RBC Capital Markets

FX STRATEGY – PART OF FX SALES & TRADING

Currency Report Card

8 March 2019

Forecasts

March 2019

Three month forecast returns

Most bullish	Most bearish
ZAR	BRL
MXN	INR
TRY	CNY

Source: RBC Capital Markets

12 month forecast returns

Most bullish	Most bearish
ZAR	CNY
MXN	JPY
NOK	INR

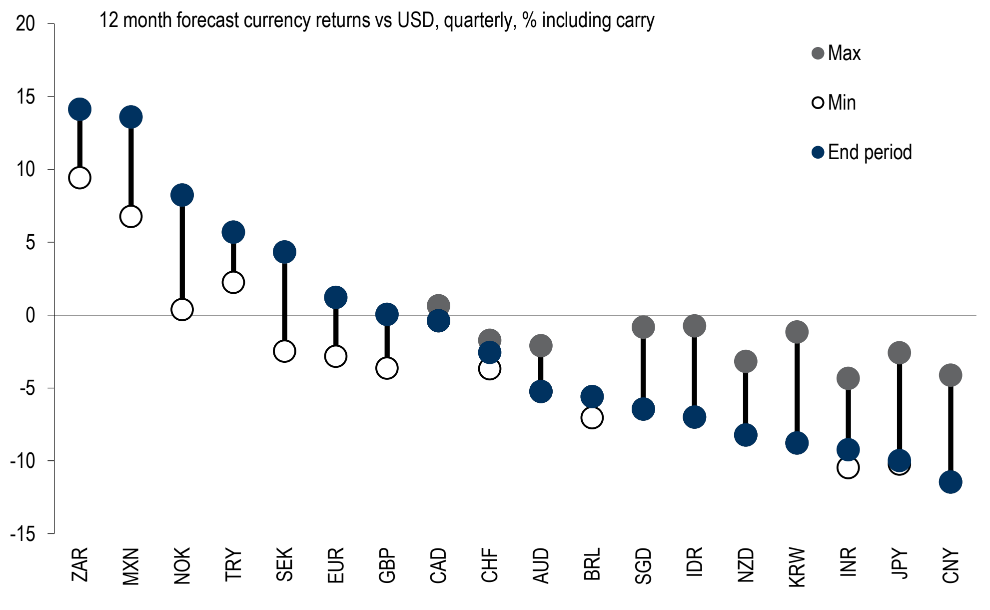
Source: RBC Capital Markets

Forecast revisions this month include:

USD/CNY: Short-term profile revised lower. Q2 7.00 (7.25). Long-term profile largely unchanged.

USD/Asia: Short-term profiles mostly revised lower in line with USD/CNY.

MXN, ZAR and NOK outperformance; JPY, INR, CNY underperformance



Source: RBC Capital Markets

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US Dollar

Elsa Lignos

1-3 Month Outlook – Yield matters

Our outlook for USD is unchanged from last month. The US economy has slowed but data are not actually that bad on a sequential basis. Our EMI which compares data releases period-on-period, is negative but recovering (Figure 1). Our ESI which compares data to expectations has collapsed – but the same has happened in many places. The Fed is on hold but USD is the highest yielder in G10. In an environment where FX vol is probing the lows, it is hard to ignore the argument of positive carry. Technically, DXY's recent break above a triangle top at 97.19 has resolved a multi-month consolidation pattern to the topside. This favours additional gains toward a double top at 97.69, with a break above here exposing 98.50 and 99.89 as bullish momentum increases. Support at 97.00 and 95.81 is expected to attract buying interest in light of the recent breakout.

6-12 Month Outlook – Growth still supportive

We hear frequent fears that the Fed has 'overtightened' and that this will trigger a US recession next year. But three years into the Fed tightening cycle, there are limited signs of it biting. Several factors underlie this – a shallow hiking cycle, the dilute impact of Fed hikes on actual borrowing rates, the changing role of the housing market (see *Total FX*, 22 Feb 2019 for more). Figure 2 shows our measure of rate-sensitive GDP which tends to lead GDP by a couple of quarters. It has not fallen since 2009 though we will continue to monitor it for a heads up on a broader cyclical downturn.

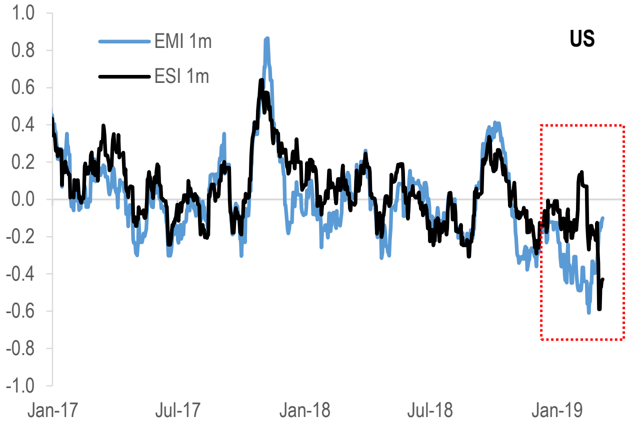
We have also looked at the notion of US growth "catching down" to the rest of the world (*Total FX*, 25 January) that appears to partly underlie the bearish USD consensus and could find no evidence that economic activity in second differences drives FX performance. Absolute growth differentials contain more forward-looking information than *changes* in growth differentials and on that basis, 2019 growth expectations – relative to trend – are still USD-positive. While it is true that US fiscal policy was extraordinarily supportive in 2018 (~2.5% of GDP), it remains supportive in 2019. Eventually the "peak Fed"/bearish USD forecast will undoubtedly come true, but on our forecasts, that does not start getting priced in until late in 2019. The twin deficit argument for USD bearishness appears to have been forgotten – and in any case was never an idea we bought into (see *Total FX*, 15 February, 2018).

Indicators

	Current (Previous)*
Official cash rate	**2.00-2.25% (1.75-2.00%)**
Trend interest rates (10yr average)	1.9%
Bias in interest rate market	Flat
Core PCE Inflation %Y/Y Dec (Nov)	**1.9% (1.9%)**
Inflation target	Price stability
Budget balance % GDP FY17 (FY16)	**-3.4% (-3.1%)**
Budget balance target % GDP	-
GDP Growth % y/y Q4 (Q3)	3.1% (2.0%)
Trend GDP %y/y	2.5%
Purchasing Power Parity Value	**-**
Spot	-
PPP Valuation	-
Current account balance % GDP Q3 (Q2)	**-2.3% (-2.2%)3**
Trend current account balance % GDP	-2.6%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

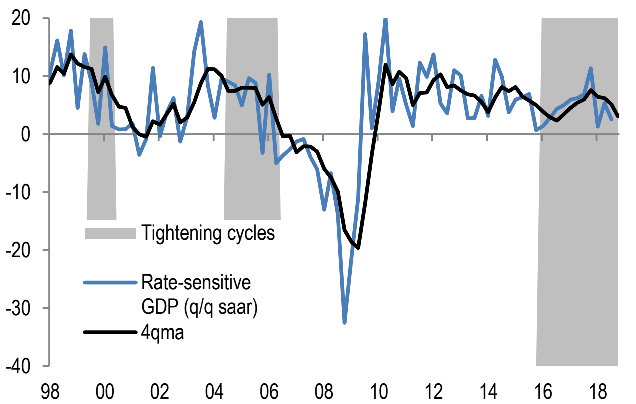
* Current is latest month, quarter or year

1. US ESI is negative but EMI is recovering



Source: RBC Capital Markets; Bloomberg

2. US rate-sensitive GDP has not fallen since 2009



Source: RBC Capital Markets; Bloomberg, BEA

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.12	1.10	1.13	1.16	1.17	1.18	1.20	1.21
USD/JPY	111	113	117	120	119	118	117	116
USD/CAD	1.34	1.34	1.33	1.33	1.34	1.33	1.31	1.30

Source: RBC Capital Markets estimates

Euro

Elsa Lignos

1-3 Month Outlook – Grinding lower

EUR/USD has finally traded below 1.12 for the first time since mid-2017, though it's been a slow grind and as we go to press we are back just above that level. We have left our forecast unchanged for Q2 – still looking for new lows (targeting 1.10). It is as much as USD story though as a EUR one. On the EUR side, with the ECB making policy changes in March (extending the forward guidance, continuing reinvestment, announcing new TLTROs), as well as significantly cutting its forecasts, there is little to look forward to in June, aside from developments on the next President. The next big European event (aside from Brexit developments – see pg 6), are the EU elections in May. Markets are focused on how populists will perform (see *Chart of the Day*, 18 Feb 2019) but pro-EU groups are still very likely to win a majority of seats. For us the most interesting thing may be how this plays into the horse-trading over EU jobs. It's widely thought that if EPP candidate (and German) Manfred Weber replaces Juncker as EC President in October, the ECB Presidency (opening up in the same month) will go to a non-German. That would rule out Weidmann, and all else equal, be taken as a less hawkish ECB. Draghi's successor is due to be agreed on at the mid-June European Council.

The other thing to watch is the evolution of economic data. The ECB's staff forecasts made aggressive cuts to the 2019 growth outlook (1.9% down to 1.1%) because of external uncertainty, but also weaker than expected domestic performance. When asked in the press conference, Draghi noted the projections were based on no trade resolution between the US & China, so depending on one's outlook, that is an upside risk. On the domestic side, data finally appear to be stabilising (Figure 1). Both our economic surprise indicator and our economic momentum indicator are back at 0 having been mostly negative since last summer. This should eventually lay the ground for EUR's recovery in H2 and in 2020 (see below).

6-12 Month Outlook – Slow recovery

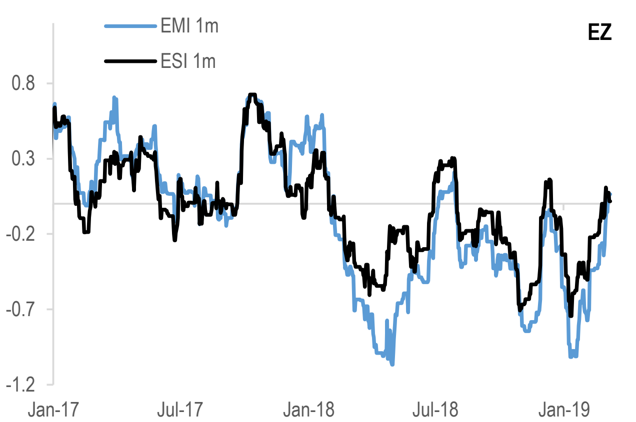
Our long-term forecasts for EUR are unchanged. Wage developments have been encouraging, even if they are yet to feed through to inflation. Growth in the wages and salaries component of hourly labour costs is near decade highs. The list of downside risks to watch remains long (Italy's populist govt, Spanish bank exposure to Turkey, Macron's low approval rating and prospects for a 2022 change of govt), but in their absence, EUR is likely to recover in the back-end of our forecast horizon as markets price in slow ECB normalisation.

