RBC Capital Markets

FX STRATEGY – PART OF FX SALES & TRADING

Currency Report Card

12 September 2017

Forecasts

September 2017

Three month forecast returns

Most bullish	Most bearish
JPY	CNY
NZD	HUF
CAD	SGD

Source: RBC Capital Markets

12 month forecast returns

Most bullish	Most bearish
JPY	CHF
IDR	HUF
USD	EUR

Source: RBC Capital Markets

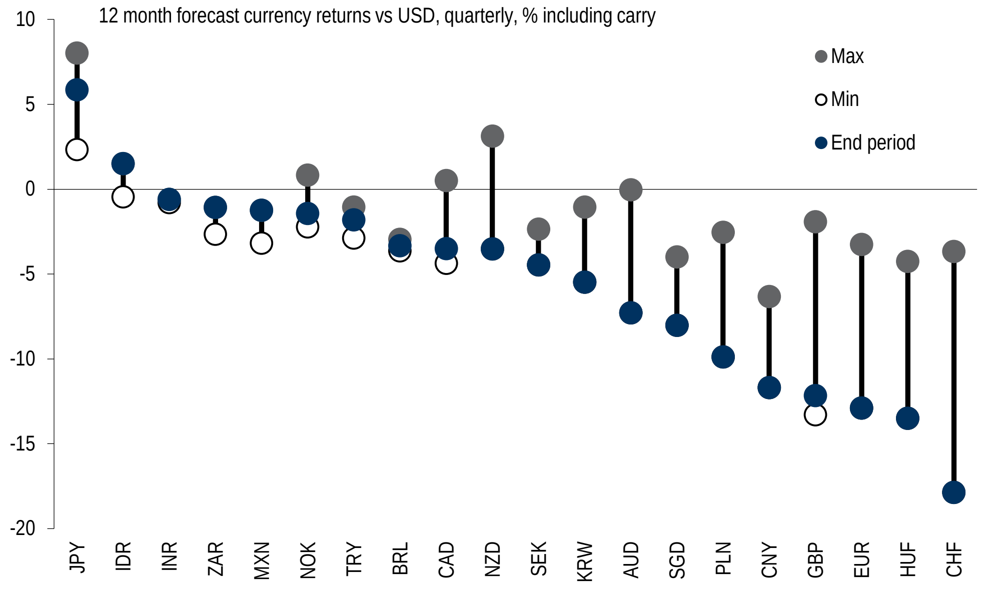
Forecast revisions this month include:

USD/CAD: Profile revised lower. End-Q4 now 1.24 (previously 1.28). End Q3-2018 now 1.26 (previously 1.28).

EUR/NOK: Near-term forecast revised lower. End-Q3 now 9.30 (previously 9.00).

NZD/USD: Near-term forecast revised lower. End-Q3 now 0.74 (previously 0.75).

JPY outperformance; CHF, HUF, and EUR underperformance



Source: RBC Capital Markets

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US Dollar

Adam Cole

1-3 Month Outlook – Ready to fade USD weakness

USD's chronic underperformance continued in August/early-September, DXY hitting a new low for the year and other, better balanced, indices showing similar grinding underperformance through the whole of 2017. The standard explanation for USD underperformance is that it reflects a reversal of the policy divergence theme that drove previous USD outperformance when the Fed was the only major central bank hiking rates. Now, the BoC has followed (twice) and markets are priced for varying degrees of policy normalisation elsewhere, including the BoE, ECB and smaller European countries. However, this is far from being a full explanation for USD weakness in 2017, as Figure 1 shows. The multi-year theme of policy divergence between the US and the rest of G10 has certainly been arrested in 2017, but in DXY terms, there has been very little policy *convergence* to drive USD weakness. In our view there are several other factors that have contributed to USD weakness in 2017 and will determine whether it continues. Firstly, higher US rates are no longer unambiguously USD positive as forward rates have started to imply that higher rates in the near term mean outright lower rates in the longer-term (using for example 12m and 24m forward Fed funds). In other words, the Fed is reaching the point where markets think it risks over-tightening and reversing. This does not fit our view of the US economy as our economists expect multiple hikes over the next 18 months *and* strong economic growth. As such, this particular risk premium USD carries should start to fade at some point. Finally, it also seems likely USD is carrying a risk premium for wider policy uncertainty, partly reflecting uncertainty on the longevity of the Trump administration (Figure 2), but equally reflecting uncertainty on policy under that administration. It is harder to be confident this risk premium will narrow going forward, but our forecasts still incorporate a moderate degree of across the board USD strength as the Fed keeps tightening and the economy keeps growing.

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

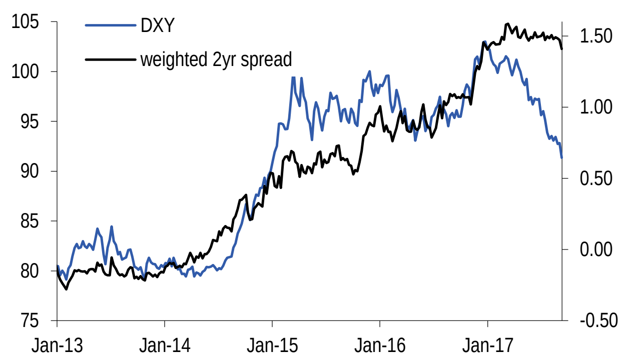
With just one hike priced between now and mid-2018, it should not be hard for the Fed to over-deliver. But perhaps more interesting will be developments on the tax front. We think repatriated earnings are likely to be more USD-positive than assumed by consensus though that is likely to lead to selective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

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 Jul (Jun)	**1.4% (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)	3.0% (2.6%)
Trend GDP %y/y	2.5%
Purchasing Power Parity Value	**-**
Spot	-
PPP Valuation	-
Current account balance % GDP Q2 (Q1)	**-2.4% (-2.4%)**
Trend current account balance % GDP	-3.7%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

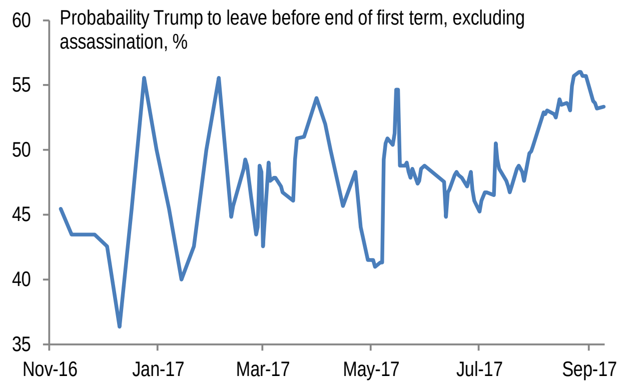
* Current is latest month, quarter or year

1. USD falling more than rates suggest



Source: RBC Capital Markets; Bloomberg

2. Trump risk stabilising at high level



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	1.21	1.24	1.27	1.26	1.26	1.26

Source: RBC Capital Markets estimates

Euro

Elsa Lignos

1-3 Month Outlook – ECB accepting EUR, for now…

EUR/USD hit new highs in early September (1.2093 on Sept 8), though trade-weighted EUR is actually flat since early August. ECB GovCo member Coeure put EUR strength in recent months down to "three forces, of roughly equal strength": (1) "improved Euro area growth prospects", (2) an "exogenous component" and (3) "a tightening in the relative monetary policy stance vis-à-vis the US". The reasons for EUR/USD strength appear to matter a lot to the ECB – if it is driven by better Euro area data, it is less likely to be a concern. In its September staff forecasts, the ECB made only small downward revisions to 2018 and 2019 inflation, despite the EUR rally over the past three months. The disinflationary impact of EUR in isolation was almost fully offset by a smaller than expected output gap (see *Total FX*, 8 Sept 2017). But it looks like the ECB is starting to feel a bit more concerned (the currency was mentioned in the opening statement, which is very rare, and both Draghi and Coeure have hinted strongly in recent days that further EUR appreciation would be unwelcome). That should make it harder for EUR/USD to keep appreciating. The ECB's main tool beyond verbal intervention would be a slower than expected tapering decision – since the full details of that are not expected until October or even December, it may take time for EUR to correct lower, but with long positioning still near decade highs, and long EUR still a negative carry trade, we stick to our view that EUR will unwind the last three months' gains and have left our year-end forecast unchanged.

6-12 Month Outlook – Inflation or disappointment

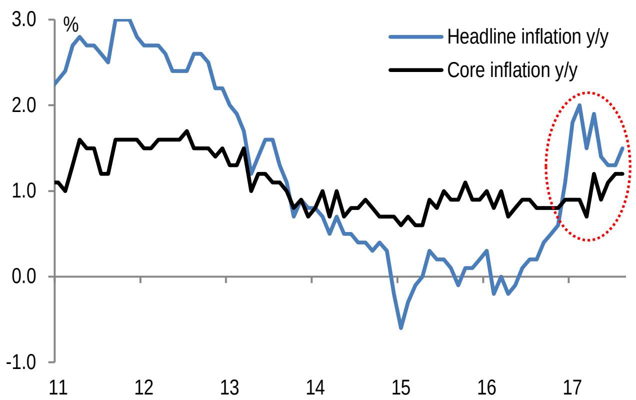
The ECB has been very clear on the sequencing of its policy decisions – Draghi has confirmed repeatedly that rates will not rise until well after tapering is done. With talk of a six month or nine month taper doing the rounds, that would mean rates not turning positive until 2019 or later. There is little to suggest inflation will pick up quickly in the Euro area, when countries with smaller output gaps are still struggling to see a pick-up. Our rates strategists do not forecast a tightening cycle until 2020 at the earliest. Expectations that Weidmann may be appointed ECB President when Draghi's term ends in Oct 2019 will give EUR bulls hope, but unless there is a pick-up in inflation, it is hard to see the majority of the voters on the GovCo supporting much tighter policy. With high underemployment still weighing on EZ inflation (see *Total FX*, 19 May) we look for EUR to remain undervalued throughout our forecast horizon.

