Global FX Outlook

March 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.

Key insights

Markets unfazed by policymakers' patience

Central banks remain wary about premature policy easing reigniting inflationary pressures. Stronger-than-expected economic data somewhat validates these concerns as a robust US jobs report and a high January CPI figure put paid to ideas of an early Fed rate cut. Higher short-term rates saw US yields rally over 60 basis points in February – the biggest monthly rise in a year, which naturally lifted the US dollar index to a three-month high. However, despite the paring back of easing bets and amidst the current climate of low cross-asset volatility, global equities stomped to fresh record highs whilst lower-yielding currencies like the Japanese yen continued to wilt – JPY is more than 6% weaker versus the USD year-to-date.

How long will investor sentiment remain upbeat, and volatility remain in the doldrums though? The global inflation outbreak and rate hiking was mostly synchronized on the way up, but the rate cutting campaign may be less so and sufficient policy divergence could trigger more volatility across financial markets – especially in the FX world.

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 US dollar index climbed to a fresh three-month high after hot US inflation data, but reversed course around 105 as markets stabilised and global risk appetite rebounded.

EU

The euro dropped to a three-month low but ended up flat on the month, helped by investors paring back ECB rate cuts from around six to less than four for 2024.

UK

Sterling remains the second-best G10 FX performer year-to-date, buoyed by firm UK macro data and hawkish repricing of UK rates, but upside remains capped amid a lack of fresh catalysts fuelling volatility.

Australia

The Australian dollar was mostly weaker in February as the news flow around China continued to disappoint. The AUD/USD fell to 13-week lows before modestly bouncing on renewed risk appetite.

Global economic outlook

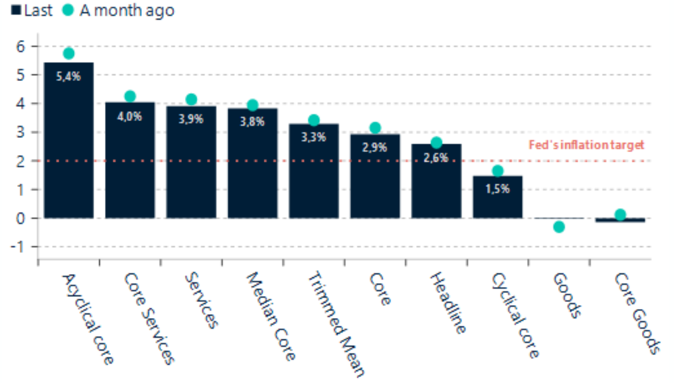
Key market themes to watch

Inflation beast still being tamed

The disinflationary process of the past two years had started to stall at the end of 2023. As geopolitical risks and rising shipping costs loom, central bankers have avoided leaning into rate cutting speculations. While markets continue to believe in the continuation of disinflation, core inflation rates could settle above 2% in some countries, posing a risk to policy makers. The inflation debate will be fought over the cyclical vs. sticky parts of the consumer basket in the coming months.

Sticky inflation or more disinflation ahead?

US Personal Consumption Expenditure (PCE)



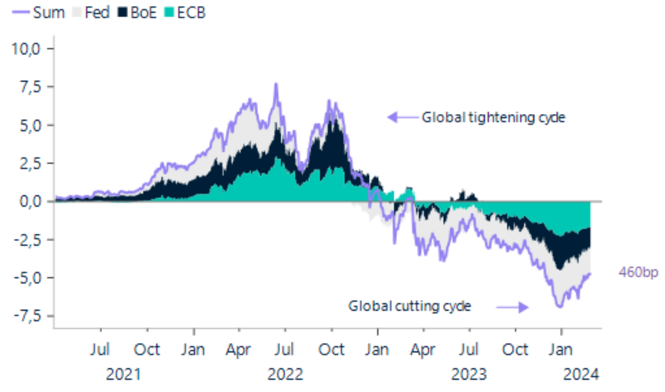
Source: Convera, Macrobond

Less accommodative than expected

Markets have cut back their expectations of policy easing from the G3 central banks by 230 basis points so far this year. This moderation in the cutting expectations has sent the US dollar and global bond yields higher, but global shares – especially US shares – have held up well. Usually, equity markets wilt as rate cuts become less likely, but a strong earnings season – highlighted by technology stocks – saw US equity benchmarks hit new all-time highs again over the last week.

G3 easing bets pared back by 230bp year to date

Cumulative rate hikes/cuts priced in during the next 24 months



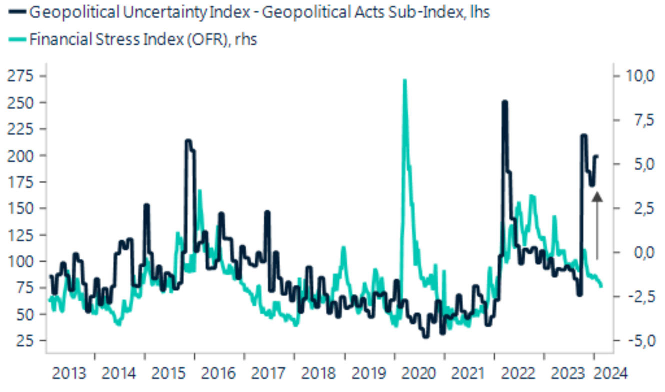
Source: Convera, Macrobond

Volatility remains in the doldrums

There remains a divergence in bond market volatility vs. FX and equity volatility, but the MOVE index is drifting towards the bottom of the range that's been in place since the global tightening cycle began. The VIX index is close to post-pandemic lows and well below its long-term average, whilst the Global FX volatility index is slumped at two-year lows. Low volatility helps to promote risk appetite and a hunt for yield, but will this last if/when we see more policy rate divergence?

Financial markets have ignored geopolitical tensions

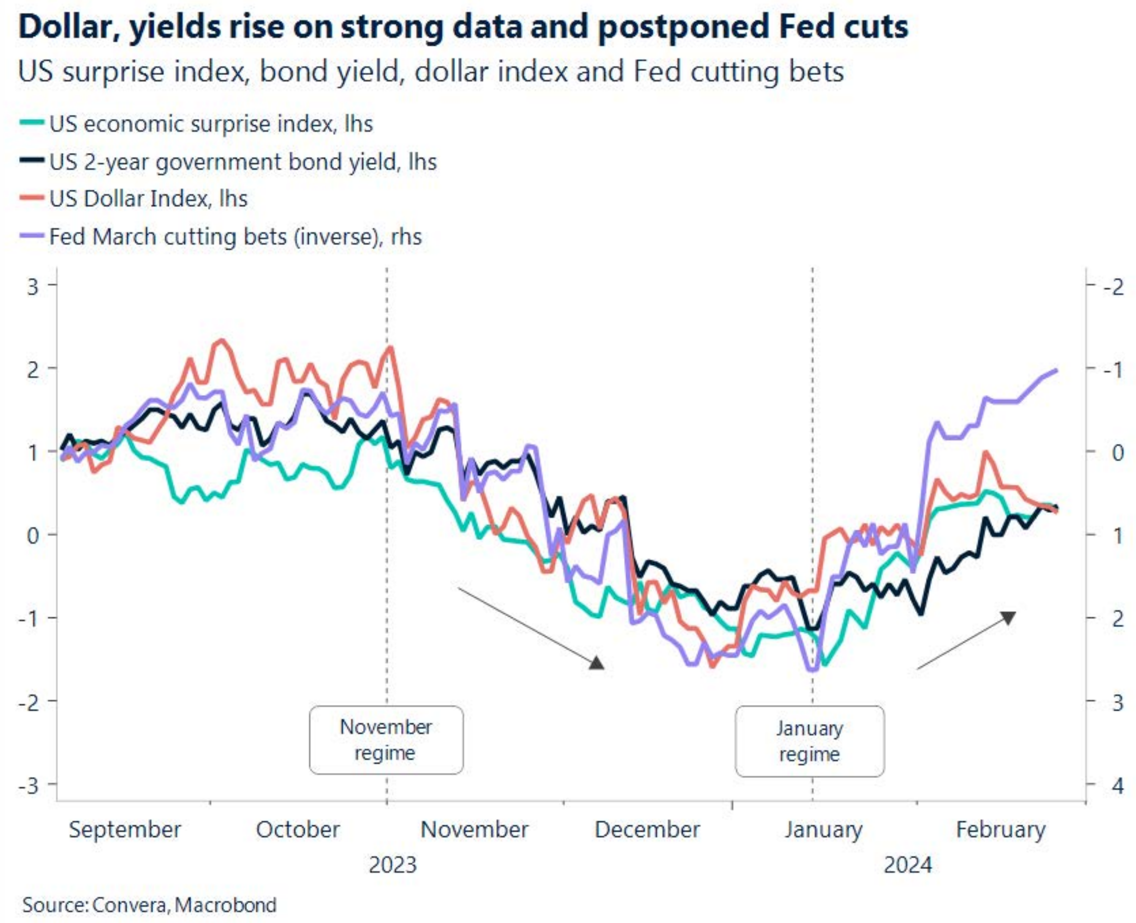
Geopolitical uncertainty and US financial stress index



Source: Convera, Macrobond

Chart sources: Convera, Macrobond – February 27, 2024

Theme in focus: 2024 has seen a trend reversal



Financial markets have finally accepted that a **March rate cut in the US is unlikely** to occur. The probability of a Federal Reserve rate cut in March has fallen from near 80% at the start of the year to less than 10% currently. After Fed chair Jerome Powell pushed back on easing expectations in February, the hotter than expected US inflation report was the final nail in the coffin.

The US Federal Reserve minutes signaled that while the US central bank **remains still some distance from cutting rates**, policymakers are also worried about keeping rates too high. The minutes from the January meeting continued to reiterate that incoming data would be critical, and the Fed needs to be confident that inflation is sustainably headed back to its 2.0% target. However, the minutes were less hawkish than the market feared, and the USD fell after the announcement.

