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GLOBAL FX OUTLOOK
April 2023

Key insights

Volatility at the end of the tightening cycle

The collapse of two US banks and an emergency rescue deal for Credit Suisse has heightened fears of contagion and prompted swift action from the US Federal Reserve to open emergency lending channels to prevent a potential liquidity crunch. This turmoil is a consequence of the 534 rate hikes delivered by central banks since the beginning of 2021, but markets have started positioning for the end of the global tightening cycle. Will central banks stop hiking or even start cutting interest rates later this year? This uncertainty is expected to induce elevated volatility across financial markets.

The view that the situation in the banking sector is more idiosyncratic than systemic has helped revive risk appetite for now, but the US dollar is caught between opposing forces - the negative re-pricing of US interest rate expectations versus stability concerns in the banking system.

This monthly guide provides forward guidance on the global trends and events driving FX volatility, to help SMEs and corporates uncover the potential opportunities or risks involved with cross-border trade.

We hope that with better access to insights, more informed international trade and payment strategies may lead to better financial outcomes for our customers.

US

The USD swiftly reversed course when markets aggressively re-priced Fed interest rates lower, with US two-year yields falling from 5.08% to 3.6% in just three weeks.

EU

EUR/USD rose for five weeks in a row as the ECB's 50-basis point hike and hawkish rhetoric led to narrowing US-EZ rate differentials favouring the common currency.

UK

The BoE raised interest rates to 4.25%, the highest since 2008, but the pound was more responsive to financial market sentiment and elevated volatility in rate expectations.

Australia

The Aussie fell ~5% against the Japanese yen amidst concerns about a global credit crunch and markets subsequently pricing in a rate cut by the RBNZ later this year.

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.

Global economic outlook

Key insights - banking turmoil driving narrative

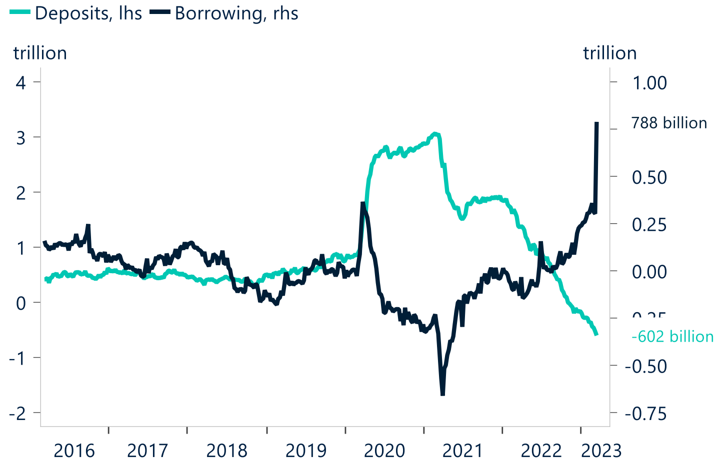
Deposit flight forces banks to borrow

Small US banks continued to borrow at a record pace to keep up with deposits leaving for larger banks and money market funds, three weeks after the turmoil in the banking sector started.

Swift action following the collapse of the Silicon Valley Bank by the private sector and government, coupled with central bank support, have avoided a short-term crisis. However, the underlying problems are still a concern and could continue to weigh on the banking sector.

Banks borrow to keep up with the deposit flight

US commercial bank deposits and borrowing (yearly change, $)



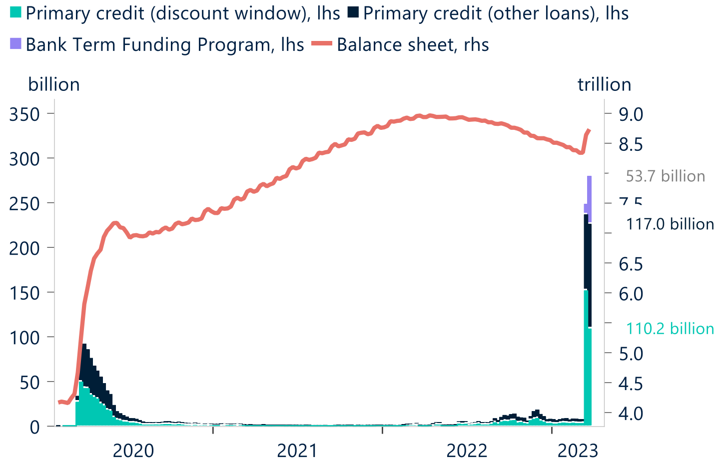
Fed steps in as lender of last resort

The usage of the Fed's discount window and newly established bank term funding program (BTFP) continues to be elevated, averaging around $150bn for the last two weeks.

The Fed's role as the lender of last resort has been working against its plans to shrink its balance sheet. During the last two weeks, the balance sheet increased by $40bn, reversing more than two-thirds of the reduction that had taken place since March 2022.

Fed is expanding the balance sheet again despite QT

Fed's Liquidity & Credit Facilities and Balance Sheet ($)



Tighter financial conditions ahead

Investors are currently expecting the Fed to pause rate hikes at the next meeting, effectively ending its year-long tightening cycle in May. This highlights concern over the recent banking turmoil.

Markets don't expect inflation to recede that easily. However, the expected tightening of lending conditions in the banking sector from a more conservative risk management might substitute for the Fed's now priced out rate hikes.

Use of Fed discount window precedes tighter lending

Fed's discount window and small business lending conditions

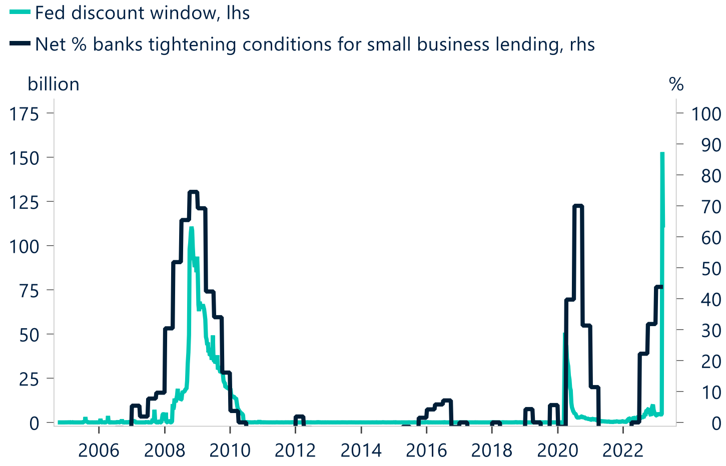


Chart sources: Convera, Macrobond – April 02, 2023

Theme in focus: Rate cycles always end volatile

Markets are betting on a hawkish ECB vs. dovish Fed

Market rate expectations (ECB rate hikes/cuts - Fed rate hikes/cuts)

Source: Convera, Macrobond – April 02, 2023

Volatility in the fixed income space continues to be extremely elevated. This can be explained by three factors.

1. Volatility at the beginning and the end of a tightening cycle has been shown to be more elevated given the difficulty of pricing what central banks will do.
2. Given opposing forces (headline vs. core inflation; macro vs. banking; inflation vs. financial stability), arguments for both hikes and cuts can easily be made.
3. Narratives are changing fast as the data dependent stance of central banks implies that any data point can make or break the existing consensus.

Markets are currently not expecting the Fed to raise interest rates at the May meeting, effectively pricing in the end of the tightening cycle. Markets also see three rate cuts following the meetings after May.

The risk to the upside that must be noted here is that the turmoil might remain contained and not turn into a systemic problem. Given elevated inflation, this would mean that some of the rate cuts currently priced in for the Fed must be priced out again.

Ultimately, the Fed is considered more likely to cut rates than the ECB under the condition that the banking stress does not spill over into Europe, resulting in a monetary policy divergence 2.0.

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Key market events to watch

April 2023

3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30

3
- Mfg PMI
- ISM Mfg PMI
- **Rate Decision 05:30**
- Inflation (PPI)
- Factory Orders
  Job Openings

5
- ISM non-Mfg PMI
- **Rate Decision 13:00**
- **Rate Decision 02:00**

6
- Services PMI
- **Rate Decision 05:30**
- Industrial Production

7
- Jobs Report
- Jobs Report

10
- Sentix index

11
- Retail Sales
- **Rate Decision 02:00**
- Inflation (CPI)
- BRC Retail Sales

12
- Inflation (CPI)
- **Rate Decision 13:30**
- Fed's Minutes

13
- Inflation (PPI)
- Industrial Production
- GDP, Industrial Production
  Trade Balance
- Jobs Report

14
- Retail Sales
  Industrial Production
  UoM C. Sentiment

18
- Inflation (CPI)
- ZEW Surveys
- Jobs Report
- Q1 GDP
  Retail Sales
  Industrial Production

19
- Inflation (PPI, CPI)
- Inflation (CPI)
- Fed Beige Book

20
- C. Confidence
- Phill Fed Index
- **Rate Decision 02:15**

21
- C. Confidence
  Retail Sales
- Retail Sales
- Industry PMIs
- Industry PMIs

24
- Ifo Business Climate
  Inflation (CPI)