Indicators

	Current (Previous)*
Official cash rate	**0.00% (0.05%)**
Trend interest rates 10y average	1.9%
Bias in interest rate market	Neutral
HICP core Inflation %Y/Y Feb (Jan)	**1.0% (1.1%)**
Inflation target	Close to but less than 2.0%
Budget balance % GDP FY17 (FY16)	**-0.9% (-1.5%)**
Budget balance target % GDP	3% of GDP-Unless special circumstances
GDP Growth %Y/Y Q4 (Q3)	**1.2% (1.6%)**
Trend GDP %y/y	1.5%
Purchasing Power Parity Value Jan	**1.2773**
Spot end-Feb	1.1371
PPP Valuation	EUR/USD is undervalued
Current account % GDP Q4 (Q3)	3.0% (3.3%)
Trend current account balance % GDP	0.3%
Moody's Foreign Currency Rating	**Aaa (Germany)**
Outlook	Stable

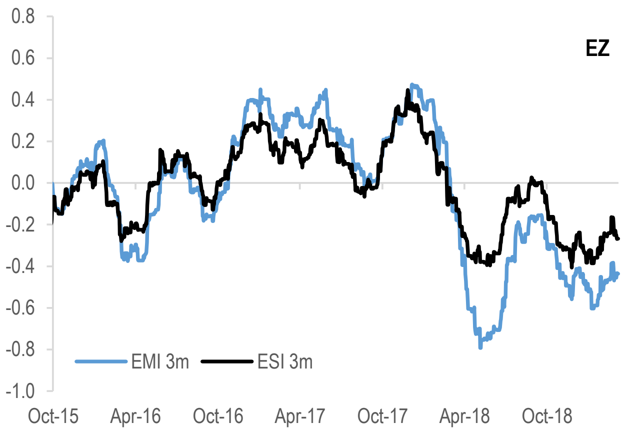
* Current is latest month, quarter or year

1. Euro area data are finally looking more neutral…



Source: RBC Capital Markets; Eurobarometer

2. … Though slower mov avg is still in negative territory



Source: RBC Capital Markets; Bloomberg

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.12	1.10	1.13	1.16	1.17	1.18	1.20	1.21
EUR/JPY	124	124	132	139	139	139	140	140
EUR/CAD	1.50	1.47	1.50	1.54	1.57	1.57	1.57	1.57

Source: RBC Capital Markets estimates

Japanese Yen

Adam Cole

1-3 Month Outlook – Downtrend reestablished

USD/JPY climbed steadily higher through February and JPY was down against almost all G10 currencies as the bearish trend reestablishes itself after January's interruption. While a brief period of JPY strength around fiscal year-end cannot be ruled out, we expect the weakening of JPY to continue into Q2. Positioning in USD/JPY now looks quite neutral. CTAs are still long, but positions have been cut back considerably (though the IMM data are still not fully up-to-date), but the strong negative correlation that leveraged investors' returns show to spot movements suggests that this sector is outright short USD/JPY. With options risk reversals close to their historical average, our aggregate positing indicator – driven mostly by investors outside Japan – is close to zero. Indications from the capital flows data, however, suggest domestic investors in Japan remain JPY sellers. Through the volatility in USD/JPY in January and into February, Japanese investors have been steady buyers of foreign bonds. More importantly, the detailed capital flows data (only up to December) show investors were net buyers of USTs and net sellers of European bonds, including the biggest net sales of France since the 2017 election. With the yield on FX-hedged UST now negative (Figure 1), and Europe being one of the few international markets that is still attractive in hedged terms, it seems highly likely that investors in aggregate were buying foreign bonds on an unhedged basis and so selling JPY into recent strength. By extension, they were more likely to have been cutting the hedge ratio on existing investments than increasing it. We expect to get confirmation that this trend is ongoing when the big Life Insurers publish their investment plans for the fiscal year ahead, but early indications (Nippon Life interviewed by Reuters) are that that is the case. Our near-term forecasts for JPY are unchanged this month.

6-12 Month Outlook – JPY weakness extends

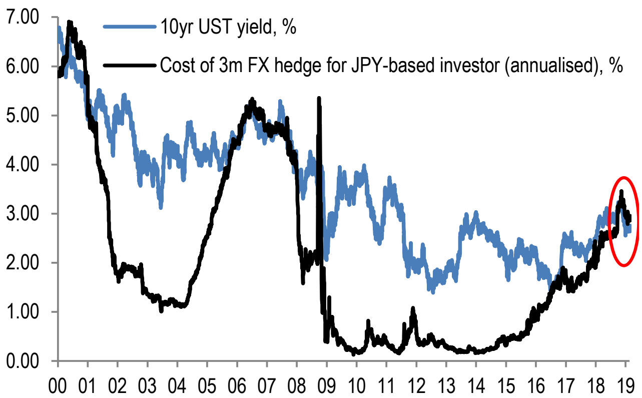
As we have argued before, in recent years, BoJ policy has largely worked though overseas investors and domestic investors are driven more by the Fed. Given our Fed forecast, JPY weakness dominates our medium-term view to a long-term target of 120 (125 previously). US trade policy is an ever-present risk in surplus countries like Japan and could reappear as another downside risk for JPY at almost any time. The risk of further BoJ easing is rising (Figure 2), and this would support, but is not central to, our bearish JPY view.

Indicators

	Current (Previous)*
Official cash rate	**-0.1% (-0.1%)**
Trend interest rates 10y average	0.15%
Bias in interest rate market	Flat
CPI Inflation %Y/Y Jan (Dec)	**0.8% (0.7%)**
Inflation target	2.0%
Budget balance % GDP FY16 (FY15)	**-5.7% (-6.7%)**
Budget balance target % GDP	n/a
GDP Growth %Y/Y Q4 (Q3)	**0.0% (0.1%)**
Trend GDP %Y/Y	1.0%
Purchasing Power Parity Value Jan	**88.56**
Spot end-Feb	111.39
PPP Valuation	USD/JPY is overvalued
Current a/c balance % GDP Q4 (Q3)	3.6% (3.7%)
Trend current account balance % GDP	2.5%
Moody's Foreign Currency Rating	**A1**
Outlook	Stable

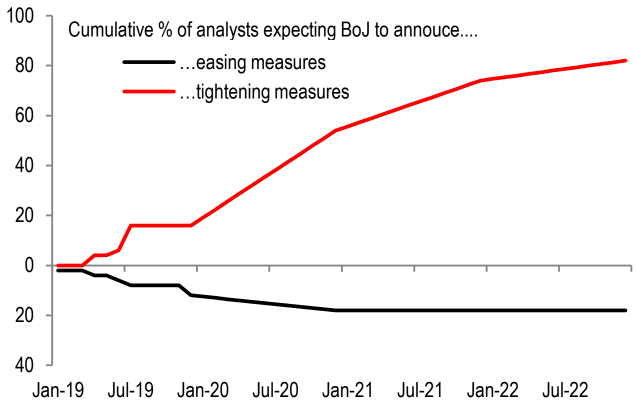
* Current is latest month, quarter or year

1. Hedge cost now exceeds 10yr yield



Source: RBC Capital Markets, Bloomberg

2. Analysts' expectations shifting toward BoJ easing



Source: RBC Capital Markets, Bloomberg

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/JPY	111	113	117	120	119	118	117	116
EUR/JPY	124	124	132	139	139	139	140	140
CAD/JPY	83	84	88	90	89	89	89	89

Source: RBC Capital Markets estimates

Sterling

Adam Cole

1-3 Month Outlook – Still little clarity

As the March 29 exit date enshrined in current legislation approaches, the outlook for what form Brexit will take and where this leaves the outlook for GBP is becoming no clearer and the best we can do is set out how we think the probability of different scenarios is evolving and what the likely impact on GBP would be. PM May's second attempt to pass her Brexit bill (March 12) may or may not clarify the path forward. In the unlikely event that the bill passes (perhaps a 20-25% probability and falling) we would expect a kneejerk rally in GBP, but within quite tight limits. A short delay in Brexit would still be highly likely and is widely expected in any circumstances (Figure 1). GBP's gains would be limited (2-3%), however, as settlement of the exit terms, as well as ruling out the most negative scenario of exit with no deal, would also rule out the most positive scenario of no Brexit (via a second referendum and a vote to remain).

Of these scenarios, we think exit with no deal is low risk event (perhaps a 5% probability) now parliament has a mechanism to specifically reject this option (vote on March 13, if the bill fails on March 12), but that the move in GBP (8-10% downside) would be large if it happened. The risk of no Brexit has fallen as it has become increasingly clear there is currently no parliamentary majority in favour of a second referendum, despite official Labour endorsement. The bookmakers' implied probability of a second referendum is 30% (down from 50% at its peak), with which we would broadly agree and if we add to this our view that the probability of a vote to remain would be around 60%, that leaves the compound probability of no Brexit at around 20%. Ultimately, GBP could rise 8-10% on this outcome. This leaves a residual 50% probability of exit (with a delay) on terms that are significantly different from May's bill. Given that most proposals are significantly softer than May's this is probably a moderately GBP positive scenario.

6-12 Month Outlook – Unusually high uncertainty

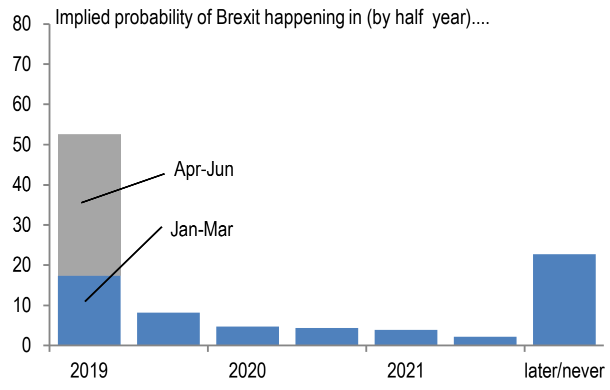
We have long been skeptical that the economic outlook and specifically the export outlook, will turn out to be as positive as the BoE's (see *Total FX*, 19 October). But the longer-term outlook for GBP is more likely to be determined by the shape of Brexit. We have left our long-term forecasts close to spot, but as noted above, uncertainty around these numbers is unusually high.

Indicators

	Current (Previous)*
Official cash rate	**0.75% (0.75%)**
Trend interest rates 10y average	3.3%
Bias in interest rate market	Rising
CPI Inflation %Y/Y Jan (Dec)	**1.8% (2.1%)**
Inflation target (HICP)	2.0%
Budget balance % GDP FY16 (FY15)	**-3.0% (-4.3%)**
Budget balance target % GDP	Budget surplus as soon as possible
GDP Growth %Y/Y Q4 (Q3)	**1.3% (1.6%)**
Trend GDP %Y/Y	1.5%
Purchasing Power Parity Value Jan	**1.4626**
Spot end-Feb	1.3263
PPP Valuation	GBP/USD is undervalued
Current a/c balance % GDP Q3 (Q2)	-3.8% (-3.3%)
Trend current account balance % GDP	-4.1%
Moody's Foreign Currency Rating	**Aa1**
Outlook	Stable

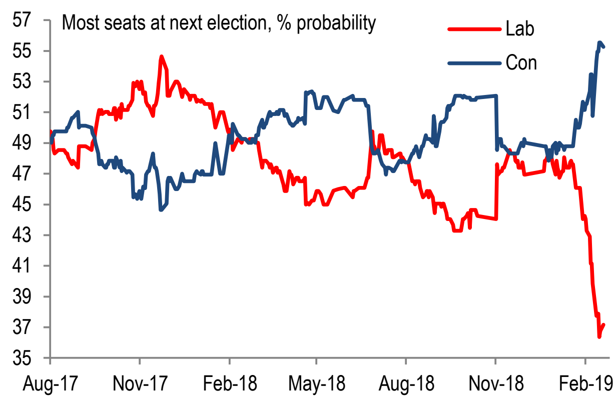
* Current is latest month, quarter or year

1. Pricing skewed heavily toward Brexit delay



Source: RBC Capital Markets, Betfair

2. Labour's plunging election prospects



Source: RBC Capital Markets, Betfair

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
GBP/USD	1.30	1.26	1.28	1.32	1.33	1.34	1.36	1.38
EUR/GBP	0.86	0.87	0.88	0.88	0.88	0.88	0.88	0.88
GBP/JPY	145	143	150	158	158	158	160	160
GBP/CAD	1.75	1.69	1.71	1.75	1.78	1.78	1.79	1.79

Source: RBC Capital Markets estimates

Swiss Franc

Elsa Lignos

1-3 Month Outlook – CHF lacking direction

EUR/CHF has not moved much in the past month, well-contained by the 200dma to the topside but so far struggling to break below 1.13. USD/CHF has been more volatile but following EUR/USD direction rather than any story of its own. CHF is not even gaining much on risk off days. As discussed last month, correlations are lower than they have been historically during equity sell-offs – for example USD/CHF, EUR/CHF and GBP/CHF all currently appear to be risk-neutral (though the latter is likely because it is driven by its own independent story). CHF/JPY is modestly risk positive though it is on the boundary of being risk-neutral. Against the smaller G10 currencies and all of EM, CHF retains its haven status. The challenge for CHF bulls is that the elasticity of CHF to periods of risk aversion is lower than it has been historically (Figure 1).

On the domestic side, the SNB is holding its first quarterly meeting for 2019 later this month. Unusually, core inflation has actually surprised to the upside, but on the activity side, Q4 GDP was weaker than expected and the KOF leading indicator is pointing to further softness ahead (Figure 2). With small open economies taking the hit from the global slowdown in trade, that is not surprising.

Technically, a daily close above the 2018 high at 1.0128 would add to bullish momentum in USD/CHF, targeting 1.0171 ahead of a multi-year triple top at 1.0328. Pullbacks to support at 0.9960 and 0.9817 are expected to attract buying interest as the current uptrend plays out.