Markets have **cut back their expectations of policy easing** from the G3 central banks by 230 basis points so far this year. This moderation in the cutting expectations has naturally sent global bond yields higher. The US dollar has benefited from its status as a high yielder and high growth currency, in line with this January regime shift of reduced easing bets, higher yields and US economic resilience.

US data was mostly stronger over the last few weeks with the labor market remaining resilient. The key weekly initial unemployment claims fell back to 201k – the lowest level in five weeks. Both manufacturing and services PMI numbers remain above 50 – the only major developed economy to see both key sectors in expansion.

Source: Convera, Macrobond – February 27, 2024

Key market events to watch

March 2024

1
- ISM Mfg PMI
- Inflation (HICP flash) Unemployment Rate
- Mfg PMI

2

3

4

5
- Inflation (PPI)
- ISM Non-Mfg PMI
- Services PMI

6
- Real GDP Q4
- Retail Sales
- **Rate Decisions**
- Ivey PMI
- Job Openings
- **Spring Budget**

7
- **Rate Decision**
- Industrial Orders

8
- Industrial Output
- Revised GDP Q4
- Jobs Report
- Jobs Report

9
- Inflation (CPI, PPI)

10

11

12
- Jobs Report
- Inflation (CPI)

13
- Industrial Production
- GDP, Industrial & Manufacturing Output

14
- Retail Sales Inflation (PPI)

15
- Michigan Sentiment Index

16

17

18
- Retail Sales

19
- **Rate Decisions**
- Housing Starts
- Inflation (CPI)
- ZEW Surveys

20
- **Loan Prime Rate (1Y, 5Y)**
- Inflation (CPI, PPI)
- **Rate Decisions**
- C. Confidence
- Industry PMIs

21
- **Rate Decisions**
- Industry PMIs
- Industry PMIs
- Unemployment Rate

22
- Retail Sales, C. Confidence
- Ifo Surveys
- Retail Sales

23

24

25
- GDP

26
- Durable Goods C. Confidence
- **Rate Decision**

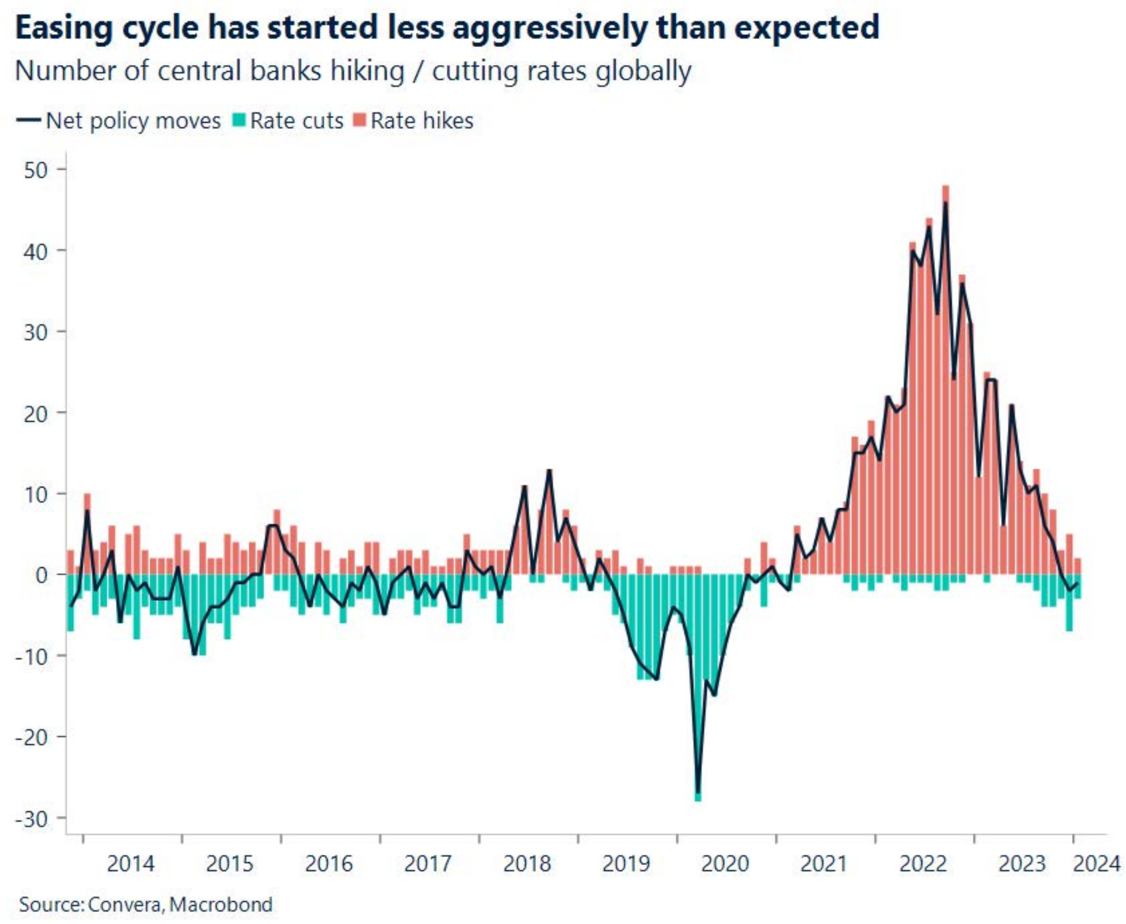
27
- Business Surveys
- **Rate Decisions**
- Inflation (CPI)

28
- Retail Sales Unemployment Rate
- Current Account Q4
- GDP, PCE (Finals) Q4

29
- Inflation (PCE)

Source: Convera, Refinitiv – February 27, 2024

Event in focus: Laying the groundwork for Q2



Source: Convera, Macrobond – February 27, 2024

The **Federal Reserve (Fed)** recently reinforced that the future path of the policy rate would depend on incoming data and they were right to be wary given the hot consumer and producer inflation prints and strong payroll data released this month. Markets have dialled back expectations for early and rapid rate reductions, but still a way off November's level. Currently, there's a 70% probability of a cut by the Fed's June meeting. While we don't expect the Fed to act in March, the FOMC will publish its economic projections, laying the groundwork for decisions in Q2.

In Europe, the **Bank of England's (BoE)** Governor signalled interest rate cuts were on the horizon but pointed to signs that the UK economy is picking up. We think the UK is already out of its technical recession and the prospect of a quicker decline in inflation increases the chances of a consumer-led recovery in UK GDP growth taking hold in 2024. Meanwhile, expectations for selling price inflation accelerated in February, climbing above their long-run average, which will be a concern to BoE policymakers and their fight against inflation.

For the **European Central Bank (ECB),** strong wage pressures remain the main concern, even though labour cost increases continue to be partly buffered by profits and are not being fully passed on to consumers. The consensus within the Governing Council appears directed at waiting for early-2024 wage data for further confirmation before taking steps to ease policy. Swaps are currently pricing in the chances for a 25 basis point rate cut by the ECB at 73% for its June meeting. Overall, money markets expect 88 basis points of cumulative rate cuts by year-end.

UK currency outlook

GBP volatility analysis

GBP/USD realised volatility in the doldrums YTD

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/ZAR	24.48	24.58	23.54	24.58	23.23	4.4%	5.8%	90%	93%
GBP/JPY	190.7	191.2	185.2	191.2	178.7	3.2%	7.0%	92%	96%
GBP/CHF	1.115	1.118	1.089	1.118	1.068	2.7%	4.7%	90%	94%
GBP/NZD	2.044	2.086	2.037	2.094	2.010	2.4%	4.2%	14%	40%
GBP/NOK	13.33	13.46	13.17	13.46	12.90	2.2%	4.3%	55%	77%
GBP/USD	1.266	1.277	1.251	1.278	1.251	2.1%	2.2%	58%	56%
GBP/AUD	1.929	1.952	1.918	1.952	1.860	1.8%	4.9%	32%	75%
GBP/CNY	9.113	9.166	9.009	9.166	9.002	1.7%	1.8%	66%	68%
GBP/CAD	1.710	1.716	1.692	1.721	1.678	1.4%	2.6%	75%	74%
GBP/EUR	1.169	1.176	1.164	1.176	1.149	1.0%	2.3%	42%	74%

Source: Refinitiv, Oxford Economics, Convera – February 26, 2024

- **GBP/USD** has swung in just a 2.2% range year-to-date, which is unusual as the median % change between monthly highs and lows has been 4% over the past decade. The pair bounced off the $1.25 support level but has failed to comfortably reclaim $1.27.
- **GBP/JPY** has recorded its best start to any year since 2011 and rose to a fresh nine-year high above ¥191.00. The pair has risen by an incredible 51% since beginning its ascent in September 2019 at ¥126.00.
- **GBP/EUR** bumped into a bit of resistance around the €1.17 handle in February but continued to trade sideways in a very tight 1% range as implied volatility sunk to four-year lows.
- **GBP/CHF** climbed to a four-month high above 1.11 in February as bets of an SNB rate cut in March rose while BoE rate-cutting bets receded. The popular carry trade – selling a low-yielding currency for a higher yielder – is benefiting the pound in this period of low volatility and elevated risk appetite.

