RBC Capital Markets

FX STRATEGY – PART OF FX SALES & TRADING

Currency Report Card

7 August 2018

Forecasts

August 2018

Three month forecast returns

Most bullish	Most bearish
IDR	MXN
NOK	CHF
TRY	GBP

Source: RBC Capital Markets

12 month forecast returns

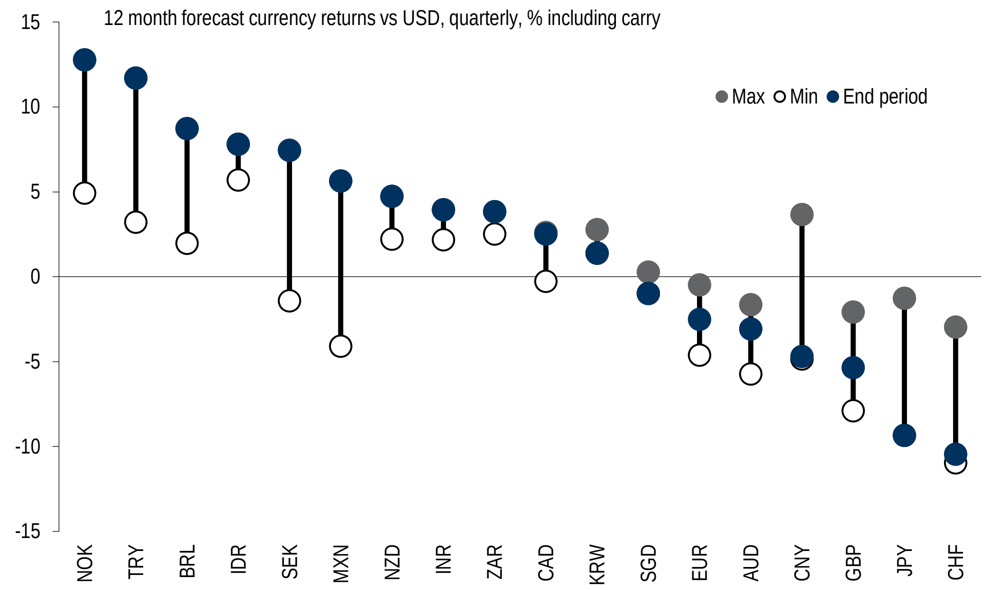
Most bullish	Most bearish
NOK	CHF
TRY	JPY
BRL	GBP

Source: RBC Capital Markets

Forecast revisions this month include:

USD/TRY: Profile revised higher. Q4 now 5.50 (4.65). Q2 2019 now 5.50 (4.75)

Carry still dominates forecast returns



Source: RBC Capital Markets

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US Dollar

Elsa Lignos

1-3 Month Outlook – Positive bias into year end

It has been a very quiet month for G10. Despite the headline noise, some USD pairs have seen their tightest ranges in years (NZD/USD hasn't had had a month this quiet since 2003). As September hits, a few key events will determine the next leg for USD. First up is Trump's decision on the next USD200bn of China tariffs, as well as s232 on autos. For the former, the public review period ends on August 30. After that point, we expect to see the US stepping up its actions. Markets have struggled to decide how to trade tariff stories, but we think the USD-positive side should win. While US tariffs on imports will squeeze margins and incomes, we think the inflationary impact will keep the Fed in play, despite the drag on growth. Corporates and households are in a better position to stomach the squeeze on the back of (1) the tax cuts and (2) higher savings. The outlook for households is looking much better after a huge upward revision to the personal savings rate in the Q2 GDP data (Figure 1). Savings as a % of income now sits at 6.8% (prev. closer to 3%) which means roughly USD600bn annualised extra cash flow for consumers.

The next leg up for USD is likely to come from a repricing of the forward curve for 2019. Right now markets are 90% priced for a September hike, and ~65% priced for another one in December. We have been looking for the Fed to deliver four hikes in 2018 since the start of the year so market pricing is finally not far from our expectations (Jan 19 FFF up 65bps since 1 Jan 2018). But RBC is also calling for four hikes next year (100bps) and markets are only discounting 40bps. We expect a similar repricing to keep USD supported through year end. Technically DXY is trapped in a sideways range (93.42/95.53) but we look for topside resolution (to 96.04).

6-12 Month Outlook – Twin deficits don't stack up

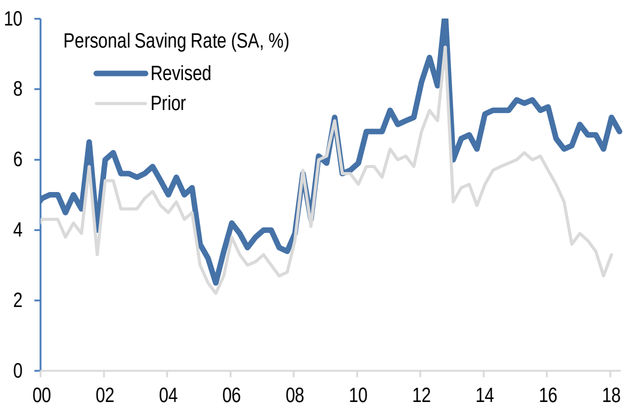
We find investors still holding on to a longer-term bearish USD view – many are hanging on to the idea that twin deficits will drive USD lower while some add an expectation of a US recession around the corner (forwards are pricing in a small chance of Fed *cuts* for 2020…). We have written extensively on why we think the twin deficit story is not a good reason to be bearish USD (see *Total FX*, 16 Feb 2018). A US recession would be a good reason, but the US economy appears more likely to keep growing for now, as monetary and fiscal policy remain easy, and households have room to re-lever. Underemployment is at a 17 year low and continues to improve faster than in the EZ/UK (Figure 2). We retain our constructive outlook for USD until there is actually early evidence of higher recessionary risk.

Indicators

	Current (Previous)*
Official cash rate	**1.75-2.00% (1.75-2.00%)**
Trend interest rates (10yr average)	1.9%
Bias in interest rate market	Rising
Core PCE Inflation %Y/Y Jun (May)	**1.9% (1.9%)**
Inflation target	Price stability
Budget balance % GDP FY17 (FY16)	**-3.4% (-3.1%)**
Budget balance target % GDP	-
GDP Growth % q/q SAAR Q2 (Q1)	4.1% (2.0%)
Trend GDP %y/y	2.5%
Purchasing Power Parity Value	**-**
Spot	-
PPP Valuation	-
Current account balance % GDP Q1 (Q4)	**-2.3% (-2.4%)**
Trend current account balance % GDP	-2.9%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

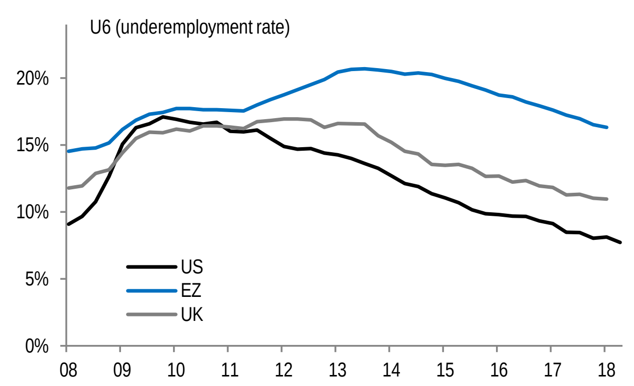
* Current is latest month, quarter or year

1. US savings rate was just revised substantially higher



Source: RBC Capital Markets US Economics; BEA

2. US underemployment has tumbled to a 17 year low



Source: RBC Capital Markets; Bloomberg

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.23	1.17	1.16	1.12	1.14	1.16	1.18	1.20
USD/JPY	106	111	112	115	117	119	122	125
USD/CAD	1.29	1.31	1.30	1.28	1.26	1.26	1.27	1.28

Source: RBC Capital Markets estimates

Euro

Elsa Lignos

1-3 Month Outlook – Ripe for a break lower

EUR/USD barely budged in July, but it has been threatening to break lower since the start of August. So far the 1.1500/1.18000 range has held. But the set-up reminds us of April/May. At the time EUR/USD had also spent 2+ months trading sideways (1.2150-1.2550), but then US data diverged from the rest of the world (see *Total FX: Giving context to the global ESI slowdown*, 20 April 2018). That helped prompt the break lower and EUR/USD has not looked back. With the US/EZ economic outlook diverging again, we think EUR/USD is looking ripe for another breakdown. The first estimate of Euro area Q2 GDP was in stark contrast to the US equivalent. At this stage there is no expenditure breakdown for the Euro area, but at a country-level, both France and Spain disappointed expectations. France was partly expected (strikes hitting activity in Q2), Spain was not. The downside surprise on Euro area Q2 GDP forms part of a wider trend in recent weeks. Almost every single release in the last month has been softer than the month before and most have also disappointed expectations (see *Total FX: Trend-only growth will weigh on EUR*, 3 Aug 2018). The ECB was originally looking for Q1 & Q2 to register growth above potential, reducing spare capacity and pushing inflation towards 2%. Instead it appears the Euro area only grew in line with trend in H1. Spare capacity has been on a downtrend for the last five years but trend-only growth is stalling that process. As unemployment has come down, so have estimates of NAIRU (Figure 1) leaving the two still perfectly in line. Trend-only growth is therefore 'bad news' for the ECB's target. Consensus forecasts are still bullish EUR/USD (end 2018: 1.18, end 2019: 1.26). We have kept our more bearish forecasts unchanged – looking for 1.12 by year end. Technically key support is at 1.1510, and it would take a break above 1.1830 to negate the bearish view.

6-12 Month Outlook – Rate gap widens

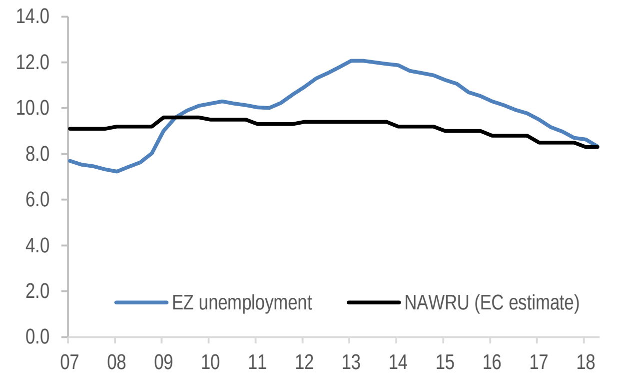
The longer that Euro area growth lags, the longer it will take for the ECB to narrow the rate differential with the Fed. 1y forward points for EUR/USD are still near the all-time high and we think are likely to break higher as the Fed continues to hike. It would take materially stronger inflation in the Euro area (or a weaker USD), neither of which is our call, in order to change our EUR/USD outlook. EZ populism and threats of EUR exit are still a tail risk (just one more thing to keep on the radar over the longer-term). Our 2019 forecasts are also unchanged.

Indicators

	Current (Previous)*
Official cash rate	**0.00% (0.05%)**
Trend interest rates 10y average	1.9%
Bias in interest rate market	Neutral
HICP core Inflation %Y/Y Jun (May)	**1.1% (1.2%)**
Inflation target	Close to but less than 2.0%
Budget balance % GDP FY17 (FY16)	**-0.9% (-1.5%)**
Budget balance target % GDP	3% of GDP-Unless special circumstances
GDP Growth %Y/Y Q2 (Q1)	**2.1% (2.5%)**
Trend GDP %y/y	1.5%
Purchasing Power Parity Value Jun	**1.2706**
Spot end-Jul	1.1692
PPP Valuation	EUR/USD is undervalued
Current account % GDP Q1 (Q4)	3.6% (3.5%)
Trend current account balance % GDP	0.3%
Moody's Foreign Currency Rating	**Aaa (Germany)**
Outlook	Stable

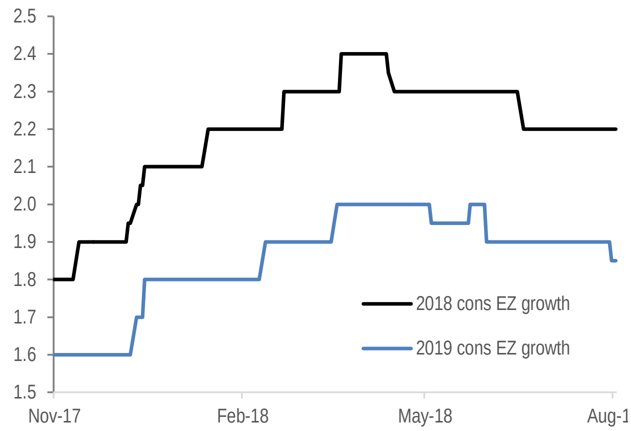
* Current is latest month, quarter or year

1. Estimated NAIRU tracking unemployment lower



Source: RBC Capital Markets; Haver, European Commission

2. Consensus EZ GDP expectations only marginally lower



Source: RBC Capital Markets; Bloomberg

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.23	1.17	1.16	1.12	1.14	1.16	1.18	1.20
EUR/JPY	131	129	130	129	133	138	144	150
EUR/CAD	1.59	1.53	1.51	1.43	1.44	1.46	1.50	1.54

Source: RBC Capital Markets estimates

Japanese Yen

Adam Cole

1-3 Month Outlook – No help from BoJ

Grinding JPY weakness through early July was arrested and reversed as speculation, led by local media reports, started to grow that the July 31 BoJ meeting may bring policy changes. Specifically, the policy of yield curve control (YCC), which many, ourselves included, would argue is no longer serving a useful purpose was said to be up for possible review. In the event, little changed. The BoJ maintained the 10yr yield target of "around zero", though acknowledged that there may be more short-term flexibility around that target, suggesting the current "hard" intervention limits of +10bp and -10bp may soften somewhat. It introduced an element of forward guidance, saying it would keep short and long rates "extremely low….for an extended period" and it tinkered with the composition of ETF purchases to make the policy more sustainable. In all, we are no closer to the BoJ signalling policy normalisation than we were ahead of the meeting and the latter two changes may even have pushed the prospect further into the future. Once again, the BoJ was forced to revise its CPI forecasts lower and they are now below the 2% target for the entire forecast horizon (Figure 1).