25
- **Rate Decision 08:30**
- PSNB
- **Rate Decision 13:00**
- C. Confidence,

26
- GfK C. Confidence
- Durable Goods
- Inflation (CPI)

27
- Q1 GDP
  Q1 PCE Prices
- Sentiment Surveys

28
- **Rate Decision 03:00**
- Inflation (CPI)
- Q1 GDP
- PCE Prices

Source: Convera, Refinitiv – March 27, 2023

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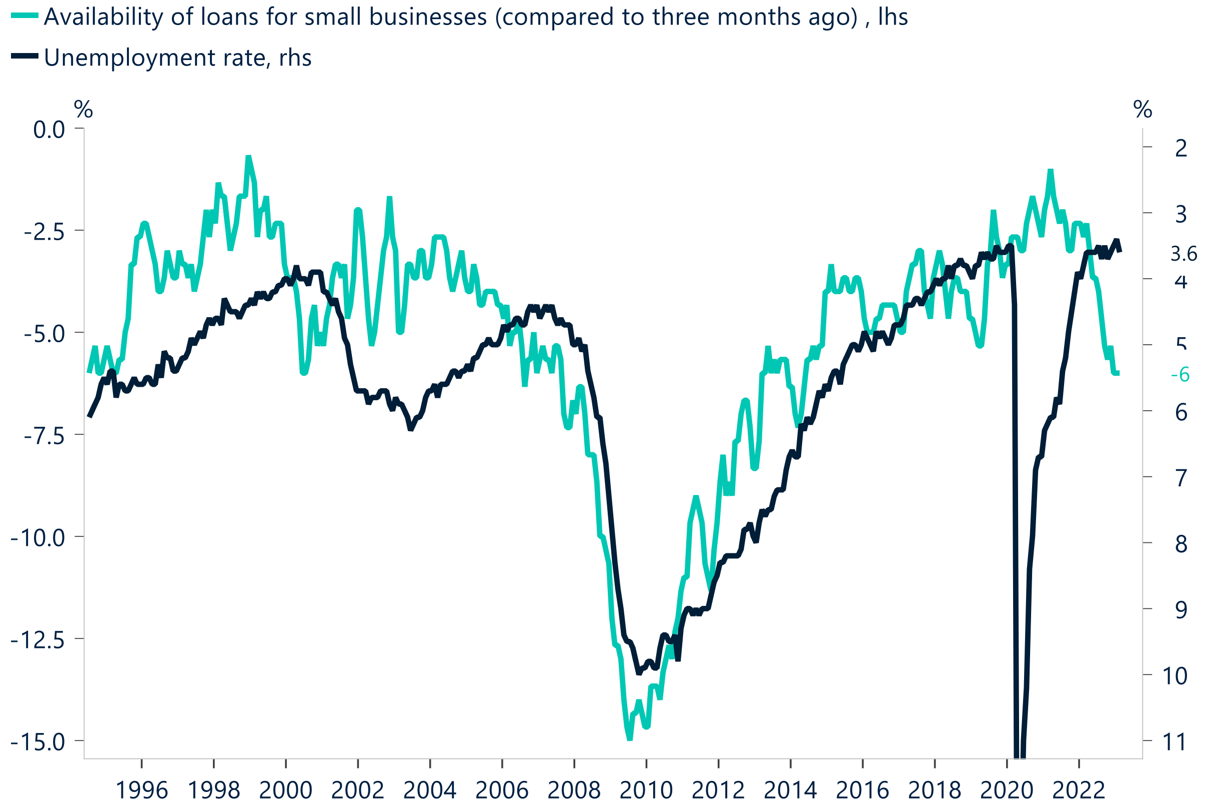
Event in focus: The totality of data is what matters

Tighter lending, fewer loans, higher unemployment

Loan availability and the US unemployment rate



Source: Convera, Macrobond – April 02, 2023

Inflation has been the driving force of monetary policy for the last 12 months. The commitment to bringing down inflation has limited any nuance in terms of setting policy and has put interest rates on a straight path upwards. This has now changed.

The new data-dependent meeting-by-meeting stance of central banks, the uncertain outlook on the banking sector and inflation will put a heavy weight on incoming data.

For the first time since the beginning of the tightening cycle in Europe and the US, raising rates at the next meeting is not taken as granted anymore.

Most central banks have set policy at the end of the first quarter, leaving April with only a few important interest rate decisions in Australia and Canada.

This will put the spotlight on economic data once again as policy makers decide how the banking turmoil has affected the real economy.

Inflation and labour market data will continue to be tier 1 releases, that will likely be accompanied by increased volatility.

However, we will especially look for any data on lending and banking activity that will highlight the extent of the expected tightening of lending conditions and use of the Fed's emergency lending facilities.

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UK currency outlook

GBP volatility analysis

GBP/JPY slides into bottom 20% of 30-day range

Chart: GBP 30-day, year-to-date trading range

Increasing volatility

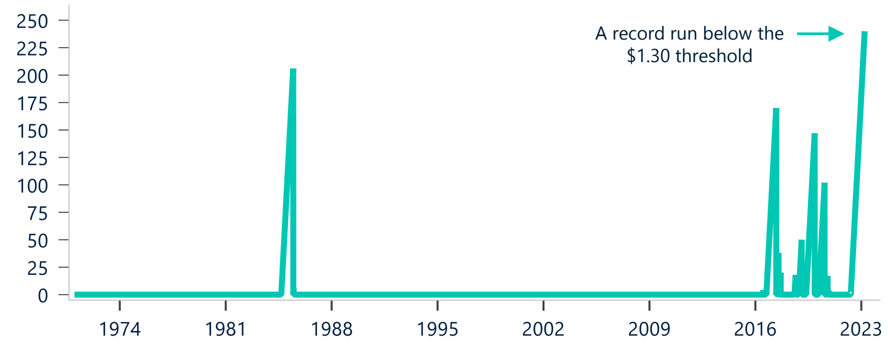
	Spot	High 30D	Low 30D	High YTD	Low YTD	Trading range 30D	Trading range YTD	Position within the range 30D	Position within the range YTD
GBP/NOK	12.77	13.13	12.35	13.13	11.77	6.3%	11.6%	54%	74%
GBP/INR	100.6	101.9	96.61	101.9	96.61	5.5%	5.5%	75%	75%
GBP/JPY	159.6	165.9	158.2	165.9	155.3	4.9%	6.8%	18%	41%
GBP/AUD	1.839	1.844	1.761	1.844	1.722	4.7%	7.1%	94%	96%
GBP/USD	1.222	1.234	1.180	1.244	1.180	4.6%	5.4%	78%	66%
GBP/CAD	1.68	1.687	1.623	1.687	1.607	3.9%	5.0%	89%	91%
GBP/CHF	1.124	1.141	1.098	1.143	1.098	3.9%	4.1%	60%	58%
GBP/NZD	1.970	1.981	1.917	1.981	1.883	3.3%	5.2%	83%	89%
GBP/CNY	8.390	8.466	8.202	8.466	8.114	3.2%	4.3%	71%	78%
GBP/EUR	1.134	1.146	1.120	1.146	1.113	2.3%	3.0%	54%	64%

Table sources: Refinitiv, Convera – March 27, 2023

- GBP/USD has swung more than 5% this quarter and is trading in the higher region of its year-to-date trading range following the re-pricing of US interest rates lower. The currency pair climbed to seven-week highs above $1.23 before bumping into resistance.
- GBP/EUR volatility remains more subdued as both UK and Eurozone recession fears recede and European and UK banks appear more robust in the wake of the US banking crisis.
- GBP/JPY suffered its second biggest daily fall of the year as safe haven flows supported the Japanese yen amidst heightened stress across financial markets following the stress in the banking sector.

GBP/USD has never been below $1.30 for this long

Number of consecutive days under $1.30



Source: Convera, Macrobond – March 27, 2023

GBP value indicator

GBP/USD still 5% below two-year average

Chart: GBP performance versus year-to-date, 1, 2, and 5-year averages

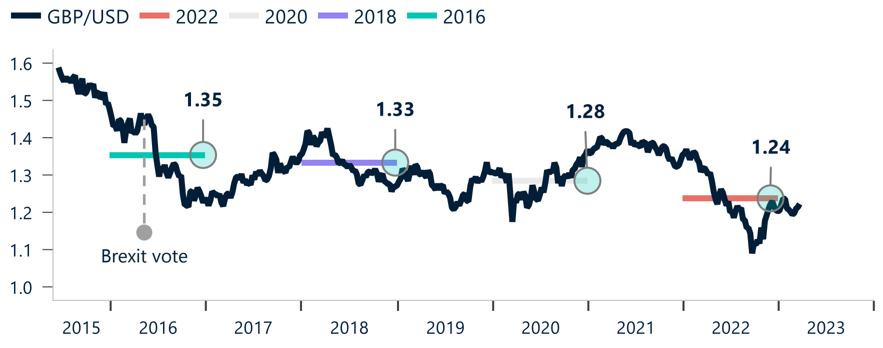
Appreciation Depreciation

	Spot (As of 27.03.2023)	Spot vs YTD average	1-year average	2-year average	5-year average
GBP/AUD	1.839	3.7% Avg.: 1.773	4.5% Avg.: 1.759	1.9% Avg.: 1.804	1.1% Avg.: 1.819
GBP/CAD	1.68	2.4% Avg.: 1.640	5.4% Avg.: 1.593	1.6% Avg.: 1.653	-0.6% Avg.: 1.689
GBP/NZD	1.970	2.3% Avg.: 1.925	2.1% Avg.: 1.930	1.2% Avg.: 1.946	1.2% Avg.: 1.946
GBP/CNY	8.390	1.2% Avg.: 8.289	1.7% Avg.: 8.249	-1.6% Avg.: 8.522	-3.7% Avg.: 8.711
GBP/USD	1.222	0.7% Avg.: 1.213	1.2% Avg.: 1.207	-5.1% Avg.: 1.287	-5.5% Avg.: 1.293
GBP/EUR	1.134	0.2% Avg.: 1.131	-2.1% Avg.: 1.158	-2.8% Avg.: 1.166	-1.1% Avg.: 1.146
GBP/CHF	1.124	0.0% Avg.: 1.123	-2.5% Avg.: 1.152	-6.7% Avg.: 1.204	-8.9% Avg.: 1.233
GBP/JPY	159.6	-0.7% Avg.: 160.6	-2.1% Avg.: 163.0	0.9% Avg.: 158.1	8.0% Avg.: 147.7

