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GLOBAL FX OUTLOOK
December 2023

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.

Key insights

USD tumbles on hopes the Fed is finished

Three big events drove a sharp fall in the US dollar in November. First, on 1 November, Federal Reserve chair Jerome Powell suggested the US's risks are now balanced – inflation is no longer the Fed's only concern. Second, the US's October jobs report – at 150k new jobs – was the lowest result since January 2021. Third, US annual headline inflation, at 3.2%, was below expectations.

Financial markets cheered the news – hoping the Federal Reserve has now finished its rate hiking cycle. The US's S&P 500 jumped more than 8.0% over the month. The benchmark US ten-year bond yield fell from 4.89% at the start of the November to as low as 4.25%. The US dollar tumbled.

We've been here before, however. The US dollar index fell 12.0% between September 2022 and January 2023 before later recovering. Could the greenback stage another New Year comeback?

This monthly guide provides analysis of 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 index fell as much as 4.0% in November as it suffered its largest monthly decline since November last year. The turn has been swift – falling from 11-month highs to three-month lows over the month.

EU

The EUR/USD jumped to three-month highs as the greenback suffered. However, any move above 1.1000 might be short lived – over the last 18 months, the pair has spent less than 10% of its time above this level.

UK

The British pound's recovery in November has seen the key GBP/USD pair only 3.0% away from 18-month highs and close to its post-Brexit vote average at 1.2900.

Australia

The Australian dollar was one of the largest beneficiaries from last month's US dollar weakness. The Reserve Bank of Australia's 13th rate hike since May 2022 helped the AUD outperform.

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Global economic outlook

Key market themes to watch

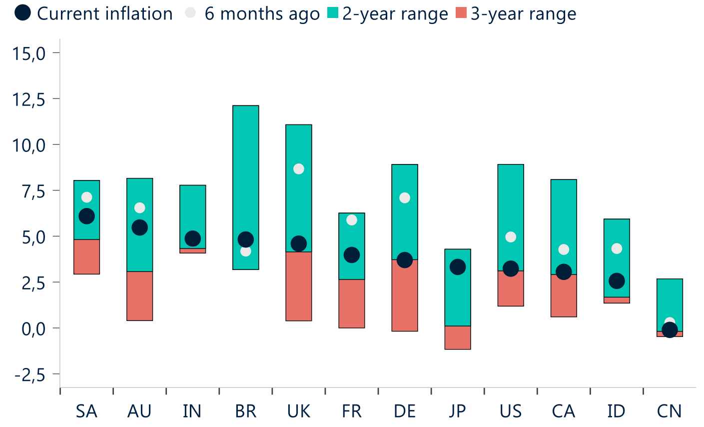
Inflation continues to fall

Investors have been cheering the fall of inflation and the peaking of interest rates across the world. Consumer price growth is close to or at 2-year lows in the US, UK, Germany, Canada and China. However, the path to the 2% target, especially looking at core inflation, has cautioned policymakers to declare victory too soon.

We expect inflation in the US, UK and Eurozone to continue falling going into 2024, but individual inflation prints still hold the potential to cause volatility, especially if growth rates settle well above 2%.

Disinflation has been a global phenomenon

Global inflation overview and post-pandemic inflation ranges



Source: Convera, Macrobond

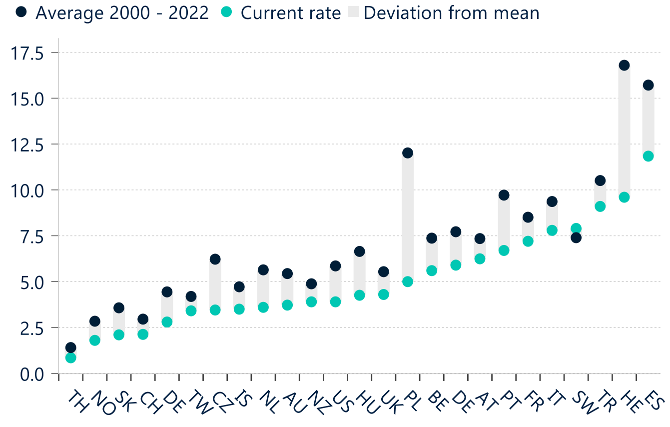
Labor markets expected to cool

One theme that will play a key role for 2024 will be the continued desynchronization of the global economy. While the consumer (labor markets, consumer spending) have been shining in 2023 with global trade and manufacturing in recession, 2024 could see a switch in the dynamic between the two.

We expect the pro-cyclical parts of the global economy to start recovering, while the consumer starts feeling the pain of easing labor markets. In this new regime, the US should underperform the Eurozone and China.

Labour markets are tight, but risks mount for 2024

Unemployment rates across the world



Source: Convera, Macrobond

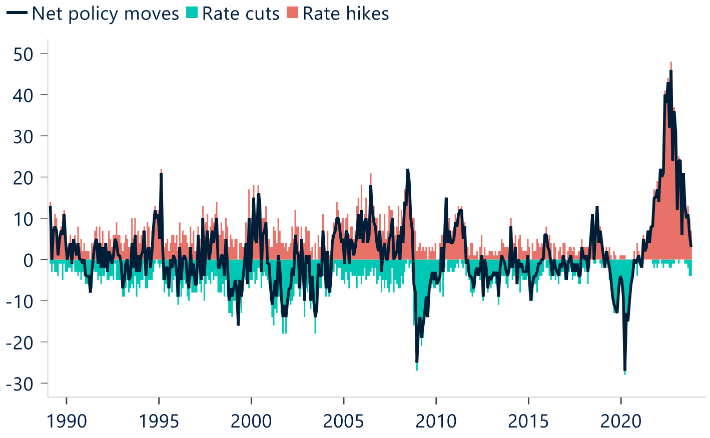
Central banks are done hiking

A month full of interest rate decisions and a plethora of top tier macro data out of the US, UK and Eurozone have come to an end. The conclusion of the fourth quarter so far has been that investors have stopped betting on any rate increases from the G3 central banks.

And while the Federal Reserve is not even "thinking about thinking" to ease monetary policy soon, not having to worry about potential tightening has been enough for markets to switch into "risk on" mode last month.

The global policy tightening cycle is over

Number of central banks hiking / cutting rates globally



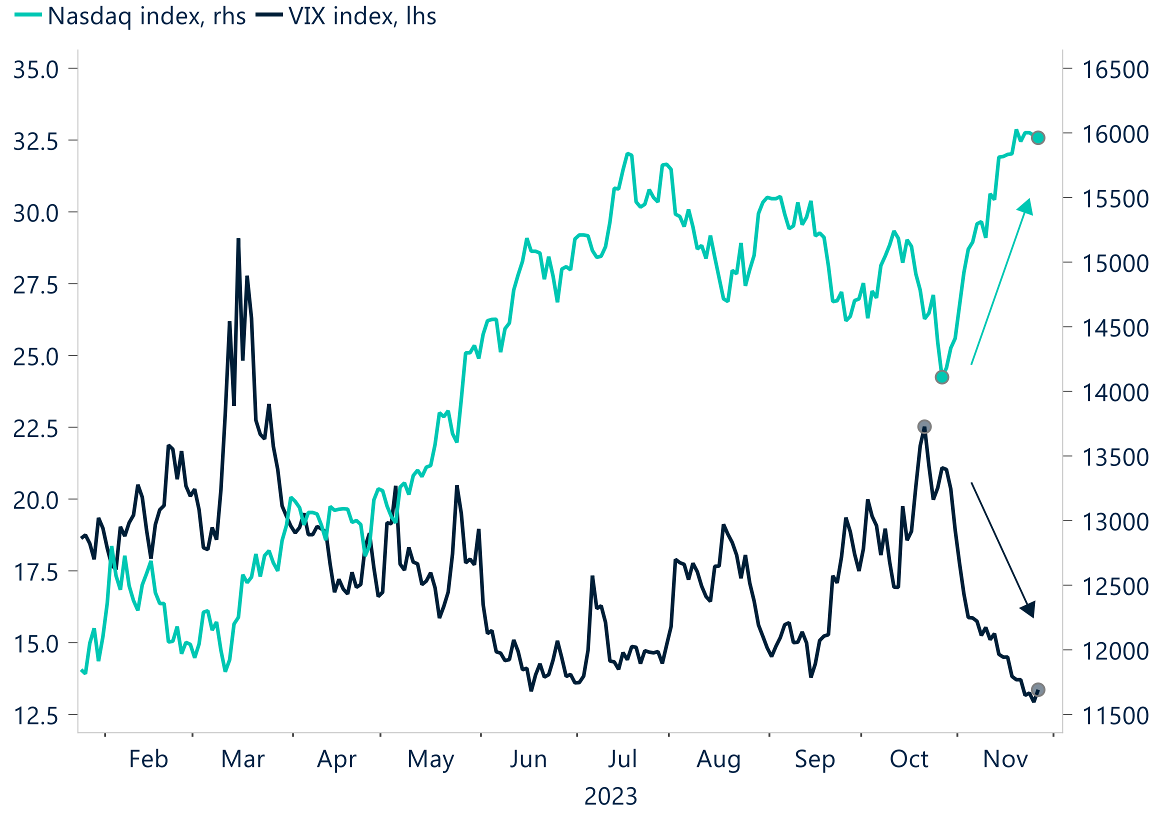
Source: Convera, Macrobond

Chart sources: Convera, Macrobond – November 28, 2023

Theme in focus: The best month of the year

Stocks have soared as volatility fell to 2023 low

Cross Atlantic equity market volatility (S&P500 and Stoxx 600 VIX averaged)



Source: Convera, Macrobond – November 28, 2023

Global investors went into November against the backdrop of strong economic data and hawkish Fed speak having pushed US 10-year bond yields higher for six consecutive months to the highest level in 15 years at 5%.

This drastic move set the tone for the rest of financial markets with the euro and pound falling to $1.05 and $1.20 respectively and the global equity index having fallen for three months in a row (-9%).

However, November is shaping up to become the best month for risk assets this year in what investors have called a "brought forward" Santa Claus rally. Over the past few weeks, investors have welcomed the recent easing of financial conditions and have reallocated capital into risk assets like the euro, pound, and equities.

The 10-year real yield has fallen by 50 basis points from its 16-year high reached at the end of October and the US term premium has slipped back into negative territory.