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 Jul	**1.2690**
Spot end-Aug	1.1910
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

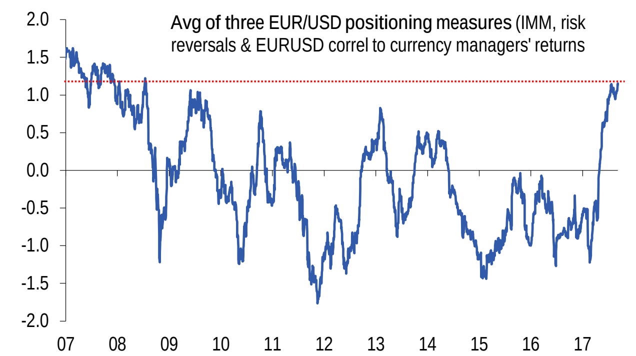
* Current is latest month, quarter or year

1. Core inflation picking up only slowly



Source: RBC Capital Markets; Haver

2. EUR/USD positioning consolidating at 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	1.40	1.39	1.38	1.34	1.36	1.41

Source: RBC Capital Markets estimates

Japanese Yen

Adam Cole

1-3 Month Outlook – Drifting higher

USD/JPY continued to drift lower in August and early-September. Although some large daily moves were associated with rises in risk aversion, driven by North Korea, in the net terms, equities are flat from late July and risk-off moves have rapidly reversed. The broad trend in USD was also fairly flat in August. JPY's high sensitivity to rates-driven USD moves and to shifts in general risk appetite often obscure the domestic drivers of the currency but our expectation is that, with these two factors neutral (as they have been recently) JPY is more likely to rise than fall. Domestic investors are the key driver of this. Although demand for foreign bonds has started to edge up again in recent weeks, flow is overwhelmed by that generated by shifts in the hedge ratio on existing bond holdings (Figure 1) and our expectation is that hedge ratios are still more likely to go up than down leaving JPY gently appreciating. We see two key risks of much sharper JPY gains – a further escalation of North Korea tensions or the replacement of Abe with a more moderate LDP leader (as set out last month). Many are starting to ask whether JPY can trade as a safe haven if North Korea escalates further, given its geographical proximity and the likelihood it would be dragged into any regional conflict. We think it can. JPY's status as a safe haven is driven primarily by Japan's status as the world's largest external creditor. At times of severe risk aversion, capital tends to flow home and those countries with the largest stock of assets will tend to see the largest inflows. As Japan's experience during two major earthquakes shows, this conclusion is not diminished when the source of risk aversion in local.

6-12 Month Outlook – USD/JPY target 100

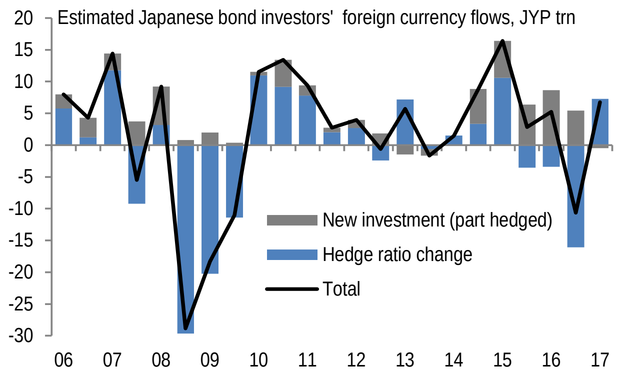
Long-term, the BoJ's tacit admission that it can't hit its 2% inflation target for three years or more could be taken as either positive or negative for JPY. The failure to lift nominal GDP through either prices or volumes should bring the unsustainability of Japan's budget imbalance back into focus 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 Jul (Jun)	**0.5% (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 Q2 (Q1)	**1.6% (1.4%)**
Trend GDP %Y/Y	1.0%
Purchasing Power Parity Value Jul	**88.40**
Spot end-Aug	109.98
PPP Valuation	USD/JPY is overvalued
Current a/c balance % GDP Q2 (Q1)	3.6% (3.7%)
Trend current account balance % GDP	2.6%
Moody's Foreign Currency Rating	**A1**
Outlook	Stable

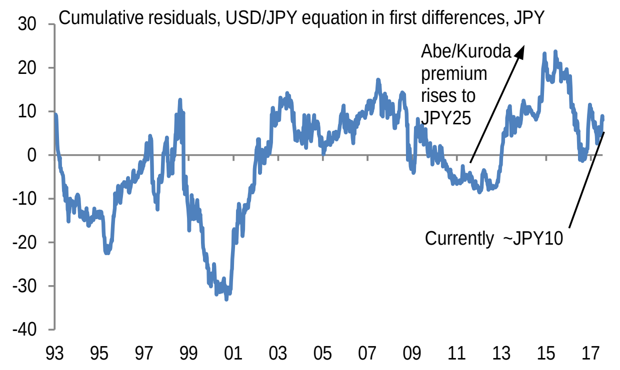
* Current is latest month, quarter or year

1. Hedge changes dominate new investment flow



Source: RBC Capital Markets; Bloomberg, GPIF

2. Abe premium still worth JPY10



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	88	83	79	81	83	84

Source: RBC Capital Markets estimates

Sterling

Adam Cole

1-3 Month Outlook – Turning down again

After a prolonged period of stability, trend GBP underperformance reasserted itself in August, with GBP falling more than 2% against both EUR and USD. Despite diminishing risk of another election in 2017, politics is starting to heat up again and is likely to remain a key driver in the coming months as Brexit negotiations come to a head. The main party conferences take place within a month and the perceived risk of an early election is likely to rise from its current low base (12% in 2017) if PM May's authority is challenged. In 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. The early signs are not encouraging. Despite short-term activity data surprises shifting from negative to positive in recent weeks, consensus growth forecasts are continuing to fall, with August seeing the third straight downgrade to 2017 after a year of upgrades. While the BoE also downgraded its forecasts in the August Inflation Report, another upgrade to the prospects for exports limited the damage to overall GDP (Figure 2). A year after GBP's big fall, the evidence does not support this optimistic stance on export volumes. While the value to exports is up strongly, for both goods and services, this is wholly a consequence of rising exports prices and volumes are outright lower. At the same time, import volumes have surged and there is no evidence of substitution into more competitive domestically produced goods after GBP's devaluation. We note how closely UK experience mirrors that in Canada. The BoC's forecasts consistently implied export-led growth in the 2013-2015 period of CAD weakness. The pickup in exports never materialised, eventually prompting the Bank to question the validity of its methodology for forecasting exports. A similar scaling-back of net export prospects in the UK is another reason to think the rate hikes currently priced in will not happen on our forecast horizon, leaving GBP vulnerable.

6-12 Month Outlook – Tentative bottom at 1.16

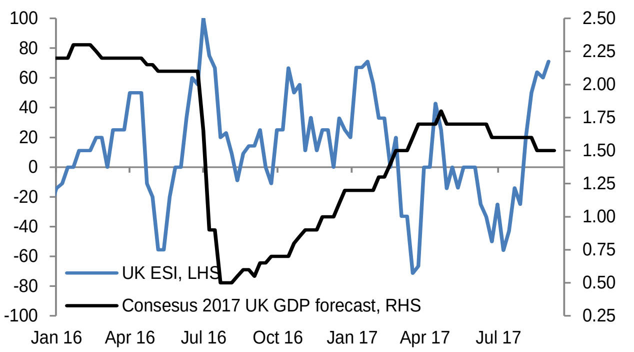
Our longer-term target for GBP/USD is 1.16 as the overhang of political risk drags on into the medium-term. We tentatively have that as the bottom for GBP, though clearly the uncertainty around that central forecast is unusually high as we head into the period of most elevated political risk for the UK.

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 Jul (Jun)	**2.6% (2.6%)**
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 Jul	**1.4816**
Spot end-Aug	1.2930
PPP Valuation	GBP/USD is undervalued
Current a/c balance % GDP Q2 (Q1)	-3.8% (-4.3%)
Trend current account balance % GDP	-3.4%
Moody's Foreign Currency Rating	**Aa1**
Outlook	Stable

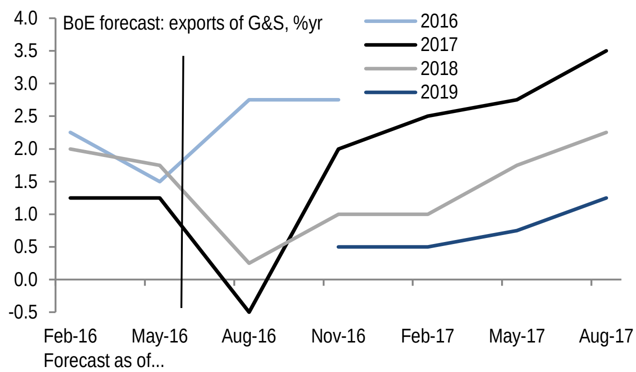
* Current is latest month, quarter or year

1. Consensus growth forecast falling



Source: RBC Capital Markets, Bloomberg

2. BoE export forecast revised up every quarter



Source: RBC Capital Markets, BoE

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	1.58	1.49	1.47	1.48	1.56	1.66

Source: RBC Capital Markets estimates

Swiss Franc

Elsa Lignos

1-3 Month Outlook – Unusual turnover subsides

After a huge move in late July/early August, CHF has spent the past month consolidating those losses. Last month we observed the big increase in CHF turnover as the currency sold off. Since then average daily turnover has returned to normal, particularly in EUR/CHF and CHF/JPY, suggesting M&A flow has subsided and currency investors appear to have lost some interest as the short CHF trade flatlines (Figure 1). CHF still trades as a safe haven against almost all other currencies (Figure 2), so the main upside risk to CHF is still a risk off shock, particularly as cross-asset correlations have strengthened a little over the past month. So far risk aversion has offered very limited support to CHF. North Korea has featured heavily in the headlines, but market risk aversion was short-lived. The main downside risk to CHF in our view is the possibility of US tax cuts, though with the debt ceiling/Hurricane Harvey aid deal struck last week, the chances of meaningful tax reform in the next few months has dropped substantially. The SNB meets on September 14 but is widely expected to make no changes to its policy-settings. Technically, EUR/CHF appears to be establishing a new medium-term range (between 1.1200/1.1250 and 1.1550/1.1600).

6-12 Month Outlook – Inflation & tax reforms

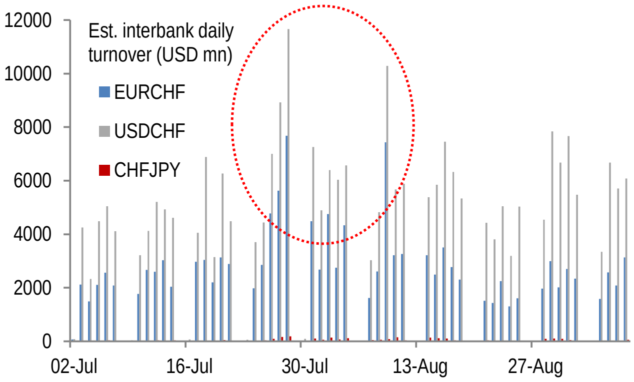
As usual we flag two drivers behind our long-term forecasts: (1) the outlook for Swiss inflation relative to the rest of the world (as others raise rates, those left behind will turn into the natural funding currencies for carry trades) and (2) the impact on CHF of a US tax break on repatriated earnings (the experience of the Homeland Investment Act suggests USD/CHF could be one of the biggest beneficiaries; see *Total FX*, 27 Jan 2017). The timing of the latter looks increasingly uncertain with the legislative calendar filling up faster than expected. In addition to tax and healthcare reform, the US Congress now has to address a DACA replacement bill as well as a debt ceiling debate in just three months' time. But with 14 months still to go until the 2018 mid-term elections, we still see a reasonable chance that the overseas earnings tax break gets passed – if only because it might be one of the easiest legislative 'wins' for a Congress that so far as almost nothing to show for its time. We keep a negative bias for CHF out to the end of our forecast horizon.