- GBP/JPY has flipped from the top to the bottom of the table as it now sits 0.7% below its year-to-date average due to safe haven demand for the yen amidst banking sector stress fuelling risk aversion.
- GBP/AUD is nearly 4% above its year-to-date average despite China's reopening expected to boost economic prospects in the APAC region. Souring risk sentiment and higher UK rate expectations have also supported the pound.
- GBP/USD has made strong gains due to the weaker US dollar amid Fed rate cut bets. However, the currency pair remains over 5% below its two- and five-year average rates.

Pound's average rate has been falling since Brexit vote

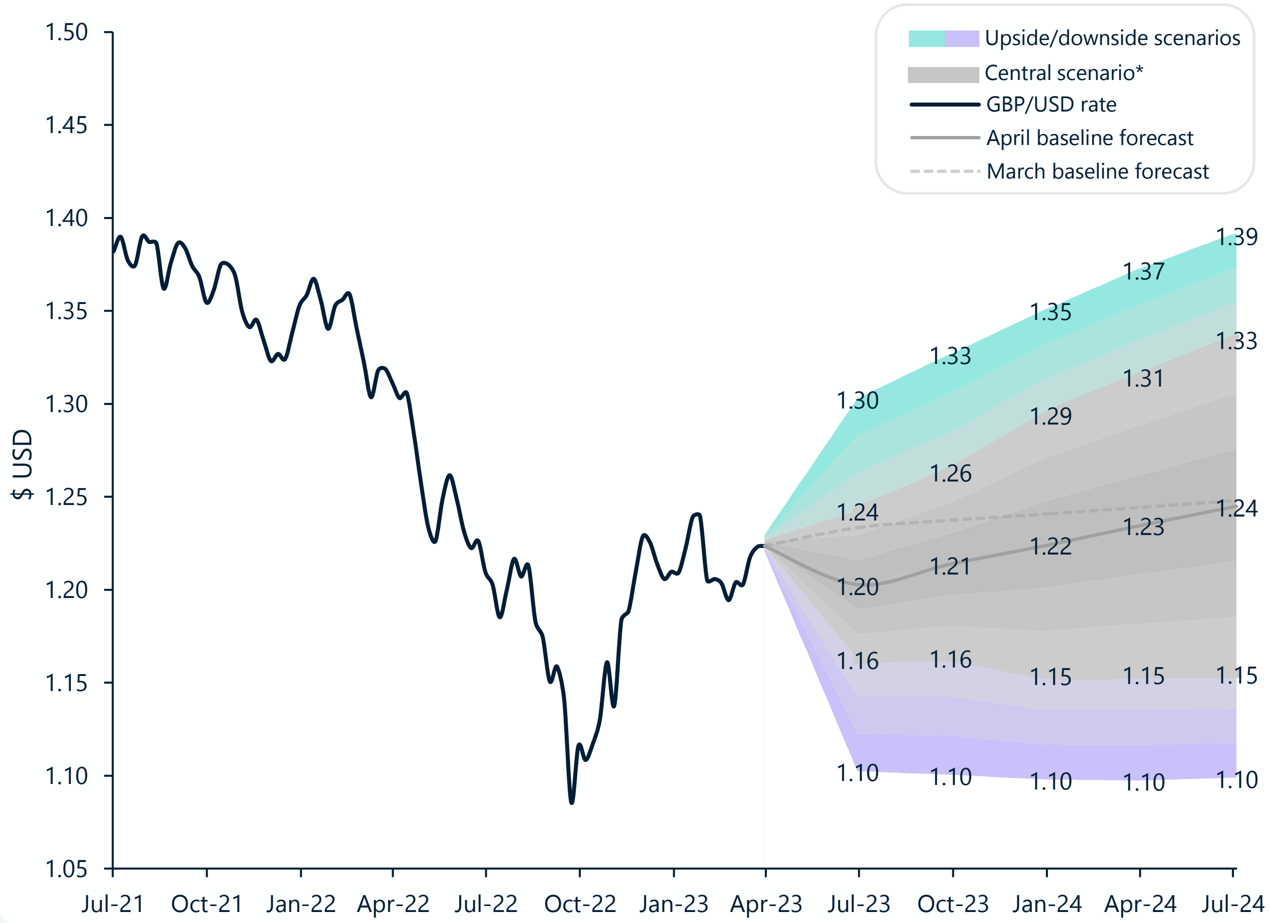
GBP/USD and average (mean) rates



Source: Convera, Macrobond – March 27, 2023

Note: YTD average refers to the following time periods: 02.01.2023 - 23.02.2023; 1Y: 23.02.2022 - 23.02.2023; 2Y: 23.02.2021 - 23.02.2023; 5Y: 23.02.2018 - 23.02.2023.
Table sources: Refinitiv, Convera – March 27, 2023

GBP/USD future scenarios



Upside scenario: US banking crisis

- UK evades recession, and the BoE keeps interest rates higher for longer, whilst US economy underperforms with credit crisis and the Fed cuts rates.
- Geopolitical risks recede and China's reopening supports global growth outlook, sparking demand for riskier assets and hurting the safe haven USD.

Central scenario: interest rate differential

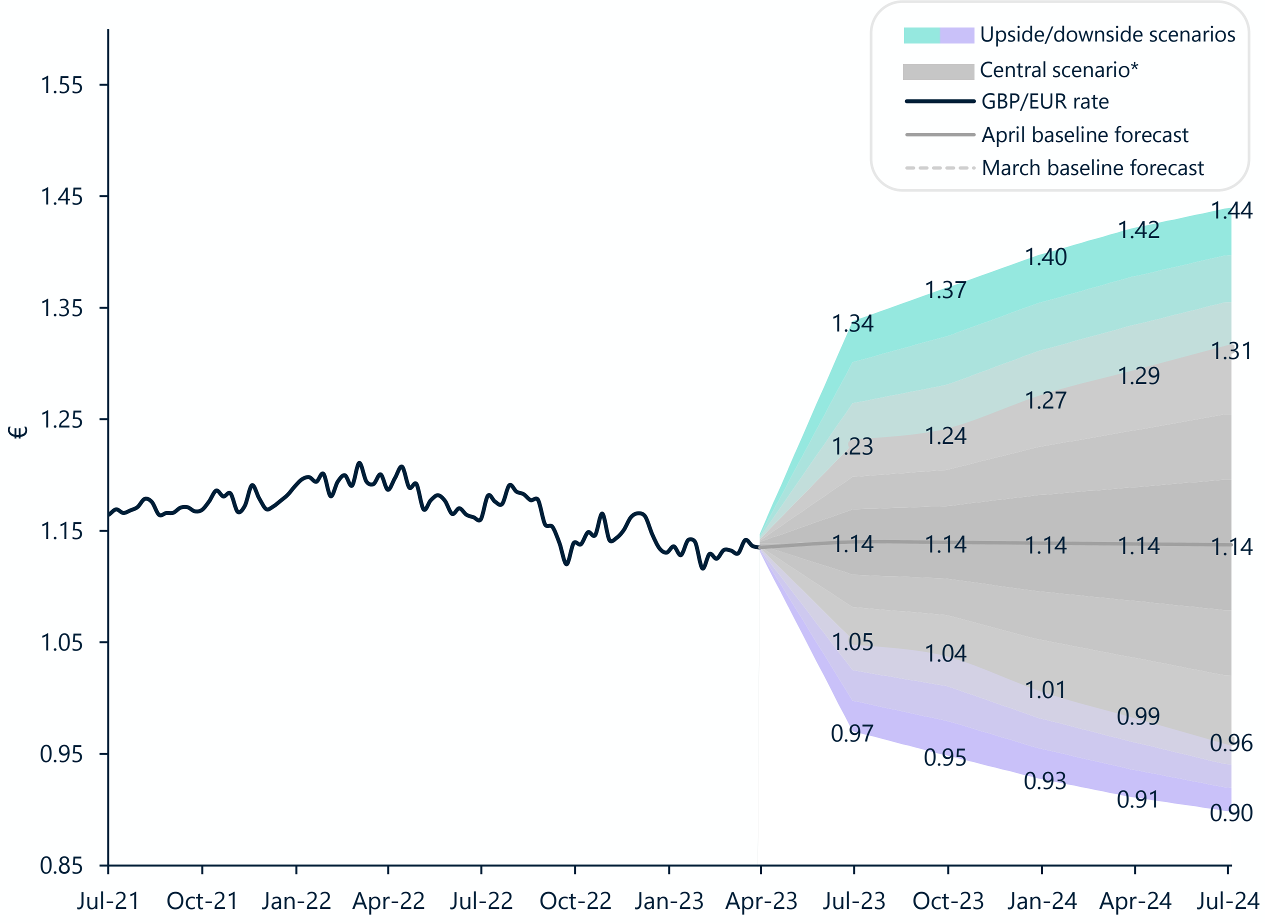
- A stronger UK economy and sticky inflation puts pressure on BoE to keep rates high, narrowing the US-UK rate differential and supporting the pound.
- However, spill-over effects from the US banking crisis trigger turmoil in Europe and the UK, which limits sterling's upside potential.

