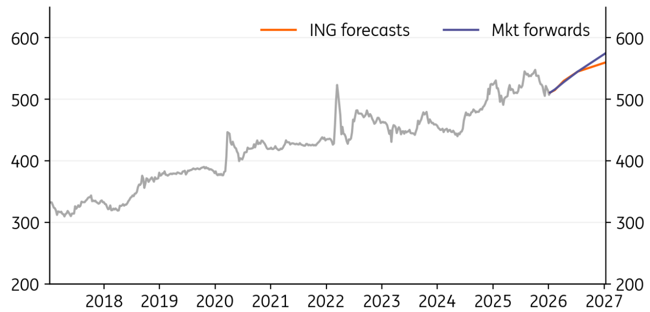
ING forecasts (mkt fwd)	1M 42.60 (43.52)	3M 42.80 (44.32)	6M 42.80 (45.48)	12M 42.80 (48.18)

Mateusz Sutowicz, mateusz.sutowicz@ing.pl

USD/KZT

External uncertainties reinforce our cautious stance

Current spot: 510.65



Source: Refinitiv, ING forecasts

- The Kazakhstani tenge appreciated by 1% against the US dollar in December, ending the year at 507, very close to our expectations, followed by a flat start to the year, in line with seasonality.
- Oil production and export growth seems to have moderated towards the end of the year, while FX sales by the central bank and the government declined by $0.3bn month-on-month to $1.3bn in December and is guided to shrink further to $1.1bn in January.
- The VAT rate hike which took effect this year, may lead to a temporary decline in consumption and imports, but the positive effect for KZT could be offset by a projected decline in FX sales from the sovereign fund (due to the narrowing of the budget deficit). Meanwhile, renewed uncertainties surrounding risk appetite and oil reinforce our cautious long-term view on KZT.

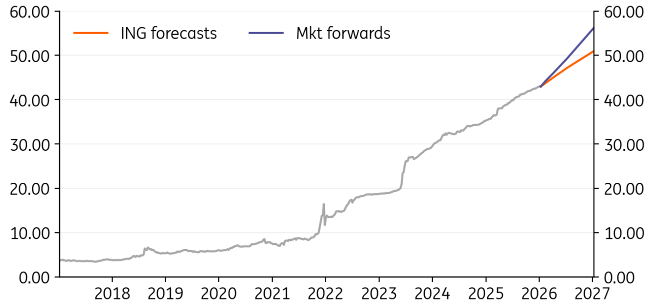
ING forecasts (mkt fwd)	1M 515 (516.46)	3M 530 (527.89)	6M 545 (544.52)	12M 560 (574.87)

Dmitry Dolgin, dmitry.dolgin@ingbank.com

USD/TRY

Central bank to maintain gradual easing path

Current spot: 43.11



Source: Refinitiv, ING forecasts

- Disinflation in 2025 was slower, with food and services the culprits. When looking at 2026: i) FX will likely remain supportive of disinflation as the Central Bank of Turkey reiterated that the FX regime will be maintained ii) the government raised the minimum wage by 27.0%, but there should not be a significant adjustment in inflation forecasts iii) administrative price hikes seem to be close to the CBT's target for this year.
- On the flip side, the update of CPI weights by TurkStat and path of global commodity prices - particularly oil - increase uncertainty about the outlook. Given this backdrop, we expect 2026 inflation at 22%, and the policy rate at 27%. Risks are on the upside.
- The CBT aims to increase its OMO portfolio to a nominal TRY 450bn in 2026, up by 72%. However, the size is quite small in comparison to domestic debt servicing at TRY5.0 tln. This expansion will be spread over time without distorting the yield curve. Liquidity injected through purchases will be sterilised.

