ARE YOU READY FOR 2024?

Convera looks at today's global economy with an eye to what might come next for monetary policy, FX rates and cross-asset volatility in 2024

Please note: the information contained within this report does not constitute financial advice or a financial recommendation, is general in nature and has been prepared without considering your objectives, financial situation or needs

ANNUAL RESEARCH REPORT 2024

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ANNUAL RESEARCH REPORT 2024

Introduction

Facing headwinds, but high expectations for global commerce

Today, exchange rates are experiencing volatility, with economic headwinds leading to unpredictable impacts on a growing global trade market post-COVID-19. This volatility is affecting cross-border trade for SMEs and large corporations alike.

Interest rates from 155 central banks between August 2021-2023 have risen over 500 times (across the globe) – constituting the most aggressive period of interest rate hikes ever recorded – a reality that has jolted foreign exchange (FX) rates.

The cause of these unprecedented hikes? The need to swiftly contain inflation. Central banks have had to reverse course from their actions during the COVID-19 pandemic when over 200 interest rate cuts globally happened throughout 2020.

As the gears of industry and trade began turning again in 2021, a regime shift has been mandated to control inflation. But rapidly imposed, successive interest rate hikes have knocked exchange rates; the euro, US dollar and pound sterling have seen much volatility since.

In fact, finance and treasury solutions group Kyriba's 2023 Currency Impact Report[1] examining 1,200 companies found that rising exchange rate risk cost them US$64.2bn in Q3 2022 alone. These FX headwinds were more than three times the fiscal amount of any tailwinds experienced by any of the sampled companies.

Moreover, a Convera survey found that 71% of such businesses counted high inflation and rising interest rates as the most pressing macroeconomic issues they face, with another 49% citing a lack of cash flow and 44% geopolitical trade risks as the most immediate issues. These figures are best highlighted in the graph opposite.

With these figures in mind, it's clear that exchange rate risk constitutes a significant point of friction in cross-border trade for SMEs and corporates alike. These headwinds are affecting payments and organisations' bottom lines.

2024 may mark a turning point, with volatility easing at the back end of the year to keep cross-border trade on a path to growth. Convera forecasts that cross-border business will accelerate some 33% between 2023-2028, reaching US$39.8tn from US$30.3tn in 2022[2].

Today's higher for longer interest rate narrative will be challenged if inflation falls to the much-coveted 2% mark, meaning central banks could be compelled to lower interest rates.

In the US, inflation is already falling, but economic resilience has resulted in volatile US exchange rate expectations, reducing the US dollar's 13% fall from its October 2022 high, to around 7% at present.

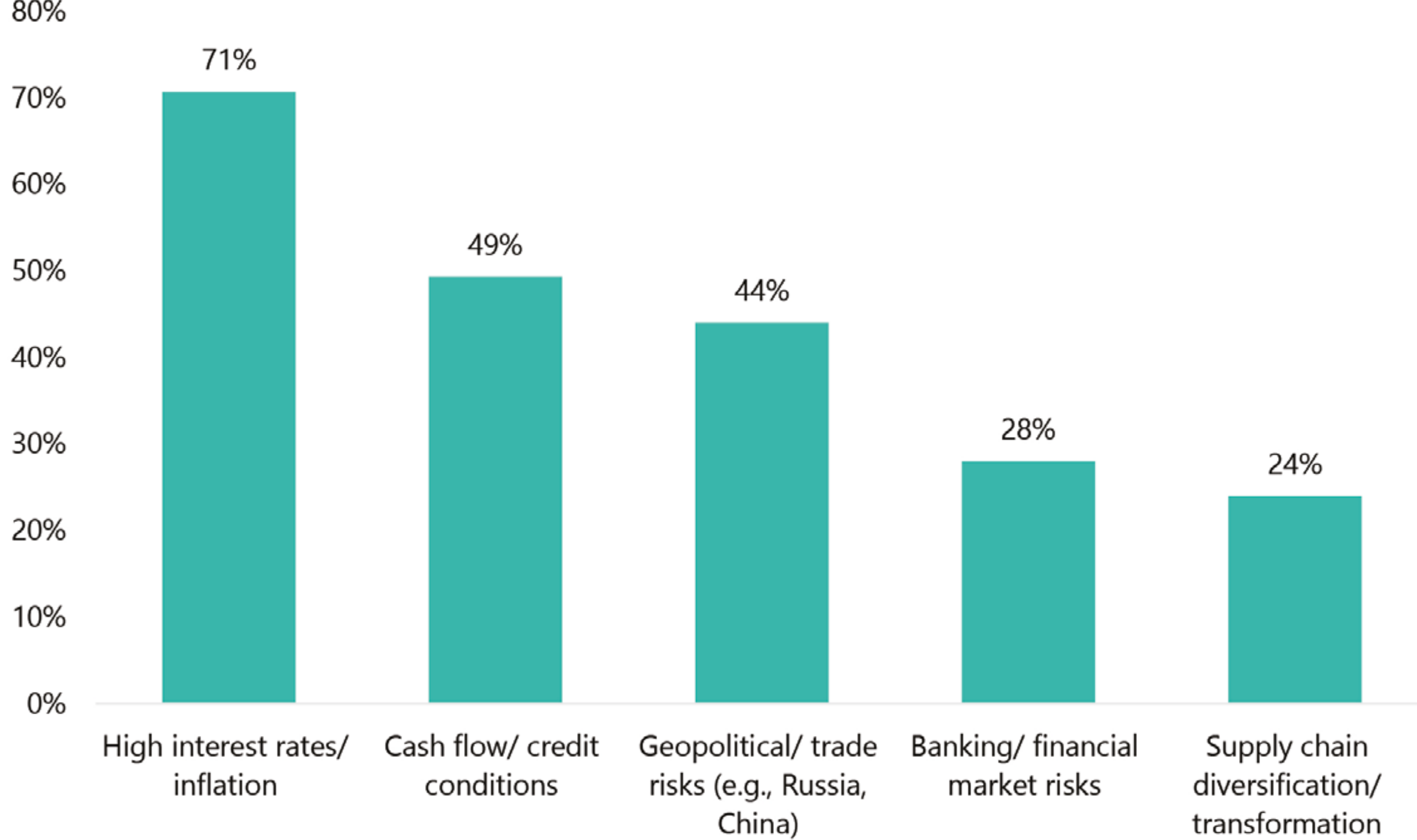
While falling inflation could constitute a shift in monetary policy from central banks – which in turn could impact FX rates – other factors could contribute to the broader macroeconomic outlook and the potential for further FX rate volatility: bond and equity price divergence, credit conditions, trade circumstances, and the geopolitical landscape. Unexpected events, like the renewed hostilities between Hamas and Israel, can also impact exchange rates.

This report considers each of these coalescing factors, forecasting their compounding effects on FX rates.

From Convera's perspective, the key to success for cross-border trading businesses in 2024 will be determined by their ability to mitigate cross-border frictions and volatility, negate losses and maximise growth.

Having the right solutions in place will enable global organisations to address cross-border frictions, ensuring they remain beneficiaries of a growing trade industry, amid widening macroeconomic uncertainty.

Top five macro concerns businesses expect 6-12 months ahead



Note: percentages will not add up to 100% due to multiple response options. Only displaying top 5 concerns.

Source: Convera – July 6-7 2023. Displaying responses from 95 businesses across Europe, APAC and NAM. Respondents included industries such as financial services, manufacturing, and respondent job titles included FDs, CFOs, and MDs. Question: "Thinking about the next 6-12 months, what issue(s) concerns you most today?". 'Other' concerns not displayed included Digital transformation/automation.

[1] https://www.kyriba.com/resource/kyribas-january-2023-currency-impact-report
[2] Convera, The Future of Trade and B2B Payments, May 2023

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Today's macroeconomic landscape: A picture of economic uncertainty
Exchange rates are experiencing extreme volatility today. This is a legacy of recent crises – from the US-China trade war, the aftermath of fiscal COVID-19 measures and Russia's war with Ukraine – all leading to the current cost-of-living crisis stretching from 2021 into 2023.

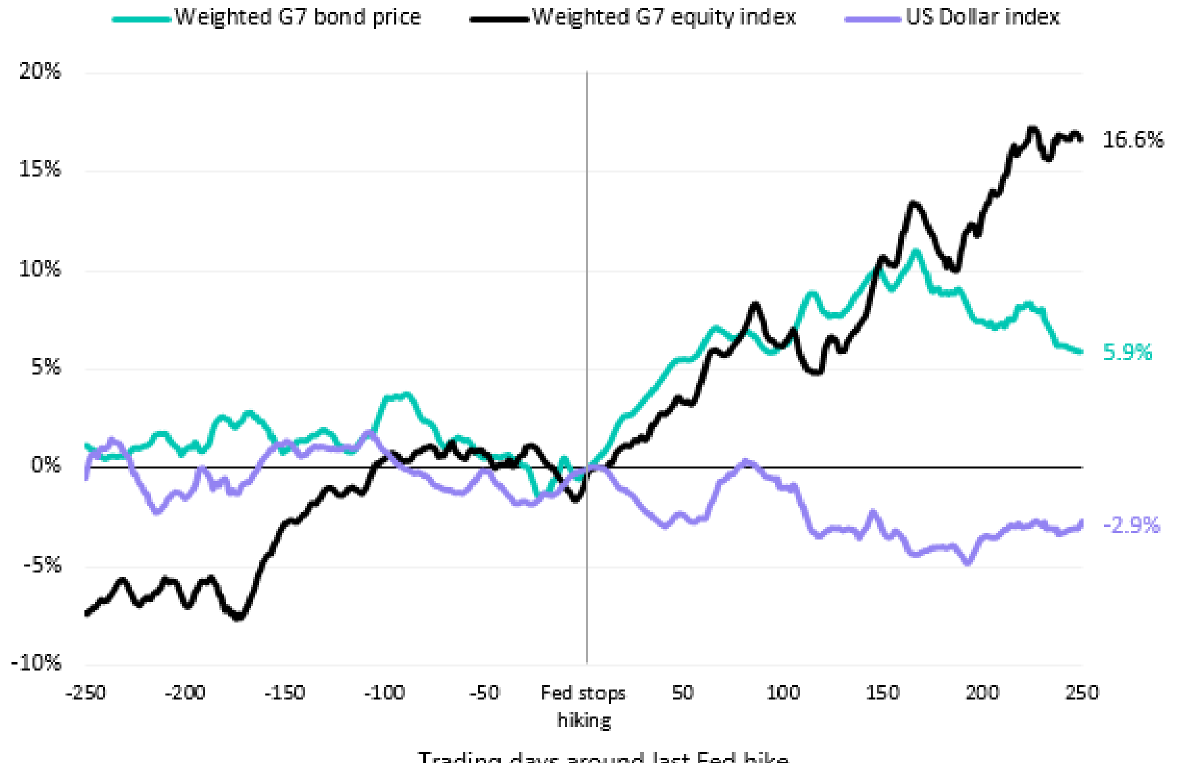
Many economists predicted the global economy would fall under its weight, with high interest rates and high energy prices – the latter a partial symptom of severed trade with Russia following its invasion of Ukraine – seeing consumers' wallets pinched and the economy heading to a potential recession.

Despite fears, inflation – particularly in the US (as aforementioned) – has started to fall. With incoming economic data showing resilience, these stagflation risks have subsequently eased.

But where does this economic resilience come from? The pandemic may have had a part to play. Fiscal stimulus measures sparked a global consumption boom that is still influencing the global economy in 2023.

Equities and bonds to surge – dollar to weaken in 2024?

Chart: median cross-asset performance after interest rates peak, 7-day moving average



Note: Historical data since 1971. G7 bonds price series is an average of individual bond prices for G7 nations, weighed by their respective GDP values. G7 equity index is an average of individual equity indices, weighed by their respective trading volumes.

Source: Refinitiv, Yahoo Finance, Oxford Economics, Macrobond, Convera - August 2023

Consumers have accrued excess savings post-pandemic and a shift in consumer preferences may have contributed to the disconnect between lagging and leading economic indicators currently seen.