The driver behind this risk-rally has been the assumption, that the G3 central banks will ease monetary policy in 2024 based on weaker economic growth and slowing inflation.

European and US equities have recorded their fourth consecutive weekly rise against the backdrop of falling stock and bond market volatility. Global stocks are on track for their best month in three years, being up 8.6% in November.

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Key market events to watch

December 2023

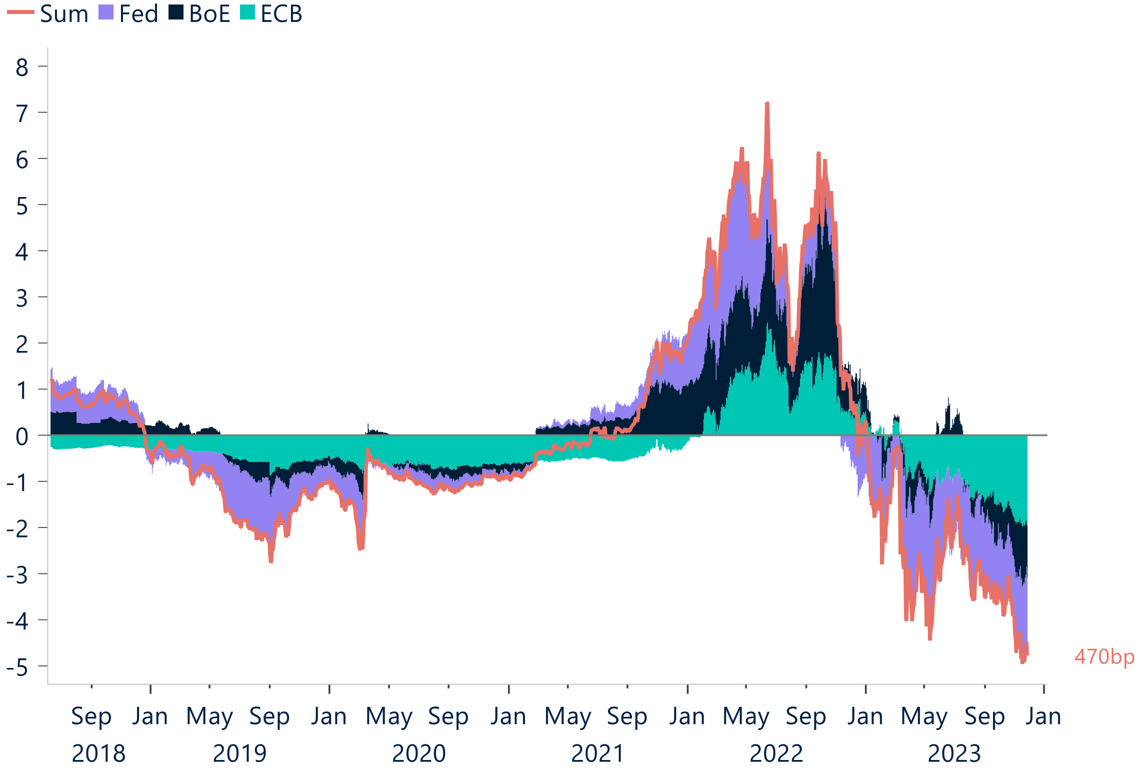
1	Jobs Report; ISM Mfg PMI
2	
3	
4	
5	**Rate Decision**; Services PMI; ISM non-Mfg PMI, JOLTS Job Openings
6	**Rate Decisions**; Retail Sales; Industrial Production
7	Halifax House Prices; Q3 GDP; Q3 GDP
8	Jobs Report, UoM C. Sentiment; **Rate Decision**
9	Inflation (CPI, PPI)
10	
11	Jobs Report; ZEW Surveys
12	Tankan Q4 Surveys; Inflation (CPI)
13	Q3 GDP, Industrial Production, Trade Balance; Industrial Production; **Rate Decision**
14	Jobs Report, PMIs; **Rate Decisions**; Retail Sales
15	Industry PMIs; Industry PMIs; Retail Sales, Industrial Output
16	
17	
18	Ifo Business Surveys
19	**Rate Decisions**; Inflation (CPI)
20	C. Confidence; Inflation (PPI, CPI),; GfK C. Sentiment; **Rate Decision**
21	**Rate Decisions**; Retail Sales; Q3 GDP, PCE Prices,
22	Inflation (PCE), Durable Goods; Q3 GDP, Retail Sales
23	
24	
25	
26	
27	Retail Sales
28	Mfg PMI
29	

Source: Convera, Refinitiv – November 28, 2023

Event in focus: Rate cuts or soft landing, not both

Markets pricing in rate cuts worth 470 basis points

Cumulative rate hikes/cuts priced in during next 24 months



Source: Convera, Macrobond

The main question going into December will be whether the risk equity rally and dollar sell-off can continue at such a pace. This will mainly depend on how the three driving forces behind the rally develop. If inflation continues to fall, while the labor market moderates at a reasonable pace, investors will feel comfortable with their current position of pricing in rate cuts from the G3 central banks for 2024.

December will give us and policymakers plenty of opportunity to observe the macro developments with a lot of economic data coming up. The major central banks will meet in December for their last policy setting of the year. We do not expect any interest rate changes in the US, UK and Eurozone but the updated projections on economic growth, inflation and rates will be important to watch.

This is especially the case given policymakers are still pushing back against rate cut speculation. Labor market data will also be critical. The next US non-farm payrolls report comes out on December 8 and will be highly important. Now even more so given that the November risk rally was partially fueled by jobs growth coming in well below the consensus number in October.

Markets are both positioned for a soft landing and for the Fed to cut rates. That means that any economic data that comes in weaker than expected, is initially good for risk assets and bad for the dollar. However, if US macro data starts going from bad to recessionary, then the soft-landing narrative will fall.

Source: Convera, Macrobond – November 28, 2023

UK currency outlook

GBP volatility analysis

GBP/USD jumps into top half of 2023 range

Chart: GBP 3-month, year-to-date trading range

Increasing volatility

	Spot	High 3M	Low 3M	High YTD	Low YTD	Trading range 3M	Trading range YTD	Position within the range 3M	Position within the range YTD
GBP/ZAR	23.56	24.26	22.36	24.72	20.22	8.5%	22.3%	63%	74%
GBP/NOK	13.42	13.79	12.96	14.00	11.77	6.4%	18.9%	55%	74%
GBP/USD	1.262	1.274	1.203	1.314	1.180	5.9%	11.4%	83%	61%
GBP/JPY	187.7	188.6	178.2	188.6	155.3	5.8%	21.4%	91%	97%
GBP/NZD	2.071	2.141	2.027	2.156	1.883	5.6%	14.5%	39%	69%
GBP/CAD	1.719	1.724	1.635	1.733	1.607	5.4%	7.8%	94%	89%
GBP/CNY	9.030	9.278	8.829	9.413	8.114	5.1%	16.0%	45%	71%
GBP/AUD	1.911	1.974	1.885	1.996	1.722	4.7%	15.9%	29%	69%
GBP/CHF	1.111	1.121	1.078	1.150	1.078	4.0%	6.7%	77%	46%
GBP/EUR	1.152	1.173	1.139	1.177	1.113	3.0%	5.8%	38%	61%

Table sources: Refinitiv, Convera – November 28, 2023

- **GBP/USD** rebounded from a 7-month low to clinch its best monthly rise of the year (4%), helped by a global risk rally, a weaker USD and stronger-than-expected UK data. Rate differentials also supported the pair amid rising US rate cut bets.
- **GBP/JPY** rose into the top 5% of its YTD range of 21%, clinching a new 7-year high above ¥188. the yen continues to be weighed down by the dovish Bank of Japan, but we expect a turnaround in 2024.
- **GBP/EUR** slipped to its lowest level since May but rebounded from €1.14 back above its 200-week moving average. But overall, the pair remains confined to a tight 3% range over the last three months.
- **GBP/AUD** has fallen over 3% over the past three months due to global risk –appetite also boosting demand for the Aussie, coupled with better-than-expected data from China, and a surprise jump in inflation, resulting in Reserve Bank of Australia rate cut bets being slashed.

