Currency Report Card: 2025 FX Outlook

17 December 2024

Forecasts

December 2024

Three month forecast returns

Most bullish	Most bearish
BRL	COP
MXN	CHF
PLN	CNY

Source: RBC Capital Markets

12 month forecast returns

Most bullish	Most bearish
MXN	CHF
BRL	CNY
CLP	MYR

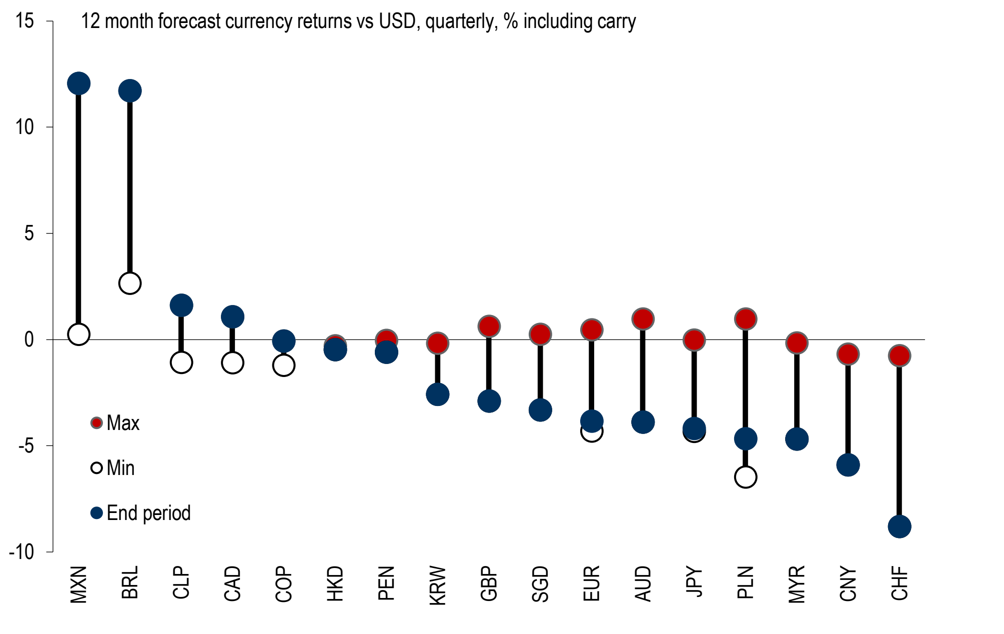
Source: RBC Capital Markets

Key forecast revisions:

USD/CAD: Peak revised higher. End-Q2 2025 now 1.45 (prior 1.43). End-2025 1.40 (1.41).

USD/CNY: Profile revised higher. End-Q1 2025 now 7.33 (prior 7.29). End-2025 7.55 (7.25).

MXN, BRL outperformance; CHF, CNY underperformance



Source: RBC Capital Markets

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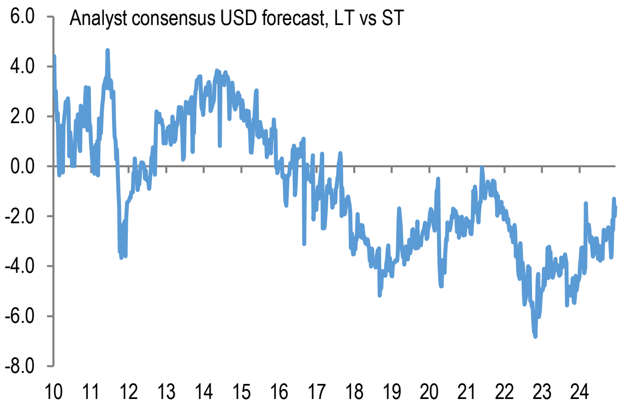
2025: FX Outlook

- 2025 is set to be an interesting year as Trump takes office on January 20, promising to deliver big policy changes in the US.
- For the first time in many years, we head into a new year with a seemingly strong consensus to be bullish USD. Despite that, a calendar spread of analyst forecasts remains USD-negative.
- We try to steer clear of the "obvious" trades for 2025 (long USD, long vol), instead looking for RV in G10, Asia, Latam and FX vol.

2025 is set to be an interesting year as Trump takes office on January 20, promising to deliver big policy changes in the US. The incoming administration is clearly much better-prepared to assume power than it was in 2016. Early appointments point to a desire to hit the ground running on at least three main pillars of change: (1) deregulation, (2) tariffs, (3) immigration. We struggle, as everyone does, to know what portion of Trump rhetoric we should bake into our outlook. As former Canadian Prime Minister Stephen Harper put it, "Trump should be taken seriously, but not literally". The long USD trade seems "obvious", but we have tried to avoid it in our 2025 directional thematic trades. Like almost everyone else, we would rather be long USD than short but with DXY at 107 and positioning already crowded heading into the new year, the risk reward doesn't feel great. Perhaps we are falling into the same trap as others – everyone wants to be long USD but seemingly few have the trade on in big size. Many people we speak to are waiting for a dip to buy into, which often means the dip never comes. USD's positive carry means a long spot position would make sense even if spot itself barely moves. Nevertheless, we have decided to focus on RV trades for our year-ahead thematic piece, conscious that there are enough analysts out there banging the long USD drum, at least in the near-term[1].

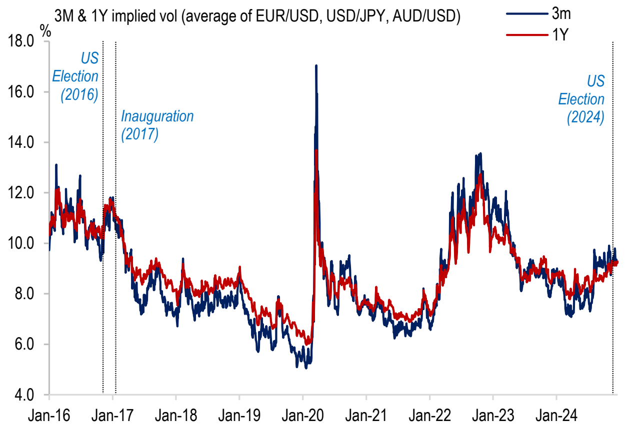
Analysts' long-term forecasts still point to a lower USD



Source: Bloomberg, RBC Capital Markets

Volatility is another interesting topic. Again it feels "obvious" to many that it should be higher in 2025. Trump is inherently unpredictable, less bound by convention and norms than his predecessors. His campaign rhetoric was extreme, and while few people take him literally, to Former PM Harper's point above, Trump 2.0 is widely expected to go further than he did in his first administration. But while we understand the interest to buy ~3m vol post-election, depending on the pair, it has not realized particularly well so far (USD/JPY would be losing money, EUR/USD would at best be breaking even). We question whether buying vol will work for the year as a whole. Looking back to Trump's unexpected win in 2016, volatility was expected to rise post-election, and yet FX vol peaked shortly before/after inauguration in January 2017 and proceeded to grind lower for most of his term. When vol eventually spiked higher, it was driven by an entirely external shock (COVID) rather than any policy change. Our US rates team argues Trump's bark is worse than his bite and it's hard to disagree. His focus on the S&P500 as a measure of success makes it much less likely that he will impose universal tariffs or deport a macroeconomically significant number of people.

FX vol grinded lower for most of Trump 1.0

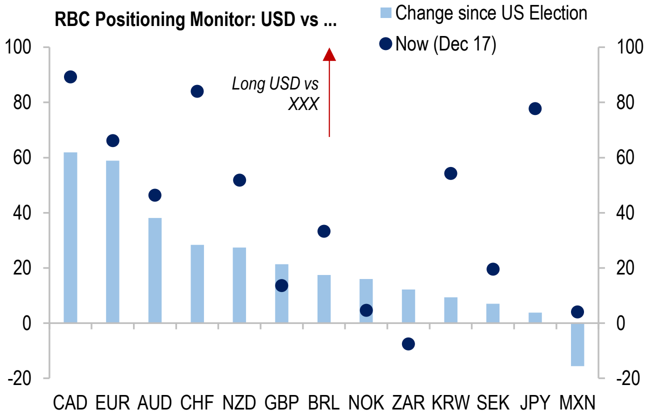


Source: Bloomberg, RBC Capital Markets

Our forecasts look for grinding USD strength, underpinned by an expectation that the terminal policy rate in the US will end up north of 4%. Positive carry and ongoing US exceptionalism continue to support USD. The problem is that this is very well-known and priced. Positioning reflects that view. But USD positioning is not consistently long across the board, and some currencies look over-extended and others under-positioned.

[1] A calendar spread of analysts' long-term forecasts still shows the same bias for USD to trend lower that has persisted for the past 8 years.

Markets are stretched long USD vs CAD, CHF, JPY



Source: RBC Capital Markets

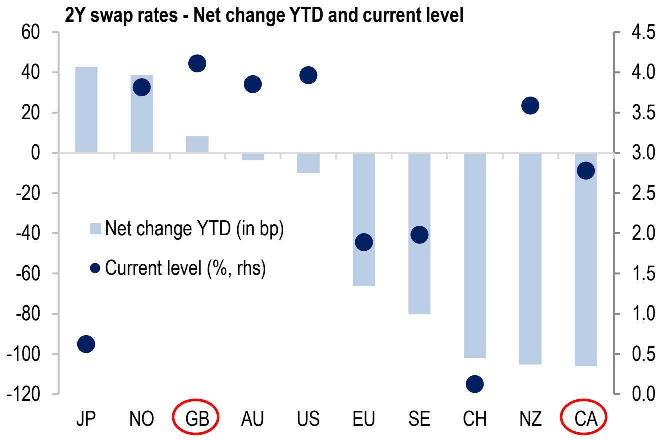
Our first thematic trade for 2025 is short GBP/CAD – pitting an early cutter (BoC) against a laggard (BoE). Our second trade pits two consensus shorts against each other (EUR & CHF). We see room for EUR to outperform CHF as the ECB cuts less than priced while the SNB hits the zero lower bound. Our third trade is a long-JPY trade for a change, having played JPY from the short side for most of the last three years. We are still not USD/JPY bears but look for some JPY-cross outperformance. Trades 4 & 5 are EM RV trades – a long MYR & IDR basket funded out of KRW and SGD in Asia, and sell a 3m USD/MXN risk reversal and go long BRL/COP in Latam. In vol space, we suggest playing the asymmetry between USD/JPY downside (bid for puts over calls) and EUR/USD topside (also bid for puts over calls). Finally our Chief Technical Analyst proposes long AUD/NZD as a technical trade.

2025 Thematic Trades

1. Short GBP/CAD

GBP has been one of the top G10 performers YTD, driven by better than expected UK economic data and GBP's yield advantage. We forecast a gradual BoE rate cutting cycle in 2025, but if the domestic economic outlook deteriorates, the hurdle is low for GBP-downside, given positioning and relative GBP overvaluation (in ULC terms). It's too early to see the full impact of the Budget but early evidence points to the rise in NI weighing on employment. In Canada, we see further BoC cuts through July 2025. But by H2 2025, CAD may start to benefit from being an 'early cutter'. The monetary easing delivered by the BoC should support a growth recovery, with potentially a more business-friendly policy stance post the federal election (due by Oct 2025) adding to the CAD-positive mood. Trump has threatened Canada with tariffs but US-CA supply chains are tightly integrated and we expect any tariffs on Canada to be targeted (as with steel/aluminum/lumber) to avoid US economic pain. NA growth tailwinds and a positive USD environment would benefit the trade.

GBP priced for perfection on 2Y yields

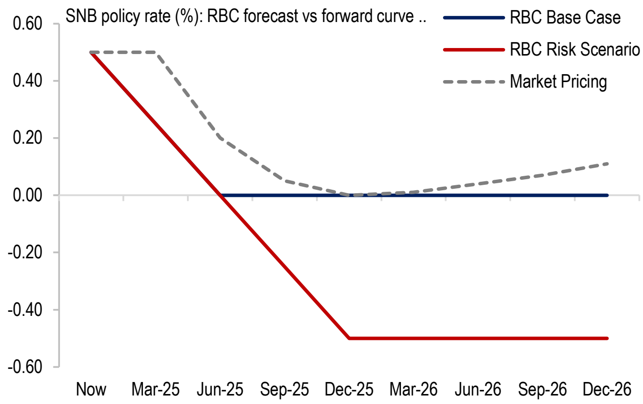


Source: Bloomberg, RBC Capital Markets

2. Long EUR/CHF

There is a strong consensus that the European outlook is dire. Germany has stagnated for the past two years, France is not much better. Both face political gridlock though in Germany at least, this is set to be resolved next quarter with snap elections. The Euro area is highly exposed to a Trump trade war, both directly (running a EUR ~170bn goods trade surplus with the US) and indirectly as it competes with China for RoW export markets. And yet all of this is well-known and a big part of the reason why EUR/USD sits just shy of 1.05, a level it has rarely traded below in the last 22 years. It took a perfect USD-bull storm in 2022 with a twin bond/equity sell-off and an energy crisis to get EUR/USD to trade below parity for a few months. Looking ahead to 2025, the hurdle for some positive EUR-surprises is low. A 'stagflationary-lite' environment should keep the ECB from cutting as much as priced (RBC: -75bp, fwd curve: -145bp by end-2025, see here from our rates team for more). France is likely to hold elections again in June but as long as Macron stays in his post, major political risk is at bay until the 2027 Presidential election. The SNB has already cut rates to 0.50% and we expect they will hit the zero lower bound by end-Q2. From there, capping currency gains is likely to take precedence over negative interest rates.