But this is not the only disparity contributing to an uncertain economy. The potential for further divergence between bond and equity markets could further alter the outlook for FX rates.

Quantitative tightening is gaining more and more attention and could have significant side effects for the economy and, subsequently, FX rates. Bond yields have continued to surge as central banks raise interest rates across the board and actively sell government bonds. The graph opposite shows how, historically, bond prices fall when the Federal Reserve raises rates, but rise once rates eventually reach their peak.

Additionally, equities have surprisingly outperformed this year and the VIX Index – the Chicago Board Options Exchange's Volatility Index, a measure of equity market volatility commonly known as the "fear index" – has stayed below its long-term index average of 20 for over three quarters of this year. In comparison, we saw the VIX Index above 20 for over 90% of the time in 2022.

This only adds to the picture of an uncertain economy, and the divergence between bond and equity markets could lead to further jolts in FX volatility as we head into 2024.

Quantitative tightening to reduce the economy's money supply, as imposed by central banks, has been mirrored in the credit space. In fact, one of the most aggressive credit tightening cycles is potentially coming to an end, although the impact of higher credit rates is still feeding through.

> As we near the peak of high interest rates and ponder the timing of future rate cuts, volatility in, and divergence between bond and equity markets could materially alter the outlook for FX rates

George Vessey
Lead FX & Macro Strategist, Europe

The result of this tightening is that 40% of consumers across 28 markets expect their disposable income to fall in the next year, potentially driving down consumer spending[3].

For years, consumers have relied upon cheap credit. In December 2020, at the height of the pandemic, the world's negative-yielding debt pile hit a record high of US$18tn and home prices in the US, UK and Germany rose by an average of 30% from the start of 2020 to mid-2022[4].

But since then, the battle against rising inflation has shifted the landscape of credit in the private sector. Today, short-term interest rates and mortgage rates in G10 countries have hit a 14-year high, and we see companies and households having to adjust to a new rate environment.

While we don't expect credit conditions to tighten much more, the lagged negative effect of tighter conditions is yet to be experienced by businesses and households.

[3] Source: Ipsos, Global Inflation Monitor, July 2022
[4] Source: Oxford Economics, Convera, August 2023

INTRODUCTION

This could be particularly true for mortgage holders. In the UK, mortgage debt has shifted from being responsive to changing interest rates to stagnant over longer periods as many consumers have elected for fixed mortgage rates in blocks of two or five years.

With this lagged impact on consumers in mind, financial conditions could tighten further in 2024 when both sovereign credit and mortgages come due for refinancing.

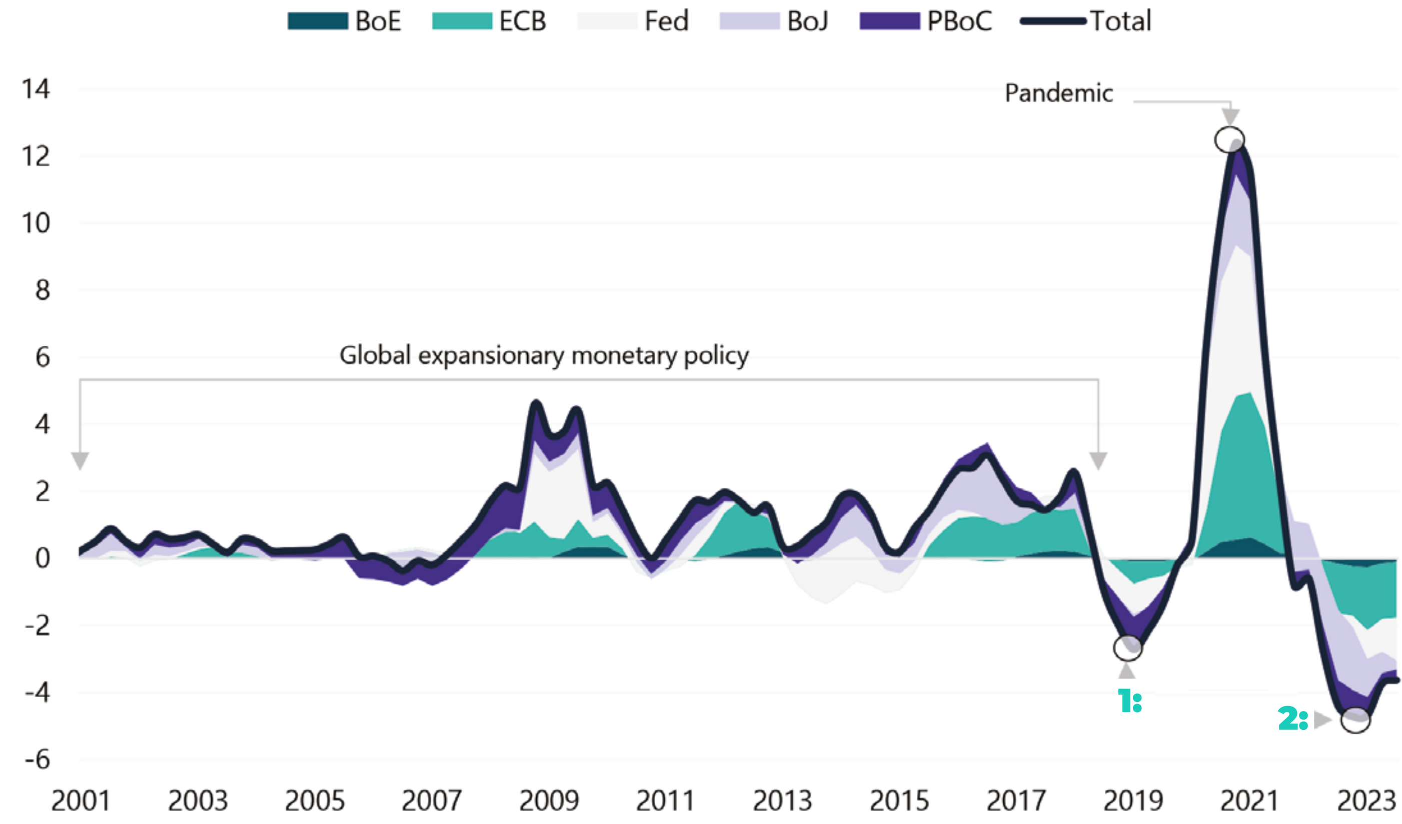
We are already seeing tighter bank lending standards due to rising interest rates, which may start to crimp down on credit flowing to businesses and households, particularly those households with mortgages due for refinancing.

In the Eurozone, the Bank Lending Survey (BLS) reported demand from firms for loans or drawing of credit lines in the second quarter of 2023 dropped to a record low.

Meanwhile, the share of small US firms reporting it is difficult to access loans rose to a 10-year high in May 2023, and the Senior Loan Officer Opinion Survey (SLOOS) showed that US banks' tighter lending standards have breached the threshold that in the past was consistent with a recession[5]. This may come into sharper focus once lag effects have run their course.

Global credit cycle remains negative, but is improving

Chart: change in G5 central bank's balance sheets as a share of global GDP, in % terms



Note: Global GDP forecast taken from the IMF for Q1 and Q2 2023
Source: Convera, IMF, Macrobond – August 2023

1: 1st global contraction
2: 2nd global contraction

And yet – to add further fuel to economic uncertainty – while credit may be tightening and bond prices surging, global stocks have bucked the trend seen from other economic indicators that point toward recession – appreciating over 15% year-to-date. US Nasdaq stocks are particularly noteworthy in their defiance of expectations, surging 40% in large part thanks to the emergence of AI products on the market.

With global stocks healthy, one may assume this lays the foundation for stability in global trade. But is this the case? Yes and no. While the value of cross-border global trade, much like stock markets, defied expectations of a downturn – growing 24% between 2019 and 2022 – a thriving global cross-border trade market does not necessarily rule out volatility, particularly regarding FX rates.

New politically charged trading policies have had a big impact on trade in recent years, as leading Western nations look to diversify from an over-reliance on China. Near-shoring trading has seen India, Vietnam, Mexico and Thailand become key beneficiaries of new trade opportunities as global firms move production away from China.

In the US, the Inflation Reduction Act 2022 and the CHIPS and Science Act 2022 have both impacted the ability of China to undertake trade with the US and accept foreign direct investment. Chipmaker Intel is one major producer that is considering moving production out of China to comply with new US regulations[6].

Today, the difference between Chinese imports into the US compared to five years ago is stark. In the first six months of 2018, Chinese imports into the US sat at US$249bn, but in the same period in 2023, Chinese imports accounted for only US$203bn – a drop of 18.5%.

Decoupling from China, the US has turned to Mexico as its number one importer. Its imports have grown from US$168bn in the first six months of 2018 to US$236bn in the first six months of 2023 – an increase of more than 40%, underpinning the geopolitically-fuelled shifts emerging in trade patterns post-pandemic as part of the US-China trade war.

The process of decoupling from China is hastening amid growing geopolitical tensions, something that is bound to have implications for USD/CNY exchange rates.

This could be further complicated, as Xi Jinping looks to diversify his country's economy, a process that is expected to result in China generating more than one-quarter of all global consumption growth - more than any other country.

How the Chinese Yuan will subsequently look against the US Dollar seems all the more uncertain.

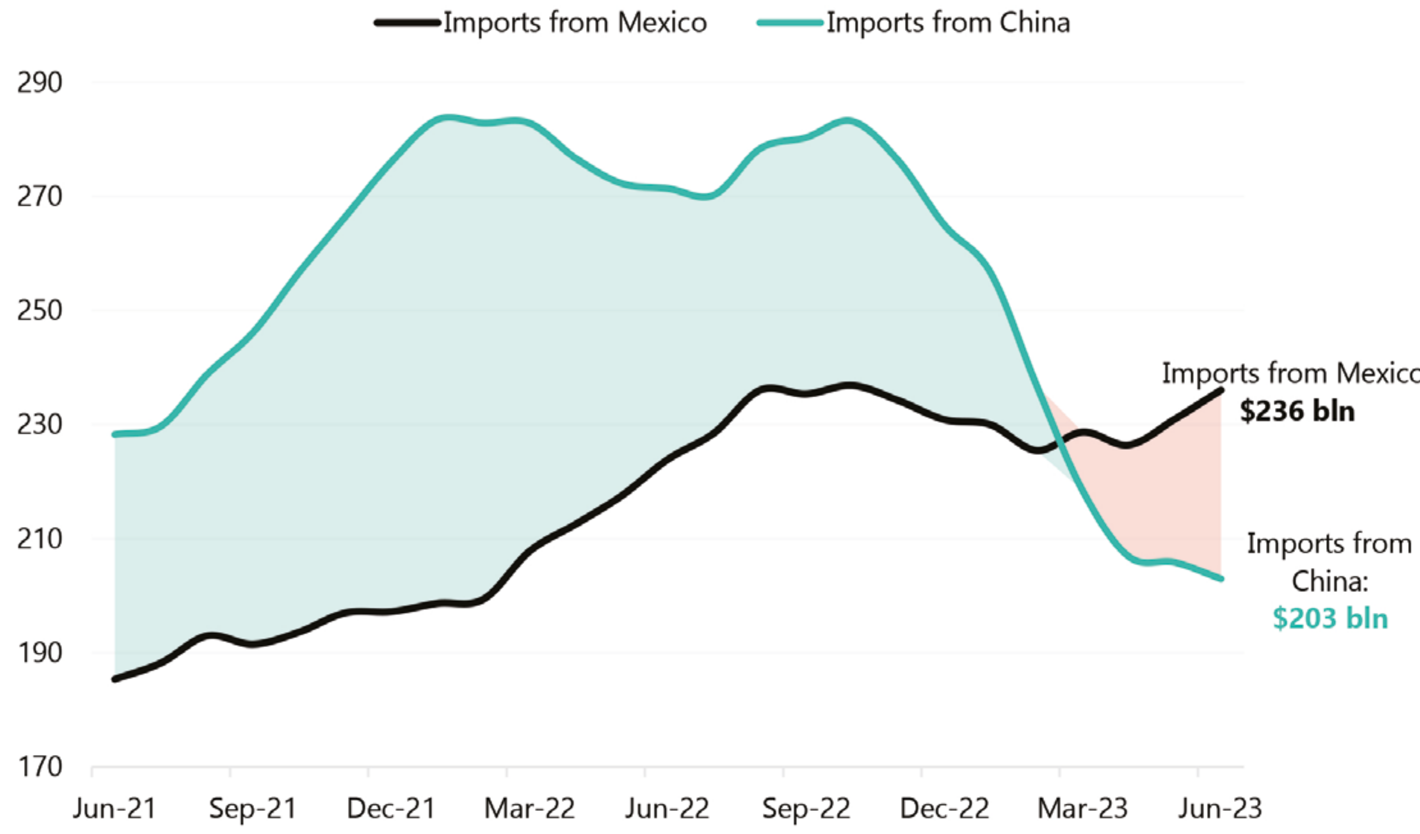
Shifting trade conditions are not endemic to just China and the US, Europe has introduced the EU Carbon Border Adjustment Mechanism (coming into force in 2026) to penalise high-carbon imports which, according to Energy Monitor, is likely to have the biggest impact on Russia. Over US$10bn of its largely iron and steel exports between 2015 and 2019 would have fallen under this new CBAM legislation.

