RBC Capital Markets

FX STRATEGY – PART OF FX SALES & TRADING

Currency Report Card

August 2017

Global FX Strategy

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8 August 2017

Three month forecast returns

Most bullish	Most bearish
JPY	HUF
NZD	CNY
NOK	SGD

Source: RBC Capital Markets

12 month forecast returns

Most bullish	Most bearish
JPY	CHF
IDR	HUF
TRY	EUR

Source: RBC Capital Markets

Forecast revisions this month include:

EUR/USD: Near-term profile revised higher. End-Q3 now 1.16 (previously 1.10). Longer-term forecasts unchanged.

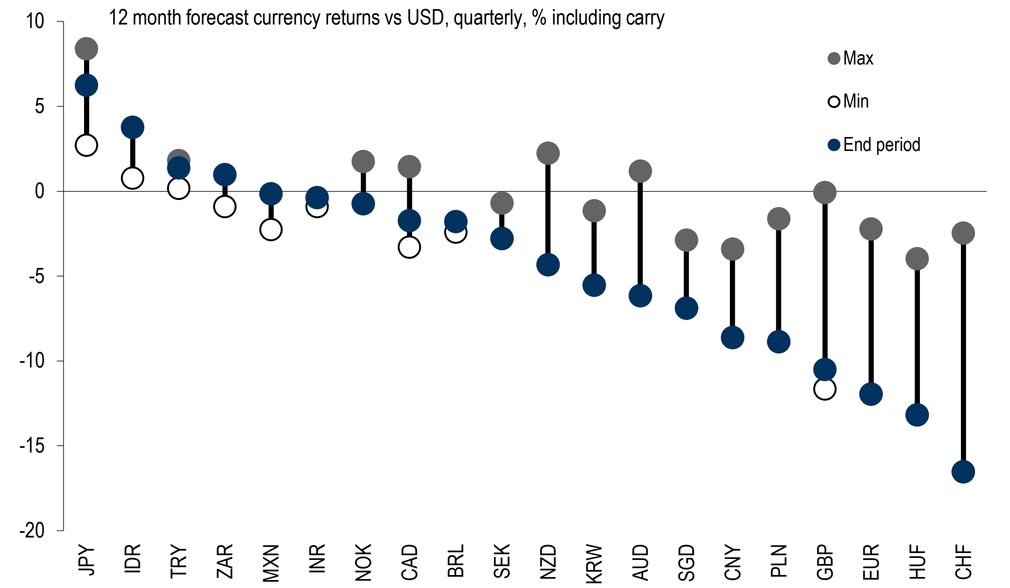
USD/CAD: Forecasts revised. Q3 2017 now 1.25 (prev 1.27). End 2018 now 1.27 (prev 1.33).

AUD/USD: Near-term forecasts revised higher. Q3 now 0.80 (0.77). Longer-term forecasts unchanged.

NZD/USD: Near-term forecasts revised higher. Q3 now 0.75 (0.73). Longer-term forecasts unchanged.

USD/TRY: Near-term forecasts revised lower. Q4 now 3.65 (3.75). Longer-term forecasts unchanged.

JPY outperformance; NZD, KRW and SGD underperformance



Source: RBC Capital Markets

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US Dollar

Elsa Lignos

1-3 Month Outlook – Sept FOMC and debt ceiling

USD is the world's third worst-performing currency this year, just behind ARS and HKD. It has continued lagging in Q3, though a good payrolls report in early August offered temporary relief. Part of USD's weakness can be explained by rate dynamics as US rates have remained steady while rates in the rest of the world have risen; there is a strong consensus for 'policy convergence' rather than 'policy divergence'. But USD weakness has gone beyond what rates alone would suggest (Figure 1). Some put it down to disappointment that Trump's agenda of tax cuts and infrastructure spending looks unlikely to materialise this year, but it is hard to find evidence of those being priced in to begin with (USD's post-election gains followed front end rates). There has been a lot of focus on negative inflation surprises and how that undermines the FOMC's plan to continue hiking. But after a long string of negative surprises, inflation data have tentatively started beating expectations (Figure 2). The hurdle for a turnaround in USD sentiment should be low, given how fast positioning has turned (see Figure 2 on the following page). But first there is the debt ceiling debate to navigate in September. Congress is only in session Sept 5-14 and then again from Sept 25. With the Treasury expected to run out of extraordinary measures by end September, that leaves a *very* small window of opportunity to get this done. Mnuchin has made it clear he favours a clean debt ceiling bill (without spending cuts or riders that could cause the bill to fail in Congress) but others will not give up so easily (Deputy Majority Whip Cole claims a clean bill is "a tough sell to Republicans"). The debt ceiling has always been resolved before, though grandstanding in 2011 led to a US downgrade. But the interaction between this Congress and administration is so unusual that investors may be a little more nervous than usual. Assuming a constructive resolution, we expect USD to recover by year end.

6-12 Month Outlook – Anything left from the Fed?

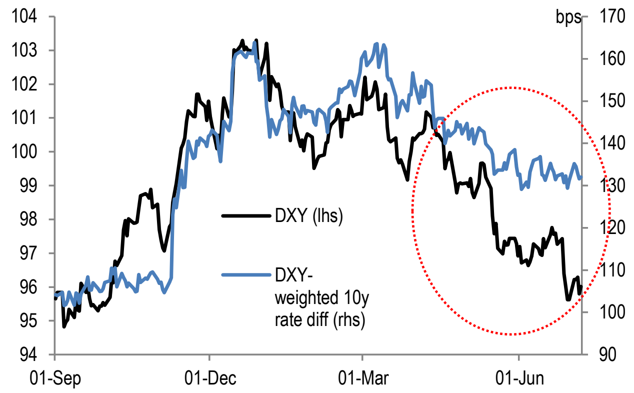
With just one hike priced between now and 2018, it should not be hard for the Fed to over-deliver. But perhaps more interesting will be developments on the tax front. We think repatriated earnings are likely to be more USD-positive than assumed by consensus, though that is likely to lead to selective USD strength rather than another USD bull market (see pg 7).

Indicators

	Current (Previous)*
Official cash rate	**1.00-1.25% (0.75-1.00%)**
Trend interest rates (10yr average)	1.9%
Bias in interest rate market	Flat
Core PCE Inflation %Y/Y Jun (May)	**1.5% (1.5%)**
Inflation target	Price stability
Budget balance % GDP FY16 (FY15)	**-3.1% (-2.6%)**
Budget balance target % GDP	-
GDP Growth % q/q SAAR Q2 (Q1)	2.6% (1.2%)
Trend GDP %y/y	2.5%
Purchasing Power Parity Value	**-**
Spot	-
PPP Valuation	-
Current account balance % GDP Q1 (Q4)	**-2.6% (-2.6%)**
Trend current account balance % GDP	-3.7%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

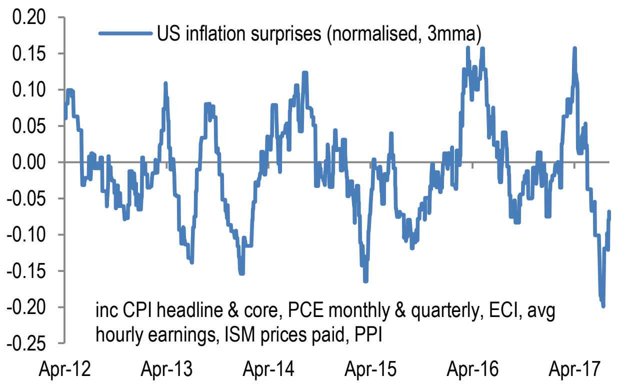
* Current is latest month, quarter or year

1. USD weakness goes beyond rate dynamics alone...



Source: RBC Capital Markets; Bloomberg

2. Aggregate US inflation surprises are turning positive



Source: RBC Capital Markets; Bloomberg

Forecasts

	2017				2018			
	Q1	**Q2**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**
EUR/USD	1.07	1.14	1.16	1.12	1.09	1.06	1.08	1.12
USD/JPY	111	112	107	103	100	102	104	106
USD/CAD	1.33	1.30	1.25	1.28	1.31	1.29	1.28	1.27

Source: RBC Capital Markets estimates

Euro

Elsa Lignos

1-3 Month Outlook – New highs?

We have long thought that as long as inflation remained subdued, EUR should struggle to rally and yet, at least in the short-term, that has been completely wrong. Weak USD and (in our view) excessive optimism on EUR, have driven EUR/USD to a new 2.5yr high of 1.1913, a level last seen at the start of 2015, before the ECB announced its QE programme and well before the Fed started hiking rates. Where to from here? In our view, the main argument in favour of EUR is that core inflation appears to be picking up (Figure 1). Although so far this is based on just three observations (one polluted by Easter), it looks like the start of a gradual uptrend – this is the first time we have had three core inflation readings above 1.0%y/y in nearly four years. But with trade-weighted EUR up 7.5% since mid-April and EUR/USD up nearly 12%, it will hit the ECB's updated staff forecasts in September. The ECB is widely expected to signal an extension and tapering to QE, either at its Sept or Oct meeting (a delay until the latter would be a short-term disappointment for EUR). But we are still a long way in our view from a proper hiking cycle. We estimate fair value for EUR/USD to be ~1.26 and it is hard to argue EUR/USD should rally further from here given our expectation for Fed hikes and nothing in our six quarter forecast horizon from the ECB. Many of the reasons put forward for EUR strength are unconvincing. European equity inflows are often discussed but we think they are unlikely to be a long-term source of support for EUR (see here); the same is true for reserve managers. Current account surpluses are not a good reason in isolation to be long of a currency. But one thing is clear – positioning in EUR/USD has flipped very rapidly from net short to net long; on our measure net longs are now at a nine year high (Figure 2). While that explains EUR/USD's recent performance, it also makes us question how sustainable it is.

6-12 Month Outlook – Looking for reversal

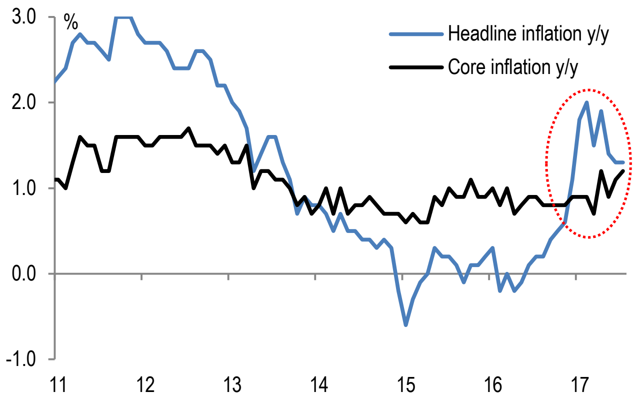
In the absence of a clearer sign that inflation is picking up rapidly and sustainably, we stick to a (minority) view that EUR strength is likely to reverse. EUR/USD is a negative carry trade and in the current environment of low vol/low yields, the investors identified in Figure 2 are unlikely to sit in the position for months on end. Once the uptrend breaks, we are more likely to see profit-taking push EUR/USD back down. With high underemployment still weighing on EZ inflation (see *Total FX*, 19 May) we look for EUR/USD to revisit the Q2 2017 lows within the next 12 months.