GBP value indicator

GBP/CNY is almost 6% above its 2-year average rate

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

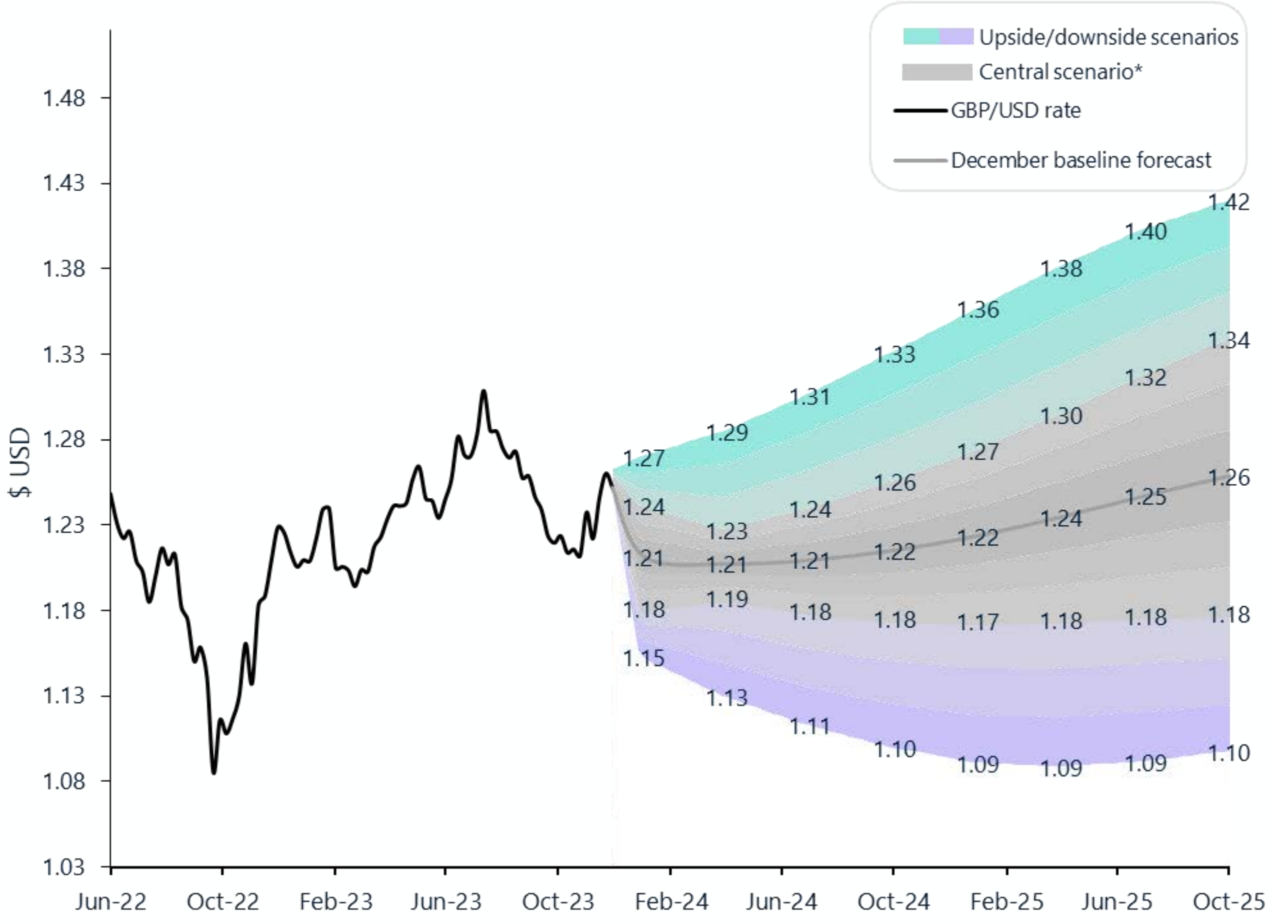
Appreciation Depreciation

	Spot (As of 28.11.2023)	Spot vs YTD average	Spot vs 1-year average	Spot vs 2-year average	Spot vs 5-year average
GBP/JPY	187.7	7.9% Avg.: 174.0	8.4% Avg.: 173.1	12.5% Avg.: 166.8	23.5% Avg.: 152.0
GBP/CNY	9.030	2.7% Avg.: 8.793	3.0% Avg.: 8.764	5.8% Avg.: 8.533	3.4% Avg.: 8.729
GBP/CAD	1.719	2.6% Avg.: 1.675	2.7% Avg.: 1.673	4.6% Avg.: 1.643	2.0% Avg.: 1.684
GBP/NZD	2.071	2.3% Avg.: 2.024	2.8% Avg.: 2.014	4.5% Avg.: 1.981	5.5% Avg.: 1.962
GBP/AUD	1.911	2.1% Avg.: 1.871	2.5% Avg.: 1.864	4.7% Avg.: 1.825	4.2% Avg.: 1.834
GBP/USD	1.262	1.7% Avg.: 1.241	1.9% Avg.: 1.238	1.5% Avg.: 1.243	-1.7% Avg.: 1.283
GBP/EUR	1.152	0.3% Avg.: 1.148	0.3% Avg.: 1.148	-0.9% Avg.: 1.162	0.2% Avg.: 1.149
GBP/CHF	1.111	-0.7% Avg.: 1.119	-0.9% Avg.: 1.120	-3.7% Avg.: 1.154	-8.0% Avg.: 1.208

- The pound remains stronger than 70% of global peers in 2023, and its 3-month change has rebounded from being a mere 8% stronger to 50% against its peers.
- **GBP/USD** has moved back above most of its key average rates – almost 2% above its 1-year average but still over 1% below its 5-year average.
- **GBP/EUR** remains neutrally positioned in general, but almost 1% below its 2-year average of €1.1620.
- **GBP/CHF** remains at the bottom of the pack due to the franc's safe haven status and the Swiss National Bank selling FX reserves. At 8% below its 5-year average, the pound looks heavily undervalued versus its European peer though.
- **GBP/JPY** remains at the top of the table with the currency pair now almost 8% above its 2023 average, and a whopping 23% above its 5-year average rate of ¥152.

Note: YTD average refers to the following time periods: 02.01.2023 - 28.11.2023; 1Y: 28.11.2022 - 28.11.2023; 2Y: 26.11.2021 - 28.11.2023; 5Y: 29.11.2018 - 28.11.2023.
Table sources: Refinitiv, Convera – November 28, 2023

GBP/USD future scenarios



Upside scenario: UK avoids recession

- UK evades recession and stagflation, and the BoE keeps interest rates elevated, whilst US economy underperforms and the Fed cuts rates.
- Geopolitical risks recede and China's growth outlook improves, fueling increased demand for riskier assets and hurting the safe haven USD.

Central scenario: interest rate differential

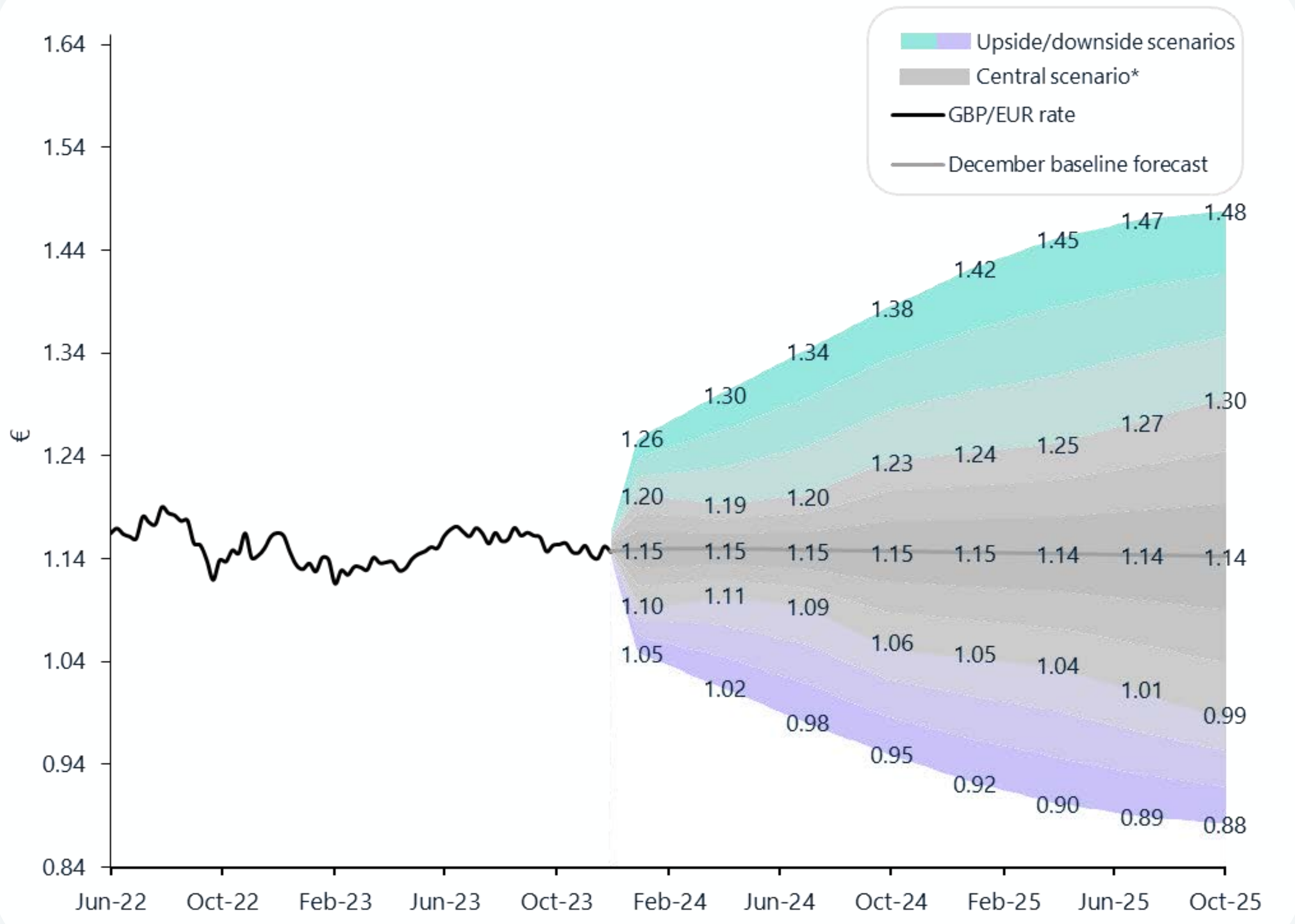
- A stronger UK economy and sticky inflation puts pressure on BoE to keep rates high, widening the UK-US rate differential and supporting the pound.
- However, higher rates also increase recession risks, which keeps investors at bay from betting too heavily on the pound appreciating.

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 – November 28, 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

- BoE keeps interest rates high for longer amid sticky inflation, whilst ECB is forced to cut rates sooner amid disinflationary impulse accelerating.
- Meanwhile, the Eurozone suffers a deeper recession, whilst the UK economy continues to surprise stronger than expected.

Central scenario: interest rate differential

- Sticky inflation put pressure on BoE to keep rates high, widening the UK-EU rate differential and supporting the pound, but recession risks start rising.
- Moreover, risk of hawkish ECB talk, coupled with stronger economic data could delay ECB rate cuts, 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 is forced to cut rates, hurting the pound, whilst EZ economy recovers quicker and boosts EUR.