Of course, the key driver in these shifting trade conditions is the result of geopolitical decisions and the key role politics plays in economic issues

[5] https://www.federalreserve.gov/data/sloos/sloos-202307.htm
[6] Source: S&P Global Market Intelligence, April 2023

Mexico overtakes China as US' #1 source market for goods

Chart: monthly US imports, USD mln, 6-month rolling total



Sources: US Census Bureau, Convera – August 2023

that affect FX rates. And in 2024, some big political events could alter economic outlooks, thus fuelling exchange rate volatility.

No upcoming political event is perhaps as large as the impending 2024 US election, where it is expected that incumbent President Joe Biden will again face off with Donald Trump, the likely Republican candidate.

The outcome of this election could have vastly different geopolitical implications. For instance, would another Trump administration roll back any of the severe economic sanctions on Moscow that ensued after Russia invaded Ukraine in 2022?

Such is the polarity in today's political sphere that the impact of elections on the economy is arguably more unpredictable than ever.

History backs this up. Since 1980, only six of the US's Congressional 21 sessions (29%) have been led by a unified government, leading to higher policy uncertainty.

Add to that Donald Trump's 2016 election win, the US-China trade war and pandemic-led economic policy responses, and the polarity only grows. The Global Economic Policy Uncertainty Index has already reached record levels near 435 in 2020 (versus 196 in 2010) and it has never really normalised to pre-pandemic levels.

Such political conditions are not constrained to the US alone either – they are global.

Take the UK, where the British pound collapsed in 2022 because of then-Prime Minister Liz Truss' poorly received economic recovery plan. And the UK could see further economic shifts in 2025 at the time of its next general election.

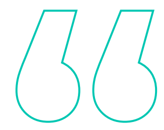
That is if it does happen in 2025. There are suggestions current Prime Minister Rishi Sunak could pull this timeline forward should the UK economy remain on a resilient path. And should the British public vote in the Labour Party after more than a decade out, there is a chance this could alter UK-EU trade and business relations.

The scope for election-driven economic uncertainty is everywhere in 2024, with key elections happening in Mexico, South Africa and the EU. There is uncertainty around the election of a new European Parliament in 2024, with far-right candidates gaining traction in recent months.

Could far-right candidates, if successful, reshape the European landscape for climate policy and lead to a more conservative Brussels?

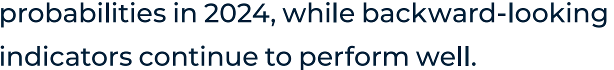
This adds to today's economic picture of disparity and uncertainty. The changeability of political policy and shifting trade allegiances, alongside a lag in the pinch on credit, and a divergence between bonds and equities points to an uncertain economic outlook, one which could unpredictably affect FX rates globally.

Most forward-looking indicators – like the Purchasing Managers Index, the Conference Board's Economic Index, and yield curves across government bonds – point to high recession



Elections wield the potential to significantly shape the economic outlook... In 2016, the EUR/USD rate whipsawed from above $1.13 in the 100 days before America's November election vote to a 2003 low below $1.04 in the 100 days after the election – an 8.7% fluctuation in the space of six months

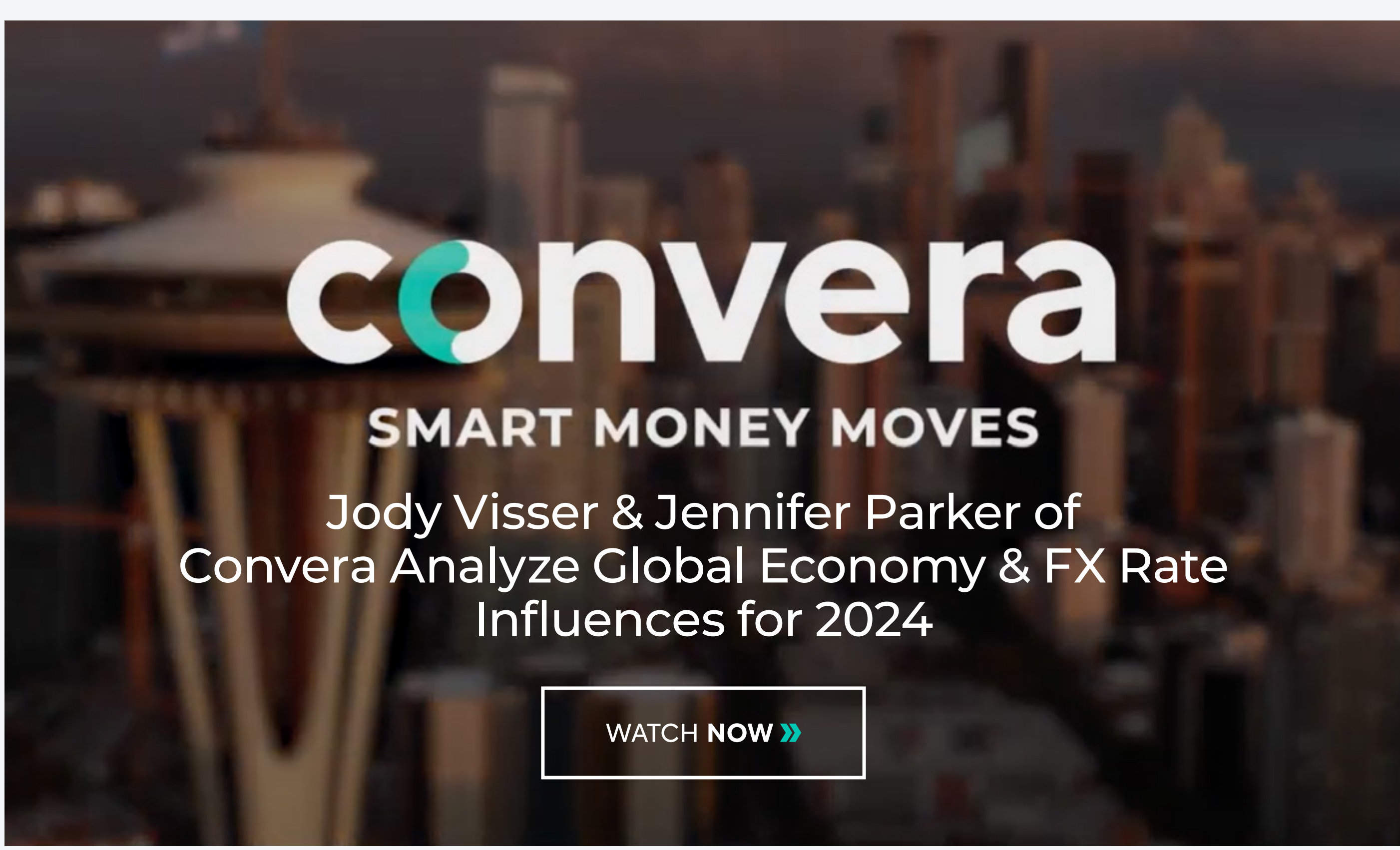
Steven Dooley
Head of Market Insights,
Convera



probabilities in 2024, while backward-looking indicators continue to perform well.

The last four recessions have been preceded by circumstances that are currently in place, such as tighter US Federal Reserve monetary policy, the New York Federal Reserve's recession probability indicator rising above 30%, the Conference Board's US Leading Economic Index falling below -5, over 50% of US bond yield curves inverting, and the US' CEO Confidence Index falling below the key 40 threshold. Nevertheless, consumer spending has remained resilient and global stocks have appreciated, with the Nasdaq surging.

So, amid the divergence and uncertainty today, what outcomes should we expect in 2024, and how could these potential outcomes affect FX rates?



CONVERA:

Outlooks for 2024

Outlooks for 2024

Considering the economic conditions present in 2023, Convera expects the global economy to continue slowing into 2024, growing by just 1.95% year-on-year. This would constitute the first sub-2% real GDP growth rate outside of a crisis period (2007-08 and 2020) in the 21st century.

Quantitative tightening plus high interest rates will contribute to this slowdown, and this will likely drag on equities and boost demand for safe-haven government bonds.

In particular, we anticipate the US economy in particular to drag down the global average, which up until now has helped compensate for the recession in European powerhouses like Germany. This is because lagging indicators suggest most of the impact from higher interest rates is likely to affect the US next year.

While supply chain normalisation and dropping commodity prices will probably be enough to continue producing downward pressure on inflation in the US, the pinch of higher interest rates could hit, slowing growth.

As well as the US, downward pressure on inflation may also be seen in the UK and across the Eurozone going into 2024, potentially giving the US Federal Reserve and European Central Bank enough reason to start easing monetary policy next year.

However, the risk to this outlook would be a prolonged period of uncomfortably high core inflation rates, which would force central banks to keep hiking interest rates this year and delay any rate cuts in early 2024.

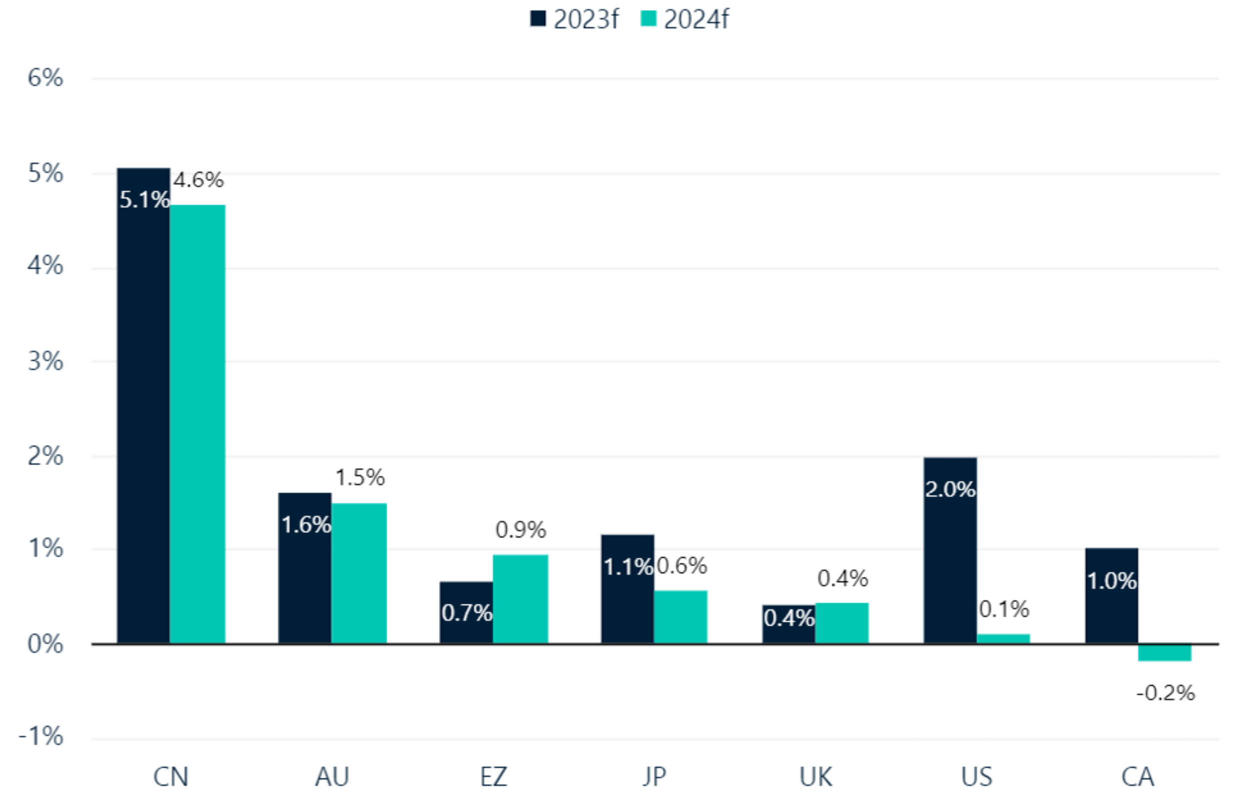
But even then, the mounting pressures from higher real yields could impact the global economy more than currently forecasted, leading to a more aggressive monetary easing cycle later in 2024.