Indicators

	Current (Previous)*
Official cash rate	**0.00% (0.05%)**
Trend interest rates 10y average	1.9%
Bias in interest rate market	Lower
HICP core Inflation %Y/Y Jul (Jun)	**1.2% (1.1%)**
Inflation target	Close to but less than 2.0%
Budget balance % GDP FY15 (FY14)	**-2.1% (-2.6%)**
Budget balance target % GDP	3% of GDP-Unless special circumstances
GDP Growth %Y/Y Q2 (Q1)	**2.1% (1.9%)**
Trend GDP %y/y	1.1%
Purchasing Power Parity Value Jun	**1.2638**
Spot end-Jul	1.1842
PPP Valuation	EUR/USD is undervalued
Current account % GDP Q1 (Q4)	3.5% (3.5%)
Trend current account balance % GDP	0.3%
Moody's Foreign Currency Rating	**Aaa (Germany)**
Outlook	Stable

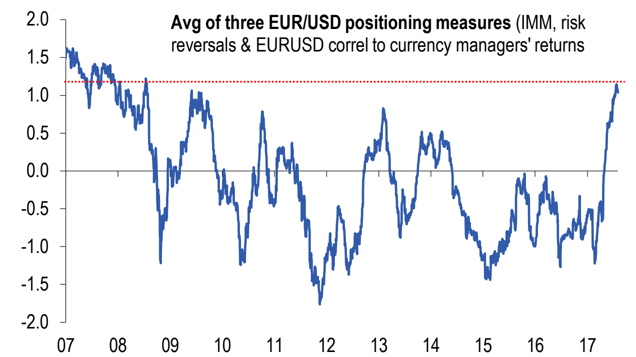
* Current is latest month, quarter or year

1. Is core inflation finally starting to pick up?



Source: RBC Capital Markets; Haver

2. EUR/USD positioning flips to nine year high



Source: RBC Capital Markets; Bloomberg, CFTC, Parker

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.07	1.14	1.16	1.12	1.09	1.06	1.08	1.12
EUR/JPY	119	128	124	115	109	108	112	119
EUR/CAD	1.42	1.48	1.45	1.43	1.43	1.37	1.38	1.42

Source: RBC Capital Markets estimates

Japanese Yen

Adam Cole

1-3 Month Outlook – Drifting higher

USD/JPY ended July little changed from where it started, having rallied from 111 to almost 115 in the first half of the month and reversed the move in the second half. The bulk of both moves was accounted for by general USD direction and JPY has had little independent direction recently as the domestic policy agenda has become quite neutral. Most analysts have given up on a change in the stance of monetary policy in the final months of Kuroda's first term as Governor (ends March 2018) and expect the BoJ to keep the current policy mix until after his reappointment or replacement. Whilst USD direction and risk appetite will dominate JPY direction in the near-term, there are two key domestic risks to watch. Firstly, capital flows data are finally starting to show Japanese investors' appetite for foreign assets increasing. MoF's weekly flows data show trend outflows of around JPY0.5trn per week. This is not large by historical standards, but does contrast to the persistent liquidation flows seen in the previous six months. For now, we think much of this flow is currency-hedged so it is a limited downside risk for JPY, but it is a risk to our current forecast of moderate ongoing JPY strength. Domestic politics is a clear risk the other way. As Abe's popularity sinks (Figure 2) the risk of a change of PM, or even change of government (next election due December 2018 at the latest) is growing and with it so is the risk of BoJ Governor Kuroda not serving a second term. We looked at this issue in detail (Total FX, July 21), concluding that the remaining Kuroda/Abe premium in USD/JPY is around JPY10 and this is the magnitude of adjustment we would expect to see under Abe's replacement.

6-12 Month Outlook – USD/JPY target 100

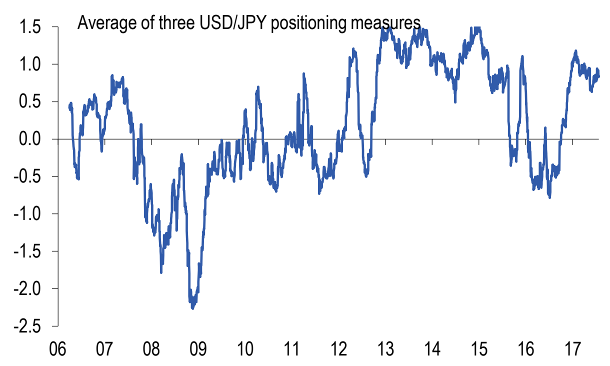
Longer-term, the BoJ's tacit admission that it can't hit its 2% inflation target for three years or more could be taken as either positive or negative for JPY. The failure to lift nominal GDP through either prices or volumes should bring the unsustainability of Japan's budget imbalance back into focus and for many this is JPY-bearish, not bullish. But the public sector deficit is the counterpart to a large private sector surplus and so long as excess private sector savings fund public sector borrowing, Japan's imbalances are a purely domestic issue. Absent a specific flow to drive it up, our "default" position is that USD/JPY will naturally drift lower and our 12 month forecast remains at 100.

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 Jun (May)	**0.4% (0.4%)**
Inflation target	2.0%
Budget balance % GDP FY16 (FY15)	**-5.7% (-6.7%)**
Budget balance target % GDP	n/a
GDP Growth %Y/Y Q1 (Q4)	**1.3% (1.6%)**
Trend GDP %Y/Y	1.0%
Purchasing Power Parity Value Jun	**88.35**
Spot end-Jul	110.26
PPP Valuation	USD/JPY is overvalued
Current a/c balance % GDP Q1 (Q4)	3.6% (3.7%)
Trend current account balance % GDP	2.6%
Moody's Foreign Currency Rating	**A1**
Outlook	Stable

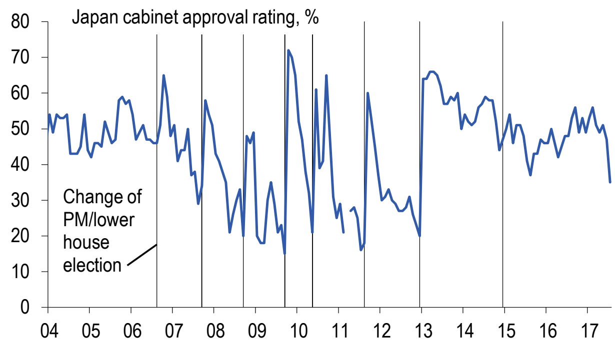
* Current is latest month, quarter or year

1. Investors still very long USD/JPY



Source: RBC Capital Markets; Bloomberg, GPIF

2. Abe popularity plunging



Source: RBC Capital Markets; Bloomberg

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/JPY	111	112	107	103	100	102	104	106
EUR/JPY	119	128	124	115	109	108	112	119
CAD/JPY	84	87	86	80	76	79	81	83

Source: RBC Capital Markets estimates

Sterling

Adam Cole

1-3 Month Outlook – Politics heats up again

GBP traded poorly in July, dropping against all G10 currencies with the exception of CHF. Although the domestic background deteriorated, it is likely that much of GBP's underperformance is a result of spillover from a weak USD. GBP losses on the crosses are a normal phenomenon when markets are dominated by USD weakness, as they were in July. Going forward, both politics and economics favour further GBP losses. After a tumultuous early Summer, domestic politics has gone relatively quiet with the start of the summer recess (July 20). Markets have also continued to price out the risk of an early election, with prediction markets now putting the probability of a 2017 election at just 10% - down from almost 30% in the immediate wake of the June 8 election. Parliament reconvenes on September 5 and political risk rises sharply from that point, with the passage of the tranche of Brexit legislation likely within a week. The party conferences take place within a month and the perceived risk of an early election is likely to rise from its current low base. In early October, the EU's Chief Negotiator Barnier will determine whether sufficient progress has been made on the preliminary exit questions (primarily the cost to the UK) to move on to discuss the UK's future relationship.

Economic news also continues to move steadily against GBP. The balance of activity data surprises is still to the downside (Figure 1), consistent with our view that expectations for the UK have overshot to the upside. The dynamic in longer-term growth forecasts is also consistent with this, with consensus growth forecasts having peaked two months ago (Figure 1 again). Against this background, we think the relatively high probability markets attach to an early rate hike (around 30% by early 2018) is unrealistic. The failure of wage growth to follow price inflation higher further supports the absence of pressure to hike and the resulting real wage squeeze will keep the pressure on consumer spending and hence overall activity going forward. Our forecasts have GBP lower against both USD and EUR in the near-term.

6-12 Month Outlook – Tentative bottom at 1.15

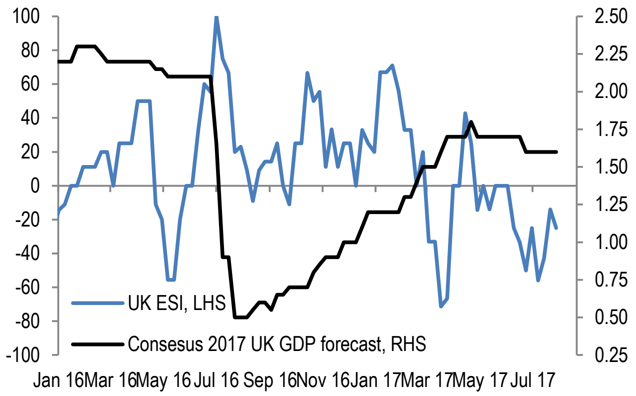
Our longer-term target for GBP/USD is 1.16 (only marginally higher than previously forecast) as the overhang of political risk drags on into the medium-term. We tentatively have that as the bottom for GBP, though clearly the uncertainty around that central forecast is unusually high.

Indicators

	Current (Previous)*
Official cash rate	**0.25% (0.25%)**
Trend interest rates 10y average	3.3%
Bias in interest rate market	Rising
CPI Inflation %Y/Y Jun (May)	**2.6% (2.9%)**
Inflation target (HICP)	2.0%
Budget balance % GDP FY15 (FY14)	**-4.3% (-5.7%)**
Budget balance target % GDP	Budget surplus as soon as possible
GDP Growth %Y/Y Q2 (Q1)	**1.7% (2.0%)**
Trend GDP %Y/Y	1.5%
Purchasing Power Parity Value Jun	**1.4844**
Spot end-Jul	1.3215
PPP Valuation	GBP/USD is undervalued
Current a/c balance % GDP Q1 (Q4)	-3.9% (-4.4%)
Trend current account balance % GDP	-3.4%
Moody's Foreign Currency Rating	**Aa1**
Outlook	Stable

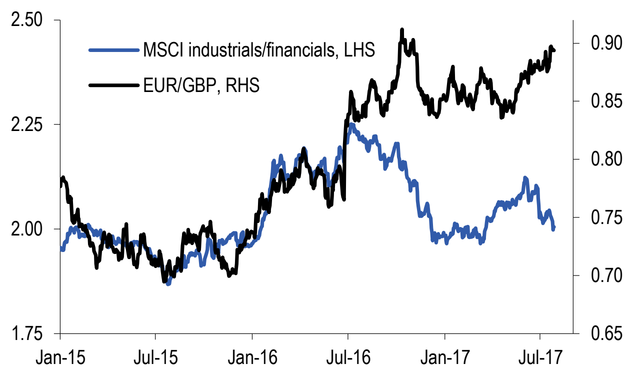
* Current is latest month, quarter or year

1. UK growth expectations have peaked



Source: RBC Capital Markets, Oddschecker

2. Strong bank stocks not helping GBP



Source: RBC Capital Markets, Bloomberg

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
GBP/USD	1.26	1.30	1.30	1.20	1.16	1.18	1.24	1.32
EUR/GBP	0.85	0.88	0.89	0.93	0.94	0.90	0.87	0.85
GBP/JPY	140	146	139	124	116	120	129	140
GBP/CAD	1.67	1.69	1.63	1.54	1.52	1.52	1.59	1.67

Source: RBC Capital Markets estimates

Swiss Franc

Elsa Lignos

1-3 Month Outlook – EUR/CHF the new EUR/JPY?

As we go to press, CHF is the worst-performing currency in the past two weeks. July's 5% low-to-high range in EUR/CHF was the widest trading range since the floor broke in January 2015. EUR/CHF has reached new 2.5yr highs and CHF has been dragged lower across the board. The move gathered momentum on M&A flow (with a Japanese corporate disposing of a Swiss asset in late July) but the breakout in EUR/CHF has attracted new interest. Figures 1 and 2 show estimated daily trading volumes in EUR/CHF, CHF/JPY and USD/CHF and the uptick is visible in the last week of July. While the CHF/JPY volume was unusually high by its own historical standards, it is the EUR/CHF and USD/CHF flow which is driving the move. For many investors, long EUR/CHF is the new EUR/JPY: a trade for those who think the ECB is turning more hawkish, set against a currency with no inflation and a very dovish central bank. Page 4 sets out why we disagree with that assessment of the ECB but there is little to stop the CHF side running further. The SNB should be very happy with a weakening currency as it has complained for years CHF is "significantly overvalued", repeating that line in its most recent quarterly assessment. CHF still faces downside risk from US tax changes (see below). The main upside risk comes from any kind of risk off shock. CHF tends to trade as a haven, though with equity/FX correlations currently low, just AUD/CHF and NZD/CHF are trading as strong risk proxies. Technically, valuations in EUR/CHF are at an overbought extreme. A break below 1.1388 would support a correction exposing 1.1306 and 1.1200. But with a long-term basing pattern forming, any dips to those levels would attract fresh buyers. Resistance is at 1.1600 and 1.1699.