SNB to cut rates to zero in H1 2025; risk is even lower

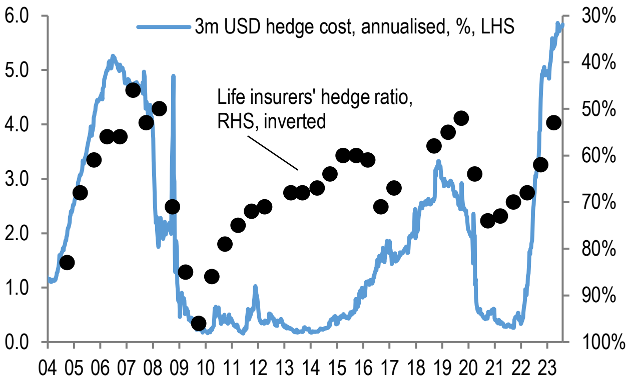


Source: Bloomberg, RBC Capital Markets

3. Short SGD/JPY

Relative JPY outperformance is one of the more interesting surprises post-US election. We think that hints at a "re-hedging" dynamic at play. Historically, Japanese investors have adjusted their hedge ratios in line with hedging costs – increasing hedge ratios to 100% when the Fed slashed rates to zero in the GFC and then reducing them as the cost went up. The post-COVID tightening cycle that started in 2022 caused an unprecedented rise in the cost of hedging relative to the average yield on Japan's stock of foreign bonds. But two things have happened – the average yield on that stock of bonds has risen by >100bps while the USD/JPY forward curve has peaked and rolled over. 2025 is set to be the year where the cost of hedging with a 3m USD/JPY forward drops below the average yield on the stock of foreign bonds. This isn't a binary situation and there is nothing magical about the two lines crossing. But it does suggest that Japanese investors should at the margin turn into buyers of JPY as hedges are put back on. There is too much negative carry in short USD/JPY and we do not expect the spot move to offset it, but think there is scope to play long JPY against an Asian currency yielding much less than USD. We have used short TWD and KRW as funders for the long MYR and IDR trade below, and we would avoid short CNH unless locking in funding with a long-dated outright, as we expect to see more funding squeezes in CNH in 2025. Short SGD/JPY has almost half the negative carry of short USD/JPY, the relative value cross has a low correlation to the DXY Index, and the entry point looks attractive from a long-term valuation perspective.

Japanese investors show wide swings in hedge ratios based on cost

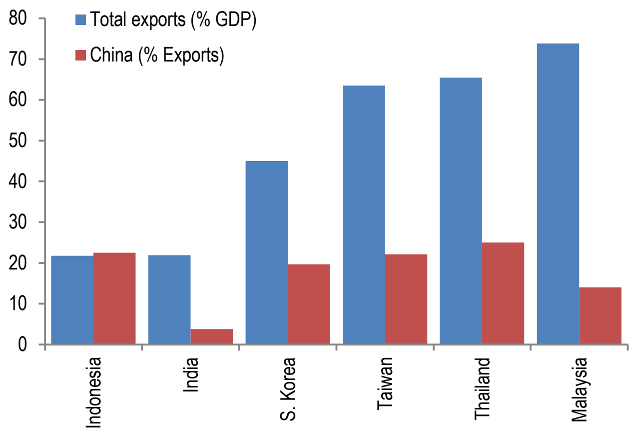


Source: Bloomberg, RBC Capital Markets, Thomson Reuters

4. Short KRW & TWD vs Long IDR & MYR

There are significant uncertainties over US trade policy in Trump's second term, but a second US-China trade war is among the most likely scenarios. More generalised US trade protectionism is also a risk. Moreover, the US dollar is expected to continue doing well more broadly. Among Asian currencies, these factors are expected to hit South Korea and Taiwan more severely, with both being export-dependent and closely linked to China economically. On the flipside, Indonesia is among the least trade-dependent of the major Asia EM economies. Malaysia and Indonesia could also continue to benefit from supply-side diversification investment flows amid deepening US-China tensions. Finally, a short KRW and TWD versus long IDR and MYR basket provides positive carry.

KRW, TWD: Export-dependent & close links w/ China

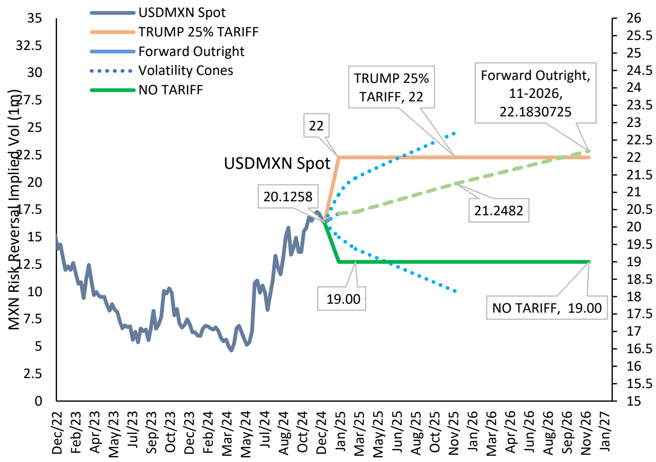


Source: Bloomberg, RBC Capital Markets

5. Sell 3m USD/MXN risk reversal

With Trump's inauguration imminent, we anticipate his potential policy moves. Trump seems to have used tariff threats as leverage in negotiations over immigration and drug trafficking, and we are anticipating that he will refrain from imposing tariffs on USMCA partners. If tariffs on Mexico are unexpectedly introduced, we foresee a tumultuous reaction in USD/MXN, with the potential to spike to 22.00—a level last seen in October 2021. The market's reaction will depend on the specifics of the announcement, but history suggests it could quickly revert to levels below 22.00, as seen after the Mexican election surprise. We expect the market to find equilibrium around these levels. Banxico has signaled its willingness to intervene in the event of market disruption. If Trump focuses tariff actions primarily on China, Mexico could experience a boost from further nearshoring. We would expect this to push USD/MXN below 19.00 as investors unwind defensive positions. In light of these scenarios, we recommend a zero-premium risk reversal strategy: buying a 3m USDMXN put option with a 19.50 strike and selling a 3m USDMXN call option with a 22.40 strike.

USD/MXN: Scenarios under Trump's tariffs

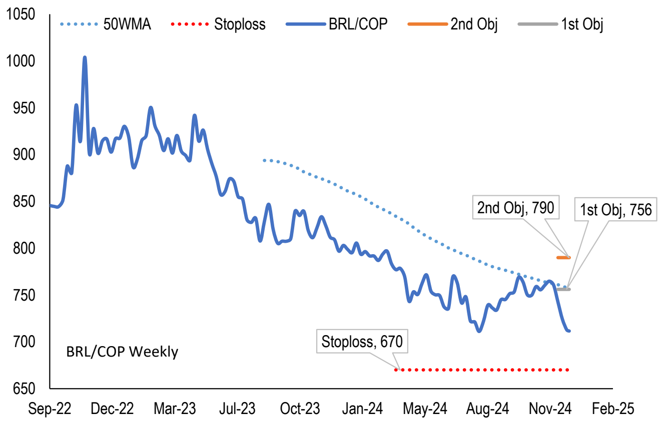


Source: Bloomberg, RBC Capital Markets

6. Long BRL/COP

BRL is facing pressure from year-end outflows and liquidity constraints, despite recent hikes. However, we expect stabilization into 2025, as the BCB has started to intervene in the spot market, which should bolster BRL. Meanwhile COP has recovered from its recent high of 4550, benefiting from the unwind of shorts. Despite Colombia's stabilization below 4400, it faces fiscal challenges ahead. Both economies are sensitive to fiscal deterioration, yet Brazil's attractive overnight interest rates, projected at 14% by Q1 2025, offer 6% annualized carry over Colombia. Brazil's spending cut package is likely to be enacted after Congress reconvenes in February, enhancing BRL stability. By the end of 2025, the spread is projected to widen to 900bps in favor of BRL.

Targeting a move to 756, then 790; stop loss at 670

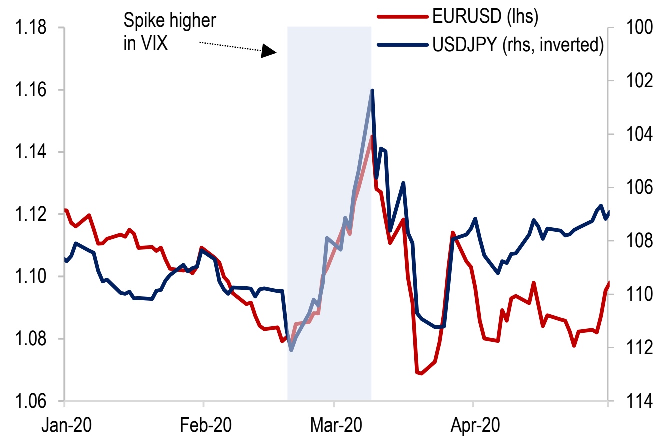


Source: Bloomberg, RBC Capital Markets

7. Sell 20d 9m USD/JPY put/Buy 20d 9m EUR/USD call

Our final vol trade is designed to earn some premium in a world where G10 majors remain within the past year's range but in the event of a more substantial USD sell-off, may be relatively neutral. We suggest selling a 20-delta 9m USD/JPY put (spot ref: 153.50, strike 140) and buying a 20-delta 9m EUR/USD call (spot ref 1.0490, strike 1.1225). The former earns ~1.37% USD, the latter costs ~0.635% USD (net premium earned 0.735%). USD/JPY risk reversals are consistently bid for puts over calls (9m 25d RR -0.77) while EUR/USD risk reversals are also bid for puts over calls (9m 25d RR -1.42). This trade benefits from that skew. The most likely scenario to cause a substantial USD/JPY sell-off would be faster than expected Fed cuts. We think that would also trigger an underappreciated rally in EUR/USD. The change in the Euro area's external balance sheet over the past decade coupled with EUR's starting point as a relative low yielder compared to USD means that it is much more likely to trade with haven-like properties when the next US recession hits (see here for more). Since the GFC, the largest risk-off shock to hit markets has been COVID in Feb/March 2020. EUR and JPY followed each other fairly closely, initially rallying against USD (20 Feb-9 March 2020) and then reversing the move. The amplitude of the USD/JPY move was higher at that time (10% vs 7%) but the distance of the current trade's strike to spot is also further on the short USD/JPY put (-10%) than the long EUR/USD call (+7%). USD/JPY sold off more than EUR/USD rallied during the more recent August 2024 volatility but started with far more extreme long positioning into that episode, reinforced by the BoJ's decision to hike. Risks are more evenly balanced given the build-up in EUR/USD shorts post-election, and the BoJ hikes/ECB cuts already discounted by the forward curve.

Biggest shock since GFC triggered similar reaction



Source: Bloomberg, RBC Capital Markets

8. Long AUD/NZD (technical trade)

The AUD/NZD cross continues to trace out a multi-year base near parity, with a potential double bottom forming against this level in 2015 and 2020. The uptrend that has been in place over the last four years favours using pullbacks to support at 1.0896 and 1.0695 as a buying opportunity as part of the basing thesis. A weekly close above initial resistance at 1.1152 would add to bullish momentum and uphold the basing thesis, setting the stage for a re-test of the top end of the 10-year range at 1.1430. A weekly close above this level would confirm the double bottom pattern and clear the way for a larger extension higher toward the September 2013 high at 1.1660, followed by 50% retracement of the 2011-2015 decline at 1.1909 as bullish sentiment increases further. A weekly close below the 2022 low at 1.0471 would neutralize the bottoming thesis as it would break a string of "higher lows" that are in place. Therefore, we would look to scale into long positions at 1.0895 and 1.0695 to play the bottoming thesis, with a take profit at 1.1400. We would implement 1.0450 as a stop loss for our view.

Bottoming thesis for AUD/NZD

Source: Bloomberg, RBC Capital Markets

Individual Currency Views

US Dollar

Elsa Lignos

1-3 Month Outlook – Consensus is strong, doesn't necessarily mean it's wrong

There is a lot of good news in the price for USD. Post-election it has become consensus that US exceptionalism is here to stay. That is also reflected in positioning which, particularly in G10, has shifted materially towards long USD since November 5 (Figure 1). Most parts of Trump's policy agenda are growth-positive, inflationary or both, so one can understand why US exceptionalism/USD outperformance is consensus. That does not mean it has to be wrong. In conversations with very rare USD bears, it is hard to find strong reasons for USD to trade lower aside from "positioning" and "all the good news is in the price". Both are fair observations for why USD may not trade much higher but with weeks until year-end, risk allocations are not huge. We've spoken to many investors waiting for a USD dip to buy into. That makes it harder to see a meaningful pullback in USD without some new news, such non-US data turning much stronger or US data turning much softer (neither our base case). The next three months will show how far Trump is willing to go on tariffs, which are the most immediately impactful policy change for FX. Trump 1.0 delivered some targeted tariffs but nothing universal. Some argue this time will be different, but the message from 2024 elections globally was that voters really do not like inflation and we doubt Trump is ready to deliver policies that crush real US incomes. Of course the threat of tariffs can weigh on RoW investor/consumer sentiment and we expect the uncertainty to be a drag on RoW growth, particularly outside North America. But a lot of that story is already in the price, making it harder to call for a quick move to e.g. parity in EUR/USD. Our end-Q1 DXY forecast sits at ~109.60.

6-12 Month Outlook – Above consensus terminal rate

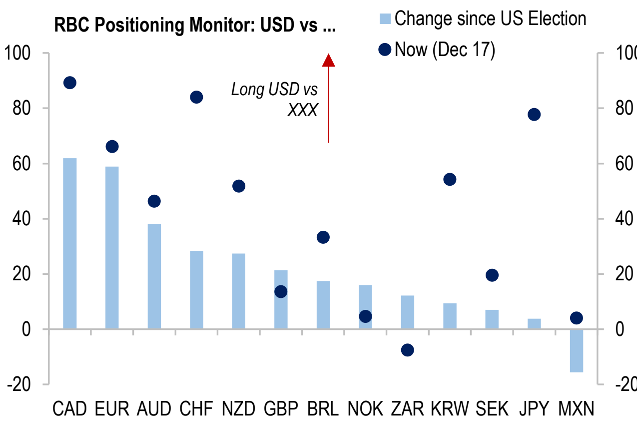
We remain above consensus with a terminal Fed call of 4-4.25% though the gap between our forecast and the forward curve has narrowed significantly. The calls for long-term USD weakness are softer than they've been in a very long time though deficit fears occasionally resurface. We stick to the view that the private sector surplus prevents this from becoming a USD story (Figure 2). By end-2025, the Fed may have moved to a tightening bias which would give some further support to USD but with valuation not far from historic highs, USD gains may mostly come from carry. As always, the downside risk is an unexpected US slowdown though that looks less likely in the face of Trump's deregulatory agenda.