GBP value indicator

GBP/CHF on the rise, but still 7% below five-year average

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

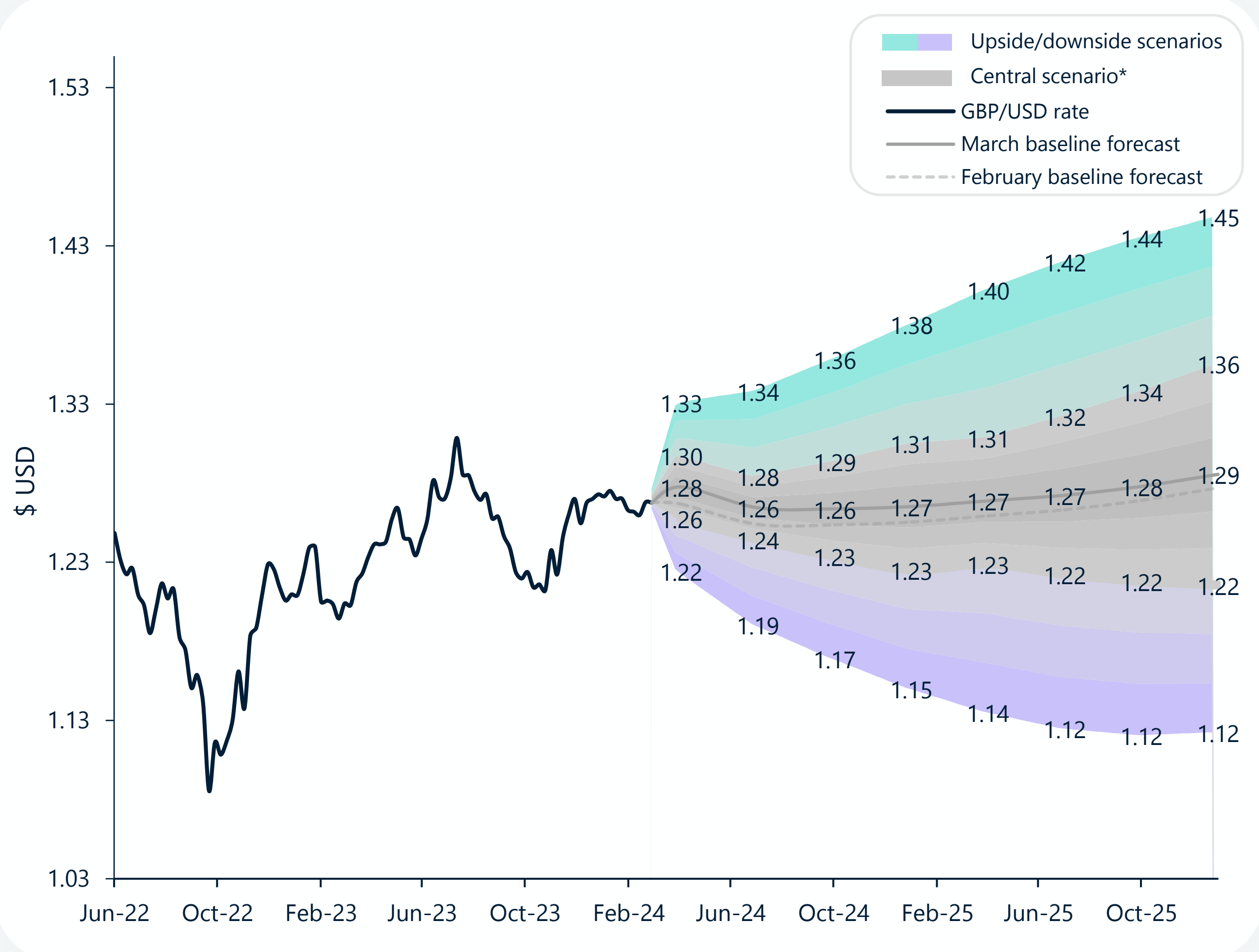
Appreciation Depreciation

	Spot (As of 26.02.2024)	Spot vs			
		YTD average	1-year average	2-year average	5-year average
GBP/JPY	190.7	2.2% Avg.: 186.6	6.6% Avg.: 178.8	11.7% Avg.: 170.6	23.7% Avg.: 154.1
GBP/CHF	1.115	1.8% Avg.: 1.095	0.2% Avg.: 1.112	-1.9% Avg.: 1.136	-7.0% Avg.: 1.199
GBP/AUD	1.929	0.5% Avg.: 1.919	1.6% Avg.: 1.898	5.5% Avg.: 1.828	4.8% Avg.: 1.840
GBP/CAD	1.710	0.5% Avg.: 1.702	1.3% Avg.: 1.688	4.1% Avg.: 1.641	1.5% Avg.: 1.684
GBP/EUR	1.169	0.2% Avg.: 1.166	1.2% Avg.: 1.154	0.8% Avg.: 1.159	1.6% Avg.: 1.151
GBP/CNY	9.113	0.2% Avg.: 9.095	2.1% Avg.: 8.929	6.0% Avg.: 8.595	4.2% Avg.: 8.744
GBP/USD	1.266	-0.1% Avg.: 1.266	1.2% Avg.: 1.251	2.6% Avg.: 1.233	-1.3% Avg.: 1.282
GBP/NZD	2.044	-0.6% Avg.: 2.057	-0.2% Avg.: 2.047	2.8% Avg.: 1.988	3.7% Avg.: 1.970

- The **pound** has risen against 67% of its global peers over the course of the last three months.
- Elevated wage growth and services inflation have resulted in investors reducing their bets of early policy easing from the **Bank of England** which has supported the pound.
- **GBP/USD** has moved back above most of its key average rates – with the standout being almost 3% above its two-year average. However, cable is still over 1% below its five-year average and slightly below the 2024 average $1.2660.
- **GBP/EUR** remains modestly positively positioned in general, standing 1.2% above its one-year average of €1.1540 and 1.6% above its five-year average of €1.15.
- **GBP/CHF** has moved towards the top of the pack with GBP/JPY as both are around 2% higher than their 2024 averages. However, at -7% below its five-year average, the pound still looks heavily undervalued versus its European peer, signaling room for more uplift this year.

Note: YTD average refers to the following time periods: 01.01.2024 - 26.02.2024; 1Y: 24.02.2023 - 26.02.2024; 2Y: 25.02.2022 - 26.02.2024; 5Y: 27.02.2019 - 26.02.2024.
Table sources: Refinitiv, Convera – February 26, 2024

GBP/USD future scenarios



Upside scenario: Global recovery

- UK economic recovery gathers pace 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

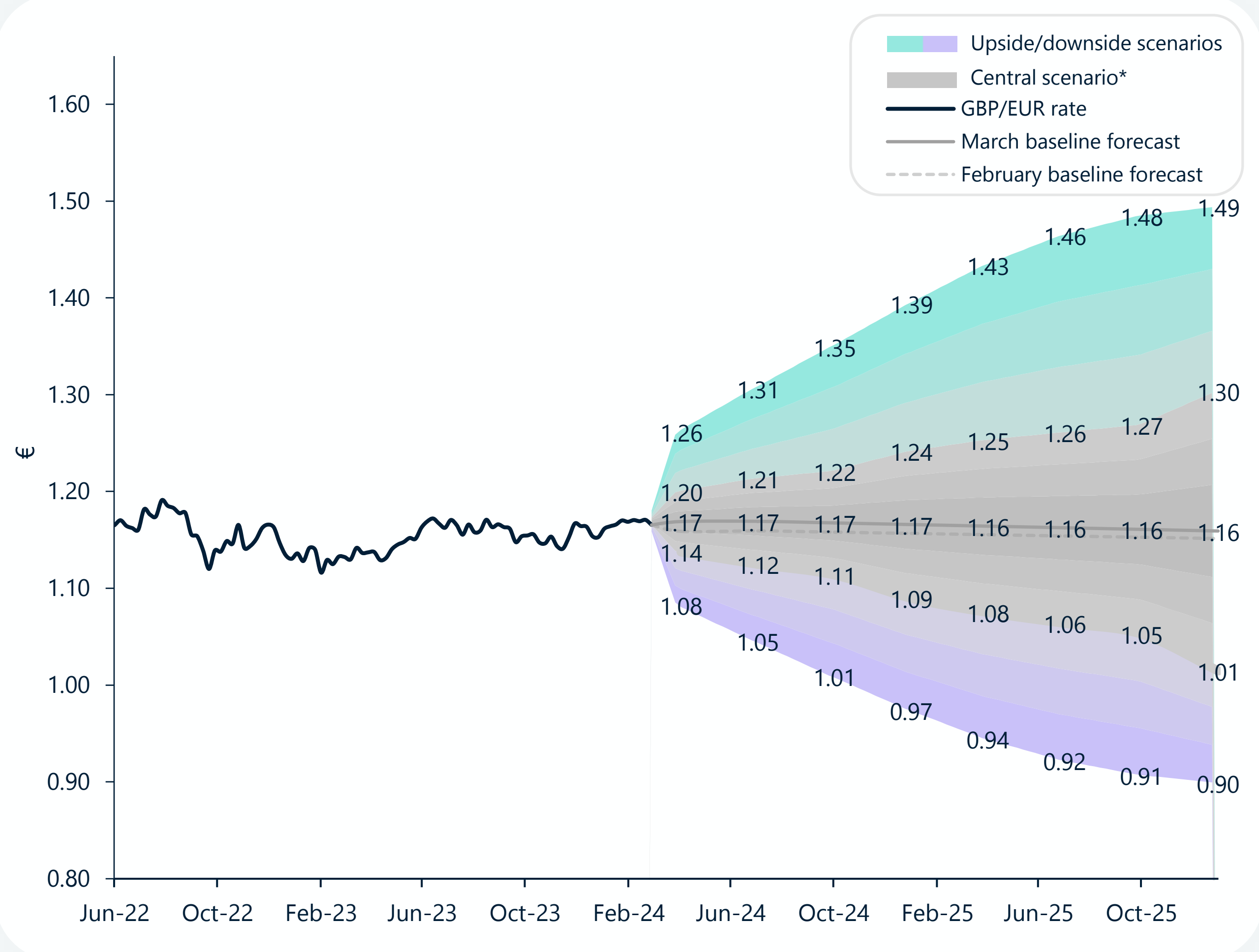
- A stronger UK economy and sticky inflation puts pressure on BoE to keep rates high, widening the UK-US rate differential and supporting the pound.
- However, higher rates also increase recession risks, which keeps investors at bay from betting too heavily on the pound appreciating.