If inflation should keep falling, this may also prompt central banks to cut interest rates in the first half of 2024. But should the rate of inflation not return to 2%, this challenges the historical tendencies we expect to see across financial markets.

Historically, our G7 global equity index gains an average of 17% in the 12 months after peak interest rates, while attractive yields spur demand for bonds as well. In currencies, the US Dollar Index usually declines by an average of 3%, whilst the Euro and GBP both appreciate 4% and 3% respectively.

Most countries expected to slow in 2024, with the US stagnating

Chart: real GDP growth, % YoY forecast



Source: Macrobond, Convera - August 2023

We expect the global economy to grow just 1.95% YoY in 2024. This would constitute the first sub-2% real GDP growth rate outside of a crisis period (2007-08 and 2020) in the 21st century, with the US economy mostly dragging down the global average

Boris Kovacevic
Global Macro Strategist
Convera

However the path forward is uncertain, and the impact of this uncertainty on different routes for economic growth and interest rates is already being felt by major FX rates. In July 2023, GBP/USD surged to $1.31, a result of continued interest rate hikes by the Bank of England into 2024 while investors priced in US rate cuts. This helped Pound Sterling to trade more than 6% above its one-year average of US$1.21 for several months largely due to expectations of future interest rate divergence. The GBP/USD later fell.

In the credit space, consumers who have so far been shielded by higher interest rates may start to feel the pinch in 2024. Indeed, the most cyclical countries and industries have already started to feel the impact of tighter lending conditions. Since the start of 2021, new construction starts in China are down by 56%, existing home sales in the US have fallen by 36% and residential construction in Germany continues to fall with 40% of the companies complaining about a lack of new orders in August 2023. This effect could start to grow and become more widespread.

Credit stresses, particularly in mortgage markets and bank lending, broadly tend to impact currencies through their spillover effect on economic growth and their influence on central bank policy. When mortgages start to have a big impact on housing demand or strain on household budgets, then those countries where the strain is felt may be more vulnerable to an economic downturn sooner rather than later.

This is a lurking headwind for many countries and could come into play to pinch consumers' wallets and reduce spending, further slowing economic growth. There are already warning signs in place for Canada, Australia, and Norway, which the International Monetary Fund says are at the greatest risk of mortgage defaults among advanced economies.

Elsewhere, as previously noted, trade is expected to continue to shift away from China. We've already seen China's exports fall 14.5% globally year-on-year in 2023, the sharpest fall since Covid-19 lockdowns back in February 2020.

Western decoupling from China is not expected to reverse in any way going into 2024. President Xi Jinping has taken a muscular approach to diplomacy while the US political class – whether Democrat or Republican – has taken a similarly tough approach. These stances could likely become more entrenched.

We expect, therefore, the Chinese Yuan to remain broadly pressured in 2024. The USD/CNY rate of 7.327 versus the US dollar in recent months put the Chinese currency close to its weakest levels since 2007. Furthermore, the USD/CNY average rate this year (YTD) is 6.994 – 3% above its 5-year average. This is a further sign of how weak the currency is amid these economic concerns.

This is in stark contrast to the US' new leading trade partner, Mexico. The USD/MXN average rate of 17.900 in 2023 (YTD) is a huge 11% below its 5-year average, meaning Mexico's Peso has appreciated markedly post-pandemic. Mexico's upward trend is also expected to continue.

These shifting trade conditions are symptomatic of geopolitical influence, which, in 2024, could rapidly change direction as a result of key elections.

As discussed, elections wield the potential to significantly shape the economic outlook of the world's largest economies and impact financial markets through policy uncertainty. For example, in 2016 the EUR/USD rate whipsawed from above US$1.13 in the 100 days before America's November election vote to a 2003 low below US$1.04 in the 100 days after the election – an 8.7% fluctuation in the space of six months.

FX rate swings are not just a symptom of US elections – UK politics has recently driven major moves in FX too. Sterling collapsed to record lows below US$1.04 versus the US dollar in September 2022 after Britain's shortest-serving prime minister, Liz Truss, unveiled a new budget and spending plan that shocked confidence in UK government policy.

The UK's Conservative Party has also been in power since 2010. In 1997, when the Labour Party displaced a 20-year Conservative Party government, the value of sterling against the US dollar fell by 5% in just three months.

So what conclusions can we draw for FX rates in 2024? The coalescing impacts of monetary policy, credit conditions and surging bond yields, we believe point to the slowest economic growth rate outside of a 21st Century crisis period.

With short-term interest rates and mortgage rates in G10 countries hitting a 14-year high in 2023, companies and households will have to adjust to a new rate environment. While we don't expect credit conditions to tighten much more, the lagged negative effect on households and real economies are yet to be experienced

George Vessey
Lead FX & Macro Strategist,
Europe, Convera

Economic effects will differ from market to market, creating volatile sways in FX rates in 2024. Add to this shifting trade patterns, a weak Chinese Yuan and intense FX rate sways during political elections, and the picture for volatility becomes all the more clear.

Next, we analyse key market trends to expect in 2024, and how leading FX rates currently stand, and how they could change – focusing on the US, Europe, the UK, Australia and Canada.

In the first six months of 2023, Mexico overtook China as the largest overseas source market for US imports of goods. Trade disputes or diversification is having consequences for longer-term balance of trade and payments

Steven Dooley
Head of Market Insights, Convera

How 2016 US election changed the outlook for global currencies

Chart: EUR/USD exchange rate, daily close, 100 days before/after election

Source: Macrobond, Convera - August 2023

CONVERA 2024: REGIONAL OUTLOOK AND FX FORECASTS

Global FX volatility overview

The latest multi-year peak of the US dollar was back in late September 2022. The world's reserve currency has since declined as much as 13% against a basket of currencies due to positive global growth surprises fuelling a sustained risk on the environment.

However, continued interest rate hikes in the US and the Fed's "higher for longer" rate narrative have sent US yields tearing higher, supporting a resurgence in the US dollar since July.

Meanwhile, dovish policymakers in Japan and China make them outliers amongst the world's major central banks, deterring investors, who have instead favoured high-yielding alternatives.

In Europe, despite volatility cooling in 2023, both the euro and pound have travelled extensively over the past 12 months, the latter more than 20%. Improving global risk sentiment and a hawkish ECB and BoE allowed EUR/USD and GBP/USD to significantly recover from multi-decade lows, although both exchange rates are no longer comfortably above their 1-year average.

Meanwhile, commodity currencies like the Canadian and Australian dollars were having a tough run, struggling to recover from their 2022 troughs against the USD.

Table: 12-month FX rate analysis, Oct 2022 to Oct 2023 data

Increasing volatility

	Spot	12-month performance	12-month high	12-month low	12-month average	12-month trading range	12-month trend
GBP/USD	1.2237	10.4%	1.3144	1.0922	1.2284	20.3%	
EUR/USD	1.0565	8.5%	1.1275	0.9631	1.0689	17.1%	
USD/CNY	7.2753	2.3%	7.3498	6.6905	7.0578	9.9%	
USD/JPY	148.54	2.2%	151.94	127.21	139.01	19.4%	
AUD/USD	0.6411	0.7%	0.7157	0.6169	0.6654	16.0%	
USD/HKD	7.8291	-0.3%	7.8502	7.7610	7.8303	1.1%	
USD/CAD	1.3588	-1.1%	1.3977	1.3090	1.3485	6.8%	
EUR/GBP	0.8634	-1.6%	0.8979	0.8492	0.8702	5.7%	
USD/SGD	1.3650	-4.7%	1.4412	1.3028	1.3508	10.6%	

Note: trading range is the percentage difference between high and low trading values for the specified time period.

Source: Refinitiv, Convera - October 10, 2023

GLOBAL FX VOLATILITY

The US

Hard to understate how much spending has risen since 2020

US indicators on nominal household spending and income

	Change since 2020 in %
Goods Spending	40%
Retail Sales	33%
Total Spending	27%
Income	24%
Imports	23%

Source: Convera, Macrobond

In the US, the disparities between tightening fiscal measures and spending couldn't be more stark. Pandemic-led fiscal stimulus measures unleashed a private consumption boom that is still ongoing.

While the share of spending on durable goods in relation to GDP has somewhat normalised from 20-year highs (9.7%) reached at the beginning of 2021, the level of nominal goods spending still far exceeds anything we have seen before. And while some slowdown of retail sales growth has taken place this year, it has not been enough to deter the US central bank from continuing to increase interest rates so far.

Post-pandemic factors such as labour shortages and excess demand therefore continue to shape the US economy and have positively influenced this year's macro releases. This might be one reason for the unusually large disconnect between lagging and leading economic indicators at the moment. While most of our recession indicators for the US have been deteriorating at a worrying pace, as aforementioned, hard and lagging data points have shown resilience.

Forecasting a recession in the US has consequently been a failed cause for the past six months. Strong consumer spending and a robust labour market have pushed out recession calls and have put the possibility of a soft landing back on the table. This suggests the power of the consumer and labour market in general in determining if a recession occurs and how shallow or deep it will be.

Currently, retail sales are hovering around an all-time high and are around 15% above their pre-pandemic levels. But, with all three US stimulus checks from 2020 and 2021 depleted and total savings returning to below US$1tn – a US$1.27trn shortfall from the trend line – spending in the US may face headwinds going into 2024.