Indicators

	Current (Previous)*
Official cash rate	**4.50-4.75% (4.75-5.00%)**
Trend interest rates (10yr average)	1.8%
Bias in interest rate market	Lower
Core PCE Inflation %Y/Y Oct (Sep)	**2.8% (2.7%)**
Inflation target	2%, on average
Budget balance % GDP 2023 (2022)	**-6.4% (-5.4%)**
Budget balance target % GDP	-
GDP Growth % q/q saar Q3 S (Q2)	2.8% (3.0%)
Trend GDP %	2.6%
Purchasing Power Parity Value	-
Spot	-
PPP Valuation	-
Current account balance % GDP Q2 (Q1)	**-3.3% (-3.2%)**
Trend current account balance % GDP	-2.5%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Negative

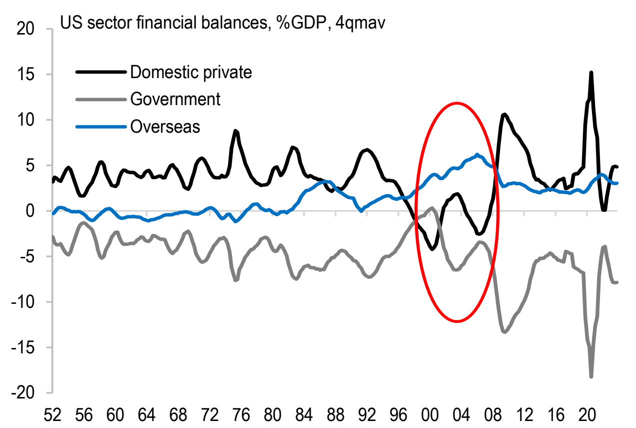
* Current is latest month, quarter or year

1. Post US election positioning: CAD & EUR the main loser



Source: RBC Capital Markets

2. Domestic surplus prevents deficit turning USD-negative



Source: Bloomberg, Federal Reserve, RBC Capital Markets

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.08	1.07	1.11	1.06	1.02	1.02	1.03	1.05
USD/JPY	151	161	144	152	156	155	153	150
USD/CAD	1.35	1.37	1.35	1.42	1.43	1.45	1.42	1.40

Source: RBC Capital Markets estimates

Euro

Elsa Lignos

1-3 Month Outlook – Hurdle high for further losses

When we published our last Currency Report Card, EUR/USD was still trying to break below 1.07. We pencilled in a year-end target of 1.06 with 1.02 in H1. We still feel comfortable with that view. We briefly hit 1.0335 as barriers were hit in late November, but have seemingly settled now into a 1.0450-1.06 range. There is some weak evidence of seasonal EUR/USD strength into year-end, though not statistically significant. But we suspect any EUR/USD spikes are likely to be sold into, as investors position for inauguration and the initial tariffs or threats that will accompany Trump's return to office. Further out, we feel we have to justify why we are not calling for EUR/USD to trade sustainably below parity – it now feels like that is becoming an increasingly consensus view. To be clear, we would not rule out briefly trading sub-parity – the same options structures that triggered the quick move to 1.0335 are likely to be replicated lower down and the dealer-hedging they entail always runs the risk of short sharp moves lower. But sustaining a move sub-parity is a tall ask. We got there in 2022 on the back of the energy crisis coupled with the twin bond/equity sell-off driving USD higher across the board. Inflation is unlikely to hit its post-COVID peaks again and while a lot of Trump's policy ideas are inflationary, as noted on the previous page, we think his appetite to inflict a real income squeeze is low. On the European front, markets are already pricing the ECB cutting rates back to easy territory (forward curve: 1.75%). Our own economists argue weak productivity is likely to make even anaemic growth less disinflationary. Their own forecast is for the ECB to pause at 2.25%. 'Stagflation-lite' is not a good story but that is why EUR/USD is where it is today. As its reaction to the collapse of the French govt shows, investors need material new news to send it much lower. We have left our H1 forecasts unchanged at 1.02.

6-12 Month Outlook – Some scope for fiscal boost

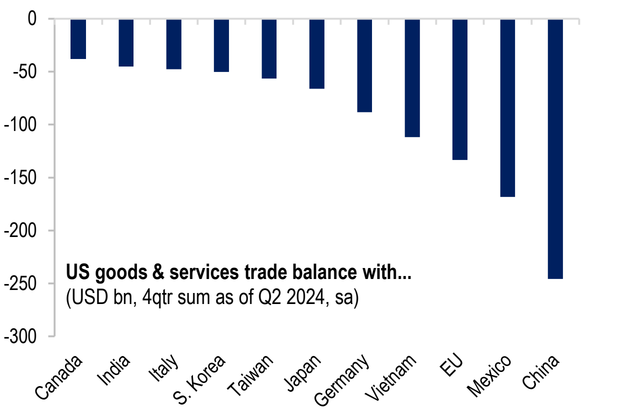
Germany's election is likely to usher in easier fiscal policy and a more business-friendly government (polls point to grand coalition). France is expected to hold new Parliamentary elections in June though political will is low for any fiscal consolidation so the deficit is likely to stay high. But it is hard to see EUR/USD staging a material recovery, particularly in light of US growth tailwinds and a rate differential stalling at 200bps. Our EUR/USD forecast profile remains at or below spot for all of 2025.

Indicators

	Current (Previous)*
Official cash rate (ECB main refi rate)	**3.15% (3.40%)**
Trend interest rates 10y average	0.6%
Bias in interest rate market	Easing
HICP core Inflation %Y/Y Nov P (Oct)	**2.7% (2.7%)**
Inflation target	2.0% (symmetric)
Budget balance % GDP 2023 (2022)	**-3.6% (-3.5%)**
Budget balance target % GDP	3% of GDP-Unless special circumstances
GDP Growth %Y/Y Q3 (Q2)	**0.9% (0.5%)**
Trend GDP %y/y	1.5%
Purchasing Power Parity Value Nov	**1.2685**
Spot end-Nov	1.0577
PPP Valuation	EUR/USD is undervalued
Current account % GDP Q3 (Q2)	2.9 (2.5)
Trend current account balance % GDP	2.3%
Moody's Foreign Currency Rating	**Aaa (Germany)**
Outlook	Stable

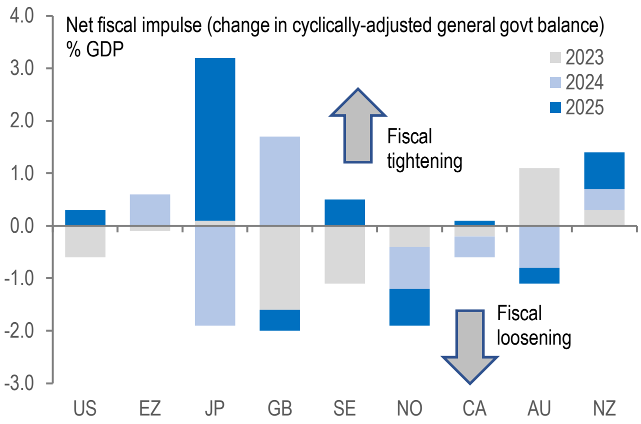
* Current is latest month, quarter or year

1. Europe would be exposed to aggressive US tariffs



Source: RBC Capital Markets, Bloomberg

2. 2024 was fiscal drag for Euro area, 2025 could be boost



Source: RBC Capital Markets, OECD; *2025 does not include any post-election fiscal easing

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.08	1.07	1.11	1.06	1.02	1.02	1.03	1.05
EUR/JPY	163	172	160	161	159	158	158	158
EUR/CAD	1.46	1.47	1.51	1.51	1.46	1.48	1.46	1.47

Source: RBC Capital Markets estimates

Japanese Yen

RBC FX Strategy

1-3 Month Outlook – Post-election dynamics point to interesting path ahead

JPY has been one of 2024's big underperformers, the 2nd worst-currency globally in total returns, down against everything bar BRL. Heading into the last BoJ meeting of the year, investors have abandoned hope of another rate hike this year. Repricing of Dec has mostly been offset by January, with hikes priced by end-Q1 little changed but further out the curve has continued to flatten (Figure 1). Nevertheless, JPY is a relative outperformer since the US election. That may be surprising given the general positive tone to risky assets and the drift higher in US yields. One way to explain it is that we're starting to see the beginning of a 'rehedging dynamic'. It would be coming sooner than anticipated but if starting, cross/JPY outperformance could be a theme for 2025. Figure 2 shows the chart we have been focused on, to understand the hedging behaviour of domestic Japanese investors. The most notable feature is the sharp increase in the average yield on Japan's stock of foreign bond holdings. It has risen >100bps in two years, lowering the hurdle for Japanese investors re-entering USD/JPY hedges. We flattened out the peak in our USD/JPY profile though our higher terminal rate in the US keeps us from turning into USD/JPY bears. Outside Japan, short JPY positioning remains elevated. Our positioning monitor shows USD/JPY at +77%, with JPY the third most crowded short. The positive carry in the trade should keep investors comfortable holding longs, even if spot is not performing. The main downside risk for USD/JPY would be an unexpected slowdown in the US prompting faster Fed cuts. The main upside risk is a reemergence of US inflationary risks that reopens the right tail for the Fed. On the domestic front, the Q1 Shunto round is likely to lead to wage increases of 5%, cementing the need for the BoJ to continue its process of normalization.

6-12 Month Outlook – Relative recovery for JPY

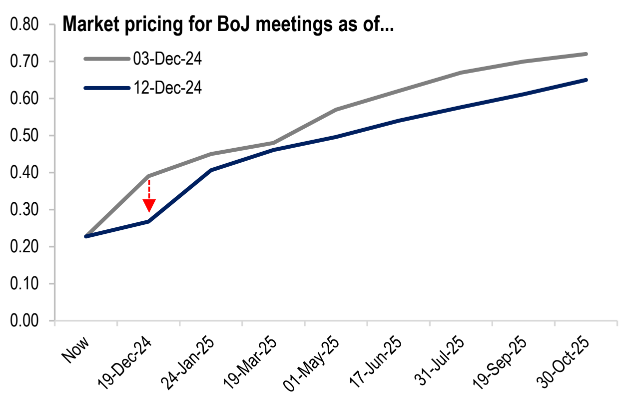
As noted above, we look for JPY to maintain its current edge in 2025 though it remains highly leveraged to front end US rates, and at risk if Trump turns out to be more inflationary than anticipated. JPY is also at risk from a CNY devaluation. Our US rates team think we could be talking about Fed hikes again by H2 2025. But the increase in yield on Japan's foreign bond stock and further hikes from the BoJ should act as a buffer for JPY weakness in the next Fed tightening cycle. Weighing up all factors, we have nudged up end-25 to 150.

Indicators

	Current (Previous)*
Official cash rate	**0.25%**
Trend interest rates 10y average	-0.1%
Bias in interest rate market	Rising
CPI Inflation %Y/Y Oct (Sep)	**2.3% (2.5%)**
Inflation target	2.0%
Budget balance % GDP 2022 (2021)	**-4.2% (-6.2%)**
Budget balance target % GDP	n/a
GDP Growth %Y/Y Q3 P (Q2)	**0.5% (-0.9%)**
Trend GDP %Y/Y	0.5%
Purchasing Power Parity Value Oct	**82.91**
Spot end-Nov	149.77
PPP Valuation	USD/JPY is overvalued
Current a/c balance % GDP Q3 (Q2)	4.7% (4.6%)
Trend current account balance % GDP	3.0%
Moody's Foreign Currency Rating	**A1**
Outlook	Stable

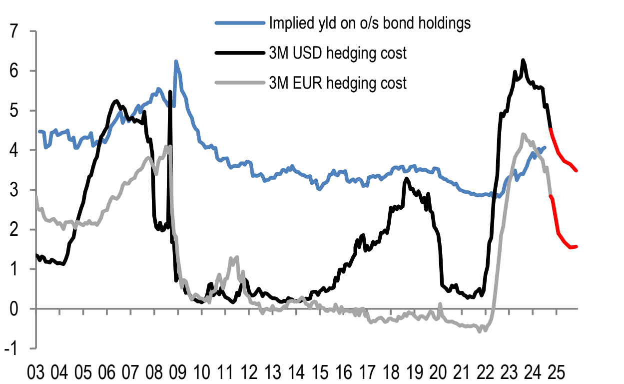
* Current is latest month, quarter or year

1. Dec hike unpriced but Jan hike repriced (end-Q1 similar)



Source: Bloomberg, RBC Capital Markets

2. USD hedging costs become increasingly attractive



Source: RBC Capital Markets, Bloomberg, Haver Analytics

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/JPY	151	161	144	152	156	155	153	150
EUR/JPY	163	172	160	161	159	158	158	158
CAD/JPY	112	118	106	107	109	107	108	107

Source: RBC Capital Markets estimates

Sterling

Daria Parkhomenko

1-3 Month Outlook – EUR/GBP bottoming out?

Since the US election, GBP has been a mixed performer, as UK 2Y yields were a middle of the pack performer within G10 (Figure 1). Looking ahead, we think EUR/GBP may still grind a bit lower in the near-term, while a lower EUR/USD is likely to continue to put downward pressure on GBP/USD.