6-12 Month Outlook – Drifting lower over time

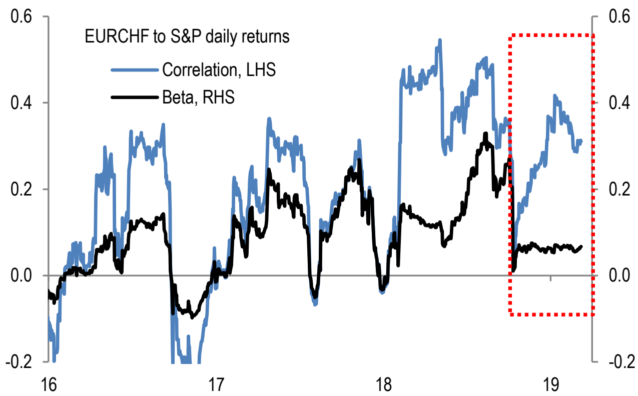
With one of the lowest inflation rates globally, and having only just escaped deflation, Switzerland is likely to be one of the last to exit negative rates. Though headline inflation has hit a multi-year high, it has been driven by higher energy costs. Core inflation has been edging lower this year and even headline inflation which has been boosted by energy prices is below 1%y/y. In the absence of external shocks, we look for a longer-term drift lower in CHF.

Indicators

	Current (Previous)*
Official cash rate	**-0.25 to -1.25% (0.25 to -0.75%)**
Trend interest rates 10y average	1.70%
Bias in interest rate market	Neutral
CPI Inflation %Y/Y Feb (Jan)	**0.6% (0.6%)**
Inflation target	less than 2.0%
Budget balance % GDP FY17 (FY16)	**-0.19% (-0.28%)**
Budget balance target % GDP	Balanced over the business cycle
GDP Growth %Y/Y Q4 (Q3)	**1.4% (2.4%)**
Trend GDP %Y/Y	1.80%
EUR Purchasing Power Parity Value Jan	**1.2083**
EUR/CHF spot end-Feb	1.1349
EUR/CHF PPP Valuation	EUR/CHF is undervalued
Current a/c balance % GDP Q3 (Q2)	10.0% (9.1%)
Trend current account balance % GDP	8.0%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

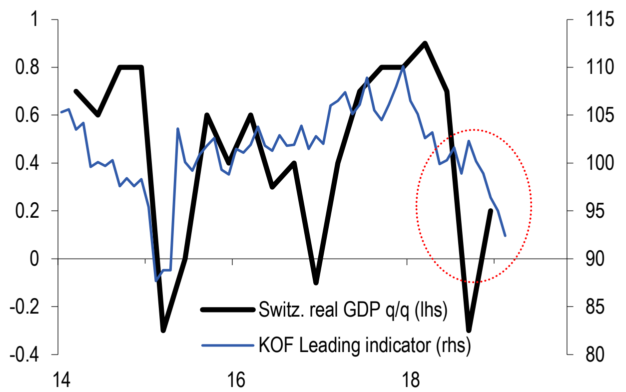
* Current is latest month, quarter or year

1. EUR/CHF is a weak risk proxy in current environment



Source: RBC Capital Markets; Bloomberg

2. KOF suggests some downside risk to activity



Source: RBC Capital Markets; Bloomberg

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CHF	1.02	1.04	1.02	1.00	1.00	1.00	0.99	0.99
EUR/CHF	1.14	1.14	1.15	1.16	1.17	1.18	1.19	1.20
CHF/JPY	109	109	115	120	119	118	118	117
CAD/CHF	0.76	0.77	0.77	0.75	0.75	0.75	0.76	0.76

Source: RBC Capital Markets estimates

Swedish Krona

Adam Cole

1-3 Month Outlook – No upside traction

SEK has traded very badly so far in 2019, falling against all G10 currencies and there is no sign yet of the 2%+ rally in EUR/SEK in January reversing, as history would suggest it might. SEK's continuing weakness in February is only partly explained by the news flow. CPI data for January were surprisingly weak, with underlying inflation falling back the Riksbank's 2.0% target, but activity data have generally been solid, culminating in a 1.2% q/q increase in Q4 GDP (albeit largely as a result of export growth, which is unlikely to be sustained, given weakness in Sweden's key export markets). Moreover, the Riksbank left its forward guidance exactly unchanged at the February 13 announcement, against a widespread expectation that its projections would show a more moderate pace of rate hikes (Figure 1).

In our view, there are at least three factors driving SEK underperformance. Firstly, markets simply do not buy the Riksbank's hawkish view of the world and expect the central bank to under-deliver on the rate hikes it forecasts (Figure 1), as has been the case historically. Secondly, SEK once again seems to be the victim of crowded positioning, if sell-side analysts' views are any guide, with bullish NOK and SEK once again being the overarching consensus expectation for the year ahead. Finally, outright negative yield, in an environment where carry matters, continues to stop SEK building any upside momentum, despite a positive rate dynamic. The next Riksbank meeting is April 25, so near-term price action in EUR/SEK is more likely to be driven by economic data and what they imply for the forward guidance at that meeting. The hurdle is high for the data to stop the Riksbank following the ECB's dovish lead at that meeting and, despite solid growth, ongoing undervaluation and an ultra-loose policy stance, SEK will continue to struggle to make upside traction going forward.

6-12 Month Outlook – Riksbank constrained

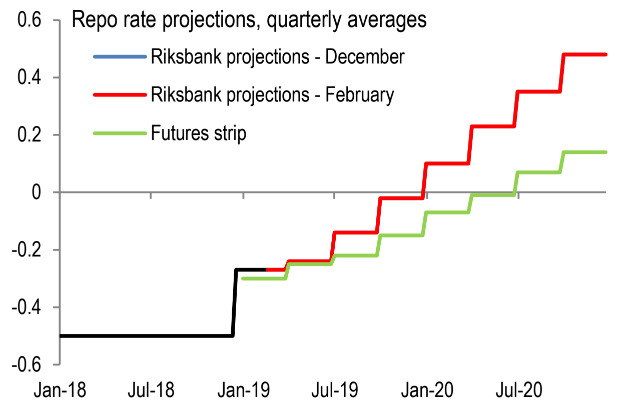
Our long-term forecasts are unchanged and remain more bearish than consensus. A Riksbank staff paper estimates that the effect of an unexpected hike on household consumption would be twice as large as it would have been in the mid-1990s, and this will constrain the pace of rate hikes. Inflation expectations have started drifting lower, suggesting no rush in normalisation. Weakness in housing and consumer confidence will weigh on domestic demand.

Indicators

	Current (Previous)*
Official cash rate	**-0.25% (-0.25%)**
Trend interest rates 10y average	3.0%
Bias in interest rate market	Rising
CPIF Inflation %Y/Y Jan (Dec)	**2.0% (2.2%)**
Inflation target (UND1X)	2.0%
Budget balance % GDP FY16 (FY15)	**-0.6% (0.2%)**
Budget balance target % GDP	Cyclical average surplus of 1%
GDP Growth %Y/Y Q4 (Q3)	**2.4% (3.6%)**
Trend GDP %Y/Y	2.0%
EUR Purchasing Power Parity Value Jan	**8.9413**
Spot end-Feb	10.5018
PPP Valuation	EUR/SEK is overvalued
Current a/c balance % GDP Q4 (Q3)	2.6% (2.8%)
Trend current account balance % GDP	4.9%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

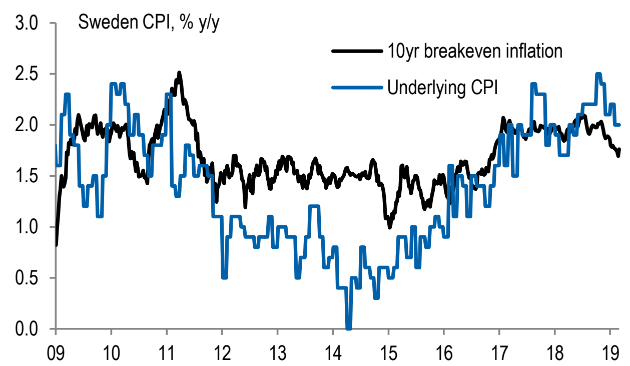
* Current is latest month, quarter or year

1. Markets sceptical of Riksbank projections



Source: RBC Capital Markets, Riksbank, OMX

2. Inflation expectations rolling over?



Source: RBC Capital Markets; Bloomberg

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/SEK	9.46	9.64	9.38	8.97	8.80	8.64	8.42	8.26
EUR/SEK	10.60	10.60	10.60	10.40	10.30	10.20	10.10	10.00
NOK/SEK	1.08	1.10	1.12	1.11	1.11	1.11	1.11	1.11
CAD/SEK	7.06	7.19	7.05	6.74	6.57	6.50	6.42	6.36

Source: RBC Capital Markets estimates

Norwegian Krone

Elsa Lignos

1-3 Month Outlook – Positioning & pricing are risks

NOK is down 2% vs EUR since the start of Feb, down more than double that vs USD. Several things have driven the move. Long NOK is one of the most popular trades in G10, in various forms (short EUR/NOK, short USD/NOK or long NOK/SEK). Our January reversal strategy (see *Total FX,* 25 Jan 2019) hasn't historically worked with NOK, but it would have worked brilliantly in 2019, as February 1 marked the YTD high in NOK and it has been mostly downhill since. Fears of AML scandals at Nordic banks have taken their toll, though our equity analysts think the issues are smaller outside Danske bank. Domestic data have not helped (January inflation was slightly softer and industrial production was weak though January monthly GDP was in line with expectations at 0.3%m/m). Crude is a particularly important driver at the moment (Figure 1) but having bounced in early Feb, Brent has stalled around USD65. The biggest challenge for NOK, though, came with the March ECB meeting. The dovish turn from the ECB (and almost all other central banks globally) has got people questioning whether Norges Bank can forge ahead with its plans for gradual normalisation. The next meeting is on March 21. At the last meeting in late January, Norges Bank was signalling a likely policy hike at the upcoming meeting and it is still close to fully priced (~80%). That points to asymmetric risks to the downside for NOK, at least in the next month. Olsen's annual address to Parliament had limited information for short-term monetary policy, except to say "policy will be raised gradually and cautiously ahead". We have left our forecasts from end-Q2 unchanged but staying neutral NOK for now, wary of the risk of a positioning-led squeeze if Norges Bank fails to deliver.

6-12 Month Outlook – Still better placed than most

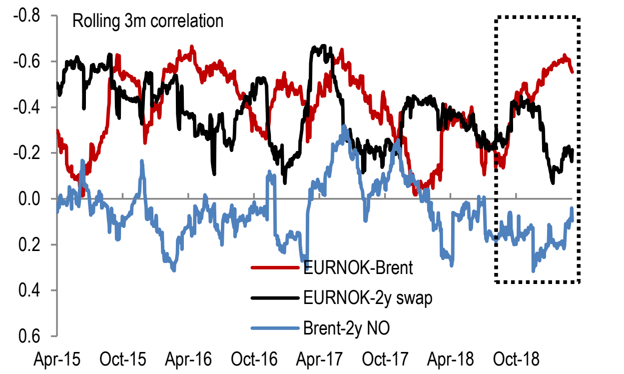
Longer-term, we expect EUR/NOK will move steadily lower, and have left our forecasts unchanged. The 0.75% policy rate is on the higher end of the range in G10, but relative to estimates of neutral rates, monetary policy is amongst the loosest. We are also in a camp expecting the Fed to deliver further tightening, so Norges Bank would not be alone in its normalisation. Fiscal policy is in Norway is supportive of growth and there is considerable scope to ease fiscal policy further if growth deteriorates (a point also made by Olsen), unlike many other G10 economies that still run large structural deficits.