Whilst we are likely to return to the topic of BoJ normalisation periodically going forward, as a central expectation we think it is off the agenda for this year and probably next year also. For our core bearish-JPY view, this is useful support, but it was never a critical factor in turning us more negative on the currency back in April (see Total FX, April 27). That view is driven much more by a shift in Japanese investor behaviour that has Fed hikes at its root. As Figure 2 shows, the shift in hedged vs unhedged yields in UST (Japan's dominant foreign asset holding) is many times larger than the likely variation in JGB yields and should dominate asset allocation decisions as a result. A lack of viable alternatives to USTs will likely drive a significant reduction in hedge ratios going forward, turning domestic investors into sustained JPY sellers and driving USD/JPY higher for several quarters. Our USD/JPY forecasts are unchanged this month and we maintain a tactical strategy of buying dips in USD/JPY.

6-12 Month Outlook – JPY weakness extends

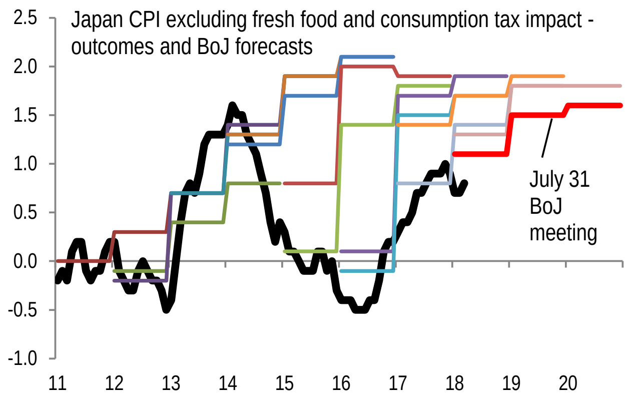
As we have argued before, in recent years, BOJ policy has largely worked though overseas investors and domestic investors are driven more by the Fed. Given our Fed forecast, JPY weakness dominates our medium-term view to a long-term target of 125 (also unchanged).

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)	**0.8% (0.7%)**
Inflation target	2.0%
Budget balance % GDP FY16 (FY15)	**-5.7% (-6.7%)**
Budget balance target % GDP	n/a
GDP Growth %Y/Y Q1 (Q4)	**1.1% (2.0%)**
Trend GDP %Y/Y	1.0%
Purchasing Power Parity Value Jun	**87.39**
Spot end-Jul	111.87
PPP Valuation	USD/JPY is overvalued
Current a/c balance % GDP Q1 (Q4)	4.0% (3.8%)
Trend current account balance % GDP	2.5%
Moody's Foreign Currency Rating	**A1**
Outlook	Stable

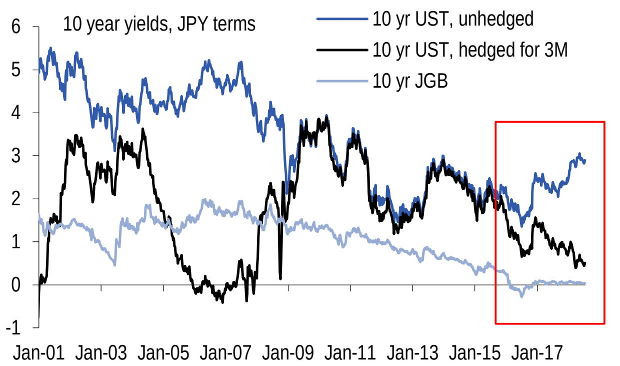
* Current is latest month, quarter or year

1. Inflation almost always below forecast



Source: RBC Capital Markets, Bloomberg, BoJ

2. Bigger things are happening outside JGBs



Source: RBC Capital Markets, Bloomberg

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/JPY	106	111	112	115	117	119	122	125
EUR/JPY	131	129	130	129	133	138	144	150
CAD/JPY	82	84	86	90	93	94	96	98

Source: RBC Capital Markets estimates

Sterling

Adam Cole

1-3 Month Outlook – Bias lower; fat tails

GBP's gently weakening trend, which set in in April, accelerated sharply in mid-July in what may well be a taste of things to come in the final few months of UK EU membership. The events that led GBP lower – a number of key Cabinet resignations, government concessions to both extremes of the Tory Brexit divide and a rising prospect that the next UK government is Labour-led – all highlight issues that will be in ever-sharper focus in the coming months. This is particularly so given that the BoE's second rate hike in this cycle is finally in the bag. Since we highlighted what we saw as inadequate risk premia in GBP vols (see Total FX, 28 June), GBP 1yr implied has moved from a discount to a premium to broad G10 vol (Figure 1). But that premium is still well within the range that has held since the referendum two years ago. We still think this understates the tail risk associated with either a no deal exit or further softening of the exit terms that takes the UK yet closer to remaining in the customs union. Perceived domestic political risk has also settled after a spike in mid-July when prediction markets briefly attached a greater than 50% probability to a general election in either 2018 or 2019. After a brief lull, domestic politics will be back in full swing as parliament reconvenes (Sept 4) and, although the Brexit timeline is mostly vague in the near-term, the next EU Council meeting (Oct 18-19), when both sides hope to reach a conclusion on UK exit terms, will become an increasingly important focal point. Given the fat tails and binary risks associated with external and domestic politics, central forecasts for GBP could be subject to material revision and we suggest trading GBP tactically to reflect this. That said, our central expectation for GBP remains moderately negative as the next UK rate hike (priced with certainty over the next year) remains in the balance.

6-12 Month Outlook – Unusually high uncertainty

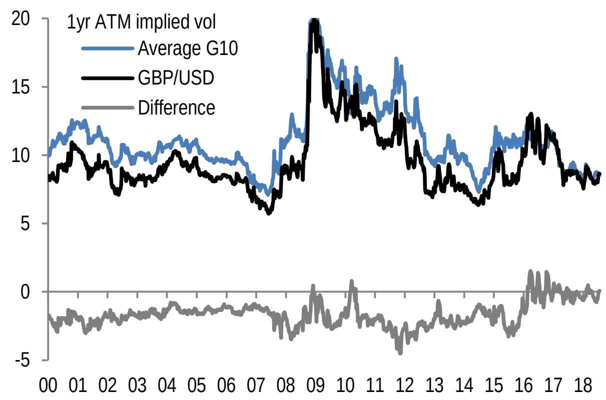
We have long been skeptical that the economic outlook and specifically the export outlook, will turn out to be as positive as the BoE's. But the longer-term outlook on GBP is more likely to be determined by the shape of Brexit, and at this stage it is hard to say whether that will end up with membership of the customs union (the most obvious way to resolve many of the issues with the Irish border) or in extremis, crashing out of the EU without a finalised plan for post-EU relations. We have left our long-term forecasts unchanged but as noted above in a short-term context, uncertainty around these numbers is unusually high.

Indicators

	Current (Previous)*
Official cash rate	**0.75% (0.50%)**
Trend interest rates 10y average	3.3%
Bias in interest rate market	Rising
CPI Inflation %Y/Y Jun (May)	**2.4% (2.4%)**
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 Q1 (Q4)	**1.2% (1.4%)**
Trend GDP %Y/Y	1.5%
Purchasing Power Parity Value Jun	**1.4743**
Spot end-Jul	1.3126
PPP Valuation	GBP/USD is undervalued
Current a/c balance % GDP Q1 (Q4)	-3.4% (-3.8%)
Trend current account balance % GDP	-4.1%
Moody's Foreign Currency Rating	**Aa1**
Outlook	Stable

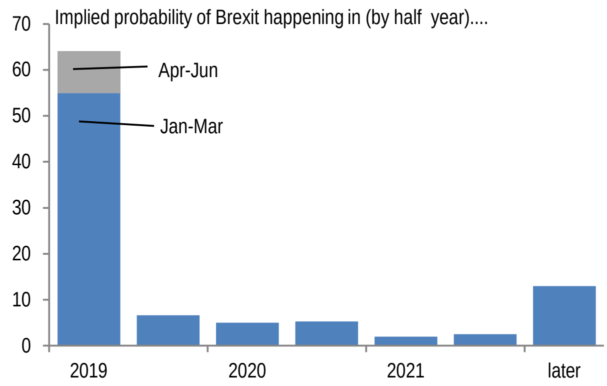
* Current is latest month, quarter or year

1. GBP vol premium creeping up



Source: RBC Capital Markets, Bloomberg

2. Implied probability of Brexit delay high



Source: RBC Capital Markets, Betfair

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
GBP/USD	1.40	1.32	1.27	1.20	1.23	1.25	1.27	1.29
EUR/GBP	0.88	0.88	0.91	0.93	0.93	0.93	0.93	0.93
GBP/JPY	149	146	143	138	143	148	155	161
GBP/CAD	1.81	1.74	1.66	1.54	1.54	1.57	1.61	1.65

Source: RBC Capital Markets estimates

Swiss Franc

Elsa Lignos

1-3 Month Outlook – Still a dull currency…

CHF remains one of the most boring currencies in G10, though now it has competition from others like AUD and NZD which are registering their narrowest ever monthly ranges against USD. Having tried to push above the 200dma in July, EUR/CHF quickly failed and is back to where it was in late June. The SNB's last meeting reinforced the view that the central bank is in no hurry to do absolutely anything. More recently SNB President Jordan has been repeating that "we believe that we still have room to lower rates further if necessary". Some of the factors that might make a central bank cautious about negative rates, do not appear to be causing problems for the SNB. Jordan notes that shortly after the introduction of negative rates, there was some increase in cash holdings, but cash growth is back to "normal levels". Even house prices, which had risen in an almost uninterrupted line since the financial crisis, now appear to be tapering off. In any case the SNB says it does not have the tools to deal with the build-up of risks in the property sector; it can make recommendations to the government or suggest banks adjust self-regulation.

Technically, USD/CHF is trapped in a sideways range between support at 0.9856 (a double bottom) and resistance at 1.0057 (a double top). A daily close above 1.0057 would confirm our technical analyst's continuation pattern thesis, with the resulting bullish breakout clearing the way for an extension to 1.0107 followed by 1.0171. A break below support at 0.9856 would negate our thesis, with the bearish breakout exposing 0.9789 and 0.9649 on the downside.

6-12 Month Outlook – Though it may eventually get more interesting

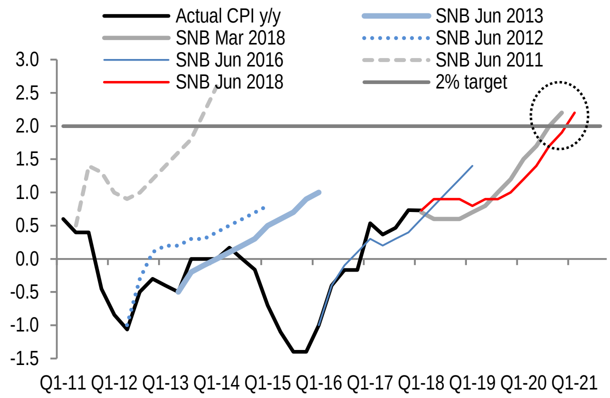
CHF direction boils down to (1) risk appetite and (2) inflation developments. With one of the lowest inflation rates globally, and having only just escaped deflation, Switzerland is likely to be one of the last to exit negative rates. European political risks remain the wildcard for CHF. European Parliamentary elections are due to be held in May 2019 and there is speculation in Italy that League leader Salvini could topple the coalition and run for fresh elections in a bid for more power (which would see CHF gain against EUR). In the absence of that, we look for a longer-term drift lower in CHF.