Downside scenario: UK suffers deep recession

- Tighter credit conditions weigh on global economic growth, the housing market tumbles, and the safe haven dollar outperforms the "riskier" pound.
- BoE forced to cut interest rates as UK falls into recession, hurting the pound, whilst geopolitical risks inflate safe haven US dollar demand.

Chart sources: Oxford Economics, Refinitiv, Convera – March 27, 2023. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com
*+/-1 standard deviation from baseline (68% chance rate falls within this range)

GBP/EUR future scenarios



Upside scenario: UK avoids recession

- UK evades recession, and the BoE keeps interest rates higher for longer, whilst EZ economy underperforms, and the ECB disappoints.
- Meanwhile, the Eurozone enters recession as European banking jitters escalate, leading to tighter credit conditions weighing on economic growth.

Central scenario: interest rate differential

- A stronger UK economy and sticky inflation puts pressure on BoE to keep rates high, widening the UK-EU rate differential and supporting the pound.
- But hawkish ECB talk, coupled with strong economic data could lift ECB rate expectations even higher, boosting demand for the euro.

Downside scenario: Global banking crisis

- Tighter credit conditions globally weigh on global economic growth, the housing market tumbles, and the "riskier" pound is sold across the board.
- BoE fails to keep up with market rate expectations and forced to cut rates, hurting the pound, whilst EZ economy outperforms and boosts EUR.

Chart sources: Oxford Economics, Refinitiv, Convera – March 27, 2023. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com
*+/-1 standard deviation from baseline (68% chance rate falls within this range)

EU currency outlook

EUR volatility analysis

EUR/NOK has swung 10% in 2023

Chart: EUR 30-day, year-to-date trading range

Increasing volatility

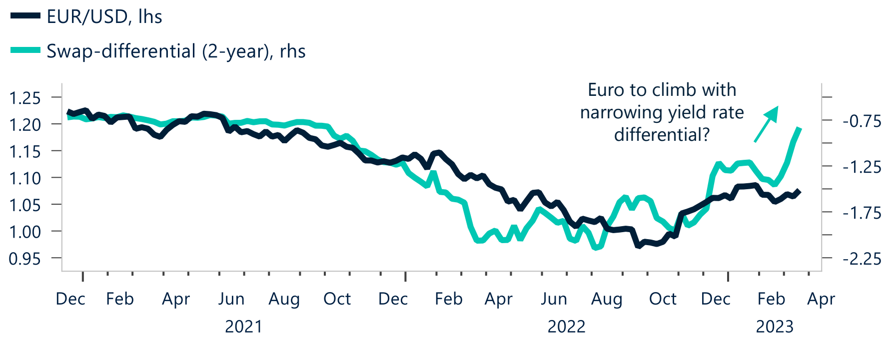
	Spot	High 30D	Low 30D	High YTD	Low YTD	Trading range 30D	Trading range YTD	Position within the range 30D	Position within the range YTD
EUR/NOK	11.25	11.48	10.89	11.48	10.44	5.4%	10.0%	61%	78%
EUR/JPY	140.5	145.5	138.8	145.5	137.3	4.8%	6.0%	25%	39%
EUR/AUD	1.619	1.625	1.553	1.625	1.525	4.6%	6.6%	92%	94%
EUR/INR	88.53	90.11	86.15	90.37	86.15	4.6%	4.9%	60%	56%
EUR/ZAR	19.53	20.05	19.20	20.05	17.80	4.4%	12.6%	39%	77%
EUR/CAD	1.479	1.493	1.432	1.493	1.423	4.3%	4.9%	77%	80%
EUR/USD	1.076	1.092	1.051	1.103	1.048	3.9%	5.2%	61%	51%
EUR/CHF	0.989	1.004	0.970	1.009	0.970	3.5%	4.0%	56%	49%
EUR/CNY	7.386	7.486	7.260	7.486	7.188	3.1%	4.1%	56%	66%
EUR/GBP	0.880	0.892	0.871	0.897	0.871	2.4%	3.0%	43%	35%

Table sources: Refinitiv, Convera – March 27, 2023

- EUR/USD has swung nearly 4% in the last 30 days as monetary policy and banking sector jitters drive currency volatility. Narrowing US-EZ rate differentials should favour the common currency going forward, unless the banking turmoil starts to escalate in Europe.
- EUR/JPY fell to a two-month low of ¥138.82 in March as the safe haven Japanese yen was in high demand amidst heightened stress across financial markets following the collapse of several banks.
- EUR/GBP volatility remains more subdued as both UK and Eurozone recession fears recede and inflation proves sticky in both regions. A more hawkish ECB relative to the BoE could prove decisive though.

