

Citigold

## FX Weekly

Bringing you Expert Views



*June 26<sup>th</sup>, 2017*

## FX Market Headlines

*United States*

*United Kingdom*

*Eurozone*

*Australia & NZ*

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FX Forecasts (as of 16<sup>th</sup> June 2017):

		Market data*			Forecasts			Returns***	
		spot	3m Fwd	12m Fwd	0-3 mos	6-12 mos	long-term	3 mos rtn	12 mos rtn
<b>G10</b>									
Euro	EURUSD	1.12	1.12	1.14	1.12	1.08	1.08	-0.2%	-5.3%
Japanese yen	USDJPY	111	111	109	112	114	114	1.0%	4.3%
British Pound	GBPUSD	1.28	1.28	1.29	1.27	1.20	1.27	-0.6%	-7.1%
Swiss Franc	USDCHF	0.97	0.97	0.95	0.98	0.99	1.01	1.4%	4.3%
Australian Dollar	AUDUSD	0.76	0.76	0.76	0.76	0.75	0.75	0.1%	-0.9%
New Zealand Dollar	NZDUSD	0.72	0.72	0.72	0.72	0.73	0.70	-0.3%	1.6%
Canadian Dollar	USDCAD	1.33	1.32	1.32	1.35	1.36	1.35	2.0%	3.1%
Dollar Index**	DXY	97.37	96.98	95.67	97.55	100.64	99.91	0.6%	5.2%
<b>G10 Crosses</b>									
Japanese yen	EURJPY	124	124	125	125	123	123	0.8%	-1.2%
Swiss Franc	EURCHF	1.09	1.09	1.08	1.10	1.07	1.09	1.2%	-1.2%
British Pound	EURGBP	0.87	0.88	0.88	0.88	0.90	0.85	0.4%	1.9%
Swedish Krona	EURSEK	9.76	9.76	9.75	9.80	9.40	9.30	0.4%	-3.6%
Norwegian Krone	EURNOK	9.48	9.51	9.61	9.40	8.80	8.60	-1.2%	-8.4%
Norwegian Krone	NOKSEK	1.03	1.03	1.01	1.04	1.07	1.08	1.6%	5.3%
Australian Dollar	AUDNZD	1.05	1.05	1.05	1.06	1.03	1.07	0.4%	-2.5%
Australian Dollar	AUDJPY	85	84	83	85	86	86	1.1%	3.3%
<b>Asia</b>									
Chinese Renminbi	USDCNY	6.81	6.87	7.01	6.90	7.00	6.70	0.5%	-0.1%
Hong Kong Dollar	USDHKD	7.80	7.78	7.76	7.81	7.82	7.80	0.3%	0.8%
Indonesian Rupiah	USDIDR	13297	13423	13880	13000	13200	13500	-3.2%	-4.9%
Indian Rupee	USDINR	64.5	65.1	67.2	63.5	65.0	66.5	-2.5%	-3.2%
Korean Won	USDKRW	1134	1133	1127	1115	1140	1100	-1.6%	1.2%
Malaysian Ringgit	USDMYR	4.28	4.29	4.33	4.05	4.10	3.80	-5.7%	-5.3%
Philippine Peso	USDPHP	49.9	50.3	50.9	49.1	49.4	47.5	-2.2%	-2.9%
Singapore Dollar	USDSGD	1.38	1.38	1.38	1.35	1.35	1.33	-2.4%	-2.0%
Thai Baht	USDTHB	34.0	34.0	34.1	33.4	33.8	34.0	-1.7%	-0.8%
Taiwan Dollar	USDUSD	30.3	30.4	30.1	30.0	30.1	32.0	-1.2%	0.0%
<b>EMEA</b>									
Czech Koruna	EURCZK	26.2	26.2	26.2	26.2	25.6	25.2	0.0%	-2.1%
Hungarian Forint	EURHUF	308	308	310	308	312	320	-0.1%	0.7%
Polish Zloty	EURPLN	4.22	4.24	4.31	4.25	4.15	4.10	0.2%	-3.8%
Israeli Shekel	USDILS	3.53	3.52	3.48	3.45	3.48	3.50	-2.0%	0.0%
Russian Ruble	USDRUB	57.7	58.8	61.6	54.0	57.1	61.8	-8.3%	-7.4%
Russian Ruble Basket		60.7	62.1	65.5	56.9	59.2	64.0	-8.3%	-9.7%
Turkish Lira	USDTRY	3.52	3.61	3.87	3.50	3.72	4.10	-3.1%	-4.0%
South African Rand	USDZAR	12.83	13.03	13.60	12.00	12.95	13.50	-7.9%	-4.8%
<b>LATAM</b>									
Brazilian Real	USDBRL	3.28	3.34	3.49	3.30	3.40	3.45	-1.2%	-2.6%
Chilean Peso	USDCLP	666	668	674	650	660	680	-2.7%	-2.1%
Mexican Peso	USDMXN	18.0	18.3	19.1	17.3	18.3	17.9	-5.3%	-4.0%
Colombian Peso	USDCOP	2952	2993	3086	2900	3000	2800	-3.1%	-2.8%