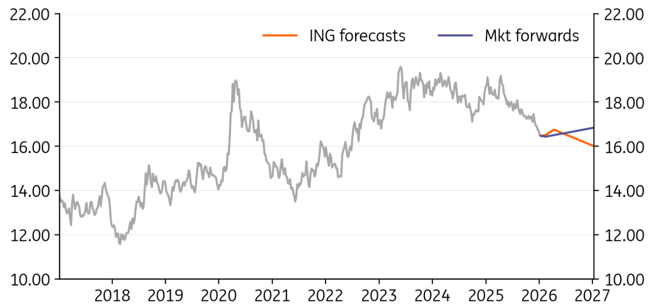
ING forecasts (mkt fwd)	1M 43.70 (44.15)	3M 45.10 (46.14)	6M 47.20 (49.33)	12M 51.00 (56.28)

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

USD/ZAR

Rand powers ahead

Current spot: 16.39



Source: Refinitiv, ING forecasts

- The rand delivered on all the optimism expected of it late last year and we've seen USD/ZAR drop to the lowest levels since summer 2022. EM investors still very much like the rand story, which embodies high real interest rates and more importantly, explosive terms of trade growth, where the precious metals rally has buoyed South Africa's external position.
- The market expects the central bank to cut the 6.75% policy rate by 50bp this year. Local SAGBs 10-year yields fell nearly 300bp last year – but could have another 50bp further to go we think.
- Looking at the inflation-adjusted rand, it is still 30% away from its 2010 highs – and the rand does not look particularly overvalued.

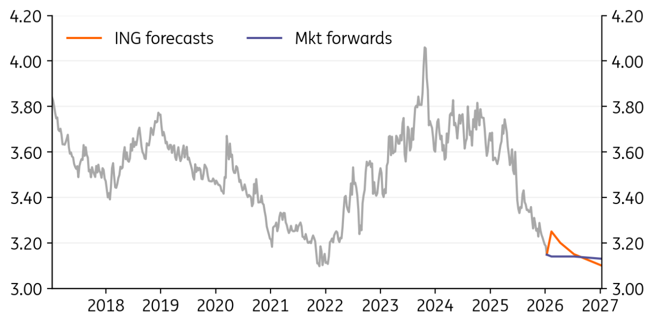
ING forecasts (mkt fwd)	1M 16.50 (16.43)	3M 16.75 (16.50)	6M 16.50 (16.61)	12M 16.00 (16.84)

Chris Turner, chris.turner@ing.com

USD/ILS

Bank of Israel delivers a surprise rate cut

Current spot: 3.1433



Source: Refinitiv, ING forecasts

- Like many other EM currencies, the shekel continues to perform very well. However, it is not a high yielder and instead looks to be driven by direct investment flows, including capital raises by the Israeli tech sector. That said, the ongoing ceasefire is allowing GDP forecasts to be revised up – where the Bank of Israel sees GDP at 5.5% this year versus 2.8% in 2025.
- In January, the BoI surprised with an early 25bp rate cut to 4.00%. It cited encouraging inflation, now that the ceasefire is easing constraints in the labour market. More cuts are expected.
- However, we think the strong ILS may be a bigger factor – where the real trade-weighted shekel is close to multi-decade highs.

ING forecasts (mkt fwd)	1M 3.25 (3.1437)	3M 3.20 (3.1421)	6M 3.15 (3.1383)	12M 3.10 (3.1276)

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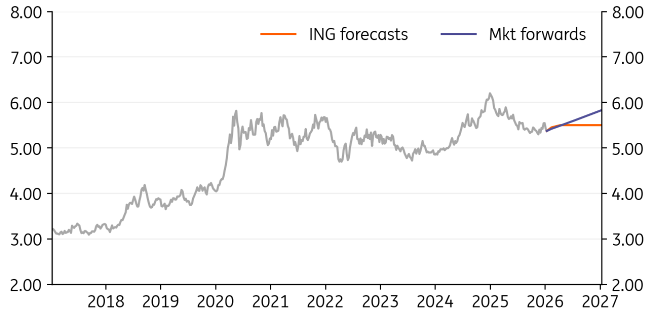
LATAM