Indicators

	Current (Previous)*
Official cash rate	**-0.25 to -1.25% (0.25 to -0.75%)**
Trend interest rates 10y average	1.70%
Bias in interest rate market	Neutral
CPI Inflation %Y/Y Jul (Jun)	**1.2% (1.1%)**
Inflation target	less than 2.0%
Budget balance % GDP FY17 (FY16)	**-0.19% (-0.28%)**
Budget balance target % GDP	Balanced over the business cycle
GDP Growth %Y/Y Q1 (Q4)	**2.2% (1.9%)**
Trend GDP %Y/Y	1.80%
EUR Purchasing Power Parity Value Jun	**1.2087**
EUR/CHF spot end-Jul	1.1577
EUR/CHF PPP Valuation	EUR/CHF is undervalued
Current a/c balance % GDP Q1 (Q4)	10.52% (9.8%)
Trend current account balance % GDP	8.0%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

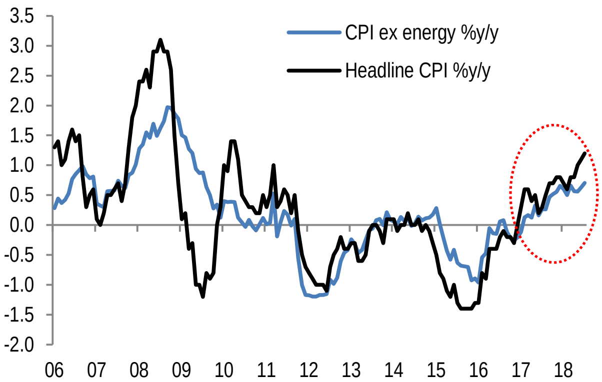
* Current is latest month, quarter or year

1. It will take years for inflation to reach target



Source: RBC Capital Markets; Bloomberg, SNB

2. Inflation ex energy is still struggling to break higher



Source: RBC Capital Markets; Haver

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CHF	0.95	0.99	1.02	1.09	1.08	1.07	1.06	1.05
EUR/CHF	1.18	1.16	1.18	1.22	1.23	1.24	1.25	1.26
CHF/JPY	111	112	110	106	108	111	115	119
CAD/CHF	0.74	0.75	0.78	0.85	0.86	0.85	0.83	0.82

Source: RBC Capital Markets estimates

Swedish Krona

Adam Cole

1-3 Month Outlook – No longer bearish

Although well within its three month trading range against EUR, SEK traded with a more positive tone in July, gaining against all G10 currencies in net terms. Most of SEK's gains came around the July 3 Riksbank meeting as, in a break from the recent trend, the Riksbank did not revise down its forward rate guidance, despite a dovish shift from the ECB subsequent to the previous meeting. The Riksbank's forecasts imply a rate hike by year-end is highly likely and comments at the press conference suggest both the October and December meetings are "live" in that respect. As the timeline between now and those meetings decays, the risk of an about-turn from the Riksbank diminishes and recent data do not suggest much risk of deviation from the current forward guidance (Q2 GDP rose 1.0% q/q, non-annualised). Around the time of the last Riksbank meeting, we dropped our longstanding outright negative stance on SEK.

There are still reasons for caution, however and we suggest trading EUR/SEK tactically without a particular bias either way. The strength of the bullish consensus on SEK (Figure 1) remains a cause for concern (as it did last year and the year before), though anecdotal evidence suggests positioning backing this view has diminished considerably. Moreover, the path of rates beyond the first hike is still highly uncertain. As figure 2 shows, markets already price a more moderate normalisation trajectory than the Riksbank projects (on average around 15bp lower). The September 9 election adds an additional uncertainty in this respect with the ongoing rise in support for the right-wing Sweden Democrats (SD) raising the risk of an extended period of political uncertainty or unstable government that curtails the Riksbank's ability to normalise. Our near-term forecasts imply moderate gains for SEK, taking EUR/SEK back to the bottom of the recent range (10.20).

6-12 Month Outlook – Indebtedness slows hikes

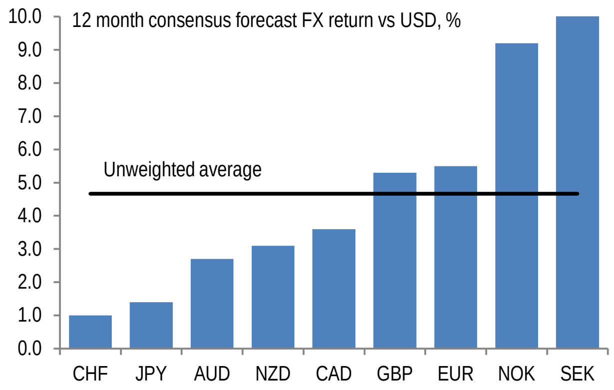
Even when the tightening cycle starts, the eventual normalisation path is likely to be slow. A Riksbank staff paper estimates that the effect of an unexpected hike on household consumption would be twice as large as it would have been in the mid-1990s, based on the current level of household indebtedness. Our long-term forecasts are unchanged.

Indicators

	Current (Previous)*
Official cash rate	**-0.5% (-0.5%)**
Trend interest rates 10y average	3.0%
Bias in interest rate market	Rising
CPIF Inflation %Y/Y Jun (May)	**2.2% (2.1%)**
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)	**3.3% (3.3%)**
Trend GDP %Y/Y	2.0%
EUR Purchasing Power Parity Value Jun	**8.8189**
Spot end-Jul	10.2818
PPP Valuation	EUR/SEK is overvalued
Current a/c balance % GDP Q2 (Q1)	3.5% (3.9%)
Trend current account balance % GDP	5.4%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

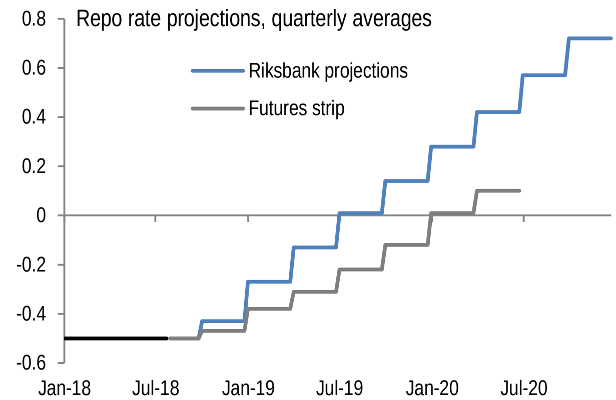
* Current is latest month, quarter or year

1. Strategists still very bullish SEK



Source: RBC Capital Markets; Bloomberg

2. Market expectations lag Riksbank projections



Source: RBC Capital Markets; Bloomberg

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/SEK	8.34	8.98	8.79	8.93	8.51	8.02	7.63	7.29
EUR/SEK	10.28	10.49	10.20	10.00	9.70	9.30	9.00	8.75
NOK/SEK	1.06	1.10	1.13	1.15	1.15	1.13	1.11	1.09
CAD/SEK	6.46	6.84	6.76	6.98	6.75	6.36	6.01	5.70

Source: RBC Capital Markets estimates

Norwegian Krone

Elsa Lignos

1-3 Month Outlook – First hike in seven years

The wait for Norges Bank's first hike in more than seven years may be almost over. Norges Bank meets again on August 16 but we expect its assessment to be little changed, paving the way for a hike at its September 20 meeting. The factors cited by Norges Bank at its June meeting are still mostly intact – though data have been mixed, inflationary pressures continue to rise and confidence remains firm. EUR/NOK is marginally firmer (Norges Bank's preferred I44 measure is flat). Oil prices are also flat (Brent failed to break above USD80/bl though our commodity analysts look for it to trade higher through 2019). Our forecasts are unchanged – targeting 1.15 in NOK/SEK by year end and EUR/NOK to break below 9.00 by Q4 (target 8.70). Technically, the short-term picture is a bit more bearish for NOK. EUR/NOK is attempting to form a short-term base for a corrective bounce higher. A daily close above resistance at 9.6092 would confirm a bottoming pattern, shifting the focus up to 9.7293 and 9.8506 as a more material correction takes place. While initial support is nearby at 9.5184, the double bottom at 9.3899 will have to be taken out in order to reassert the downtrend and expose 9.2973.

6-12 Month Outlook – Normalisation

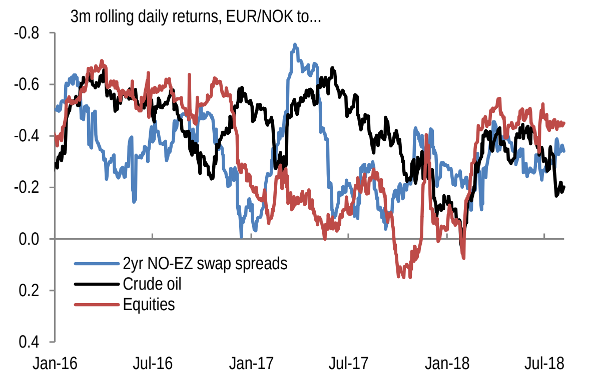
Norges Bank has traditionally been one of the most active central banks, though high household debt means consumption will be more sensitive to rate hikes than in past cycles. A policy path in line with Norges Bank's forward guidance (one rate hike roughly every six months) would be both faster than market expectations and slow by historic standards. Growth should also remain supported by strong investment plans. The June Regional Network showed contacts are planning for "a marked rise in the level of investment in the next 12 months"; in particular plans for oil service companies and other manufacturing "have been revised up markedly since January". We expect that upswing to continue on the back of firmer oil prices. Even NOK strength is much less of a concern than it has been historically for the central bank. In the latest MPR it revised up its NOK forecasts through the projection period, expecting it "to continue to appreciate in the years ahead in the light of…a gradual widening of the interest rate differential against trading partners". Our long-term forecasts are unchanged.

Indicators

	Current (Previous)*
Official cash rate	**0.50% (0.50%)**
Trend interest rates 10y average	3.6%
Bias in interest rate market	Rising
CPI (ex energy and taxes) %Y/Y Jun (May)	1.1% (1.2%)
Inflation target %	2.0%
Budget balance % GDP FY17 (FY16)	**5.4% (5.5%)**
Budget balance target % GDP	Structural, non-oil deficit < 4%
GDP Mainland Growth %q/q Q1 (Q4)	**0.6% (0.7%)**
Trend GDP %q/q	0.6%
EUR Purchasing Power Parity Value Jun	**8.7992**
Spot end-Jul	9.5387
PPP Valuation	EUR/NOK is overvalued
Current a/c balance % GDP Q1 (Q4)	5.6% (5.1%)
Trend current account balance % GDP	10.0%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

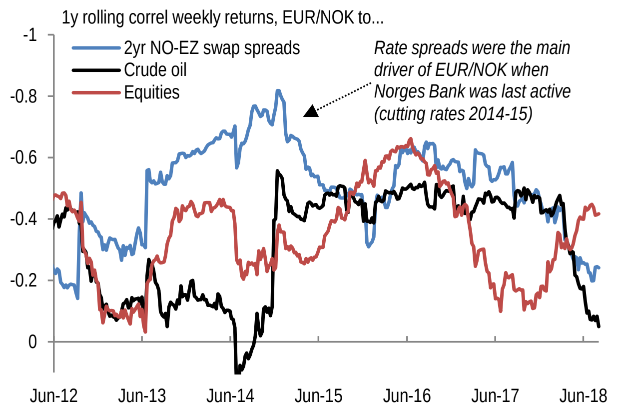
* Current is latest month, quarter or year

1. Crude correlation falling as rates correlation rises



Source: RBC Capital Markets, Bloomberg

2. That should be reinforced by Norges Bank tightening



Source: RBC Capital Markets, Bloomberg

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/NOK	7.84	8.15	7.76	7.77	7.37	7.07	6.86	6.67
EUR/NOK	9.67	9.52	9.00	8.70	8.40	8.20	8.10	8.00
NOK/SEK	1.06	1.10	1.13	1.15	1.15	1.13	1.11	1.09
CAD/NOK	6.08	6.20	5.97	6.07	5.85	5.61	5.41	5.21

Source: RBC Capital Markets estimates

Canadian Dollar

George Davis

1 – 3 Month Outlook – No backing down

While the Bank of Canada raised interest rates by 25bp at their July 11 meeting as expected, they surprised many by maintaining a *hawkish* tone despite mounting global trade uncertainty and the initiation of US tariffs on steel and aluminum imports. This, combined with firmer crude oil prices, tighter 2-year US-CA interest rate differentials and stronger economic data, pushed USD/CAD from the year's high of 1.3386 on June 27 to a low of 1.2983 on July 31.