\* market data including spot as of 9:32 AM London time on 16-Jun-2017

\*\* The DXY forecasts are implied from the forecasts of the constituent crosses. \*\*\* Returns are relative to forwards

Source: Bloomberg and Citi Analysts 16<sup>th</sup> June 2017

\*The new update of the above Citi FX forecast is expected to be published around 14<sup>th</sup> of July 2017. **Past performance is no guarantee of future results.** Real results may vary. All forecasts are expressions of opinion, are not a guarantee of future results, are subject to change without notice and may not meet our expectations due to a variety of economic, market and other factors

## United States:

### Eyes on FOMC speakers

As the US is beginning to normalise monetary policy; the market is closely watching Federal Market Open Committee (FOMC) members for signals on the future path and pace. This week there is a double treat (Yellen interview on Tuesday and the Congressional Budget Committee scoring of Trump's healthcare bill) which are key to the near term USD outlook. The latter will determine the costings/effectiveness of the Obama healthcare repeal bill that will go a long way in assessing whether it is likely to be passed in a Senate vote. While on the former, Janet Yellen's views on US inflation will be watched very closely.

## United Kingdom:

### Tory-DUP deal

The Conservative Party has announced that they have reached a deal with the Northern Irish Democratic Unionist Party (DUP) to reach a majority in the House of Commons. Sterling moved slightly higher on the announcement of the Tory-DUP deal.

Citi Analysts base case is that there is potential for a new Conservative leader within 12 months; this increases the uncertainty of Brexit negotiations and the applicable timetables. Their GBPUSD forecast for 6-12 months is 1.20; this is based on the belief of further interest rate differential and the political risk in the UK.

## Eurozone:

### Draghi takes focus

Europe is back in focus with ECB President Mario Draghi's speech on Tuesday at the Sintra forum and the euro zone June CPI print on Friday. Draghi could use the venue to prime markets for the European Central Bank (ECB) July's policy meeting. Citi Analysts believe the ECB will remain on hold, however some news outlets such as Reuters have discussed the potential for the central bank to taper its current quantitative easing (QE) programme. The market will be closely watching Friday's release of inflation (CPI), a higher than expected reading could see Euro strengthen.

## Australia and New Zealand

### Growth and inflation forecasts

Unfavorable base effects have knocked 0.3ppt from Citi's 2017 GDP forecast, which is now 2.6%. They also expect slightly slower dwelling investment but stronger business and public investment over the rest of this year. The growth forecast in 2018 remains at an above trend 3.1% with stronger export volumes but also stronger imports.

Citi Analysts expect the Reserve Bank of New Zealand (RBNZ) to remain on-hold this year – they forecast CPI inflation averaging around the mid-point of the target band. This is consistent with its existing timetable of policy normalization and continues to expect the next Official Cash Rate (OCR) move will be a 25bp hike in Q1 2018.

## The Week Ahead

Date	Market impact	CCY	Indicator	Period	Citi	Survey	Last
Mon-26-Jun	■■	EUR	Sintra ECB forum	-	-	-	-
		USD	Williams (Fed)	-	-	-	-
Tue-27-Jun	■■■	USD	Williams, Harker (Fed)	-	-	-	-
		EUR	Draghi (ECB)	-	-	-	-
Wed-28-Jun	■■■	EUR	Draghi, Kuroda, Carney panel	-	-	-	-
		CAD	Poloz, Patterson (BoC)	-	-	-	-
Thu-29-Jun	■	SEK	Retail Sales	May	-0.1% MoM	0.1% MoM	1.3% MoM
		JPY	Harada (BoJ)	-	-	-	-
		USD	Bullard (Fed)	-	-	-	-
Fri-30-Jun	■■■	CNY	Manufacturing PMI	Jun	51.3	51	51.2
		JPY	Core inflation	May	0.5% YoY	0.4% YoY	0.3% YoY
		EUR	EZ Core CPI	Jun	-	1.3% YoY	1.4% YoY
		CAD	GDP	Apr	-	-	0.5% MoM
		CAD	BoC Surveys	-	-	-	-
Mon-03-Jul	■■	JPY	Tankan Survey	2Q	-	-	12
		GBP	Manufacturing PMI	Jun	-	-	56.7
		USD	ISM Manufacturing	Jun	-	-	54.9
Tue-04-Jul	■■	AUD	RBA	Jul	-	-	1.5%
		AUD	Retail Sales	May	-	-	1% MoM
		SEK	RB	Jul	-	-	-0.5%
Wed-05-Jul	■■	GBP	Services PMI	Jun	-	-	53.8
		USD	FOMC Minutes	-	-	-	-
Thu-06-Jul	■■■	USD	ISM Non-manufacturing	Jun	-	-	56.9
		EUR	ECB minutes	-	-	-	-
		EUR	Weidmann, Nowotny (ECB)	-	-	-	-
Fri-07-Jul	■■■	USD	Non-farm payrolls	Jun	-	-	138k
		CAD	Jobs report	Jun	-	-	6.6%

Source: CitiFX 23<sup>rd</sup> June 2017

If you have any questions regarding the above or would like an update on FX please contact your Relationship Manager.

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