Indicators

	Current (Previous)*
Official cash rate	**0.75% (0.75%)**
Trend interest rates 10y average	3.6%
Bias in interest rate market	Rising
CPI (ex energy and taxes) %Y/Y Jan (Dec)	2.1% (2.1%)
Inflation target %	2.5%
Budget balance % GDP FY16 (FY15)	**5.5% (6.9%)**
Budget balance target % GDP	Structural, non-oil deficit < 4%
GDP Mainland Growth %y/y Q4 (Q3)	**2.5% (2.4%)**
Trend GDP %q/q	0.6%
EUR Purchasing Power Parity Value Jan	**8.9728**
Spot end-Feb	9.7362
PPP Valuation	EUR/NOK is overvalued
Current a/c balance % GDP Q3 (Q2)	7.9% (6.3%)
Trend current account balance % GDP	9.7%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

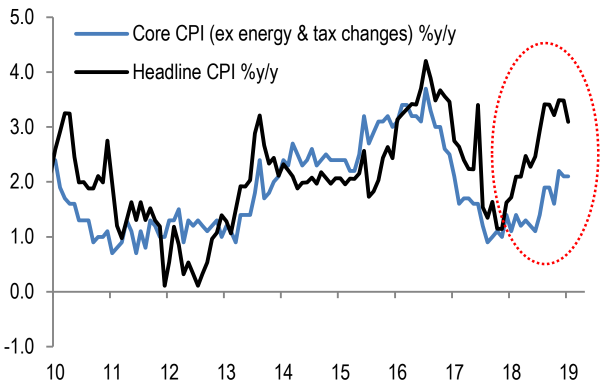
* Current is latest month, quarter or year

1. EUR/NOK driven by Brent...



Source: RBC Capital Markets, Bloomberg

2. Broad uptrend in inflation supports normalisation



Source: RBC Capital Markets; Haver

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/NOK	8.75	8.73	8.41	8.10	7.95	7.80	7.58	7.44
EUR/NOK	9.80	9.60	9.50	9.40	9.30	9.20	9.10	9.00
NOK/SEK	1.08	1.10	1.12	1.11	1.11	1.11	1.11	1.11
CAD/NOK	6.53	6.51	6.32	6.09	5.93	5.86	5.79	5.72

Source: RBC Capital Markets estimates

Canadian Dollar

George Davis

1-3 Month Outlook – Growth disappoints

Price action in USD/CAD was relatively flat for the month of February, as the closing value of 1.3172 was close to where we began the month at 1.3125. However, March began with a bang as the Q4 GDP print of 0.4%q/q annualized was well below the Bank of Canada's expected outturn at 1.3%. The composition of growth was also disappointing, with the consumer and housing sectors shaving 0.7pp off growth compared to the slight positive addition expected by the Bank. The energy sector was another area of weakness (Figure 1).

Disappointment on the growth front ultimately led to the Bank of Canada keeping interest rates on hold at their March meeting, with the accompanying statement displaying a bit more of a dovish tinge. To wit, they removed the reference about getting interest rates to the neutral range in order to meet their inflation target, replacing it with "…the outlook continues to warrant a policy interest rate that is below its neutral range" along with "increased uncertainty about the timing of future rate increases". With the weaker growth profile now expected to extend through H1 2019, it suggests that the Bank will remain on hold through this period. While our Q2 forecast of 1.34 has generally erred on the side of CAD weakness relative to the market spot rate, the risks are tilted toward additional pressure on CAD should the economic data be weaker than expected and the market moves from pricing in neutral policy to pricing in rate cuts.

Technically, we note that the rejection of a key long-term support trendline at 1.3119 has maintained the uptrend in USD/CAD, with resistance located at 1.3524 and 1.3665. Support is now located at 1.3375 and 1.3184 (Figure 2).

6-12 Month Outlook – A weak tightening bias

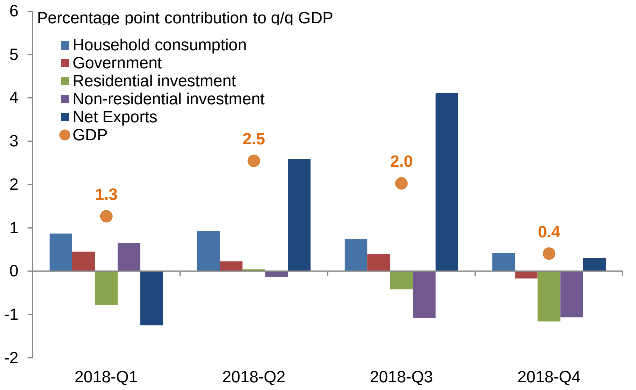
While the March rate statement did not entirely eliminate the prospect that interest rates will rise in the future, uncertainty with the timing continues to increase. Our base-case forecast is for the economy to pick up pace in the second quarter as the rebound in oil prices allows the transitory impact from the weak energy sector to fade. However, the Bank will also be monitoring the consumer, housing and net trade closely. Improvements in these areas will be required into the second half of the year in order to confirm a more broad-based recovery and offer any hope of bringing them off of the sidelines.

Indicators

	Current (Previous)*
Official cash rate	**1.75% (1.50%)**
Trend interest rates 10y average	0.84%
Bias in interest rate market	Neutral
Core CPI Inflation (Trim) %Y/Y Jan (Dec)	**1.9% (1.9%)**
CPI inflation target range %Y/Y	1-3%
Budget balance % GDP FY18 (FY17)	**-0.9% (-0.9%)**
Budget balance target % GDP	Declining over the business cycle
GDP growth %Q/Q saar Q4 (Q3)	**0.4% (2.0%)**
Trend GDP %Q/Q	1.64%
Purchasing Power Parity value Jan	**1.2398**
Spot end-Feb	1.3171
PPP valuation	USD/CAD is overvalued
Current account balance % GDP Q4 (Q3)	**-2.7% (-2.7%)**
Trend current account balance % GDP	-2.93%
Moody's foreign currency rating	**Aaa**
Outlook	Stable

* Current is latest month, quarter or year

1. Q4 GDP growth disappoints



Source: Haver Analytics, Statistics Canada, RBC Capital Markets

2. USD/CAD maintains long-term uptrend

Source: Bloomberg, RBC Capital Markets

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CAD	1.34	1.34	1.33	1.33	1.34	1.33	1.31	1.30
EUR/CAD	1.50	1.47	1.50	1.54	1.57	1.57	1.57	1.57
CAD/JPY	82.8	84.3	88.0	90.2	88.8	88.7	89.3	89.2

Source: RBC Capital Markets estimates

Australian Dollar

Adam Cole

1-3 Month Outlook – Further weakness

AUD's outperformance in January went into reverse in February and this has continued so far in March. This not an unusual trading pattern and, so far, our trading strategy of positioning for a reversal of the January move in the remainder of the quarter is having another good year (see *Total FX*, January 24). Beyond these technicalities, AUD's direction in recent weeks has mostly been driven by domestic rate expectations, which marks a significant departure after a year when domestic drivers for AUD were very neutral. Although markets have fleetingly priced in the risk of the next RBA move being a cut several times already, forward rates moved to price this in decisively in February and March and now have around 32bp of earing priced in for the remainder of the year. The catalysts were the RBA moving formally to a neutral bias in early February, removing its long-standing tightening bias, and then a weak Q4 GDP report in early March. The 0.2% q/q rise in GDP was far below the 0.6% embedded in the RBA's forecasts and the detail was no more encouraging than the headline, with government spending doing most of the work in propping up activity.

Going forward, whether AUD underperformance continues will largely depend on two factors. Firstly, whether markets continue to converge on the 50bp of RBA cuts that the most bearish forecasters expect and secondly, prospects for growth in China. The former will largely be driven by the labour market, where early indications are that data will soften in the coming months. And we continue to have major concerns on the sustainability of fiscal easing and household re-leveraging in China. Our forecasts continue to envisage a sustained move below 0.70 for AUD/USD in the coming months.

6-12 Month Outlook – China concerns ongoing

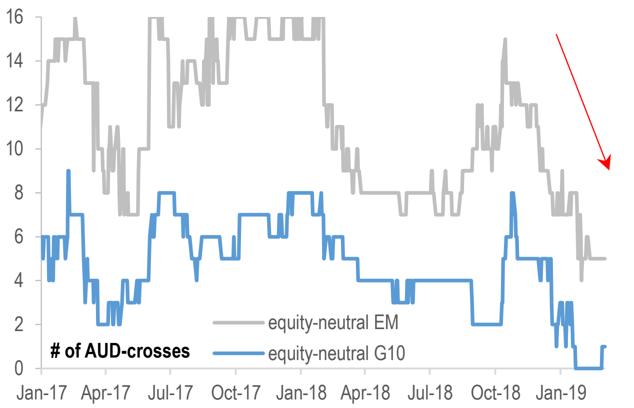
The RBA is constantly being forced to revise down its growth and inflation forecasts and we expect the same to happen in its May SoMP. Two year inflation expectations are flat to lower in recent months and although the labour market has been strong, high underemployment and a lower pace of job creation suggests limited upward pressure on wages. Fiscal consolidation is still required over the longer-term. As always, AUD remains at risk to a more material slowdown in China. Our longer-term forecasts for AUD/USD are unchanged, troughing at 0.67 in mid-2019, but relatively flat thereafter as AUD fails to gain from USD rolling over.

Indicators

	Current (Previous)*
Official cash rate	**1.8% (1.9%)**
Trend interest rates 10y average	2.9%
Bias in interest rate market	Flat
CPI Inflation %Y/Y Q4 (Q3)	**1.8% (1.9%)**
CPI Inflation target range %Y/Y	2.0-3.0%
Budget balance % GDP FY16/15	**-1.5%/-1.9%**
Budget balance target % GDP	Balanced over the business cycle
GDP Growth %Y/Y Q4 (Q3)	**2.3% (2.8%)**
Trend GDP %Y/Y	2.8%
Purchasing Power Parity Value Q4	**0.7308**
Spot end-Feb	0.7094
PPP Valuation	AUD/USD is undervalued
Current account balance % GDP Q4 (Q3)	**-2.6% (-2.8%)**
Trend current account balance % GDP	-4.4%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

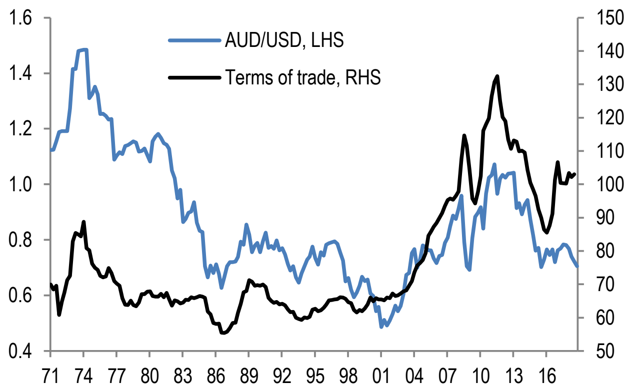
* Current is latest month, quarter or year

1. Almost all G10 AUD pairs correlated to risk



Source: RBC Capital Markets, Bloomberg

2. Terms of trade more positive



Source: RBC Capital Markets, Bloomberg

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
AUD/USD	0.71	0.69	0.68	0.67	0.67	0.67	0.66	0.66
EUR/AUD	1.58	1.59	1.66	1.73	1.75	1.76	1.82	1.83
AUD/NZD	1.04	1.05	1.05	1.06	1.06	1.06	1.06	1.06
AUD/CAD	0.95	0.92	0.90	0.89	0.90	0.89	0.86	0.86

Source: RBC Capital Markets estimates

New Zealand Dollar

Elsa Lignos

1-3 Month Outlook – Overshoot plays out again

NZD has been following the January reversal play book again, this time to an almost uncanny degree. The YTD high came on January 31, since then NZD/USD is down ~2%. It's not a big move but then the rally in January was also smaller than moves seen in previous years.

Going forward, NZD/USD appears to be in a holding pattern for now – the question is how long it can last. Domestic data have been mixed – weak labour numbers in early February took their toll and outside of strong Q4 retail sales, it is hard to find bright spots. The RBNZ says it expects to keep rates on hold for all of 2019 and 2020, before hiking rates in early 2021. Orr said that they "still see the outlook as balanced" though weaker global activity makes them think they'll be on hold for longer. But note the RBNZ has been in a similar position before. In March 2015, it was signaling a "central projection…consistent with a period of stability in the OCR" saying "future interest rate adjustments, either up or down, will depend on the emerging flow of economic data". By June 2015, it had cut the OCR for the first time in four years. The forward curve is already ~60% priced for the risk of a cut before year end, but if data continue to weaken that would grow. Headline inflation and inflation expectations have been stable (Figure 1), but timelier proxies suggest downside risk for Q1 (Figure 2). Eventually NZD could even feature as a funding currency (see *Total FX: Don't default to USD*, 08 Feb 2019) though we are not there yet. For now our forecasts remain unchanged, with a slow grind lower in NZD. Technically, there is a broader downtrend in place for NZD/USD, with resistance at 0.6889 and 0.6970. A daily close below initial support at 0.6744 would also pierce the 200-dma that is flush with this level, with the resulting bearish breakout clearing the way for a move to 0.6707.