6-12 Month Outlook – Tax risks still looming

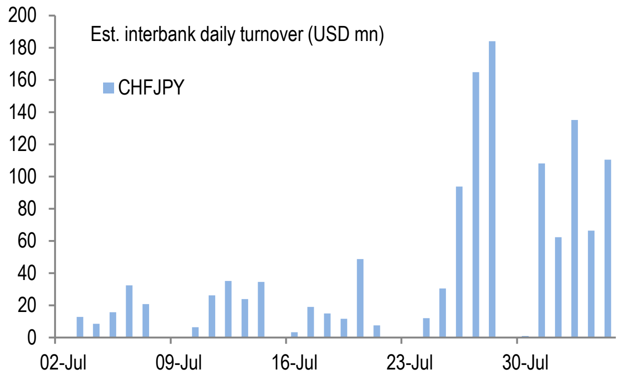
The probability of a US tax break on overseas earnings is increasingly likely as Congress starts work after the August recess. Introducing a tax break on repatriated earnings would provide some of the necessary revenues to make tax cuts revenue-neutral over the budget window. The experience of the Homeland Investment Act suggests USD/CHF could be one of the biggest beneficiaries (see *Total FX*, 27 Jan 2017). Besides tax changes, our long-term forecast is driven by (the lack of) Swiss inflation. As others raise rates, those left behind will turn into the natural funding currencies for carry trades.

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 Jul (Jun)	**0.3% (0.2%)**
Inflation target	less than 2.0%
Budget balance % GDP FY16 (FY15)	**-0.28% (-0.24%)**
Budget balance target % GDP	Balanced over the business cycle
GDP Growth %Y/Y Q1 (Q4)	**1.1% (0.7%)**
Trend GDP %Y/Y	1.80%
EUR Purchasing Power Parity Value Jun	**1.2210**
EUR/CHF spot end-Jul	1.1449
EUR/CHF PPP Valuation	EUR/CHF is undervalued
Current a/c balance % GDP Q4 (Q3)	10.7% (10.3%)
Trend current account balance % GDP	8.0%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

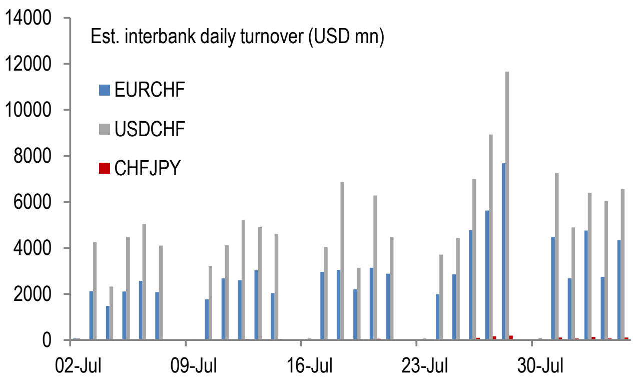
* Current is latest month, quarter or year

1. CHF/JPY turnover spiked in last week of July…



Source: RBC Capital Markets; Pew

2. … Though it is EUR/CHF and USD/CHF flow driving move



Source: RBC Capital Markets; Haver

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CHF	1.00	0.96	0.99	1.04	1.07	1.11	1.08	1.04
EUR/CHF	1.07	1.09	1.15	1.16	1.17	1.18	1.17	1.16
CHF/JPY	111	117	108	99	93	92	96	102
CAD/CHF	0.75	0.74	0.79	0.81	0.82	0.86	0.85	0.82

Source: RBC Capital Markets estimates

Swedish Krona

Adam Cole

1-3 Month Outlook – Another false dawn?

Having traded badly all year SEK had a major reversal in July with gains against all G10 currencies except NOK. EUR/SEK is now flat on the year, though this will still be seen by many as a disappointing performance for one of the most widely bought into consensus trades for the year (bullish SEK). Most of SEK's July gains came on the back of two data releases. June inflation data saw underlying inflation remain close to a cycle high (1.9% y/y) against expectations of a fall back. More importantly, Q2 GDP grew by a huge 1.7% q/q, taking annual growth to 4.0% - far ahead of all G10 countries with the possible exception of Canada (not yet reported). Taking this growth/inflation background together with the current stance of monetary policy in Sweden (Figure 1), it is not difficult to see why the consensus is so bullish for the currency. The problem, of course, is that all three of these factors have held for at least 18 months and the bullish SEK trade has, on the whole, not worked. In our view, there are two factors constraining SEK performance. Firstly, the link between stronger growth/higher inflation and tighter policy is broken as the Riksbank persistently surprises markets with its dovish forward guidance. Secondly, SEK is a victim of markets' current appetite for carry and its status as an efficient funding currency. In this context, we would note that markets already price in a much earlier and steeper normalisation of rates than the Riksbank's current guidance and the precedents for this are not encouraging. Might SEK's July recovery prove to be another false dawn? We think that is a real risk and add to that the downside risk related to a large bond redemption in mid-August.

6-12 Month Outlook – Eventual SEK recovery

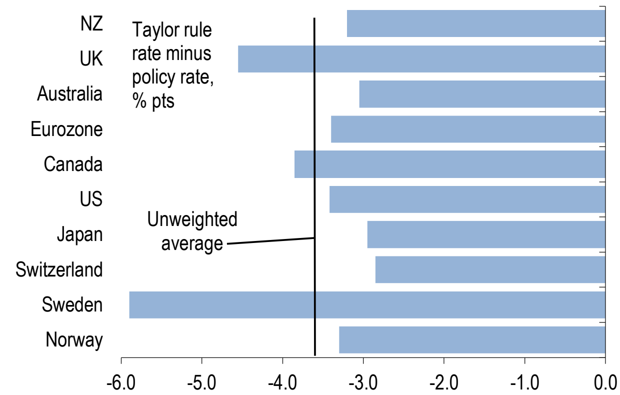
Even in the slightly longer-term, barring a major shock to risk appetite, it is hard to see global yields rising fast enough to kill the carry trade, or the Riksbank hiking fast enough to kill SEK's role as a G10 funder. Markets are also particularly sensitive to the end of Governor Ingves term in January 2018 but there is no guarantee that his successor will be very hawkish. Indeed the favourite is currently former Deputy Governor Ekholm (who was more dovish than Ingves during her Riksbank tenure). Eventually, carry will stop working as a global FX theme and the Riksbank will finally start to raise rates. We expect that to happen by the back end of our forecast horizon, so we eventually look for SEK to rebound from deeply undervalued levels.

Indicators

	Current (Previous)*
Official cash rate	**-0.5% (-0.5%)**
Trend interest rates 10y average	3.0%
Bias in interest rate market	Flat
CPIF Inflation %Y/Y Jun (May)	**1.9% (1.9%)**
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 Q2 (Q1)	**3.9% (2.4%)**
Trend GDP %Y/Y	2.0%
EUR Purchasing Power Parity Value Jun	**8.7527**
Spot end-Jul	9.5535
PPP Valuation	EUR/SEK is overvalued
Current a/c balance % GDP Q2 (Q1)	4.4% (4.4%)
Trend current account balance % GDP	6.0%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

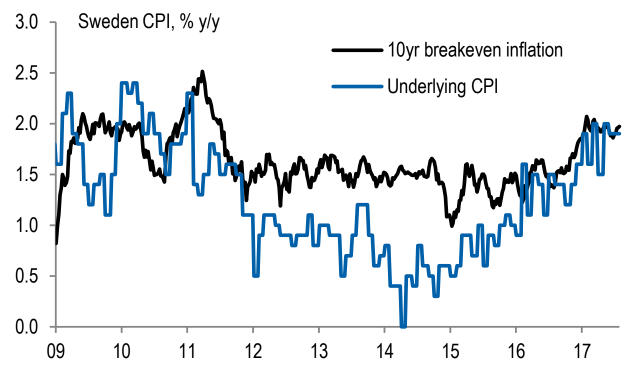
* Current is latest month, quarter or year

1. Swedish policy is very loose



Source: RBC Capital Markets; Bloomberg

2. Inflation still trending higher



Source: RBC Capital Markets; Bloomberg

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/SEK	8.97	8.43	8.19	8.13	8.07	8.21	8.06	7.77
EUR/SEK	9.56	9.64	9.50	9.10	8.80	8.70	8.70	8.70
NOK/SEK	1.04	1.01	1.06	1.05	1.04	1.04	1.04	1.04
CAD/SEK	6.74	6.51	6.55	6.35	6.16	6.36	6.29	6.12

Source: RBC Capital Markets estimates

Norwegian Krone

Elsa Lignos

1-3 Month Outlook – Crude even more important…

NOK is the best-performing currency over the past month across G10 and major EM. What explains this performance? The answer is even simpler than usual. The forward curve remains fairly flat, with nothing priced in for 2017 and the first hike priced in by the end of 2018. That has not changed much since Norges Bank's last meeting. Meanwhile Brent has managed to rally 13% from the late June low, with the bulk of those gains coming in July. A look at a rolling correlation of EUR/NOK to 2yr swaps and Brent (Figure 1), reinforces the view that NOK's performance in recent weeks is just reflecting the bounce we have seen in crude. The correlation of both EUR/NOK to 2y swaps and Brent to 2y NO rates is statistically insignificant. Going forward there are a couple of things to watch that will set the tone for crude: (1) developments in Venezuelan production and/or US sanctions (see here for more from our commodity strategists), (2) the outlook for OPEC compliance with the production cut agreement (OPEC exports reached a record high in July and are starting to weigh on oil prices) and (3) the ongoing inventory drawdown in the US/RoW. On the monetary policy side, Norges Bank does not meet again until 21 Sept and ahead of that the regional network survey (12 Sept) will be critical. While the relationship between EUR/NOK and rate differentials has broken down, in part that is because NO rates have lacked direction since bottoming out in early June. If expectations for capacity utilisation rise faster than expected, the forward curve is also likely to steepen and we would expect to see rate dynamics starting to matter again. Technically, EUR/NOK remains within a corrective phase that began in late June. We look for a re-test of the recent low at 9.2521, with a break below here clearing the way for a test of 9.2090. Initial resistance is located at 9.4040 and 9.4615, followed by the 2017 high at 9.6291.

6-12 Month Outlook – Bouncing from undervaluation

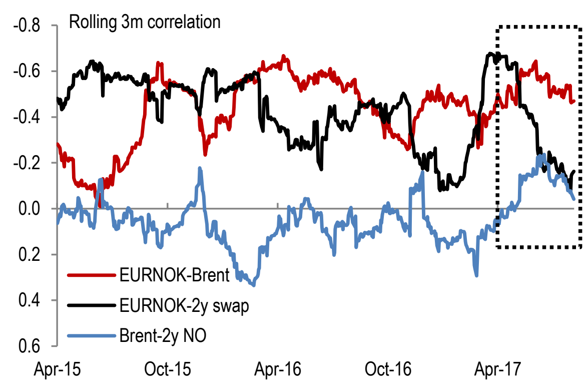
In real trade-weighted terms, NOK is not far from its 50yr low and on Norges Bank's preferred import-weighted I44 index, NOK is still 14% below its long-run average. While core inflation is subdued (Figure 2), Norges Bank looks for capacity utilization to normalise by 2020. It is hard not to be cautiously constructive on the currency over a longer-term horizon and we forecast EUR/NOK sub-9.00.

Indicators

	Current (Previous)*
Official cash rate	**0.50% (0.50%)**
Trend interest rates 10y average	3.6%
Bias in interest rate market	Lower
CPI (ex energy and taxes) %Y/Y June (May)	1.6% (1.6%)
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 %q/q Q1 (Q4)	**1.6% (1.3%)**
Trend GDP %q/q	0.6%
EUR Purchasing Power Parity Value Jun	**8.7029**
Spot end-Jul	9.3120
PPP Valuation	EUR/NOK is overvalued
Current a/c balance % GDP Q1 (Q4)	7.8% (8.7%)
Trend current account balance % GDP	12.0%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

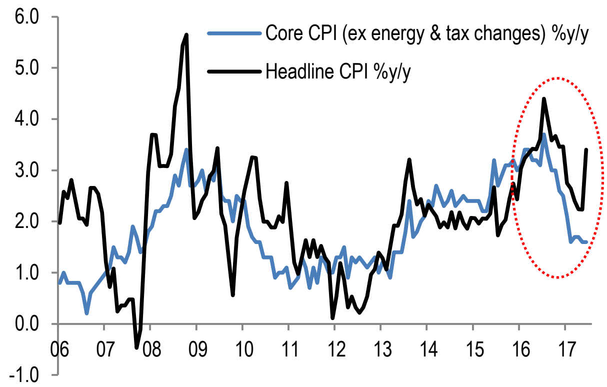
* Current is latest month, quarter or year

1. Brent is primary driver for EUR/NOK



Source: RBC Capital Markets, Bloomberg

2. Headline inflation bounces but core remains soft



Source: RBC Capital Markets; Haver

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/NOK	8.59	8.35	7.76	7.77	7.80	7.92	7.78	7.50
EUR/NOK	9.15	9.54	9.00	8.70	8.50	8.40	8.40	8.40
NOK/SEK	1.04	1.01	1.06	1.05	1.04	1.04	1.04	1.04
CAD/NOK	6.45	6.44	6.21	6.07	5.95	6.14	6.08	5.91

Source: RBC Capital Markets estimates

Canadian Dollar

George Davis

1-3 Month Outlook – Correction into year-end

USD/CAD reached a 25-month low of 1.2414 at the end of July as the Bank of Canada's first interest rate hike in seven years (on July 12) underpinned CAD gains. While the initial shift to a hawkish bias suggested that the BoC was looking to remove the 50 bp of "insurance rate cuts" undertaken in 2015, they brought forward the closure of the output gap to "around the end of 2017" from "the first half of 2018" and stressed a data-dependent policy approach, indicating that additional hikes should not be ruled out (Figure 1).