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 – February 26, 2024. 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: Global recovery

- 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 pressures the 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 – February 26, 2024. 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

Euro underperforms against SEK and NZD

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/JPY	162.8	163.5	158.0	163.5	155.0	3.5%	5.5%	87%	92%
EUR/CHF	0.953	0.954	0.930	0.954	0.926	2.6%	3.0%	96%	96%
EUR/SEK	11.15	11.40	11.13	11.42	11.08	2.4%	3.1%	7%	21%
EUR/NZD	1.747	1.782	1.743	1.793	1.739	2.2%	3.1%	10%	15%
EUR/NOK	11.39	11.50	11.26	11.50	11.18	2.1%	2.9%	54%	66%
EUR/USD	1.082	1.089	1.069	1.104	1.069	1.9%	3.3%	65%	37%
EUR/CNY	7.786	7.823	7.691	7.874	7.691	1.7%	2.4%	72%	52%
EUR/AUD	1.648	1.661	1.634	1.666	1.612	1.7%	3.3%	52%	67%
EUR/CAD	1.461	1.466	1.446	1.473	1.446	1.4%	1.9%	75%	56%
EUR/GBP	0.854	0.857	0.849	0.868	0.849	0.9%	2.2%	63%	26%

Source: Refinitiv, Oxford Economics, Convera – February 26, 2024

- The euro is on track for a positive month, on the back of the poor January performance, and has appreciated against most G10 peers, except for NZD and SEK. On equally weighted terms, EUR gained 0.7% against the G10 basket, thanks mainly to gains against JPY and CHF.
- **EUR/USD** is looking to close flat on February, recovering from a three-month low earlier in the month. YTD volatility remains muted, with 2024 trading range at just over 3%.
- **EUR/SEK** depreciates towards 2024 lows near low 11.1000 level and continues to trade in the bottom quintile on 30-day range as the latest inflation data out of Sweden showed annual inflation in January shooting up to 3.3% thanks to higher energy prices.
- **EUR/NZD** wipes out all its year-to-date gains with the Kiwi dollar having strengthened against all its G10 peers so far in February.
- Having recorded its worst start to a year since 2019, **EUR/GBP** deviated only 0.9% from peak to trough over the past 30-days but managed to recoup 0.3% on monthly basis. EUR/GBP has bounced back higher from the 0.8500 level, but extended rally is unlikely.

EUR value indicator

Euro attractive vs. NZD, CNY and JPY – less so vs. CHF, GBP, USD

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

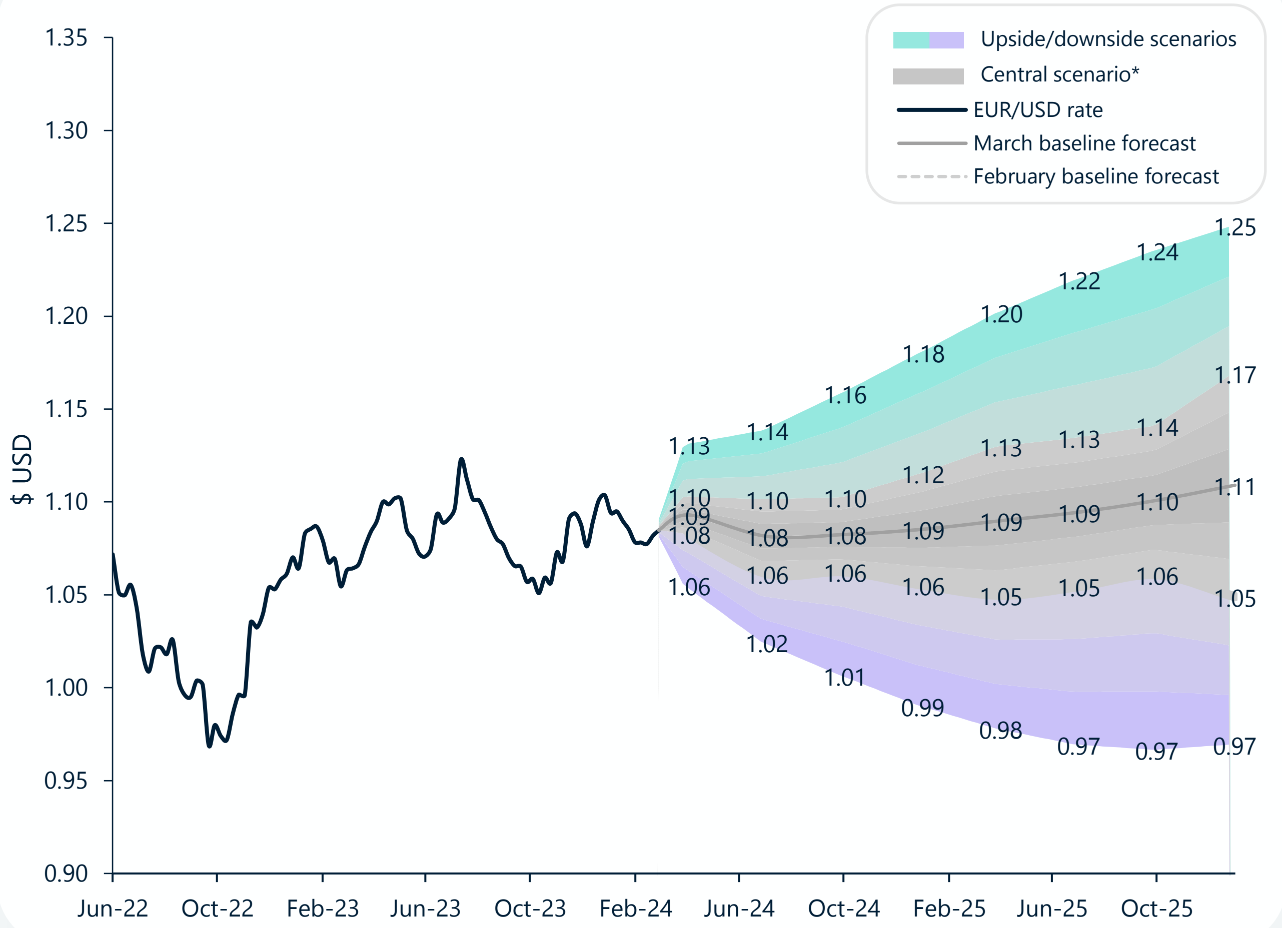
Appreciation Depreciation

	Spot (As of 26.02.2024)	Spot vs YTD average	1-year average	2-year average	5-year average
EUR/JPY	162.8	1.8% Avg.: 159.9	5.2% Avg.: 154.8	10.6% Avg.: 147.2	21.7% Avg.: 133.8
EUR/CHF	0.953	1.5% Avg.: 0.939	-1.1% Avg.: 0.963	-2.8% Avg.: 0.980	-8.5% Avg.: 1.042
EUR/CAD	1.461	0.1% Avg.: 1.459	0.0% Avg.: 1.461	3.2% Avg.: 1.416	-0.2% Avg.: 1.463
EUR/AUD	1.648	0.2% Avg.: 1.645	0.3% Avg.: 1.642	4.5% Avg.: 1.577	3.1% Avg.: 1.598
EUR/CNY	7.786	0.0% Avg.: 7.789	0.8% Avg.: 7.727	5.0% Avg.: 7.412	2.5% Avg.: 7.596
EUR/USD	1.082	-0.3% Avg.: 1.085	-0.1% Avg.: 1.082	1.7% Avg.: 1.063	-2.9% Avg.: 1.114
EUR/GBP	0.854	-0.3% Avg.: 0.856	-1.3% Avg.: 0.865	-1.0% Avg.: 0.862	-1.7% Avg.: 0.868
EUR/NZD	1.747	-0.9% Avg.: 1.763	-1.4% Avg.: 1.772	1.8% Avg.: 1.715	2.0% Avg.: 1.712

- **EUR/JPY** remains at the top of the table, positioned slightly below its 15-year high and over 21% above its five-year average. With BoJ expected to raise rates in H1 2024, could a policy shift in Japan support the yen?
- **EUR/CAD** appreciates to a one-month high as ECB signals it is in no rush to cut rates while it awaits further wage growth data.
- **EUR/USD** underperforms on an average YTD, one- and five- basis as the German economy continues to underperform, thus providing little support for the euro.
- **EUR/CHF** appreciates to a three-month high as the market is looking for the SNB to cut rates before its G10 peers, with a 50% probability of a pivot in March, given that the annual inflation rate in Switzerland fell to 1.3% - the lowest since October 2021. The pair continues to trade well below its longer-term average of 1-, 2- and 5- years.

Note: YTD average refers to the following time periods: 01.01.2024 - 26.02.2024; 1Y: 24.02.2023 - 26.02.2024; 2Y: 25.02.2022 - 26.02.2024; 5Y: 27.02.2019 - 26.02.2024.
Table sources: Refinitiv, Convera – February 26, 2024

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 in 2024 H1 as US economy and labour market weakens, narrowing US-EZ yield spreads, reducing the dollar's interest rate advantage.

Central scenario: interest rate differential

- ECB and Fed keep interest rates elevated throughout H1 2024 to ensure inflation is contained.
- Eurozone economic growth starts the year with sluggish growth, dragged by poor performance from Germany. US activity data starts to dwindle.

Downside scenario: EZ economy struggles to recover

- ECB cuts policy rates as disinflation trend continues and wage growth pressures ease. Fed hold rates higher for longer as inflation remains elevated due to sticky services inflation.
- Eurozone economy underperforms, while US economic data continues to surprise to the upside.