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 Aug (Jul)	**0.5% (0.3%)**
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 Q2 (Q1)	**0.3% (0.6%)**
Trend GDP %Y/Y	1.80%
EUR Purchasing Power Parity Value Jul	**1.2233**
EUR/CHF spot end-Aug	1.1418
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

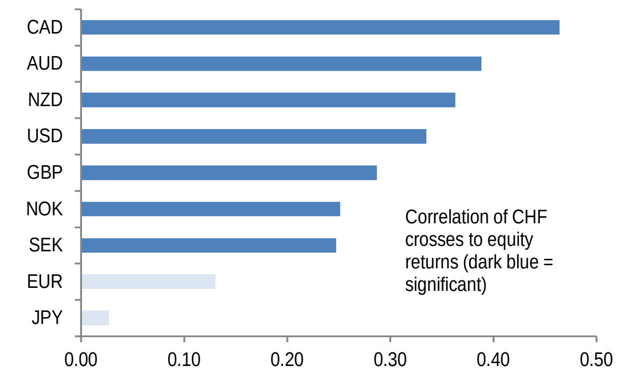
* Current is latest month, quarter or year

1. EUR/CHF turnover has normalized since late July



Source: RBC Capital Markets; Pew

2. CHF – Trading as haven against everything bar JPY, EUR



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	0.82	0.84	0.85	0.88	0.86	0.82

Source: RBC Capital Markets estimates

Swedish Krona

Elsa Lignos

1-3 Month Outlook – Riksbank sticking to its guns

SEK is one of the best-performing currencies globally in the last three months – second just behind CAD. But while in that time the BoC has delivered two rate hikes which were *entirely* unexpected three months ago, the Riksbank is sticking to its guns when it comes to monetary policy, fighting hard against further currency strength. It can be hard to understand when looking at the economic data. Activity is strong (though unemployment remains elevated, Q2 growth hit 4% again) and inflation is now above target (Figure 1). Domestically-generated measures of inflation are stronger still (see for example services inflation in Figure 2, also hitting 4%). But while the central bank acknowledged inflation "has been stronger than expected" even when disregarding "temporary factors", it left its repo rate outlook unchanged at its September meeting and it is not forecasting the policy rate to turn positive until Q3 2019. The Riksbank makes clear in its view it is "important…that the krona exchange rate does not appreciate too quickly". So on one side there is a central bank, willing to stretch its credibility to claim rates have to remain negative, even with growth at 4% and inflation at 2%; on the other are investors who see Sweden as an obvious candidate for rapid policy normalisation and SEK as the obvious beneficiary. For now we still expect the central bank to win. Long SEK positioning is crowded and its status as a low-yielding risk proxy still makes it a good funding currency for higher-yielding currencies. Previous SEK attempts to break higher (e.g. November to early Feb) ran out of steam as the central bank refused to change its policy outlook. We think something similar may happen in the next 1-3 months.

6-12 Month Outlook – Eventual SEK recovery

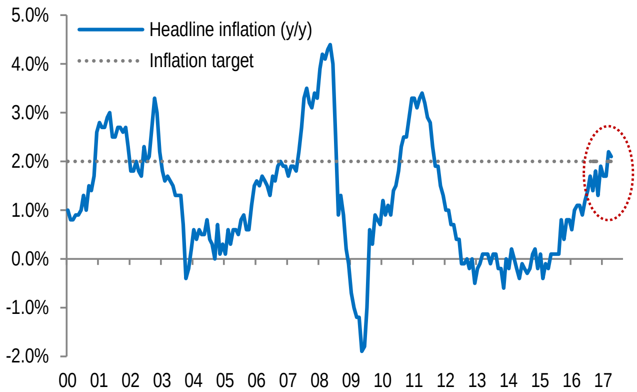
Governor Ingves' term ends in January 2018 but there is no guarantee that his successor will be much more hawkish. The favourite is former Deputy Governor Ekholm (who was more dovish than Ingves during her Riksbank tenure). But as we get closer to the point where the Riksbank is finally forced to raise rates, we look for SEK to rebound from deeply undervalued levels. We have left our forecasts unchanged this month.

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 Aug (Jul)	**2.1% (2.2%)**
Inflation target (UND1X)	2.0%
Budget balance % GDP FY16 (FY15)	**-0.6% (0.2%)**
Budget balance target % GDP	Cyclical average surplus of 1%
GDP Growth %Y/Y Q2 (Q1)	**4.0% (2.3%)**
Trend GDP %Y/Y	2.0%
EUR Purchasing Power Parity Value Jul	**8.8429**
Spot end-Aug	9.4553
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

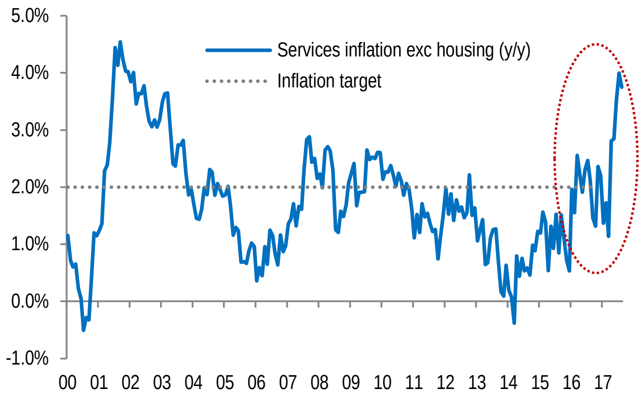
* Current is latest month, quarter or year

1. Headline inflation now above target



Source: RBC Capital Markets; Haver

2. Services inflation is skyrocketing



Source: RBC Capital Markets; Haver

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	1.02	1.05	1.04	1.04	1.04	1.04
CAD/SEK	6.74	6.51	6.77	6.55	6.36	6.51	6.39	6.16

Source: RBC Capital Markets estimates

Norwegian Krone

Adam Cole

1-3 Month Outlook – EUR/NOK breaks lower

As crude prices have settled into a range over the summer, so has EUR/NOK, with recent moves confined to a relatively narrow 9.20-9.40 corridor and the pair remaining in that range as the electorate returned the incumbent centre-right government for a second term in the September 11 general election. This was the first right-of-centre government in Norway ever to win re-election and the outcome is widely seen as a disaster for the once-dominant Labour party. Nonetheless, there are question marks over whether the new government can survive a full four year term (the coalition is a very broad one) and it is anyway unlikely to result in a material change in direction for policy. So markets' attention will return quickly to oil prices and domestic cyclical drivers as determinants of NOK direction.

The recent background has been quite neutral, but data flow in the coming weeks should determine whether EUR/NOK breaks sustainably to the upside or downside and we still favour the latter. Although core inflation has softened a lot over the last six months (now just 0.9% y/y), activity data remain solid and Norway remains a monetary normalisation candidate with an extremely loose policy stance. Mainland GDP grew 0.7% in Q2 – matching Q1's 3½ year high. More importantly, Norges Bank's forward-looking Regional Network Survey, to which the Bank attaches a lot of weight, softened slightly in September, but remained at a level consistent with above trend growth and a further narrowing of the output gap. So although current inflation is weak, activity data and lead indicators still point to the next move in rates being up. The forward curve is skewed that way, but only very marginally so (Figure 1).

6-12 Month Outlook – Bouncing from undervaluation

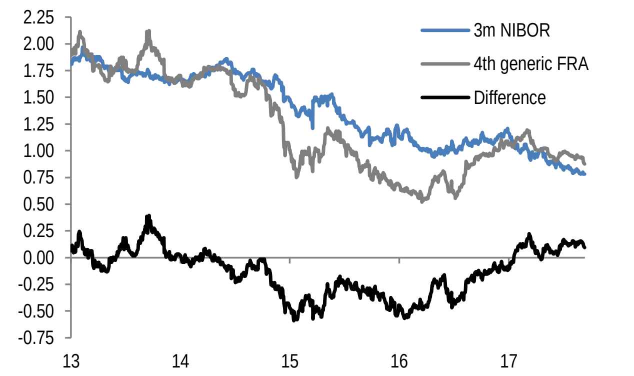
In real trade-weighted terms, NOK is not far from its 50yr low and on Norges Bank's preferred import-weighted I44 index, NOK is still 14% below its long-run average. While core inflation is subdued, Norges Bank looks for capacity utilization to normalise by 2020. We are cautiously constructive on the currency over a longer-term horizon and forecast EUR/NOK sub-9.00 in 2018.

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 Aug (Jul)	0.9% (1.2%)
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 Q2 (Q1)	**1.7% (1.4%)**
Trend GDP %q/q	0.6%
EUR Purchasing Power Parity Value Jul	**8.7668**
Spot end-Aug	9.2436
PPP Valuation	EUR/NOK is overvalued
Current a/c balance % GDP Q2 (Q1)	4.3% (3.9%)
Trend current account balance % GDP	10.0%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

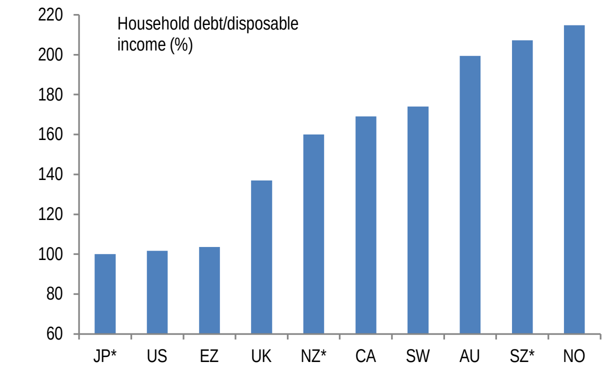
* Current is latest month, quarter or year

1. Forward curve barely positive



Source: RBC Capital Markets, Bloomberg

2. Norwegian households are highly leveraged



Source: RBC Capital Markets; Bloomberg

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/NOK	8.59	8.35	8.02	7.77	7.80	7.92	7.78	7.50
EUR/NOK	9.15	9.54	9.30	8.70	8.50	8.40	8.40	8.40
NOK/SEK	1.04	1.01	1.02	1.05	1.04	1.04	1.04	1.04
CAD/NOK	6.45	6.44	6.63	6.26	6.14	6.29	6.17	5.95

Source: RBC Capital Markets estimates

Canadian Dollar

George Davis

1-3 Month Outlook – No rest for the BoC

Although USD/CAD underwent a correction to 1.2778 in the first half of August, the rally was short-lived and the pair ended the month closer to 1.2500 as key data releases continued to point to above potential growth. June retail sales registered their fourth consecutive monthly gain, with volumes running at a 7.8%y/y clip – the largest y/y increase since at least 2004. Moreover, the 4.5%q/q annualized print for Q2 GDP was not only above the Bank's 3.0% projection in the July MPR but the expansion was also broad-based and resulted in the fourth consecutive *quarter* of above potential growth (Figure 1). This prompted the BoC to raise rates by 25 bp at their September 6 meeting, taking the market by surprise as it had only attached ~30% probability to such a move. The Bank's actions indicate that they are very focused on the amount of slack in the economy and that their projections in the upcoming October MPR will show that the economy may be near full capacity in Q4. While they indicated that further rate moves are not "pre-determined" and that they will be guided by incoming economic data and financial market developments, the current momentum has caused us to raise our 2017 growth forecast to 3.1% from 2.6%, with 2018 growth expected to moderate to a slightly above potential 2.2% pace. As such, we look for the BoC to hike again at their October meeting before pausing through Q1 of next year. While this should keep USD/CAD near 1.21 to end Q3, we do see the scope for a correction toward 1.24 to end the year as we expect the Fed to raise rates by 25 bp in December and this outcome is currently underpriced in the market. Risks emanating from NAFTA renegotiations may also come to the fore into year end.