The current sell-off in USD/CAD has reached a mature stage based on revised interest rate expectations. While the market has almost fully priced in an October hike (~88% probability) that conforms to the forecast of our rate strategists, it has also moved to price a ~90% probability of *another* 25 bp hike by the April 2018 meeting (Figure 2). We believe that the market has gotten ahead of itself here, with our rate strategists expecting the BoC to pause in Q1 and Q2 2018 as they evaluate the impact of the prior hikes, macroprudential measures taken to cool the housing market and developments on the inflation front. As such, we see the scope for a correction to 1.28 to end the year as interest rate expectations are scaled back amidst a moderation in growth in H2 2017. Risks from the NAFTA renegotiations that are scheduled to begin in mid-August may also come into play through year-end.

6-12 Month Outlook – A question of timing

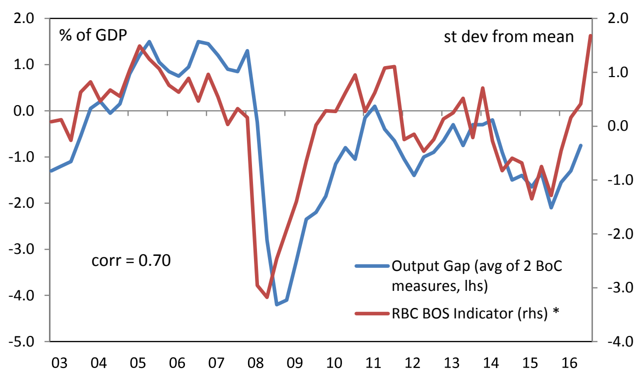
The pause that we expect from the BoC in H1 2018 contrasts with our US rate strategists' call for the Fed to hike rates by 25 bp in each quarter of next year. This dynamic is expected to push USD/CAD to a peak of 1.31 in Q1 2018. The closure of the output gap and our call for above trend CA growth of 2.0% in 2018 is expected to push inflation sustainably higher as of Q2 of next year, with our 1.9% forecast for 2018 largely in line the BoC's 2.0% target. This is expected to prompt the BoC to resume raising rates again in Q3 and Q4, thereby allowing USD/CAD to turn lower and end the year at 1.27 as policy re-converges with that of the Fed. The lack of a sustained move higher in inflation in 2018 would represent a key risk to our outlook.

Indicators

	Current (Previous)*
Official cash rate	**0.75% (0.50%)**
Trend interest rates 10y average	1.14%
Bias in interest rate market	Higher
Core CPI Inflation (Trim) %Y/Y June (May)	**1.2% (1.2%)**
CPI inflation target range %Y/Y	1-3%
Budget balance % GDP FY16 (FY15)	**-0.1% (0.1%)**
Budget balance target % GDP	Balanced over the business cycle
GDP Growth %Q/Q saar Q1 (Q4)	**3.7% (2.7%)**
Trend GDP %Q/Q	1.68%
Purchasing Power Parity Value Jul	**1.2396**
Spot end-Jul	1.2480
PPP Valuation	USD/CAD is slightly overvalued
Current account balance % GDP Q1 (Q4)	**-3.1% (-3.3%)**
Trend current account balance % GDP	-2.30%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

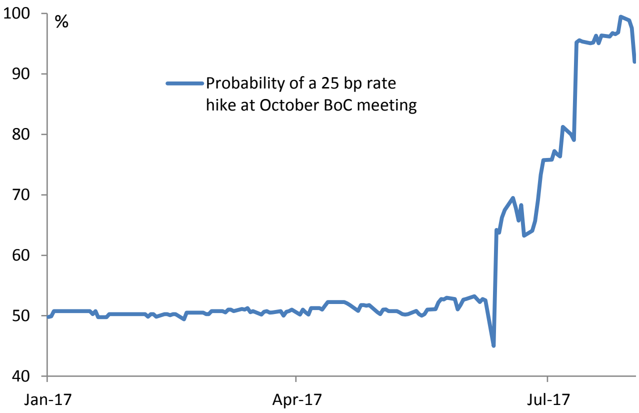
* Current is latest month, quarter or year

1. Above trend growth accelerates closure of output gap



Source: Bank of Canada, Haver Analytics, RBC Capital Markets

2. October BoC rate hike is almost fully priced in now



Source: Bloomberg, RBC Capital Markets

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CAD	1.33	1.30	1.25	1.28	1.31	1.29	1.28	1.27
EUR/CAD	1.42	1.48	1.45	1.43	1.43	1.37	1.38	1.42
CAD/JPY	83.7	86.7	85.6	80.5	76.3	79.1	81.3	83.5

Source: RBC Capital Markets estimates

Australian Dollar

Elsa Lignos

1-3 Month Outlook – A positive bias

AUD is amongst the outperformers again over the past month – second best G10 currency after NOK. It had a shaky start to Q3 in relative terms but took off in the second half of July. Once again that has happened despite rate dynamics. While AUD/USD was supported in the first half of July by a widening of rate differentials in AU's favour (2yr swap spreads from 25bps early in the month to 41bps by mid-July), the rate move has completely reversed and yet AUD/USD has broken to new highs (Figure 1).

The RBA has tried to talk down the currency, with Governor Lowe saying "lower AUD would be helpful". But his threats have no real effect. The statement and SoMP show the RBA is comfortable with its current policy settings; it continues to expect a return to above-trend growth in the medium-term (3-4% growth by mid-2019) and concerns on financial stability limit its appetite for rate cuts. AUD strength may delay eventual hikes, but the forward curve is largely priced for that already. The forward curve shows a 60% probability of a hike on a 12m horizon (and almost nothing priced over the next six months) so there is a limited amount of damage that RBA jawboning can do. AUD is also being supported by an ongoing recovery in its terms of trade (Figure 2). We have revised our AUD/USD forecasts higher this month to reflect larger than expected USD weakness and still think AUD's outright yield is likely to keep it amongst the relative outperformers. Technically, AUD/USD has stalled near 0.8000 having reached an overbought extreme. A daily close below support at 0.7875 would add to corrective momentum, exposing a strong area of congestive support between 0.7750 and 0.7765. But we still expect to see AUD buyers on dips. A daily close above the 2017 high at 0.8066 is needed to reassert the uptrend, opening up 0.8164 next.

6-12 Month Outlook – Longer-term risks pile up

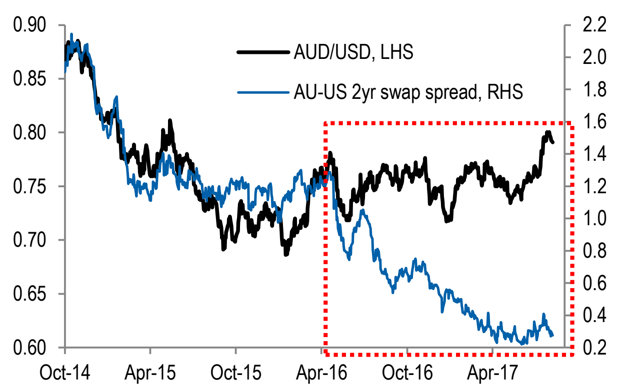
Longer-term the risks build up for AUD. China's window-dressing is less likely to continue after the October National Congress. Our Asia strategist has highlighted the underlying risks in Chinese housing and construction (see *Total FX*, 4 Aug 2017), which has been a big source of demand for AU iron ore. Fiscal consolidation is still required over the longer-term, consistent with our AU rates strategists' view that the RBA will need to do more of the work in supporting growth. Our long-term forecasts for AUD are unchanged.

Indicators

	Current (Previous)*
Official cash rate	**1.5% (1.5%)**
Trend interest rates 10y average	4.4%
Bias in interest rate market	Downward
CPI Inflation %Y/Y Q2 (Q1)	**1.9% (2.1%)**
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 Q1 (Q4)	**1.7% (2.4%)**
Trend GDP %Y/Y	2.8%
Purchasing Power Parity Value Q2	**0.7328**
Spot end-Jul	0.8003
PPP Valuation	AUD/USD is overvalued
Current account balance % GDP Q1 (Q4)	**-0.7% (-0.8)**
Trend current account balance % GDP	-4.4%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

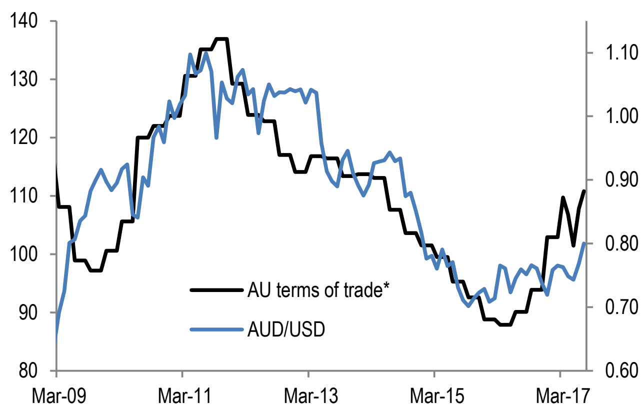
* Current is latest month, quarter or year

1. AU-US 2yr spread near lows; AUD/USD breaks higher



Source: Bloomberg, RBC Capital Markets

2. AUD supported by recovery in terms of trade



Source: RBC Capital Markets, Bloomberg, ABS, *AU terms of trade estimated for Apr-Jul 2017

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
AUD/USD	0.76	0.77	0.80	0.80	0.77	0.74	0.73	0.73
EUR/AUD	1.40	1.49	1.45	1.40	1.42	1.43	1.48	1.53
AUD/NZD	1.09	1.05	1.07	1.07	1.07	1.06	1.06	1.06
AUD/CAD	1.02	1.00	1.00	1.02	1.01	0.95	0.93	0.93

Source: RBC Capital Markets estimates

New Zealand Dollar

Adam Cole

1-3 Month Outlook – Revised higher

NZD/USD hit a two year high in late-July, though as with most currency returns recently, USD losses dominated the move and NZD was just a middle-of-the-pack performer on key crosses, as it has been most of the year. As has been the case for at least a year, NZD is trapped between what has generally been a negative rate dynamic (particularly relative to the US) and the attraction of its outright yield in an environment of generally low volatility and low global yields (blue line in Figure 1). Although NZD yields have fallen in line with global yields in recent years, the *spread* to the lowest-yielding G10 currencies is relatively wide. Looking forward, as a central case, the outlook for NZD is more of the same. The forward rate curve looks a little optimistically priced, with a full 25bp rate hike priced in over the next 12 months against our economists' call for unchanged rates through their entire forecast horizon as inflation is forecast to remain below target. NZ's fiscal projections also incorporate a significant degree of fiscal tightening, which should keep markets from pricing in early monetary policy normalisation. Against this, however, we have to offset the ongoing appetite for carry. We are this month making small upwards revisions to the NZD forecasts, but the revised profile is still consistent with NZD/USD largely being a range-trade. We now forecast NZD/USD at 0.75 in Q3 (previously 0.73).

6-12 Month Outlook – Modest downside

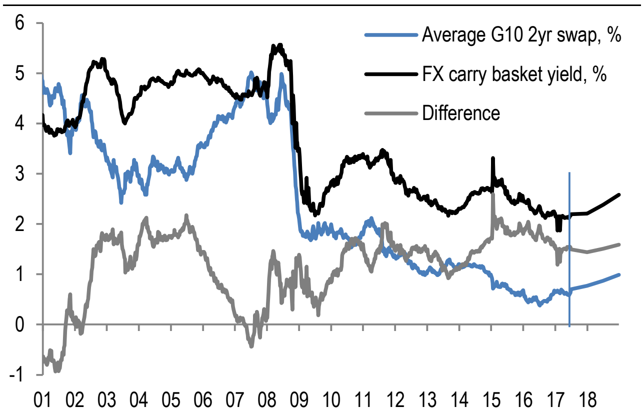
While Q1 growth was disappointing (particularly after the earthquake-related softness of Q4), the RBNZ calls the growth outlook "positive, supported by accommodative monetary policy, strong population growth and high terms of trade". But ongoing net migration means spare capacity is growing and our economists argue that will mean inflation rises more slowly than the RBNZ is anticipating. If right that could keep the RBNZ on hold for the whole of next year, disappointing markets priced for the start of a hiking cycle. On our economists' rates forecasts, policy rates in the US will overtake NZ next year. That should eventually lead to a deeper NZD/USD sell-off as USD beats NZD on both rate dynamics *and* outright level of yield. But given policy uncertainty and a reluctance to price in Fed hikes ahead of time, NZD/USD seems likely to hold up within its recent range for the next 12 months.