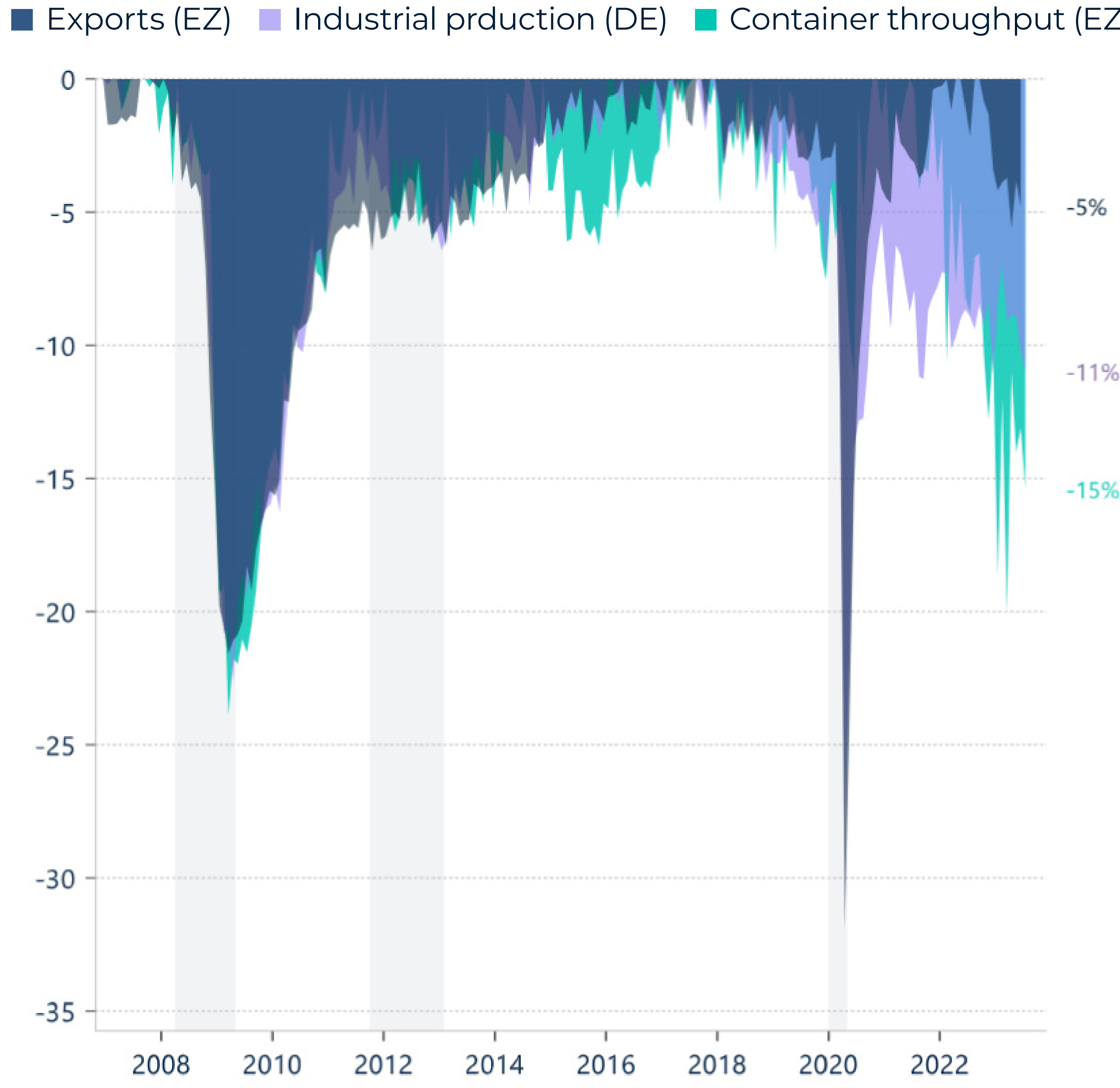
Furthermore, while the US labour market has been resilient against the deterioration of the manufacturing sector and tightening of credit conditions – with jobs growth beating expectations for 14 consecutive months – 20-year high short-term interest rates are starting to work their way through the economy, which could lead to a loss of economic momentum.

Metrics like initial jobless claims, job openings, quit rates and hours worked have been moving against the still-strong headline jobs growth number. This trend can be explained by the Kansas Fed Labor Conditions Index, which takes a 24-monthly series into account. Its barometer has been trending down since March 2022 and has clearly decoupled from US employment. As a result, we continue to expect weaker job growth going into 2024 and think this will force the US Federal Reserve to ease monetary policy.

Europe

Europe is feeling the global trade slump

European trade indicators - Drawdown from peak



Source: Convera, Macrobond

Over in Europe, the economy has been reacting to a year of extremes seen in 2022. For most of 2022, fiscal and monetary stimulus had still been working its way through an increasingly overheating economy.

Both inflation and nominal GDP growth had increased at a record pace with consumers eager to spend their excess savings and newly found freedom to do so from easing lockdown restrictions. At the same time, real interest rates and the trade balance had fallen to record lows, driven by the European Central Bank's (ECB) inactivity to fight inflation at the beginning of the year and the start of the Russian war in Ukraine.

Thus, 2023 has been a year of moderation. Every excess is followed by a mean reversion and in the case of 2023, an undershoot below that mean. While nominal growth remains solid – the strongest three years ever recorded in the Eurozone's history being 2021 to 2023 – partly due to elevated price growth, inflation-adjusted numbers look less compelling.

Weakening global demand plus interest rates at 20-year highs are starting to bite and could result in the Eurozone recording the lowest real GDP growth in 10 years in 2023 - partly due to Europe's open, pro-cyclical and therefore rate-sensitive nature.

Large economies tend to be based around domestic consumption with the US, China and Japan all having a lower trade openness index than the global average. That is not the case for the Eurozone, which has one of the highest trade dependencies in the developed world. Having said that, as global demand for goods falters against the backdrop of high prices and interest rates and changing consumer preferences, pro-cyclical countries face the most severe negative consequences.

The Eurozone's real GDP is 4% above its pre-pandemic level, trailing China (32%) and the US (10%) but ahead of Japan (1%). However, the recent pullback from consumers has meant that both retail sales and industrial production have returned below 2020 levels, highlighting the difficulties of sustaining robust growth rates.

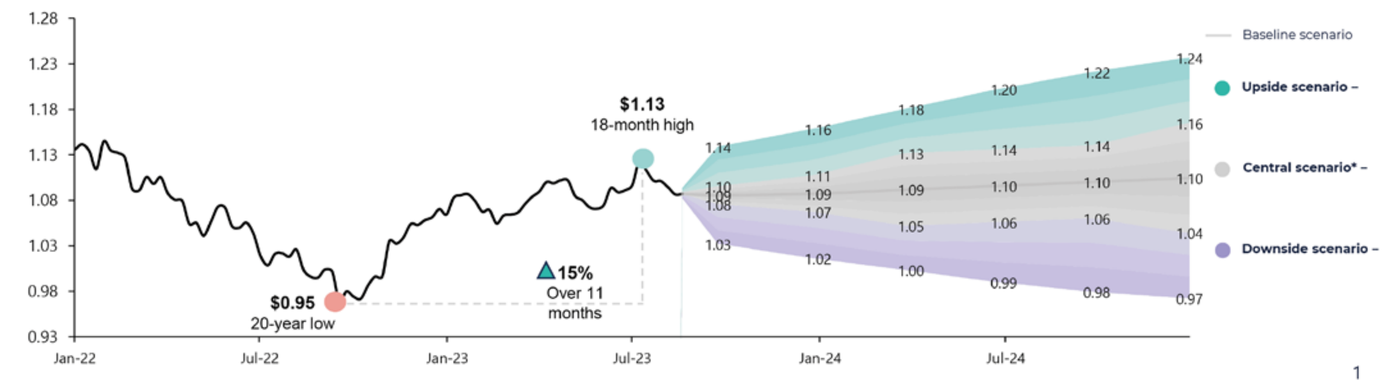
As most hard data points have stagnated and remained in negative territory, GDP growth has been lacklustre for the past three quarters. Forward-looking indicators appear to have weakened as well, following the recovery at the beginning of 2023. Both "soft" and "hard" macro data point to a subdued outlook and leave us with a slight negative bias for the Eurozone economy going into 2024.

So, while we are not expecting a severe contraction in GDP, signs of a strong recovery are broadly missing. This loss of momentum should continue to put downward pressure on inflation, which in turn could give the European Central Bank (ECB) some room to cut interest rates in 2024. How much policy easing is in the pipeline will be determined by where inflation settles in the medium term.

FX forecasts: EUR/USD

Historical volatility of the EUR/USD exchange rate

Convera-Oxford Economics projected scenarious for EUR/USD



Source: Oxford Economics, Refinitiv, Convera - 23 August 2023
*+/-1 standard deviation from baseline (68% chance rate falls within this range)

2022 was shaped by the euro falling to a two-decade low against the US dollar due to the Russia-Ukraine war-fuelled energy crisis and the ECB only starting to raise interest rates four months after its US counterpart. Realised currency volatility rose to the highest level in 11 years and EUR/USD fell as much as 23% to US$0.97 in September 2022.

However, something changed at the onset of Q4 2022. Inflation in the developed world broadly peaked and interest rate increases were starting to slow, while the global economy continued to hold up reasonably well. With sentiment having been subdued for so long, these reasons were enough to create a risk-on environment that saw the Euro and European equity benchmark rise by 12% and 20% respectively from October 2022 until the middle of 2023.

The pace of the Euro's appreciation has slowed in the second half of this year, 2023 but given that the median yearly performance of EUR/USD since 2014 has been minus 4.8% with only two positive years recorded (2017, 2020), 2023 seems reasonably strong.

With Germany having fallen into recession and the Chinese reopening having disappointed, the Euro has recently been dragged down by the manufacturing downtrend, falling from US$1.1250 to below US$1.10. However, investors focusing on the US disinflation story and enjoying real yield in Europe for the first time since 2014 have helped reduce the euro's fall and short-term downside potential.

Looking beyond the short-term cyclicality, turning structurally positive on Europe versus the US will have to be accompanied by underlying growth in the former picking up significantly over the next year. An uptick in the Chinese business cycle is also necessary. All four periods of euro strength and all multi-year highs from 2010 to 2021 have occurred while the Chinese manufacturing sector has been expanding, which is currently not the case.

The growth outlook will matter for setting monetary policy as well. For most of 2023, markets have been working under the assumption that the Fed would start cutting interest rates sooner than the ECB. This is not as clear anymore with the implied 12- and 18-month rate expectations having completely converged recently. It may now all be about the incoming macroeconomic data.

We do expect global economic momentum to remain subdued in 2024, and this weak growth environment might limit the euro's potential to the upside. Still, the improvement of sentiment in Europe and a potential economic uptick in the second half of 2024 could support a marginal appreciation of the currency pair, given that economic weakness has been more front-loaded than in the US.

The global consensus continues to suggest a higher EUR/USD rate in 12 months' time based on US inflation slowing and the US Fed cutting rates before the ECB. Even so, a sustainable appreciation beyond US$1.13 must be induced by a growth uptick in Europe and China as the Fed cutting rates would be a necessary but not a sufficient condition for a move above that key price level. On the other hand, a stagflationary scenario under which neither of these two conditions are met could leave the Euro vulnerable to a longer stay below US$1.08.

The UK

Easing cost-of-living crisit, but risk of wage-price spiral

UK inflation, wage growth and job vacancies*

Source: Convera, Macrobond
*Bubble size = number of unfilled job vacancies

Expectations of a lengthy UK recession in 2023 were overblown. Instead, the UK economy has grown for nine quarters in a row, helped by low unemployment, excess savings built up during the pandemic, and consumer spending being more resilient than expected in the face of rising interest rates.

Since 2003, there has never been a period where the yearly average UK economic surprise index has been so positive for four years in a row.

That said, concerns remain. The services sector is now in contraction, the 13-month UK manufacturing downturn is deepening, and Britain's labour market is showing signs of cooling despite record pay growth.

Persistent inflation pressures also make the UK an outlier. Headline UK consumer price inflation has fallen, but since October 2021 it has been, on average, more than 2.5 percentage points higher than the G7 average. Sticky core inflation has barely fallen from three-decade highs due to the UK's exposure to higher import costs, and more recently from the passthrough of strong services wage inflation.

Inflation pressures have been reflected in wage growth. Nominal UK wage growth continues to rise at its fastest pace on record and real wage growth eventually turned positive in 2023.

The UK's jobs market might remain hot. Whilst job vacancies have fallen for 13 consecutive months, the vacancies-to-unemployment ratio remains more than two standard deviations above its 2002-2019 average.

The (Bank of England) BoE has raised interest rates in 14 consecutive meetings to a current level of 5.25% - a 15-year high - and more hikes may be necessary in the future. UK gilt yields have surged in line with BoE rate expectations to the highest levels since 2008, providing the British pound with a strong tailwind through 2023. However, with the health of the economy at risk, upside momentum is stalling.