Monetary policy differentials point to a higher EUR/USD

EUR/USD and the rate differential between Eurozone and US



Source: Convera, Macrobond – March 27, 2023

EUR value indicator

EUR/USD still over 4% below two-year average

Chart: EUR performance versus year-to-date, 1, 2, and 5-year averages

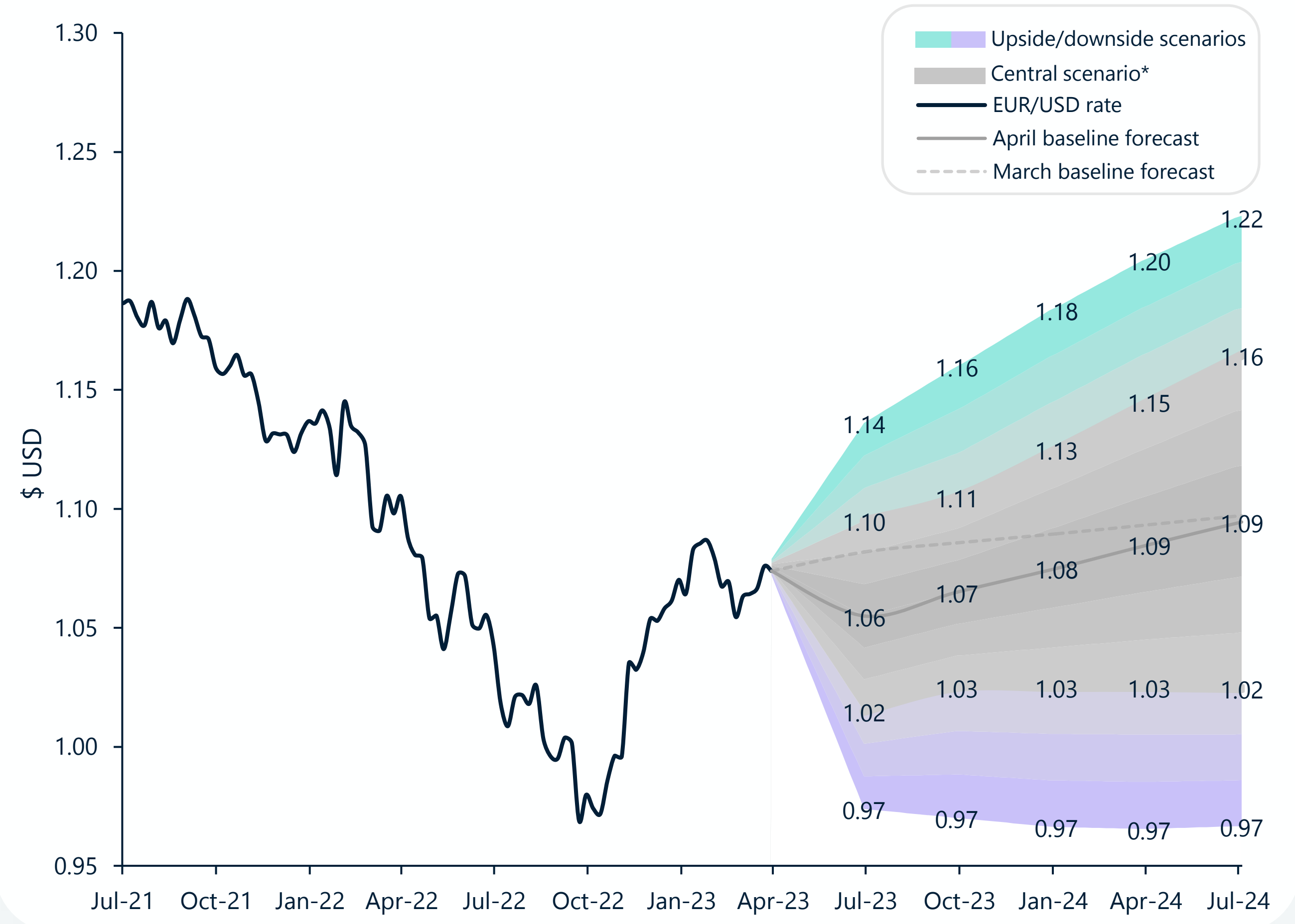
Appreciation Depreciation

	Spot (As of 27.03.2023)	Spot vs YTD average	Spot vs 1-year average	Spot vs 2-year average	Spot vs 5-year average
EUR/AUD	1.619	3.4% Avg.: 1.566	6.6% Avg.: 1.519	4.7% Avg.: 1.546	2.0% Avg.: 1.587
EUR/ZAR	19.53	2.9% Avg.: 18.98	10.9% Avg.: 17.60	12.0% Avg.: 17.43	13.3% Avg.: 17.24
EUR/NOK	11.25	2.7% Avg.: 10.94	8.9% Avg.: 10.32	10.2% Avg.: 10.20	10.8% Avg.: 10.15
EUR/CNY	7.386	0.8% Avg.: 7.325	3.7% Avg.: 7.120	1.2% Avg.: 7.295	-2.8% Avg.: 7.599
EUR/USD	1.076	0.4% Avg.: 1.072	3.3% Avg.: 1.041	-2.4% Avg.: 1.102	-4.6% Avg.: 1.128
EUR/GBP	0.880	-0.4% Avg.: 0.883	2.0% Avg.: 0.863	2.7% Avg.: 0.856	0.9% Avg.: 0.872
EUR/CHF	0.989	-0.3% Avg.: 0.992	-0.6% Avg.: 0.994	-4.1% Avg.: 1.031	-8.1% Avg.: 1.076
EUR/JPY	140.5	-1.0% Avg.: 141.9	-0.2% Avg.: 140.7	3.6% Avg.: 135.5	9.1% Avg.: 128.8

- EUR/JPY has flipped from the top to the bottom of the table as it now wallows 1% below its year-to-date average due to increasing safe haven demand for the yen amidst banking sector stress.
- EUR/NZD and EUR/AUD are trading well above their year-to-date averages despite China's reopening expected to boost growth and trade prospects in the APAC region. Souring global risk sentiment and higher ECB rate expectations have been also supported euro demand.
- EUR/GBP remains positively positioned versus the pound for the most part, largely due to monetary divergences favouring the common currency.
- EUR/CHF remains weak relative to key long-term moving averages as the Swiss economy proves resilient despite the collapse of Credit Suisse jolting confidence.
- EUR/USD has turned positive for the year and is over 3% higher compared to its two-year average. Monetary policy differentials seem to point more clearly to a higher EUR/USD absent contagion risk of the banking sector turmoil.

Note: YTD average refers to the following time periods: 02.01.2023 - 27.03.2023; 1Y: 25.03.2022 - 27.03.2023; 2Y: 26.03.2021 - 27.03.2023; 5Y: 28.03.2018 - 27.03.2023.
Table sources: Refinitiv, Convera – March 27, 2023

EUR/USD future scenarios



Upside scenario: US banking crisis

- Russia conflict eases, risk appetite rebounds and energy supply concerns diminish, which benefits the Eurozone economy and supports euro demand.
- Fed forced to cut rates as economy weakens with tighter credit conditions, narrowing US-EZ yield spreads, reducing the dollar's interest rate advantage.

Central scenario: higher interest rates

- ECB continues raising interest rates through 2023 in a bid to temper elevated inflation levels, whilst Fed turns dovish amid banking jitters.
- Eurozone suffers a shallow recession amidst tighter financial conditions and decreased consumer spending, but US economy underperforms too.

Downside scenario: EZ suffers deep recession

- Energy crisis intensifies as gas rationing and soaring prices, the result of colder weather and reduced supply, sends EZ into a deep recession.
- Banking contagion spreads to European lenders, increasing the chances of an ECB pause and possible rate cuts, weakening euro's yield advantage.

Chart sources: Oxford Economics, Refinitiv, Convera – March 27, 2023. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com
*+/-1 standard deviation from baseline (68% chance rate falls within this range)

APAC currency outlook

APAC volatility analysis

AUD/USD has already seen a 7% range in 2023

Chart: APAC 30-day, year-to-date trading ranges

Increasing volatility

	Spot	High 30D	Low 30D	High YTD	Low YTD	Trading range 30D	Trading range YTD	Position within the range 30D	Position within the range YTD
AUD/JPY	86.83	92.24	86.03	93.04	86.03	7.2%	8.1%	13%	11%
AUD/GBP	0.543	0.567	0.541	0.580	0.541	4.8%	7.2%	8%	5%
AUD/EUR	0.617	0.643	0.614	0.655	0.614	4.7%	6.7%	10%	7%
AUD/CNY	4.562	4.722	4.536	4.844	4.536	4.1%	6.8%	14%	8%
AUD/USD	0.664	0.682	0.656	0.715	0.656	4.0%	9.0%	31%	14%
NZD/USD	0.619	0.630	0.608	0.653	0.608	3.6%	7.4%	50%	24%
NZD/EUR	0.575	0.589	0.571	0.600	0.571	3.2%	5.1%	22%	14%
NZD/AUD	0.931	0.937	0.911	0.937	0.901	2.9%	4.0%	77%	83%
USD/SGD	1.332	1.357	1.323	1.357	1.302	2.6%	4.2%	26%	55%
USD/CNY	6.874	6.977	6.816	6.977	6.690	2.4%	4.3%	36%	64%

Table sources: Refinitiv, Convera – March 27, 2023

- AUD/JPY is traditionally one of the most volatile FX markets and this tendency was on display as worries about financial stability in the US and Europe hit risk sentiment. The AUD/JPY fell sharply.
- The Australian dollar has seen sharp losses versus European markets as the Reserve Bank of Australia suggested it might consider a pause when it meets in April. The AUD/GBP and AUD/EUR both saw sudden, sharp moves.
- AUD/USD was also volatile despite the recent trading range easing from the larger moves seen in February. The USD was relatively muted in March, despite the worries around US banks, as falling US bond yields dampened the USD’s appeal.
- NZD/USD also experienced an easing in volatility, as measured by its recent trading range, with the USD seeing reduced impact from safe-haven flows as US bond yields eased.
- USD/SGD and USD/CNY both saw relatively quieter months as the global focus shifted to US and European banking and away from the Chinese reopening story.