USD/BRL

A big year for the real — **Current spot: 5.3694**



Source: Refinitiv, ING forecasts

- Seasonal strength of the dollar may keep USD/BRL supported in 1Q, but then there's a chance for lower levels through the year. The bull case for Brazil's real is the 13% implied yield and potentially strong inflows into its bond markets as the central bank starts to cut. The policy rate is expected to be cut from 15.00% to 12.50% this year. Also, any broad flows into EM local currency bonds should help BRL given Brazil's 7% weight in key benchmarks.
- The big story, however, will be the October election. President Lula comfortably leads Flavio Bolsonaro in the polls, but any fiscal giveaways pre-election could easily hit the real.
- Consensus sees 5.40/5.50 for USD/BRL this year. We agree, but tend to see greater risks to the downside on a positive EM story.

ING forecasts (mkt fwd)	1M 5.45 (5.4153)	3M 5.50 (5.4855)	6M 5.50 (5.6024)	12M 5.50 (5.8261)

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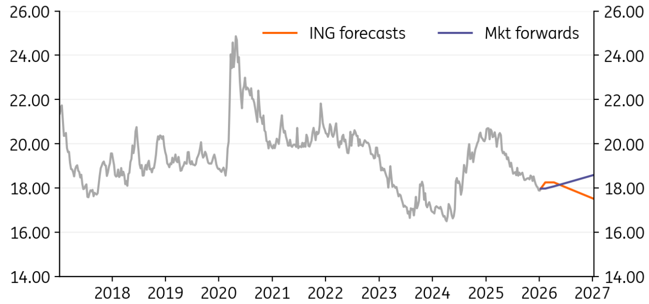
USD/MXN

Riding out the storm — **Current spot: 17.92**



Source: Refinitiv, ING forecasts

- The peso fared well in the face of the Venezuela news and also to US threats of direct attacks on the drugs cartel on mainland Mexico. Perhaps it is because these threats have been made for a couple of years now. GDP growth is expected to pick up to around 1.3% from 0.5% last year and it looks like Banxico has nearly finished its easing cycle at 7.00%.
- But the peso still offers a 7% implied yield and the Latam region is still favoured for commodities – though Mexico is an energy story rather than the metals/softs exposure among its neighbours.
- We like EMFX this year, but the main risk for the MXN is July's renegotiation of the USMCA, where the US could try to extract more.

ING forecasts (mkt fwd)	1M 18.25 (17.97)	3M 18.25 (18.07)	6M 18.00 (18.24)	12M 17.50 (18.59)

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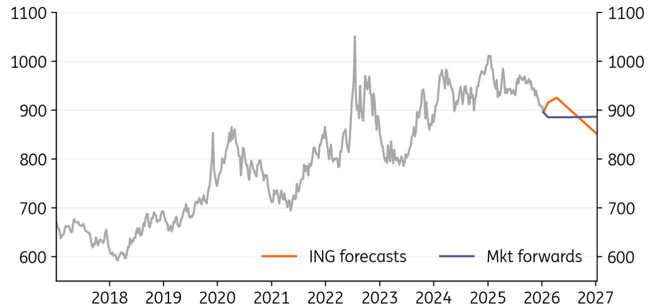
USD/CLP

Copper and Kast drive peso gains — **Current spot: 884.67**



Source: Refinitiv, ING forecasts

- The peso has surprised a lot of people by breaking under 900/USD. However, there have been two big positives: i) the huge rally in copper and ii) the market-friendly Jose Antonio Kast winning December's presidential election in a landslide. The latter may now have a greater bearing given recent geopolitical developments, with Chile now falling on the Right side of Trump's political tracks.
- One question now is what does the central bank do with its FX intervention policy? Does it buy more down here to replenish FX reserves and improve sovereign credit ratings?
- Terms of trade have surged with the copper story and assuming 4% growth plans can be delivered, CLP gains look sustainable.