6-12 Month Outlook – Holding onto our base case

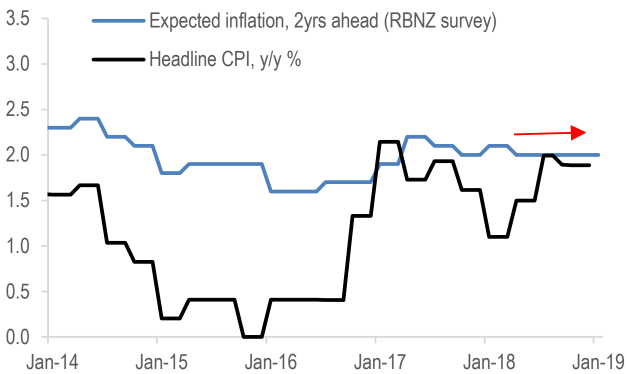
For now our base case is rates on hold for an extended period before eventual normalisation. NZD remains less exposed than its peers to trade-war disruptions in global supply chains, as a much higher share of its exports is primary goods vs intermediate goods. Spare capacity is being gradually eroded and short of a renewed global turndown (which would affect other currencies with steeper forward curves *more*), the RBNZ should eventually resume hiking. Our long-term forecasts are unchanged this month.

Indicators

	Current (Previous)*
Official cash rate	**1.75% (1.75%)**
Trend interest rates 10yr average	5.40%
Bias in interest rate market	Flat
CPI Inflation %Y/Y Q4 (Q3)	**1.9% (1.9%)**
Inflation target	1.0-3.0%
Budget balance % GDP FY17/FY16	**0.9%/1.5%**
Budget balance target % GDP	Balanced over business cycle
GDP Growth %Y/Y Q3 (Q2)	**2.6% (3.2%)**
Trend GDP %Y/Y	3.1%
Purchasing Power Parity Value Q4	**0.6635**
NZD/USD end-Feb	0.6808
Valuation	NZD/USD is overvalued
Current account balance % GDP Q3 (Q2)	**-3.6% (-3.3%)**
Trend current account balance % GDP	-4.2%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

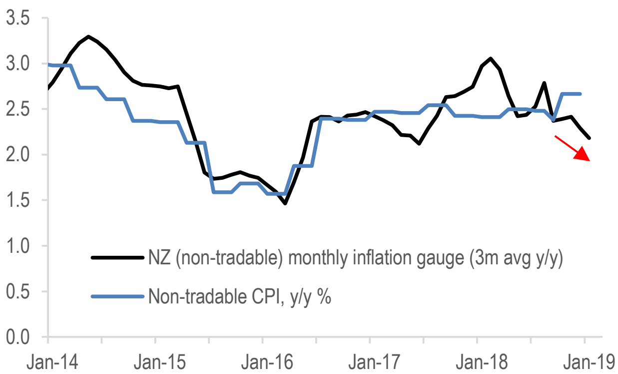
* Current is latest month, quarter or year

1. Inflation and inflation expectations are stable…



Source: RBC Capital Markets, Haver

2. …But monthly inflation gauge has turned lower



Source: RBC Capital Markets; Haver

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
NZD/USD	0.68	0.66	0.65	0.63	0.63	0.63	0.62	0.62
EUR/NZD	1.65	1.67	1.74	1.84	1.86	1.87	1.94	1.95
AUD/NZD	1.04	1.05	1.05	1.06	1.06	1.06	1.06	1.06
NZD/CAD	0.91	0.88	0.86	0.84	0.84	0.84	0.81	0.81

Source: RBC Capital Markets estimates

Chinese Yuan

Sue Trinh

1-3 Month Outlook – Look through the optimism

CNY(H) has been the best performing regional currency since early February when US President Trump backed off the original 1 March deadline to increase tariffs on Chinese goods. Trump has since said the delay is indefinite, that assuming both sides make additional progress, "we will be planning a Summit for President Xi and myself, at Mar-a-Lago, to conclude an agreement". The reported broad outlines of the deal is an agreement to roll back tariffs with China buying more US goods, opening up some markets to foreign goods and promising to keep CNY "stable". It's a good deal for China, sparing it from making more substantive changes. We have a lot of reservations about the possibility of concluding such a deal: (1) Aside from enforcement issues, it explicitly undermines the WTO, IMF and G20, setting a worrying global precedent; (2) The meaning of "stable" is debatable. China characterised the move from 8.28 to just over 6.0 as "stable", so it stands to reason it applies in reverse; (3) China's *ability* to keep CNY artificially high for a sustained period for a given level of capital controls is also questionable in the face of exponential growth in liquidity; (4) There is very little substance around changing China's policies toward IP protection, forced technology transfer and State subsidies, falling far short of what US negotiators are demanding. All eyes are on the Trump-Xi Summit, potentially by end-March/early April. But the fundamental incompatibility in US-China values leaves us very wary. Moreover, any trade deal at this juncture does nothing to avert the sharp *domestic* slowdown that is already well underway in China.

To account for the lower starting point, we have pushed our profile out by a quarter. Our end-Q1 2019 target is 6.8 (from 7.0) and 7.0 by end-Q2 (from 7.25).

6-12 Month Outlook – Mispriced

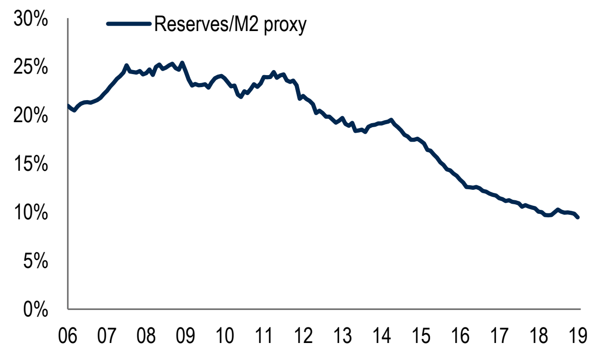
The diplomatic cost of Xi's domestic and international overreach is rising. There is a low probability China is able to realise its technological ambitions to climb out of the debt and middle income traps. And recent business surveys confirm that the mere threat of ongoing tariffs is supporting the long-running trend of relocating supply chains out of China. China CDS at 11 year lows signals extreme optimism and mispricing. We target a move in USD/CNY toward 7.40 at end-2019 (from 7.5).

Indicators

	Current (Previous)*
Official cash rate	**1.5% - 4.35 % (1.5%-4.35%)**
Trend interest rates (10yr average)	2.85%-6.07%
Bias in interest rate market	Lower
CPI Inflation %Y/Y last (prev)	**1.7% (1.9%)**
Inflation target	3.0%
Budget balance % GDP last (prev)	**-3.7% (-1.8%)**
Budget balance trend % GDP	-1.21
GDP Growth % y/y last (prev)	6.4% (6.5%)
Trend GDP %y/y	9.6
RBC-POLAR misalignment	**10.7%**
Spot end-february	6.6941
FX Valuation	Overvalued
Current account balance % GDP last (prev)	**0.4% (0.5%)**
Trend current account balance % GDP	4.1
Moody's Foreign Currency Rating	**A1**
Outlook	Stable

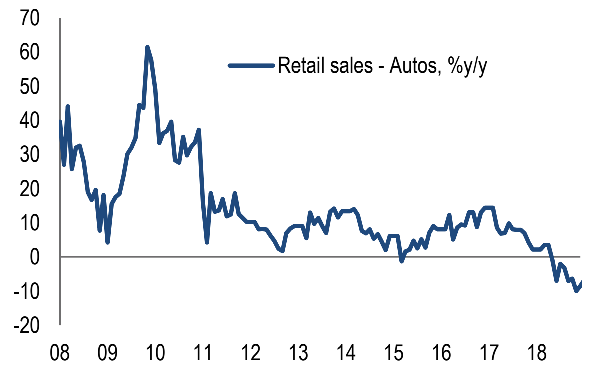
* Current is latest month, quarter or year

1. The declining adequacy of China's reserves



Source: RBC Capital Markets; NBS

2. Accelerating weakness in Chinese activity



Source: RBC Capital Markets; Bloomberg

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CNY	6.80	7.00	7.25	7.40	7.50	7.50	7.60	7.70
EUR/CNY	7.62	7.70	8.19	8.58	8.78	8.85	9.12	9.32
CNY/JPY	16.3	16.1	16.1	16.2	15.9	15.7	15.4	15.1
CAD/CNY	5.07	5.22	5.45	5.56	5.60	5.64	5.80	5.92

Source: RBC Capital Markets estimates

Indian Rupee

Sue Trinh

1-3 Month Outlook – Foreign investors vulnerable

INR has been one of the best performing Asian currencies since the start of February (up ~1%) despite weaker CPI inflation, Q4 GDP growth, a wider trade deficit, a wider fiscal deficit and an unexpected RBI rate cut.

Foreign portfolio inflows into India are dominated by equity investments and foreign investors have cheered RBI's dovish turn. Meanwhile, the Modi government's interim budget had cash handouts for small farmers, a pension scheme for informal workers and a doubling of tax relief for the lower middle class. RBI Governor Das also released three more banks from the Prompt Corrective Action programme (which places lending restrictions on poorly performing commercial banks while they cleaned up their balance sheets) following the release of five banks in January. The loosening in lending restrictions has come at the cost of long-term reform of the banking sector however.

US President Trump started the 60-day countdown to end preferential trade status for India. India ran a USD21bn trade surplus with the US in 2018, a key factor keeping India on the US watch list for currency manipulation. A narrowing surplus with the US would see further deterioration in its overall trade deficit and rising economic/diplomatic tension with the US and Pakistan also comes at an awkward time for PM Modi's bid to win the general election (held by May). This has broader regional security implications, particularly given the summit between US President Trump and North Korean leader Kim Jong-un ended in failure to make progress on denuclearisation. Political risks into the election (by May) will remain the biggest near term focus. We have retained a 74 end-Q1 target

6-12 Month Outlook – Structural boost delayed, cyclical risks increase

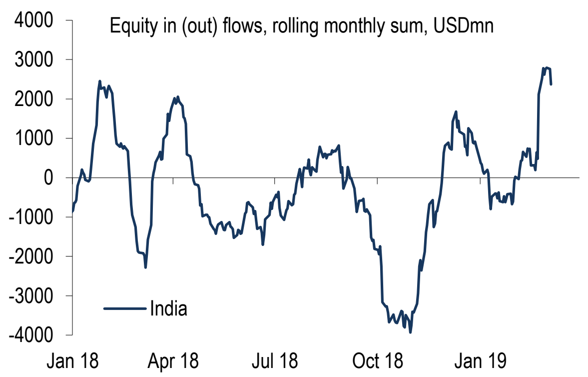
We continue expecting a range of 76-80 in 2019 given our concerns regarding: (1) RBI autonomy; (2) Funding a widening current account deficit; (3) Fiscal discipline; (4) Liquidity stress in non-bank lenders and bank exposure to those lenders.

Indicators

	Current (Previous)*
Official cash rate (Repurchase Rate)	**6.5% (6.5%)**
Trend interest rates (10yr average)	6.75%
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**2.05% (2.11%)**
Inflation target	4% +/- 2%
Budget balance % GDP last (prev)	**-3.6% (-3.8%)**
Budget balance trend % GDP	-5.15
GDP Growth % y/y last (prev)	6.6% (7.1%)
Trend GDP %y/y	6.4
RBC-POLAR misalignment	-1.9%
Spot end-February	70.75
FX Valuation	Undervalued
Current account balance % GDP last (prev)	**-2.3% (-1.9%)**
Trend current account balance % GDP	-1.35%
Moody's Foreign Currency Rating	**Baa2**
Outlook	Stable

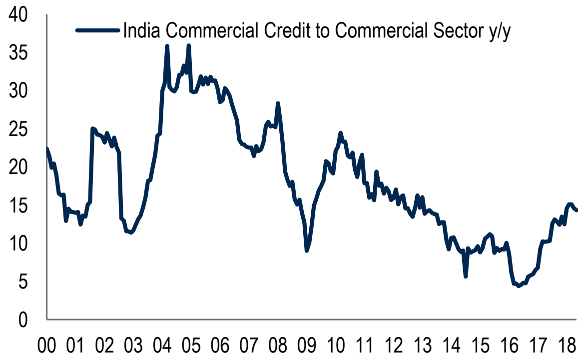
* Current is latest month, quarter or year

1. Foreign investors pile into equities as RBI turns dovish



Source: RBC Capital Markets, Central Depository Services

2. Bank lending picking up amid regulatory loosening



Source: RBC Capital Markets; RBI

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/INR	74.0	74.0	77.0	80.0	80.0	80.0	81.0	81.0
EUR/INR	82.9	81.4	87.0	92.8	93.6	94.4	97.2	98.0
INR/JPY	1.50	1.53	1.52	1.50	1.49	1.48	1.44	1.43
CAD/INR	55	55	58	60	60	60	62	62

Source: RBC Capital Markets estimates

South Korean Won

Sue Trinh

1-3 Month Outlook – BoK scope to debate cuts?