AUD FX value indicator

US dollar strength still dominates markets

Chart: AUD performance versus year-to-date, 1, 2, and 5-year averages

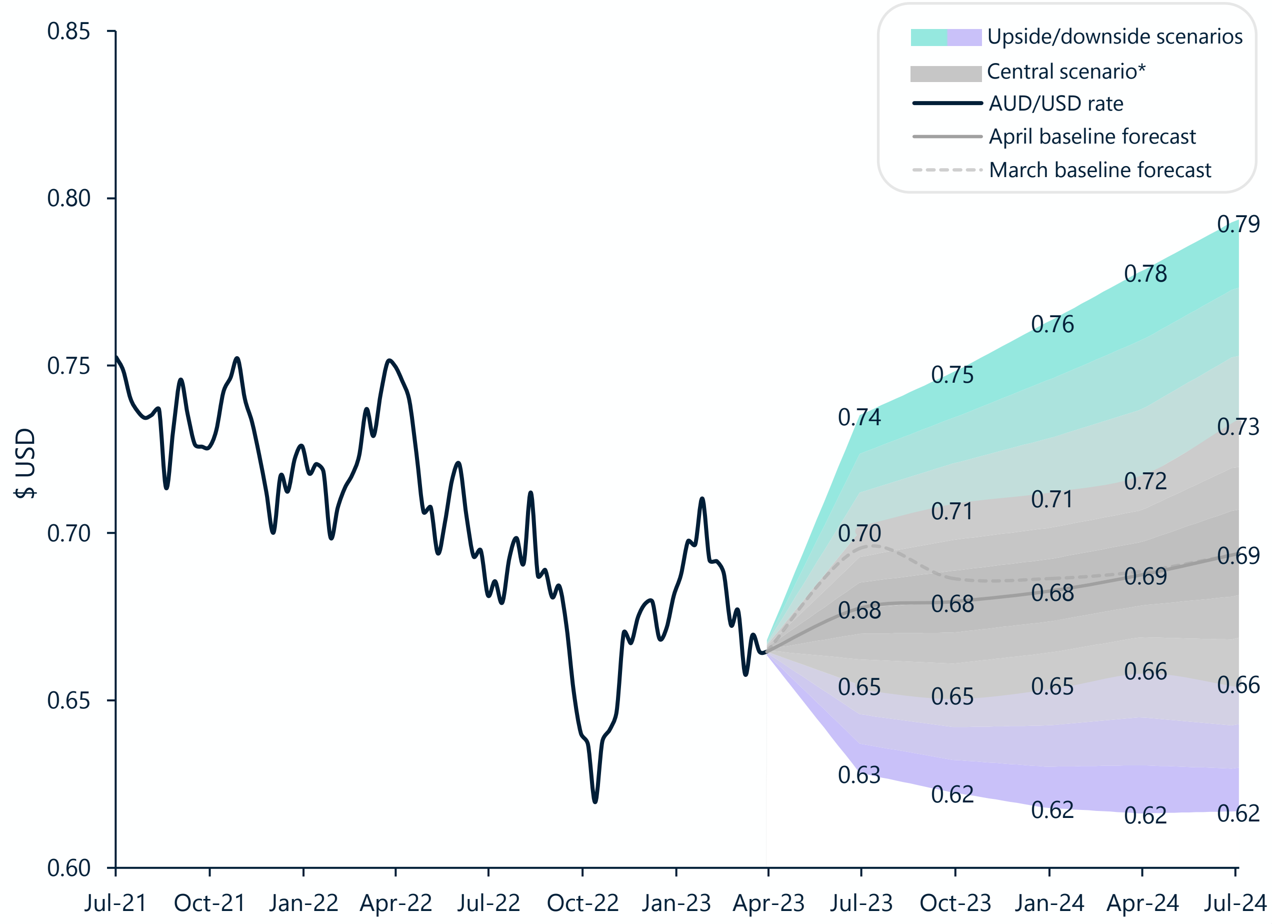
Appreciation Depreciation

	Spot (As of 27.03.2023)	Spot vs YTD average	Spot vs 1-year average	Spot vs 2-year average	Spot vs 5-year average
USD/CNY	6.874	0.4% Avg.: 6.843	0.4% Avg.: 6.845	3.6% Avg.: 6.633	1.9% Avg.: 6.744
USD/SGD	1.332	-0.1% Avg.: 1.332	-3.1% Avg.: 1.373	-2.1% Avg.: 1.361	-2.3% Avg.: 1.363
AUD/NZD	1.067	-1.7% Avg.: 1.085	-2.7% Avg.: 1.096	-1.1% Avg.: 1.078	-0.3% Avg.: 1.069
NZD/USD	0.619	-1.7% Avg.: 0.629	-1.0% Avg.: 0.625	-6.4% Avg.: 0.660	-6.8% Avg.: 0.664
AUD/CNY	4.562	-2.5% Avg.: 4.680	-2.7% Avg.: 4.687	-3.3% Avg.: 4.717	-4.7% Avg.: 4.786
AUD/USD	0.664	-3.0% Avg.: 0.684	-3.2% Avg.: 0.686	-6.8% Avg.: 0.712	-6.6% Avg.: 0.710
AUD/EUR	0.617	-3.3% Avg.: 0.638	-6.3% Avg.: 0.658	-4.6% Avg.: 0.646	-2.1% Avg.: 0.630
AUD/JPY	86.83	-4.2% Avg.: 90.59	-6.3% Avg.: 92.63	-1.1% Avg.: 87.75	6.8% Avg.: 81.32

- USD/CNY remains the relative strongest versus recent averages as the greenback benefits from safe-haven flows. The Chinese recovery story has capped gains, however. The USD/SGD was driven by similar influences.
- AUD/NZD was moderately lower versus recent averages as the Reserve Bank of Australia suggested it might cause a pause in its recent rate hiking cycle.
- The NZD/USD and AUD/NZD have both been pressured as worries about financial stability boosted the US dollar.
- The euro's recent strength has seen the AUD/EUR pressured as the pair fell to one-year lows. The European Central Bank is one of the few central banks still expected to hike rates in 2023.
- AUD/JPY turned sharply lower last month and now sees the biggest losses relative to its year-to-date average. Like the US dollar, the Japanese yen has benefited from safe-haven flows.

Note: YTD average refers to the following time periods: 02.01.2023 - 27.03.2023; 1Y: 25.03.2022 - 27.03.2023; 2Y: 26.03.2021 - 27.03.2023; 5Y: 28.03.2018 - 27.03.2023.
Table sources: Refinitiv, Convera – March 27, 2023

AUD/USD future scenarios



Upside scenario: Chinese recovery boosts optimism

- Chinese reopening story delivers in line with hopes. Commodities gain and drive the AUD higher.
- AUD benefits from improving global growth scenario, notably if the US Federal Reserve lowers interest rates in late 2023

Central scenario: Inflation slows, but so does growth

- Global central bank action slows inflation with minimal chance of further rate hikes in major economies
- Global growth cools but does not buckle. The Australian dollar, traditionally tied to growth expectations, remains broadly flat.

Downside scenario: Fed inflation fight continues

- Banking concerns in US and Europe worsen. Global sharemarkets move lower on worries about financial stability.
- Inflation remains persistent as central banks, led by the Federal Reserve, continue to raise rates beyond June.

Chart sources: Oxford Economics, Refinitiv, Convera – March 27, 2023. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com
*+/-1 standard deviation from baseline (68% chance rate falls within this range)

NAM currency outlook

NAM volatility analysis

USD/MXN spanned a 9% range in Q1

Chart: USD 30-day, year-to-date trading range

Increasing volatility

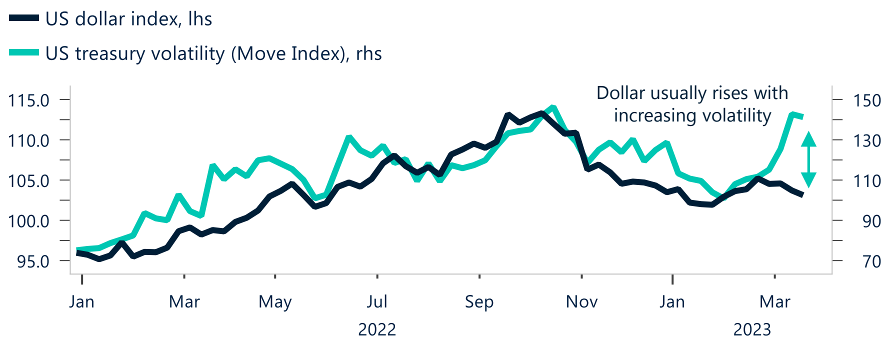
	Spot	High 30D	Low 30D	High YTD	Low YTD	Trading range 30D	Trading range YTD	Position within the range 30D	Position within the range YTD
USD/MXN	18.55	19.22	17.89	19.52	17.89	7.4%	9.1%	50%	40%
USD/JPY	130.8	137.9	129.6	137.9	127.2	6.4%	8.4%	14%	34%
AUD/USD	0.668	0.686	0.656	0.715	0.656	4.6%	9.0%	40%	20%
GBP/USD	1.228	1.234	1.180	1.244	1.180	4.6%	5.4%	89%	75%
EUR/CAD	1.484	1.493	1.432	1.493	1.423	4.3%	4.9%	85%	87%
USD/CHF	0.916	0.944	0.906	0.944	0.905	4.2%	4.3%	26%	28%
EUR/USD	1.082	1.092	1.051	1.103	1.048	3.9%	5.2%	76%	62%
NZD/USD	0.624	0.630	0.608	0.653	0.608	3.6%	7.4%	73%	36%
USD/CAD	1.371	1.386	1.351	1.386	1.326	2.6%	4.5%	57%	75%
USD/CNY	6.836	6.977	6.816	6.977	6.690	2.4%	4.3%	12%	51%

Table sources: Refinitiv, Convera – March 27, 2023

- EUR/USD experienced a volatile first quarter amid wavering expectations for US and European interest rates. For the month, the pair spanned a near 4% range, while YTD it's roamed more than 5%.
- GBP/USD clocked a seven-week peak in March after a surprise acceleration in UK inflation kept the Bank of England on a rate hiking path. The pair has swung 4% over the last 30 days and nearly 5.5% YTD.
- USD/CAD volatility has been more muted compared to European counterparts with upside for the C$ capped by the steady outlook for Canadian interest rates.