ING forecasts (mkt fwd)	1M 915 (884.67)	3M 925 (884.77)	6M 900 (884.98)	12M 850 (886.48)

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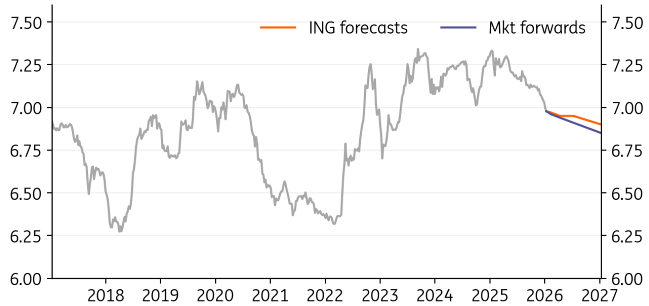
Asia

USD/CNY

Market upbeat on CNY appreciation prospects to start the year

Current spot: 6.9732



Source: Refinitiv, ING forecasts

- The Chinese yuan strengthened by more than usual over the past month, with December 2025 seeing the largest monthly appreciation for the CNY against the USD since August 2024. USD/CNY has been in a 6.98-7.07 range over the past month.
- The People's Bank of China's fixings have now moved from supporting a stronger CNY towards pushing back against the pace of appreciation. US-China yield spreads have narrowed after the Fed rate cut, and with the Fed set to ease faster than the PBoC, this trend should continue, albeit likely at a slower pace.
- With a faster pace of appreciation in December, we accelerate our timeline for appreciation, and adjust our 2026 fluctuation band forecast to 6.85-7.25. Risks still look balanced towards CNY appreciation as yield spreads narrow further, and as the current account surplus balloons.

ING forecasts (mkt fwd)	1M 6.97 (6.9597)	3M 6.95 (6.9418)	6M 6.95 (6.9103)	12M 6.90 (6.8540)

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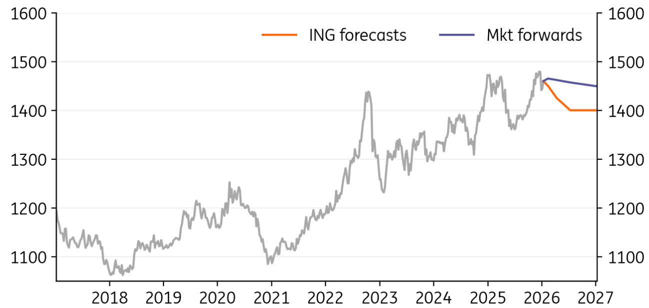
USD/KRW

The KRW to be range-bound around 1450

Current spot: 1457.23



Source: Refinitiv, ING forecasts

- Thanks to various FX stabilisation measures by the authorities, USD/KRW levelled down from near 1,500 to 1,430 by the year end. Yet, underlying strong USD demand persists and USD/KRW has climbed back to around 1,470.
- The Bank of Korea is likely to keep its policy rate at 2.5% in January due to inflation risks from a weak Korean won and the continued rise in Seoul housing prices.
- Robust global chip demand may attract more foreign capital to the local equity market but heightened geopolitical risk is expected to keep the USD/KRW around 1,450 in near term.

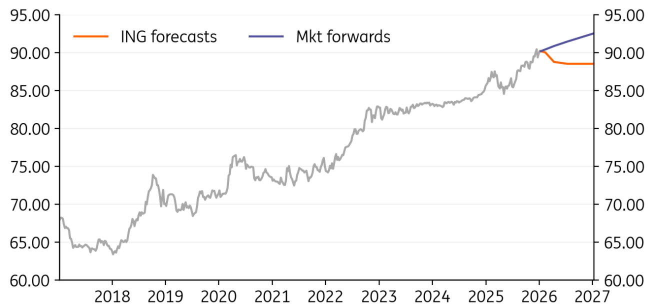
ING forecasts (mkt fwd)	1M 1450 (1465.04)	3M 1425 (1462.45)	6M 1400 (1456.74)	12M 1400 (1448.72)