KRW has been one of the regional laggards since the start of February. The market had high hopes for the Trump-Kim Summit in Hanoi in late February delivering a “big” advance in denuclearisation of the Korean Peninsula. As it was, US President Trump walked away after he and North Korean leader Kim could not agree on a deal that would provide relief to North Korea from US sanctions in exchange for NK giving up its nuclear weapons program. Even as South Korea’s 5y CDS is trading at the lowest levels since 2007, relative to AXJ, it is up near a 1-year high on the back of renewed geopolitical uncertainties. The macro environment is also subdued. CPI inflation came in weaker than expected in February at 0.5%y/y (from 0.8%) while underlying inflation is also benign at 1.3%y/y. Economic growth continues to slow sharply early in Q1 as a result of slowing growth in China and a cyclical downturn in the global tech cycle. The Nikkei manufacturing PMI hit a new low in February on records going back to March 2016 while the contraction in export growth accelerated in February from -5.9%y/y to -11.1%y/y and imports contracted at a faster pace of 12.6%y/y. Yet the BoK has so far refused to entertain a rate cut for the time being, arguing that “the current stance is already accommodative”. However, we find that the real benchmark rate is around a 4-year high while a less hawkish Fed stance and continued slowing in household debt growth (a 4-year low) should give BoK some wiggle room. We retain an end-Q1 2019 target for USD/KRW of 1140.

6-12 Month Outlook – USD/KRW in upper range

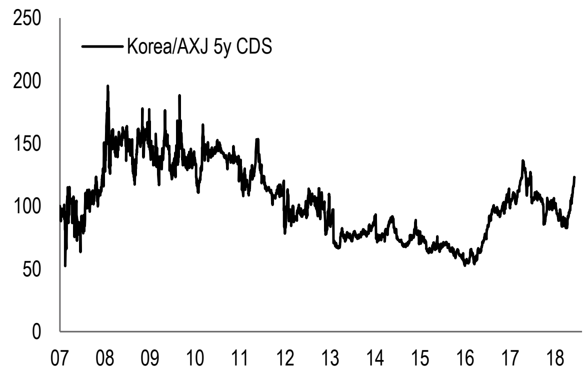
Already under pressure from ongoing trade friction, major reform and overhaul in the manufacturing sector, particularly auto and shipbuilding, will constrain economic growth. Slower household debt growth and a cooling housing market will also weigh on consumption. An increasingly negative output gap and an extended Fed pause will open the way for a more dovish BoK policy with a potential rate cut before the year is out. Consensus forecasts for another 15bps hike by early 2020 look optimistic. We expect USD/KRW to trade toward 1200 by end-2019.

Indicators

	Current (Previous)*
Official cash rate	**1.75% (1.75%)**
Trend interest rates (10yr average)	3.45%
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**0.5% (0.8%)**
Inflation target	2.0%
Budget balance % GDP last (prev)	**0.05% (2.8%)**
Budget balance trend % GDP	1.4
GDP Growth % y/y last (prev)	3.1% (3.1%)
Trend GDP %y/y	4.1
RBC-POLAR misalignment	**1.5%**
Spot end-February	1125.7
FX Valuation	Over Valued
Current acct balance % GDP last (prev)	**4.7% (4.7%)**
Trend current acct. balance % GDP	3.1%
Moody's Foreign Currency Rating	**Aa2**
Outlook	Stable

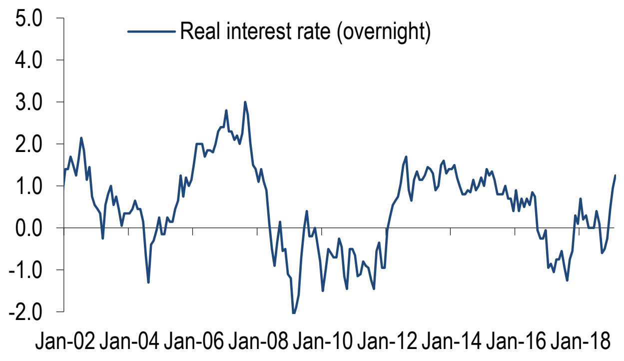
* Current is latest month, quarter or year

1. Korea’s geopolitical risk premium picks up



Source: RBC Capital Markets, Bloomberg

2. Real interest rates picking up



Source: RBC Capital Markets, Bloomberg

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/KRW	1140	1140	1170	1200	1220	1225	1230	1230
EUR/KRW	1277	1254	1322	1392	1427	1446	1476	1488
JPY/KRW	10.3	10.1	10.0	10.0	10.3	10.4	10.5	10.6
CAD/KRW	851	851	880	902	910	921	939	946

Source: RBC Capital Markets estimates

Indonesian Rupiah

Sue Trinh

1-3 Month Outlook – BI stepping back

IDR is one of the worst performing regional currencies since the start of February (-1.3% versus USD). With IDR having risen by ~10% since the October lows (against USD), BI pulled back from its aggressive intervention to support IDR, removing a key pillar of support over the past six weeks. After leaving the seven-day reverse repo rate at 6% in February, BI signalled a potential end to its tightening cycle by saying that it would turn to macro-prudential measures to support domestic demand. It also dropped from its statement that policy needed to remain hawkish, pre-emptive or front-loaded. Governor Perry Warjiyo has also said that the policy rate has “almost reached its peak”. With CPI inflation slowing to 2.57%y/y in February (cons: 2.75%), the slowest since November 2009, we tend to agree. This also plays into President Widodo’s bid for re-election on 17 April with recent polls showing he maintains a comfortable lead over Prabowo, consistently registering an electability rate of 53-60% versus Prabowo’s mid-30s, which will help IDR’s longer term prospects (see below). We are still looking for 14600 by end-Q1.

6-12 Month Outlook – Selective IDR outperformance

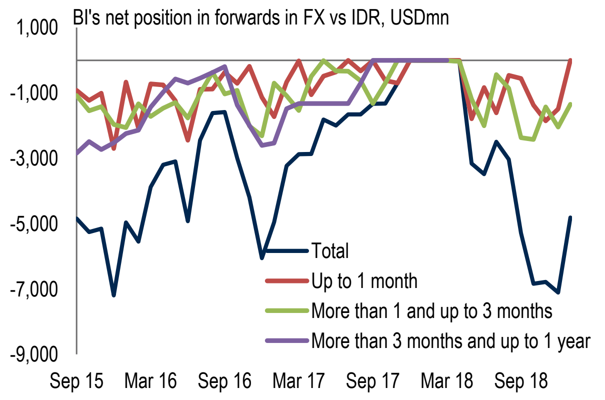
Re-widening in the current account deficit to a 4-year high in 2018, driven by continued deterioration in the trade balance which is near a decade low (12m rolling basis) is an ongoing cyclical headwind for IDR. Against that backdrop, the government is in a rush to sign trade deals, signing one with Australia this month, reportedly close to signing with Iran, Turkey and the EU and actively pushing for RCEP to be ratified. In the second presidential debate on 17 February, Jokowi pledged to continue the focus on infrastructure and information technology development if re-elected. The strategy has paid off. During his tenure as President, Indonesia has jumped up the ranks in the World Bank’s Ease of Doing Business study from 120 in 2014 to 73 in 2019. While dividends from trade deals and boosting investment will be slower to materialise, they provide the foundation for IDR’s selective regional outperformance in the longer-term. Our longer term forecasts are unchanged at 16000 by early 2020.

Indicators

	Current (Previous)*
Official cash rate (7d Reverse repo rate)	**6.00% (6.00%)**
Trend interest rates (10yr average)	-
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**2.57% (2.82%)**
Inflation target	4%+/-1.0%
Budget balance % GDP last (prev)	**-0.6% (-2.6%)**
Budget balance trend % GDP	-2%
GDP Growth % y/y last (prev)	5.18% (5.17%)
Trend GDP %y/y	5.5
RBC-POLAR misalignment	**-14.1**
Spot end-February	14069
FX Valuation	Undervalued
Current account balance % GDP last (prev)	**-3% (-2.7%)**
Trend current account balance % GDP	-0.5
Moody's Foreign Currency Rating	**Baa2**
Outlook	Stable

* Current is latest month, quarter or year

1. BI stepping back from supporting IDR



Source: RBC Capital Markets; BI

2. Trade deficit worsening

Source: RBC Capital Markets; Bloomberg

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/IDR	14600	14600	15600	15800	16000	16000	16100	16100
EUR/IDR	16352	16060	17628	18328	18720	18880	19320	19481
JPY/IDR	131.5	129.2	133.3	131.7	134.5	135.6	137.6	138.8
CAD/IDR	10896	10896	11729	11880	11940	12030	12290	12385

Source: RBC Capital Markets estimates

Singaporean Dollar

Sue Trinh

1-3 Month Outlook – MAS to sit pat

SGD is broadly unchanged since February. Market expectations of MAS policy tightening in April have begun to fade. The Nikkei manufacturing PMI fell to 49.8 in February from 50.1, the first time below 50 since September. It also signalled a worrisome development on the employment front with a second successive cutback in employment. We note the turnaround in the official quarterly employment data from negative to positive gave the MAS the confidence to hike in April 2018. But those data are extremely lagged (latest reading is for Q3 2018). Deterioration in the labour market would be consistent with the sharp slowing in consumer spending. The expansionary 2019 Budget argues for the MAS to sit pat on policy. The government expects an overall budget deficit of 0.7% of GDP with extra defence spending and healthcare spending for the elderly. There were also handouts for low income earners. Finance Minister Heng Swee Keat described the package as "a gesture of our nation's gratitude for their contributions and a way to show care for them in their silver years". The Budget sets the stage for a possible early general election which must otherwise be held by 2021.

We expect MAS to maintain its policy of gradual and modest appreciation in the S$NEER in April which we estimate to be 1% per annum. Our end-Q1 target remains 1.37.

6-12 Month Outlook – Overvalued as cyclical tailwinds abate

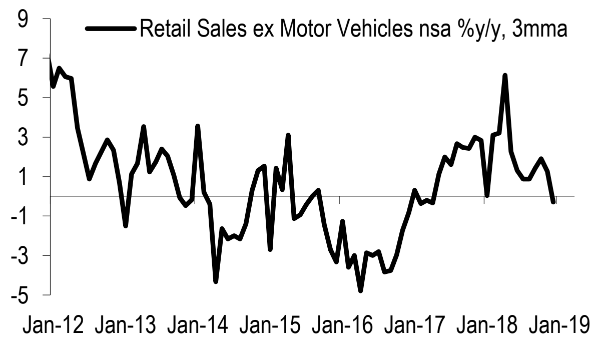
Subsidies for wage increases have done little to avert a sharp slowdown in consumption growth and investment growth may stall until we get a clearer idea of the next prime minister. We see external headwinds growing much stronger. MAS tightened policy twice last year, despite greater uncertainty from the external sector and we think its expectations for global growth will prove too optimistic. MAS will likely keep policy on hold throughout 2019 with a small chance of modest easing. We see scope for SGD to drift back toward the mid-point of the estimated trading band. For USD/SGD, we forecast a move toward 1.44 by early 2020.