Chart sources: Oxford Economics, Refinitiv, Convera – February 26, 2024. 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

Growth fears remain as volatility drivers in APAC

Chart: APAC 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
AUD/JPY	98.53	99.05	95.35	99.05	95.35	3.9%	3.9%	86%	86%
NZD/USD	0.617	0.621	0.603	0.632	0.603	3.0%	4.8%	78%	48%
AUD/USD	0.654	0.662	0.644	0.683	0.644	2.8%	6.1%	56%	26%
AUD/CNY	4.710	4.756	4.632	4.874	4.632	2.7%	5.2%	63%	32%
NZD/AUD	0.940	0.945	0.924	0.945	0.922	2.3%	2.5%	76%	78%
NZD/EUR	0.570	0.573	0.560	0.574	0.557	2.3%	3.1%	77%	76%
AUD/GBP	0.516	0.521	0.511	0.537	0.511	2.0%	5.1%	50%	19%
AUD/EUR	0.605	0.611	0.601	0.619	0.599	1.7%	3.3%	40%	30%
USD/SGD	1.343	1.352	1.334	1.352	1.318	1.3%	2.6%	50%	74%
USD/CNY	7.196	7.199	7.167	7.199	7.107	0.4%	1.3%	91%	97%

- **AUD/JPY** witnessed the highest 30-day volatility on RBA-BoJ policy divergence, although BoJ may end its negative interest rate policy by 1H24, even after recent weak economic data.
- The **NZD/USD** and **AUD/USD** saw the second and third highest 30-day volatility respectively, as slower global growth prospects continued to pressure commodity currencies against the US dollar.
- Meanwhile, **USD/CNY** volatility remains muted.
- **AUD/GBP** and **AUD/EUR** volatility eased with the Fed seen less hawkish, causing AUD volatility to ease.
- **NZD/AUD** volatility declined as RBA-RBNZ rate hike differentials narrowed.

Source: Refinitiv, Oxford Economics, Convera – February 26, 2024

APAC value indicator

Aussie's persistent strain amidst global demand concerns

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

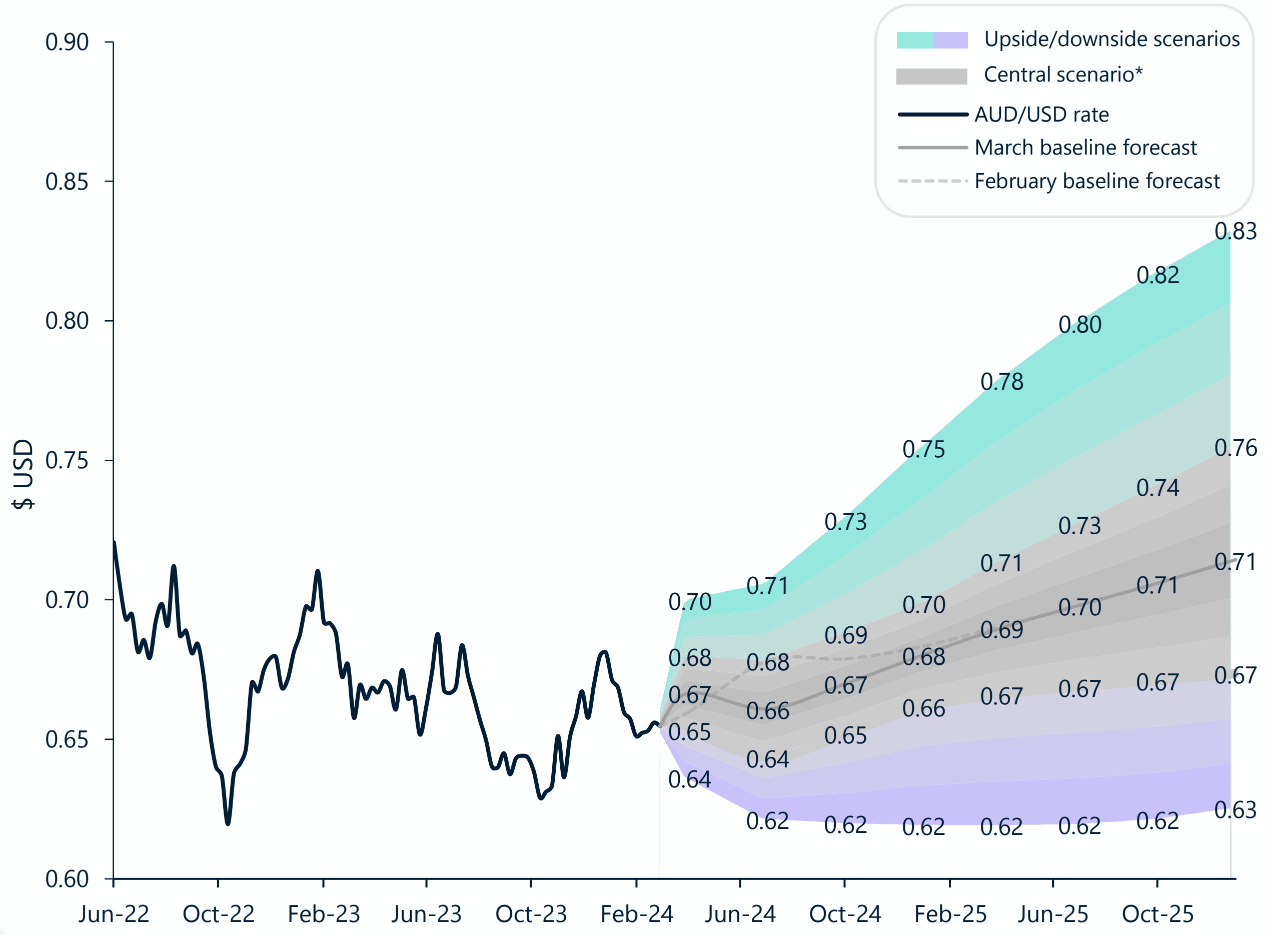
Appreciation | Depreciation

	Spot (As of 26.02.2024)	Spot vs YTD average	1-year average	2-year average	5-year average
AUD/JPY	98.53	1.4% Avg.: 97.20	4.6% Avg.: 94.19	5.6% Avg.: 93.26	17.5% Avg.: 83.82
AUD/CAD	0.884	-0.3% Avg.: 0.886	-0.6% Avg.: 0.889	-1.5% Avg.: 0.897	-3.4% Avg.: 0.915
AUD/EUR	0.605	-0.4% Avg.: 0.607	-0.6% Avg.: 0.608	-4.7% Avg.: 0.634	-3.4% Avg.: 0.626
AUD/SGD	0.879	-0.5% Avg.: 0.883	-0.8% Avg.: 0.885	-4.2% Avg.: 0.917	-7.3% Avg.: 0.948
AUD/CNY	4.710	-0.5% Avg.: 4.733	0.2% Avg.: 4.702	0.3% Avg.: 4.696	-0.9% Avg.: 4.750
AUD/USD	0.654	-0.9% Avg.: 0.659	-0.8% Avg.: 0.659	-3.1% Avg.: 0.675	-6.2% Avg.: 0.697
AUD/GBP	0.516	-0.9% Avg.: 0.520	-2.0% Avg.: 0.526	-5.7% Avg.: 0.547	-5.1% Avg.: 0.543
AUD/NZD	1.056	-1.3% Avg.: 1.070	-2.0% Avg.: 1.077	-2.8% Avg.: 1.086	-1.4% Avg.: 1.070

- The Aussie dollar remains under pressure against most G10 currencies as global growth worries persist.
- The **AUD/JPY** hit multi-year highs on RBA-BoJ divergence, although BoJ is expected to raise rates by 1H24.
- The **AUD/EUR** also stays under historical averages, weighed down by global demand concerns and a relatively stronger euro.
- The **AUD/USD** is below its two-year and five-year averages, down 3.1% and 6.2% respectively.
- The **AUD/GBP** is below two-year and five-year averages down 5.7% and 5.1% respectively, as the British pound holds steady despite UK recession risks.
- The weaker growth outlook continues to keep the Aussie underperforming crosses.

Note: YTD average refers to the following time periods: 01.01.2024 - 26.02.2024; 1Y: 24.02.2023 - 26.02.2024; 2Y: 25.02.2022 - 26.02.2024; 5Y: 27.02.2019 - 26.02.2024.
Table sources: Refinitiv, Convera – February 26, 2024

AUD/USD future scenarios



Upside scenario: Higher RBA's terminal rate

- The Australian government might cause the RBA to raise rates further if it introduces additional significant fiscal easing.
- US inflation slows down faster than anticipated, lowering expectations for terminal rates, and boosting risk assets like the AUD.