6-12 Month Outlook – Nuanced rate differentials

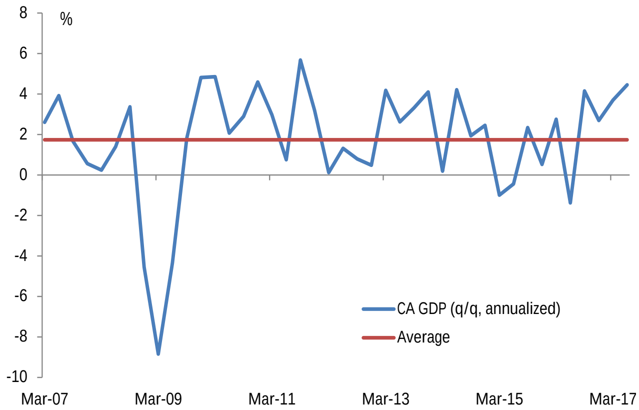
Interest rate differentials remain a key driver of our forecast profile in 2018, with USD/CAD expected to peak at 1.27 in Q1 as the Fed hikes again while the BoC holds steady. With the BoC expected to match the Fed with 25 bp moves from Q2 through Q4, rate differentials will remain relatively stable and cause USD/CAD to trade with a neutral profile around 1.26. Inflation will be a key consideration through 2018 as well, with the BoC looking for core inflation to move back toward their 2% target in the middle of the year (Figure 2). The lack of a sustained move higher in inflation would represent a key risk to interest rate expectations.

Indicators

	Current (Previous)*
Official cash rate	**1.00% (0.75%)**
Trend interest rates 10y average	1.10%
Bias in interest rate market	Higher
Core CPI Inflation (Trim) %Y/Y July (June)	**1.3% (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 Q2 (Q1)	**4.5% (3.7%)**
Trend GDP %Q/Q	1.72%
Purchasing Power Parity Value Jul	**1.2405**
Spot end-Aug	1.2481
PPP Valuation	USD/CAD is slightly overvalued
Current account balance % GDP Q2 (Q1)	**-2.9% (-3.0%)**
Trend current account balance % GDP	-2.39%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

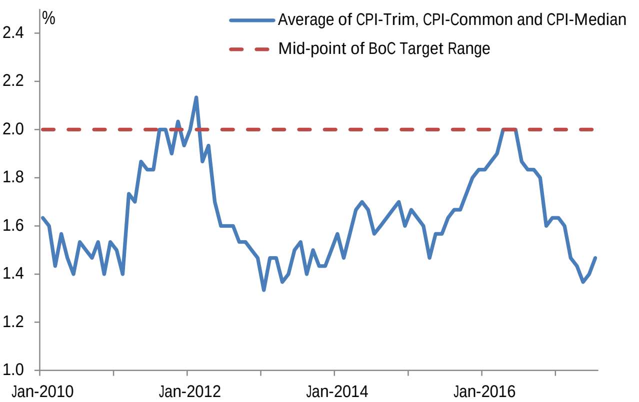
* Current is latest month, quarter or year

1. Strong rebound in GDP growth since Q2 2016



Source: Bloomberg, RBC Capital Markets

2. Core inflation measures attempting to stabilize



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

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CAD	1.33	1.30	1.21	1.24	1.27	1.26	1.26	1.26
EUR/CAD	1.42	1.48	1.40	1.39	1.38	1.34	1.36	1.41
CAD/JPY	83.7	86.7	88.4	83.1	78.7	81.0	82.5	84.1

Source: RBC Capital Markets estimates

Australian Dollar

Adam Cole

1-3 Month Outlook – Monitoring rate dynamic

Although lower against G10's star-performer CAD, AUD has otherwise performed strongly over the last month. We noted repeatedly how the underlying demand for AUD was being driven by demand for outright yield (carry) that is a natural consequence of low volatility and low global yields, but relatively wide yields spreads (Figure 1). Despite what looked like more sustained periods of risk aversion related to North Korea, this has ultimately not changed. Beyond this ongoing demand for yield however, in recent weeks, AUD has also had a positive yield *dynamic*. Although the gap in Figure 2 remains wide, it has stopped widening as rate spreads and AUD have risen together. Higher rate expectations have been driven by a run of firm activity data, culminating in Q2 GDP of 0.8% q/q and, more importantly, signals from the RBA that the next move in rates will be up, albeit not for some time. At his Semi Annual Testimony on Monetary Policy Governor Lowe remained squarely focused on the labour market, suggesting this is where to look for signs that the risk of an earlier hike is growing. Specifically, our economists read recent comments as signalling that a break out of the broad 5½-6% range that has prevailed over the last two years for the unemployment rate on a sustained basis is likely to shift the bank's policy bias from neutral to tightening (current rate 5.6%). Whilst recognising that this challenges their current view that rates are on hold to at least end-2018, for the time being, that remains their view. As such, we think the positive rate dynamic for AUD has probably run its course in the absence of materially firmer labour market data. Our forecasts continue to show AUD/USD stuck around the top of the recent 0.75-0.80 trading range in the short-term.

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

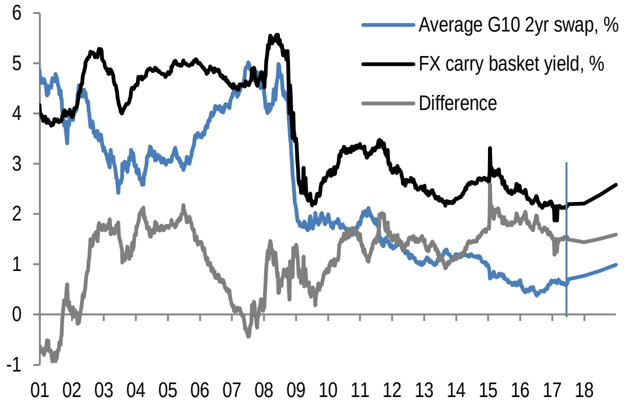
Longer-term the risks build up for AUD. China's window-dressing is less likely to continue after the October National Congress. Our Asia strategist has highlighted the underlying risks in Chinese housing and construction (see *Total FX*, 4 Aug 2017), which has been a big source of demand for AU iron 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 this month.

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 Q2 (Q1)	**1.8% (1.8%)**
Trend GDP %Y/Y	2.8%
Purchasing Power Parity Value Q2	**0.7328**
Spot end-Aug	0.7947
PPP Valuation	AUD/USD is overvalued
Current account balance % GDP Q2 (Q1)	**-2.1% (-1.1)**
Trend current account balance % GDP	-4.4%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

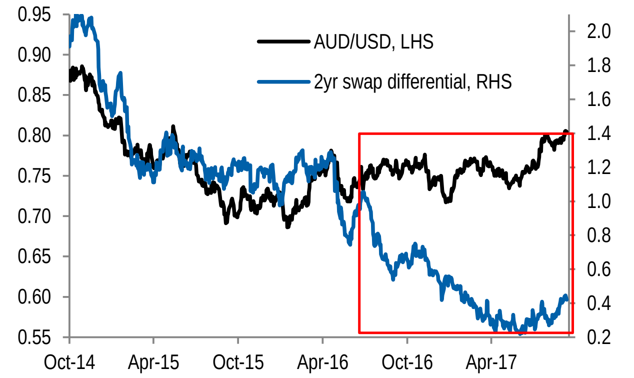
* Current is latest month, quarter or year

1. Appetite for carry has supported AUD...



Source: Bloomberg, RBC Capital Markets

2. ...even when the rate dynamic was negative



Source: RBC Capital Markets, Bloomberg

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	1.08	1.07	1.07	1.06	1.06	1.06
AUD/CAD	1.02	1.00	0.97	0.99	0.98	0.93	0.92	0.92

Source: RBC Capital Markets estimates

New Zealand Dollar

Elsa Lignos

1-3 Month Outlook – Election risk and new Governor

NZD is the single worst-performing currency over the past month. Many put it down to the election campaign. Since Jacinda Ardern took over as leader of the opposition Labour Party on 1 Aug 2017, Labour has dramatically narrowed the gap in the polls, now jumping ahead of National, in a rolling poll of polls (Figure 1). That introduces fiscal policy uncertainty (Labour favours higher spending and taxes) and added monetary policy uncertainty; Governor Wheeler steps down on September 26 and will be replaced by Deputy Governor Spencer for 6 months to give the next government "time to make a decision on the appointment of a permanent governor". Labour has also proposed changing the RBNZ's charter, expanding it to a dual inflation/unemployment mandate akin to the Fed. But NZD bearishness on election fears appears overdone. Though NZ unemployment is still elevated at 4.8%, and in theory that could mean easier policy under a dual mandate, the RBNZ already has a flexible inflation-targeting mandate. The forward curve is not pricing in a full hike until Q4 2018, so there is little to price out. Labour's fiscal stance is also much more expansive than National's. Debt/GDP is low enough (34%) that NZ is more likely to fall in the camp where fiscal expansion is currency-positive (through less need for easy monetary policy) than negative (through fiscal sustainability fears). Technically, AUD/NZD is testing the uptrend that has guided the last six weeks of its rally. Support comes in at 1.0950-1.1000 followed by 1.0850. NZD/USD appears to be breaking higher after selling off 5.7% in August. Support is at 0.7200 followed by the 200dma at 0.7135.