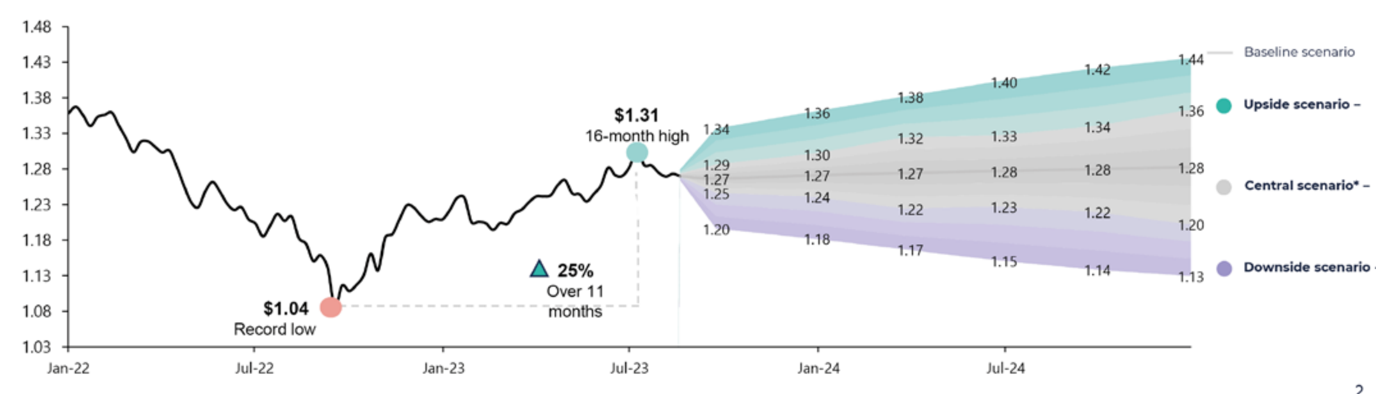
UK GDP growth of 0.4% is forecasted for 2024, matching the expected 2023 growth forecast. Growth is likely to be impacted by uncertainties including the UK general election and concerns about the lagged impact of monetary policy tightening. For example, in the UK housing market, there are nearly seven million fixed-rate mortgages. Of these, 1.6 million deals ending next year will be refinanced at much higher rates.

However, a key focus area for us is the labour market. Unless the economy weakens enough to cause unemployment to rise markedly, pay growth will probably stay above the BoE's target-consistent pace in 2024, thus keeping inflation well above its 2% target and increasing the risk of stagflation or even a mild recession.

FX forecasts: GBP/USD

Historical volatility of the GBP/USD exchange rate

Convera-Oxford Economics projected scenarious for GBP/USD



Source: Oxford Economics, Refinitiv, Convera - 23 August 2023
*+/-1 standard deviation from baseline (68% chance rate falls within this range)

The British Pound has been the best-performing G10 currency for over two-thirds of 2023. It's appreciated against more than 80% of the world's currencies and, on average, gained more than 7% YTD. Its dominance was a result of stronger-than-expected UK economic data, robust global risk appetite and markets pricing a peak BoE interest rate above 6%.

Although the BoE may have finished raising rates, it's likely to be the last to start cutting, which would provide the Pound an attractive yield advantage over its currency peers going forward. With the US Fed expected to pivot to cutting before the BoE, UK-US future interest rate differentials widened to the highest since 2014. However, this advantage has been shrinking recently as long-dated US yields continue to surge.

Risk-taking has also played a major role in the Pound's outperformance this year. Along with global equity markets rallying, GBP/USD's gain of more than 5% by the summer marked its ninth-best start to a year since 1972. It was also on track to crush its median annual performance of a 2.5% decline over the past decade. Sterling's performance has been closely tied to global equity performance though, and the recent slump in stocks has coincided with a significant portion of Sterling's gains being erased.

Sterling has risen as much as 25% from its record low beneath $1.04 against the US dollar back in September 2022. GBP/USD briefly rose above $1.31 this year - a key level that it's been below for over 60% of the post-Brexit period. However, a late summer retracement has reflected a shift in investors' focus from the positive to negative effects of high yields on the UK economy.

Looking to 2024, the Pound's fate partly depends on the impact of high UK interest rates. While 2023 was more about the positive effect of higher interest rates, with the UK economy performing reasonably well, next year investors might start focusing on the burden of higher yields as witnessed following the government's mini-budget turmoil of September 2022.

A year of stagflation, little-to-no growth matched with stubborn inflation, is expected in the UK in 2024. If the BoE keeps hiking under such conditions, this might be detrimental to the pound. If the BoE does deliver more rate hikes, then recession risks increase. If not, then rate differentials become less favourable. With short-term interest rate expectations higher in the UK relative to the US, sterling is vulnerable to any repricing lower, which could drag GBP/USD back to the lower US$1.20s.

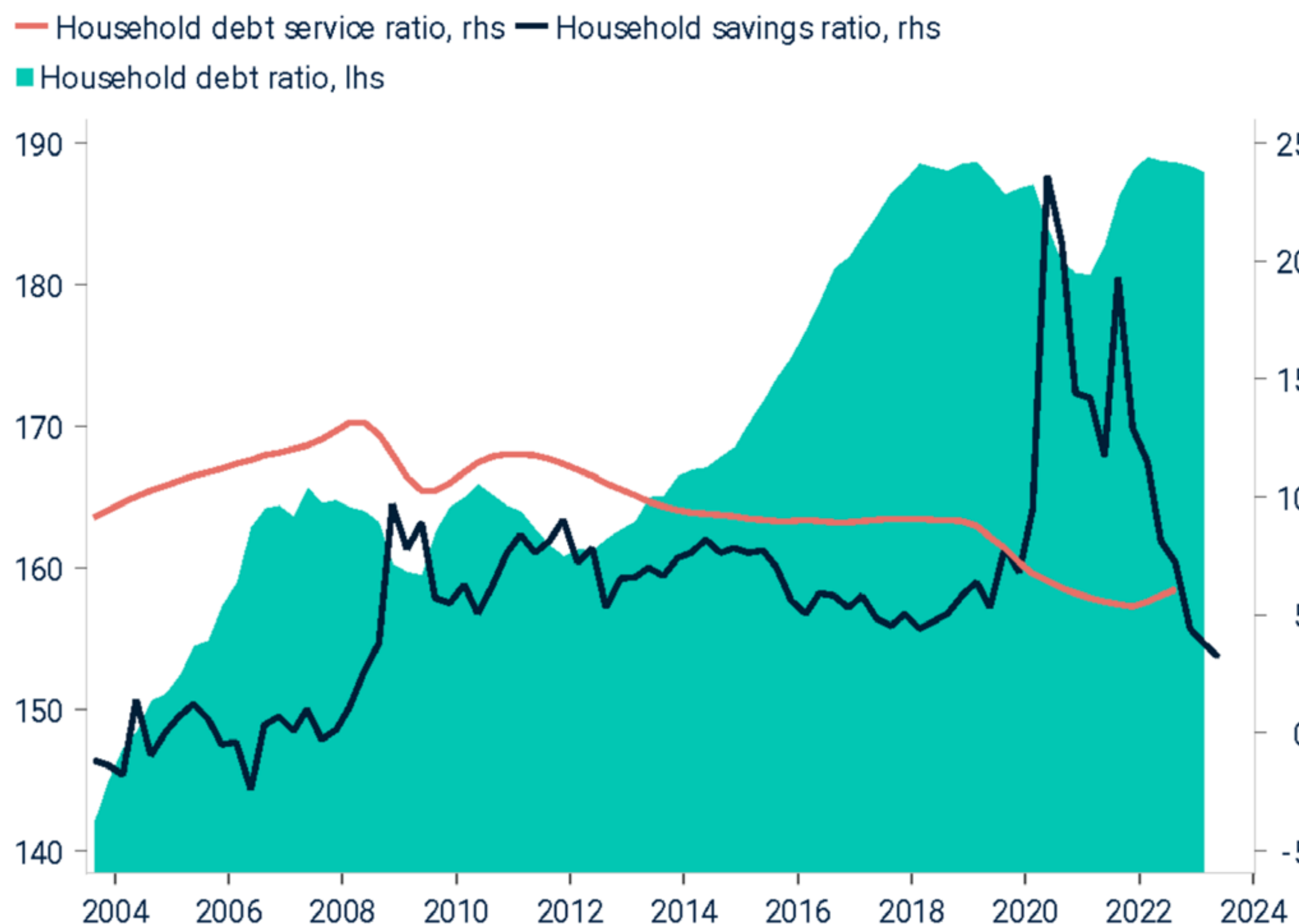
Considering the pound's remarkable gains in the earlier part of 2023, we also noted an underlying historical trend risk. In the eight years since 1972, when GBP/USD had performed so well up until the summer, the median annual performance in the following year has been a 4% decline.

To see sustained upside momentum in GBP/USD back into the higher US$1.30s, not only will BoE rates need to remain higher than the Fed's, but the UK economy will need to defy consensus expectations once again. This might also require a stronger recovery in China given historic peaks in the currency pair since 2010 have only occurred during times of Chinese manufacturing expansions.

GLOBAL FX VOLATILITY

Australia

Household savings collapse as debt servicing heads higher



Note: Ratios are expressed as a percentage of disposable income.
Source: Convera, Macrobond

In 2023, Australian economic growth has disappointed and is forecasted to remain underwhelming going into 2024. Forecasts from our research partner Oxford Economics suggest Australian GDP will grow at 1.6% y/y in 2023 and slip to 1.5% y/y in 2024. This compares unfavorably with Australia's long-run average annual growth rate of 3.4% since 1960.

Three major factors have hit the Australian economy this year. First, the global slowdown in manufacturing - which has particularly impacted major industrial economies like Germany and China has hit demand for Australia's commodity exports.

Secondly, worries about the broader Chinese economy have sparked fears in other non-industrial sectors of the AU economy, like agriculture, travel, education and financial services.

Lastly, the Australian economy has been hit by higher interest rates, with a so-called "fiscal cliff" of fixed-rate mortgages rolling into variable-rate loans hitting the spending habits of one-third of Australian households with mortgages. Consumer sentiment has now fallen to levels only seen during the pandemic and the 1990s recession according to the Melbourne Institute: Applied Economic & Social Research.

So far, the Australian economy has been able to avoid a recession, thanks mainly to strong employment and high levels of pandemic-era savings. However, while unemployment has remained robust – still relatively close to a 50-year low of 3.4% – the household savings rate has now fallen back below pre-pandemic levels as high-interest bills hit borrowers. These debt worries mean the Reserve Bank of Australia (RBA) is unlikely to be able to raise rates much further.

With Chinese authorities reluctant to reinflate further asset bubbles with large stimulus programmes, and global interest rates likely to stay elevated to contain inflation, the outlook for Australia next year remains below trend, but still more positive than some global peers.

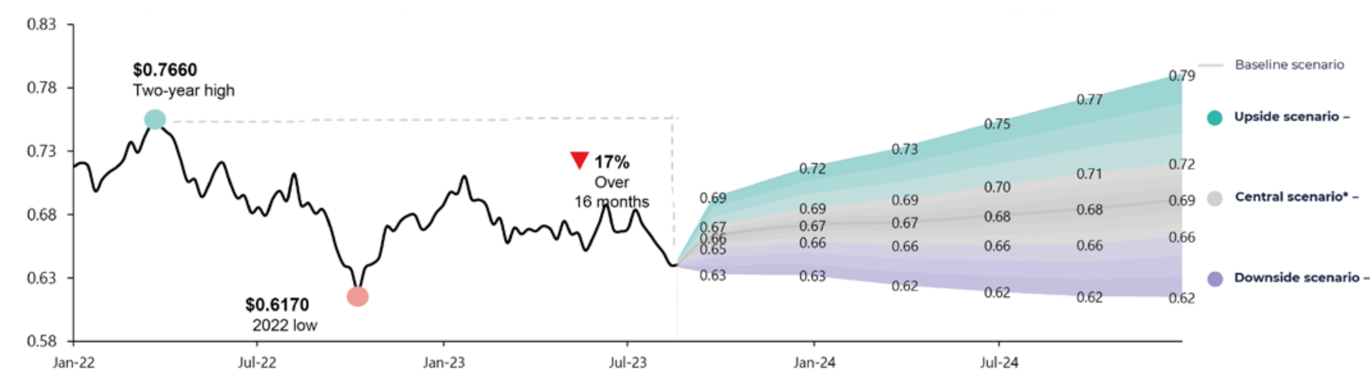
Commodity prices, notably iron ore and natural gas, have fallen substantially from 2021-22 highs, but are still robust versus long-term averages which will help. Meanwhile, high migration following pandemic lockdowns has also strongly favoured Australia.

