

18 March 2025

EM FX RUB



USD/RUB traded heavy the whole day with barely any bidding interest along the way to check the price action. Once again, the move was dominated by onshore flows, and the NDF market duly followed. Spot closed at 83.50 from an 85.25 open. Trump is speaking with Putin today, and expectations are growing that Russia will accept a ceasefire. But the worry is that Ukraine's interests will be put firmly on the back seat. Haven't been running too much down here as whilst I think USD/RUB is too low in the medium term, it's hard to catch the proverbial 'falling knife'.

ZAR



And the questions on rand outperformance continued again yesterday as the currency remains an outperformer despite all the budget uncertainty. Taking a step back and looking at the current political situation in SA, it doesn't make much sense for USDZAR to be trading down here. However, when looking at the dollar move this past couple of weeks, coupled with improving ToT out of SA as well as systematic inflows into the currency, I can understand why USDZAR is headed back towards the all-important 18.00 level. But can it meaningfully break below this level? I don't think so, and that is why I think it makes sense to start building some USDZAR longs here as a hedge to dollar shorts elsewhere.

TRY



TRY benefitted from good-sized inflows from the offshore community yesterday, mainly led by leveraged clients leading the move towards 36.62 into the afternoon. After adjusting for the 3-day roll towards 36.6850 on Friday, state bank offers were firm around 36.69 yesterday. RHS flows from local corporates continue to drive the price action in the morning session, but it's quite encouraging to see the market once again clearing flows below state bank offers. We still favour long TRY positions, but it remains crucial to monitor the persistence of state bank offers on the topside. We continue to maintain the view that CBT needs to prioritise real TRY appreciation over FX reserve accumulation to successfully implement their disinflation program, with FX stability serving as their main anchor.

PLN



EURPLN generally followed general risk sentiment last week, but we continued to see better inflows from leveraged accounts. We generally have a tactical view in EURPLN at the moment, as PLN benefited from a relatively hawkish presser from Glapinski on Thursday, saying there is no basis at all for cuts. We think that spikes higher towards 4.20 can still be sold into on the back of European stimulus expectations and potential growth implications for CE3.

HUF



A strong day for the forint yesterday as EURHUF made new lows and HUF generally outperformed its peers. The risk backdrop feels a little more optimistic so far this week as stocks extend their rally from Friday and Putin/Trump speak today, although perhaps a little frustrated EURHUF couldn't extend lower. I still like holding PLNHUF shorts, but also added some CZK longs (against CHF to maximise carry), as we also get the European fiscal vote today, which should pass through the Bundestag, and ultimately should benefit the region. In terms of flow, we saw some RM selling HUF yesterday, perhaps profit-taking given EURHUF at the lows, but encouragingly we saw systematics start to buy HUF again.

CZK



The koruna was the CE3 underperformer yesterday as EURCZK failed to break below the all-important 25.00 level despite the desk seeing little to no flow. Whilst the view on the koruna remains constructive, I'm not keen on going short ahead of this major level and instead prefer to sit on the sidelines, looking to fade any rallies.

RON



Spot unchanged at 4.9770/75.

ILS



A decent recovery in the shekel yesterday, driven primarily by a better performance in U.S. equity markets, has been wiped out by a series of strikes by Israel on Hamas, the deadliest since the 'ceasefire' began. Spot is back up to 3.6650. Issues over stalled hostage return are behind the latest attacks. The shekel certainly isn't an easy ride, but I expect it to strengthen in the medium term, especially if Trump calms equity markets by dialing back on his aggressive tariff policy.

KZT



Tenge continued its recovery from last Thursday and Friday's butchering. Spot is now down on a 497 handle and looking heavy. Stronger risk sentiment, higher equities, and oil all helped to push the pair lower. Flows in NDFs are muted but still left-hand side for choice. Stay short USD.

Laoise Ni Thighearnaigh ^{AC}
laoise.nithighearnaigh@jpmorgan.com

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J.P.Morgan

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