Chart sources: Oxford Economics, Refinitiv, Convera – November 28, 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/USD back in positive territory for the year

Chart: EUR 3-month, year-to-date trading range

Increasing volatility

	Spot	High 3M	Low 3M	High YTD	Low YTD	Trading range 3M	Trading range YTD	Position within the range 3M	Position within the range YTD
EUR/NOK	11.64	12.00	11.21	12.05	10.44	7.0%	15.4%	54%	75%
EUR/ZAR	20.42	20.74	19.49	21.33	17.80	6.4%	19.8%	74%	74%
EUR/JPY	162.8	164.3	154.4	164.3	137.3	6.4%	19.7%	85%	94%
EUR/CAD	1.491	1.504	1.415	1.511	1.415	6.3%	6.8%	85%	79%
EUR/USD	1.095	1.097	1.044	1.127	1.044	5.1%	8.0%	96%	61%
EUR/NZD	1.796	1.837	1.750	1.846	1.666	5.0%	10.8%	53%	72%
EUR/CNY	7.823	7.968	7.656	8.115	7.188	4.1%	12.9%	54%	69%
EUR/AUD	1.657	1.689	1.631	1.706	1.525	3.6%	11.9%	45%	73%
EUR/CHF	0.964	0.969	0.941	1.009	0.941	3.0%	7.2%	82%	34%
EUR/GBP	0.867	0.876	0.852	0.897	0.849	2.8%	5.7%	63%	38%

Table sources: Refinitiv, Convera – November 28, 2023

- **EUR/USD** rose to a 3-month high in November after having rebounded from a 10-month low in October. Falling US yields on Fed cut bets have sent the pair surging over 4% to breach $1.10.
- **EUR/GBP** has fallen for seven out of the last eight days having hit a 6-month high earlier in the month. The pair remains confined to a tight <3% trading range over the past three months though.
- **EUR/NOK** pulled back from near 3-year highs as global risk appetite supported the high beta Norwegian krone more than the euro on the on the assumption that the global tightening cycle is over.
- **EUR/JPY** has ranged almost 20% year-to-date, it's biggest annual range since 2013. The pair rose to its highest level since 2008 at around ¥162 as global risk appetite supported the euro over the yen, whilst the Bank of Japan remained somewhat more dovish than market expectations.

EUR value indicator

EUR/JPY at 15-year high and 23% above 5-year average

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

Appreciation Depreciation

	Spot (As of 28.11.2023)	Spot vs YTD average	1-year average	2-year average	5-year average
EUR/JPY	162.8	7.5% Avg.: 151.3	8.1% Avg.: 150.6	13.4% Avg.: 143.6	23.2% Avg.: 132.1
EUR/CAD	1.491	2.2% Avg.: 1.458	2.4% Avg.: 1.455	5.5% Avg.: 1.413	1.7% Avg.: 1.466
EUR/CNY	7.823	2.3% Avg.: 7.648	2.6% Avg.: 7.622	6.6% Avg.: 7.341	3.0% Avg.: 7.594
EUR/NZD	1.796	1.9% Avg.: 1.762	2.5% Avg.: 1.752	5.3% Avg.: 1.705	5.2% Avg.: 1.707
EUR/AUD	1.657	1.8% Avg.: 1.628	2.1% Avg.: 1.622	5.5% Avg.: 1.570	3.8% Avg.: 1.596
EUR/USD	1.095	1.4% Avg.: 1.080	1.6% Avg.: 1.077	2.4% Avg.: 1.069	-1.9% Avg.: 1.116
EUR/GBP	0.867	-0.4% Avg.: 0.870	-0.4% Avg.: 0.870	0.8% Avg.: 0.860	-0.4% Avg.: 0.870
EUR/CHF	0.964	-1.0% Avg.: 0.974	-1.2% Avg.: 0.975	-2.9% Avg.: 0.992	-8.3% Avg.: 1.051

- **EUR/USD** is up over 5% from its October low and is now over 2% above its 2-year average rate of $1.069. However, from a wider lens, it remains almost 2% below its 5-year average.
- **EUR/JPY** remains at the top of the table, hitting a new 15-year high as DE-JP yield spreads widen. The currency pair is over 23% above its 5-year average as the BoJ retains its ultra-dovish stance.
- **EUR/CNY** and **EUR/AUD** are still trading above their long-term averages but the rebound in global risk appetite and some strong Chinese data has dragged both lower of late.
- **EUR/GBP** has slipped back under most of its key long-term averages as DE-UK yield spread falls further.
- **EUR/CHF** remains in the doldrums, lower relative to all of its key long-term moving average and recording its lowest weekly closing rate on record as the SNB continued to sell EUR reserves to support the franc.

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Table sources: Refinitiv, Convera – November 28, 2023

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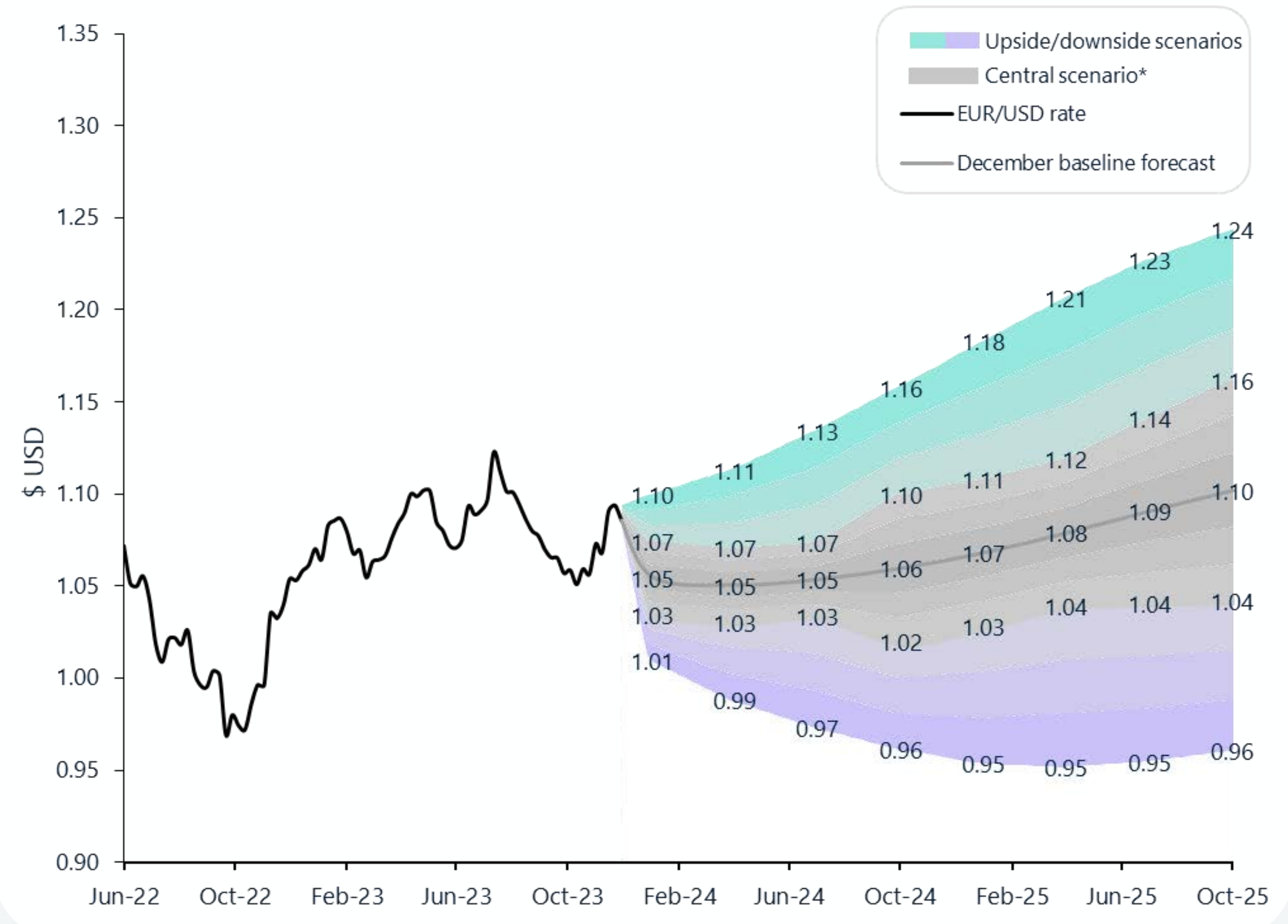
EUR/USD future scenarios



Upside scenario: Global recovery

- Global economic growth outlook improves, and inflation eases, boosting risk sentiment and supporting the euro over the dollar.
- Fed forced to cut rates as US economy weakens, inflation falls, narrowing US-EZ yield spreads, reducing the dollar's interest rate advantage.

Central scenario: interest rate differentials

- ECB keeps interest rates elevated to ensure inflation is contained, whilst Fed stands pat as US activity data starts to dwindle.
- Eurozone suffers a shallow recession amidst tighter financial conditions and decreased consumer spending, but US economy escapes recession.

Downside scenario: EZ suffers deep recession

- Energy crisis resurfaces this winter amid colder weather and reduced supply, sending 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 – November 28, 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

US bond yields drive volatility in APAC

Chart: APAC 3-month, year-to-date trading range

Increasing volatility

	Spot	High 3M	Low 3M	High YTD	Low YTD	Trading range 3M	Trading range YTD	Position within the range 3M	Position within the range YTD
AUD/JPY	98.21	98.6	92.96	98.6	86.03	6.1%	14.6%	93%	97%
NZD/USD	0.609	0.611	0.577	0.653	0.577	5.9%	13.2%	94%	42%
AUD/USD	0.660	0.663	0.626	0.715	0.626	5.9%	14.2%	92%	38%
NZD/EUR	0.556	0.571	0.543	0.600	0.541	5.2%	10.9%	46%	25%
AUD/GBP	0.522	0.530	0.506	0.580	0.500	4.7%	16.0%	67%	28%
AUD/CNY	4.723	4.760	4.587	4.934	4.536	3.8%	8.8%	79%	47%
AUD/EUR	0.602	0.612	0.591	0.655	0.585	3.6%	12.0%	52%	24%
NZD/AUD	0.922	0.941	0.912	0.946	0.901	3.2%	5.0%	34%	47%
USD/CNY	7.153	7.349	7.125	7.349	6.690	3.1%	9.9%	12%	70%
USD/SGD	1.336	1.376	1.334	1.376	1.302	3.1%	5.7%	5%	46%

Table sources: Refinitiv, Convera – November 28, 2023

- The **AUD/JPY** saw a jump in volatility after the Reserve Bank of Australia raised interest rates and caused the pair to return to favour as a "carry trade" thanks to the widening interest rate differentials.
- The **NZD/USD** also saw greater volatility as falling US bond yields boosted the relative attractiveness of the kiwi.
- The **AUD/USD** also saw an increase in volatility with the Ausie and kiwi some of the largest beneficiaries from last month's USD weakness.
- The **NZD/AUD** continued to see lower levels of volatility despite the shift in favour of further RBA rate hikes.
- The **USD/CNY** saw a small increase in volatility as the pair fell from 16-year highs, but remains muted compared with other key markets.