GLOBAL FX VOLATILITY

FX forecasts: AUD/USD

Historical volatility of the AUD/USD exchange rate

Convera-Oxford Economics projected scenarious for AUD/USD



Source: Oxford Economics, Refinitiv, Convera - 23 August 2023
*+/-1 standard deviation from baseline (68% chance rate falls within this range)

The AUD/USD rate has been both weak and listless in 2023 with the slowdown in global manufacturing, worries about China, and relatively lower Australian interest rates weighing on AUD/USD. The AUD/USD rate has fallen more than 20% from its post-pandemic high of just above $0.8000 which it reached in February 2021.

After the Australian dollar hit a 12-month high of $0.7140 versus the US dollar in February 2023 - in hopes for a quick recovery of the Chinese economy - it quickly gave up those gains as news from China disappointed, sliding below AU$0.6500 in the second half of 2023.

The Australian dollar is also closely tied to commodity prices. Since its peak in the June quarter of 2022, the CRB's commodity price index is down 11%. Unsurprisingly, the AUD/USD rate is also down by 10% over the same period.

AUD/USD has also slipped well below its long-term historical averages. At the end of September 2023, it was 6.9% below its two-year average of $0.6940 and 8.6% below its five-year average of AU$0.7020. It's rare for the AUD/USD to be so pressured. In the last 20 years of trading, AUD/USD has only traded below $0.6500 on 190 occasions – or 3.0% of trading days. Underlining recent AUD weakness, 72 of those 190 days have been in the last 12 months.

The market's indifference to Australia this year has also caused volatility to fall. The 16% AUD/USD range over the last 12 months is well below the 19% average annual range since the AUD floated back in 1983.

So, while AUD/USD has rarely spent much time below $0.6500, the central outlook for the pair is not looking for a sudden rally higher.

Currently, AUD/USD is forecast to mostly trade below $0.7000 for the foreseeable future capped by weaker-than-expected global growth and AU interest rates that are below comparable peers.

China's lacklustre growth also remains a major drag on the AU dollar. Historically, the AUD/USD's performance has been closely tied to Chinese activity or, more obviously, Chinese credit growth. Chinese credit growth remains underwhelming.

Furthermore, the spread between US and Australian two-year bond yields over the last 12 months – often more than 110 basis points in favour of the US – is greater than at any time in the post-float era. The only comparable period was in the late 1990s when the AUD/USD was similarly trading in the mid-AU$0.6000s.

The interest rate advantage in favour of the USD may continue to pressure AUD/USD. A substantial move higher (stronger AUD) might require interest rate cuts from the US Federal Reserve or further rate hikes from the Reserve Bank of Australia (RBA).

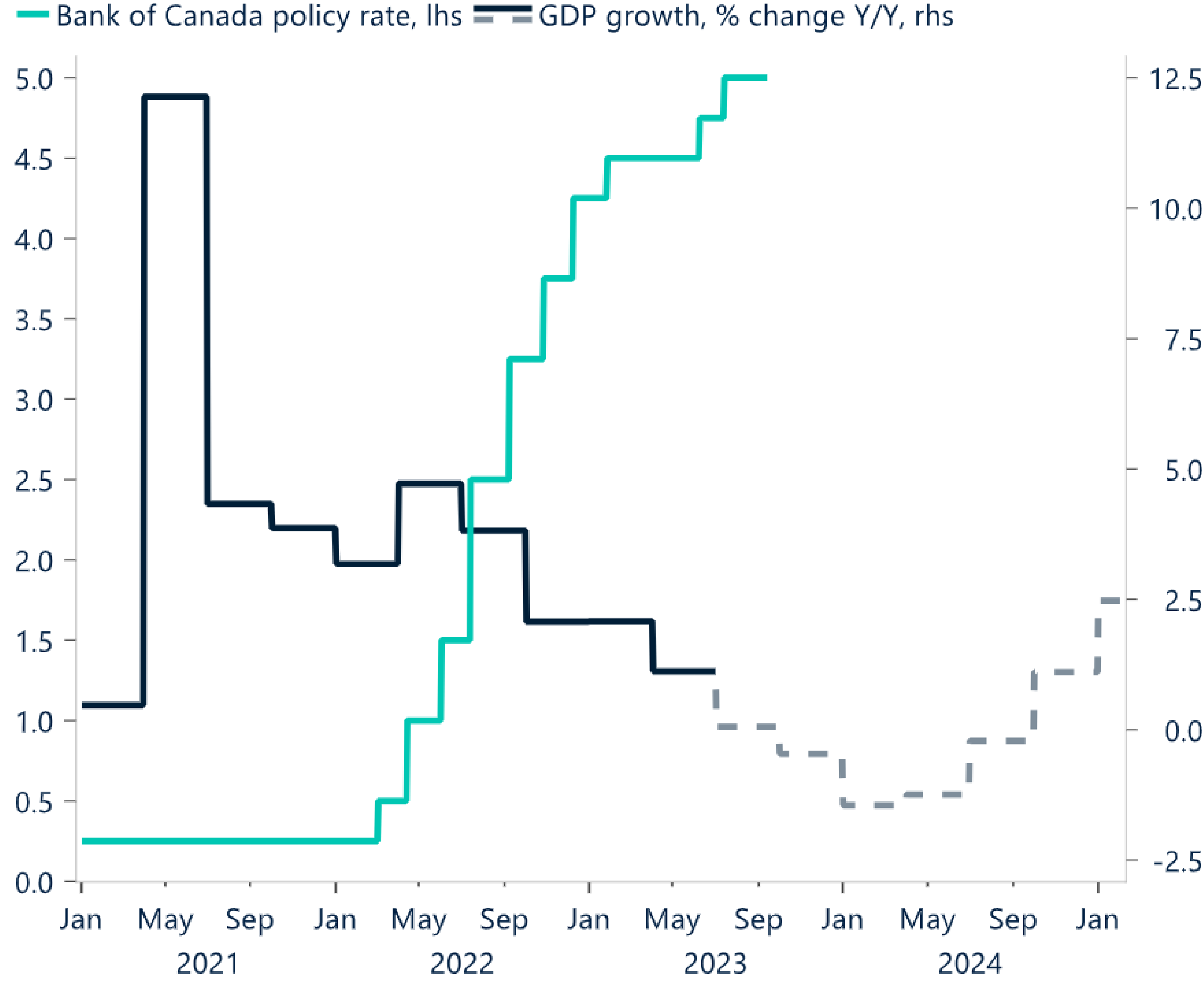
Seasonal trends are one possible factor on the AU dollar's side, however. The AUD/USD pair has historically appreciated in the December quarter (year-end) in 17 of the last 25 years, with an average quarterly gain of 0.9%.

On the other hand, weaker global growth, tighter credit conditions and worries about China could see AUD/USD extend this year's losses into 2024. Our downside scenario sees the AUD/USD potentially slipping to AU$0.6200 in Q4 2023 heading into 2024.

GLOBAL FX VOLATILITY

Canada

Canada's GDP slows as BoC raises rates to tame inflation



Source: Convera, Oxford Economics, Macrobond

In Canada, economic resilience in 2023 has helped to limit threats to local growth from global economic weakness, as well as disruptions related to extreme weather like wildfires. The Bank of Canada (BoC) forecasts growth of around 1.8% y/y in 2023 as inflation has decelerated below 3.5% y/y while unemployment around 5.5% is not far from historic lows.

The Bank of Canada (BoC) expects growth to decelerate further to about 1.2% y/y in 2024, as cumulative interest rate hikes curb inflation and the economy. Global economic cross-currents related to a slowing Chinese economy also lifted USD/CAD to above $1.36 from mid-2023 lows below $1.31, as many have flocked to safety in the US dollar and sold the Canadian Dollar.

Canadian economic fundamentals have held up reasonably well, thanks to a tight labor market that's keeping unemployment near historic lows. Still, elevated inflation and the highest interest rates in decades loom as significant headwinds on consumer and business spending.

The country's wildfires and rising weather volatility are also threatening to increase headwinds on an economy already grappling with the highest borrowing rates in decades. Our research partner Oxford Economics estimates that the fires could shave around 0.3 to 0.6 percentage points off Canadian growth during the third quarter of 2023.

The fires have also disrupted oil and gas operations and curtailed the availability of timber - a key ingredient for housing. Canada's housing industry is already saddled with an affordability crisis amid lower supplies of available homes for sale and higher mortgage rates.

A rapid tightening of Canadian monetary policy since 2022 has provided some underlying support to the Canadian Dollar. The Bank of Canada (BoC) has nearly matched Washington in terms of policy tightening which helps explain the narrower, seven-cent annual trading range for USD/CAD so far in 2023. By comparison, the pair on average had spanned a 15-cent annual range in the three years ending in 2022.

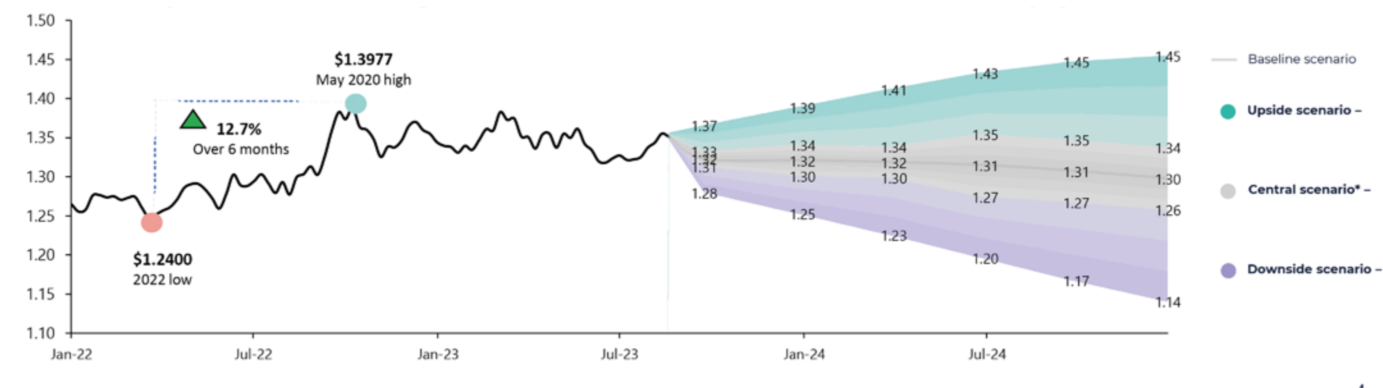
The fact remains that Canada's aggressive fight to bring down inflation from above 8% in June 2022 - the highest in 39 years - has adversely impacted parts of the country's economy. As mentioned above, the housing market has experienced an affordability crisis as mortgage rates soar and a shortage of available homes for sale pushes up home prices, deterring many would-be buyers.

BoC data showed that rates for popular five-year mortgages rose to 6.79% in August, the highest since November 2008. The upside for Canada's economy in 2024 may hinge on how quickly it takes the BoC to lower interest rates to support spending and economic growth.

FX forecasts: USD/CAD

Historical volatility of the USD/CAD exchange rate

Convera-Oxford Economics projected scenarious for USD/CAD



Source: Oxford Economics, Refinitiv, Convera - 23 August 2023
*+/-1 standard deviation from baseline (68% chance rate falls within this range)

While USD/CAD was little changed around $1.35 in 2023, only a year ago the pair found itself just below the key psychological level of CA$1.30. Volatility this year has not been much higher than historical averages, with USD/CAD spanning a 6% range of $1.3860 to $1.3090 YTD.