6-12 Month Outlook – Still G10's highest yielder

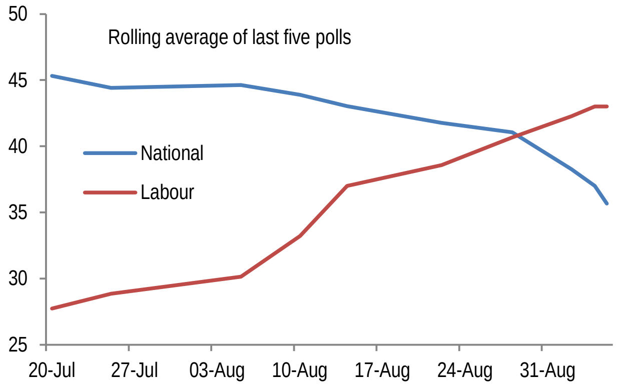
In his last public speech, outgoing RBNZ Governor Wheeler reiterated that "a lower New Zealand dollar is needed" to "increase tradables inflation and help deliver more balanced growth". Is the RBNZ justified and can it do anything about it? NZD remains overvalued relative to its long-run REER (Figure 2) and the RBNZ has a mandate to use FX intervention as a policy instrument, but the hurdle will be higher for big policy decisions under an interim governor (Grant Spencer will take an acting governor role for six months). There is a high degree of uncertainty at the moment given the upcoming election. Our long-term forecasts are unchanged this month pending more clarity on the new government and governor.

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 Q2 (Q1)	**1.7% (2.2%)**
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-Aug	0.7178
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

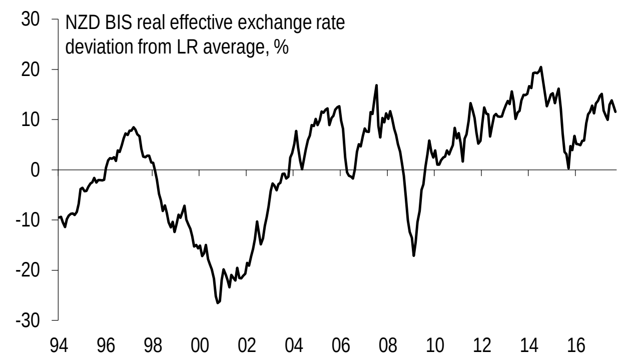
* Current is latest month, quarter or year

1. Labour has surged in polls as election day nears



Source: RBC Capital markets, national polling agencies

2. NZD still significantly overvalued



Source: RBC Capital Markets; Bloomberg

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
NZD/USD	0.70	0.73	0.74	0.75	0.72	0.70	0.69	0.69
EUR/NZD	1.52	1.56	1.57	1.49	1.51	1.51	1.57	1.62
AUD/NZD	1.09	1.05	1.08	1.07	1.07	1.06	1.06	1.06
NZD/CAD	0.93	0.95	0.90	0.93	0.91	0.88	0.87	0.87

Source: RBC Capital Markets estimates

Chinese Yuan

Sue Trinh

1-3 Month Outlook – A turning point?

CNY/H has been the strongest performer in the region since the start of August, registering gains of 3% (CNY) and 2.9% (CNH) against USD, hitting levels last seen in May 2016. Sharply lower USD/CNY central parity fixings have now taken the CNY Trade Weighted Index back to pre-US election levels and USD/CNY back to the 6.50 level cited by the PBC as a “totally possible target” - just in time for the 19th Party Congress to be held on 18 October. However, the PBC was seen in late August and early September intervening in USD/CNY on the right hand side (*buying* USD/CNY). In line with this, FX reserve accumulation turned from flat/net negative on a monthly basis since March (cumulatively: -USD18bn) to net positive (USD10bn) in August (September data are not yet released). Meantime, capital outflows from China hit USD22.7bn in July, the largest outflow since February. Taken together, the evidence suggests the USD/CNY(H) downtrend could be at a turning point. Consistent with that, we have been of the view that window dressing into the National Party Congress is likely to come to an end after the pomp and ceremony. We will also be keenly watching the NPC 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 negative implications for Chinese structural reform.

6-12 Month Outlook – Consensus too complacent

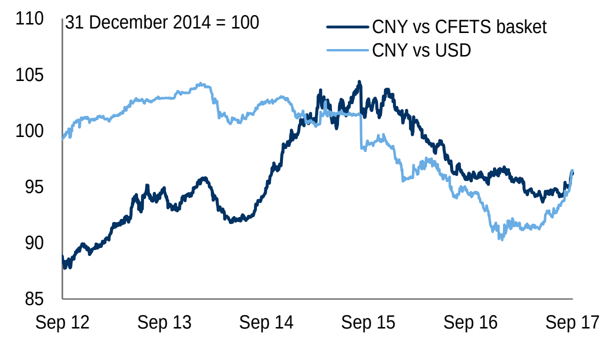
Recent efforts to deleverage the corporate sector have had unintended negative consequences. Famously thrifty Chinese households are saving less and binging on debt, shouldering more and more of the corporate debt burden while the government’s budget deficit is estimated to be upwards of 12.6% of GDP, 3.3%pts wider than the IMF previously forecast. Economy-wide leverage is still increasing sharply. We are skeptical China can achieve the goal of deleveraging the economy while maintaining economic growth. Recent Chinese economic growth upgrades are simply a reflection of higher leverage in the economy. 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).

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)	**1.4% (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	**8.1%**
Spot end-August	6.5901
FX Valuation	Overvalued
Current account balance % GDP last (prev)	**1.4% (1.5%)**
Trend current account balance % GDP	4.1
Moody's Foreign Currency Rating	**A1**
Outlook	Stable

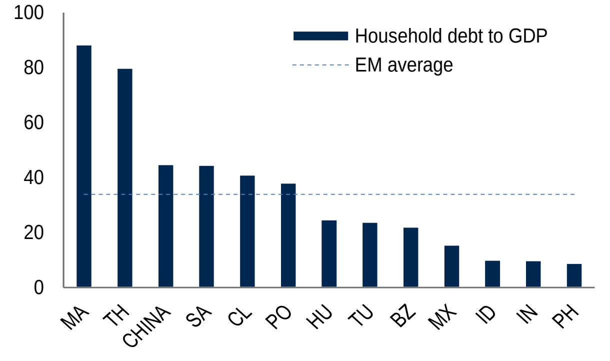
* Current is latest month, quarter or year

1. CNY to pre-US election levels, USD/CNY at PBC target



Source: RBC Capital Markets; CEIC

2. China household debt to GDP above EM average



Source: RBC Capital Markets; CEIC

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	5.79	5.81	5.83	5.95	6.03	6.11

Source: RBC Capital Markets estimates

Indian Rupee

Sue Trinh

1-3 Month Outlook – Lingering risk of RBI cuts

Point to point, INR was little changed in August. USD/INR has rallied, however, from a new 2-year low just under 63.60 (which was prompted by the smaller than expected RBI rate cut on 2 August) to a 1-month high around 64.3 after weaker than expected Q2 GDP (5.7%y/y, cons: 6.5%, previous: 6.1%), dovish comments from the FinMin suggesting more rate cuts to come, increased reserve accumulation by the RBI and ongoing geopolitical tensions with China.

We argued the RBI should have cut by 50bps in early August and risked falling behind the curve amid strong disinflationary pressure. Subsequent comments from the Indian Finance Minister support our view. FinMin Jaitley said CPI inflation is likely to be below the RBI's target of 4% by March 2018, that there was downside risk to the 2017/18 GDP growth forecast of 6.75-7.5%y/y and that there was considerable scope for monetary easing because the current repo rate is 25-75bps above neutral. Finally, RBI has stepped up its FX intervention since May. Between January to June, RBI's total spot FX purchases sum to USD13.2bn, with USD8bn across May and June alone. FX reserves hit a new record of USD370.8bn in August. The RBI has previously stated that a 5% appreciation in the INR leads to a 10-15bps decline in headline inflation.

With real interest rates still far too elevated relative to target, the risk of another rate cut of at least 25bps lingers. 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.

6-12 Month Outlook – Constructive; Geopolitics key

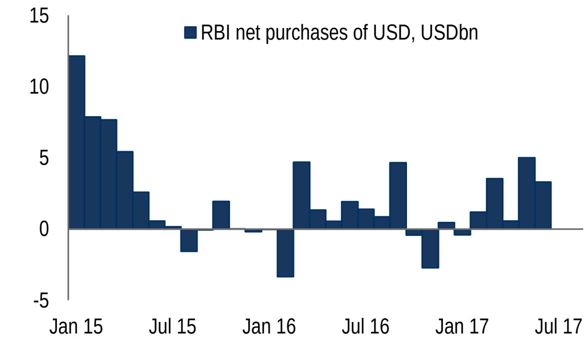
We expect INR to be one of the region's outperformers on a relative basis. Since 2013, India has accumulated the most FX reserves in the region and its balance of payments position provides a decent buffer from rising USD and rising US interest rates. A major risk to this view is geopolitical. While China and India may have agreed to disengage at Doklam, how Asia's two rising powers manage their mutual distrust is key.

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)	**2.36% (1.54%)**
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)	5.7% (6.1%)
Trend GDP %y/y	6.4
RBC-POLAR misalignment	**1.3%**
Spot end-August	63.9
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

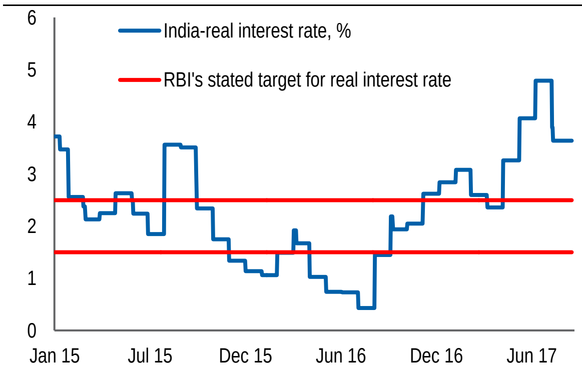
* Current is latest month, quarter or year

1. Stepping up reserve accumulation



Source: RBC Capital Markets; RBI, Bloomberg

2. Real interest rates are far too high



Source: RBC Capital Markets; RBI, Bloomberg

Forecasts

Source: RBC Capital Markets estimates

South Korean Won

Sue Trinh

1-3 Month Outlook – North Korea overshadows domestic data

KRW was one of the worst-performing currencies in August. Relatively encouraging domestic data was overshadowed by the increasingly bellicose North Korea.

Over the month, North Korea threatened to fire a missile at Guam, launched a missile over Japan and conducted a sixth nuclear test said to be five to six times as powerful as its previous nuclear test, hours after claiming to have developed a hydrogen bomb that could be loaded into a long-range missile. The latest escalation coincides with the implementation of recent UN sanctions against NK (which come into force on 4 September) and the BRICS Summit held in Xiamen, China (September 3-5). More launches were expected around NK Foundation Day on 9 September but nothing has materialised so far.