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 Q1 (Q4)	**2.2% (1.3%)**
Inflation target	1.0-3.0%
Budget balance % GDP FY16/FY15	**1.5%/1.4%**
Budget balance target % GDP	Balanced over business cycle
GDP Growth %Y/Y Q1 (Q4)	**2.5% (2.7%)**
Trend GDP %Y/Y	3.1%
Purchasing Power Parity Value Q2	**0.6614**
NZD/USD end-Jul	0.7513
Valuation	NZD/USD is overvalued
Current account balance % GDP Q1 (Q4)	**-3.1% (-2.8%)**
Trend current account balance % GDP	-4.2%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

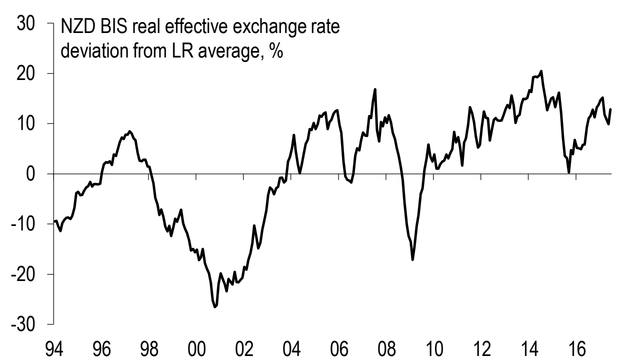
* Current is latest month, quarter or year

1. NZD propped up by carry traders



Source: RBC Capital markets, Bloomberg

2. NZD significantly overvalued



Source: RBC Capital Markets; Bloomberg

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
NZD/USD	0.70	0.73	0.75	0.75	0.72	0.70	0.69	0.69
EUR/NZD	1.52	1.56	1.55	1.49	1.51	1.51	1.57	1.62
AUD/NZD	1.09	1.05	1.07	1.07	1.07	1.06	1.06	1.06
NZD/CAD	0.93	0.95	0.94	0.96	0.94	0.90	0.88	0.88

Source: RBC Capital Markets estimates

Chinese Yuan

Sue Trinh

1-3 Month Outlook – Wasteful investment risks rise

CNY/H was in the middle of the pack in July, gaining ~1.1-1.2% against USD and trading to a near 1-year high, thanks again to a constant spate of intervention to curb Yuan deprecation.

Most of the headline activity data in July pointed to a healthy economy too: Q2 GDP growth came in at 6.9%y/y, the same pace as Q1 and better than the 6.8% expected. It looks more than likely the government will achieve its official target growth of "about 6.5% or above" for 2017 comfortably. However, Chinese growth today has been bought with tomorrow's, underpinned by significant fiscal stimulus into the Old Economy. Infrastructure as a share of total investment increased to a record high of 21.8% in June, even higher than the 21.4% share seen in the aftermath of the massive 2009 credit splurge. Yet the credit impulse has turned negative as the Chinese government cracks down on leverage. We believe Q2 most likely represents the peak for Chinese growth as H2 will become more challenging. The main source of weakness is the property sector and slower investment growth. Recent policy signals that China favours asset price deflation in Tier 1 and 2 cities over exchange rate deflation, but this is fraught with the risk that China tightens too aggressively in Tier 1 and 2 cities which account for up to 2/3 of urban GDP growth or that the recovery in smaller cities fades.

We will also be watching the 19th Party Congress for whether Xi appoints a successor. If he fails to do so, it would all but confirm speculation Xi has no intention of stepping down after his customary two terms. This risks generating further tension within his Party with implications for his reform agenda. We have a target of 7.00 at end-Q3, but there is downside risk if China continues to prevent the market clearing.

6-12 Month Outlook – Consensus too complacent

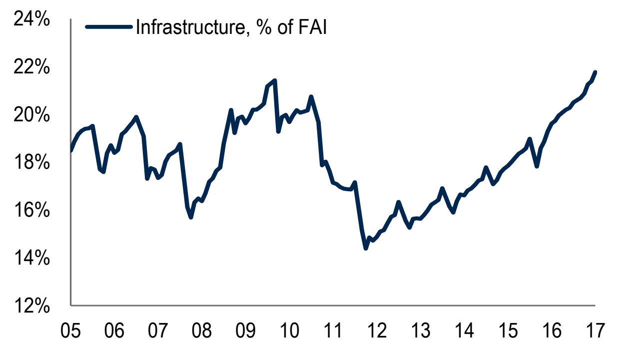
Our base case remains a gradual and controlled CNY depreciation. We expect 7.2 at the end of 2017 and 7.5 at end-Q2 2018. The risk of USD/CNY trading to 8+ over the forecast horizon increases the longer PBC insists on intervening in the shorter-term (which only serves to increase imbalances). Against the basket and based on our new forecasts for USD/CNY, CNY will only be trading back to February 2013 levels by the end of 2017 and to October 2012 levels by mid-2018, still too high in our view.

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)	**1.5% (1.5%)**
Inflation target	3.0%
Budget balance % GDP last (prev)	**-3.5% (-1.80%)**
Budget balance trend % GDP	-1.21
GDP Growth % y/y last (prev)	6.9% (6.9%)
Trend GDP %y/y	9.9
RBC-POLAR misalignment	**6.1%**
Spot end-July	6.7266
FX Valuation	Overvalued
Current account balance % GDP last (prev)	**1.5% (1.8%)**
Trend c/a balance % GDP	4.1
Moody's Foreign Currency Rating	**A1**
Outlook	Stable

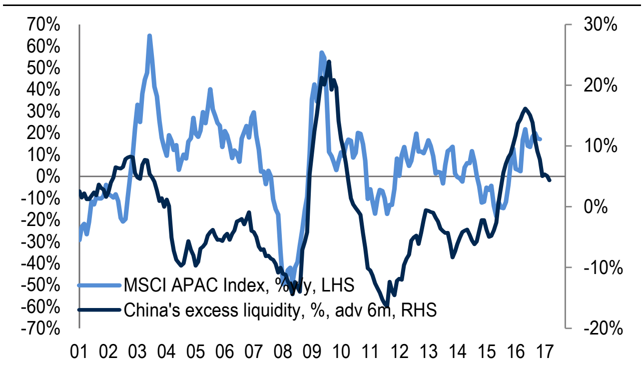
* Current is latest month, quarter or year

1. Excessive infrastructure spending has boosted growth



Source: RBC Capital Markets; CEIC

2. Credit impulse has turned sharply negative



Source: RBC Capital Markets; CEIC, Bloomberg

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CNY	6.88	6.77	7.00	7.20	7.40	7.50	7.60	7.70
EUR/CNY	7.33	7.73	8.12	8.06	8.07	7.95	8.21	8.62
CNY/JPY	16.2	16.6	15.3	14.3	13.5	13.6	13.7	13.8
CAD/CNY	5.17	5.22	5.60	5.63	5.65	5.81	5.94	6.06

Source: RBC Capital Markets estimates

Indian Rupee

Sue Trinh

1-3 Month Outlook – RBI a reluctant cutter in Aug

INR was one of the best-performing currencies in AXJ in July after the RBI voted to cut its repo rate by 25bps to 6%, taking its reverse repo rate to 5.75%. INR traded to a new 2-year high against the USD of 63.6.

With June CPI inflation of 1.54% falling below target, it was clear to us the RBI needed to cut rates again, the question was by how much? Four MPC members voted for the 25bps reduction, while one member voted for unchanged and one member voted for a deeper 50bps cut. What was surprising to us was that the MPC retained a neutral policy stance, taking a balanced view of inflation risks such that the RBI sees inflation inching up towards 4.0% by Q4FY18 (January – March 2018).

We were expecting a larger rate cut of 50bps and think the RBI now risks falling behind the curve amid strong disinflationary pressure. The RBI will be monitoring key upside and downside risks for inflation. On the upside, the two biggest risks are: a) the impact of the housing rent allowance (HRA). Inflation could rise by 100bp above the RBI baseline estimate over the next two years if States follow the centre and proceed with HRA increases. Their decision on the rollout is still pending; And b) the post-GST price revisions. We think the downside risks will prove more manifest - the monsoon, effective food management, limited pass through of rate cuts into lending rates and contained imported pressures. We also think the strengthening INR may prove a headache for RBI. The BIS INR REER has rallied by as much as 8.5% from its 2016 low and the RBI has previously stated that a 5% appreciation in the INR leads to a 10-15bps decline in headline inflation.

6-12 Month Outlook – Constructive; Geopolitics key

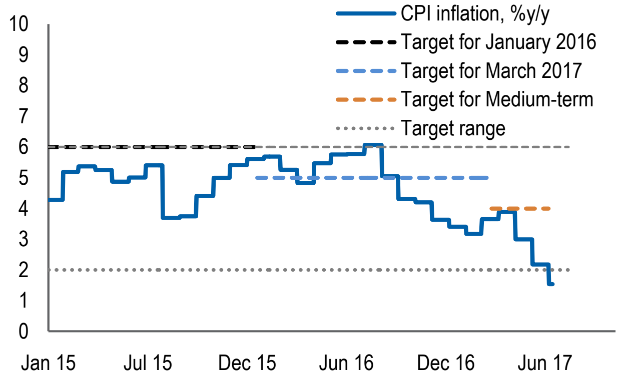
We expect INR to be one of the region's outperformers on a relative basis. India's balance of payments position provides a decent buffer from a rising USD and rising US interest rates. We have a year-end target of 65.5 and end-Q2 2018 target of 66.5. A key risk to this view is geopolitical. Border tensions between China and India are heating up and neither side is flinching. India is revamping is submarine force and China says that while it was not in the mood for a fight, sometimes a head-on blow may work better than a thousand pleas in waking up a dreamer". Chinese state media warned India of a fate worse than the defeat it suffered in the 1962 border war.

Indicators

	Current (Previous)*
Official cash rate (Repurchase Rate)	**6.00% (6.25%)**
Trend interest rates (10yr average)	6.75%
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**1.54% (2.18%)**
Inflation target	5% by FY-end 2016/17
Budget balance % GDP last (prev)	**-3.9% (-3.5%)**
Budget balance trend % GDP	-5.15
GDP Growth % y/y last (prev)	6.1%v (7.0%)
Trend GDP %y/y	6.4
RBC-POLAR misalignment	**1.8%**
Spot end-July	64.2
FX Valuation	Overvalued
Current account balance % GDP last (prev)	**-0.7% (-0.6%)**
Trend current account balance % GDP	-1.35%
Moody's Foreign Currency Rating	**Baa3**
Outlook	Positive

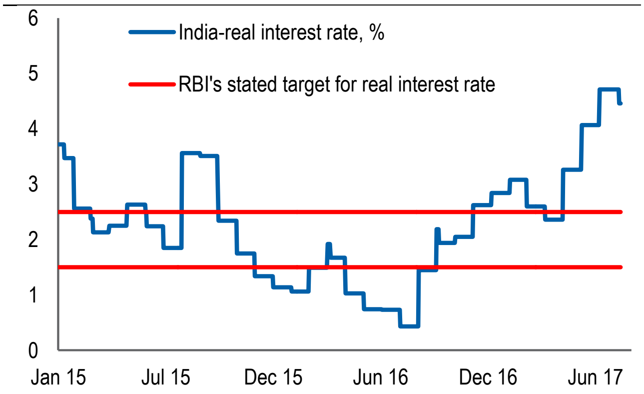
* Current is latest month, quarter or year

1. Persistent undershoot of inflation relative to RBI



Source: RBC Capital Markets; RBI, Bloomberg

2. Real interest rates are far too high



Source: RBC Capital Markets; RBI, Bloomberg

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/INR	64.8	64.6	65.0	65.5	66.0	66.5	66.8	67.1
EUR/INR	69.0	73.8	75.4	73.4	71.9	70.5	72.1	75.2
INR/JPY	1.72	1.74	1.65	1.57	1.52	1.53	1.56	1.58
CAD/INR	49	50	52	51	50	52	52	53

Source: RBC Capital Markets estimates

South Korean Won

Sue Trinh

1-3 Month Outlook – KRW shining with the Moon

KRW has been one of the best performing AXJ currencies in the past month. KRW was able to recoup the sharp losses suffered into early July as the dust settled following North Korea's launch of an intercontinental ballistic missile. No news is good news. Fiscal developments have given KRW bulls some solace. As politics elsewhere have distracted from fiscal reform, President Moon's public approval rating of more than 70% has seen him winning bipartisan support. Lawmakers approved a KRW11trn supplementary budget to help create more jobs, end youth joblessness and reinvigorate the economy. Hot on the heels of the supplementary budget, the government proposed tax hikes targeting leading conglomerates, high-income individuals and investors with large holdings of South Korean shares in a bid to tackle income inequality and fund increasing welfare benefits. The Finance Ministry estimates that the tax changes will increase government revenue by 5% (KRW2.6trn) from the 2018 tax year. Among the changes, the top marginal corporate income tax rate (for corporates with more than KRW200bn of taxable income a year) will be raised from 22% to 25%. The top income tax rate (for individuals who earn more than KRW500mn) will be raised from 40% to 42% starting 2018. The proposed changes to the tax code are subject to parliamentary approval however. News of potential tax code changes hit Korean equity markets harder than KRW. Based on historical trends, we expect foreign positions to recover and KRW to consolidate further in the short term.