On the domestic front, the BoE cut the policy rate by 25bp in November, with the Bank citing "the continued progress in disinflation" and that "a gradual approach to removing policy restraint remains appropriate". Data since then have shown October CPI y/y a bit above expectations on the headline, core, and services measures, and 'flash' Q3 GDP coming in slightly below consensus at +0.1%q/q (though the underlying details were better than the headline would suggest). For now, 'gradual' is likely to remain the BoE's approach to policy, as the MPC awaits the impact of the Autumn Budget to feed through and given the BoE's rhetoric. To better reflect this 'gradual' stance, our economists have adjusted their BoE view. They no longer expect a rate cut in December, and they now project the Bank to make quarterly rate cuts at the MPR meetings next year (February, May, August, November), but the terminal call is unchanged at 3.75% ('neutral' policy stance). Although markets are priced for a 'hold' in December and pricing a cumulative ~55bp of cuts by November 2025 vs RBC's call for another -100bp, the quarterly pace of cuts means the UK will retain a higher yield than some of its peers, such as the Euro area. Externally, we think the UK is less vulnerable than some other economies, such as the Euro area, to tariff risks under Trump's presidency. If the potential tariffs are focused on goods imports, then the UK should be more insulated due to services making up around two-thirds of its exports to the US. Given the UK's yield and its lower relative vulnerability to potential tariffs, we think the path of least resistance is the downtrend in EUR/GBP extending a bit further in the near-term. But the market's short EUR/GBP positioning and any signs of weakness in economic data bear watching, in particular the impact of the Budget.

6-12 Month Outlook – EUR/GBP to reverse higher

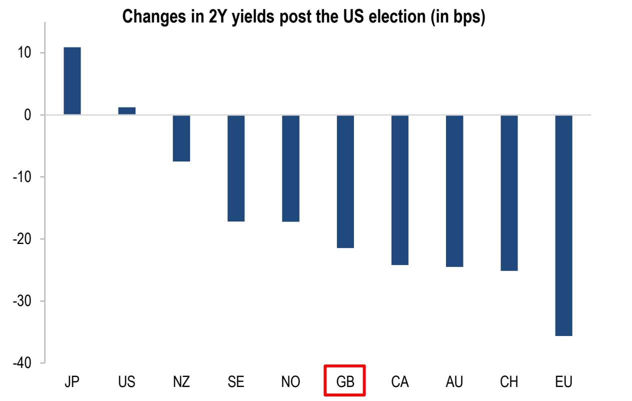
Our longer-run EUR/GBP profile sees a gradual uptrend. GBP is vulnerable to downside risk due to (1) a lot of 'bad' news already priced in EUR vs a decent amount of 'good' news in GBP, (2) markets are already short EUR/GBP, and (3) GBP remains overvalued on a REER basis. The hurdle is low for GBP weakness if there are any concerns about UK's growth outlook or fiscal dynamics, and/or there is a risk-off shock.

Indicators

	Current (Previous)*
Official cash rate	**4.75% (5.00%)**
Trend interest rates 10y average	~1.2%
Bias in interest rate market	Easing
CPI Inflation %Y/Y Nov (Oct)	**2.3% (1.7%)**
Inflation target (HICP)	2.0%
Budget balance % GDP 2022 (2021)	**-4.7% (-7.9%)**
Budget balance target % GDP	Budget surplus as soon as possible
GDP Growth %Y/Y Q3 P (Q2)	**1.0% (0.7%)**
Trend GDP %Y/Y	1.6%
Purchasing Power Parity Value Oct	**1.3431**
Spot end-Nov	1.2735
PPP Valuation	GBP/USD is undervalued
Current a/c balance sa % GDP Q2 (Q1)	-2.2% (-1.9%)
Trend current account balance % GDP	-3.3%
Moody's Foreign Currency Rating	**Aa3**
Outlook	Stable

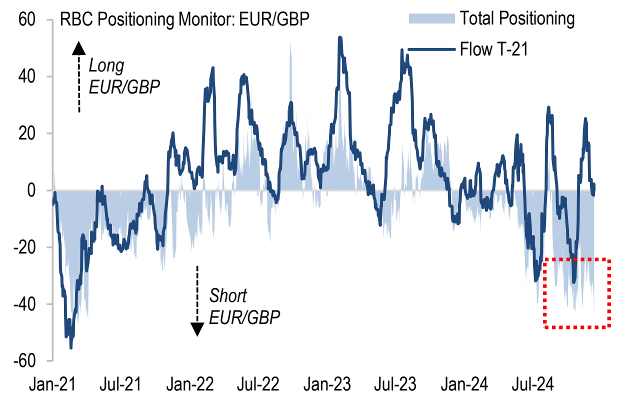
* Current is latest month, quarter or year

1. Relative rate dynamics have left GBP a mixed performer



Source: Bloomberg, RBC Capital Markets

2. Market has been short EUR/GPB = risk to watch



Source: RBC Capital Markets

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
GBP/USD	1.26	1.26	1.34	1.28	1.24	1.23	1.23	1.24
EUR/GBP	0.85	0.85	0.83	0.83	0.82	0.83	0.84	0.85
GBP/JPY	191	203	192	194	194	190	188	185
GBP/CAD	1.71	1.73	1.81	1.81	1.78	1.78	1.74	1.73

Source: RBC Capital Markets estimates

Swiss Franc

George Moran

1-3 Month Outlook – Headwinds for CHF lower in Q1

The SNB's 50bp cut at its December meeting caught markets by surprise and triggered a sizable sell-off for CHF. There was a hawkish element to the cut, because the SNB dropped language expressing a bias to cut again in the future and pushed up its long-term inflation projections. We think the market reaction has been appropriate so far but CHF may struggle to weaken further in the first few months of 2025. Rate differentials have not been a great guide to CHF moves in recent months. There was a bias to lower EUR/CHF in H2 2024, despite the rate differential being broadly unchanged. Second, FX volatility may rise around Trump's inauguration as it did around his 2017 inauguration. There will also be a reset in many of the US's international relationships, which risks creating more geopolitical instability. The SNB is unlikely to provide much support for a weaker franc in the first few months of 2025. In its December press statement, there was no change in the language on FX intervention to favour FX buying, which the SNB has typically done ahead of intervention. It appears that, for now, it favours using rates as the primary tool to tackle inflation. However, beyond the near term that preference may change and FX intervention may be deployed if negative rates become a possibility.

6-12 Month Outlook – Deflation risks

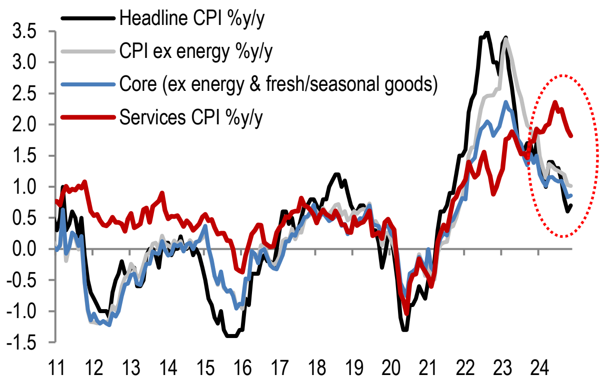
Beyond Q1, we see scope for volatility to revert lower, which would be negative for funding currencies like CHF. The outlook for the Swiss economy is also supportive of weaker CHF in the medium-term. The SNB's latest forecast revisions show inflation far below the 2% target throughout the forecast horizon (Figure 2) and we think there are downside risks and potentially a return to deflation. We expect the SNB to cut rates to 0% by June. By mid-2025, CHF is likely to knock JPY off the position of lowest-yielder in G10 for the first time. In any kind of carry-friendly environment, CHF will be a persistent underperformer. The biggest upside risk for CHF is a deep recession in the rest of the world, or any scenario which leads other central banks to cut rates back to Swiss-style levels. The most obvious such scenario is a deep US recession, and indeed any time US data slow, CHF has been a beneficiary. But so far it has proved premature. Even if we are wrong in our expectation for the US to keep growing in 2025, and CHF does start rallying sustainably, we still think JPY has more to gain. JPY starts from a position of undervaluation and the SNB may intervene in 2025 to stand in the way of what it perceives to be excessive CHF strength that once again threatens to import deflation.

Indicators

	Current (Previous)*
Official cash rate	**0.50% (1.00%)**
Trend interest rates average	-0.09%
Bias in interest rate market	Easing
CPI Inflation %Y/Y Nov (Oct)	**0.7% (0.6%)**
Inflation target	less than 2.0%
Budget balance % GDP 2022 (2021)	**1.2% (-0.3%)**
Budget balance target % GDP	Balanced over the business cycle
GDP Growth %Y/Y Q3 (Q2)	**2.0% (1.5%)**
Trend GDP %Y/Y	1.8%
EUR Purchasing Power Parity Value Nov	**1.0589**
EUR/CHF spot end-Nov	0.9320
EUR/CHF PPP Valuation	EUR/CHF is undervalued
Current a/c balance % GDP Q2 (Q1)	7.1% (6.5%)
Trend current account balance % GDP	6.2%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

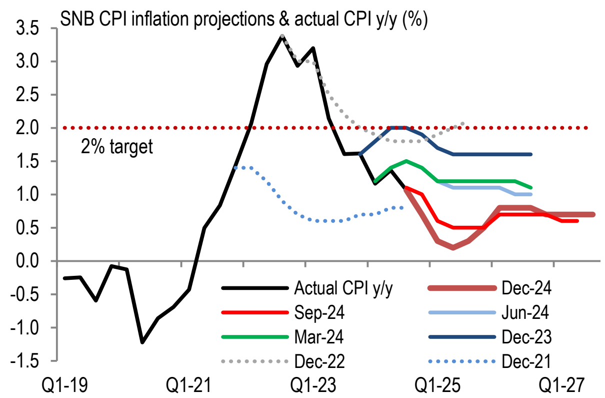
* Current is latest month, quarter or year

1. Domestically generated inflation is starting to turn



Source: Haver Analytics, RBC Capital Markets

2. Downward revisions for 2025 in SNB's Dec forecasts



Source: Bloomberg, RBC Capital Markets, SNB

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CHF	0.90	0.90	0.85	0.89	0.91	0.92	0.92	0.91
EUR/CHF	0.97	0.96	0.94	0.94	0.93	0.94	0.95	0.96
CHF/JPY	168	179	170	171	171	168	166	164
CAD/CHF	0.67	0.66	0.63	0.62	0.64	0.64	0.65	0.65

Source: RBC Capital Markets estimates

Canadian Dollar

Daria Parkhomenko

1-3 Month Outlook – USD/CAD peak now at 1.4500

Since the US election, USD/CAD has hit our pre-US election target of 1.43 earlier than expected due to USD strength & to a lesser extent a widening in the US-CA 2Y rate spread. The pair's reaction to the risk of the US imposing 25% tariffs on all Canadian imports was temporary, while CAD's reaction to the local political backdrop has been minimal as of writing. Stretched USD/CAD longs leave the pair vulnerable to a positioning squeeze, but we think the rally has some further legs left into H1 2025 amid our USD bias and our expectation for the Fed-BoC rate gap to widen from the current ~138bp to ~213bp next year. We have raised the peak to 1.45 this month (prior 1.43) to account for the pace of the spot move.

In December, the BoC cut again by 50bp, taking rates to the top end of their estimated neutral range of 2.25-3.25%, but the tone had a hawkish tilt, with the BoC suggesting that another 50bp step is unlikely. The BoC said they "will be evaluating the need for further reductions in the policy rate one decision at a time", and they "anticipate a more gradual approach to monetary policy". This means the BoC is likely to downshift to -25bp increments as of January. We think markets are underpricing the extent of further cuts, with RBC's call for another -125bp vs markets pricing -55bp by July 2025 (RBC terminal: 2%). Below potential growth is not sufficient to absorb the economy's persistent excess supply, and thus, we think more cuts than priced are needed. A realization of the cuts should result in more expensive USD-hedging costs for Canadian investors and a further reduction in hedge ratios, pushing USD/CAD higher.

Canada has a lot to lose if Trump were to implement the 25% tariffs, with ~80% of goods exports going to the US and RBC Economics estimating that 12% of Canada's workforce is in industries that export to the US. But equally it can hurt the US as well. Demand for energy is price inelastic (~30% of Canada's goods exports to the US are energy products), while the auto sector is tightly integrated, with parts crossing the US-Canada border multiple times. The negative implications for the US leave Canada less likely to be hit with extreme *and* protracted tariff measures (targeted measures possible). That said, we cannot rule out the risk of further tariff headlines affecting CAD negatively.

6-12 Month Outlook – CAD recovery in H2 2025

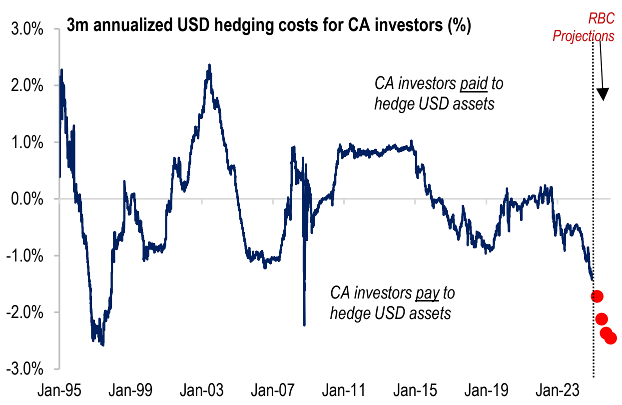
Further out in 2025, the monetary easing delivered by the BoC should support a growth rebound, with our profile looking for some CAD recovery in H2 2025. Key to watch will be housing activity for the BoC rate path. The USMCA's joint review in mid-2026 will be watched as a CAD-downside risk.