APAC value indicator

AUD/USD at historic lows as global worries grow

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

Appreciation Depreciation

	Spot (As of 28.11.2023)	Spot vs YTD average	Spot vs 1-year average	Spot vs 2-year average	Spot vs 5-year average
AUD/JPY	98.21	5.7% Avg.: 92.91	5.9% Avg.: 92.76	7.4% Avg.: 91.41	18.4% Avg.: 82.93
AUD/CNY	4.723	0.6% Avg.: 4.693	0.6% Avg.: 4.695	1.1% Avg.: 4.672	-0.7% Avg.: 4.757
AUD/CAD	0.899	0.3% Avg.: 0.895	0.1% Avg.: 0.897	-0.1% Avg.: 0.900	-2.1% Avg.: 0.918
AUD/NZD	1.083	0.1% Avg.: 1.081	0.3% Avg.: 1.079	-0.2% Avg.: 1.085	1.3% Avg.: 1.069
AUD/USD	0.660	-0.6% Avg.: 0.663	-0.7% Avg.: 0.664	-3.2% Avg.: 0.681	-5.7% Avg.: 0.700
AUD/SGD	0.883	-1.0% Avg.: 0.891	-1.2% Avg.: 0.893	-4.9% Avg.: 0.928	-7.4% Avg.: 0.953
AUD/EUR	0.602	-2.0% Avg.: 0.614	-2.4% Avg.: 0.616	-5.6% Avg.: 0.637	-4.0% Avg.: 0.627
AUD/GBP	0.522	-2.4% Avg.: 0.534	-2.7% Avg.: 0.536	-4.8% Avg.: 0.548	-4.3% Avg.: 0.545

- The **AUD/JPY** climbed to nine-year highs after the Reserve Bank of Australia hiked interest rates in November while the Bank of Japan remains resolutely on hold.
- The **AUD/CNY** neared three-month highs but the rebound in the Chinese yuan in November meant the gains were broadly underwhelming.
- The **AUD/CAD** also climbed from recent lows as the Canadian dollar underperformed as the oil price fell.
- The **AUD/USD** is now down only 0.6% versus its year-to-date average. This is substantial rebound from the 4.6% discount seen this time last month. Over the longer term however, the AUD/USD remains well below historical averages.
- The Aussie remains pressured in Europe with the **AUD/EUR** and **AUD/GBP** both at a significant discount versus their historical averages.

Note: YTD average refers to the following time periods: 02.01.2023 - 28.11.2023; 1Y: 28.11.2022 - 28.11.2023; 2Y: 26.11.2021 - 28.11.2023; 5Y: 29.11.2018 - 28.11.2023.
Table sources: Refinitiv, Convera – November 28, 2023

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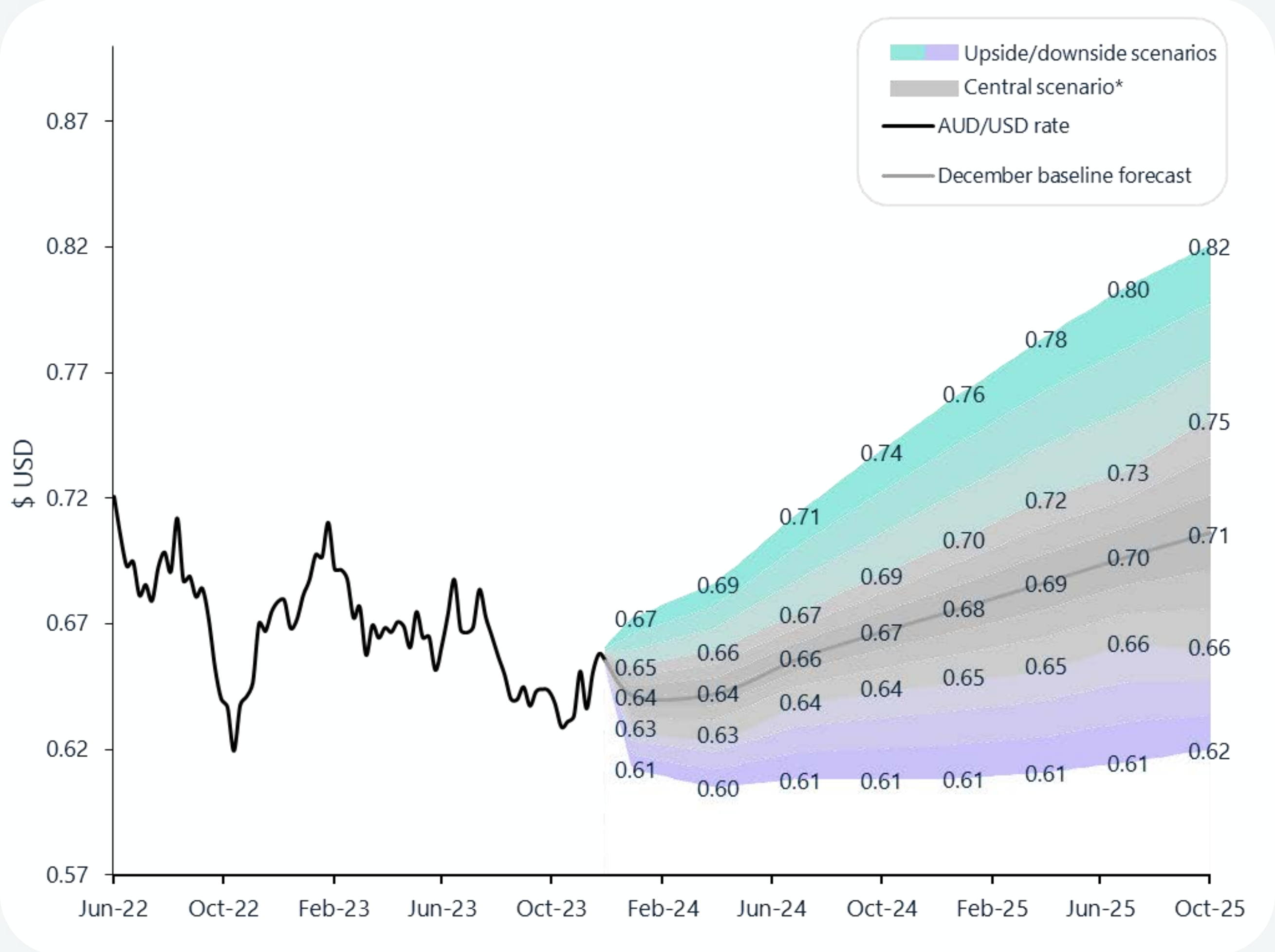
AUD/USD future scenarios



Upside scenario: Australian inflation remains persistent

- The Reserve Bank of Australia might be forced to raise rates further if local inflation remains persistent.
- US inflation slows down faster than anticipated, stabilizing expectations for terminal rates and risk assets.

Central scenario: Global growth remains sluggish

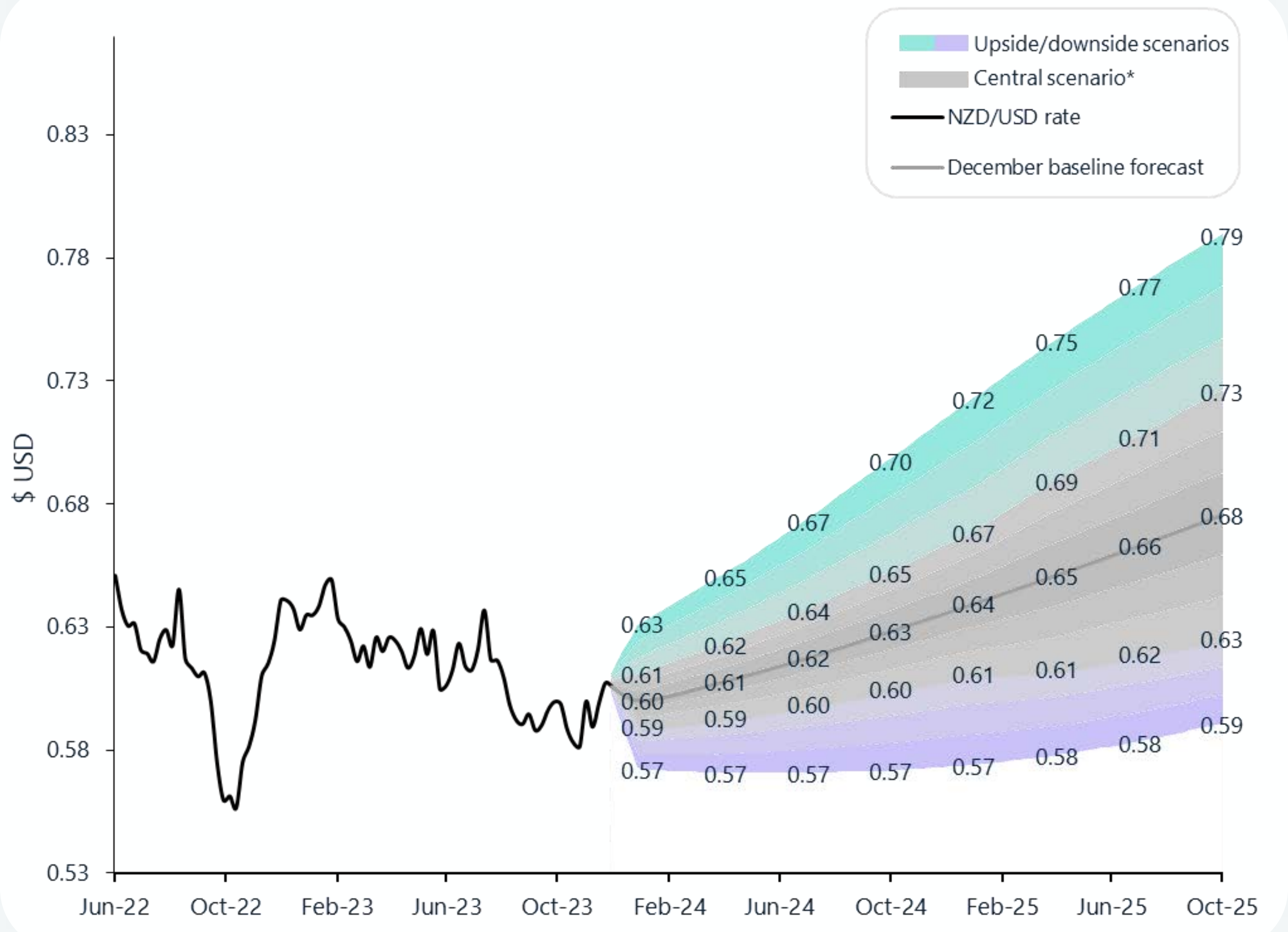
- The AUD/USD might see a slow grind higher if global growth remains steady despite multiple rate hikes from major central banks.
- Although the RBA may hold steady in coming meetings, US rates are likely to remain above Australian rates, capping growth in the AUD/USD.