The UN threatens to levy more trade sanctions. China, however, serves as North Korea's economic lifeline, providing revenue sources from a vast array of legitimate and covert networks for trade and procurement. Thus, the only game changer is if China is compelled to apply punitive sanctions such as an embargo on its oil exports to North Korea. As yet, China is loathe to take such a step because it could catalyse a North Korean collapse. The US is loathe to act unilaterally in sanctioning Chinese entities doing business with North Korea in violation of UN sanctions because it could catalyse a broader trade war between the US and China.

6-12 Month Outlook – Continued pressure

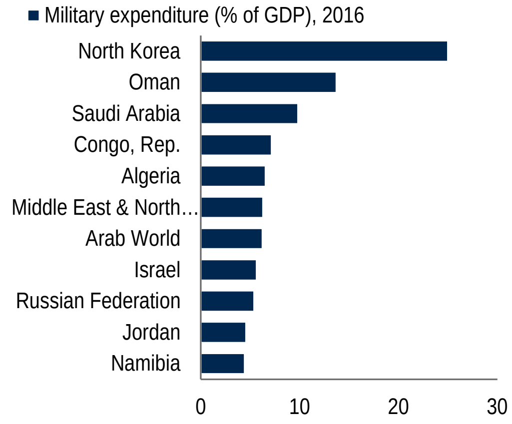
KRW remains one of the region's most efficient funding currencies due to its relatively lower yield/low volatility combination and its relatively high exposure to China also leaves it vulnerable. The perception that KRW will be sold off on any increase in regional security threats will keep KRW under 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 eventual 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)	**2.6% (2.2%)**
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% (2.7%)
Trend GDP %y/y	4.1
RBC-POLAR misalignment	**1.3%**
Spot end-August	1124.80
FX Valuation	Overvalued
Current account balance % GDP last (prev)	**5.7% (6.4)**
Trend current account balance % GDP	3.1%
Moody's Foreign Currency Rating	**Aa2**
Outlook	Stable

* Current is latest month, quarter or year

1. North Korea the world leader in military spending



Source: RBC Capital Markets, Bloomberg

2. South Korea FDI 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	942	935	929	944	960	992

Source: RBC Capital Markets estimates

Indonesian Rupiah

Sue Trinh

1-3 Month Outlook – BI to wait and see after rate cut

IDR was little changed in August, despite BI resuming its easing cycle by cutting its benchmark 7-day reverse repo rate by 25bps to 4.5% on 22 August. This was the first cut since October. Consensus had expected an unchanged decision, though a small minority, RBC included, saw the risk of a rate cut at that juncture. We argued last month that slowing growth, low inflation and higher real interest rates justified another rate cut.

BI follows in the footsteps of regional counterparts SBV and RBI in restarting its easing cycle in recent months amid low inflation. A stable IDR and receding Fed rate hike expectations also allayed BI concerns a rate cut would spur disorderly outflows.

IDR has also been hurt by expectations CPI inflation will average below BI's forecast of 3.5% on average in 2018 as the government indicated it has no plan to raise administered prices next year. Much will depend on the trajectory of crude oil. And while Indonesia's economy is growing at 5.01%, it falls short of President Widodo's 7% goal, set when he came into office three years ago. The government is projecting growth of 5.4% next year compared to 5% last year.

While the BI will maintain its easing bias, we don't think the BI will be in a hurry to deliver a follow-up rate cut at the next meeting (19 October). Rather, it will likely choose to sit on the sidelines and monitor the impact of the August rate cut over coming months. The likely implementation of macro-prudential policy to boost funding also supports a wait and see mode.

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

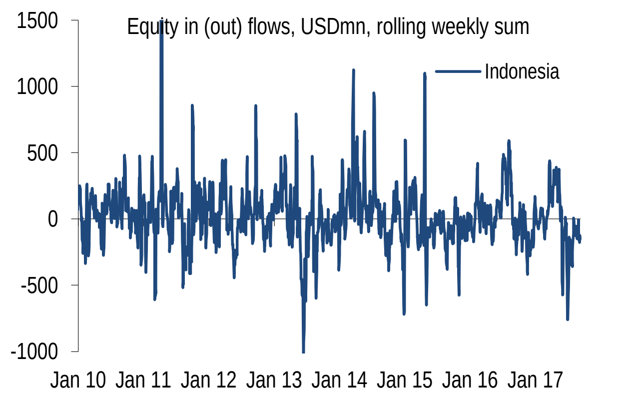
Investment is showing tentative signs of a much awaited pick-up in growth, lifting from 4.2% in June 2016 to 5.4% in June 2017. Admittedly, the pace of recovery has been disappointing, but nonetheless, the government's infrastructure program and reform agenda should help boost both the business environment and private investment. IDR stands to benefit over the longer term, particularly given its extreme underperformance of the region year to date. The low volatility environment should ensure a latent bid in IDR.

Indicators

	Current (Previous)*
Official cash rate (7d Reverse repo rate)	**4.50% (4.75%)**
Trend interest rates (10yr average)	-
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**3.82% (3.88%)**
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	**1.6%**
Spot end-August	13, 342
FX Valuation	Overvalued
Current account balance % GDP last (prev)	**-1.5% (-1.5%)**
Trend current account balance % GDP	-0.5
Moody's Foreign Currency Rating	**Baa3**
Outlook	Positive

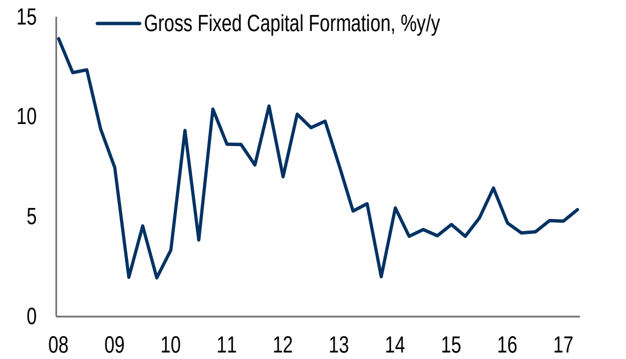
* Current is latest month, quarter or year

1. Net equity outflows recover



Source: RBC Capital Markets; Bloomberg

2. Long awaited investment pick-up in Indonesia



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	11074	10847	10630	10754	10794	10833

Source: RBC Capital Markets estimates

Singaporean Dollar

Sue Trinh

1-3 Month Outlook – MAS forecasts too optimistic

SGD was up modestly in August with gains of 0.5% against USD. It was a middle of the road performer within the Asian region, even as USD/SGD tested 1-year lows at 1.3500.

Domestic data was encouraging. Final Q2 GDP was stronger than the initial estimate (2.9%, consensus: 2.5%) and the government raised its growth forecast for 2017 from 1-3% to 2-3%. However, we are wary that government spending was the major driver of Singapore's growth in H1. There are downside risks to the MAS' expectation that external demand will underpin the economy this year. Net exports detracted from Q2 GDP and with China targeting slower industrial production of 6% and promoting deleveraging, Singapore's net exports may prove even weaker in H2 given Singapore's strong dependence on China demand.

We also think there are downside risks to domestic demand as the labour market is weaker than the MAS expects – employment contracted in both Q1 and Q2 for a total of 14.6k in the first consecutive quarterly contraction since 2009.

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. 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. Re-centering the SGD NEER to a lower level would allow more scope for currency depreciation, supporting domestic demand. Renewed easing in the region (eg., Bank Indonesia, Reserve Bank of India, State Bank of Vietnam) may give MAS the added confidence to ease monetary policy as early as October. We have an end-Q3 target for USD/SGD of 1.40.

6-12 Month Outlook–Growth momentum to falter

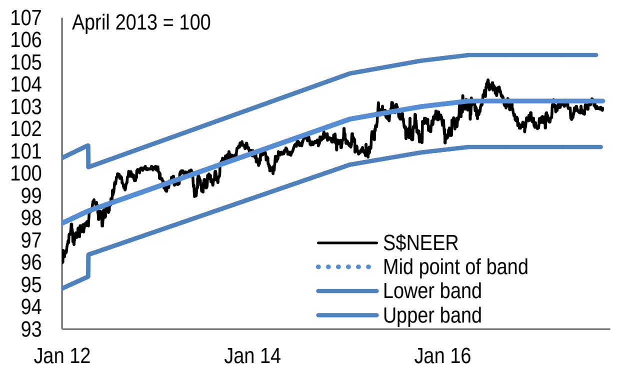
Any discussion of potential monetary tightening is premature while employment is contracting; the MAS has never tightened while employment has been negative. Worryingly, corporate loan growth slowed sharply from 10.5% in June to 7.4% in July, portending the peak in the business cycle.

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)	**0.6% (0.5%)**
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)	2.9% (2.5%)
Trend GDP %y/y	5.4
RBC-POLAR misalignment	**-0.1%**
Spot end-August	1.3574
FX Valuation	Fairly valued
Current account balance % GDP last (prev)	**19.6% (19.8%)**
Trend current account balance % GDP	20.1
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

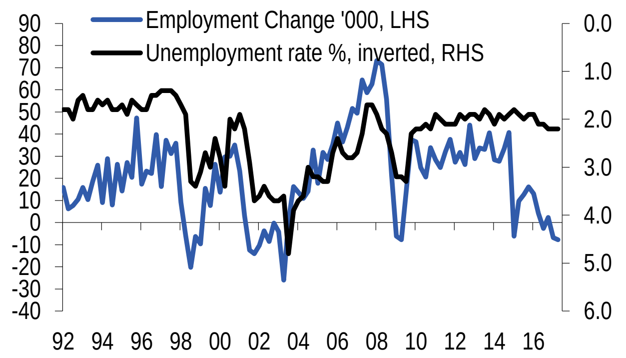
* Current is latest month, quarter or year

1. Room to move on the S$NEER



Source: RBC Capital Markets; Bloomberg

2. Labour market weaker again



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	1.16	1.14	1.12	1.15	1.15	1.16

Source: RBC Capital Markets estimates

Turkish Lira

Daria Parkhomenko

1-3 Month Outlook – Premature easing?

Despite risk aversion earlier in the month, TRY gained 1.9% vs. USD and outperformed many other EM currencies in August. We think this was mainly due to Turkey's attractive yield compared to elsewhere and USD weakness. In the near-term, TRY's status as a high-yielder poses a downside risk to our Q3 forecast (3.60), but by year-end, we still think USD/TRY can reach 3.65, as the temporary stimulus measures dissipate and CBRT begins to turn less hawkish.