Central bank policy has been a somewhat neutralising force damping volatility, given that the BoC has nearly matched the US Fed in hiking rates to tame inflation. By August 2023, the BoC had raised its benchmark rate by 475 basis points since 2022 to 5%, the highest in 22 years. Over the same period, Washington had hiked by 525 basis points to roughly 5.4%.

However, a finish to the year above CA$1.35 could mark the USD/CAD pair's highest average annual value (the Canadian Dollar's worst) since 2003.

Further analysis shows the US dollar is still on a much stronger footing currently. Around CA$1.3580, USD/CAD is 3.8% above its two-year average of CA$1.3080. Over the last five years, the pair has averaged CA$1.3110. The Fed's higher official interest rate compared to Canada has provided a yield advantage for the US dollar, while worries about a China-led slowdown in global growth have weighed on commodity-driven currencies like the Canadian Dollar.

The momentum behind the domestic and global economies will serve as an important guidepost for how USD/CAD fares over the coming year. Given the delicate shape of global growth, the road ahead could be a bumpy one, especially for commodity-influenced currencies like the CAD.

The Canadian Dollar would be well placed to outperform if global growth prospects brighten and the Fed pivots to rate cuts to keep a US economic soft landing within reach.

Consequently, our current base case suggests USD/CAD should moderate back towards CA$1.30 in 2024, as the Fed's aggressive tightening weighs on US economic growth and we expect this to spur Washington to cut rates next year.

Summary

Our cross-market analysis indicates divergent economic outlooks across key countries, pointing to our prediction for further volatility in FX rates.

While volatility between USD/CAD remains much unchanged in 2023, this could worsen for Canada come 2024. The Australian dollar is already on a weak footing against the US dollar, but could this change amid commodity price shifts? And how will the Australian dollar react should China start to diversify its economy further in 2024?

The Pound Sterling has been the strongest among G10 nations for much of 2023, but how will it perform in 2024 if global interest rates remain high? And while the euro's depreciation over recent months may be overstretched, how much ground can it recover should the European economy falter further?

With all this uncertainty and the likelihood of further FX rate volatility in 2024 in mind, it may be increasingly difficult for cross-border businesses to conduct international trade without taking financial hits.

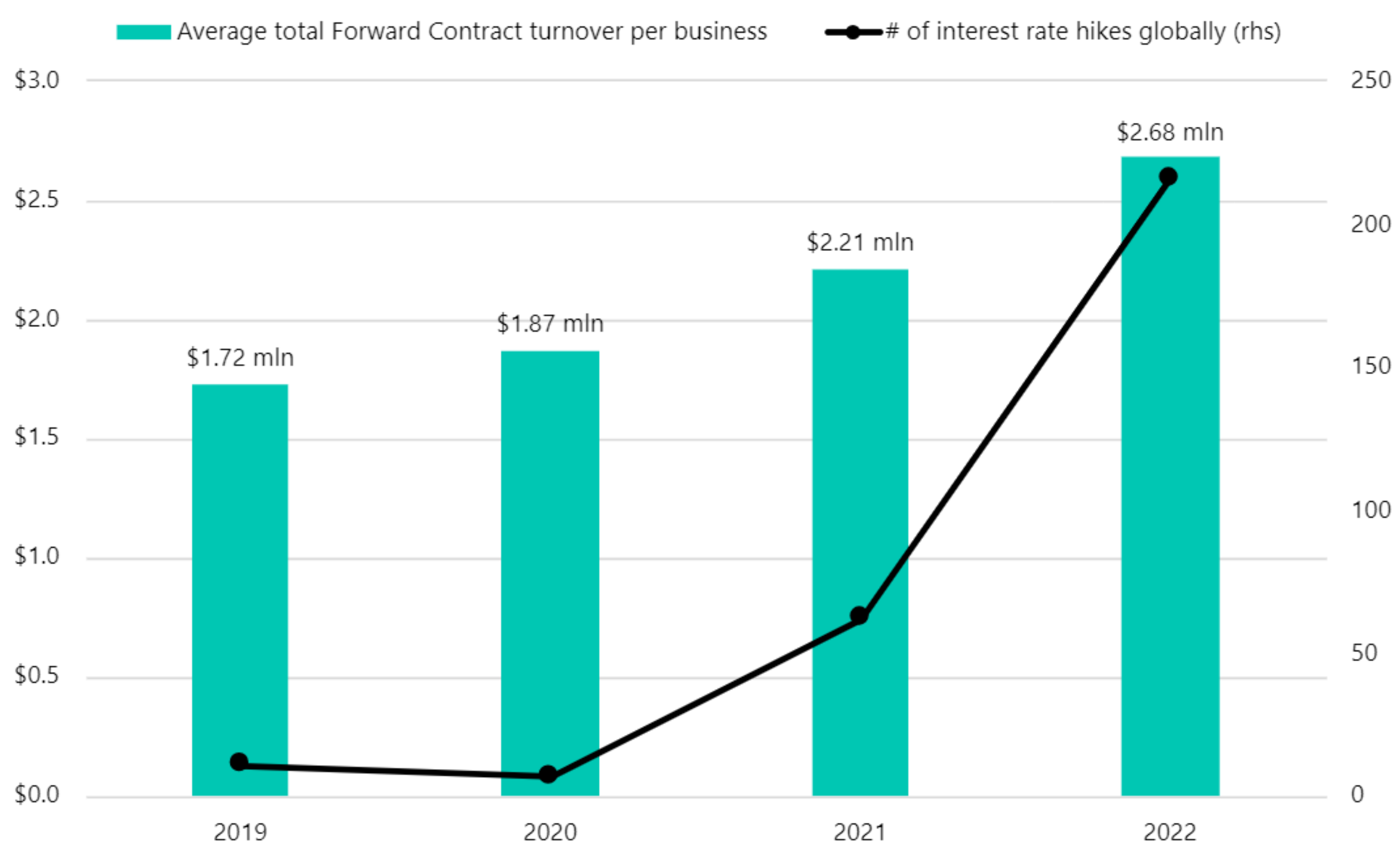
Cross-border frictions such as FX volatility can drastically affect cash flow and an organisation's bottom line. It should remain an executive-level consideration for business growth given the outlook for financial markets in 2024

Steven Dooley
Head of Market Insights, Convera

Risk management trends

Business forward contracts +55% in 2022 Vs. 2019 amid a surge in rate hikes

Chart: average Forward Contract turnover per customer, in US$m



Source: Convera, Macrobond – August 2023.
Important note: Data includes more than 99% of Convera's forward contract customers. Those excluded consist of customers with a dollar turnover value more than 1.5 times the interquartile range (and can therefore be defined as outliers). The data was aggregated globally and anonymized to ensure data privacy, and does not include data on other hedging products such as options contracts.

The combination of shifting monetary policy and anticipated rate cuts, disparities between bonds and equities, moving trade priorities and an uncertain geopolitical future form the driving force for exchange rate volatility.

For an organisation, the combination of these disruptive market conditions on FX rates can have a marked impact on cash flow and profit margins.

So, what exchange rate risk management policies are in place to mitigate growing volatility, and should it remain an executive-level consideration for global business strategy?

The data suggests so. The EUR/USD exchange rate has fluctuated in an 18% price range from high to low from August 2022 to August 2023, a range not seen since the 2007-08 Financial Crisis.
What's more, in the same period, AUD/USD has fluctuated in a 16% range while GBP/USD has moved within a staggering range of 27% in the same period between August 2022 and August 2023.

Businesses dependent on foreign currency exchange for global payments have faced the brunt of this volatility for the past 12-18 months – to the detriment of profit margins and cash flow.

Convera expects this trend to continue in 2024 as customers seek out support to mitigate the impacts of FX rate volitility, and future-proof international payments and profit margins.

Between 2019 and 2022, Convera has seen hedging transactions volume for a representative sample group of customers increase by 53.5%, with a 29.4% rise between 2021 and 2022 alone.

In addition, we have seen the average turnover on forward contracts per hedging customer in this group increase from US$1.87m in 2019 to US$2.68m in 2022. Although forward contracts are just one of several hedging instruments businesses use, this marked a 55% rise in the nominal value and – even when adjusted for inflation – represented a rise of 34% over the same period.

It is clear that businesses have implemented strategies aimed at countering, or reducing, the variable costs of doing business when sending or receiving currency payments globally.

The dangers of FX rate volatility will still be present for businesses in 2024, which is why we believe the issue should remain on executive-level agendas for the foreseeable future. Forecast volatility and shifting markets in 2024 will keep hedging a priority for achieving and sustaining business growth.

If you're managing a cross-border business, we ask: are you ready for 2024? Navigating this sea of volatility is where Convera can help.

Guidance for businesses

While it will remain vital in 2024 to execute sophisticated hedging processes, effectively automating these processes will also help businesses reduce trading frictions.

Global organisations need to develop solutions that address cross-border frictions, ensuring they remain beneficiaries of a growing cross-border trade industry.

This will provide firms with the key to mitigating global currency volatility, which was an average of 20% higher in 2022 than the three-year average companies experienced pre-pandemic between 2017 and 2019.

Again, global FX volatility is going nowhere. What if we continue to see shifts of 5-10% in key exchange rates, or FX rates stay at levels significantly above or below your budgeted level? There is a more than likely chance that continued volatility could affect your business.

Also, tracking the cost and time of moving goods across borders was around 400% higher in 2022 compared to 2019. Even though this fell sharply in 2023 as pandemic pressures eased, what if your particular industry sector or specific country of interest remains highly exposed to supply chain risks and geopolitics, whilst competitive pressure on your organisation to diversify trade or speed up delivery remains high?
What's more, the number of unique sanctions impacting global payments rose from 18,000 to 52,000 over a period between 2017 and 2022, with the Global Sanctions Index up 270% in 2022 compared to 2017, largely due to the Russia-Ukraine war.

Russia's invasion of Ukraine left exposed businesses needing to counter the sudden drop in the Russian Ruble, whilst also countering the immediate sanctions put up by the US and EU. This brought in-flight overseas payments to an immediate standstill. The renewed hostilities between Hamas and Israel illustrate how quickly the geopolitical landscape can change.

What if factors like sanctions mean your payment and regulatory complexities increase in 2024? Is managing reputational risks, security and customer experience related to global payments important to you?

Convera's compliance controls and fraud prevention measures, as well as real-time payment offerings related to API integrations, payment tracking and more, can help effectively manage such shifting payment and regulatory complexities.

What's more, enabling faster and more efficient payments is an area where businesses should continue to focus their efforts on moving away from legacy manual processes that hold firms back from scaling. Convera can help with this efficiency too.

We offer a full range of FX hedging solutions like FX Options, and Forward Contracts, helping organisations track and mitigate FX risks, protect profits, and optimise international cash flow[7]. We also tailor our support across multiple industries such as manufacturing, retail, education and financial institutions.

This includes payment solutions for both imports and exports, assisting organisations with accelerating payment speeds, efficient payment collection tools and enabling companies to diversify into alternative overseas markets and regulatory frameworks. Our network covers 140 currencies, and we operate across 200 countries and territories.

We supply a portfolio of automated global payment solutions, compliance controls and fraud prevention measures – investing annually in managing compliance and regulations globally – and have introduced a number of new real-time payment offerings related to our API integrations, payment tracking and more.

Your business' cross-border trading success in 2024 will be judged on your proficiency to mitigate cross-border frictions, negate losses and maximise growth. Convera can help you turn these aims into realities.

[7] Our hedging products are derivative financial instruments which may expose you to risk should the underlying exposure you are hedging cease to exist. They may be suitable if you have a high level of understanding and accept the risks associated with derivative financial instruments that involve foreign exchange and related markets. If you are not confident about your understanding of derivative financial instruments, or foreign exchange and related markets, we strongly suggest you seek independent advice before making the decision to use these instruments.

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ASIA PACIFIC

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EUROPE

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