6-12 Month Outlook – Continued pressure

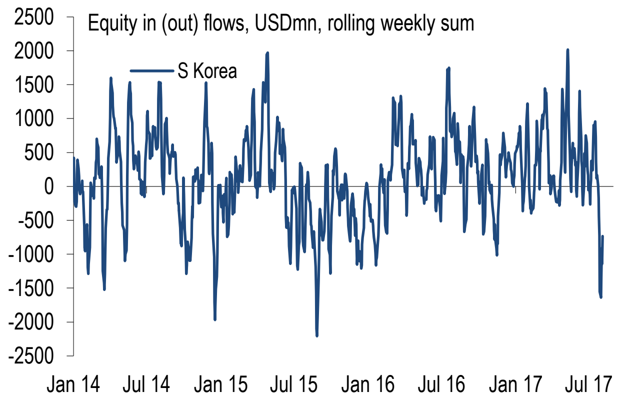
KRW remains one of the region's most efficient funding currencies due to its relatively lower yield/low volatility combination and its relatively high exposure to China also leaves it vulnerable. The perception that KRW will be sold off on any increase in regional security threats will keep KRW under pressure. However, if we assume that with every NK provocation the probability of Korean reunification rises – in a disorderly manner or otherwise – then so too must the risk of KRW appreciation as a significant share of South Korea's stock of foreign portfolio investment would need to be repatriated. We target 1160 by end-2017 and 1190 by end-Q2 2018.

Indicators

	Current (Previous)*
Official cash rate	**1.25% (1.25%)**
Trend interest rates (10yr average)	3.45%
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**2.2% (1.9%)**
Inflation target	2.0% (2016-2018)
Budget balance % GDP last (prev)	**0.5% (-0.03%)**
Budget balance trend % GDP	1.4
GDP Growth % y/y last (prev)	2.7% (2.9%)
Trend GDP %y/y	4.1
RBC-POLAR misalignment	**2.8%**
Spot end-July	1119.4
FX Valuation	Overvalued
Current account balance % GDP last (prev)	**6.4 (7.0)**
Trend current account balance % GDP	3.1%
Moody's Foreign Currency Rating	**Aa2**
Outlook	Stable

* Current is latest month, quarter or year

1. Foreign investors dump equities on tax code changes



Source: RBC Capital Markets, Bloomberg

2. South Korean portfolio investment by country*

	Total USDbn	%weight	Equity	Debt
US	251.4	76.9%	34.1	217.4
Japan	20.2	6.2%	0.7	19.4
UK	19.3	5.9%	1.0	18.3
China	10.4	3.2%	4.3	6.1
Canada	9.0	2.7%	0.8	8.2
Australia	7.9	2.4%	0.1	7.8
India	1.2	0.4%	1.0	0.2

Source: RBC Capital Markets; Bloomberg

Forecasts

	2017				2018			
	Q1	**Q2**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**
USD/KRW	1118	1145	1140	1160	1180	1190	1210	1250
EUR/KRW	1191	1309	1322	1299	1286	1261	1307	1400
JPY/KRW	10.0	10.2	10.7	11.3	11.8	11.7	11.6	11.8
CAD/KRW	839	884	912	906	901	922	945	984

Source: RBC Capital Markets estimates

Singaporean Dollar

Sue Trinh

1-3 Month Outlook – Seasonal weakness to kick in

SGD has been one of the best performing Asian currencies in the past month (+1.61% versus the USD), taking its cue from the rally in JPY. Domestic data cues were soft. Preliminary Q2 GDP was weaker than expected at 0.4%q/q saar (cons: 1.1%); 2.5%y/y (cons: 2.7%). June CPI inflation was also on the soft side, with core inflation of 1.5%y/y (cons: 1.6%y/y) and headline inflation of 0.5%y/y (cons: 0.7%).

Despite the SGD's relative strength, the Monetary Authority of Singapore has reiterated it is in no hurry to change its neutral stance for the SGD NEER because of improving trade. On this, it is somewhat worrying that Singapore’s trade recovery has been almost entirely driven by China. China takes 20.5% of Singapore’s total exports, up from 17.7% in September 2016. With China’s credit impulse turning negative and the electronics rally tapering off, it leaves Singapore highly exposed to declining Chinese demand.

Based on Singapore’s growth/inflation mix, the SGD NEER should be closer to the low end of the policy band, rather than the mid-point, in our view. August is also a seasonally poor month for SGD and we expect it to play “catch up” after last month’s outperformance. We have an end-Q3 target for USD/SGD of 1.40.

6-12 Month Outlook – Growth momentum to falter

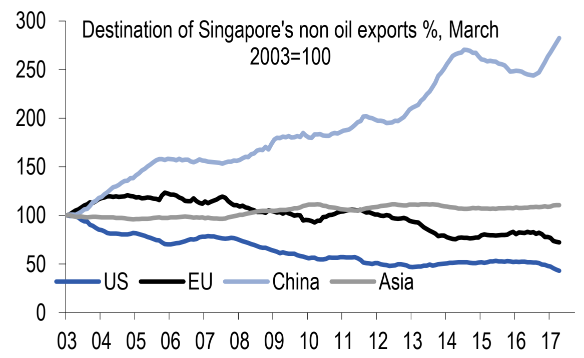
Monetary policy has been unchanged since April 2016 when MAS shifted to a stance of zero appreciation in the trade-weighted exchange rate from gradual and modest appreciation. We think risks are still asymmetrically skewed toward more MAS easing. The recent recovery in growth momentum is fragile given considerable uncertainty surrounding the global trade outlook and US government policy and USD/SGD is lagging US-SI interest rate differentials. Subdued labour market conditions and weak consumer sentiment also present strong headwinds to Singapore’s domestic demand growth. Re-centering the SGD NEER to a lower level would allow more scope for currency depreciation, supporting domestic demand.

Indicators

	Current (Previous)*
Official S$NEER Target	**Zero percent appreciation**
Trend interest rates (10yr average)	1.85%
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**0.5% (1.4%)**
Inflation target	**0.5–1.5%**
Budget balance % GDP last (prev)	**-1.0% (-1.0%)**
Budget balance trend % GDP	0.4
GDP Growth % y/y last (prev)	2.5% (2.7%)
Trend GDP %y/y	5.4
RBC-POLAR misalignment	**-0.1%**
Spot end-July	1.3565
FX Valuation	Fairly valued
Current account balance % GDP last (prev)	**19.7% (19.0%)**
Trend current account balance % GDP	20.1
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

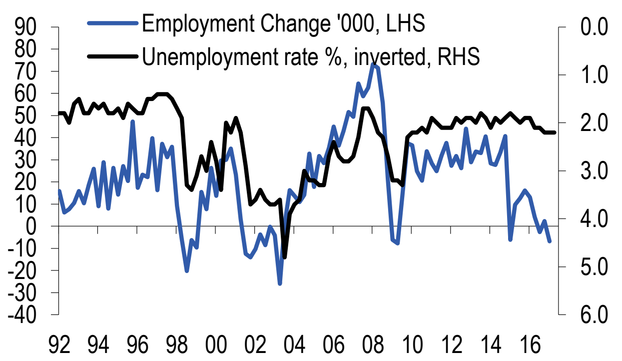
* Current is latest month, quarter or year

1. Absolute dependence on China demand



Source: RBC Capital Markets; Bloomberg

2. Labour market a persistent drag on domestic demand



Source: RBC Capital Markets; Bloomberg

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/SGD	1.40	1.38	1.40	1.41	1.42	1.45	1.45	1.46
EUR/SGD	1.49	1.57	1.62	1.58	1.55	1.54	1.57	1.64
SGD/JPY	79.7	81.6	76.4	73.0	70.4	70.3	71.7	72.6
CAD/SGD	1.05	1.06	1.12	1.10	1.08	1.12	1.13	1.15

Source: RBC Capital Markets estimates

Indonesian Rupiah

Sue Trinh

1-3 Month Outlook – A dovish turn for BI

IDR was again one of the worst performing AXJ currencies in the past month, trading up just 0.4% against the USD, despite the weaker USD environment. A sharp decline in both annual export and import growth and a slightly more dovish sounding BI at its July meeting weighed on IDR.

BI shifted its focus earlier this year from growth to inflation after the jump in global oil prices. With core inflation having slowed since the start of the year, BI may now be shifting its focus back towards supporting growth. July CPI inflation slowed from 4.37% to 3.88% (cons: 3.92%) and core CPI inflation slowed from 3.13% to 3.05%. BI Governor Martowardojo said in July the Bank hasn't closed the door on further action. Investment growth has been particularly disappointing despite significant easing in the past year (6 times for a total of 150bps of cuts). The government is expected to announce a 16th Economic Package to stimulate growth imminently, with the primary purpose of boosting investment. Q2 GDP growth came in a little softer than expected at 5.01%y/y (cons: 5.08%), just above the lower limit of BI's forecast for 2017 of 5.0 - 5.4%. There is a risk of a rate cut on 22 August as real interest rates turned higher in the past month.

6-12 Month Outlook – Better fundamentals, room to catch up

The government has made great strides in improving the economy's external vulnerability and we think that along with a vigilant central bank that stands at the ready to boost growth and tame inflation pressures, IDR stands to benefit over the longer term, particularly given its extreme underperformance within the region year to date.

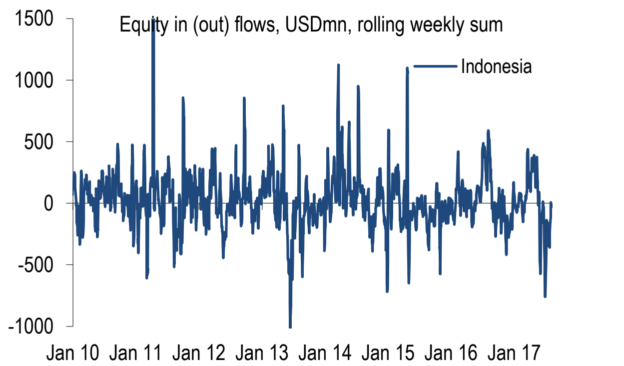
In other news, BI plans to redenominate the IDR and the draft bill will be discussed by the cabinet in a plenary session before it heads to the House of Representatives. The plan is to remove the last three digits from the IDR without affecting its value. Introducing the new notes will be carried out in two phases – 2020 to 2024 and 2025to 2028. An important part of the planned multiyear transition to the new notes will be sufficient time to reassure the public that there will be no impact on the economic value of the IDR. In the 1960s, the government cut three zeros from the Rupiah and reduced the currency's economic value as well.

Indicators

	Current (Previous)*
Official cash rate (7d Reverse repo rate)	**4.75% (4.75%)**
Trend interest rates (10yr average)	-
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**3.88% (4.37%)**
Inflation target	4%+/-1.0%
Budget balance % GDP last (prev)	**-1.93% (-2.15%)**
Budget balance trend % GDP	-2%
GDP Growth % y/y last (prev)	5.01% (5.01%)
Trend GDP %y/y	5.5
RBC-POLAR misalignment	**3.9%**
Spot end-July	13,325
FX Valuation	Overvalued
Current account balance % GDP last (prev)	**-1.5% (-1.8%)**
Trend current account balance % GDP	-0.5
Moody's Foreign Currency Rating	**Baa3**
Outlook	Positive

* Current is latest month, quarter or year

1. Net equity outflows recover slightly



Source: RBC Capital Markets; Bloomberg

2. Real rates picked up again as inflation falls

Source: RBC Capital Markets; Bloomberg

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/IDR	13330	13335	13400	13450	13500	13550	13600	13650
EUR/IDR	14200	15237	15544	15064	14715	14363	14688	15288
JPY/IDR	119.7	118.7	125.2	130.6	135.0	132.8	130.8	128.8
CAD/IDR	10012	10289	10720	10508	10305	10504	10625	10748

Source: RBC Capital Markets estimates

Turkish Lira

Daria Parkhomenko

1-3 Month Outlook – Tight stance for longer

In early July, USD/TRY reached its highest level (~3.65) since April on the back of more hawkish rhetoric in G10. Thereafter, USD/TRY traded in a tight range, now flat YTD.