Indicators

	Current (Previous)*
Official S$NEER Target	**Modest & gradual appreciation**
Trend interest rates (10yr average)	1.85%
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**0.4% (0.5%)**
Inflation target	**0-1%**
Budget balance % GDP last (prev)	**-0.7 (-1.0%)**
Budget balance trend % GDP	0.4
GDP Growth % y/y last (prev)	1.9% (2.2%)
Trend GDP %y/y	5.4
RBC-POLAR misalignment	**1.3%**
Spot end-February	1.3517
FX Valuation	Overvalued
Current acct bal % GDP last (prev)	**17.7% (17.5%)**
Trend current acct balance % GDP	20.1
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

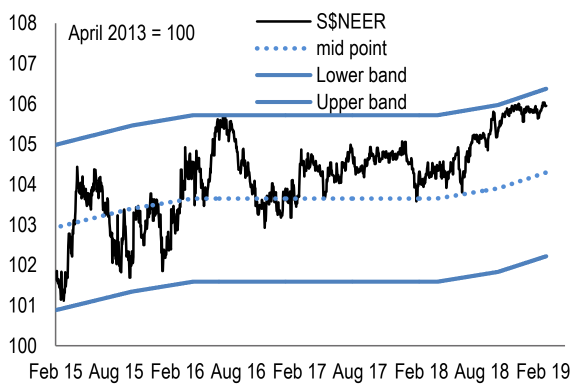
* Current is latest month, quarter or year

1. Consumer spending taking a dive



Source: RBC Capital Markets; MAS, Bloomberg

2. SGD NEER limited headroom



Source: RBC Capital Markets; Bloomberg

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/SGD	1.37	1.37	1.42	1.43	1.44	1.44	1.44	1.45
EUR/SGD	1.53	1.51	1.60	1.66	1.68	1.70	1.73	1.75
SGD/JPY	81.0	82.5	82.4	83.9	82.6	81.9	81.3	80.0
CAD/SGD	1.02	1.02	1.07	1.08	1.07	1.08	1.10	1.12

Source: RBC Capital Markets estimates

South African Rand

Daria Parkhomenko

1-3 Month Outlook – Moody's review & elections

In February, ZAR was the worst performer, driven by a stronger USD, the market's more cautious stance on EM, and concerns about SA's fiscal outlook. Going forward, we expect USD/ZAR to trend lower to 13.30 by the end of Q2. The main events to watch will be Moody's review on March 29 and the general elections on May 8. First, we expect Moody's to keep SA one step above non-IG but revise the outlook to negative from stable. The 2019 budget resulted in fiscal deterioration, with the govt now expecting a higher peak for the budget deficit (% GDP) and the debt-to-GDP ratio than in October's MTBPS. Though, the govt did take some positive steps, such as attaching conditions to Eskom's R69bn financial package and cutting expenditures, with ~50% to come from employee compensation. Although the magnitude is small relative to SA's total compensation spending, this shows a willingness to improve the fiscal outlook even if it may come at the expense of votes in the elections. Thus, we think SA can avoid a downgrade to non-IG, though not a negative outlook revision. Under this scenario, the initial reaction is likely to be ZAR-negative as it would raise the risk of a downgrade down the road. But if the external conditions improve for EM and given the next Moody's review is not scheduled until November, we would expect this reaction to fade on the assumption that this decision buys SA more time. On elections, opinion polls currently suggest the ANC's support will fall compared to the 2014 elections but the party would still retain a simple majority (more or less status quo). Although we acknowledge that reforms won't happen overnight, we do think the govt will have more space to improve the fiscal outlook once the elections have passed. We think the fact that the govt has already taken unpopular decisions ahead of the elections is a positive signal for what the govt can do after the elections. Populist rhetoric leading up to the elections may pose an upside risk to our USD/ZAR view, but we think some of the policies are already priced in (e.g. SARB's nationalization, land EWC). Externally, ZAR is vulnerable to a slowdown in China and swings in risk appetite and the USD. On monetary policy, we expect the SARB to remain on hold in the near term, while JIBAR FRAs are pricing very slight cuts.

6-12 Month Outlook – USD/ZAR at 13.00 by end-2019

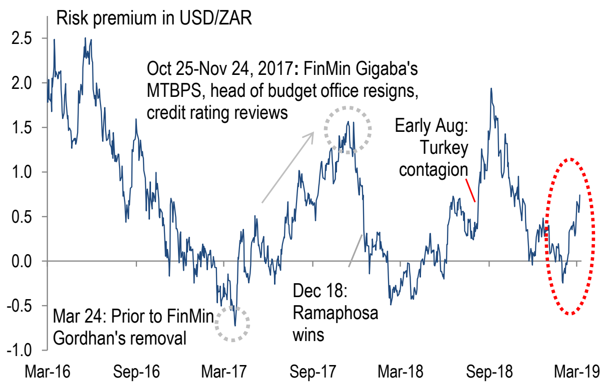
The pace of reforms and fiscal consolidation, including Eskom's restructuring, are likely to take the spotlight ahead of the MTBPS and Moody's next review. We expect the govt to make gradual progress on the above factors.

Indicators

	Current (Previous)*
Official cash rate (repo rate)	**6.75 (6.75)**
Trend interest rates (10yr average)	6.2
Bias in interest rate market	Slight easing
CPI Inflation %Y/Y Jan (Dec)	**4.0 (4.5)**
Inflation target	3.0 to 6.0%
Budget balance % GDP 2017/18 (2016/17)	**-4.0 (-3.6)**
Budget balance trend % GDP	-3.8
GDP Growth % q/q saar Q4 (Q2)	1.4 (2.6)
Trend GDP %	2.3
RBC-POLAR misalignment	**-3.7%**
Spot end-February	14.0849
FX Valuation	Undervalued
Current account % GDP Q4 (Q3)	**-2.2 (-3.5)**
Trend current account balance % GDP	-3.5
Moody's Foreign Currency Rating	**Baa3**
Outlook	Stable

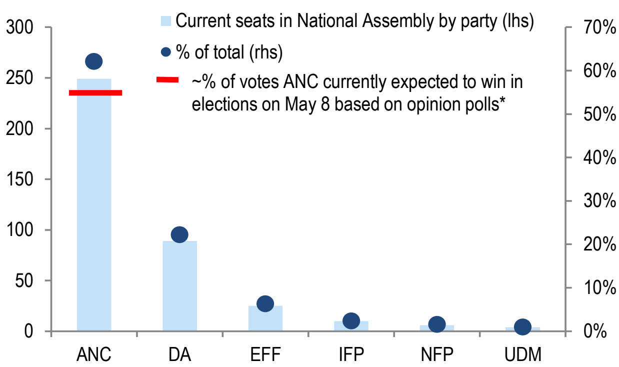
* Current is latest month, quarter or year

1. USD/ZAR's risk premium increased in February



Source: National Treasury, RBC Capital Markets

2. The ANC currently holds ~62% of the seats in NA



Source: Electoral Commission of South Africa, Wikipedia RBC Capital Markets; * We calculated an avg. of the three latest available opinion polls

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/ZAR	13.60	13.30	13.10	13.00	13.10	13.20	13.30	13.30
EUR/ZAR	15.23	14.63	14.80	15.08	15.33	15.58	15.96	16.09
ZAR/JPY	8.16	8.50	8.93	9.23	9.08	8.94	8.80	8.72

Source: RBC Capital Markets estimates

Turkish Lira

Daria Parkhomenko

1-3 Month Outlook – Credibility not fully intact

Since February, USD/TRY has trended higher as USD strengthened, the market turned more cautious on EM, and to a lesser extent, concerns about policy direction post local elections at the end of March increased. Going forward, we maintain our bullish USD/TRY bias, targeting 5.60 by the end of Q2. First, the market's reaction to the CBRT's March meeting shows that a hawkish hold is not enough to push USD/TRY lower. The reaction suggests the market is not convinced that the CBRT is fully committed to its hawkish stance and likely interpreted the hawkish hold as the govt's step to avoid a potential currency selloff ahead of the local elections on March 31. This means the market is likely to wait for policy direction after the elections to gauge the extent of the CBRT's commitment and implies that the CBRT may need to do even more to convince the market (i.e. hike). *But* rate hikes are not our base case and instead, we expect the CBRT to start toning down its hawkish forward guidance in Q2 and to potentially cut by ~50bp in June depending on developments in the inflation outlook (we expect the bulk of the cuts to take place in H2 2019 as base effects help lower CPI inflation). Second, although the US-Turkey relations have improved since the rift in August 2018, this relationship is likely to be tested as we approach July. In particular, Turkey has been adamant about going through with its contract to purchase Russia's S-400 missiles (delivery expected in July), while the US govt officials have continued to reiterate that if Turkey proceeds with buying Russia's missiles, Turkey would be at risk of being expelled from the F-35 program and sanctions. With neither side showing signs of easing their demands and given this is not the only disagreement between them, this raises the risk of tensions potentially escalating at a time when sentiment about TRY remains fragile. Additionally, TRY remains vulnerable to swings in risk appetite and the market repricing Fed hikes.

6-12 Month Outlook – USD/TRY at 6.20 end-2019

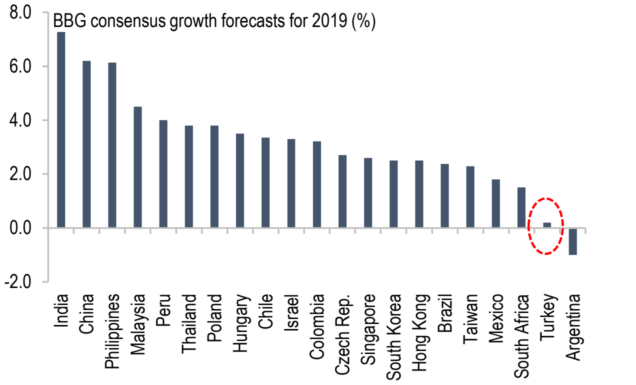
We expect TRY to weaken on the back of the CBRT easing and lower growth relative to the rest of EM. Based on CPI inflation expectations and assuming a real rate cushion of ~5.0%, the CBRT has room to cut the policy rate by 300-400bp by year-end. Meanwhile, the government's ongoing measures to lower CPI inflation, such as forcing retailers to cut prices, may backfire in the form of business closures and job losses and thereby pose a downside risk to domestic demand. Lastly, although Turkey's 12m rolling current account deficit has improved since May 2018, its dependency on oil imports leaves it vulnerable to higher oil prices (TRY-negative).

Indicators

	Current (Previous)*
One-week repo rate (%)	**24.00% (24.00%)**
Trend interest rates (historical average)	8.1
Bias in interest rate market	Easing
CPI Inflation %Y/Y Jan (Dec)	**20.35 (20.30)**
Inflation target	5.00%
Budget balance % GDP 2017 (2016)	**-1.6 (-1.2)**
Budget balance trend % GDP	-2.0
GDP Growth % y/y Q3 (Q2)	1.6 (5.3)
Trend GDP %y/y	5.3
RBC-POLAR misalignment	**-2%**
Spot end-February	5.3370
FX Valuation	Slightly undervalued
Current a/c (12m. rolling) %GDP Q3 (Q2)	**-5.4 (-6.6)**
Trend current account balance % GDP	-5.2
Moody's Foreign Currency Rating	**Ba3**
Outlook	Negative

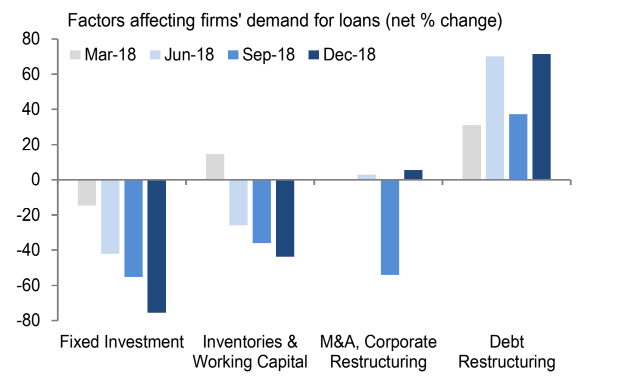
* Current is latest month, quarter or year

1. 2019: TRY to have one of the lowest growth rates in EM



Source: RBC Capital Markets, Bloomberg; BBG forecasts for India are for fiscal year (not calendar year), and thus we calculated a time-weighted avg. using the FY 2019 and FY 2020 forecasts.

2. Demand for loans for fixed investment has fallen



Source: Central Bank of Turkey, RBC Capital Markets; Net % change: (Higher somewhat + higher considerably)-(Lowers somewhat + Lower considerably)

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/TRY	5.60	5.60	5.90	6.20	6.30	6.20	6.20	6.20
EUR/TRY	6.27	6.16	6.67	7.19	7.37	7.32	7.44	7.50
TRY/JPY	19.8	20.2	19.8	19.4	18.9	19.0	18.9	18.7

Source: RBC Capital Markets estimates

Mexican Peso

Tania Escobedo Jacob

1-3 Month Outlook – The budget

MXN lost 2.5% vs USD in February amid broad USD strength and some negative revisions to Mexico's sovereign debt outlook and growth projections (which followed Fitch's cut to the PEMEX debt rating). We think that a lot of negative domestic news has already been incorporated into MXN and that sentiment should recover going forward.

S&P revised the outlook to Mexico's sovereign rating (BBB+) from stable to negative, which implies a one in three chance of a rating cut in the coming year. The reasons behind the outlook revision by S&P did not bring anything new to the table and echo the main concerns among investors: 1) PEMEX's debt burden and the new approach to the energy industry, which limits private sector investments, 2) a decrease in investors' confidence after the cancellation of the Mexico City airport, 3) lower growth prospects and 4) risk that greater centralization of political decision-making could weaken macroeconomic stability. We still think the government will be more pragmatic than the market is currently expecting and keep our target for USD/MXN at 18.50 by 1H19; 18.00 for year-end.

On Monetary policy, inflation in February came in close to expectations, confirming the downward trend in headline inflation which is back in the target range for the first time since Dec 2016. Banxico, however, will keep an eye on the trend in core inflation which remains sticky; we do not see space for cuts in the next couple of months despite the signs of economic slowdown. Instead, the board will likely emphasize that the main priority is still to prevent the upside risks to inflation and inflation expectations materialising. Our base case is for ON rate to stay on hold at 8.25% in 2019. TIIE swap curve is pricing around 50 bps in cuts for year-end.