Mexican officials have stated that they are aiming for a NAFTA deal by the end of August, but significant issues such as rules of origin (particularly in the auto industry), the sunset clause, agriculture and government procurement all need to be resolved not just with Mexico but with Canada as well. As such, this soft deadline may come and go and cause trade risks to linger into year-end. However, we continue to believe that USD/CAD is already carrying some degree of trade-tension premium and that the US would have to initiate major new tariff actions (e.g. tariffs on the auto sector) to drive USD/CAD more sustainably toward 1.3500.

Although the market is only attributing a ~20% probability of a September hike, strong prints for May retail sales (2.0%m/m, cons. 1.0%) and May GDP (0.5%m/m, cons. 0.3%) have left Q2 GDP tracking around 3%. June CPI was also above expectations at 2.5%y/y. With GDP growth tracking above the BoC's 2.8% forecast contained in the July MPR, the market has now priced in a ~75% probability of an October hike. Should the data evolve as we expect, interest rate expectations should keep CAD supported and we are maintaining our Q3 forecast for USD/CAD at 1.30.

Technically, the recent bearish trend reversal below 1.3138 favours a test of key uptrend support at 1.2966 – which is the barrier that separates USD/CAD from a test of 1.2730 and the April low at 1.2528. Resistance is located at 1.3093 and 1.3235.

6 – 12 Month Outlook – Limited excess capacity

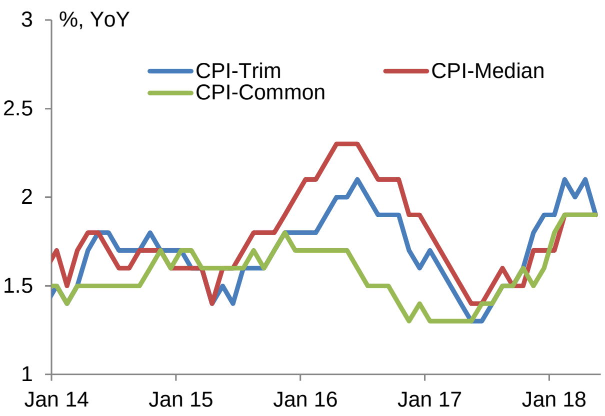
Our forecasts of 1.9% growth for 2018 and 2019 assume no long-term trade dislocations and dovetail with the BoC's estimate for potential growth. With inflation continuing to run near the BoC's 2% target and wage growth above 3% pointing to removal of slack in the labour market, we look for the gradual and measured pace of rate hikes to continue with 25 bp hikes in Q1 and Q2 2019 respectively (Figure 1 and 2). As the market is not fully priced for these hikes, we look for some moderate CAD strength that takes USD/CAD to 1.28 to end 2018 and 1.26 in Q2 19.

Indicators

	Current (Previous)*
Official cash rate	**1.50% (1.25%)**
Trend interest rates 10y average	0.86%
Bias in interest rate market	Higher
Core CPI Inflation (Trim) %Y/Y June (May)	**2.0% (1.9%)**
CPI inflation target range %Y/Y	1-3%
Budget balance % GDP FY17 (FY16)	**-0.8% (-0.1%)**
Budget balance target % GDP	Declining over the business cycle
GDP growth %Q/Q saar Q1 (Q4)	**1.3% (1.7%)**
Trend GDP %Q/Q	1.72%
Purchasing Power Parity value – June	**1.2365**
Spot end July	1.3006
PPP valuation	USD/CAD is slightly overvalued
Current account balance % GDP Q1 (Q4)	**-3.2% (-3.0%)**
Trend current account balance % GDP	-2.69%
Moody's foreign currency rating	**Aaa**
Outlook	Stable

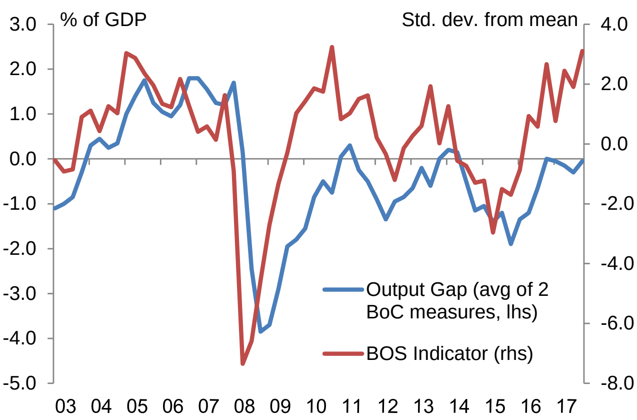
* Current is latest month, quarter or year

1. BoC's core measures of CPI are near their 2% target



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

2. The output gap has closed as the expansion continues



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

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CAD	1.29	1.31	1.30	1.28	1.26	1.26	1.27	1.28
EUR/CAD	1.59	1.53	1.51	1.43	1.44	1.46	1.50	1.54
CAD/JPY	82.4	84.3	86.2	89.8	92.9	94.4	96.1	97.7

Source: RBC Capital Markets estimates

Australian Dollar

Adam Cole

1-3 Month Outlook – Dull, but risks growing

Like most of the majors, AUD traded with very little direction in July. In fact, since the financial crisis, on only one occasion (August 2014) has the monthly trading range for AUD/USD been narrower than it was last month. Domestically, it is easy to understand why AUD has become so dull. RBA rate expectations are completely flat to the end of the year, recent somewhat firmer data having removed any residual hope of a cut, but the RBA showing no appetite to bring forward the start of the tightening cycle. Having started the year on a poor footing, recent economic data releases have been close to expectations on balance. Our economic surprise index for Australia is trending close to zero (Figure 2). Externally, broad USD has also been without direction since mid-June, stabilising around the year's high on a DXY basis. Despite ongoing concerns on global trade wars, our Risk Aversion Thermometer (RAT) has not been one standard deviation risk-averse or risk-seeking since February. And despite much negative noise around China, economists' growth forecasts for both this year and next have been stable in recent months.

Going forward, what might lift us from this torpor in what is normally one of the more interesting G10 currencies? It is hard to see the domestic story becoming much more interesting. Our economists' rate profile is flat for this year and they highlight the risk that next year's expected hikes are delayed. Recent data have eased concerns on a more pronounced housing slowdown and leave the hurdle for lower rates very high. This leaves the external environment as the main hope to drive AUD out of its recent range and on our forecasts, a generally stronger USD leaves us with a bias toward AUD/USD losses in the remainder of the year. Given AUD's relatively high yield, broader underperformance would probably require a further deterioration in world trade prospects.

6-12 Month Outlook – Same longer-term risks

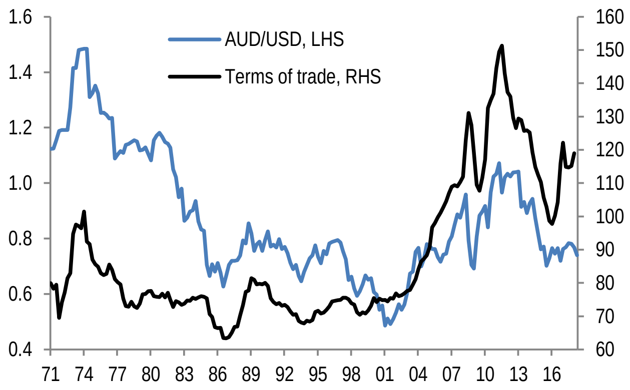
AUD also remains at risk to a more material slowdown in China and/or further escalation in global trade tensions. Fiscal consolidation is still required over the longer-term, consistent with the RBA hiking cycle being slow, when it eventually gets underway. But inflation expectations are slowly drifting higher and with unemployment continuing to decline/spare capacity gradually being eroded, the RBA should come into play again in late 2019.

Indicators

	Current (Previous)*
Official cash rate	**1.5% (1.5%)**
Trend interest rates 10y average	4.4%
Bias in interest rate market	Flat
CPI Inflation %Y/Y Q4 (Q3)	**1.9% (1.9%)**
CPI Inflation target range %Y/Y	2.0-3.0%
Budget balance % GDP FY16/15	**-1.5%/-1.9%**
Budget balance target % GDP	Balanced over the business cycle
GDP Growth %Y/Y Q4 (Q3)	**2.4% (2.9%)**
Trend GDP %Y/Y	2.8%
Purchasing Power Parity Value Q2	**0.7357**
Spot end-Jul	0.7426
PPP Valuation	AUD/USD is overvalued
Current account balance % GDP Q4 (Q3)	**-3.1% (-2.0%)**
Trend current account balance % GDP	-4.4%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

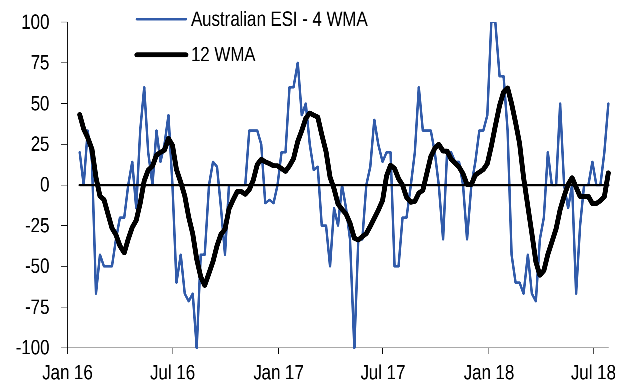
* Current is latest month, quarter or year

1. Positive terms of trade trend



Source: RBC Capital Markets, Bloomberg

2. Data surprises more neutral after poor H1



Source: RBC Capital Markets, Bloomberg

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
AUD/USD	0.77	0.74	0.73	0.70	0.71	0.72	0.73	0.73
EUR/AUD	1.60	1.58	1.59	1.60	1.61	1.61	1.62	1.64
AUD/NZD	1.06	1.09	1.06	1.00	1.01	1.01	1.01	1.01
AUD/CAD	0.99	0.97	0.95	0.90	0.89	0.91	0.93	0.93

Source: RBC Capital Markets estimates

New Zealand Dollar

Elsa Lignos

1-3 Month Outlook – Struggling to gain traction

If AUD/USD's July range was tight, NZD/USD was even tighter – in fact it was the tightest monthly range in NZD/USD since 2003. Some are looking for the RBNZ's next meeting to shake things up (August 8), though with the forward curve almost entirely flat, and the RBNZ firmly on hold, it is unlikely to do much. Data over the last month have been mixed. Q2 inflation was slightly weaker than expected on the headline, though non-tradable inflation is still holding up well, with tradable inflation to blame for headline softness over the past year (Figure 1). Inflation expectations are still drifting higher (Figure 2) and the RBNZ should remain comfortable with its balanced message. That keeps the domestic rate dynamic sidelined as a driver for NZD, but outright yield remains decent, at least compared to the rest of G10. We have fielded questions before on whether NZD is at risk in an environment of rising protectionism, given it is a small, open economy. In fact NZD has shown it can outperform even on days when trade war fears are rising. Within G10 FX for example, EUR/NZD remains risk-neutral. We can explain that by looking at NZ's export composition. Current trade tensions are bilateral rather than multilateral (with the US focusing on China in particular). That does not mean other small open economies will be spared, given an estimated 2/3 of global trade is part of a global supply chain; many Chinese exports to the US use imported parts from third countries. But NZ's exports are heavily dominated by agriculture and it is too small to become a direct focus for protectionist actions. NZ also benefits during geopolitical fears given its location and perceived safety. Technically, a bearish backdrop remains in place for NZD/USD, with resistance at 0.6889 and 0.7060 expected to attract selling interest. A daily close below the 2018 low at 0.6688 would add to bearish price momentum in this regard, shifting the focus down to 0.6545 and the 2016 low at 0.6348.

6-12 Month Outlook – RBNZ to surprise?