Going forward, we still expect USD/TRY to trend higher into year-end, albeit at a slower pace – we have lowered our Q4 target to 3.65 from 3.75. We now expect CBRT to retain its tight stance well into Q4 (previously just Q3) with the CBRT to turn more dovish at the turn of the year, and this brings us closer in line with the market. We have adjusted our view to account for the change in the central bank's forward guidance. At its last meeting, CBRT noted "the improvement in the core inflation outlook […] is not yet deemed satisfactory" and the inflation outlook is expected to improve in December and "become more evident in the early months of 2018" (*Summary of the MPC meeting,* 1 Aug. 2017). This, along with market and survey-based inflation expectations remaining elevated, means that CBRT is likely to retain a tight stance for longer than we had previously expected. Thus, barring a domestic or an external crisis, Turkey is likely to remain a beneficiary of yield-hungry flows, making our prior year-end view of 3.75 now less likely.

Meanwhile, August tends to be bullish for USD/TRY (75% hit rate over the past 16 years), which may offset the effects of foreign inflows and keep USD/TRY on an uptrend. Additionally, as the market increasingly prices in easing, USD/TRY is likely to trend higher.

6-12 Month Outlook – USD/TRY higher

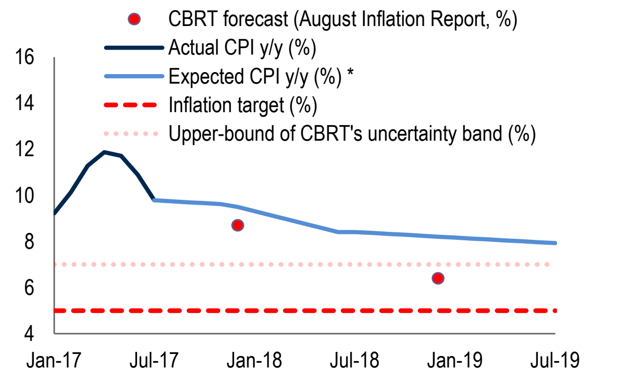
We forecast USD/TRY to reach 3.95 by end-2018. First, CBRT is likely to start cutting in early 2018, which will begin to erode Turkey's status as a high-yielder. Although there may be less urgency to spur growth in the near-term, Erdogan is still likely to push for growth ahead of the 2019 elections; this may include monetary easing. If the easing pace goes beyond market expectations, this is likely to be TRY-negative. Second, short-term external debt exceeds FX reserves. Turkey's "true" level of reserves is smaller than the headline figure, which includes the banking sector's required reserves held in FX. We estimate the "true" value is closer to USD41bn, which is enough to cover *only* ~24% of short-term external debt (remaining maturity basis). Third, net foreign investment in Turkish govt debt remains strong. This, along with its twin deficits make it vulnerable to outflows in the face of external headwinds, posing upside risk to USD/TRY.

Indicators

	Current (Previous)*
Official cash rate	**8.0 (8.0)**
Trend interest rates (historical average)	6.9
Bias in interest rate market	Slightly hiking
CPI Inflation %Y/Y Jul (Jun)	**9.79 (10.90)**
Inflation target	5.00%
Budget balance % GDP 2016 (2015)	**-1.2 (-1.0)**
Budget balance trend % GDP	-1.9
GDP Growth % y/y Q1 (Q4)	5.0 (3.5)
Trend GDP %y/y	5.2
RBC-POLAR misalignment	**-10.0%**
Spot end-July	3.5193
FX Valuation	Undervalued
Current a/c (12m. rolling) %GDP Q1 (Q4)	**-3.89 (-3.80)**
Trend current account balance % GDP	-5.29
Moody's Foreign Currency Rating	**Ba1**
Outlook	Negative

* Current is latest month, quarter or year

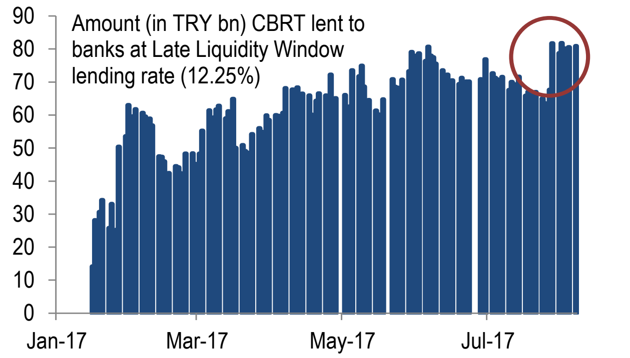
1. Inflation expectations remain above CBRT's forecasts



*Extrapolated based on CBRT's Survey of Expectations (July 2017)

Source: Bloomberg, Central Bank of Turkey, RBC Capital Markets

2. Amount lent at LON rate has risen since last meeting



Source: Central Bank of Turkey, RBC Capital Markets

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/TRY	3.64	3.52	3.60	3.65	3.80	3.85	3.90	3.95
EUR/TRY	3.87	4.02	4.18	4.09	4.14	4.08	4.21	4.42
TRY/JPY	30.6	31.9	29.7	28.2	26.3	26.5	26.7	26.8

Source: RBC Capital Markets estimates

South African Rand

Daria Parkhomenko

1-3 Month Outlook – Political uncertainty to stay

Since July, ZAR has been one of the worst EM performers vs. USD due to domestic political events (range: 12.86-13.63). Going forward, we expect domestic political uncertainty and the risk of further credit downgrades to continue to weigh on ZAR, with its positive carry offering some offset (end-Q3 target higher: 13.55).

First, the ANC, the ruling party, is undergoing an internal struggle and there is a lack of policy direction. We believe this uncertainty will pose upside risk to USD/ZAR. As we go to press, the vote on the no confidence motion against President Zuma is front and center, but domestic turmoil does not end there. The High Court is expected to hold a hearing on the 2017 Mining Charter in September, and if it is eventually implemented, it could result in further ZAR downside. Meanwhile, the National Treasury published an Inclusive Growth Action Plan in mid-July ahead of the new budget release in October. Implementation will be key and a failure to meet the deadlines outlined in the plan is another downside risk to ZAR. This is especially important because the plan focuses on remedying issues that may result in further credit rating downgrades if not fixed. Lastly, the ANC's elective conference takes place in December, which will determine who replaces Zuma as the next president of the ANC. With respect to South Africa's credit rating, Moody's is just one step above non-IG with a negative outlook; the next review is due on August 11. ZAR's one saving grace is that is still offers some yield, though less than many others in EM. Markets are priced for another 25bps cut by year end while we think SARB will keep rates on hold at 6.75%.

6-12 Month Outlook – USD/ZAR at 14.0 by end-Q3 2018

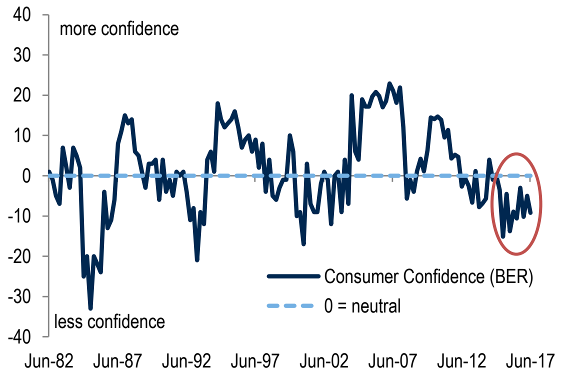
In the long term, we expect USD/ZAR to keep trending higher. It appears that the uncertain political landscape is weighing on business and consumer confidence; further political uncertainty is likely to exacerbate this and negatively affect growth, against a backdrop where slack in the economy is already high (unemployment hit a 13 year high of 27.70% last quarter). We have left our 12m ahead forecast unchanged at 14.00.

Indicators

	Current (Previous)*
Official cash rate (repo rate)	**6.75 (7.0)**
Trend interest rates (10yr average)	6.9
Bias in interest rate market	Easing
CPI Inflation %Y/Y Jun (May)	**5.1 (5.4)**
Inflation target	3.0 to 6.0%
Budget balance % GDP 2016/17 (2015/16)	**-3.4 (-3.5)**
Budget balance trend % GDP	-3.8
GDP Growth % q/q saar Q1 (Q4)	-0.7 (-0.3)
Trend GDP %y/y	1.3
RBC-POLAR misalignment	**-11.0%**
Spot end-July	13.19
FX Valuation	Undervalued
Current account % GDP Q1 (Q4)	**-2.1 (-1.7)**
Trend current account balance % GDP	-4.1
Moody's Foreign Currency Rating	**Baa3**
Outlook	Negative

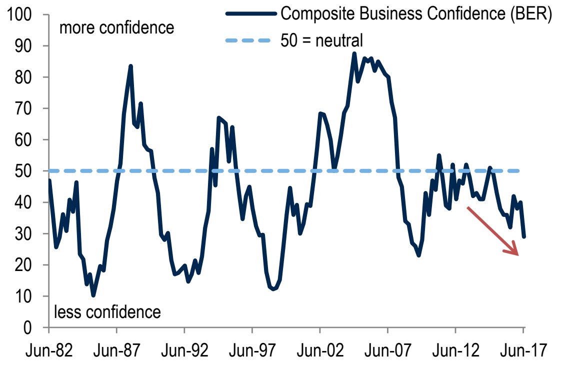
* Current is latest month, quarter or year

1. Consumer confidence is in negative territory



Source: Bloomberg, RBC Capital Markets

2. Business confidence has fallen



Source: BER, Bloomberg, RBC Capital Markets

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/ZAR	13.42	13.06	13.55	13.70	13.80	13.90	14.00	14.10
EUR/ZAR	14.44	14.30	14.93	15.72	15.34	15.04	14.73	15.12
ZAR/JPY	8.30	8.60	7.90	7.52	7.25	7.34	7.43	7.52

Source: RBC Capital Markets estimates

Mexican Peso

Tania Escobedo Jacob

1-3 Month Outlook – All eyes on NAFTA

In July, USD/MXN traded in a 95 figure range (17.45-18.40) with MXN holding on to its ~16% gains YTD, ahead of the official start of NAFTA renegotiations on August 16. In anticipation of the seven rounds of talks set up initially, the three NAFTA members have announced some of their general objectives. The Office of the United States Trade Representative for example, stated that the US will aim to "improve its trade balance and reduce the trade deficit with the NAFTA countries" and to "update and strengthen the rules of origin"; it will also look to eliminate Chapter 19 dispute settlement mechanism and eradicate unfair subsidies, market-distorting practices and FX manipulation. Though the broad direction of USTR objectives was in line with what we had discussed in previous work (see here) we think they were too vague to be taken as the basis of a formal negotiation. In particular, the emphasis put on the reduction of the deficit and the aim to eliminate the Chapter 19 should be two immediate sources of disagreement between the US and Mexico. The bumpier than expected path of NAFTA renegotiation will likely prompt a correction higher in USD/MXN which remains slightly oversold. On monetary policy, we think inflation dynamics and the still benign external environment will allow the central bank to stay on hold at 7% in its Aug 10 meeting and continue to see the ON rate at that level by the end of the year (the TIIE Swap curve is flat for the next 12 months). This outlook is conditional on inflation confirming the signs of stabilization seen in July while gradually decreasing in 2H 2017. With a fair amount of good news already priced in USD/MXN, we keep our Q3 target at 18.60.

6-12 Month Outlook – Risks ahead remain

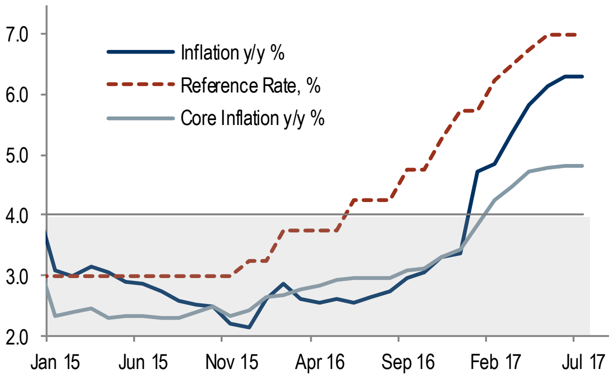
Longer term, downside risks from domestic politics and a more challenging picture in terms of growth could weigh on MXN in H2 17; the lagged effects of a tight monetary and fiscal policy, along with the shrinking of real wages due to high inflation should take a toll on Mexican consumers and businesses as we move towards 2018. On the external front, any risk off shock or a faster than anticipated process of monetary policy normalization in DM as well as some unilateral correction from the recent USD weakness are USD/MXN positives to keep in mind. We maintain our year-end target at 18.82.