USD stagnates despite jump in interest rate volatility

US dollar index and US bond volatility



Source: Convera, Macrobond – March 27, 2023

NAM FX value indicator

Safe harbor Japanese yen boosted by global banking instability

Chart: NAM performance versus year-to-date, 1, 2, and 5-year averages

Appreciation Depreciation

	Spot (As of 24.03.2023)	Spot vs YTD average	Spot vs 1-year average	Spot vs 2-year average	Spot vs 5-year average
EUR/CAD	1.484	2.4%	7.9%	4.7%	0.6%
USD/CAD	1.371	1.5%	3.9%	6.5%	4.8%
GBP/USD	1.228	1.2%	1.7%	-4.6%	-5.1%
EUR/USD	1.082	0.9%	3.8%	-1.9%	-4.1%
USD/MXN	18.55	-0.8%	-5.8%	-7.3%	-7.5%
NZD/USD	0.624	-1.0%	-0.3%	-5.6%	-6.1%
USD/JPY	130.8	-1.2%	-3.3%	5.8%	14.2%
AUD/USD	0.668	-2.5%	-2.7%	-6.3%	-6.1%

- EUR/USD rode a March roller-coaster as it followed up a mid-month fall to 1.05, a two-month low, by climbing to six-week peaks above 1.09. The perception of U.S. interest rates nearing peak levels helped the euro rebound.
- GBP/USD slipped to 1.18 in early March, the lowest level since November 2022, but it didn't stay there for long thanks to hotter UK inflation that kept pressure on the Bank of England to raise rates.
- USD/CAD demonstrates material volatility when viewed through a multi-year lens. Slightly higher U.S. interest rates over Canada have boosted the pair.
- USD/MXN has climbed above recent five-year lows below 18. Yet a high-level view of the pair's value shows the peso benefiting from Mexico's massive 700 bp in rate hikes since 2021.
- USD/JPY has descended from multi-decade highs last year as global recession worries buoyed the Japanese currency. Still, the greenback retains solid value beyond the past year, as evidenced by its notable two- and five-year averages.

Note: YTD average refers to the following time periods: 02.01.2023 - 24.03.2023; 1Y: 24.03.2022 - 24.03.2023; 2Y: 24.03.2021 - 24.03.2023; 5Y: 23.03.2018 - 24.03.2023.
Table sources: Refinitiv, Convera – March 24, 2023.

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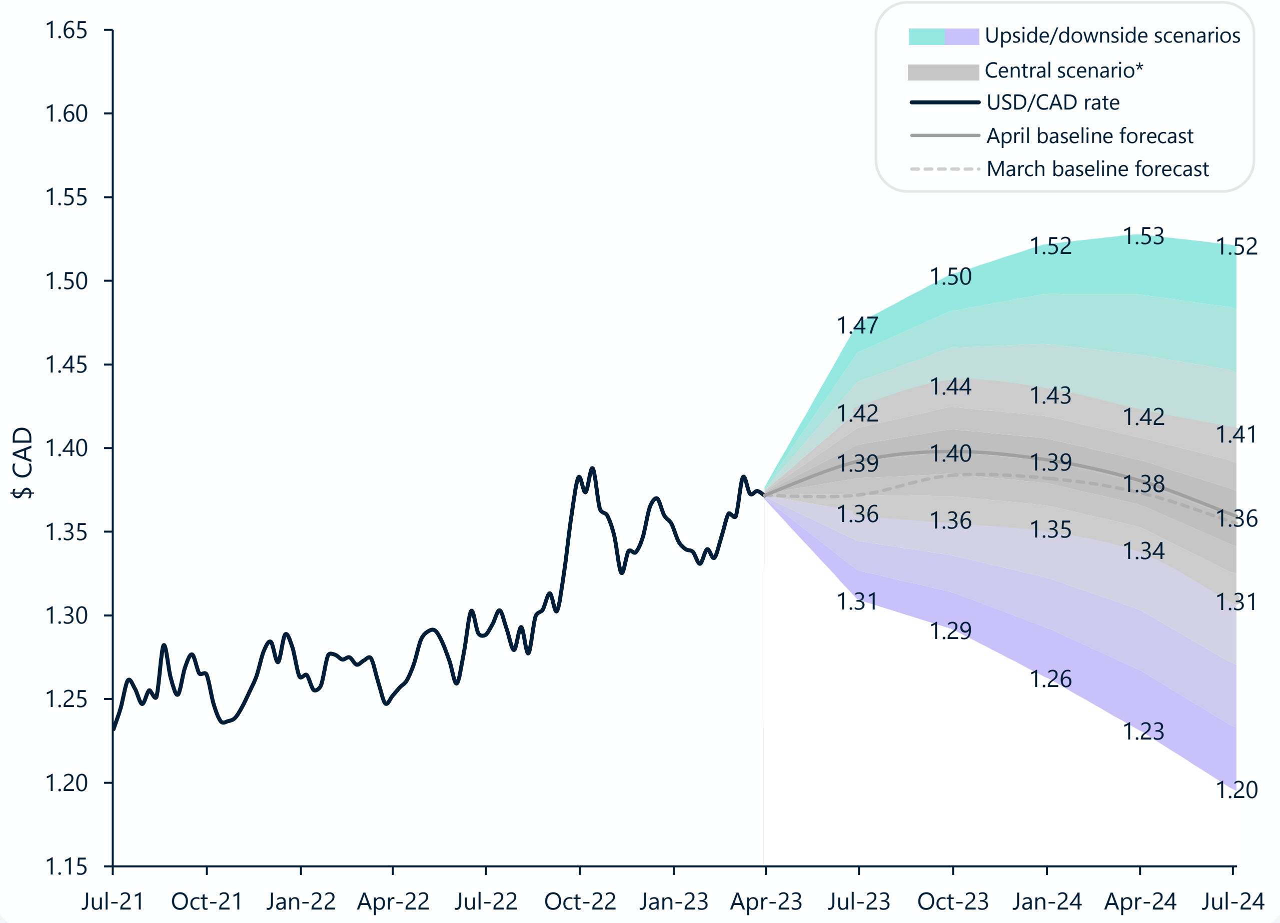
USD/CAD future scenarios



Upside scenario: Canada's economy slows sharply

- A weaker Canadian economy could spur expectations for the Bank of Canada to slash interest rates to support growth.
- Fed extends rate-hiking cycle into the second half of 2023 amid a strong labor market and inflation descending too slowly.

Central scenario: Similar cross-border monetary policy

- USD/CAD largely adheres to recent range amid generally similar interest rate trajectories for the US and Canadian central banks.
- Canada paused rate hikes in March but potentially not for long in the wake of robust job growth.

Downside scenario: Canada resumes rate hikes

- Canada's economy proves more resilient than anticipated, leading Ottawa to restart interest rate hikes.
- US economic momentum slows sharply and pulls forward the timeframe for a policy pause and pivot to rate cuts.

Chart sources: Oxford Economics, Refinitiv, Convera – March 27, 2023. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com
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International strategy

Considerations for global businesses

Currency volatility

What if we continue to see material 5-10% shifts in your key exchange rates, or your target rate stays at levels significantly above or below your budgeted level?

Risk management

Talk to us about our full range of currency hedging products like FX options^, and forward contracts.

We help organisations track and mitigate FX risks, help protect profits, and optimise international cash flow.

Geopolitics

What if your industry, or specific country of interest remains exposed to supply chain risks, whilst pressures to diversify and speed up delivery remains high?

Diversification

Talk to us about our trade solutions and how we help organisations accelerate payment speed or diversify into alternative markets.

We support 140 currencies and operate across 200 countries and territories.

Sanctions

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

Efficiency and security

Talk to us about our automated global payment solutions, compliance controls and fraud prevention measures.

We invest annually in managing compliance and regulations globally.

Climate change

Do customers expect to see your carbon footprint? Sustainability is a key strategic priority for many amid government pledges to cut carbon emissions in half by 2030 and hit net zero by 2050.

ESG

Talk to us about our partnership with Gold Standard and related hedging products.

We offer the opportunity to earn and report globally recognised carbon offset credits and certification.*

^Options products are not available in Hong Kong.
*Certain hedging products are not available in all countries. For more information on availability, contact AskMarketInsights@Convera.com

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Appendix

Future scenarios

	Scenarios	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3
GBP/USD	High	1.286	1.302	1.326	1.350	1.372	1.390	1.403	1.410	1.414	1.417	1.421
	Baseline + σ	1.219	1.242	1.263	1.294	1.314	1.334	1.341	1.334	1.338	1.341	1.335
	Baseline	1.199	1.202	1.213	1.224	1.234	1.244	1.251	1.254	1.258	1.261	1.265
	Baseline - σ	1.179	1.162	1.163	1.154	1.154	1.154	1.161	1.174	1.178	1.181	1.195
	Low	1.112	1.102	1.100	1.097	1.097	1.098	1.099	1.099	1.102	1.106	1.109
GBP/EUR	High	1.298	1.337	1.367	1.397	1.421	1.439	1.450	1.457	1.456	1.454	1.452
	Baseline + σ	1.176	1.227	1.236	1.267	1.290	1.312	1.311	1.300	1.300	1.299	1.275
	Baseline	1.133	1.14	1.139	1.138	1.138	1.137	1.136	1.135	1.135	1.134	1.133
	Baseline - σ	1.089	1.052	1.041	1.008	0.985	0.961	0.960	0.969	0.969	0.968	0.990
	Low	0.987	0.970	0.948	0.927	0.911	0.898	0.890	0.885	0.884	0.884	0.885
GBP/JPY	High	186.5	193.7	199.0	202.4	204.3	205.1	204.5	202.8	200.5	198.1	195.6
	Baseline + σ	165.0	175.0	180.7	188.6	191.4	192.5	191.7	188.0	185.3	182.5	178.4
	Baseline	158.3	162.5	164.8	165.3	164.8	163.7	162.0	159.9	157.7	155.6	153.4
	Baseline - σ	151.5	149.9	148.8	141.9	138.1	134.8	132.2	131.7	130.0	128.6	128.3
	Low	132.3	133.9	133.7	132.0	129.5	127.0	124.5	122.1	120.1	118.2	116.3
GBP/CHF	High	1.262	1.299	1.331	1.364	1.390	1.408	1.420	1.426	1.425	1.422	1.419
	Baseline + σ	1.155	1.202	1.212	1.230	1.237	1.244	1.241	1.229	1.227	1.223	1.212
	Baseline	1.125	1.128	1.128	1.127	1.125	1.123	1.121	1.118	1.116	1.113	1.111
	Baseline - σ	1.094	1.053	1.043	1.023	1.012	1.001	1.000	1.006	1.004	1.002	1.009
	Low	0.995	0.969	0.941	0.912	0.889	0.870	0.856	0.848	0.844	0.842	0.840