Indicators

	Current (Previous)*
Official cash rate	**3.25% (3.75%)**
Trend interest rates 10y average	1.5%
Bias in interest rate market	Easing
Core CPI Inflation (Trim) %Y/Y Oct (Sep)	**2.6% (2.4%)**
CPI inflation target range %Y/Y	1-3%
Budget balance % GDP 2023 (2022)	**-1.2% (-3.2%)**
Budget balance target % GDP	Declining over the business cycle
GDP growth %Q/Q saar Q3 (Q2)	**1.0% (2.2%)**
Trend GDP %Q/Q	2.1%
Purchasing Power Parity value Oct	**1.2145**
Spot end-Nov	1.4006
PPP valuation	USD/CAD is overvalued
Current account balance % GDP Q3 (Q2)	**-0.3% (-0.5%)**
Trend current account balance % GDP	-1.9%
Moody's foreign currency rating	**Aaa**
Outlook	Stable

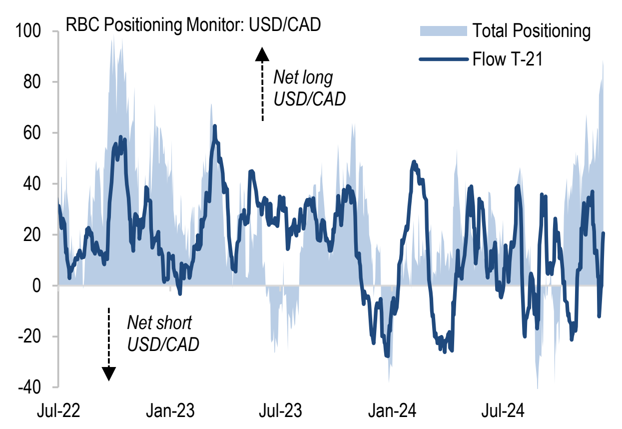
* Current is latest month, quarter or year

1. Hedging costs to turn more expensive for CA investors



Source: Bloomberg, RBC Capital Markets

2. USD/CAD vulnerable to a positioning squeeze into YE



Source: RBC Capital Markets

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CAD	1.35	1.37	1.35	1.42	1.43	1.45	1.42	1.40
EUR/CAD	1.46	1.47	1.51	1.51	1.46	1.48	1.46	1.47
CAD/JPY	112	118	106	107	109	107	108	107

Source: RBC Capital Markets estimates

Australian Dollar

Alvin T. Tan

1-3 Month Outlook – Weighed down by China & USD

Notwithstanding the RBA's relatively hawkish policy stance, the Australia dollar has been unable to gain much ground. For one, the AUD/USD pair is still being driven largely by the USD leg. Another has been the market's persistent skepticism about the RBA's "hawkish hold" stance due to slowing overall growth. Even the relative value AUD/NZD cross rate has found it difficult to make any headway in months.

The uneven China economy and the lack of a trend in iron ore prices have added to the range-bound nature of the Aussie dollar year-to-date. Notwithstanding the recent China stimulus measures, the critical fiscal aspect of those measures appears relatively modest, so the resulting growth boost is also expected to be modest.

On the domestic side, Australia's headline and core inflation remains elevated, and the labour market has been surprisingly robust. These have kept the RBA on its "hawkish hold" stance. We are forecasting the start of RBA policy easing only in Q2 2025.

Rate differentials provide some support to the Aussie dollar, but they have not been enough to overcome the US dollar's resurgent strength since the US election. Downside pressures on the Aussie would also escalate in the event of another major risk-off episode. The Aussie dollar retains a clear positive correlation to the MSCI World Index, indicating that it remains a relatively pro-risk currency.

6-12 Month Outlook – Positive policy divergence

Australia's external balance has improved structurally in recent years, turning it into a persistent current account surplus country. It is a relatively "high carry" currency relative to other G10 currencies, but not against the US dollar. It also remains sensitive to global risk sentiment.

The RBA's relative hawkishness compared to other major central banks should support the Aussie dollar conceptually. The main fundamental drag on AUD is China's economic challenges, and the US election has worsened that situation with the growing risk of a renewed US-China trade war. China accounts for approximately one-third of Australia's exports. Any negative impact on China's economy will redound upon Australia.

Indicators

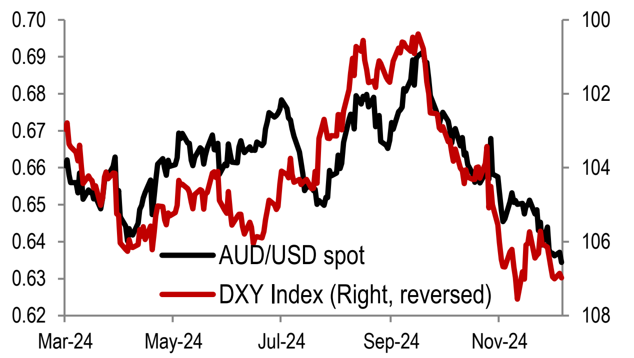
	Current (Previous)*
RBA cash rate	**4.35%**
Trend interest rates (10yr average)	1.65%
Bias in interest rate market	Lower
CPI Inflation %Y/Y last (prev)	**2.1% (2.1%)**
Inflation target	2.0-3.0%
Budget balance % GDP last (prev)	**1.6% (1.4%)**
Budget balance trend % GDP	-0.8%
GDP Growth % y/y last (prev)	0.8% (1.0%)
Trend GDP %y/y	2.4%
Purchasing Power Parity Value Q3	**0.7170**
Spot end-Nov	0.6512
PPP valuation	AUD/USD is undervalued
Current acct balance % GDP last (prev)	**-1.6% (-1.3%)**
Trend current account balance % GDP	-1.2%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

* Current is latest month, quarter or year

1. China's weak economy is a drag on exports

Source: RBC Capital Markets; Bloomberg

2. AUD/USD pair being driven largely by the USD leg



Source: RBC Capital Markets; Bloomberg

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
AUD/USD	0.65	0.67	0.69	0.64	0.63	0.62	0.61	0.62
EUR/AUD	1.65	1.61	1.61	1.66	1.62	1.65	1.69	1.69
AUD/CAD	0.88	0.91	0.93	0.91	0.90	0.90	0.87	0.87

Source: RBC Capital Markets estimates

Chinese Yuan

Alvin T. Tan

1-3 Month Outlook – Modest growth bounce facing headwinds

China's economy has stabilised following the monetary and financial policy blitz launched in September. However, the economic bounce has been limited, and policymakers still evince a reluctance for significant fiscal stimulus. There has been a clear shift in tone about prioritizing domestic consumption, but substance remains lacking. The recent fiscal package was targeted entirely on restructuring local government debt over several years.

Although the economy appears on track to just about achieve the year's 5% growth target, next year will be far more challenging. The real estate and construction downturn continues to drag on the economy. Statistical base effects will present a high hurdle for the moribund economy, plus the likelihood of a second US-China trade war in Trump's second term.

Exports have indeed been a rare bright spot for China's economy this year, and increased US trade tariffs would be very damaging for China's economy. The PBOC has again tried to restrain the USD/CNY's climb amidst broad dollar strength through the daily onshore fixes among other methods. But the widening rate spread against the US dollar is a fundamental headwind for the renminbi. USD/CNY is likely to climb back into the 7.30/7.35 cycle high zone in Q1 2025 as Trump assumes office.

6-12 Month Outlook – US-China trade war risk

China's multi-year property boom has ended definitively, and policymakers are unwilling to reflate it. The fallout is likely to last for years, and there is no easy alternative driver of the economy. Beijing however has been unveiling support measures to keep a floor on the economy, and this will continue.

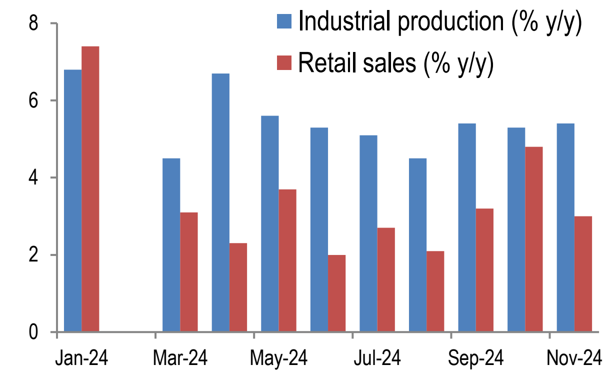
Weak domestic demand and low interest rates present major structural headwinds for the yuan. Growing trade tensions are another concern, and not just with the US. Letting the exchange rate weaken would be the most natural and direct reaction to US protectionism. On the flipside, a revived trade war could finally prompt Beijing to undertake significant pro-consumption fiscal stimulus measures.

Indicators

	Current (Previous)*
China 1-year loan prime rate	**3.10%**
Trend interest rates (10yr average)	3.88%
Bias in interest rate market	Lower
CPI Inflation %Y/Y last (prev)	**0.2% (0.3%)**
Inflation target	3.0%
Budget balance % GDP last (prev)	**-4.6% (-4.7%)**
Budget balance trend % GDP	-3.1%
GDP Growth % y/y last (prev)	4.6% (4.7%)
Trend GDP %y/y	5.0%
Purchasing Power Parity Value Nov	**6.7297**
Spot end-Nov	7.2460
PPP valuation	USD/CNY is overvalued
Current acct balance % GDP last (prev)	**1.2% (1.2%)**
Trend current account balance % GDP	1.6%
Moody's Foreign Currency Rating	**A1**
Outlook	Stable

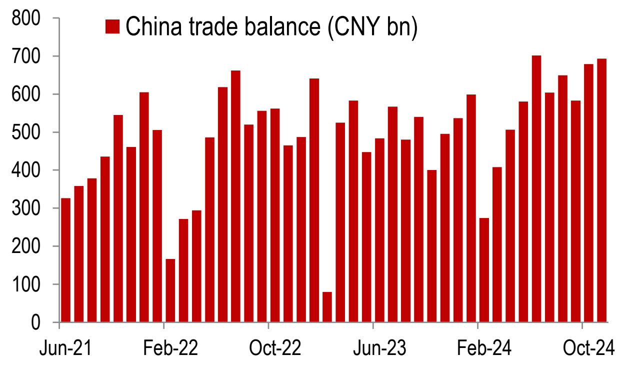
* Current is latest month, quarter or year

1. Limited growth bounce in Q4



Source: RBC Capital Markets; Bloomberg

2. Net exports have been a rare bright spot



Source: RBC Capital Markets; Bloomberg

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CNY	7.22	7.27	7.02	7.28	7.33	7.45	7.50	7.55
EUR/CNY	7.79	7.79	7.82	7.72	7.48	7.60	7.73	7.93
CNY/JPY	21.0	22.1	20.5	20.9	21.3	20.8	20.4	19.9
CAD/CNY	5.33	5.31	5.19	5.13	5.13	5.14	5.28	5.39

Source: RBC Capital Markets estimates

South Korean Won

Alvin T. Tan

1-3 Month Outlook – Political turmoil worsening drag

South Korea's economy is entering a downshift, as the exports cycle falters and domestic demand stays weak. The Bank of Korea consequently commenced its policy easing cycle in October. The Korean won also continues to demonstrate a high sensitivity to broad US dollar trends, and has fallen sharply since late September as the DXY surged.

At the same time, the underperforming Korean stock market has seen foreign investors pulling out capital persistently since August. To compound the problems, the political turmoil triggered by President Yoon's martial law proclamation has thrown up a fresh headwind for the won. Despite the recent impeachment vote, it could be months before Yoon is definitely removed from office.

Worse is the risk of resurgent US trade protectionism next year. South Korea has a free trade agreement with the US, and is also a US treaty ally, but it is unclear how much these might shield the country. Trade-dependent South Korea is highly vulnerable to trade protectionism.

Much of the current exports up-cycle has indeed been driven by rising US demand. A drop in that demand would exacerbate any exports downturn. Even if Trump does not enact his promised "universal" tariffs, a likely second US-China trade war will hit Korea badly if indirectly. About 20% of Korea's exports are shipped to China, and another 18% to the US. There would be collateral damage to South Korea.

6-12 Month Outlook – Exposed to US protectionism

The won's persistent weakness in recent years has rendered it relatively cheap. However, external and internal factors are pointing in a decidedly negative direction for the currency as discussed above. The BoK's easing cycle implies that the won will suffer from a widening rate spread relative to the US dollar.

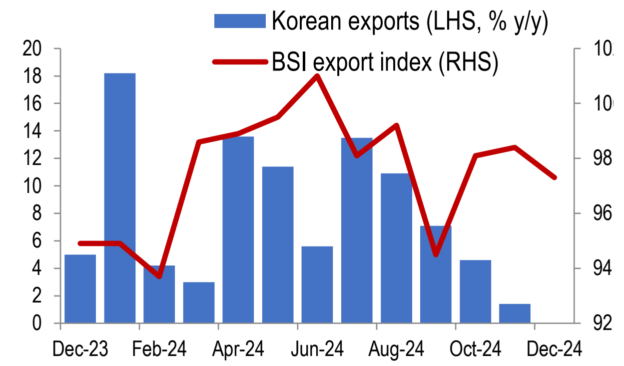
Most importantly, the country's high export dependence and the currency's sensitivity to the broad US dollar means that the won is one of the most exposed EM currencies to the expected macro risks from Trump's return to the White House. Even if US tariffs only target China ultimately, there would still be collateral damage to South Korea given that China is its largest trade partner.