Downside scenario: Stress in financial system

- The financial system is under stress due to structural problems in Chinese real estate that spread like a bigger shock.
- Significantly wider credit spreads are a result of global banking system dysfunction and tighter global policy.

Chart sources: Oxford Economics, Refinitiv, Convera – November 28, 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)

NZD/USD future scenarios



Upside scenario: Higher local asset returns

- A more ambitious agenda of tax cuts and deregulation, which increase local asset returns, is advanced by the new government.
- NZD can also benefit from an improving global growth scenario especially if China shakes-off its recent weakness.

Central scenario: Global slowdown weighs on kiwi

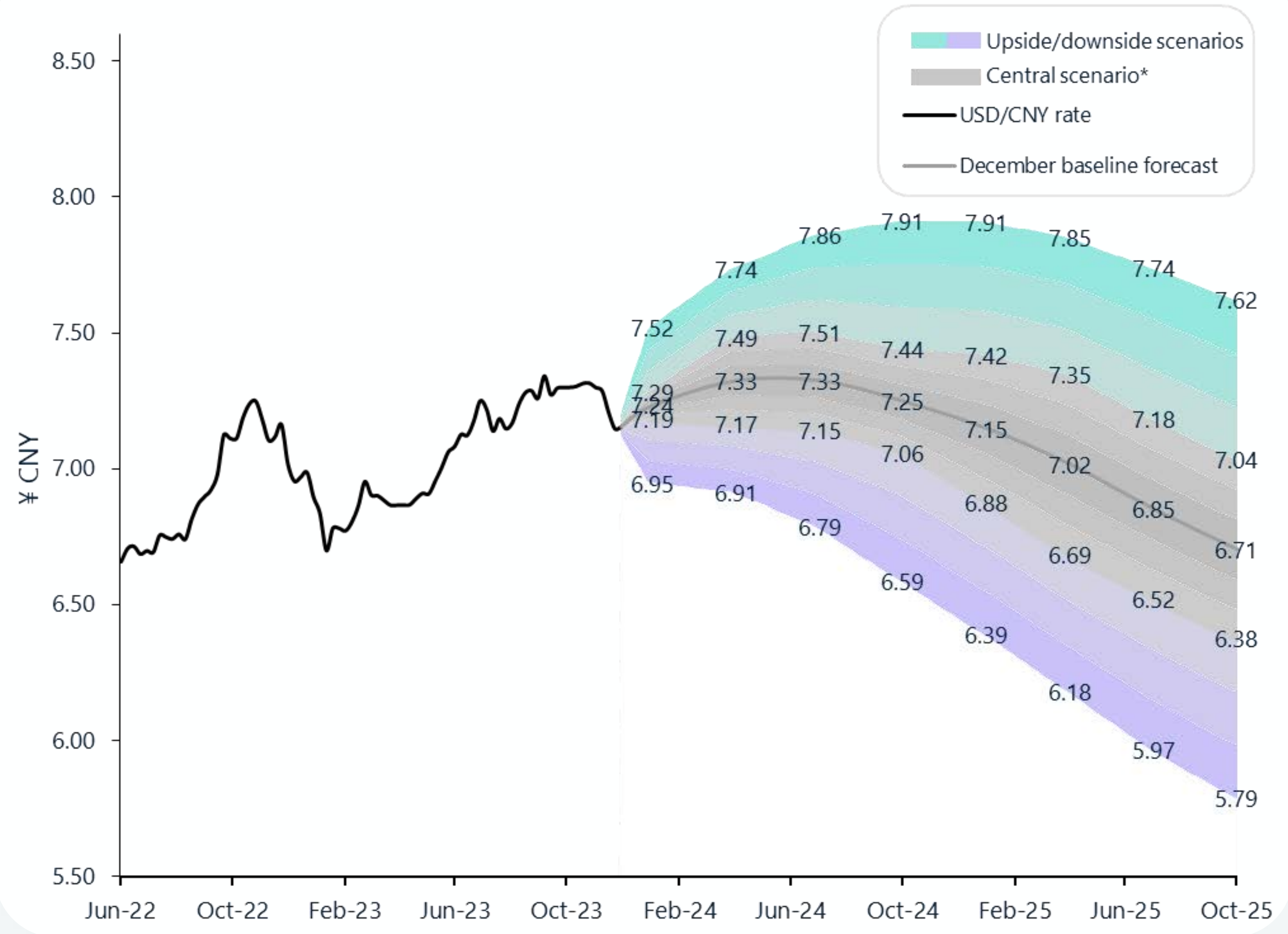
- Global interest rates remain high, slowing global growth, and weighing on NZD.
- A slowdown in growth means commodities remain under pressure with dairy prices key for NZD. China's slowdown is also a concern.

Downside scenario: Housing arrears or dip in agricultural prices

- Housing arrears exacerbate the decline in consumption or increase in unemployment and pose a threat to the stability of the financial system.
- The agricultural sector is under stress because of a deeper decline in agricultural prices.

Chart sources: Oxford Economics, Refinitiv, Convera – November 28, 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)

USD/CNY future scenarios



Upside scenario: Housing market slowdown lingers

- Despite recent policy easing, the slowdown in the housing market persists.
- Hawkish risks to our Fed on hold call

Central scenario: China recovery improves

- The Chinese government's recent supportive action to the local economy could see the CNY strengthen.
- Once the Fed confirmed a pause in its rate hiking cycle, the US dollar might ease.

Downside scenario: Fed cuts to support US

- A stronger than expected pace of Chinese growth could see the CNY recover some of its recent losses.
- The USD could fall if the Federal Reserve is forced to cut official interest rates to support the US economy.

Chart sources: Oxford Economics, Refinitiv, Convera – November 28, 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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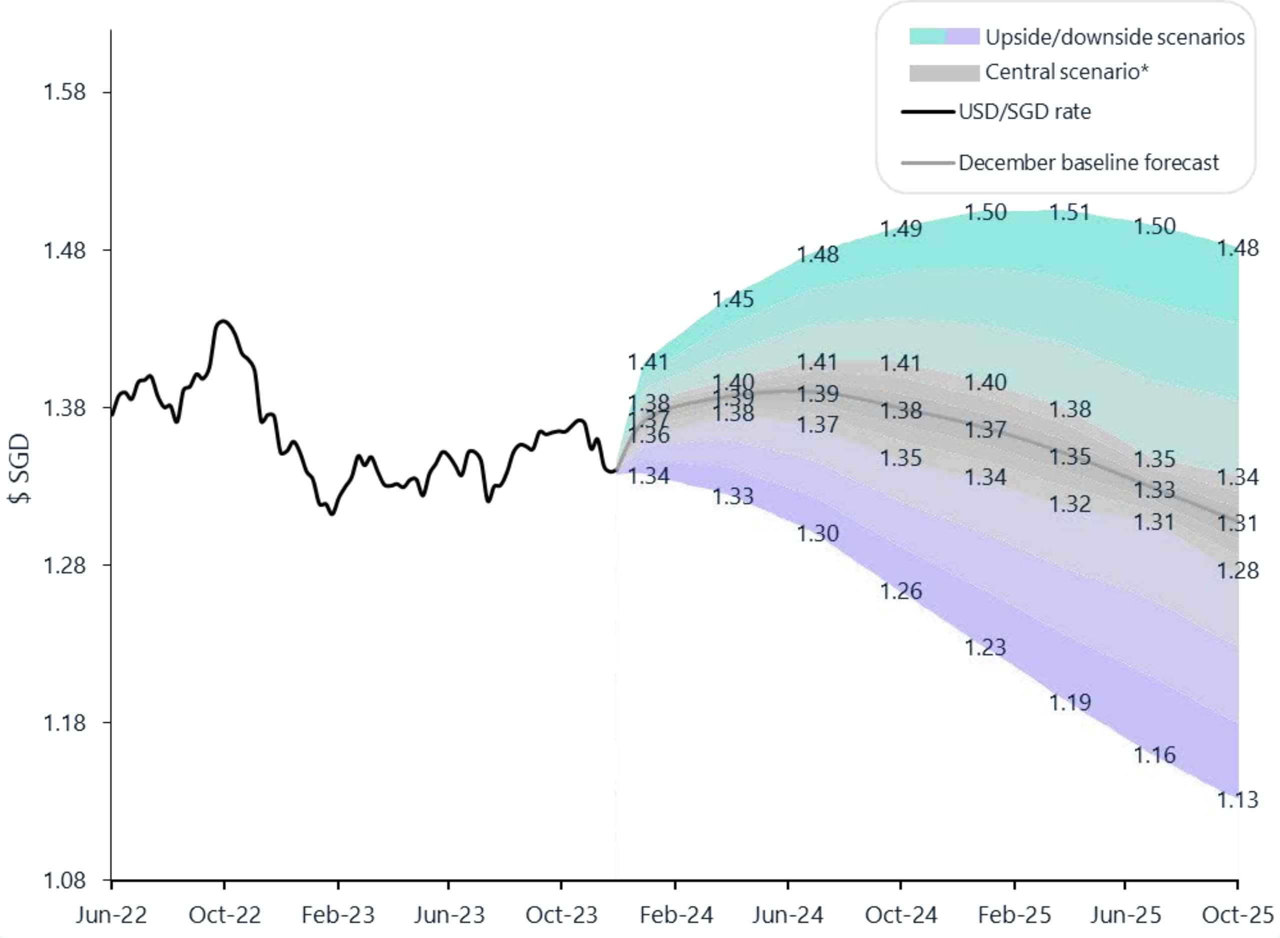
USD/SGD future scenarios



Upside scenario: Global sell-off hits risk

- US equities could see further losses in October, causing safe-haven FX like the US dollar to gain.
- SGD NEER trades in the top half of the band, and pose risks to SGD to downside.