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

USD/INR

Sharp fall in REER should limit further downside

Current spot: 90.13



Source: Refinitiv, ING forecasts

- The Indian rupee ended last year as Asia's weakest currency, pressured by a widening trade deficit which was driven by elevated tariffs and increased gold imports. Portfolio outflows from equities accelerated in December amid muted earnings and stretched valuations.
- Overall, the central bank's assessment of the growth-inflation trade-off aligns with ours, suggesting scope for further policy easing. However, INR weakness has eroded currency-adjusted returns for bond investors, prompting foreign institutional investor outflows from debt markets too.
- We expect India to eventually secure lower tariff rates, which should help narrow the trade deficit and support the rupee over the next three to six months. From a valuation standpoint, the sharp decline in INR's real effective exchange rate should also limit further downside.

ING forecasts (mkt fwd)	1M 90.00 (90.39)	3M 88.75 (90.84)	6M 88.50 (91.43)	12M 88.50 (92.53)

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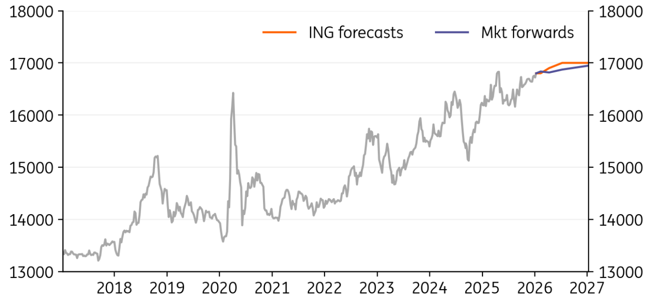
USD/IDR

Fiscal concerns could keep rupiah under pressure **Current spot: 16830**



Source: Refinitiv, ING forecasts

- A combination of weaker trade performance, widening rate differentials, and fiscal concerns drove the Indonesian rupiah lower against the US dollar in 2025, in line with our expectations. IDR ended the year as the region's second-worst performer, depreciating 3.5%. vs the USD.
- Persistent worries over fiscal sustainability and lack of policy clarity weighed further on sentiment in 4Q. Foreign investor outflows from government bonds accelerated, totalling USD $1.7bn, as concerns over a rising fiscal deficit deepened - pushing foreign holdings of Indonesian bonds to decade lows.
- Looking ahead, subdued GDP growth and sluggish government revenues will continue to pressure the currency. We are adding further weakness to our already weak-IDR profile, given investor unease which is likely to keep FII inflows muted.

ING forecasts (mkt fwd)	1M 16800 (16835)	3M 16900 (16816)	6M 17000 (16872)	12M 17000 (16948)

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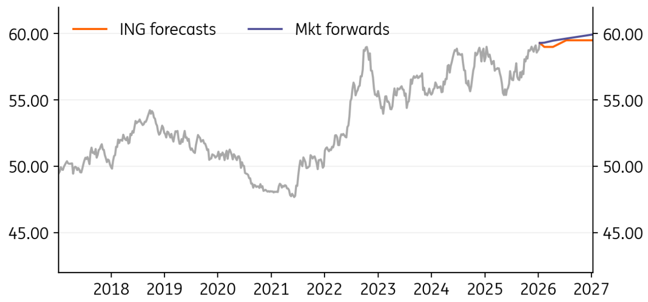
USD/PHP

Fresh concerns on growth hit the local currency **Current spot: 59.27**



Source: Refinitiv, ING forecasts

- Concerns over softer GDP growth have weighed on the Philippine peso. Recent data highlights the risk that weak government spending could remain a persistent drag, dampening private sector confidence. We forecast GDP growth at 5.4% in 2026, with risks skewed to the downside.
- We expect the Bangko Sentral ng Pilipinas to deliver further easing in 1Q 2026 as growth underperforms. External imbalances add pressure, with the balance of payments swinging sharply into deficit in 2025 through October, compared to a small surplus in 2024.
- Despite recent peso weakness, the BSP governor noted limited pass-through to domestic inflation. On balance, we expect the BSP to maintain a less defensive stance, keeping PHP biased to the downside over the medium term.