Indicators

	Current (Previous)*
BOK Base Rate	**3.00%**
Trend interest rates (10yr average)	1.68%
Bias in interest rate market	Lower
CPI Inflation %Y/Y last (prev)	**1.5% (1.3%)**
Inflation target	2.0%
Budget balance % GDP last (prev)	**-1.9% (-1.8%)**
Budget balance trend % GDP	1.3%
GDP Growth % y/y last (prev)	1.5% (2.3%)
Trend GDP %y/y	2.5%
Purchasing Power Parity Value Nov	**1048**
Spot end-Nov	1397
PPP valuation	USD/KRW Is overvalued
Current acct balance % GDP last (prev)	**4.5% (4.0%)**
Trend current acct. balance % GDP	5.0%
Moody's Foreign Currency Rating	**Aa2**
Outlook	Stable

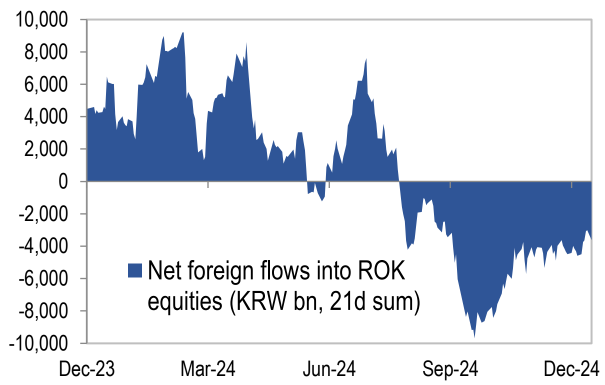
* Current is latest month, quarter or year

1. Exports cycle is weakening



Source: RBC Capital Markets; Bloomberg

2. Local equities suffering from persistent outflows



Source: RBC Capital Markets; Bloomberg

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/KRW	1347	1377	1315	1435	1440	1450	1455	1455
EUR/KRW	1454	1475	1464	1521	1469	1479	1499	1528
JPY/KRW	8.90	8.56	9.15	9.44	9.23	9.35	9.51	9.70
CAD/KRW	995	1006	972	1011	1007	1000	1025	1039

Source: RBC Capital Markets estimates

Singaporean Dollar

Alvin T. Tan

1-3 Month Outlook – Growing threats to the uptrend

Singapore's inflation readings have fluctuated in a downward direction, but core inflation remains elevated and sticky above 2%. "Cost of living" continues to be a major concern for Singapore policymakers. The economy also appears to be gaining momentum into year-end, supported by an ongoing exports upswing.

The government recently upgraded its domestic growth outlook for the year to between 2% and 3% growth. Singapore is less exposed to China's uneven economy, so it has been less affected from that angle. On the face of it, the MAS should persist with its existing appreciation settings for the trade-weighted Singapore dollar.

However, the risk of US protectionism next year and associated uncertainties is a huge negative factor for the highly trade-dependent Singapore economy. We think that the robust growth momentum and sticky inflation nonetheless will have the MAS maintaining its existing policy settings through Q1 2025, but that will be contingent on US trade policy in Trump's second term.

The trade-weighted SGD's estimated 1.5% annualised appreciation path has supported the currency well. SGD's performance since mid-2023 has consistently placed it in the middle-to-upper half of the Asia FX basket.

6-12 Month Outlook – Valuation getting stretched

The trade-weighted SGD's consistent appreciation in recent years has rendered it relatively expensive among Asian currencies. The next general election is due by November 2025, and the government would be keen to try to keep the lid on inflation in the runup to it. Thus, it is unlikely that the MAS will be cautious in starting its policy easing cycle.

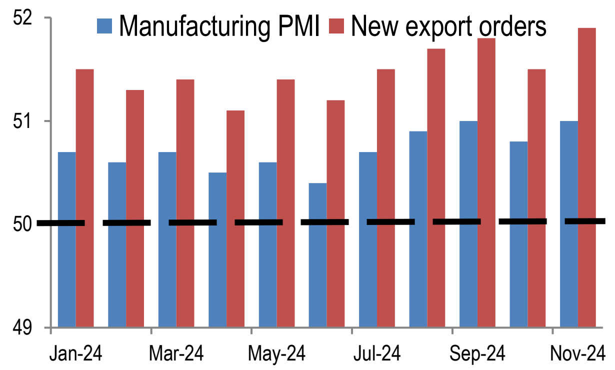
The growing attractiveness of Singapore as an Asian wealth hub and safe haven also suggests a structural tailwind for SGD, though the bilateral USD/SGD exchange rate will remain more driven by the USD leg. If the second Trump administration does indeed pursue a broad protectionist agenda, it would likely prompt the MAS to start easing aggressively, which would trigger more generalised SGD weakness.

Indicators

	Current (Previous)*
Estimated SGD NEER annual appreciation	**1.5%**
Bias in policy expectations	Flat
CPI Inflation %Y/Y last (prev)	**1.4% (2.0%)**
Inflation target	None
Budget balance % GDP last (prev)	**-0.3% (-0.3%)**
Budget balance trend % GDP	-0.5%
GDP Growth % y/y last (prev)	5.4% (3.0%)
Trend GDP %y/y	3.2%
Purchasing Power Parity Value Oct	**1.3470**
Spot end-Nov	1.3395
PPP valuation	USD/SGD is undervalued
Current account balance % GDP last (prev)	**20.1% (20.3%)**
Trend current account balance % GDP	17.4%
Moody's Foreign Currency Rating	**Aa3**
Outlook	Stable

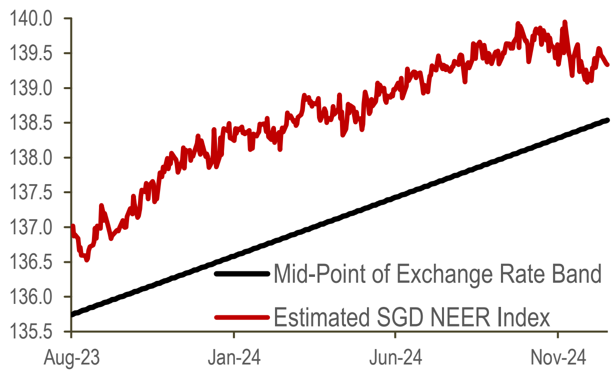
* Current is latest month, quarter or year

1. Robust economic momentum into year-end



Source: RBC Capital Markets; Bloomberg

2. SGD NEER still supported by MAS' appreciation settings



Source: RBC Capital Markets

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/SGD	1.35	1.36	1.29	1.34	1.35	1.36	1.37	1.37
EUR/SGD	1.46	1.45	1.43	1.42	1.38	1.39	1.41	1.44
SGD/JPY	112.2	118.6	111.8	113.4	115.6	114.0	111.7	109.5
CAD/SGD	1.00	0.99	0.95	0.94	0.94	0.94	0.96	0.98

Source: RBC Capital Markets estimates

Malaysian Ringgit

Alvin T. Tan

1-3 Month Outlook – Shifting conditions

Malaysia's economic cycle is moderating. Second quarter growth at 5.9% y/y likely marked the economic cycle's peak, falling slightly to 5.3% in Q3 2024. The government has been making gradual progress on fiscal consolidation, which has long been sought by international rating agencies. The fiscal good news though has arguably been largely reflected in the ringgit.

Recent developments have hit the ringgit hard. The US bond selloff of late has seen a sharp bounce in USD-MYR yield spreads, undercutting the ringgit. Foreign holdings of MYR debt securities have dropped off moderately in recent months. Local equities have also seen net portfolio outflows since October.

Exports are equivalent to 74% of Malaysia's GDP, and like other trade-dependent Asian economies, it is acutely vulnerable to US trade protectionism. So Trump's election has injected fresh uncertainties into the ringgit's outlook.

On the flipside, the expected intensification of US-China trade tensions could also benefit Malaysia. Foreign direct investment flows into Malaysia have been robust thanks to ongoing supply-side diversification flows. Net FDI inflows in the year through Q3 2024 are running at 44% over the comparable periods last year.

6-12 Month Outlook – Cheap valuation

One key fundamental positive factor for the ringgit is that it is cheap on long-term valuation metrics. For example, if we compare the ringgit's real trade-weighted exchange rate (REER) over the past twenty years, it is among the lowest of the major Asia EM currencies over that period.

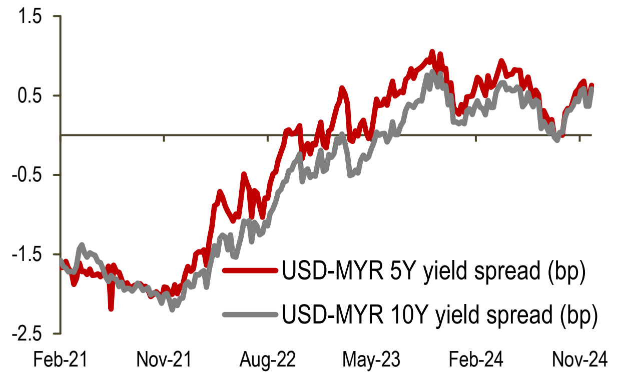
Malaysia's trade balance is also expected to be positive this year and next, and the fiscal deficit is forecasted to drop over time. From a long-term perspective, Malaysia has been benefitting from the global supply-side diversification trend. The ringgit however is vulnerable to increased trade protectionism.

Indicators

	Current (Previous)*
BNM official overnight rate	**3.00%**
Trend interest rates (10yr average)	2.80%
Bias in interest rate market	Lower
CPI Inflation %Y/Y last (prev)	**1.9% (1.8%)**
Inflation target	None
Budget balance % GDP last (prev)	**-5.2% (-5.5%)**
Budget balance trend % GDP	-4.2%
GDP Growth % y/y last (prev)	5.3% (5.9%)
Trend GDP %y/y	4.0%
Purchasing Power Parity Value Nov	**2.9362**
Spot end-Nov	4.4460
PPP valuation	USD/MYR is overvalued
Current acct bal % GDP last (prev)	**1.5% (1.8%)**
Trend current acct balance % GDP	3.7%
Moody's Foreign Currency Rating	**A3**
Outlook	Stable

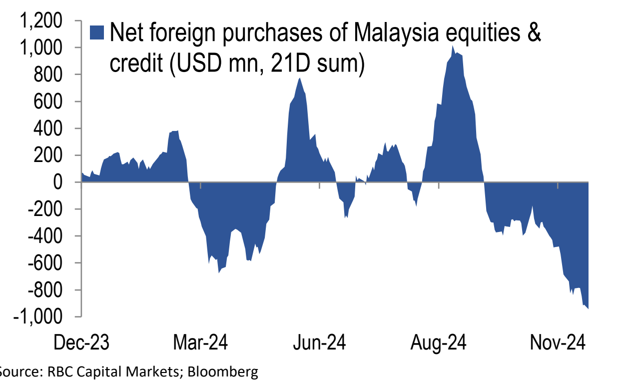
* Current is latest month, quarter or year

1. USD-MYR yield spread is back in positive territory



Source: RBC Capital Markets; Bloomberg

2. Net portfolio flows have turned increasingly negative



Source: RBC Capital Markets; Bloomberg

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/MYR	4.73	4.72	4.12	4.45	4.50	4.55	4.60	4.60
EUR/MYR	5.10	5.05	4.59	4.72	4.59	4.64	4.74	4.83
MYR/JPY	32.0	34.1	34.8	34.2	34.7	34.1	33.3	32.6
CAD/MYR	3.49	3.45	3.05	3.13	3.15	3.14	3.24	3.29

Source: RBC Capital Markets estimates

Brazilian Real

Luis Estrada

1-3 Month outlook – At the highs, with no real interest

USD/BRL is trading weak into the holidays, above 6.00, a previous all-time high. Last week, Governor Campos raised overnight rates by 100bps in his final BCB meeting and provided forward guidance for another 200bp of hikes over two meetings. This caused the December 2025 overnight rate to reprice to 15.98% (see Figure 1: market pricing- yellow dashed line), resulting in a sharp 240bps increase since US Election Day. Expectations following the COPOM hike included a flatter curve and a stronger BRL.

Brazilian rates remain under pressure, and USD/BRL is acting as a proxy hedge. This forced the BCB to intervene four times, selling approximately US$5.6 billion. We expect the BCB to continue to intervene to prevent new highs in USD/BRL, especially in low-volume holiday markets beset with year-end outflows and portfolio risk adjustments. We see USD/BRL trading in the 6.00–6.10 range, with a bias to move higher if the BCB does not step in again. Once the year turns, the market can potentially start to see inflows again.

6-12 Month Outlook – Fiscal fortitude gains the credibility

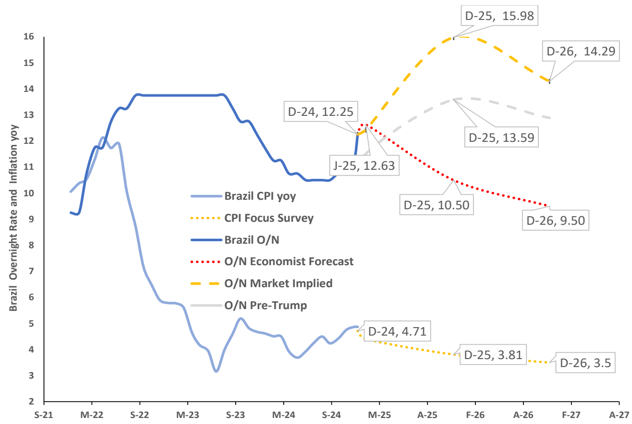
Looking forward, the BCB must address inflation expectations with broader tools. They have started intervening in FX, which helps manage the FX passthrough, but they need to restore confidence in local rates by implementing bond reverse auctions and bond swaps to help dealers absorb outflows in illiquid markets. Future hikes will lack effectiveness if not paired with other measures. Milton Davis, the new BCB Director overseeing monetary policy, will play a critical role in implementing these ideas. Additionally, Lula's health will be another significant driver. While his immediate return provides stability, his decision to run for re-election in 2026 may increase the pre-election spending plans, particularly in 2025 and 2026. Finally, fiscal stability remains the anchor. The USD/BRL's move from 5.40 to 6.10 reflects fiscal concerns and wavering commitment to safety checks. The constitutional amendments (PEC) to implement spending cuts will be closely watched in February. Any fiscal missteps could weigh heavily on investor sentiment, making Lula's decision regarding re-election pivotal for Brazil's fiscal outlook. Overall, our forecast reflects the new reality in Brazil, yet we remain positive that BRL can recover some of the losses in 2025. Should the prior conditions mentioned above unfold favorably, we expect USD/BRL to drift lower, supported by its large carry. Breaking below 6.00 would be the first test, and then breaking below 5.80 could be seen as a trend reversal.