Central scenario: RBA's resistance to rate cuts

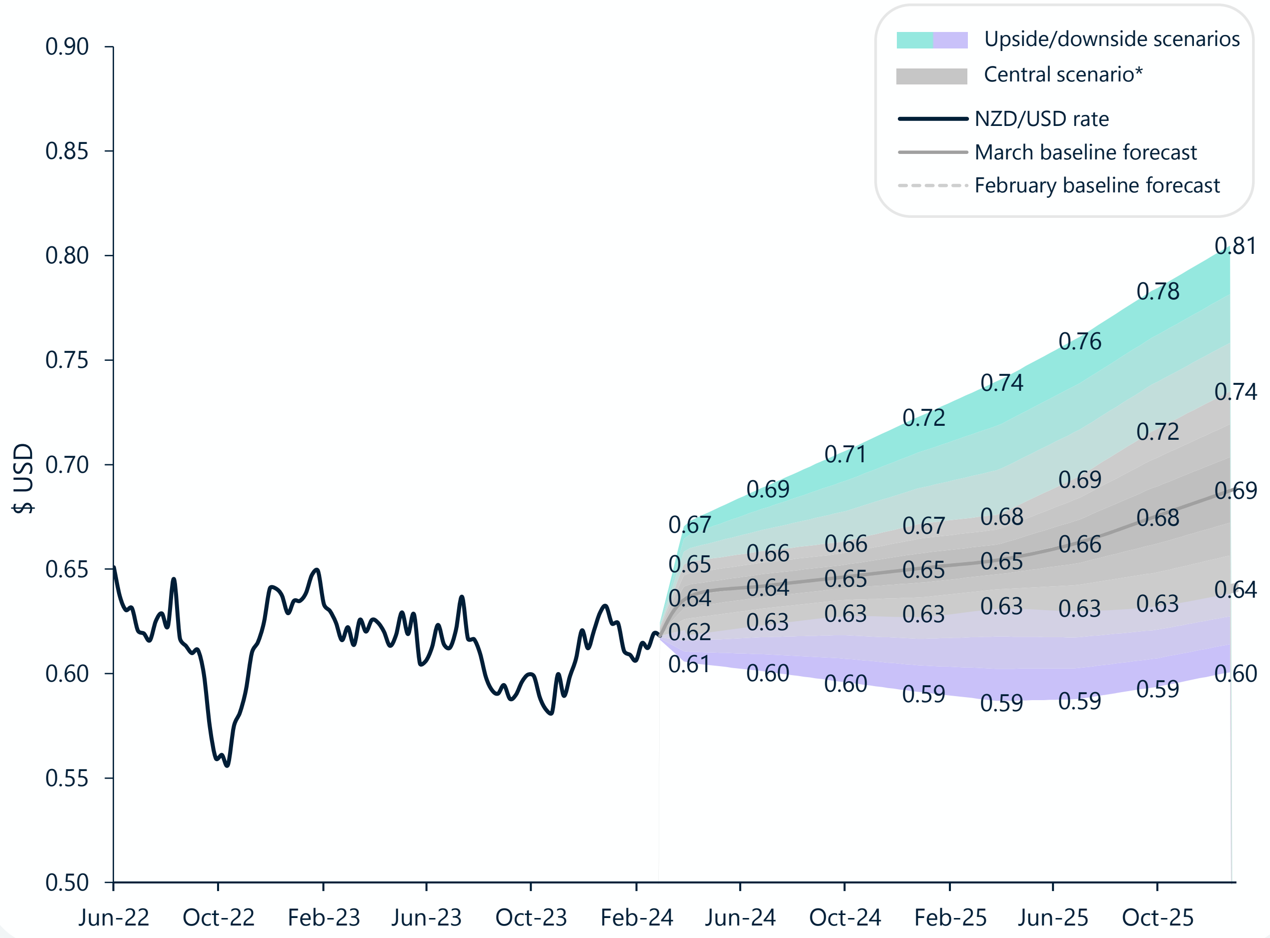
- The Australian dollar might rise in response to the Reserve Bank of Australia's resistance to a worldwide cycle of rate cuts
- Although the RBA may hold steady in coming meetings, US rates are likely to remain above Australian rates, capping growth in the AUD/USD.

Downside scenario: Financial system stress

- 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 – February 26, 2024. 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.
- Firmer export prices for New Zealand are supported by a shift in China's strategy to encourage households.

Central scenario: NZD susceptible to risk-off events

- NZD is still susceptible to any global risk-off events, even if China surprises to the upside.
- A slowdown in growth means commodities remain under pressure with dairy prices key for NZD.

Downside scenario: More aggressive RBNZ easing

- Housing costs exacerbate the decline in consumption or increase in unemployment and pose a threat to the stability of the financial system.
- Despite an increasing labor supply, domestic economy is unable to recover, pushing further aggressive RBNZ easing.

Chart sources: Oxford Economics, Refinitiv, Convera – February 26, 2024. 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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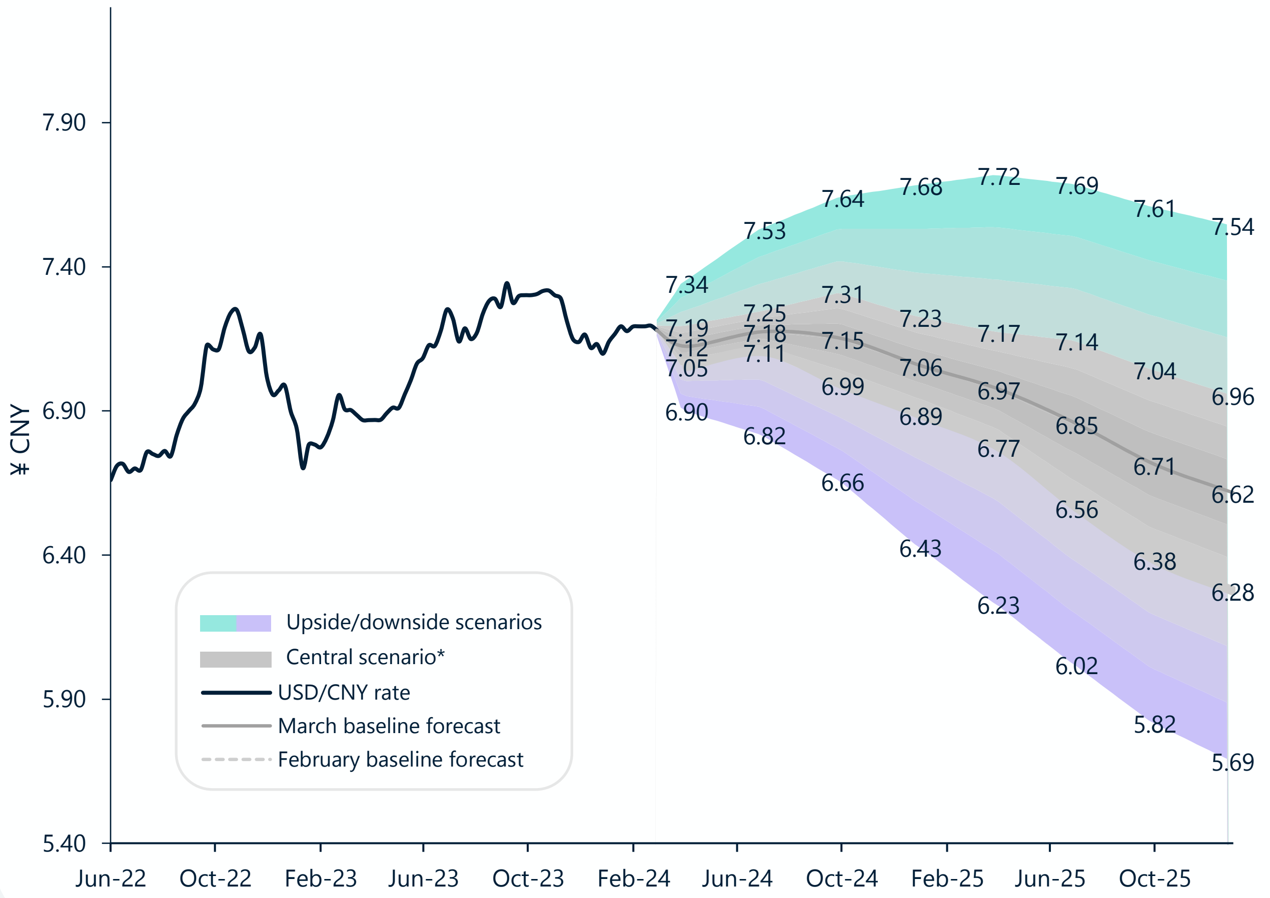
USD/CNY future scenarios



Upside scenario: Housing market slump persists

- Despite recent policy easing by the PBoC, the slump in the housing market persists. Ongoing economic worries could pressure the CNY further.
- Any shift in Fed expectations – if the US central bank cuts rates by less than expected – could boost the USD.

Central scenario: China recovery improves

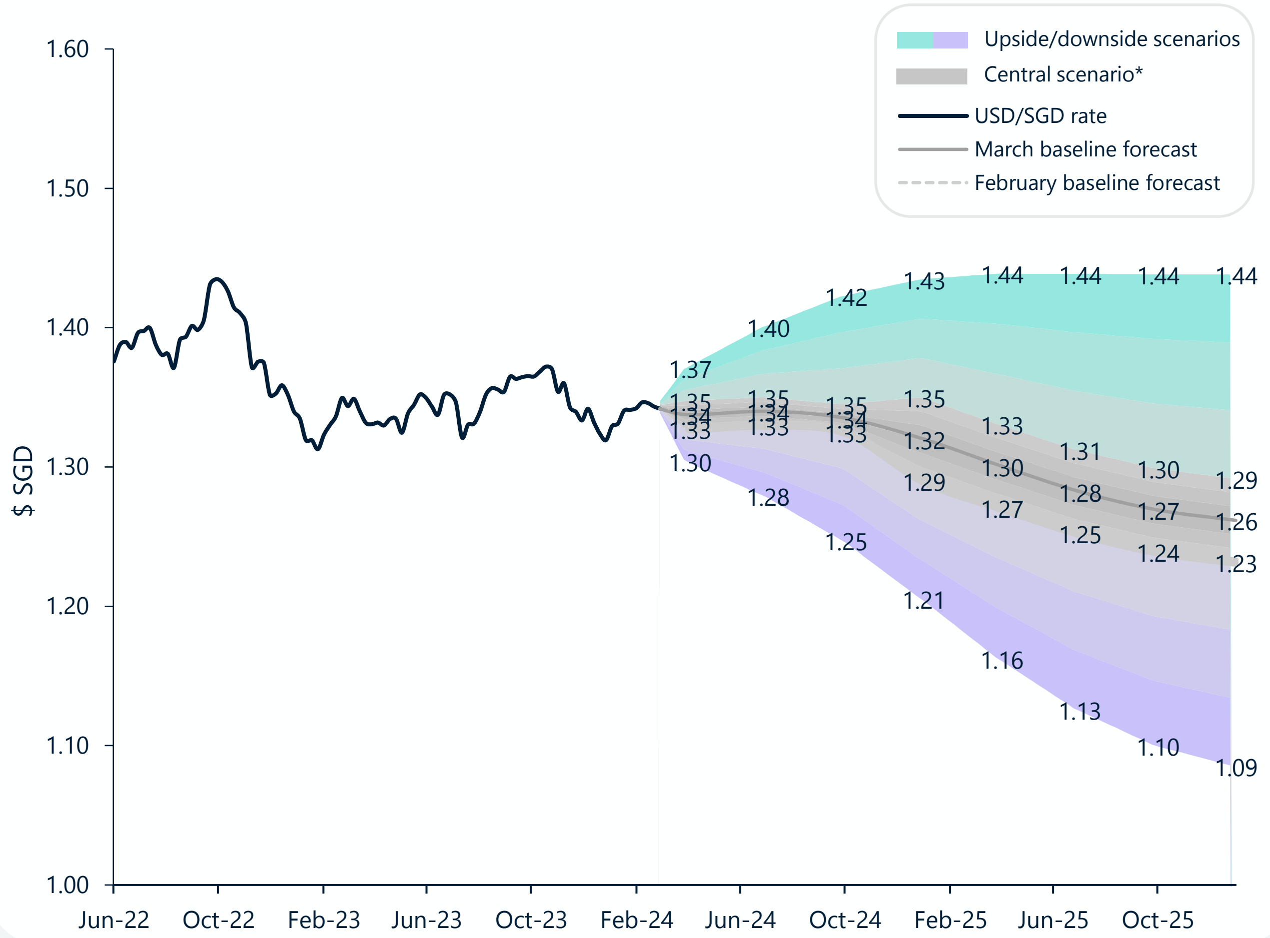
- The Chinese government's recent supportive action to the local economy could see the CNY strengthen.
- Once the Fed confirms a cut in rates, the US dollar might ease.