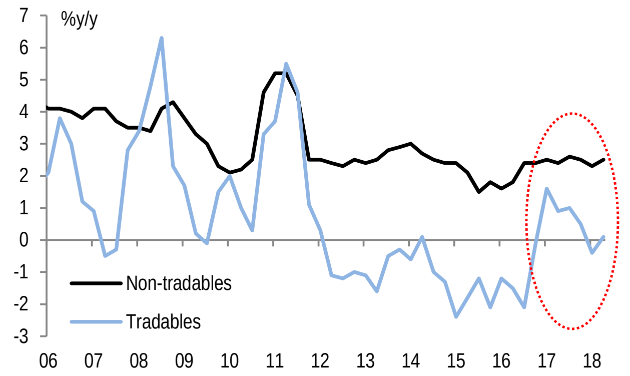
As inflation picks up, expectations are likely to pick up too. Coupled with the lack of spare capacity, we think the risks are skewed towards earlier normalisation, relative to NZD's peers. NZD is still carrying a small negative political risk premium (which can be seen in trade-weighted NZD relative to pre-election levels). We look for further modest gains on the crosses over 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 Q2 (Q1)	**1.5% (1.1%)**
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)	**2.7% (2.9%)**
Trend GDP %Y/Y	3.1%
Purchasing Power Parity Value Q2	**0.6682**
NZD/USD end-Jul	0.6818
Valuation	NZD/USD is overvalued
Current account balance % GDP Q1 (Q4)	**-2.8% (-2.7%)**
Trend current account balance % GDP	-4.2%
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

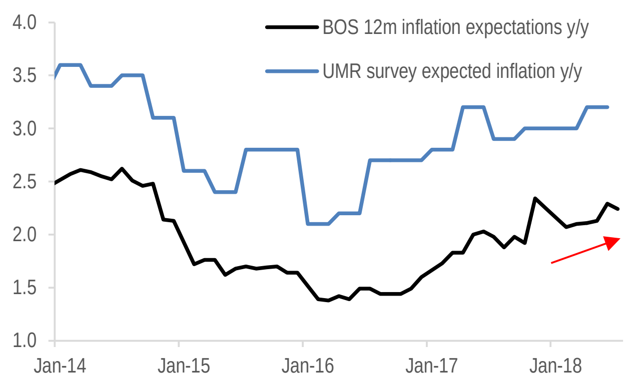
* Current is latest month, quarter or year

1. Tradables inflation to blame for headline weakness



Source: RBC Capital Markets, Haver

2. Inflation expectations still drifting higher



Source: RBC Capital Markets; Haver

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
NZD/USD	0.72	0.68	0.69	0.70	0.70	0.71	0.72	0.72
EUR/NZD	1.70	1.73	1.68	1.60	1.63	1.63	1.64	1.67
AUD/NZD	1.06	1.09	1.06	1.00	1.01	1.01	1.01	1.01
NZD/CAD	0.93	0.89	0.90	0.90	0.88	0.89	0.91	0.92

Source: RBC Capital Markets estimates

Chinese Yuan

Sue Trinh

1-3 Month Outlook – China vs China & China vs US

CNY(H) is the worst performing Asian currency in the past month, down ~3.5% vs USD. Weakness in the CNY basket has come within a hair's breadth (0.3%) of the nadir seen in May 2017. In other words, recent Yuan depreciation has almost completely erased all the gains from mid-2017. While the main factor cited is the trade war, many of the issues facing CNY(H) are home grown and have not suddenly appeared overnight. Specifically, there has been yet more evidence of slowing economic growth and the fiscal and monetary policy divergence between China and the US continued. On the monetary side, the PBC announced it will give commercial banks 1CNY for 1CNY of investment in corporate bonds rated AA+ and above and 2CNY for 1CNY for bonds rated below AA+ (another form of QE). In late July, the PBC announced the "structural parameter" in the Macro-Prudential Assessment of their balance sheets will be lowered by 50bps, reducing banks' capital adequacy requirement (and thus increasing their capacity to lend). These developments highlight the trade-off China must make between deleveraging and growth. Increasing uncertainties on the external demand front (yet to crystallise) add to China's home grown risks. We wouldn't be surprised if the US Treasury Department labels China a currency manipulator in its semi-annual currency report due mid-October. If so, this would mark further deterioration in Sino-US relations. We have a forecast range of USD/CNY of 6.60-80 into end-2018. There is clear upside risk to this forecast range but we are also wary that a lot of bad news on the trade front is already priced in. The 20% reserve requirement on FX forwards may be taken as a sign that the PBOC will try to temper FX moves around current levels, though in practice given the move in forward points that we have already seen, it is unlikely to change much (see *Total FX*, 3 Aug 2018). We will monitor developments closely and reassess in due course.

6-12 Month Outlook – Geopolitical risk dominates

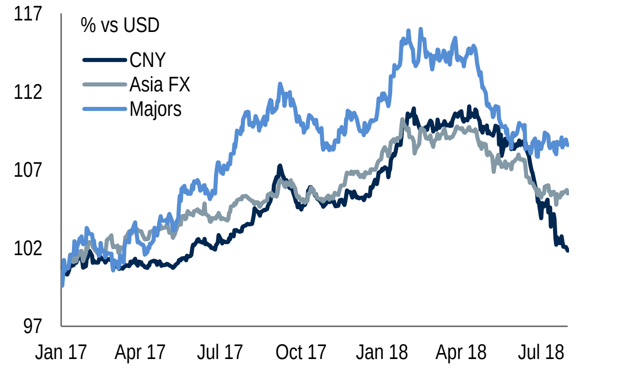
Geopolitics will be a dominant driver over the medium-term. If China is able to pull off planned upgrades to Bond Connect – namely launching DVP, block-allocation and tax issues, it would pave the path for inclusion of Chinese bonds in major benchmarks and bring in much needed inflows. We're sticking with a 7.20-7.30 forecast range for 2019, but the risk is this may come to fruition earlier than expected.

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)	**2.0% (1.9%)**
Inflation target	3.0%
Budget balance % GDP last (prev)	**-3.7% (-1.8%)**
Budget balance trend % GDP	-1.21
GDP Growth % y/y last (prev)	6.7% (6.8%)
Trend GDP %y/y	9.9
RBC-POLAR misalignment	**11.5%**
Spot end-July	6.8167
FX Valuation	Overvalued
Current acct balance % GDP last (prev)	**0.9% (1.3%)**
Trend C/A balance % GDP	4.1
Moody's Foreign Currency Rating	**A1**
Outlook	Stable

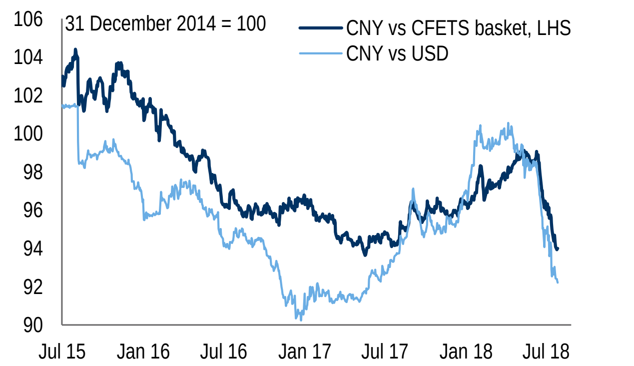
* Current is latest month, quarter or year

1. Yuan depreciation accelerated from June



Source: RBC Capital Markets; Bloomberg

2. CNY – almost back to square one



Source: RBC Capital Markets; PBC, Bloomberg

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CNY	6.29	6.62	6.60	6.80	7.20	7.20	7.30	7.30
EUR/CNY	7.75	7.74	7.66	7.62	8.21	8.35	8.61	8.76
CNY/JPY	16.9	16.7	17.0	16.9	16.3	16.5	16.7	17.1
CAD/CNY	4.88	5.04	5.08	5.31	5.71	5.71	5.75	5.70

Source: RBC Capital Markets estimates

Indian Rupee

Sue Trinh

1-3 Month Outlook– INR regained market confidence

INR was one of the better performing Asian currencies with USD/INR trading in a range of 68-69 through July. Amid criticism the RBI was falling behind the curve and was communicating poorly, INR was encouraged by the RBI's more proactive approach and equity inflows turned positive and hit the highest level (5d rolling basis) since April.

The RBI brought forward its third bi-monthly MPC meeting for FY2018/19 by a day to 30 July from 1 August and raised its policy rate by 25bp to 6.50% as expected, citing rising inflation and inflation expectations. It was the first consecutive set of rate hikes since October 2013. India's CPI inflation accelerated from 4.87%y/y to 5.00%y/y in June and is likely to remain elevated amid rising oil prices and below-normal monsoon showers. RBI now forecasts CPI inflation of 4.6% in Q2FY19, rising to 4.8% in H2FY19 and to 5.0% in Q1FY20. The risks to the inflation come from 1) crude oil prices, 2) the uncertain global financial market conditions, 3) the rise in household inflation expectations, 4) monsoon risks, 5) fiscal slippages – both at the Central and the State levels, and 6) uncertainty on MSP hike depending on its implementation.

The RBI's policy stance was retained at "neutral", giving it flexibility to sit on the sidelines as it observes the effects of past tightening or act again in October if inflation expectations continue to rise.

We expect USD/INR to trade in a range around 68 for the next 1-3 months.

6-12 Month Outlook –India not immune to trade war

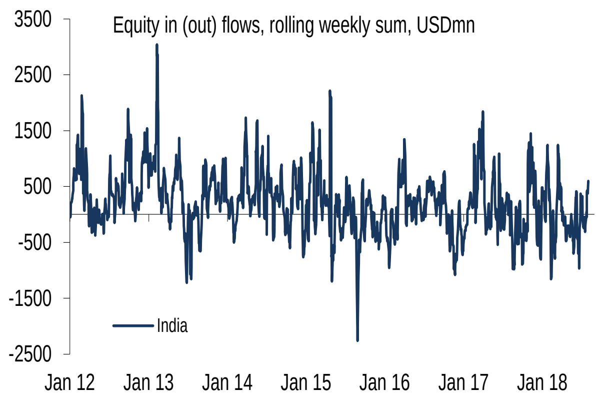
Concerns about the trade deficit have only risen amid the rising trade war between US and China and relentless increase in oil prices. Fiscal deficit concerns have risen – almost 70% of the FY18/19 Budget has been used in just three months while more populist measures into next year's General Election are another risk. The US Treasury added India to its watchlist of major trading partners that merit close attention to their currency practices and RBI's recent intervention may draw the US's ire, putting India in its crosshairs. The RBI's forward FX balance has more than halved since the start of the year. We are for now maintaining a forecast range for USD/INR of 69-70 for 2019 with upside risks. We will monitor developments closely and make revisions if necessary.

Indicators

	Current (Previous)*
Official cash rate (Repurchase Rate)	**6.5% (6.25%)**
Trend interest rates (10yr average)	6.75%
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**5.0% (4.87%)**
Inflation target	4% +/- 2%
Budget balance % GDP last (prev)	**-3.5% (-4.0%)**
Budget balance trend % GDP	-5.15
GDP Growth % y/y last (prev)	7.7% (7.0%)
Trend GDP %y/y	6.4
RBC-POLAR misalignment	**-1.5%**
Spot end-July	68.55
FX Valuation	Undervalued
Current acct balance % GDP last (prev)	**-1.9% (-1.5%)**
Trend current account balance % GDP	-1.35%
Moody's Foreign Currency Rating	**Baa2**
Outlook	Stable

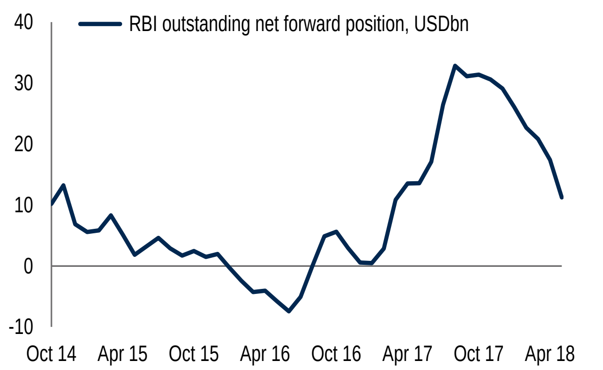
* Current is latest month, quarter or year

1. Equity inflows the highest since April



Source: RBC Capital Markets; PBC, Bloomberg

2. RBI has been actively intervening through forwards



Source: RBC Capital Markets; RBI

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/INR	65.1	68.5	68.0	68.0	69.0	69.0	70.0	70.0
EUR/INR	80.2	80.0	78.9	76.2	78.7	80.0	82.6	84.0
INR/JPY	1.63	1.62	1.65	1.69	1.70	1.72	1.74	1.79
CAD/INR	50	52	52	53	55	55	55	55

Source: RBC Capital Markets estimates

South Korean Won

Sue Trinh

1-3 Month Outlook – Consolidation likely

KRW was one of the better performing Asian currencies in July thanks to growing expectations the BoK may need to hike sooner rather than later. The July Minutes reinforced that speculation, proving more hawkish with some board members signaling the need to remove monetary accommodation and one board member dissenting to the unchanged verdict in favour of a rate hike. Importantly, Governor Lee Ju-yeol is one of the hawkish members of the MPC. Taken together, it does suggest there is a risk the BoK may bring forward expected rate hike(s) compared to a market consensus for one 25bps hike by Q1 2019.