In the coming weeks, the external environment will set the direction for EMFX in general and MXN will be subject to shifts in DM monetary policy and global growth.

6-12 Month Outlook – Regaining confidence

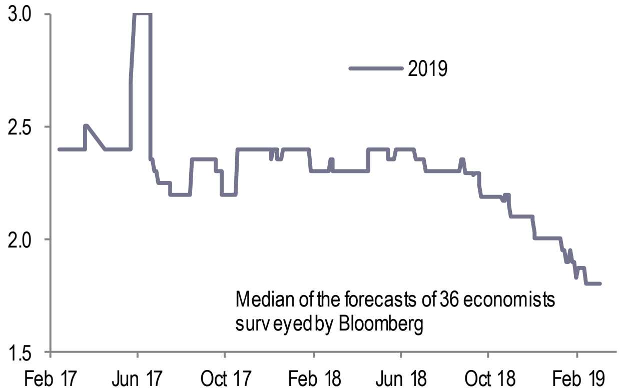
Policy implementation will be closely watched by investors to assess the feasibility of fiscal targets and the effect that the adjustments will have on economic activity. PEMEX remains the weakest link and AMLO's position towards farmouts and private investment in the energy industry will be an important driver of sentiment. Externally, if concerns over a global deceleration hit risk sentiment further, we would look to revise our USD/MXN profile higher.

Indicators

	Current (Previous)*
Official cash rate	**8.25 (8.25)**
Trend interest rates (10yr average)	4.62
Bias in interest rate market	Hiking
CPI Inflation %Y/Y Feb (Jan)	**3.94 (4.37)**
Inflation target	3.0 (+/-1%)
Budget balance % GDP 4Q (3Q)	**-1.1 (-0.88)**
Budget balance trend % GDP	-3.14
GDP Growth % y/y 4QP (3Q)	1.7 (1.7)
Trend GDP %y/y	2.41
Purchasing Power Parity	17
Spot	**19.47**
FX Valuation	Undervalued
Current account balance % GDP 4Q (3Q)	**-1.62 (-1.60)**
Trend current account balance % GDP	-2.54
Moody's Foreign Currency Rating	**A3**
Outlook	Stable

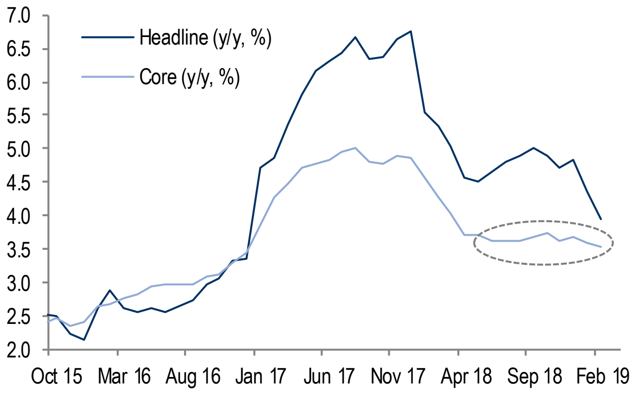
* Current is latest month, quarter or year

1. Growth forecasts have been revised to the downside



Source: RBCCM, Bloomberg.

2. Inflation remains above the target (3% +/- 1%)



Source: RBC Capital Markets, Bloomberg.

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/MXN	18.80	18.50	18.30	18.00	18.00	18.20	18.20	18.20
EUR/MXN	21.06	20.35	20.68	20.88	21.06	21.48	21.84	22.02
MXN/JPY	5.90	6.11	6.39	6.67	6.61	6.48	6.43	6.37
CAD/MXN	14.03	13.81	13.76	13.53	13.43	13.68	13.89	14.00

Source: RBC Capital Markets estimates

Brazilian Real

Tania Escobedo Jacob

1-3 Month Outlook – After the election, the reforms

BRL lost 6% vs USD in February, on the back of a souring external environment and growing concerns about the prospects of Congress approving economic reforms. Also, the lack of inflation pressures and negative revisions to growth have increased the likelihood of further rate cuts, which has not helped to improve BRL's carry perspectives.

The pension reform proposed by the government is aiming to realise BRL 1.2tn of savings over a 10-year period. And although the solid starting point gives the administration some space to negotiate, it is not as wide as it seems (see *Total FX*, March 1). The market will pay close attention to the concessions, with some already expecting a higher minimum age for retirement after Bolsonaro admitted he is willing to accept it. Other unpopular proposals are just as likely to be dropped. One of them is the loss of benefits for low income elderly people and rural workers, which is already being used against the bill by the opposition.

For now, negotiations in Congress will remain stuck until lawmakers install the first committee that will analyze the proposal. Meanwhile, Bolsonaro's base remains fragmented and the lack of a strong leadership and negotiation strategy has slowed process. The lower house leader Rodrigo Maia has turned less optimistic, as the govt loses control of the narrative around the bill and struggles to put together the separate bill that will reform the pension system for the military. The first vote, which he expected in May, is now more likely to take place in June/July. On the prospects for support, there are many versions of how many potential votes the government has for its bill. Some press reports are pointing to only 100 votes while members of the cabinet such as VP Mourao have counted about 250 congressmen backing the proposal. Meanwhile, a recent survey by BTG Pactual showed that only around 35% of lawmakers would support the minimum retirement age and transition period as they are on the bill. In all, we still think expectations for delivery by the new administration are overoptimistic and we still target levels close to 4.00 for USD/BRL in 1H19.

6-12 Month Outlook – External risks to BRL

Other than political developments, external conditions will be a relevant driver for BRL. Downside risks include a sharper than expected deceleration of the Chinese economy, geopolitical conflicts and a more aggressive hiking cycle in the US.

Indicators

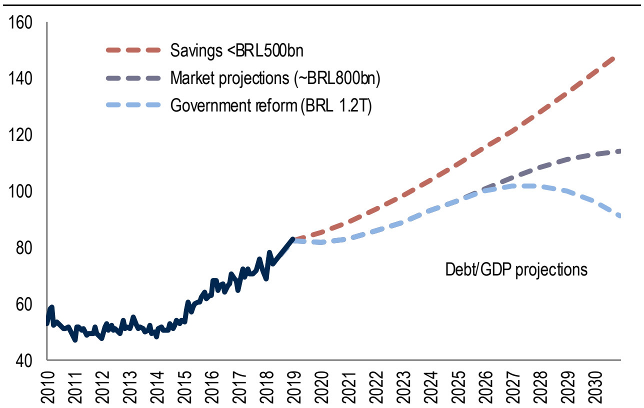
	Current (Previous)*
Official cash rate	**6.50 (6.50)**
Trend interest rates (10yr average)	10.00
Bias in interest rate market	Cutting
CPI Inflation %Y/Y Jan (Dec)	**3.78 (3.75)**
Inflation target	4.25% +/- 1.5%
Budget balance % GDP 2Q (1Q)	**-9.24 (-8.68)**
Budget balance trend % GDP	-7.53
GDP Growth % y/y 4Q (3Q)	**+1.1 (+1.3)**
Trend GDP %y/y	-2.0
Purchasing Power Parity	**3.35**
Spot	**3.86**
FX Valuation	Undervalued
Current account balance % GDP 4Q (3Q)	**-0.48 (-0.62)**
Trend current account balance % GDP	-3.29
Moody's Foreign Currency Rating	**Ba2**
Outlook	Stable

* Current is latest month, quarter or year

1. Growth forecasts for 2019 have been revised down

Source: RBC Capital Markets, BCB Focus, Bloomberg.

2. The effect of the pension reform depends on savings



Source: RBC Capital Markets, Bloomberg.

Forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/BRL	4.00	4.15	4.20	4.20	4.20	4.25	4.25	4.25
EUR/BRL	4.48	4.57	4.75	4.87	4.91	5.02	5.10	5.14
BRL/JPY	27.8	27.2	27.9	28.6	28.3	27.8	27.5	27.3
CAD/BRL	2.99	3.10	3.16	3.16	3.13	3.20	3.24	3.27

Source: RBC Capital Markets estimates

Forecasts

Spot forecasts

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.12	1.10	1.13	1.16	1.17	1.18	1.20	1.21
USD/JPY	111	113	117	120	119	118	117	116
GBP/USD	1.30	1.26	1.28	1.32	1.33	1.34	1.36	1.38
USD/CHF	1.02	1.04	1.02	1.00	1.00	1.00	0.99	0.99
USD/SEK	9.46	9.64	9.38	8.97	8.80	8.64	8.42	8.26
USD/NOK	8.75	8.73	8.41	8.10	7.95	7.80	7.58	7.44
USD/CAD	1.34	1.34	1.33	1.33	1.34	1.33	1.31	1.30
AUD/USD	0.71	0.69	0.68	0.67	0.67	0.67	0.66	0.66
NZD/USD	0.68	0.66	0.65	0.63	0.63	0.63	0.62	0.62
USD/CNY	6.80	7.00	7.25	7.40	7.50	7.50	7.60	7.70
USD/CNH	6.81	7.01	7.27	7.42	7.52	7.52	7.62	7.72
USD/HKD	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85
USD/INR	74.0	74.0	77.0	80.0	80.0	80.0	81.0	81.0
USD/KRW	1140	1140	1170	1200	1220	1225	1230	1230
USD/SGD	1.37	1.37	1.42	1.43	1.44	1.44	1.44	1.45
USD/MYR	4.15	4.15	4.30	4.35	4.40	4.40	4.41	4.42
USD/IDR	14600	14600	15600	15800	16000	16000	16100	16100
USD/TWD	31.0	31.0	32.2	32.7	33.2	33.2	33.3	33.3
USD/THB	32.0	32.0	33.7	34.1	34.5	34.6	34.7	34.8
USD/PHP	53.0	53.0	54.5	55.0	55.5	55.6	55.7	55.8
USD/TRY	5.60	5.60	5.90	6.20	6.30	6.20	6.20	6.20
USD/ZAR	13.60	13.30	13.10	13.00	13.10	13.20	13.30	13.30
USD/MXN	18.80	18.50	18.30	18.00	18.00	18.20	18.20	18.20
USD/BRL	4.00	4.15	4.20	4.20	4.20	4.25	4.25	4.25

Source: RBC Capital Markets estimates

EUR Crosses

	2019				2020			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.12	1.10	1.13	1.16	1.17	1.18	1.20	1.21
EUR/JPY	124	124	132	139	139	139	140	140
EUR/GBP	0.86	0.87	0.88	0.88	0.88	0.88	0.88	0.88
EUR/CHF	1.14	1.14	1.15	1.16	1.17	1.18	1.19	1.20
EUR/SEK	10.60	10.60	10.60	10.40	10.30	10.20	10.10	10.00
EUR/NOK	9.80	9.60	9.50	9.40	9.30	9.20	9.10	9.00
EUR/CAD	1.50	1.47	1.50	1.54	1.57	1.57	1.57	1.57
EUR/AUD	1.58	1.59	1.66	1.73	1.75	1.76	1.82	1.83
EUR/NZD	1.65	1.67	1.74	1.84	1.86	1.87	1.94	1.95
EUR/CNY	7.62	7.70	8.19	8.58	8.78	8.85	9.12	9.32
EUR/CNH	7.63	7.71	8.22	8.61	8.80	8.87	9.14	9.34
EUR/HKD	8.79	8.64	8.87	9.11	9.18	9.26	9.42	9.50
EUR/INR	83	81	87	93	94	94	97	98
EUR/KRW	1277	1254	1322	1392	1427	1446	1476	1488
EUR/SGD	1.53	1.51	1.60	1.66	1.68	1.70	1.73	1.75
EUR/MYR	4.65	4.57	4.86	5.05	5.15	5.19	5.29	5.35
EUR/IDR	16352	16060	17628	18328	18720	18880	19320	19481
EUR/TWD	35	34	36	38	39	39	40	40
EUR/THB	35.8	35.2	38.1	39.6	40.4	40.8	41.6	42.1
EUR/PHP	59.4	58.3	61.6	63.8	64.9	65.6	66.8	67.5
EUR/TRY	6.27	6.16	6.67	7.19	7.37	7.32	7.44	7.50
EUR/ZAR	15.23	14.63	14.80	15.08	15.33	15.58	15.96	16.09
EUR/MXN	21.1	20.4	20.7	20.9	21.1	21.5	21.8	22.0
EUR/BRL	4.48	4.57	4.75	4.87	4.91	5.02	5.10	5.14

Source: RBC Capital Markets estimates

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