Chart sources: Oxford Economics, Refinitiv, Convera – March 27, 2023. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com
*+/-1 standard deviation from baseline (68% chance rate falls within this range)

Future scenarios

	Scenarios	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3
EUR/USD	High	1.125	1.136	1.159	1.183	1.204	1.222	1.234	1.241	1.246	1.250	1.253
	Baseline + σ	1.078	1.095	1.105	1.125	1.145	1.164	1.17	1.174	1.178	1.182	1.176
	Baseline	1.058	1.055	1.065	1.075	1.085	1.094	1.100	1.104	1.108	1.112	1.116
	Baseline - σ	1.038	1.015	1.025	1.025	1.025	1.024	1.03	1.034	1.038	1.042	1.056
	Low	0.990	0.973	0.970	0.966	0.965	0.966	0.967	0.967	0.970	0.974	0.978
EUR/GBP	High	1.012	1.030	1.054	1.078	1.097	1.112	1.122	1.129	1.130	1.130	1.129
	Baseline + σ	0.913	0.940	0.947	0.971	0.986	1.002	1.002	0.995	0.995	0.995	0.980
	Baseline	0.882	0.877	0.877	0.878	0.878	0.879	0.879	0.880	0.880	0.881	0.882
	Baseline - σ	0.850	0.813	0.806	0.784	0.769	0.755	0.755	0.764	0.764	0.766	0.783
	Low	0.770	0.747	0.731	0.715	0.703	0.694	0.689	0.686	0.686	0.687	0.688
EUR/CHF	High	1.104	1.132	1.164	1.196	1.220	1.238	1.250	1.256	1.256	1.254	1.252
	Baseline + σ	1.022	1.059	1.060	1.068	1.078	1.085	1.083	1.081	1.080	1.078	1.067
	Baseline	0.993	0.989	0.990	0.989	0.989	0.987	0.986	0.984	0.983	0.981	0.980
	Baseline - σ	0.963	0.918	0.919	0.909	0.899	0.888	0.888	0.886	0.885	0.883	0.892
	Low	0.886	0.856	0.829	0.803	0.782	0.765	0.753	0.746	0.743	0.742	0.741
EUR/CNY	High	8.207	8.481	8.764	8.972	9.101	9.196	9.225	9.186	9.116	9.073	9.062
	Baseline + σ	7.566	7.828	7.977	8.102	8.116	8.123	8.048	7.959	7.905	7.876	7.799
	Baseline	7.299	7.363	7.433	7.431	7.387	7.351	7.292	7.209	7.137	7.099	7.089
	Baseline - σ	7.031	6.897	6.888	6.759	6.657	6.578	6.535	6.458	6.368	6.321	6.378
	Low	6.444	6.325	6.212	6.034	5.853	5.712	5.585	5.472	5.399	5.366	5.356

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*+/-1 standard deviation from baseline (68% chance rate falls within this range)

Future scenarios

	Scenarios	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3
	High	0.728	0.735	0.747	0.762	0.778	0.792	0.806	0.820	0.835	0.850	0.866
	Baseline + σ	0.693	0.699	0.706	0.709	0.715	0.731	0.734	0.744	0.765	0.773	0.786
AUD/USD	Baseline	0.680	0.677	0.679	0.682	0.687	0.693	0.700	0.709	0.719	0.731	0.742
	Baseline - σ	0.666	0.654	0.651	0.654	0.658	0.654	0.665	0.673	0.672	0.688	0.697
	Low	0.638	0.628	0.622	0.617	0.616	0.616	0.619	0.624	0.632	0.640	0.649
	High	0.734	0.754	0.770	0.789	0.805	0.820	0.834	0.848	0.860	0.873	0.885
	Baseline + σ	0.657	0.664	0.669	0.660	0.652	0.663	0.657	0.662	0.686	0.685	0.699
AUD/EUR	Baseline	0.642	0.642	0.638	0.635	0.633	0.633	0.636	0.641	0.649	0.657	0.665
	Baseline - σ	0.626	0.619	0.606	0.609	0.613	0.602	0.614	0.619	0.611	0.628	0.630
	Low	0.567	0.553	0.536	0.522	0.511	0.504	0.501	0.502	0.507	0.512	0.518
	High	1.253	1.301	1.345	1.378	1.402	1.413	1.408	1.400	1.388	1.376	1.374
	Baseline + σ	1.127	1.188	1.216	1.223	1.229	1.236	1.209	1.193	1.194	1.171	1.158
AUD/NZD	Baseline	1.085	1.102	1.114	1.114	1.112	1.102	1.083	1.066	1.050	1.034	1.027
	Baseline - σ	1.042	1.015	1.011	1.004	0.994	0.967	0.956	0.938	0.905	0.896	0.895
	Low	0.937	0.933	0.922	0.901	0.883	0.860	0.834	0.812	0.794	0.776	0.767
	High	5.308	5.488	5.652	5.783	5.878	5.965	6.027	6.072	6.113	6.176	6.263
	Baseline + σ	4.870	5.008	5.105	5.118	5.075	5.109	5.051	5.042	5.141	5.154	5.216
AUD/CNY	Baseline	4.691	4.729	4.742	4.719	4.682	4.660	4.640	4.627	4.634	4.665	4.716
	Baseline - σ	4.511	4.449	4.378	4.319	4.288	4.210	4.228	4.211	4.126	4.175	4.215
	Low	4.151	4.080	3.985	3.858	3.735	3.645	3.575	3.529	3.516	3.528	3.557

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*+/-1 standard deviation from baseline (68% chance rate falls within this range)

Future scenarios

	Scenarios	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3
	High	1.418	1.474	1.503	1.521	1.527	1.521	1.507	1.489	1.469	1.448	1.428
	Baseline + σ	1.369	1.422	1.437	1.432	1.419	1.409	1.375	1.352	1.34	1.319	1.299
USD/CAD	Baseline	1.359	1.392	1.397	1.392	1.379	1.359	1.335	1.312	1.290	1.269	1.249
	Baseline - σ	1.349	1.362	1.357	1.352	1.339	1.309	1.295	1.272	1.24	1.219	1.199
	Low	1.300	1.309	1.292	1.263	1.231	1.196	1.163	1.134	1.111	1.090	1.070
	High	20.64	20.93	21.99	23.02	23.85	24.43	24.85	25.13	25.27	25.35	25.43
	Baseline + σ	19.47	19.4	19.91	20.47	20.8	21.02	21.19	21.62	22.1	22.2	22.25
USD/MXN	Baseline	18.97	18.72	19.25	19.75	20.14	20.39	20.58	20.73	20.83	20.91	20.99
	Baseline - σ	18.47	18.04	18.59	19.03	19.48	19.76	19.97	19.84	19.56	19.62	19.73
	Low	18.09	17.53	17.75	17.93	18.08	18.13	18.19	18.26	18.34	18.42	18.50
	High	145.0	148.7	150.0	149.8	148.9	147.4	145.7	143.8	141.8	139.7	137.7
	Baseline + σ	135.3	140.8	142.9	145.7	145.5	144.2	143.0	140.8	138.4	136.0	133.6
USD/JPY	Baseline	132.0	135.1	135.7	135.0	133.4	131.5	129.5	127.4	125.3	123.3	121.2
	Baseline - σ	128.6	129.3	128.4	124.2	121.2	118.7	115.9	113.9	112.1	110.5	108.7
	Low	119.0	121.5	121.5	120.2	118.0	115.6	113.2	111.0	108.9	106.8	104.8
	High	7.291	7.465	7.556	7.580	7.555	7.523	7.472	7.397	7.314	7.258	7.227
	Baseline + σ	7.017	7.15	7.22	7.202	7.089	6.976	6.873	6.776	6.708	6.661	6.631
USD/CNY	Baseline	6.897	6.98	6.98	6.912	6.809	6.716	6.623	6.526	6.438	6.381	6.351
	Baseline - σ	6.777	6.81	6.74	6.622	6.529	6.456	6.373	6.276	6.168	6.101	6.071
	Low	6.503	6.494	6.403	6.244	6.062	5.909	5.775	5.654	5.562	5.505	5.474

Chart sources: Oxford Economics, Refinitiv, Convera – March 27, 2023. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com
*+/-1 standard deviation from baseline (68% chance rate falls within this range)

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