We are a little surprised by the hawkish turn given the economic backdrop. The Finance Ministry cut its 2018 GDP growth estimate from the 3.0% projection made in December to 2.9%. It lowered its CPI inflation forecast from 1.7% to 1.6%y/y, citing ongoing trade tensions between US and China, this was in line with changes made by the BoK. Consumer confidence has also fallen to the lowest level since April 2017 and is in danger of tipping below the 100 level (neutral). Meantime, there was already a notable loss of momentum in export growth before the recent escalation in trade tensions and the manufacturing PMI tells a similar story, dropping to 48.3 in July, the lowest since late 2016. Thus, any rate hike delivered by the BoK will be to guard against financial stability risks, which we would view as hiking from a position of weakness, not strength. We expect USD/KRW to trade a broad 1090-1150 range over the coming 1-3 months.

6-12 Month Outlook – KRW in the thick of it

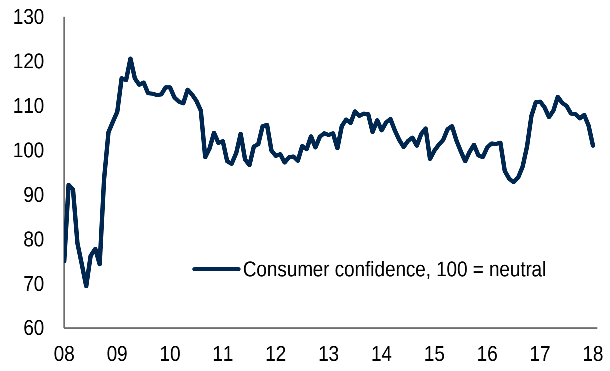
KRW is one of the region's biggest potential losers through the supply chain – it has one of the highest value added contributions to Chinese exports in USD terms (~USD55bn) and scaled by GDP (~3.5%). Significant deterioration in US-China trade relations would also put cooperation with regards to NK at risk. Our end-Q3 and end-2018 forecasts have materialised much sooner than we had anticipated and we expect a period of consolidation to ensue. These forecasts are subject to a great degree of uncertainty given ongoing trade negotiations. We expect USD/KRW to trade a broad 1100-1200 over the coming 6-12 months, but will make revisions as necessary.

Indicators

	Current (Previous)*
Official cash rate	**1.50% (1.50%)**
Trend interest rates (10yr average)	3.45%
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**1.5% (1.5%)**
Inflation target	2.0%
Budget balance % GDP last (prev)	**0.05% (2.8%)**
Budget balance trend % GDP	1.4
GDP Growth % y/y last (prev)	2.9% (2.8%)
Trend GDP %y/y	4.1
RBC-POLAR misalignment	**4.6%**
Spot end-July	1113.3
FX Valuation	Over Valued
Current acct balance % GDP last (prev)	**4.5% (5.1%)**
Trend current acct. balance % GDP	3.1%
Moody's Foreign Currency Rating	**Aa2**
Outlook	Stable

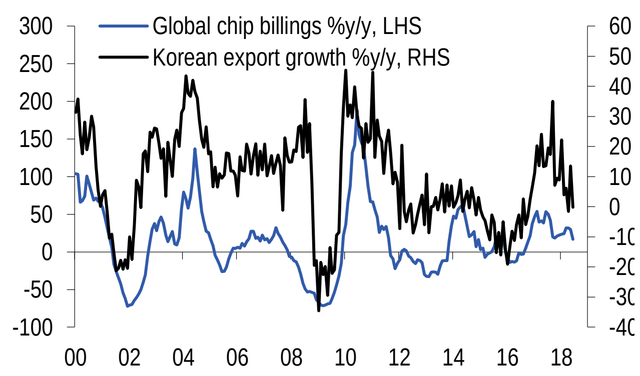
* Current is latest month, quarter or year

1. Consumer confidence takes a dive



Source: RBC Capital Markets, Bloomberg

2. Korea's trade – almost wholly dependent on China



Source: RBC Capital Markets, Bloomberg

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/KRW	1061	1115	1090	1100	1100	1100	1200	1200
EUR/KRW	1308	1303	1264	1232	1254	1276	1416	1440
JPY/KRW	10.0	10.1	9.7	9.6	9.4	9.2	9.8	9.6
CAD/KRW	823	849	838	859	873	873	945	938

Source: RBC Capital Markets estimates

Indonesian Rupiah

Sue Trinh

1-3 Month Outlook – Some relief

BI left its 7-day reverse repo rate at 5.25% in July, having hiked by a cumulative 100bps (in three moves) since mid-May. While the rate hikes have not reversed IDR depreciation, since BI explicitly cited currency stability as a focus in May, it has managed to arrest the *pace* of IDR depreciation.

Q2 GDP growth is set to inch up from 5.06% to 5.1% and though this is far from the 7% range the Jokowi administration pledged, the mild acceleration would come as some relief in the face of BI tightening while July CPI inflation accelerated a touch from 3.12%y/y to 3.18%, well within the 2.5-4.5% target range. The recovery in the trade balance in June to a near multi-year high of USD1.743bn also came as some relief after two consecutive months of record deficits.

BI's pre-emptive policy has been rewarded with the return of foreign investor bond inflows. On a 1-month moving average basis, foreign investors bought USD632.6bn in IDgov bonds at the end of July, marking a significant pickup from the record net outflows of USD2.8trn in May. It was the highest inflow since April.

Our forecasts have been hit a little sooner than anticipated. We sense a period of consolidation is long overdue. Rather than chasing the market amidst current trade negotiations, we opt for a wait and see approach.

6-12 Month Outlook – Consolidation overdue, but not out of the woods

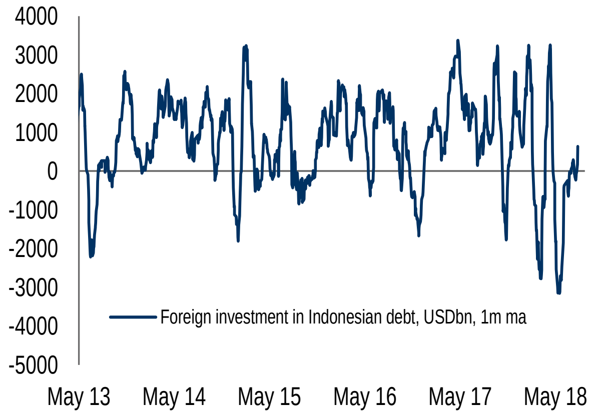
After some positive signs emerging in recent weeks, we do concede there is a long way to go before IDR is out of the woods. It remains susceptible to external uncertainty. Key challenges remain, including dependence on commodities, particularly crude oil, and the impact on the trade deficit. Though June saw a recovery, the annual trade balance is still in danger of tipping into deficit. Indonesia is one of the most exposed regional economies to higher oil prices because of the very high weight of energy in its CPI basket (15%) and relatively weaker exchange rate. Low government revenue intake does not help matters. For USD/IDR, we are for now maintaining a forecast range of 14000-14200 for 2019 with clear upside risks.

Indicators

	Current (Previous)*
Official cash rate (7d Reverse repo rate)	**5.25% (5.25%)**
Trend interest rates (10yr average)	-
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**3.18% (3.12%)**
Inflation target	4%+/-1.0%
Budget balance % GDP last (prev)	**-0.6% (-2.6%)**
Budget balance trend % GDP	-2%
GDP Growth % y/y last (prev)	5.06% (5.19%)
Trend GDP %y/y	5.5
RBC-POLAR misalignment	**-3.2**
Spot end-July	14,414
FX Valuation	Undervalued
Current acct balance % GDP last (prev)	**-2.0% (-1.7%)**
Trend current account balance % GDP	-0.5
Moody's Foreign Currency Rating	**Baa2**
Outlook	Stable

* Current is latest month, quarter or year

1. Foreign investors returning to IDgov bonds



Source: RBC Capital Markets; Ministry of Finance

2. Slide into annual trade deficit still a key risk

Source: RBC Capital Markets; Bloomberg

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/IDR	13769	14268	13800	13900	14000	14000	14200	14200
EUR/IDR	16969	16669	16008	15568	15960	16240	16756	17040
JPY/IDR	129.6	128.8	123.2	120.9	119.7	117.6	116.4	113.6
CAD/IDR	10674	10863	10615	10859	11111	11111	11181	11094

Source: RBC Capital Markets estimates

Singaporean Dollar

Sue Trinh

1-3 Month Outlook – Outperformance incongruous

SGD was the best performing Asian currency over July with gains of 0.8% against the USD. Our estimate of the S$NEER now has it trading above the mid-point of the band. But we think SGD's outperformance is incongruous with the respective stance of the ECB and BoJ proving more dovish than the market expected; SGD runs a tight correlation with EUR and JPY. SGD's outperformance is also inconsistent with slowdown in regional trade growth since the end of last year. This trend will only be exacerbated by the prolonged uncertainty around global trade. We have previously highlighted that SGD is one of the region's biggest potential losers through the supply chain – it has one of the highest value added contributions to Chinese exports when scaled by GDP (4.2%) led by electrical & optical equipment (2.7%), chemicals & non-metallic mineral products (0.5%) and textiles & footwear (0.3%).

In this context, we expect the MAS to refrain from further tightening in October and deliver a much more cautious stance than in April. SGD remains one of preferred funding currencies in the region. We expect USD/SGD to trade in a broad range around 1.36 for the next 1-3 months.

6-12 Month Outlook – MAS inflation forecasts & China outlook key

MAS' inflation forecasts have been regularly disappointed in the past two years and their recent forecast revisions still offer limited wiggle room to the downside. China's lower budget deficit and GDP growth targets this year suggest bad news for economies that are highly dependent on China such as Singapore. China is Singapore's largest export destination (14.05% of exports in 2017) and as mentioned above, there is a high degree of Singaporean value added content embedded in Chinese goods and services exports such that Singapore is highly exposed to a more protectionist US that targets China via electrical and chemical goods.

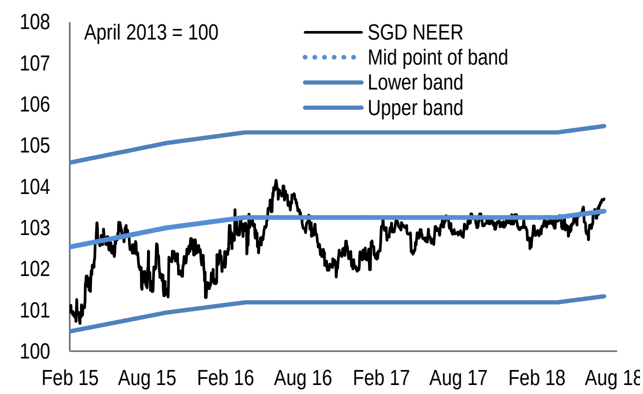
We maintain our forecast for USD/SGD to drift toward 1.40 by end-2019 but will monitor developments closely and make revisions as necessary.

Indicators

	Current (Previous)*
Official S$NEER Target	**Modest & gradual appreciation**
Trend interest rates (10yr average)	1.85%
Bias in interest rate market	Flat
CPI Inflation %Y/Y last (prev)	**0.6% (0.4%)**
Inflation target	**0-1%**
Budget balance % GDP last (prev)	**-1.0% (-1.0%)**
Budget balance trend % GDP	0.4
GDP Growth % y/y last (prev)	3.8% (4.3%)
Trend GDP %y/y	5.4
RBC-POLAR misalignment	**1.4%**
Spot end-July	1.3607
FX Valuation	Overvalued
Current acct bal % GDP last (prev)	**18.5% (19.3%)**
Trend current acct balance % GDP	20.1
Moody's Foreign Currency Rating	**Aaa**
Outlook	Stable

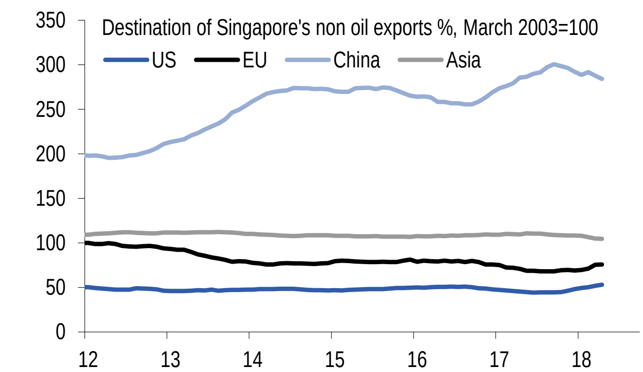
* Current is latest month, quarter or year

1. SGD above the mid-point



Source: RBC Capital Markets; Bloomberg

2. Deterioration in export demand already evident



Source: RBC Capital Markets; Bloomberg

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/SGD	1.31	1.36	1.36	1.36	1.37	1.37	1.38	1.40
EUR/SGD	1.62	1.59	1.58	1.52	1.56	1.59	1.63	1.68
SGD/JPY	81.1	81.3	82.4	84.6	85.4	86.9	88.4	89.3
CAD/SGD	1.02	1.04	1.05	1.06	1.09	1.09	1.09	1.09

Source: RBC Capital Markets estimates

Turkish Lira

Daria Parkhomenko

1-3 Month Outlook – Policy direction is negative

TRY is the worst performing EM currency over the last month, with USD/TRY making new all-time highs day after day. Policy developments have taken centre-stage, with US-Turkey tensions adding to the weakness. On politics, the Erdogan's Cabinet announcement disappointed with the exclusion of the market friendly Simsek and the appointment of his son-in-law as the Finance Minister. Also, a new decree granted Erdogan the power to appoint members to the CBRT, raising further concerns about its independence while it opted to not hike in July despite rising inflation and its lack of credibility.