Indicators

	Current (Previous)*
Official policy rate	12.25(11.25)
Trend O/N interest rates (10yr avg)	9.46
Bias in interest rate market	Hiking
Headline Inflation %Y/Y Nov (Oct)	4.87% (4.76%)
Inflation target (range)	3% (1.5%-4.5%)
Budget balance % GDP Sep (Jun)	-9.33%(-9.92%)
Budget balance forecast % GDP(24E)	-7.65%
GDP Growth % y/y 24E(23F)	3.10% (2.37%)
Trend GDP %y/y (10y avg)	0.78%
Purchasing Power Parity Value Nov	3.6063
Spot end-Nov	5.9710
PPP Valuation	USD/BRL is overvalued
Current acct balance % GDP ('24 ('23))	-2.26%(-0.99%)
Trend current acct balance % GDP (10y avg)	-2.35%
Moody's Foreign Currency Rating	Upgraded Ba1
Outlook	Positive

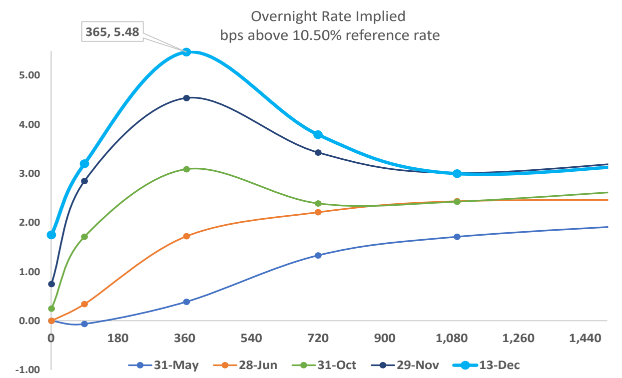
* Current is latest month, quarter, or year

1. O/N rate premium added +240bps since US Election



Source: RBC Capital Markets, Bloomberg

2. Hiking cycle completely priced inside 1Y timeframe



Source: Bloomberg, RBC Capital Markets

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/BRL	5.01	5.59	5.45	6.05	5.90	5.85	5.80	5.70
EUR/BRL	5.41	5.99	6.07	6.41	6.02	5.97	5.97	5.99
BRL/JPY	30.2	28.8	26.4	25.1	26.4	26.5	26.4	26.3
CAD/BRL	3.70	4.09	4.03	4.26	4.13	4.03	4.08	4.07

Source: RBC Capital Markets estimates

Mexican Peso

Luis Estrada

1-3 Month Outlook – Trump inauguration fears

In the short term, the inauguration of President Donald Trump holds significant implications for Mexico. The prevailing expectation is that, despite threats, tariffs will not be imposed on USMCA partners. Instead, a negotiation is anticipated, focusing on mutual concerns such as immigration and drugs. The Peterson Institute has a working paper that highlights the gravity of the situation for Mexico, suggesting an eventual GDP loss of 0.70% should a 10% tariff be levied. We believe this scenario would trigger a sharp rise in the USD/MXN exchange rate, possibly reaching 22.00. Conversely, if the US targets only China with trade tariffs, Mexico could experience a substantial economic windfall. Peterson Institute estimates this could potentially increase GDP by 2% as nearshoring activities intensify. This outcome attacking only China would have important implications on MXN that would strengthen beyond 19.00 vs USD as a reaction to the announcement. Our base case scenario is that there will no be tariffs levied on Mexico, but that there will be lingering threats of them to gain favors in the immigration negotiations. This will allow USD/MXN to slowly drift lower until finding a support on USD/MXN at 19.00.

6-12 Month Outlook – Back below 19.00, maybe.

In the long-term outlook, 2017 demonstrated that the impact of Trump tariffs diminishes over time, as evidenced by the USD/MXN exchange at the time. We anticipate USDMXN to ultimately hinge on the terminal interest rate set by Mexico's central bank and its spread over US rates. While economists have projected a terminal rate of 7% for Mexico (se Figure 1 red dotted line). The market prices (yellow dashed line) an end to the easing cycle by late 2025, with the terminal rate expected to reach 8.25% and then plateau until December 2026. This aligns with our expectations and reflects a prudent stance compared to the initially over-optimistic inflation expectations forecasted by Banxico (Figure 1 yellow dotted line D-26 at 3.70).

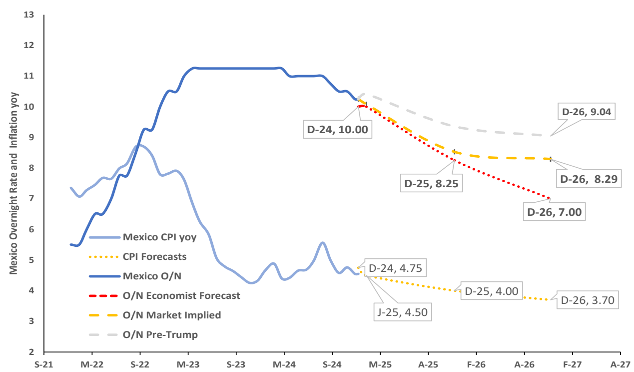
The interest rate spread across the curve between the United States and Mexico plays a pivotal role in ensuring the stability of MXN. With the terminal rate in Mexico set at 8.25% and assuming a 4% terminal rate in the US, a consistent spread of 450bps aligns with this objective (see Figure 2), reinforcing the currency's steadiness. MXN is expected to remain a strong currency vs USD and a favorite EM carry trade if markets are stable in 2025.

Indicators

	Current (Previous)*
Official policy rate	10.25 (10.50)
Trend O/N interest rates (10yr avg)	6.90%
Bias in interest rate market	Cutting
Headline Inflation %Y/Y Nov(Oct)	4.54% (4.76%)
Inflation target(range)	3% (2%-4%)
Budget balance % GDP Jun(Mar)	-4.12% (-4.36%)
Budget balance target % GDP(24E)	-5.35%
GDP Growth % y/y 24E(23F)	1.40% (2.31%)
Trend GDP %y/y (10y avg)	1.53%
Purchasing Power Parity Value Nov	16.5887
Spot end-Nov	20.3759
PPP Valuation	USD/MXN is overvalued
Current acct balance % GDP ('24 ('23))	-0.77% (-0.36%)
Trend current acct bal % GDP (10y avg)	-1.06%
Moody's Foreign Currency Rating	Baa2
Outlook	Stable

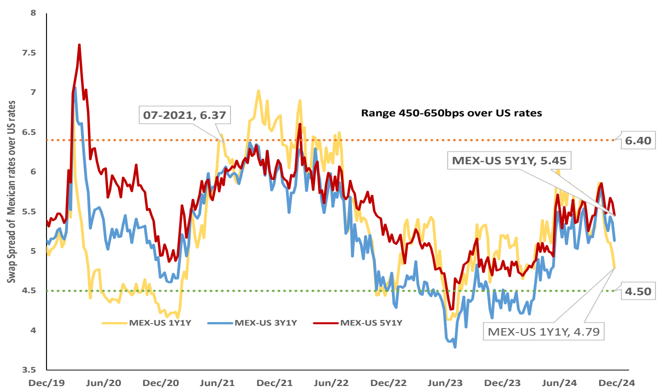
* Current is latest month, quarter, or year

1. Mexico rates were rare rallying post US election



Source: RBC Capital Markets, Bloomberg

2. Mex-US swaps spread will develop a floor at 4.5%



Source: RBC Capital Markets, Bloomberg

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/MXN	16.56	18.32	19.69	20.25	20.75	19.50	19.00	19.00
EUR/MXN	17.87	19.62	21.93	21.47	21.17	19.89	19.57	19.95
MXN/JPY	9.14	8.78	7.29	7.51	7.52	7.95	8.05	7.89
CAD/MXN	12.23	13.39	14.56	14.26	14.51	13.45	13.38	13.57

Source: RBC Capital Markets estimates

Chilean Peso

Luis Estrada

1-3 Month Outlook – USDCLP at the highs of 2024

The Chilean peso has been underperforming its Latin American peers due to its strong correlation with the Chinese yuan, driven by Chile's copper exports to China. In the short term, we expect the peso to remain under pressure. USD/CLP is trading at its highest levels seen in 2024, and it is increasingly likely that it will break above 1,000. The peso is being used as a funding currency for cross trades or as a hedge against tariffs aimed at China.

According to the latest BCCh report, long offshore positions in USD/CLP have been steadily increasing and currently stand at US$6 billion. While this is below the peak of US$10 billion seen in Q2 of this year, the demand for USD/CLP is likely to persist, especially as we approach the US inauguration day.

6-12 Month Outlook – Tuning overnight levels to FX

In the long term, once Trump unveils his tariff plan, we expect pressure on the Chilean peso to gradually ease. Historical parallels can be drawn to 2017 when emerging markets were widely expected to underperform following Trump's election, yet many EM currencies, including the Mexican peso, performed well against the dollar.

The level of overnight rates will be a critical factor for the Chilean peso. Since Trump's election victory, rates have repriced 70bps higher (see Figure 1, market pricing-yellow dashed line) compared to pre-election levels (Figure 1, market pricing on election day-grey dashed line). BCCh's policy regarding the spread to Fed Funds will determine the USD/CLP price action. We believe the central bank learned to moderate its push to lower overnight rates to 4%, targeting a 1% real rate. And that will be fluid if Fed Funds pause at higher levels.

Lastly, Chile's November presidential election could play a significant role in USD/CLP dynamics. It is early to say, as President Boric is unable to seek re-election, and candidates are beginning to emerge. Evelyn Matthei, a district governor, is currently the leading contender, while Tomás Vodanovic is positioning himself as a potential left-wing candidate for Frente Amplio. The outcome of this election will certainly influence USD/CLP in the longer term.

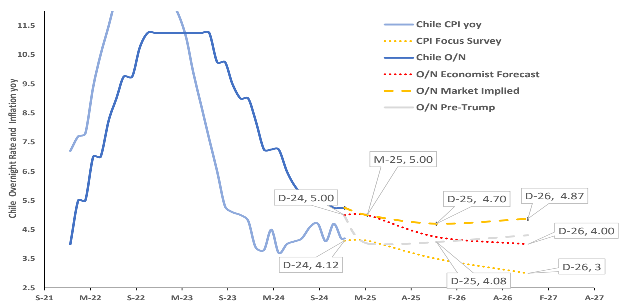
We expect USD/CLP to make highs in Q1 2025 breaking above 1000 with US tariff announcements pushing the pair higher, but to eventually recover to 980 and in Q3 to the 970 levels.

Indicators

	Current (Previous)*
Official policy rate	5.00% (5.25%)
Trend O/N interest rates (10yr avg)	4.15
Bias in interest rate market	Cutting
Headline Inflation %Y/Y Sep(Aug)	4.2% (4.7%)
Inflation target (range)	3% (2%-4%)
Budget balance % GDP(23F)	(-2.38%)
Budget balance forecast % GDP(24E)	-2.60%
GDP Growth % y/y 24E(23F)	2.40% (0.3%)
Trend GDP %y/y (10y avg)	2.01%
Purchasing Power Parity Value	694.8
Spot end-Nov	973
PPP Valuation	USD/CLP is overvalued
Current acct balance % GDP '24 ('23)	-2.60% (-3.78%)
Trend current acct balance % GDP (10y avg)	-4.32
Moody's Foreign Currency Rating	A2
Outlook	Stable

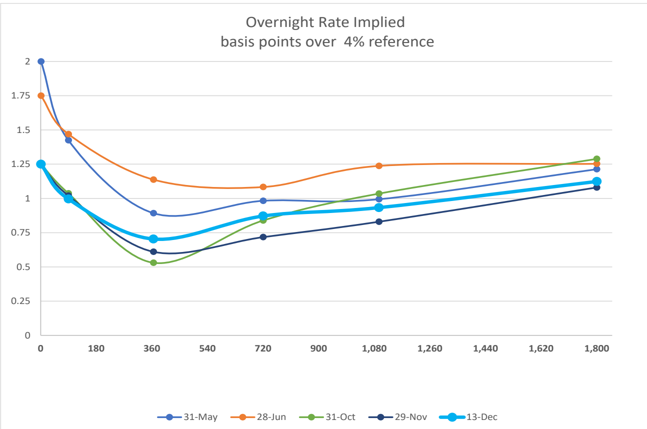
* Current is latest month, quarter, or year

1. Chile rates repriced higher after the US election



Source RBC Capital Markets, Bloomberg

2. BCCH's policy rate compared to 4% overnight



Source: RBC Capital Markets, Bloomberg

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CLP	979	940	899	995	1000	985	975	980
EUR/CLP	1057	1007	1001	1055	1020	1005	1004	1029
JPY/CLP	30.2	28.8	26.4	25.1	26.4	26.5	26.4	26.3
CAD/CLP	723	687	664	701	699	679	687	700

Source: RBC Capital Markets estimates

Colombian Peso

Luis Estrada

1-3 Month Outlook – COP already corrected

Colombia has been trading within a range of 4,250–4,450, after briefly staying above 4,500 for two weeks. A key event occurred in early December when Finance Minister Ricardo Bonilla was forced to step down amid corruption accusations. This resignation triggered a strong reaction in local rates and credit default markets, as Bonilla, a close ally of President Gustavo Petro, carried significant influence over fiscal policy and the central bank. Diego Guevara, the deputy finance minister, has been appointed as Bonilla's replacement. While Guevara is knowledgeable, he lacks the political weight and influence Bonilla wielded with Petro and his peers at the central bank. Despite political uncertainty surrounding the 2025 Budget and Bonilla's resignation, foreign investors have used the resulting rate increase to gain exposure to Colombia. Many, benchmarked to Colombia but avoiding local assets, opted to sell USD/COP to capitalize on higher interest rates, supported by a well-established easing cycle that continues to have broad consensus among key stakeholders.