ING forecasts (mkt fwd)	1M 59.00 (59.32)	3M 59.00 (59.47)	6M 59.50 (59.63)	12M 59.50 (59.94)

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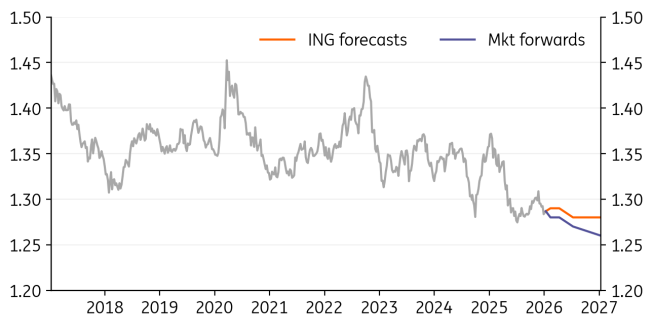
USD/SGD

Likely to remain range-bound **Current spot: 1.2853**



Source: Refinitiv, ING forecasts

- Singapore delivered the biggest upside surprise in 2025, posting 4.8% GDP growth versus the sub-2% consensus at the start of the year, supported by a diversified export base and robust trade performance. A lower 10% base tariff continues to boost electronics and precision engineering, creating positive spillovers for the domestic economy and reinforcing growth momentum.
- This strength in the economy together with robust foreign inflows have supported the Singapore dollar. The SGD nominal effective exchange rate recently rose to a peak of c.1.5-1.8% above the midpoint of its policy band, suggesting further upside to NEER is limited.
- We think there's still room for the Monetary Authority of Singapore to ease, especially with consumer price inflation remaining modest within the 0.5-1.5% target range for 2026 – yet any further policy adjustment will likely require clearer signs of economic weakness. Overall, we expect the pair to be range-bound in the near term.

ING forecasts (mkt fwd)	1M 1.29 (1.2822)	3M 1.29 (1.2774)	6M 1.28 (1.2699)	12M 1.28 (1.2575)

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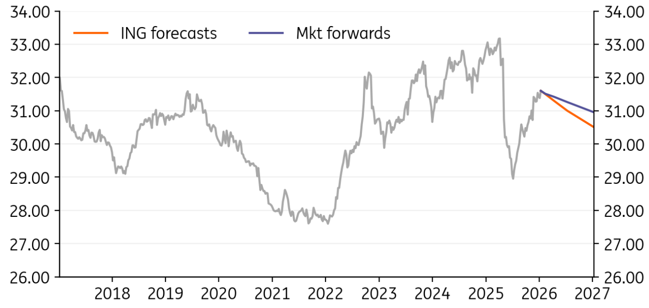
USD/TWD

TWD stabilised after months of gradual depreciation

Current spot: 31.60



Source: Refinitiv, ING forecasts

- The Taiwan dollar halted a five-month trend of gradual depreciation in December, when USD/TWD stabilised at around 31.4. The range of fluctuation was quite small, between 31.1-31.5.
- As expected, the Central Bank of the Republic of China decided to keep the policy rate unchanged in December. The US-Taiwan yield spread slightly narrowed over the past month. Equity market net inflows were more or less neutral over the past month, perhaps contributing to the steady TWD.
- It is possible that the end of the gradual depreciation trend may have been tied to an agreement between the CBC and US Treasury to "refrain from manipulating exchange rates." Absent such intervention, local factors could still slightly favour an uptick in the TWD over the coming months.