With recent developments pointing to a negative policy direction, we remain cautious and see scope for further TRY depreciation, especially if the external conditions sour. In July, the CBRT missed an opportunity to regain the market's trust and signaled that 1) supporting growth rather than tackling high inflation remains the priority, 2) the outlook for inflation and TRY needs to deteriorate even further before the CBRT hikes, and 3) premature easing is a real risk (which would rise if there is a short squeeze in TRY). The next event to watch is the Medium Term Programme, which will shed light on the government's macroeconomic targets and policy plans. Given the CBRT's unwillingness to hike in July, fiscal policy will need to do more of the work to contain CPI inflation, but local elections in March 2019 may limit this. Though we have been consistently bearish on TRY, the USD/TRY rally has leapfrogged our forecasts. To account for the price action in spot and the deterioration in the macroeconomic environment, we revise our forecast profile higher.

6-12 Month Outlook – Bullish USD/TRY

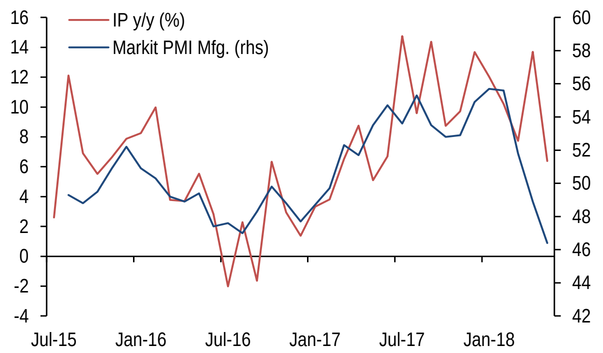
In addition to policy direction playing a crucial role in TRY's trajectory, Turkey's low FX reserves, high private sector external debt, and a C/A deficit primarily funded by net portfolio flows pose downside risks to TRY. As of May 2018, private sector short-term external debt on a remaining maturity basis stood at USD149bn, with ~44% belonging to non-financial corporations. News reports already point to companies restructuring their debts in the face of a falling currency and higher funding costs. If corporate defaults were to materialize, this may also have negative implications for the banking sector given commercial and corporate loans are ~50% of the total extended by banks. Meanwhile, an escalation in geopolitical tensions, risk aversion, and a faster pace of normalization in the US may accelerate TRY weakness.

Indicators

	Current (Previous)*
One-week repo rate (%)	**17.75% (17.75%)**
Trend interest rates (historical average)	7.2
Bias in interest rate market	Hiking
CPI Inflation %Y/Y Jul (Jun)	**15.85 (15.39)**
Inflation target	5.00%
Budget balance % GDP 2017 (2016)	**-1.6 (-1.2)**
Budget balance trend % GDP	-2.0
GDP Growth % y/y Q1 (Q4)	7.4 (7.3)
Trend GDP %y/y	4.9
RBC-POLAR misalignment	**-15%**
Spot end-July	4.9140
FX Valuation	Undervalued
Current a/c (12m. rolling) %GDP Q1 (Q4)	**-6.3 (-5.5)**
Trend current account balance % GDP	-5.2
Moody's Foreign Currency Rating	**Ba2**
Outlook	On review for downgrade

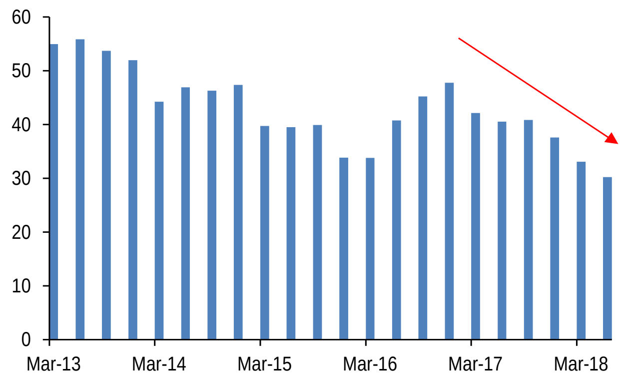
* Current is latest month, quarter or year

1. IP and mfg. PMI suggest growth is set to decelerate



Source: RBC Capital Markets, Bloomberg

2. Low FX reserves leave little room for CBRT intervention



Source: RBC Capital Markets, Bloomberg, Central Bank of Turkey; We took out the banking sector's required reserves held in FX from CBRT's headline gross FX reserves

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/TRY	3.96	4.60	5.20	5.50	5.50	5.50	5.50	5.50
EUR/TRY	4.87	5.37	6.03	6.16	6.27	6.38	6.49	6.60
TRY/JPY	26.9	24.1	21.5	20.9	21.3	21.6	22.2	22.7

Source: RBC Capital Markets estimates

South African Rand

Daria Parkhomenko

1-3 Month Outlook – Maintain cautious view on ZAR

After being one of the worst performers vs. USD in June, ZAR has gained 1.6% over the last month. A weaker USD, and improvement in risk appetite, supported ZAR despite a less hawkish hold from the SARB than the market had expected.

ZAR advance was tempered by the announcement that President Ciril Ramaphosa and the ANC will support an amendment to the national constitution to allow land expropriation without compensation under certain conditions. The new legislation is expected to have a negative impact on investors' confidence and dampen foreign flows into SA, which fund the C/A deficit. Also, the SARB has noted that the banking sector could be exposed to risk depending on how the proposed policy is implemented.

Going forward, we think downside risks to ZAR linger, especially as we approach the Medium Term Budget Policy Statement this year. Regarding the Mining Charter, for example, there are clauses which the mining industry disapproves of, including the trickle dividend and the 10% total free carried interest (to apply to new mining rights holders). If these issues are not resolved and/or the final version continues to be delayed (the Minister of Mineral Resources is targeting for the Cabinet to approve the charter by October or November), this may negatively impact investor confidence and extend policy uncertainty, stifling job growth and investment in the industry. Based on the Minerals Council's estimates in the *Integrated Annual Review 2017*, the lack of policy certainty means the mining sector is missing out on potentially more than R122bn in additional capex. Finally, the costs of the new public wage deal exceed the amount allocated by the National Treasury for 2018/19 to 2020/21 by R30bn, limiting the govt's room for fiscal maneuvering. Externally, ZAR remains vulnerable to swings in risk appetite and the USD.

On monetary policy, we expect the SARB to keep the policy rate at 6.50%, with the risk skewed towards a hike, especially if inflation expectations begin to show signs of moving above the inflation target range (3-6%).

6-12 Month Outlook – USD/ZAR gradually higher

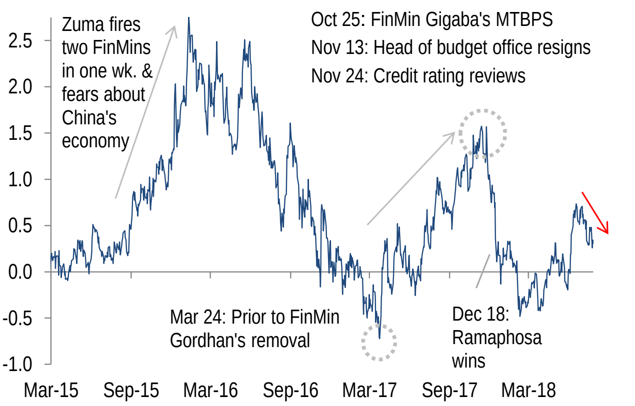
Reforms and fiscal developments are likely to take the spotlight. This includes uncertainty about the costs of free higher education, contingent liabilities related to the SOEs, and public wages which depend on the path of CPI inflation. Our end-Q2 2019 forecast stands at 13.50.

Indicators

	Current (Previous)*
Official cash rate (repo rate)	**6.50 (6.50)**
Trend interest rates (10yr average)	6.5
Bias in interest rate market	Hiking
CPI Inflation %Y/Y Jun (May)	**4.6 (4.4)**
Inflation target	3.0 to 6.0%
Budget balance % GDP 2016/17 (2015/16)	**-3.5 (-3.7)**
Budget balance trend % GDP	-3.8
GDP Growth % q/q saar Q1 (Q4)	-2.2 (3.1)
Trend GDP %y/y	0.6
RBC-POLAR misalignment	**-9.0%**
Spot end-July	13.2750
FX Valuation	Undervalued
Current account % GDP Q1 (Q4)	**-4.8 (-2.9)**
Trend current account balance % GDP	-3.9
Moody's Foreign Currency Rating	**Baa3**
Outlook	Stable

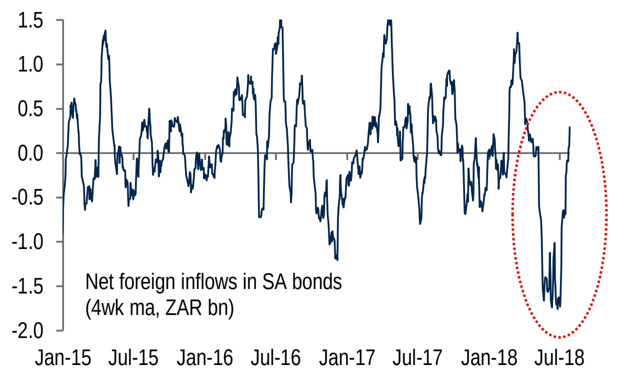
* Current is latest month, quarter or year

1. USD/ZAR's risk premium fell in July



Source: RBC Capital Markets, Bloomberg

2. Net foreign flows turned around in July



Source: RBC Capital Markets, Bloomberg

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/ZAR	11.84	13.73	13.20	13.30	13.40	13.50	13.55	13.55
EUR/ZAR	14.44	14.30	14.93	16.03	14.86	14.59	16.04	15.31
ZAR/JPY	8.98	8.07	8.48	8.65	8.73	8.81	9.00	9.23

Source: RBC Capital Markets estimates

Mexican Peso

Tania Escobedo Jacob

1-3 Month Outlook – Trade & Politics

In July, MXN (+5.3%) was the best performer EM currency, driven by a market-friendly rhetoric from the Mexican president elect, AMLO, a renewed wave of optimism around NAFTA renegotiations and an improvement in risk appetite. Going forward, however, we see risks for USD/MXN biased to the upside; optimism on trade looks overdone and the market has already priced in very positive expectations around the incoming administration.

On NAFTA, our view is that the market is, once again, overestimating the likelihood of an agreement in the short term. This renewed optimism comes from the fact that the negotiating teams are meeting again, and have picked up on a positive and conciliatory tone. There is also optimism around the relationship that Trump will have with AMLO. But all is still rhetoric. There are some fundamental reasons why the three NAFTA members have not been able to reach an agreement and there is no sign that any of them has changed since June. Red lines remain the same for every country and unless the US shows signs of conceding by dropping some of its flagship demands (e.g. the "sunset clause", Chapter 19, etc.) space for a final agreement seems very narrow.

On politics, even as AMLO has maintained a moderate tone, some of his cabinet appointees, particularly in the energy sector, have raised eyebrows among investors. The proposed Minister of Energy and the future directors of PEMEX and the National Electricity Company (CFE) are all long-time detractors of the energy reform that opened the sector to private investment in 2013. Whether that means a radical shift in the direction of current policies remains to be seen but poses a risk that in our view has not been completely priced in MXN. We keep our end of the year target for USD/MXN at 19.00.