Downside scenario: Larger-than-expected stimulus from PBoC

- Larger-than-expected stimulus from PBoC
- 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 – February 26, 2024. 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/SGD future scenarios



Upside scenario: Global sell-off hits risk

- US equities could turn from higher levels, causing safe-haven FX like the US dollar to gain.
- SGD NEER trades in the top half of the band and pose downside risks to SGD.

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 cuts – and fast

- 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 – February 26, 2024. 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 three-month highs as FX volatility wanes

Chart: NAM 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/CHF	0.880	0.888	0.854	0.888	0.839	4.0%	5.8%	76%	84%
USD/JPY	150.4	150.8	145.8	150.8	140.8	3.4%	7.1%	92%	96%
NZD/USD	0.617	0.621	0.603	0.632	0.603	3.0%	4.8%	78%	48%
AUD/USD	0.654	0.662	0.644	0.683	0.644	2.8%	6.1%	56%	26%
GBP/USD	1.266	1.277	1.251	1.278	1.251	2.1%	2.2%	58%	56%
EUR/USD	1.082	1.089	1.069	1.104	1.069	1.9%	3.3%	65%	37%
USD/MXN	17.09	17.29	16.98	17.39	16.78	1.8%	3.6%	35%	51%
USD/CAD	1.350	1.358	1.335	1.358	1.322	1.7%	2.7%	65%	78%
EUR/CAD	1.461	1.466	1.446	1.473	1.446	1.4%	1.9%	75%	56%
USD/CNY	7.196	7.199	7.167	7.199	7.107	0.4%	1.3%	91%	97%

- **USD/CHF** has swung 4% in the past 30 days as the market is looking for the SNB to cut rates before its G10 peers, with a 50% probability of a pivot in March, given that the annual inflation rate in Switzerland fell to 1.3% - the lowest since October 2021.
- **EUR/USD** is looking to close flat on February, recovering from a three-month low earlier in the month. YTD volatility remains muted, with 2024 trading range at just over 3%.
- **NZD/USD** and **AUD/USD** swung 3% and 2.8% respectively over the past 30-days as slower global growth prospects continued to pressure commodity currencies against the US dollar.
- **USD/CAD** volatility remains largely subdued, with the YTD trading range at 2.7%. The currency pair is trading in the top quartile of the YTD range.
- **USD/MXN** trades around 17.1 amid growing signs that the Mexican central bank is due for an imminent rate cut. Minutes from Banxico's latest meeting showed that policymakers agreed that it may be adequate to lower interest rates in its upcoming March meeting, depending on the available data.

Source: Refinitiv, Oxford Economics, Convera – February 26, 2024

NAM value indicator

USD/JPY close to 25% above its five-year average

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

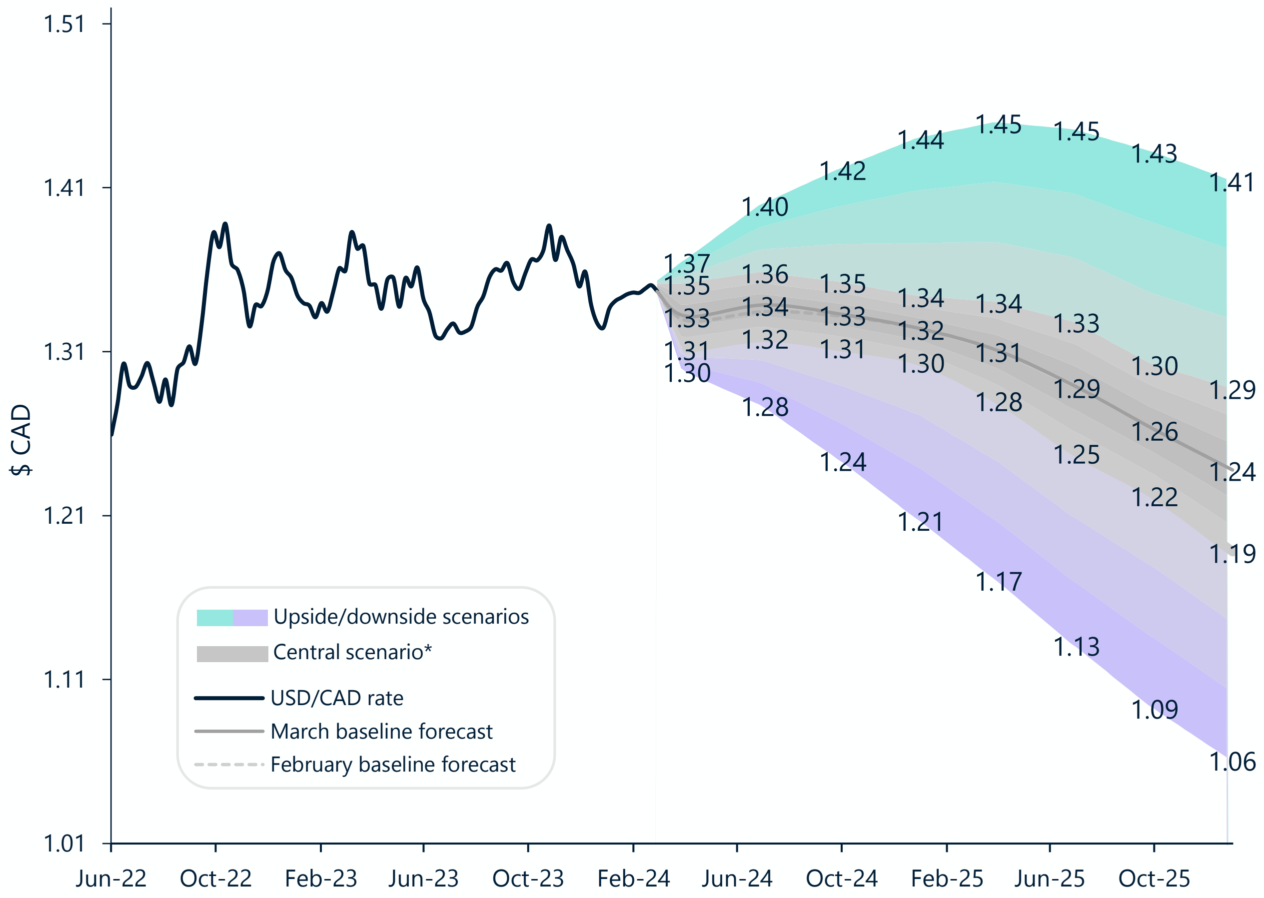
Appreciation Depreciation

	Spot (As of 26.02.2024)	Spot vs YTD average	1-year average	2-year average	5-year average
USD/JPY	150.4	2.1% Avg.: 147.3	5.2% Avg.: 142.9	8.6% Avg.: 138.4	24.6% Avg.: 120.6
USD/CAD	1.350	0.5% Avg.: 1.343	0.0% Avg.: 1.349	1.4% Avg.: 1.331	2.7% Avg.: 1.314
NZD/USD	0.617	0.2% Avg.: 0.615	1.0% Avg.: 0.610	-0.6% Avg.: 0.620	-5.3% Avg.: 0.651
EUR/CAD	1.461	0.1% Avg.: 1.459	0.0% Avg.: 1.461	3.2% Avg.: 1.416	-0.2% Avg.: 1.463
USD/MXN	17.09	0.1% Avg.: 17.06	-2.2% Avg.: 17.46	-8.4% Avg.: 18.65	-13.3% Avg.: 19.70
GBP/USD	1.266	-0.1% Avg.: 1.266	1.2% Avg.: 1.251	2.6% Avg.: 1.233	-1.3% Avg.: 1.282
EUR/USD	1.082	-0.3% Avg.: 1.085	-0.1% Avg.: 1.082	1.7% Avg.: 1.063	-2.9% Avg.: 1.114
AUD/USD	0.654	-0.9% Avg.: 0.659	-0.8% Avg.: 0.659	-3.1% Avg.: 0.675	-6.2% Avg.: 0.697

- **USD/JPY** continues to trade close to three-month highs above ¥150 threshold on Fed-BoJ divergence, although BoJ is expected to raise rates by 1H24.
- **EUR/USD** underperforms on an average YTD, 1- and 5- basis as German economy continues to underperform, thus providing little support for the euro.
- **USD/CAD** remains above all medium- and long-term averages as Canada's January inflation reading reverses the reinflation trend in December while US CPI print January print comes in hotter than expected.
- **EUR/CAD** appreciates to a one-month high as ECB signals it is in no rush to cut rates while it awaits further wage growth data.
- **AUD/USD** is below its two-year and five-year averages, down 3.1% and 6.2% respectively.

Note: YTD average refers to the following time periods: 01.01.2024 - 26.02.2024; 1Y: 24.02.2023 - 26.02.2024; 2Y: 25.02.2022 - 26.02.2024; 5Y: 27.02.2019 - 26.02.2024.
Table sources: Refinitiv, Convera – February 26, 2024

USD/CAD future scenarios



Upside scenario: Canada's inflation falls, BoC cuts

- Canda's disinflation trend continues. Inflation rate continues to fall from the current Jan 2.9% y/y reading to the 2% target, prompting BoC to cut rates.
- Fed maintains rates higher for longer amid a strong labour market and stubborn core PCE inflation.