Indicators

	Current (Previous)*
Official cash rate	**7.00 (6.75)**
Trend interest rates (10yr average)	4.62
Bias in interest rate market	Hiking
CPI Inflation %Y/Y Jun (May)	**6.31 (6.16)**
Inflation target	3.0 (+/-1%)
Budget balance % GDP 3Q (2Q)	**-0.66 (-2.58)**
Budget balance trend % GDP	-3.14
GDP Growth % y/y 2QP (1Q)	1.8 (2.8)
Trend GDP %y/y	2.41
Purchasing Power Parity	17
Spot	**17.92**
FX Valuation	Undervalued
Current account balance % GDP Q1 (Q4)	**-2.09 (-2.13)**
Trend current account balance % GDP	-2.54
Moody's Foreign Currency Rating	**A3**
Outlook	Negative

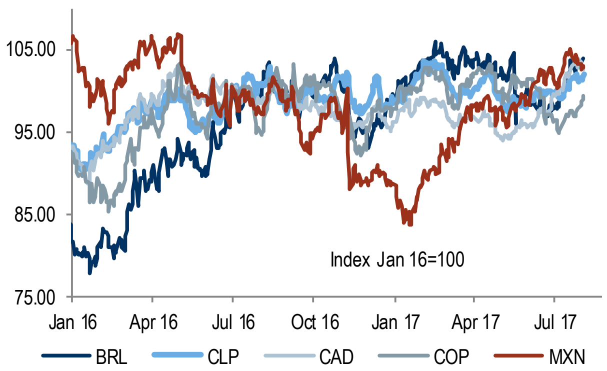
* Current is latest month, quarter or year

1. Some signs of stabilization in July inflation data



Source: RBC Capital Markets, Bloomberg.

2. MXN is no longer underperforming relative to its peers



Source: RBC Capital Markets, Bloomberg.

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/MXN	18.72	18.12	18.60	18.82	18.85	19.00	19.50	19.00
EUR/MXN	19.94	20.71	21.58	21.08	20.55	20.14	21.06	21.28
MXN/JPY	5.95	6.20	5.75	5.47	5.31	5.37	5.33	5.58
CAD/MXN	14.06	13.98	14.88	14.70	14.39	14.73	15.23	14.96

Source: RBC Capital Markets estimates

Brazilian Real

Tania Escobedo Jacob

1-3 Month Outlook – Politics & reforms

BRL was the best-performing EM currency in the past month, as Brazilian markets have proven very resilient to the political turmoil. USD/BRL has completely reversed the 9% rally that came after the new set of allegations against Temer's government hit the press in May. Since then, the Brazilian Congress has shelved the corruption charges against the president with a vote of 263 vs 227 (on Aug 2). The result was fully priced by the market and the margin was not enough to prompt any reaction - the govt needs 308 votes to pass constitutional changes like the pension reform and 257 to pass complementary laws. For now, this clears the way for Temer to focus on economic reforms but there is a high risk that new charges against him will be presented in the coming weeks. A key theme to watch going forward is related to the feasibility of reaching the fiscal targets that the govt has set for this year and next. The accumulated deficit in the 12 months through June reached BRL 167.2 bn or 2.62% of GDP, well above the 2% target. Also, since January, revenue shortfall has piled up and the government coalition has not managed to approve measures to boost revenues. Still, the Government's economic team, headed by Finance Minister Mireilles has been firm in its commitment towards fiscal responsibility, announcing an increase in fuel taxes and additional spending cuts to reinforce credibility. Despite these efforts, we think there is a high probability that the Finance Ministry will have to revise its primary deficit targets, which could erode some of the market confidence and put pressure on BRL. As long as uncertainty lingers without a material conclusion on the path of reforms, we think USD/BRL will remain inside the recent 3.11 – 3.25 range; a break through the strong 3.11 resistance would clear the way to the 2017 lows at 3.04.

6-12 Month Outlook – A more challenging 2H 2017

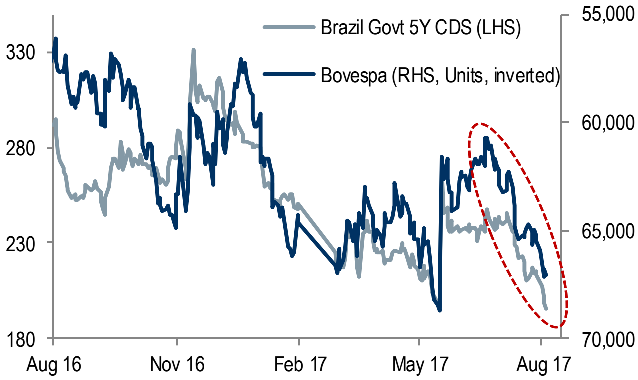
The positive behavior of Brazilian financial indicators is in our view, the result of an external environment that continues to underpin yield-hunting strategies and of the fact that some market participants remain optimistic over the prospects of reform after Temer has managed to maintain his support base in Congress. We still think markets have been somewhat complacent in assessing the implications that political turmoil could have on the fiscal prospects for Brazil and expect a deterioration in sentiment in 2H 17. We keep our year-end USD/BRL target at 3.30 with upside risks if pension reform is not approved by Oct.

Indicators

	Current (Previous)*
Official cash rate	**9.25 (10.25)**
Trend interest rates (10yr average)	11.20
Bias in interest rate market	Cutting
CPI Inflation %Y/Y Jun (May)	**3.0 (3.6)**
Inflation target	4.5% +/- 1.5%
Budget balance % GDP 2Q (1Q)	**-8.28 (-8.68)**
Budget balance trend % GDP	-7.53
GDP Growth % y/y 1Q (4Q)	**+1.0 (-0.5)**
Trend GDP %y/y	-2.0
Purchasing Power Parity	**3.35**
Spot	**3.13**
FX Valuation	Undervalued
Current account balance % GDP 1Q (4Q)	**-1.29 (-1.4)**
Trend current account balance % GDP	-3.29
Moody's Foreign Currency Rating	**Ba2**
Outlook	Stable

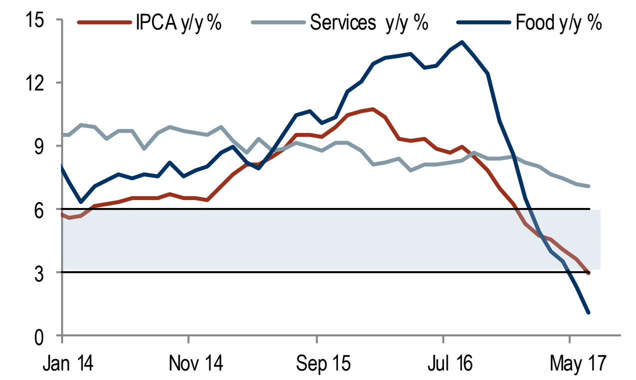
* Current is latest month, quarter or year

1. Risk premium keeps shrinking after May's spike



Source: BCB, RBC Capital Markets

2. Inflation dynamics point to further rate cuts



Source: RBC Capital Markets, Datafolha.

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/BRL	3.12	3.31	3.25	3.30	3.35	3.38	3.40	3.40
EUR/BRL	3.33	3.78	3.77	3.70	3.65	3.58	3.67	3.81
BRL/JPY	35.7	34.0	32.9	31.2	29.9	30.2	30.6	31.2
CAD/BRL	2.34	2.55	2.60	2.58	2.56	2.62	2.66	2.68

Source: RBC Capital Markets estimates

Forecasts

Spot forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.07	1.14	1.16	1.12	1.09	1.06	1.08	1.12
USD/JPY	111	112	107	103	100	102	104	106
GBP/USD	1.26	1.30	1.30	1.20	1.16	1.18	1.24	1.32
USD/CHF	1.00	0.96	0.99	1.04	1.07	1.11	1.08	1.04
USD/SEK	8.97	8.43	8.19	8.13	8.07	8.21	8.06	7.77
USD/NOK	8.59	8.35	7.76	7.77	7.80	7.92	7.78	7.50
USD/CAD	1.33	1.30	1.25	1.28	1.31	1.29	1.28	1.27
AUD/USD	0.76	0.77	0.80	0.80	0.77	0.74	0.73	0.73
NZD/USD	0.70	0.73	0.75	0.75	0.72	0.70	0.69	0.69
USD/CNY	6.88	6.77	7.00	7.20	7.40	7.50	7.60	7.70
USD/CNH	6.87	6.78	7.03	7.23	7.43	7.53	7.63	7.73
USD/HKD	7.77	7.81	7.77	7.77	7.78	7.78	7.80	7.80
USD/INR	64.8	64.6	65.0	65.5	66.0	66.5	66.8	67.1
USD/KRW	1118	1145	1140	1160	1180	1190	1210	1250
USD/SGD	1.40	1.38	1.40	1.41	1.42	1.45	1.45	1.46
USD/MYR	4.43	4.30	4.35	4.40	4.50	4.52	4.54	4.56
USD/IDR	13330	13335	13400	13450	13500	13550	13600	13650
USD/TWD	30.3	30.4	30.6	31.0	31.5	32.0	32.5	33.0
USD/THB	34.4	33.9	34.4	34.5	34.7	35.0	35.0	35.2
USD/PHP	50.2	50.5	50.5	51.0	51.5	52.0	52.0	52.5
USD/TRY	3.64	3.52	3.60	3.65	3.80	3.85	3.90	3.95
USD/ZAR	13.42	13.06	13.55	13.70	13.80	13.90	14.00	14.10
USD/PLN	3.97	3.70	3.66	3.78	3.85	3.93	3.86	3.72
USD/CZK	25.4	22.9	22.2	22.9	23.6	24.2	23.8	22.9
USD/MXN	18.72	18.12	18.60	18.82	18.85	19.00	19.50	19.00
USD/BRL	3.12	3.31	3.25	3.30	3.35	3.38	3.40	3.40

Source: RBC Capital Markets estimates

EUR Crosses

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.07	1.14	1.16	1.12	1.09	1.06	1.08	1.12
EUR/JPY	119	128	124	115	109	108	112	119
EUR/GBP	0.85	0.88	0.89	0.93	0.94	0.90	0.87	0.85
EUR/CHF	1.07	1.09	1.15	1.16	1.17	1.18	1.17	1.16
EUR/SEK	9.56	9.64	9.50	9.10	8.80	8.70	8.70	8.70
EUR/NOK	9.15	9.54	9.00	8.70	8.50	8.40	8.40	8.40
EUR/CAD	1.42	1.48	1.45	1.43	1.43	1.37	1.38	1.42
EUR/AUD	1.40	1.49	1.45	1.40	1.42	1.43	1.48	1.53
EUR/NZD	1.52	1.56	1.55	1.49	1.51	1.51	1.57	1.62
EUR/CNY	7.33	7.73	8.12	8.06	8.07	7.95	8.21	8.62
EUR/CNH	7.34	7.32	7.75	8.15	8.10	8.10	7.98	8.24
EUR/HKD	8.28	8.92	9.01	8.70	8.48	8.25	8.42	8.74
EUR/INR	69	74	75	73	72	70	72	75
EUR/KRW	1191	1309	1322	1299	1286	1261	1307	1400
EUR/SGD	1.49	1.57	1.62	1.58	1.55	1.54	1.57	1.64
EUR/MYR	4.71	4.91	5.05	4.93	4.91	4.79	4.90	5.11
EUR/IDR	14200	15237	15544	15064	14715	14363	14688	15288
EUR/TWD	32	35	35	35	34	34	35	37
EUR/THB	36.6	38.7	39.9	38.6	37.8	37.1	37.8	39.4
EUR/PHP	53.4	57.7	58.6	57.1	56.1	55.1	56.2	58.8
EUR/TRY	3.87	4.02	4.18	4.09	4.14	4.08	4.21	4.42
EUR/ZAR	14.30	14.93	15.72	15.34	15.04	14.73	15.12	15.79
EUR/PLN	4.23	4.23	4.25	4.23	4.20	4.17	4.17	4.17
EUR/CZK	27.0	26.1	25.7	25.7	25.7	25.7	25.7	25.7
EUR/MXN	19.9	20.7	21.6	21.1	20.5	20.1	21.1	21.3
EUR/BRL	3.33	3.78	3.77	3.70	3.65	3.58	3.67	3.81

Source: RBC Capital Markets estimates

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