6-12 Month Outlook – AMLO to set the tone for 1Q19

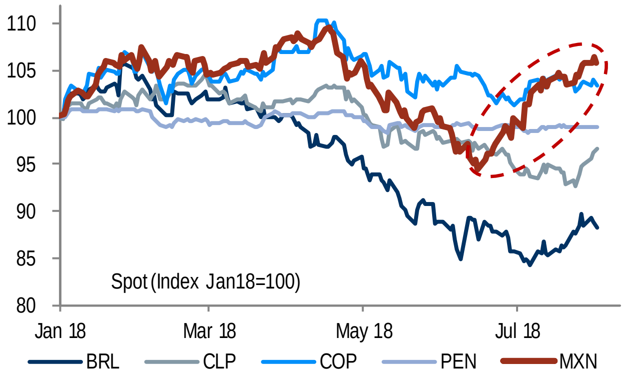
We will keep an eye on the 2019 budget to assess the feasibility of AMLO's plan in terms of public finances. The evolution of the relationship between AMLO and Trump, and potential changes in the energy sector are also medium-term risks to the currency. External risks include a deceleration of the Chinese economy, geopolitical conflicts and a more aggressive hiking cycle in the US.

Indicators

	Current (Previous)*
Official cash rate	**7.75 (7.75)**
Trend interest rates (10yr average)	4.62
Bias in interest rate market	Hiking
CPI Inflation %Y/Y Jun (May)	**4.65 (4.51)**
Inflation target	3.0 (+/-1%)
Budget balance % GDP 4Q (3Q)	**-1.1 (-0.88)**
Budget balance trend % GDP	-3.14
GDP Growth % y/y 4QP (3Q)	1.5 (1.5)
Trend GDP %y/y	2.41
Purchasing Power Parity	17
Spot	**18.65**
FX Valuation	Undervalued
Current account balance % GDP 4Q (3Q)	**-1.62 (-1.60)**
Trend current account balance % GDP	-2.54
Moody's Foreign Currency Rating	**A3**
Outlook	Stable

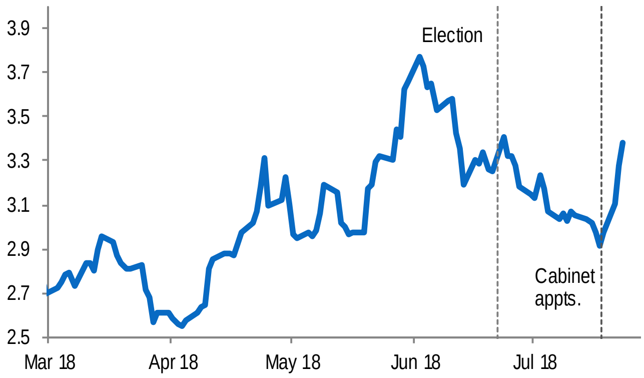
* Current is latest month, quarter or year

1. MXN outperformed its peers in July



Source: RBCCM, Bloomberg.

2. PEMEX 10Y Spread vs UST (%)



Source: RBC Capital Markets, FT, El Economista

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/MXN	18.18	19.92	19.50	19.00	18.80	18.50	18.30	18.00
EUR/MXN	22.40	23.28	22.62	21.28	21.43	21.46	21.59	21.60
MXN/JPY	5.85	5.56	5.74	6.05	6.22	6.43	6.67	6.94
CAD/MXN	14.09	15.17	15.00	14.84	14.92	14.68	14.41	14.06

Source: RBC Capital Markets estimates

Brazilian Real

Tania Escobedo Jacob

1-3 Month Outlook – Political uncertainty remains

In July, BRL was up 1.7% vs. USD, as global conditions were more favourable for risk assets. YTD, however, BRL remains the third worst performing EM currency accumulating an 11.5% total return loss. Lingering political uncertainty and faltering growth dynamics will, in our view, continue to be the main drags to the currency. Aug 5 was the deadline for party conventions to nominate their candidates. Ten parties (the Democratic Center coalition) confirmed their support for the centrist and market-friendly candidate Geraldo Alckmin but it remains to be seen if it translates to enough votes to consolidate him as a competitive candidate. Alliances of Gomes (left) and Bolsonaro (right) remain unclear but are not expected to make a big difference. As for Lula, he could wait until the Aug 15 deadline to register as candidate and only then would the electoral court be able to cancel his ticket. This could keep Lula as the Worker's Party (PT) candidate until September, before naming a replacement. Fernando Haddad is seen as the most likely alternative for the PT but local pollsters estimate that Lula could only transfer ~12% of his support. After the latest political developments, we keep our view that risks are fairly priced around current levels of USD/BRL and maintain our year-end target of 3.70. Any relief coming from a squeeze in short BRL positions taking USD/BRL much lower will likely be short-lived. Political uncertainty and potential episodes of economic instability should prevent a sustainable BRL rally as we move closer to the October election (unless a centrist candidate consolidates as favourite) while higher volatility would also decrease the appeal of carry positions, particularly if global financial conditions continue to tighten. On monetary policy, we think the BCB will stay on hold (6.5%) in 2H18, unless there are signs of persistent effects on inflation from the truckers' strike or external conditions deteriorate significantly.

6-12 Month Outlook – Weak fiscal position

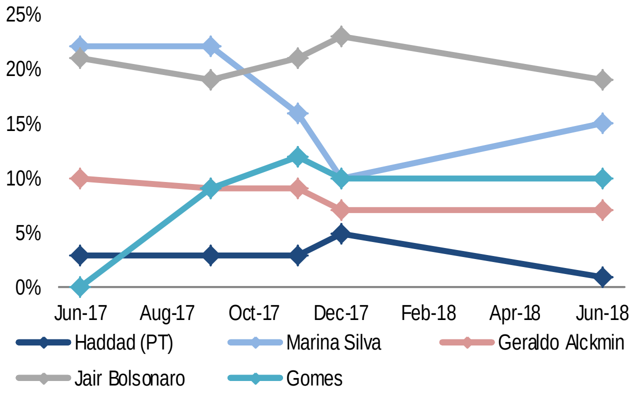
At this point not only is the election outcome difficult to predict, but also the economic views of the contenders are unclear. After the election, whoever gets to power will need to deal with fiscal adjustment. The pension and tax reforms are among the few alternatives to contain Brazil's rising debt to GDP; BRL's long-term path will be determined by the next administration's stance towards those topics.

Indicators

	Current (Previous)*
Official cash rate	**6.50 (6.50)**
Trend interest rates (10yr average)	10.00
Bias in interest rate market	Cutting
CPI Inflation %Y/Y Jun (May)	**4.39 (2.86)**
Inflation target	4.5% +/- 1.5%
Budget balance % GDP 2Q (1Q)	**-9.24 (-8.68)**
Budget balance trend % GDP	-7.53
GDP Growth % y/y 4Q (3Q)	**+2.1 (+1.4)**
Trend GDP %y/y	-2.0
Purchasing Power Parity	**3.35**
Spot	**3.70**
FX Valuation	Undervalued
Current account balance % GDP 4Q (3Q)	**-0.48 (-0.62)**
Trend current account balance % GDP	-3.29
Moody's Foreign Currency Rating	**Ba2**
Outlook	Stable

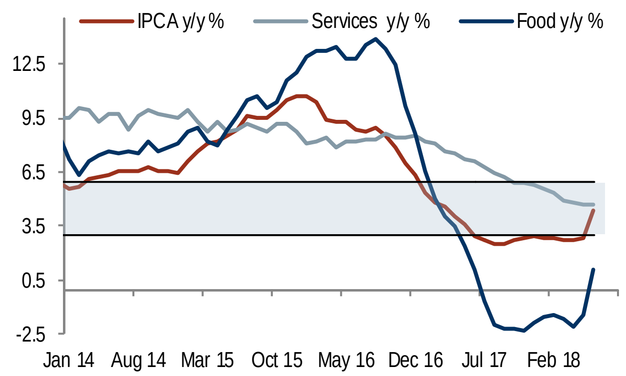
* Current is latest month, quarter or year

1. Without Lula, the PT has slim chances to be competitive



Source: RBC Capital Markets, Bloomberg.

2. Inflation has likely troughed but it remains in check



Source: RBC Capital Markets, Bloomberg.

Forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/BRL	3.31	3.88	3.70	3.70	3.63	3.56	3.50	3.45
EUR/BRL	4.07	4.53	4.29	4.14	4.14	4.13	4.13	4.14
BRL/JPY	32.1	28.6	30.3	31.1	32.2	33.4	34.8	36.3
CAD/BRL	2.56	2.95	2.85	2.89	2.88	2.82	2.76	2.69

Source: RBC Capital Markets estimates

Forecasts

Spot forecasts

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.23	1.17	1.16	1.12	1.14	1.16	1.18	1.20
USD/JPY	106	111	112	115	117	119	122	125
GBP/USD	1.40	1.32	1.27	1.20	1.23	1.25	1.27	1.29
USD/CHF	0.95	0.99	1.02	1.09	1.08	1.07	1.06	1.05
USD/SEK	8.34	8.98	8.79	8.93	8.51	8.02	7.63	7.29
USD/NOK	7.84	8.15	7.76	7.77	7.37	7.07	6.86	6.67
USD/CAD	1.29	1.31	1.30	1.28	1.26	1.26	1.27	1.28
AUD/USD	0.77	0.74	0.73	0.70	0.71	0.72	0.73	0.73
NZD/USD	0.72	0.68	0.69	0.70	0.70	0.71	0.72	0.72
USD/CNY	6.29	6.62	6.60	6.80	7.20	7.20	7.30	7.30
USD/CNH	6.26	6.64	6.61	6.81	7.22	7.22	7.22	7.22
USD/HKD	7.85	7.85	7.84	7.84	7.84	7.84	7.85	7.85
USD/INR	65.1	68.5	68.0	68.0	69.0	69.0	70.0	70.0
USD/KRW	1061	1115	1090	1100	1100	1100	1200	1200
USD/SGD	1.31	1.36	1.36	1.36	1.37	1.37	1.38	1.40
USD/MYR	3.86	4.03	3.92	3.93	3.94	3.95	3.96	4.00
USD/IDR	13769	14268	13800	13900	14000	14000	14200	14200
USD/TWD	29.0	30.5	29.7	29.8	30.0	30.0	30.2	30.5
USD/THB	31.2	33.0	32.0	32.4	32.8	33.0	33.2	33.7
USD/PHP	52.2	53.4	52.1	52.2	52.3	52.3	52.3	52.3
USD/TRY	3.96	4.60	5.20	5.50	5.50	5.50	5.50	5.50
USD/ZAR	11.84	13.73	13.20	13.30	13.40	13.50	13.55	13.55
USD/MXN	18.18	19.92	19.50	19.00	18.80	18.50	18.30	18.00
USD/BRL	3.31	3.88	3.70	3.70	3.63	3.56	3.50	3.45

Source: RBC Capital Markets estimates

EUR Crosses

	2018				2019			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.23	1.17	1.16	1.12	1.14	1.16	1.18	1.20
EUR/JPY	131	129	130	129	133	138	144	150
EUR/GBP	0.88	0.88	0.91	0.93	0.93	0.93	0.93	0.93
EUR/CHF	1.18	1.16	1.18	1.22	1.23	1.24	1.25	1.26
EUR/SEK	10.28	10.49	10.20	10.00	9.70	9.30	9.00	8.75
EUR/NOK	9.67	9.52	9.00	8.70	8.40	8.20	8.10	8.00
EUR/CAD	1.59	1.53	1.51	1.43	1.44	1.46	1.50	1.54
EUR/AUD	1.60	1.58	1.59	1.60	1.61	1.61	1.62	1.64
EUR/NZD	1.70	1.73	1.68	1.60	1.63	1.63	1.64	1.67
EUR/CNY	7.75	7.74	7.66	7.62	8.21	8.35	8.61	8.76
EUR/CNH	7.72	7.75	7.67	7.63	8.23	8.38	8.52	8.66
EUR/HKD	9.67	9.17	9.09	8.78	8.94	9.09	9.26	9.42
EUR/INR	80	80	79	76	79	80	83	84
EUR/KRW	1308	1303	1264	1232	1254	1276	1416	1440
EUR/SGD	1.62	1.59	1.58	1.52	1.56	1.59	1.63	1.68
EUR/MYR	4.76	4.71	4.55	4.40	4.49	4.58	4.67	4.80
EUR/IDR	16969	16669	16008	15568	15960	16240	16756	17040
EUR/TWD	36	36	34	33	34	35	36	37
EUR/THB	38.4	38.6	37.1	36.3	37.4	38.3	39.2	40.4
EUR/PHP	64.3	62.4	60.4	58.5	59.6	60.7	61.7	62.8
EUR/TRY	4.87	5.37	6.03	6.16	6.27	6.38	6.49	6.60
EUR/ZAR	14.59	16.04	15.31	14.90	15.28	15.66	15.99	16.26
EUR/MXN	22.4	23.3	22.6	21.3	21.4	21.5	21.6	21.6
EUR/BRL	4.07	4.53	4.29	4.14	4.14	4.13	4.13	4.14

Source: RBC Capital Markets estimates

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