Turkey has one of the highest yields in EM, and this is not likely to change with many other EM central banks already cutting. CBRT is likely to retain a tight stance through year-end and begin to soften its stance in early 2018. Market and survey-based inflation expectations remain high and have yet to show a significant decline to warrant an easier policy. Meanwhile, strong growth and economic confidence at a multi-year high have somewhat eased the pressure on the central bank to spur growth. But in early 2018, we think the central bank may begin to prematurely turn less hawkish. The special consumption tax cuts on certain items, introduced back in February to drive domestic demand, will expire at the end of September. Also, most of the Credit Guarantee Fund (TRY 250bn) to support loans to SMEs has been utilized. Unless the cuts are extended and/or the fund is increased, this raises the likelihood of political pressure on the CBRT to cut in order to sustain the growth momentum. The central bank may signal a more dovish stance by removing the phrase, "further monetary tightening will be delivered if needed" and reducing the amount and/or the rate at which it lends to other banks through the late liquidity window (12.25%). As we are more dovish than the market's expectation for ~25bp in hikes over the next nine months, TRY may weaken as the market increasingly discounts easing.

6-12 Month Outlook – USD/TRY at 3.90 by end-Q3 18

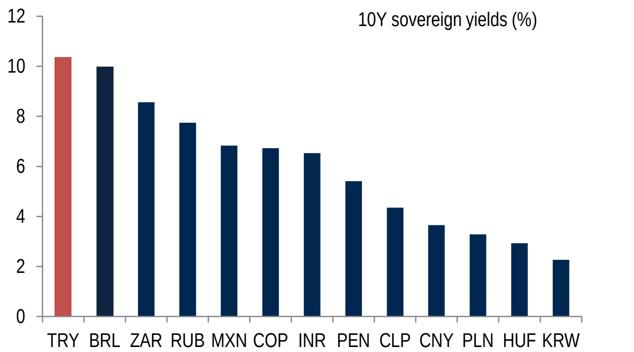
In the longer-term, USD/TRY is likely to trend higher as premature easing pushes real rates lower. Meanwhile, short-term external debt exceeds FX reserves. Turkey's "true" level of reserves is smaller than the headline figure, which includes the banking sector's required reserves held in FX. We estimate the "true" value is closer to ~USD38bn, which covers ~22% of short-term external debt (on a remaining maturity basis). Also, net foreign investment in Turkish government debt is at a 2.5-year high. This, along with its twin deficits make Turkey vulnerable to outflows in the face of risk aversion and geopolitical uncertainty.

Indicators

	Current (Previous)*
Official cash rate	**8.0 (8.0)**
Trend interest rates (historical average)	6.9
Bias in interest rate market	Hiking
CPI Inflation %Y/Y Aug (Jul)	**10.68 (9.79)**
Inflation target	5.00%
Budget balance % GDP 2016 (2015)	**-1.2 (-1.0)**
Budget balance trend % GDP	-1.9
GDP Growth % y/y Q2 (Q1)	5.1 (5.2)
Trend GDP %y/y	4.8
RBC-POLAR misalignment	**-9.0%**
Spot end-Aug	3.4529
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

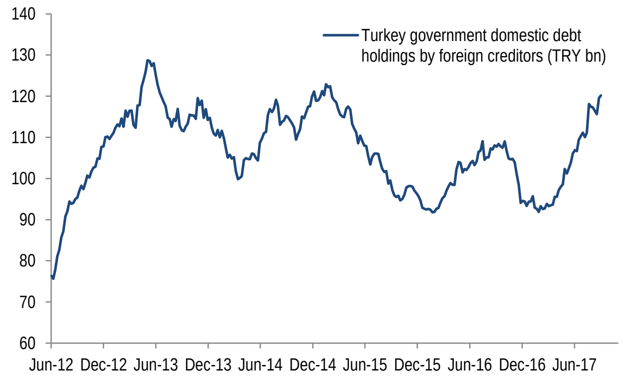
* Current is latest month, quarter or year

1. 10Y sovereign yield: Turkey remains a high-yielder



Source: Bloomberg, RBC Capital Markets

2. Foreign investment in Turkish govt debt at a 2.5yr high



Source: Bloomberg, 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 – Risk premium to rise

At the beginning of August, USD/ZAR rallied to a high of 13.5366 due to geopolitical uncertainty and Zuma surviving the no-confidence motion. Nonetheless, this rally was short-lived as Moody's decision to not review South Africa's rating and USD weakness pushed USD/ZAR below 13.00. In the near-term, we expect USD/ZAR to correct higher as political and policy uncertainty rises, posing downside risk to growth and increasing the risk of additional downgrades.

In our view, the market is underpricing domestic political risk. As shown in figure 1, South Africa's 5Y CDS has fallen below the level reached the day before speculation about Gordhan's removal began while the 1M implied vol for USD/ZAR is around the same level. Given this and our expectation for rising uncertainty, we think the hurdle for negative surprises has fallen, providing asymmetric risk to the upside for USD/ZAR. The main source of political and policy uncertainty is likely to be ANC's December conference, which will determine who replaces Zuma as the next president of the ANC and potentially South Africa. The stakes are high given the ANC's support has been declining; it fell below 50% in some key municipalities in 2016. Given the long-term importance of this event and the ongoing struggle within the ruling party, it is likely that leadership succession will take priority until the conference passes, putting policy consensus and structural growth reform on the backburner. A lack of progress on policies along with uncertainty about who wins the ANC conference may weigh on consumer and business confidence, inhibiting growth. Another source of uncertainty may be the Court's hearing on the 2017 Mining Charter in mid-September. If it is eventually implemented and/or the decision is pushed back, this is likely to be ZAR-negative. A risk to our view is that the market continues to focus on positive carry, discounting the uncertain domestic backdrop as "normal".

6-12 Month Outlook – USD/ZAR at 14.10 by end-2018

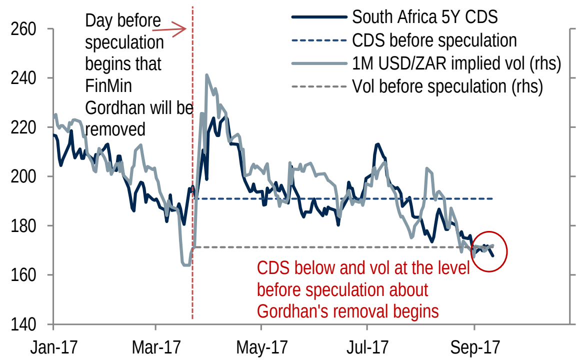
We think USD/ZAR will move higher as SARB's gradual easing erodes ZAR's positive carry. Meanwhile, rate cuts cannot replace the need for structural growth reform and policy clarity, against a backdrop where slack in the economy is high (unemployment at a 14 year high of 27.7%) and debt as % GDP is rising. Given the risk of further downgrades remains and FinMin Gigaba has stressed his commitment to fiscal consolidation, we will monitor the progress on his growth plan and the budget statement in October 2017.

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 Jul (Jun)	**4.6 (5.1)**
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 Q2 (Q1)	2.5 (-0.7)
Trend GDP %y/y	2.2
RBC-POLAR misalignment	**-7.9%**
Spot end-Aug	13.00
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

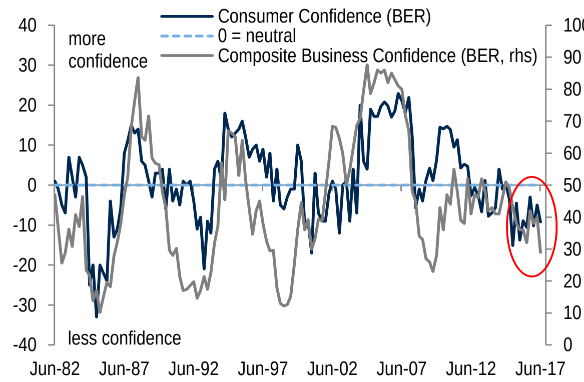
* Current is latest month, quarter or year

1. The market seems to have priced out political risk



Source: Bloomberg, RBC Capital Markets

2. Consumer and business confidence levels have 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

Polish Zloty

Daria Parkhomenko

1-3 Month Outlook – EUR/PLN at 4.23 by end-Q4

In August, EUR/PLN was little changed with geopolitical uncertainty and domestic politics weighing on PLN earlier in the month, while the announcement of the preliminary 2018 budget deficit (draft capped at PLN -41.5bn against PLN -59.3bn for 2017) supported PLN later in the month.

By year-end, we think EUR/PLN will slowly decline to 4.23 on the back of solid domestic data and a growth recovery in the EU, while political noise and NBP's neutral stance will cap significant PLN gains vs. EUR. The unemployment rate is falling and current/leading consumer confidence indices are rising, which may further support private consumption. NBP also expects investment to pick up after GFCF fell 0.4% y/y in Q1 17 and 7.9% in 2016, which may support growth.

On the political front, the European Commission (EC) has issued infringement procedures against Poland for not complying with the emergency relocation scheme and due to its judiciary reforms. If the proceedings are brought to the European Court of Justice (ECJ) and Poland does not comply, it may face financial penalties, which would be PLN-negative. The EC has also published a Rule of Law Recommendation in regards to Poland's judiciary reforms. If Article 7 is triggered, Poland may potentially lose its EU voting rights, but we assign a low probability to this. Before a vote on suspending Poland's rights takes place, unanimous support from all member states (excl. Poland) is required to "determine the existence of a serious and persistent breach" and Hungary is not likely to support this.

On monetary policy, NBP may stay neutral through year-end (in line with the market) with a hike in H2 2018 (prior: H1 2018). CPI inflation (core and HICP services y/y) is struggling to move higher and inflation expectations have edged a touch lower. Also, falling labor demand suggests wage growth may decelerate in the near term. This is supported by NBP's July survey, in which firms noted that "[d]espite the mounting difficulties in filling vacancies, no pressure to raise wages has been observed." Lastly, MPC members' rhetoric suggests the majority still favors a neutral stance. Thus, the NBP may stay sidelined for longer than we had previously expected, limiting PLN rallies.

6-12 Month Outlook – EUR/PLN lower

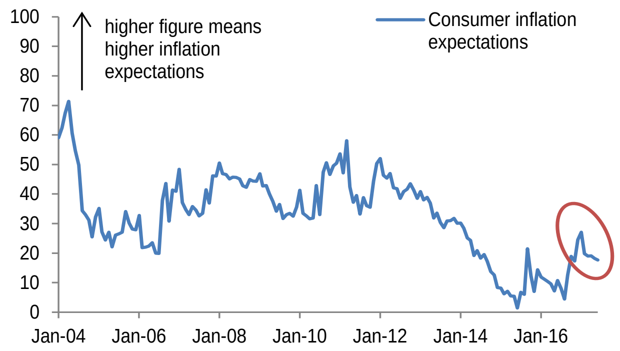
We expect monetary policy to push EUR/PLN lower. NBP is likely to start hiking in H2 2018 (market: 20bp hike by Q1 2019; BBG consensus: 40bp hike by end-2018), while the ECB is not likely to hike until 2019.