Central scenario: Global growth remains underwhelming

- Global trade is likely disappointing as Chinese growth remains sluggish, keeping the USD/SGD near recent highs.
- The USD stays relatively strong as the Fed maintains higher rates.

Downside scenario: Fed eases tough talk

- USD might weaken if the Fed is forced to cut official interest rates as the US economy slows.
- An improving global growth outlook could help trade – and the SGD.

Chart sources: Oxford Economics, Refinitiv, Convera – November 28, 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 near 4-month low against basket of currencies

Chart: NAM 3-month, year-to-date trading range

Increasing volatility

	Spot	High 3M	Low 3M	High YTD	Low YTD	Trading range 3M	Trading range YTD	Position within the range 3M	Position within the range YTD
USD/MXN	17.16	18.48	16.70	19.52	16.62	10.7%	17.4%	26%	19%
EUR/CAD	1.491	1.504	1.415	1.511	1.415	6.3%	6.8%	85%	79%
NZD/USD	0.609	0.611	0.577	0.653	0.577	5.9%	13.2%	94%	42%
GBP/USD	1.262	1.274	1.203	1.314	1.180	5.9%	11.4%	83%	61%
AUD/USD	0.660	0.663	0.626	0.715	0.626	5.9%	14.2%	92%	38%
USD/CHF	0.88	0.924	0.874	0.944	0.855	5.7%	10.4%	12%	28%
USD/JPY	148.6	151.9	144.4	151.9	127.2	5.2%	19.4%	56%	87%
EUR/USD	1.095	1.097	1.044	1.127	1.044	5.1%	8.0%	96%	61%
USD/CAD	1.361	1.389	1.337	1.389	1.309	3.9%	6.1%	46%	65%
USD/CNY	7.153	7.349	7.125	7.349	6.690	3.1%	9.9%	12%	70%

Table sources: Refinitiv, Convera – November 28, 2023

- **EUR/USD** is on track for best monthly rise in a year and is trading in top 5% of its 3-month range, helped by a weaker US dollar on Fed rate cut bets.
- **USD/JPY** has swung almost 20% in 2023, its second biggest annual trading range since 2008 after last year. The pair has slipped back from ¥151 though amid narrowing US-JP yield spreads, removing the need for Japanese intervention.
- **USD/CAD** volatility remains largely subdued, with the 3-month trading range at 3.9% placing the pair towards the bottom of the table. The currency pair is literally flat on the year having swung in a 6% range, and in November, erased all of October's gains due to broad-based USD selling.
- **USD/MXN** is about 5% lower in November, on track for its biggest monthly drop in three years, almost completely erasing two months of gains.

NAM value indicator

USD/MXN almost 14% below its 5-year average

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

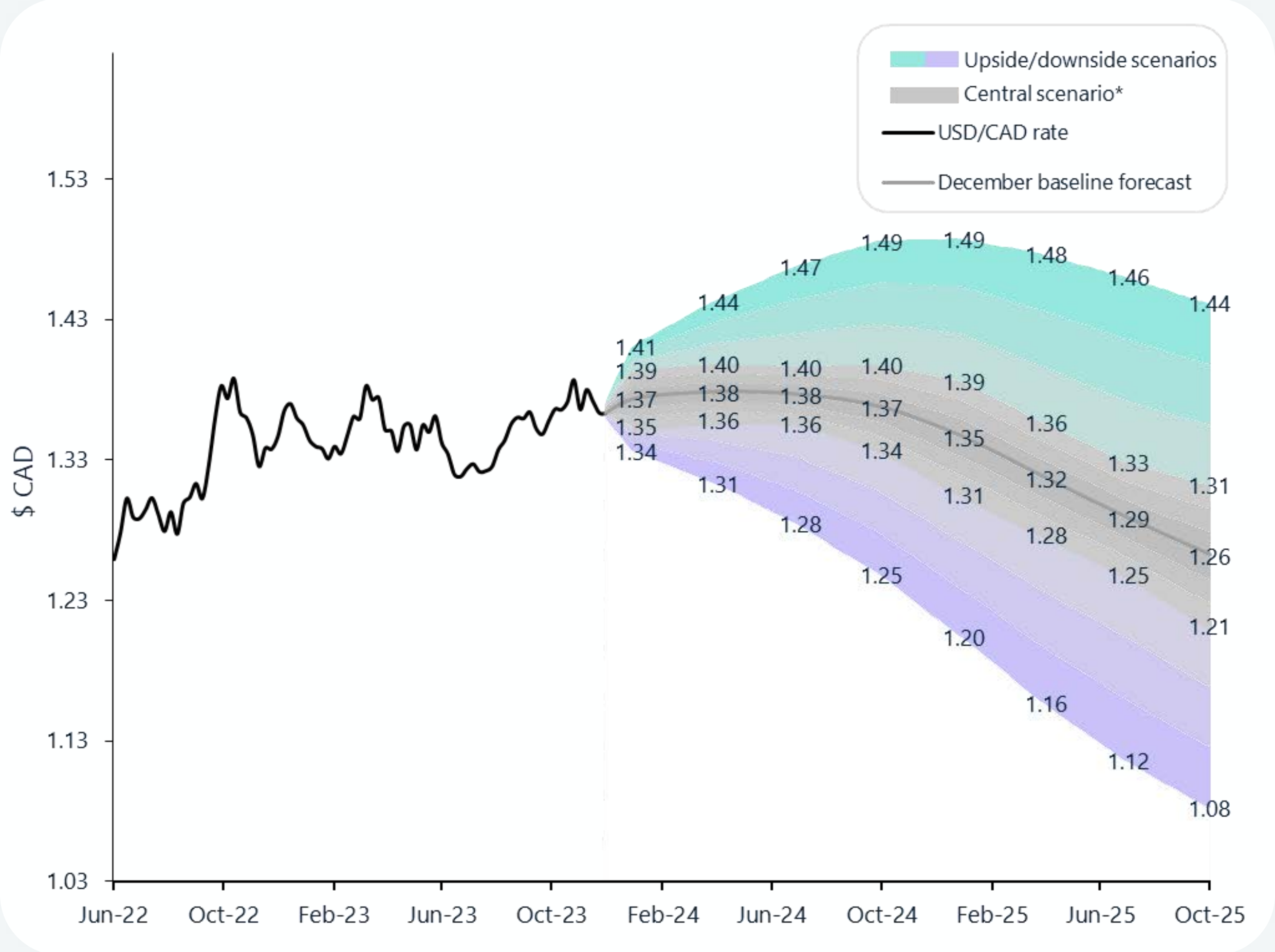
Appreciation Depreciation

	Spot (As of 27.11.2023)	Spot vs YTD average	1-year average	2-year average	5-year average
USD/JPY	149.4	6.6% Avg.: 140.1	7.0% Avg.: 139.6	11.1% Avg.: 134.4	25.7% Avg.: 118.8
EUR/CAD	1.491	2.2% Avg.: 1.458	2.4% Avg.: 1.455	5.5% Avg.: 1.413	1.7% Avg.: 1.466
GBP/USD	1.259	1.4% Avg.: 1.241	1.7% Avg.: 1.238	1.2% Avg.: 1.243	-1.9% Avg.: 1.283
EUR/USD	1.093	1.2% Avg.: 1.080	1.4% Avg.: 1.077	2.2% Avg.: 1.069	-2.1% Avg.: 1.116
USD/CAD	1.363	1.0% Avg.: 1.349	0.9% Avg.: 1.350	3.1% Avg.: 1.322	3.7% Avg.: 1.314
AUD/USD	0.657	-1.0% Avg.: 0.663	-1.2% Avg.: 0.664	-3.6% Avg.: 0.681	-6.2% Avg.: 0.700
NZD/USD	0.607	-1.0% Avg.: 0.613	-1.3% Avg.: 0.615	-3.3% Avg.: 0.627	-7.2% Avg.: 0.654
USD/MXN	17.10	-3.9% Avg.: 17.79	-4.8% Avg.: 17.96	-10.5% Avg.: 19.10	-13.7% Avg.: 19.82

- **USD/MXN** is tracking well below all of its long-term moving averages as the peso looks set to record its best year on record.
- **USD/JPY** climbed to September 1990 highs above ¥150 as central bank policy divergence continued to pressure the yen. But the weaker USD story gained traction, dragging the pair below ¥150, but still 25% higher than the 5-year average.
- **EUR/USD** is over 2% above its 2-year average rate and over 1% above its YTD and 1-year averages, thanks to the euro's almost 4% appreciation this month, helped by a bottoming of European business cycle.
- **USD/CAD** still remains above all of its long-term averages despite the move lower this month. The pair is almost 4% higher than its 5-year average.

Note: YTD average refers to the following time periods: 02.01.2023 - 27.11.2023; 1Y: 25.11.2022 - 27.11.2023; 2Y: 26.11.2021 - 27.11.2023; 5Y: 28.11.2018 - 27.11.2023.
Table sources: Refinitiv, Convera – November 27, 2023

USD/CAD future scenarios



Upside scenario: Canada's economy weakens, BoC cuts

- A weaker Canadian economy could spur expectations for the Bank of Canada to cut interest rates from 5% to boost growth.
- Fed extends rate-hiking cycle into the fourth quarter of 2023 amid a strong labour market and inflation descending too slowly.

Central scenario: Similar cross-border monetary policy

- USD/CAD maintains a relatively tight range amid generally similar interest rate trajectories for the US and Canadian central banks.
- Bank of Canada holds maintains higher-for-longer narrative.

Downside scenario: higher-for-longer regime

- Canada's economy proves more resilient than anticipated, leading Ottawa to raising rates further.
- The Bank of Canada signals increased resolve to bring inflation back to 2% with consumer prices at rising by 3.8% y/y.

Chart sources: Oxford Economics, Refinitiv, Convera – November 28, 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)

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 risk management tools^.