ING forecasts (mkt fwd)	1M 31.50 (31.51)	3M 31.30 (31.42)	6M 31.00 (31.26)	12M 30.50 (30.95)

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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	1.17	1.17	1.18	1.20	1.22						
EUR/JPY	185	184	183	186	185	USD/JPY	158	157	155	155	152
EUR/GBP	0.87	0.87	0.88	0.89	0.9	GBP/USD	1.35	1.34	1.34	1.35	1.36
EUR/CHF	0.93	0.93	0.93	0.94	0.97	USD/CHF	0.80	0.79	0.79	0.78	0.80
EUR/NOK	11.75	11.80	11.70	11.50	11.40	USD/NOK	10.07	10.09	9.92	9.58	9.34
EUR/SEK	10.70	10.80	10.70	10.50	10.40	USD/SEK	9.17	9.23	9.07	8.75	8.52
EUR/DKK	7.47	7.47	7.47	7.46	7.46	USD/DKK	6.40	6.38	6.33	6.22	6.11
EUR/CAD	1.62	1.64	1.63	1.64	1.66	USD/CAD	1.39	1.40	1.38	1.37	1.36
EUR/AUD	1.74	1.75	1.74	1.74	1.74	AUD/USD	0.67	0.67	0.68	0.69	0.70
EUR/NZD	2.02	2.02	2.00	2.03	2.03	NZD/USD	0.58	0.58	0.59	0.59	0.60
EMEA											
EUR/PLN	4.21	4.21	4.23	4.24	4.22	USD/PLN	3.61	3.60	3.58	3.53	3.46
EUR/HUF	387.3	385.0	390.0	385.0	385.0	USD/HUF	331.7	329	331	321	316
EUR/CZK	24.28	24.25	24.25	24.2	24.1	USD/CZK	20.80	20.7	20.6	20.2	19.8
EUR/RON	5.09	5.09	5.09	5.10	5.15	USD/RON	4.36	4.35	4.31	4.25	4.22
EUR/RSD	117.34	117.40	117.30	117.20	117.20	USD/RSD	100.55	100.34	99.41	97.67	96.07
EUR/UAH	50.61	49.84	50.50	51.36	52.22	USD/UAH	43.29	42.60	42.80	42.80	42.80
EUR/KZT	580.1	602.6	625.4	654.0	683.2	USD/KZT	510.7	515	530	545	560
EUR/TRY	50.35	51.13	53.22	56.64	62.22	USD/TRY	43.11	43.7	45.1	47.2	51.00
EUR/ZAR	19.14	19.31	19.77	19.80	19.52	USD/ZAR	16.40	16.50	16.75	16.50	16.00
EUR/ILS	3.67	3.80	3.78	3.78	3.78	USD/ILS	3.14	3.25	3.20	3.15	3.10
LATAM											
EUR/BRL	6.27	6.38	6.49	6.60	6.71	USD/BRL	5.37	5.45	5.50	5.50	5.50
EUR/MXN	20.91	21.35	21.54	21.60	21.35	USD/MXN	17.92	18.25	18.25	18.00	17.50
EUR/CLP	1033.08	1071	1092	1080	1037	USD/CLP	885.17	915	925	900	850
Asia											
EUR/CNY	8.14	8.15	8.20	8.34	8.42	USD/CNY	6.97	6.97	6.95	6.95	6.90
EUR/IDR	19545	19656	19942	20400	20740	USD/IDR	16830	16800	16900	17000	17000
EUR/INR	105.19	105.30	104.73	106.20	107.97	USD/INR	90.13	90.00	88.75	88.50	88.50
EUR/KRW	1711.46	1697	1682	1680	1708	USD/KRW	1466.42	1450	1425	1400	1400
EUR/PHP	69.17	69.03	69.62	71.40	72.59	USD/PHP	59.27	59.00	59.00	59.50	59.50
EUR/SGD	1.50	1.51	1.52	1.54	1.56	USD/SGD	1.29	1.29	1.29	1.28	1.28
EUR/TWD	36.87	36.86	36.93	37.20	37.21	USD/TWD	31.59	31.50	31.30	31.00	30.50

Source: Refinitiv, ING

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