Indicators

	Current (Previous)*
Official cash rate	**1.5 (1.5)**
Trend interest rates (10yr average)	3.3
Bias in interest rate market	Neutral
CPI Inflation %Y/Y Aug (Jul)	**1.8 (1.7)**
Inflation target	2.5% (+/-1%)
Budget balance % GDP 2016 (2015)	**-2.4 (-2.6)**
Budget balance trend % GDP	-4.2
GDP Growth % y/y Q2 F (Q1)	3.9 (4.0)
Trend GDP %y/y	3.5
RBC-POLAR misalignment	**1.9%**
Spot (EUR/PLN)-Aug	4.2476
FX Valuation	Close to neutral
Current a/c balance % GDP Q1 (Q4)	**1.2 (0.0)**
Trend current account balance % GDP	-3.3
Moody's Foreign Currency Rating	**A2**
Outlook	Stable

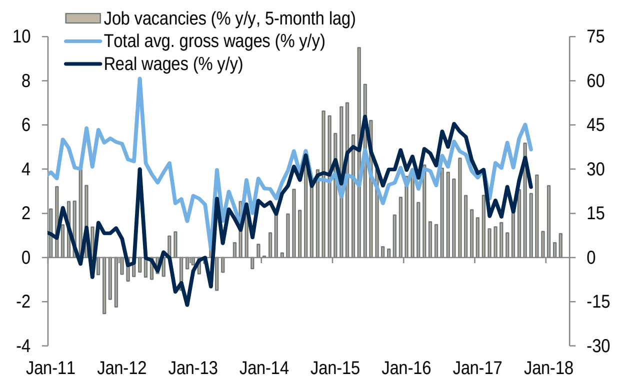
* Current is latest month, quarter or year

1. Inflation expectations have edged slightly lower



Source: National Bank of Poland, RBC Capital Markets

2. Wage growth may slow down, delaying NBP hikes



Source: Bloomberg, Central Statistical Office of Poland, RBC Capital Markets

Forecasts

	2017				2018			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/PLN	4.23	4.23	4.25	4.23	4.20	4.17	4.17	4.17
USD/PLN	3.97	3.70	3.66	3.78	3.85	3.93	3.86	3.72
GBP/PLN	4.99	4.82	4.78	4.55	4.47	4.63	4.79	4.91

Source: RBC Capital Markets estimates

Mexican Peso

Tania Escobedo Jacob

1-3 Month Outlook – All eyes on NAFTA

Risks around the NAFTA renegotiations kept USD/MXN fluctuating in a 17.58 – 17.98 range in August. MXN depreciated 0.5% vs USD in the month underperforming almost every other major EM currency, except for BRL and KRW (both down 0.7%). We think that at these levels and after a 16% selloff YTD, USD/MXN has priced out a big portion of the risk premium we saw at the beginning of the year and see a correction higher to levels above 18.00 in the coming weeks. After 2 "rounds" of NAFTA negotiations the most complicated topics haven't been discussed. The trade deficit between Mexico and the US, rules of origin, labor market regulations and potential changes to Chapter 19 (on trade disputes) are all still pending. Hence, we think the positive rhetoric from the three parties lack real substance and that it is unlikely that a final agreement can be reached this year. Delays and controversies will be MXN negative, even as changes to the treaty are likely to be modest in the end. The next meeting will take place in Ottawa, from September 23-27 and we expect a higher NAFTA-related risk premium incorporating into the prices as talks unfold. At this point we see a US withdrawal as a low probability event but underpriced nonetheless at current MXN levels. On monetary policy, we think inflation dynamics and relatively stable financial conditions on the back of a still benign external environment will allow the central bank to stay on hold at 7% throughout the rest of 2017, in line with consensus and market pricing. This outlook is conditional on inflation confirming the signs of stabilization seen in July and August and gradually decreasing in 4Q17. The main risk to our view of a higher USD/MXN in the short term is the continuation of the broad weakness of USD that has characterized the last couple of months. If USD/MXN fails to break the 18.05 resistance, initial support is located at 17.5886, a daily close below that level would indicate that the USD bears are back in control.

6-12 Month Outlook – Political Risk looms

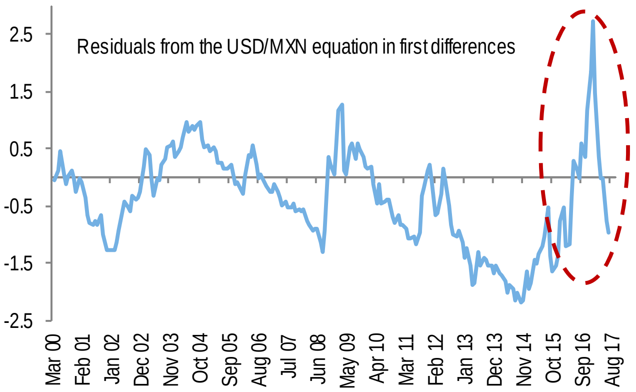
Longer term, the Presidential elections in Mexico (Jul 2018) will be the dominant event. The consolidation of the early leading contender, Lopez Obrador, should prove negative for MXN, since his left-leaning platform is likely to scale back some of the biggest reforms adopted by the current administration. In particular, the opening of the energy sector to private investment. We believe at this point there is too little political risk premium embedded in USD/MXN.

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

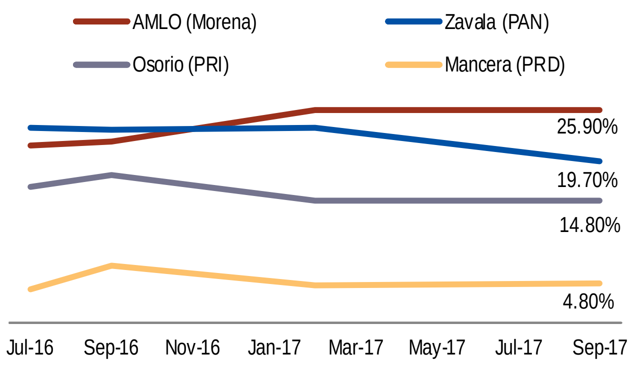
* Current is latest month, quarter or year

1. Our proxy for "Trump premium" has fallen fast



Source: RBC Capital Markets, Bloomberg.

2. Latest polls favour the left wing left wing candidate



Source: RBC Capital Markets, El Economista.

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	15.37	15.18	14.84	15.08	15.48	15.08

Source: RBC Capital Markets estimates

Brazilian Real

Tania Escobedo Jacob

1-3 Month Outlook – Politics & reforms

BRL (-0.7%) was one of the worst-performing EM currencies in August. Political uncertainty and increasing difficulties to comply with the government's fiscal targets offset the positive external scenario and left USD/BRL confined to a 3.11-3.25 range until the first days of September, when it broke the floor and closed at 3.10. From a technical perspective, the close below the 3.11 resistance clears the way to 3.08 and the 2017 low at 3.04 beyond that. That trajectory however, is conditional on a period of political stability that gives the government an opportunity to rebuild its fractured congressional base in order to have a credible possibility of passing some version of the pension reform this year; we see space for negative surprises there. First, the Prosecutor Genreral Janot has reiterated his intention to present additional charges against Temer before he leaves office on Sep 17. Though Congress will most likely dismiss the new charges, a new vote will inevitably result in a paralysis and delays in the legislative agenda. But even without the burden of new charges, strong disagreements within Congress – even inside the government's coalition – and the proximity of the 2018 electoral process will make it very difficult for the government to pass a meaningful reform in what's left of Temer's term. On monetary policy, after delivering its fourth consecutive 100 bps cut in Sep (from 9.25% to 8.25%) the BCB indicated that "a moderate reduction of the pace of monetary easing was appropriate" to gradually end the cycle. The last two moves of 2017 will depend on price dynamics, growth and the progress of structural reforms (market pricing -110 bps for Dec17). We leave our year-end target for USD/BRL at 3.30 on the back of political risks and also, a relatively less attractive carry profile.

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

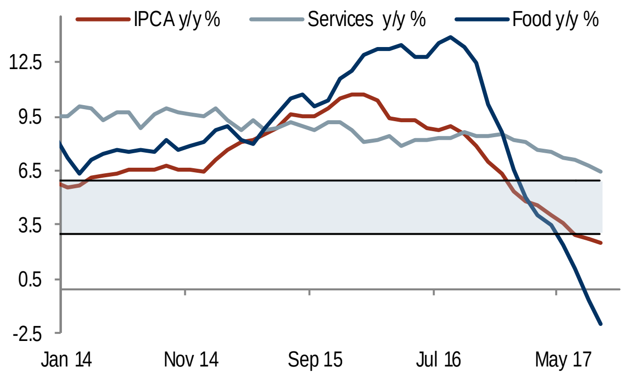
The progress of the ambitious privatization plans announced by the government in August will be key to boost revenues and narrow the distance to the fiscal targets of the next couple of years. If implementation is successful, the package will be positive for the fiscal accounts and will attract investments and improve productivity in several industries across the economy. There is a high risk, however, that given the rush of its design, the government plan will have to be revised as it unfolds. The timetable set by the govt is unlikely to be accomplished and results, though positive, are likely to fall short of what the administration is envisaging.

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

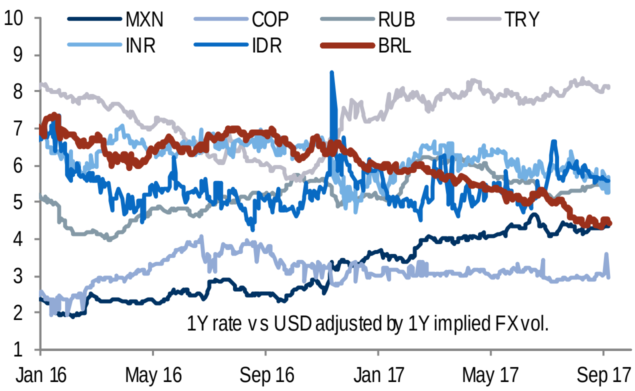
* Current is latest month, quarter or year

1. Inflation dynamics point to additional rate cuts from the BCB



Source: BCB, RBC Capital Markets

2. ...While BRL is relatively less attractive among high-yielders



Source: RBC Capital Markets, Bloomberg.

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	2.69	2.66	2.64	2.68	2.70	2.70

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	8.02	7.77	7.80	7.92	7.78	7.50
USD/CAD	1.33	1.30	1.21	1.24	1.27	1.26	1.26	1.26
AUD/USD	0.76	0.77	0.80	0.80	0.77	0.74	0.73	0.73
NZD/USD	0.70	0.73	0.74	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	9.30	8.70	8.50	8.40	8.40	8.40
EUR/CAD	1.42	1.48	1.40	1.39	1.38	1.34	1.36	1.41
EUR/AUD	1.40	1.49	1.45	1.40	1.42	1.43	1.48	1.53
EUR/NZD	1.52	1.56	1.57	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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