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 organizations 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 recognized 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

Contact us

Steven Dooley
Head of Market Insights – Global

George Vessey
FX & Macro Strategist – UK

Boris Kovacevic
FX & Macro Strategist – Central Europe

e: currencyconvo@convera.com | w: convera.com | @converaholdings | converaholdings

Appendix

Future scenarios

	Scenarios	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2
GBP/USD	High	1.270	1.285	1.306	1.331	1.356	1.381	1.402	1.419	1.431	1.442	1.450
	Baseline + σ	1.241	1.227	1.239	1.255	1.273	1.295	1.317	1.338	1.349	1.359	1.358
	Baseline	1.211	1.207	1.209	1.215	1.223	1.235	1.247	1.258	1.269	1.279	1.288
	Baseline - σ	1.181	1.187	1.179	1.175	1.173	1.175	1.177	1.178	1.189	1.199	1.218
	Low	1.153	1.130	1.113	1.100	1.091	1.088	1.091	1.097	1.106	1.117	1.125
GBP/EUR	High	1.257	1.300	1.342	1.384	1.422	1.451	1.469	1.477	1.476	1.471	1.467
	Baseline + σ	1.201	1.192	1.201	1.233	1.242	1.251	1.273	1.294	1.306	1.305	1.281
	Baseline	1.148	1.149	1.148	1.146	1.145	1.144	1.143	1.142	1.140	1.139	1.138
	Baseline - σ	1.094	1.105	1.094	1.058	1.047	1.036	1.012	0.989	0.973	0.972	0.994
	Low	1.048	1.015	0.981	0.950	0.922	0.902	0.889	0.882	0.881	0.882	0.883
GBP/JPY	High	204.6	211.9	215.1	214.1	213.8	213.8	213.4	212.4	210.8	209.3	207.8
	Baseline + σ	190.5	194.7	194.8	189.9	189.2	191.7	193.2	193.9	193.6	192.7	189.7
	Baseline	182.2	184.1	182.1	176.2	172.0	168.9	166.5	164.4	162.7	161.4	160.0
	Baseline - σ	173.8	173.4	169.3	162.4	154.7	146.0	139.7	134.8	131.7	130.0	130.2
	Low	161.1	158.3	151.8	142.0	134.6	129.3	125.4	122.6	120.8	119.7	118.4
GBP/CHF	High	1.211	1.261	1.301	1.339	1.370	1.393	1.408	1.416	1.416	1.413	1.409
	Baseline + σ	1.143	1.147	1.174	1.210	1.216	1.210	1.216	1.221	1.218	1.215	1.203
	Baseline	1.104	1.117	1.122	1.123	1.120	1.117	1.114	1.111	1.108	1.106	1.103
	Baseline - σ	1.064	1.086	1.069	1.035	1.023	1.023	1.011	1.000	0.997	0.996	1.002
	Low	1.001	0.983	0.956	0.926	0.895	0.871	0.854	0.843	0.839	0.836	0.834

Chart sources: Oxford Economics, Refinitiv, Convera – November 28, 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 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2
EUR/USD	High	1.099	1.113	1.134	1.157	1.182	1.206	1.227	1.243	1.255	1.265	1.274
	Baseline + σ	1.074	1.07	1.073	1.099	1.108	1.119	1.14	1.162	1.182	1.192	1.191
	Baseline	1.054	1.050	1.053	1.059	1.068	1.079	1.090	1.102	1.112	1.122	1.131
	Baseline - σ	1.034	1.03	1.033	1.019	1.028	1.039	1.04	1.042	1.042	1.052	1.071
	Low	1.009	0.987	0.973	0.961	0.953	0.951	0.954	0.960	0.969	0.979	0.988
EUR/GBP	High	0.953	0.985	1.018	1.052	1.084	1.107	1.124	1.132	1.134	1.132	1.131
	Baseline + σ	0.908	0.901	0.908	0.933	0.941	0.949	0.965	0.981	0.989	0.989	0.974
	Baseline	0.870	0.870	0.870	0.871	0.872	0.873	0.874	0.875	0.876	0.877	0.878
	Baseline - σ	0.831	0.838	0.831	0.808	0.802	0.796	0.782	0.768	0.762	0.764	0.781
	Low	0.795	0.768	0.745	0.722	0.702	0.689	0.680	0.676	0.677	0.679	0.681
EUR/CHF	High	1.048	1.092	1.130	1.165	1.194	1.216	1.232	1.240	1.241	1.240	1.238
	Baseline + σ	0.989	1.001	1.017	1.059	1.057	1.045	1.052	1.060	1.067	1.066	1.056
	Baseline	0.961	0.972	0.977	0.979	0.977	0.976	0.974	0.973	0.971	0.970	0.969
	Baseline - σ	0.932	0.942	0.936	0.898	0.896	0.906	0.895	0.885	0.874	0.873	0.881
	Low	0.877	0.859	0.835	0.809	0.782	0.762	0.747	0.738	0.735	0.733	0.732
EUR/CNY	High	8.268	8.611	8.914	9.160	9.355	9.472	9.498	9.477	9.434	9.399	9.377
	Baseline + σ	7.828	8.012	8.057	8.181	8.222	8.222	8.196	8.175	8.176	8.129	8.039
	Baseline	7.630	7.695	7.718	7.683	7.637	7.572	7.477	7.390	7.336	7.304	7.284
	Baseline - σ	7.431	7.377	7.378	7.184	7.051	6.921	6.757	6.604	6.495	6.478	6.528
	Low	7.018	6.831	6.607	6.335	6.094	5.885	5.698	5.563	5.501	5.472	5.454

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Future scenarios

	Scenarios	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2
AUD/USD	High	0.672	0.685	0.713	0.738	0.761	0.783	0.803	0.820	0.832	0.844	0.856
	Baseline + σ	0.653	0.658	0.673	0.688	0.703	0.718	0.729	0.749	0.759	0.764	0.779
	Baseline	0.641	0.642	0.656	0.666	0.676	0.686	0.696	0.705	0.714	0.723	0.731
	Baseline - σ	0.628	0.625	0.638	0.643	0.648	0.653	0.662	0.660	0.668	0.681	0.682
	Low	0.612	0.604	0.608	0.607	0.608	0.610	0.614	0.619	0.625	0.632	0.638
AUD/EUR	High	0.666	0.694	0.733	0.768	0.798	0.823	0.841	0.853	0.858	0.861	0.866
	Baseline + σ	0.623	0.636	0.648	0.651	0.664	0.675	0.671	0.684	0.680	0.673	0.688
	Baseline	0.607	0.611	0.623	0.629	0.633	0.636	0.638	0.640	0.642	0.644	0.646
	Baseline - σ	0.590	0.585	0.597	0.606	0.601	0.596	0.604	0.595	0.603	0.614	0.603
	Low	0.556	0.543	0.536	0.525	0.514	0.506	0.500	0.498	0.498	0.499	0.501
AUD/NZD	High	1.176	1.201	1.249	1.291	1.327	1.356	1.378	1.389	1.388	1.384	1.382
	Baseline + σ	1.107	1.109	1.124	1.137	1.149	1.169	1.174	1.193	1.187	1.166	1.169
	Baseline	1.067	1.056	1.063	1.061	1.057	1.054	1.050	1.045	1.037	1.030	1.024
	Baseline - σ	1.026	1.002	1.001	0.984	0.964	0.938	0.925	0.896	0.886	0.893	0.878
	Low	0.969	0.929	0.903	0.871	0.842	0.818	0.799	0.785	0.774	0.765	0.757
AUD/CNY	High	5.058	5.303	5.608	5.842	6.024	6.152	6.221	6.251	6.258	6.270	6.301
	Baseline + σ	4.758	4.934	5.056	5.127	5.223	5.285	5.248	5.282	5.258	5.213	5.263
	Baseline	4.637	4.708	4.809	4.835	4.837	4.817	4.775	4.734	4.712	4.704	4.711
	Baseline - σ	4.515	4.481	4.561	4.542	4.450	4.348	4.301	4.185	4.165	4.194	4.158
	Low	4.254	4.182	4.128	4.005	3.888	3.776	3.669	3.589	3.550	3.531	3.525

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Future scenarios

	Scenarios	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2
USD/CAD	High	1.411	1.443	1.468	1.486	1.487	1.476	1.460	1.441	1.419	1.397	1.379
	Baseline + σ	1.394	1.398	1.396	1.397	1.385	1.357	1.328	1.312	1.287	1.265	1.248
	Baseline	1.374	1.378	1.376	1.367	1.345	1.317	1.288	1.262	1.237	1.215	1.198
	Baseline - σ	1.354	1.358	1.356	1.337	1.305	1.277	1.248	1.212	1.187	1.165	1.148
	Low	1.336	1.313	1.284	1.248	1.204	1.157	1.116	1.083	1.056	1.034	1.017
USD/MXN	High	19.61	20.36	21.06	21.79	22.46	23.01	23.43	23.72	23.88	23.99	24.11
	Baseline + σ	18.11	18.52	19.22	19.88	20.28	20.64	20.81	20.97	21.06	21.37	21.73
	Baseline	17.63	18.00	18.34	18.69	19.02	19.30	19.53	19.72	19.85	19.97	20.08
	Baseline - σ	17.15	17.48	17.46	17.5	17.76	17.96	18.25	18.47	18.64	18.57	18.43
	Low	16.57	16.72	16.84	16.98	17.10	17.23	17.35	17.48	17.60	17.71	17.83
USD/JPY	High	161.1	164.9	164.6	160.9	157.6	154.8	152.1	149.6	147.2	145.1	143.2
	Baseline + σ	153.5	158.6	157.1	151.3	148.5	148.0	146.6	144.8	143.5	141.7	139.7
	Baseline	150.4	152.5	150.5	145.0	140.5	136.8	133.5	130.6	128.2	126.1	124.2
	Baseline - σ	147.2	146.3	143.8	138.6	132.4	125.5	120.3	116.3	112.8	110.5	108.6
	Low	139.7	140.0	136.3	129.1	123.4	118.7	114.8	111.6	109.2	107.1	105.2
USD/CNY	High	7.520	7.735	7.860	7.910	7.908	7.852	7.740	7.621	7.516	7.427	7.358
	Baseline + σ	7.285	7.485	7.505	7.44	7.42	7.348	7.184	7.036	6.915	6.816	6.747
	Baseline	7.235	7.325	7.325	7.25	7.15	7.018	6.854	6.706	6.595	6.506	6.437
	Baseline - σ	7.185	7.165	7.145	7.06	6.88	6.688	6.524	6.376	6.275	6.196	6.127
	Low	6.949	6.914	6.789	6.589	6.391	6.184	5.968	5.791	5.674	5.585	5.516

Chart sources: Oxford Economics, Refinitiv, Convera – November 28, 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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