6-12 Month Outlook – Spreads versus US rates

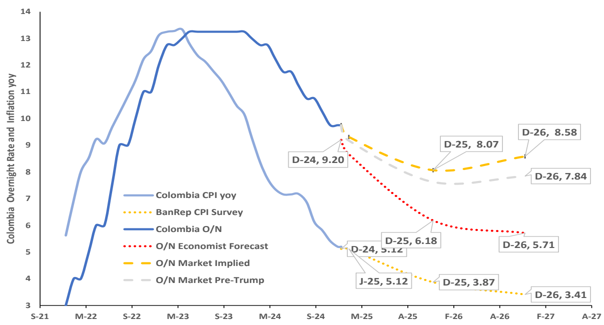
Over the long term, Colombia's structural challenges remain unresolved, and they continue to weigh on economic growth prospects. These issues align with Moody's earlier decision to revise its outlook to negative, reinforcing concerns that fundamentals are increasingly compromised and will eventually push COP lower. Market expectations for the easing cycle place the terminal rate below 6%, while headline inflation is projected at 3.41% (see Figure 1). However, we believe such low rates are unsustainable in a global context where the Fed's terminal rate is expected to hold at just above 4% (RBC call). If Mexico trades at a 450bps spread over US rates, Colombia cannot realistically trade at a spread below 200bps. Reflecting these concerns, market pricing for Colombia's overnight rate in 2026 has already shifted higher, rising from 7.8% pre-Trump (grey dotted line) to 8.58% (yellow dotted line). This repricing highlights the disconnect between Colombia's easing expectations and its economic fundamentals. As a result, we expect USD/COP to break above the 4,450-resistance level in early 2025 and to continue to drift higher in the following quarters. This gradual COP-depreciation will reflect both Colombia's fiscal imbalances and the relative attractiveness of US rates compared to Colombia's domestic yields.

Indicators

	Current (Previous)*
Official policy rate	9.75% (9.75%)
Trend interest rates (10yr average)	6.37
Bias in interest rate market	Cutting
Headline Inflation %Y/Y Nov(Oct)	5.20% (5.41%)
Inflation target (range)	3% (2%-4%)
Budget balance % GDP ('23)	(-1.24)
Budget balance forecast % GDP(24E)	-5.60%
GDP Growth % y/y (('24 ('23))	1.7% (+0.28%)
Trend GDP %y/y (10y average)	2.50
Purchasing Power Parity Value	-
Spot end-Nov	4433
PPP Valuation	-
Current account balance % GDP('24 ('23))	-2.75% (-2.50%)
Trend current acct balance % GDP (10y avg)	-4.46%
Moody's Foreign Currency Rating	Baa2
Outlook	Negative

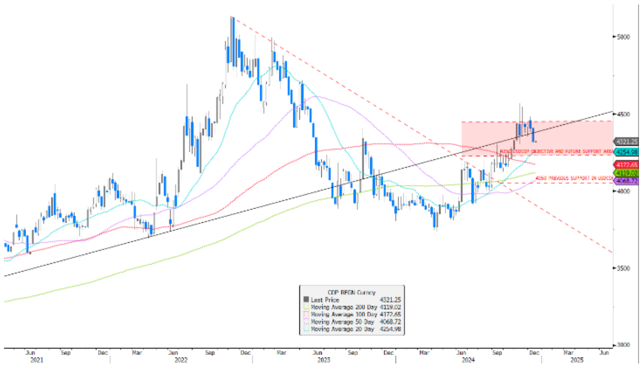
* Current is latest month, quarter, or year

1. Colombian economists price aggressive easing cycle



Source: RBC Capital Markets, Bloomberg

2. USD/COP holding the new range 4250-4450 for now



Source: RBC Capital Markets, Bloomberg

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/COP	3852	4153	4207	4450	4500	4550	4550	4600
EUR/COP	4157	4449	4684	4717	4590	4641	4687	4830
JPY/COP	25.45	25.81	29.29	29.28	28.85	29.35	29.74	30.67
CAD/COP	2845	3036	3110	3134	3147	3138	3204	3286

Source: RBC Capital Markets estimates

Polish Zloty

Daria Parkhomenko

1-3 Month Outlook – NBP to cut rates in Q2

Since the US election, EUR/PLN has traded back to the bottom of this year's ~4.25/4.40 range, with the latest leg lower supported by the more hawkish tone from the NBP's December meeting. In relative terms, PLN has been a mixed performer in EM albeit an outperformer vs its CE3 peers.

Earlier this month, the NBP delivered a hawkish hold. The NBP's statement noted that "inflation will remain markedly above the NBP inflation target" in the coming quarters (prior: "will remain elevated" but without reference to the inflation target). Following the government's announcement to extend the freeze on household electricity prices for the first nine months of 2025, the statement cited the "probable unfreezing in the second half of 2025" as an "uncertainty factor" for inflation. The more surprising hawkish commentary came during the press conference. Governor Glapinski stated that a rate cut discussion may be delayed to October 2025 (prior: March 2025 possible), and the freeze on electricity prices "complicates the picture" for inflation. Since Glapinski's u-turn, several MPC members (Kotecki, Wnorowski, Kochalski) have pushed back, saying that a rate cut discussion may still be possible in March. But Dabrowski and Maslowska took a more cautious stance, with the former stating "the moment to discuss and possibly decide […] is the third quarter" while the latter suggested cuts may start in H2 2025 or even Q1 2026. We still expect rate cuts to start in Q2 (mkt: ~-40bp next 6m; -60bp next 12m). EUR/PLN may end this year closer to the bottom of this year's range amid Glapinski's hawkish tone, and we have adjusted our profile to reflect this. But looking ahead to H1 2025, we still see EUR/PLN moving higher, given the downside risks to EUR/USD under Trump's presidency and EUR/PLN's negative correlation with EUR/USD. Consensus expects Poland's growth to outperform its peers, but that story has been well-priced.

6-12 Month Outlook – NBP debate + elections

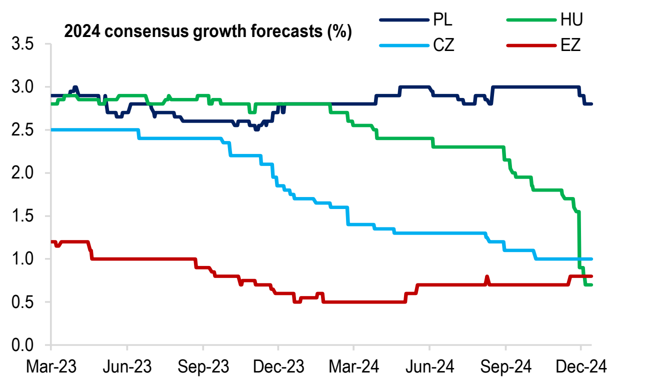
In H1 2025, PLN will face a confluence of factors, including debates about the timing & magnitude of NBP rate cuts and the presidential elections domestically, and the start of Trump's term externally. Polish elections are expected to be held by May 2025, with the centrist ruling Civic Coalition nominating Warsaw's mayor, Rafal Trzaskowski, as its candidate, and the right-wing opposition Law and Justice (PiS) party choosing historian Karol Nawrocki. The outcome will carry implications for policy certainty.

Indicators

	Current (Previous)*
NBP policy rate (%)	**5.75% (5.75%)**
Trend interest rates (historical average)	2.4
Bias in interest rate market	Easing
CPI Inflation %Y/Y Nov P (Oct)	**4.6 (5.0)**
Inflation target	2.5% (+/- 1pp)
Budget balance (ESA 2010) %GDP 2023 (2022)	**-5.1 (-3.4)**
Budget balance trend % GDP	-2.8
GDP Growth % y/y nsa Q3 (Q2)	2.7 (3.2)
Trend GDP %y/y	3.5
Purchasing Power Parity Value Oct	**4.9531**
Spot end-Nov	4.2572
PPP Valuation	EUR/PLN is undervalued
Current a/c (12m sum, sa) %GDP Q3 (Q2)	**0.6 (1.7)**
Trend current account balance % GDP	-0.6
Moody's Foreign Currency Rating	**A2**
Outlook	Stable

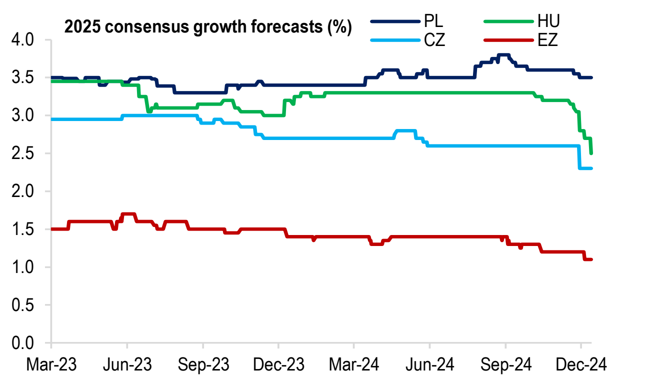
* Current is latest month, quarter or year

1. Poland's 2024 growth expectations stable this yr vs peers



Source: Bloomberg, RBC Capital Markets

2. Consensus expects outperformance to continue into 2025



Source: Bloomberg, RBC Capital Markets

Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/PLN	4.29	4.31	4.28	4.28	4.40	4.45	4.43	4.42
USD/PLN	3.98	4.02	3.85	4.04	4.31	4.36	4.30	4.21
GBP/PLN	5.02	5.09	5.15	5.16	5.37	5.36	5.27	5.20

Source: RBC Capital Markets estimates

FX Forecasts

Spot forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.08	1.07	1.11	1.06	1.02	1.02	1.03	1.05
USD/JPY	151	161	144	152	156	155	153	150
GBP/USD	1.26	1.26	1.34	1.28	1.24	1.23	1.23	1.24
USD/CHF	0.90	0.90	0.85	0.89	0.91	0.92	0.92	0.91
USD/CAD	1.35	1.37	1.35	1.42	1.43	1.45	1.42	1.40
AUD/USD	0.65	0.67	0.69	0.64	0.63	0.62	0.61	0.62
USD/CNY	7.22	7.27	7.02	7.28	7.33	7.45	7.50	7.55
USD/KRW	1347	1377	1315	1435	1440	1450	1455	1455
USD/SGD	1.35	1.36	1.29	1.34	1.35	1.36	1.37	1.37
USD/MYR	4.73	4.72	4.12	4.45	4.50	4.55	4.60	4.60
USD/HKD	7.82	7.81	7.77	7.78	7.77	7.77	7.76	7.76
USD/BRL	5.01	5.59	5.45	6.05	5.90	5.85	5.80	5.70
USD/MXN	16.56	18.32	19.69	20.25	20.75	19.50	19.00	19.00
USD/CLP	979	940	899	995	1000	985	975	980
USD/PEN	3.72	3.84	3.70	3.75	3.75	3.77	3.78	3.80
USD/COP	3852	4153	4207	4450	4500	4550	4550	4600
USD/PLN	3.98	4.02	3.85	4.04	4.31	4.36	4.30	4.21

Source: RBC Capital Markets estimates

EUR Crosses

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.08	1.07	1.11	1.06	1.02	1.02	1.03	1.05
EUR/JPY	163	172	160	161	159	158	158	158
EUR/GBP	0.85	0.85	0.83	0.83	0.82	0.83	0.84	0.85
EUR/CHF	0.97	0.96	0.94	0.94	0.93	0.94	0.95	0.96
EUR/CAD	1.46	1.47	1.51	1.51	1.46	1.48	1.46	1.47
EUR/AUD	1.65	1.61	1.61	1.66	1.62	1.65	1.69	1.69
EUR/CNY	7.79	7.79	7.82	7.72	7.48	7.60	7.73	7.93
EUR/KRW	1454	1475	1464	1521	1469	1479	1499	1528
EUR/SGD	1.46	1.45	1.43	1.42	1.38	1.39	1.41	1.44
EUR/MYR	5.10	5.05	4.59	4.72	4.59	4.64	4.74	4.83
EUR/HKD	8.44	8.36	8.66	8.25	7.93	7.93	7.99	8.15
EUR/BRL	5.41	5.99	6.07	6.41	6.02	5.97	5.97	5.99
EUR/MXN	17.87	19.62	21.93	21.47	21.17	19.89	19.57	19.95
EUR/CLP	1057	1007	1001	1055	1020	1005	1004	1029
EUR/PEN	4.01	4.12	4.12	3.98	3.83	3.85	3.89	3.99
EUR/COP	4157	4449	4684	4717	4590	4641	4687	4830
EUR/PLN	4.29	4.31	4.28	4.28	4.40	4.45	4.43	4.42

Source: RBC Capital Markets estimates

Central Bank Rate Forecasts

	2024				2025			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
Fed	5.38	5.38	4.88	4.38	4.13	4.13	4.13	4.13
BoC	5.00	4.75	4.25	3.25	2.75	2.25	2.00	2.00
ECB*	4.00	3.75	3.50	3.00	2.50	2.25	2.25	2.25
BoE	5.25	5.25	5.00	4.75	4.50	4.25	4.00	3.75
RBA	4.35	4.35	4.35	4.35	4.35	4.10	3.85	3.85

Source: Refinitiv, BoC, Fed, BoE, ECB, RBA, RBNZ, RBC Economics, RBC Capital Markets; *ECB deposit rate; Please see RBC Insight for more details on our economists/rates strategists' views.

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