Central scenario: Evenly matched Fed vs BoC policies

- USD/CAD oscillates in the $1.3100 - $1.3500 range until year end amid generally similar interest rate trajectories for the US and Canadian central banks.

Downside scenario: higher-for-longer regime

- Canada's core inflation disinflation stalls from the latest Jan reading of 2.4% y/y, prompting BoC to maintain a hawkish stance and keep rates higher for longer.
- Fed forced to cut rates as US economy weakens, inflation falls, reducing the US dollar interest rate differential advantage.

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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 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.

^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	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3
GBP/USD	High	1.330	1.338	1.358	1.380	1.402	1.419	1.435	1.448	1.457	1.465	1.472
	Baseline + σ	1.297	1.284	1.293	1.305	1.308	1.322	1.337	1.355	1.373	1.38	1.378
	Baseline	1.277	1.264	1.263	1.265	1.268	1.272	1.277	1.285	1.293	1.300	1.308
	Baseline - σ	1.257	1.244	1.233	1.225	1.228	1.222	1.217	1.215	1.213	1.22	1.238
	Low	1.224	1.190	1.169	1.150	1.135	1.124	1.120	1.122	1.128	1.136	1.143
GBP/EUR	High	1.261	1.306	1.349	1.394	1.433	1.464	1.484	1.494	1.493	1.488	1.484
	Baseline + σ	1.199	1.213	1.220	1.241	1.253	1.260	1.268	1.303	1.310	1.322	1.298
	Baseline	1.168	1.169	1.167	1.165	1.164	1.162	1.160	1.159	1.157	1.155	1.154
	Baseline - σ	1.136	1.124	1.113	1.088	1.074	1.063	1.051	1.014	1.003	0.987	1.009
	Low	1.082	1.045	1.009	0.974	0.944	0.922	0.907	0.898	0.896	0.897	0.897
GBP/JPY	High	206.7	207.5	209.1	210.1	211.5	212.6	213.2	213.0	211.8	210.3	208.9
	Baseline + σ	193.5	189.2	190.2	187.6	183.9	186.7	189.5	191.7	193.3	193.2	190.8
	Baseline	186.8	182.0	178.1	173.6	170.2	167.6	165.6	164.1	162.7	161.4	160.1
	Baseline - σ	180.0	174.7	165.9	159.5	156.4	148.4	141.6	136.4	132.0	129.5	129.3
	Low	167.8	158.1	149.5	140.5	133.3	127.9	124.1	121.5	120.0	118.8	117.7
GBP/CHF	High	1.210	1.253	1.294	1.342	1.384	1.411	1.426	1.433	1.432	1.429	1.425
	Baseline + σ	1.146	1.153	1.166	1.212	1.220	1.229	1.235	1.226	1.232	1.229	1.217
	Baseline	1.103	1.110	1.114	1.125	1.132	1.132	1.129	1.125	1.122	1.119	1.116
	Baseline - σ	1.059	1.066	1.061	1.037	1.043	1.034	1.022	1.023	1.011	1.008	1.014
	Low	1.001	0.976	0.948	0.926	0.905	0.884	0.866	0.855	0.850	0.847	0.844

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

Future scenarios

	Scenarios	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3
EUR/USD	High	1.130	1.138	1.158	1.180	1.201	1.219	1.235	1.248	1.258	1.266	1.274
	Baseline + σ	1.102	1.101	1.102	1.115	1.129	1.134	1.14	1.169	1.177	1.195	1.193
	Baseline	1.092	1.081	1.082	1.085	1.089	1.094	1.100	1.109	1.117	1.125	1.133
	Baseline - σ	1.082	1.061	1.062	1.055	1.049	1.054	1.06	1.049	1.057	1.055	1.073
	Low	1.055	1.024	1.006	0.990	0.977	0.969	0.966	0.969	0.976	0.984	0.992
EUR/GBP	High	0.923	0.956	0.990	1.026	1.058	1.084	1.102	1.112	1.114	1.114	1.114
	Baseline + σ	0.876	0.884	0.892	0.908	0.917	0.926	0.934	0.958	0.965	0.975	0.960
	Baseline	0.855	0.855	0.856	0.857	0.858	0.860	0.861	0.862	0.863	0.865	0.866
	Baseline - σ	0.833	0.825	0.819	0.805	0.798	0.793	0.787	0.765	0.760	0.754	0.771
	Low	0.792	0.765	0.740	0.717	0.697	0.682	0.673	0.669	0.669	0.671	0.673
EUR/CHF	High	1.028	1.066	1.104	1.147	1.186	1.212	1.227	1.235	1.236	1.235	1.233
	Baseline + σ	0.973	0.988	0.993	1.036	1.052	1.054	1.052	1.058	1.056	1.064	1.052
	Baseline	0.943	0.949	0.954	0.965	0.972	0.974	0.972	0.971	0.969	0.968	0.966
	Baseline - σ	0.912	0.909	0.914	0.893	0.891	0.893	0.891	0.883	0.881	0.871	0.879
	Low	0.862	0.840	0.816	0.797	0.779	0.762	0.747	0.738	0.735	0.734	0.732
EUR/CNY	High	8.306	8.574	8.852	9.069	9.276	9.375	9.397	9.421	9.414	9.403	9.406
	Baseline + σ	7.934	7.979	8.058	8.059	8.106	8.105	8.036	8.131	8.106	8.137	8.071
	Baseline	7.786	7.759	7.739	7.658	7.602	7.502	7.391	7.337	7.313	7.301	7.303
	Baseline - σ	7.637	7.538	7.419	7.256	7.097	6.898	6.745	6.542	6.519	6.464	6.534
	Low	7.283	6.985	6.701	6.366	6.093	5.838	5.625	5.513	5.475	5.464	5.465

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Future scenarios

	Scenarios	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3
AUD/USD	High	0.700	0.705	0.728	0.754	0.778	0.799	0.817	0.832	0.845	0.857	0.870
	Baseline + σ	0.679	0.677	0.686	0.698	0.712	0.727	0.739	0.754	0.770	0.779	0.783
	Baseline	0.666	0.660	0.669	0.680	0.689	0.698	0.705	0.714	0.723	0.731	0.740
	Baseline - σ	0.652	0.642	0.651	0.661	0.665	0.668	0.670	0.673	0.675	0.682	0.696
	Low	0.636	0.621	0.619	0.619	0.619	0.619	0.621	0.625	0.631	0.638	0.644
AUD/EUR	High	0.663	0.688	0.724	0.762	0.796	0.824	0.845	0.859	0.866	0.871	0.876
	Baseline + σ	0.630	0.636	0.643	0.645	0.654	0.667	0.679	0.679	0.690	0.687	0.687
	Baseline	0.609	0.611	0.618	0.626	0.633	0.637	0.641	0.644	0.647	0.650	0.653
	Baseline - σ	0.587	0.585	0.592	0.606	0.611	0.606	0.602	0.608	0.603	0.612	0.618
	Low	0.562	0.545	0.535	0.524	0.515	0.508	0.503	0.500	0.501	0.503	0.505
AUD/NZD	High	1.156	1.173	1.222	1.276	1.327	1.360	1.376	1.385	1.385	1.383	1.380
	Baseline + σ	1.094	1.083	1.091	1.108	1.126	1.148	1.163	1.171	1.181	1.177	1.155
	Baseline	1.046	1.029	1.036	1.045	1.054	1.053	1.045	1.037	1.030	1.024	1.017
	Baseline - σ	0.997	0.974	0.980	0.981	0.981	0.957	0.926	0.902	0.878	0.870	0.878
	Low	0.946	0.901	0.878	0.856	0.836	0.815	0.792	0.776	0.764	0.756	0.748
AUD/CNY	High	5.142	5.314	5.569	5.798	6.012	6.145	6.217	6.284	6.328	6.369	6.422
	Baseline + σ	4.891	4.914	5.028	5.050	5.120	5.196	5.217	5.252	5.301	5.310	5.307
	Baseline	4.749	4.742	4.790	4.801	4.812	4.785	4.739	4.726	4.732	4.748	4.773
	Baseline - σ	4.606	4.569	4.551	4.551	4.503	4.373	4.260	4.199	4.162	4.185	4.238
	Low	4.392	4.237	4.127	3.982	3.858	3.731	3.616	3.556	3.541	3.542	3.551

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

Future scenarios

	Scenarios	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3
USD/CAD	High	1.365	1.399	1.421	1.440	1.450	1.445	1.432	1.414	1.394	1.376	1.364
	Baseline + σ	1.351	1.358	1.352	1.344	1.34	1.328	1.302	1.287	1.265	1.248	1.236
	Baseline	1.331	1.338	1.332	1.324	1.310	1.288	1.262	1.237	1.215	1.198	1.186
	Baseline - σ	1.311	1.318	1.312	1.304	1.28	1.248	1.222	1.187	1.165	1.148	1.136
	Low	1.298	1.277	1.243	1.207	1.170	1.131	1.092	1.061	1.037	1.019	1.007
USD/MXN	High	18.69	19.55	20.43	21.31	22.13	22.81	23.36	23.74	23.97	24.11	24.21
	Baseline + σ	17.55	17.94	18.58	19.43	20.06	20.53	20.91	21.11	21.27	21.44	21.78
	Baseline	17.16	17.56	18.00	18.43	18.82	19.19	19.50	19.75	19.94	20.08	20.19
	Baseline - σ	16.77	17.18	17.42	17.43	17.58	17.85	18.09	18.39	18.61	18.72	18.6
	Low	16.36	16.50	16.68	16.85	16.99	17.16	17.34	17.52	17.69	17.83	17.93
USD/JPY	High	155.3	155.0	154.0	152.2	150.8	149.7	148.5	147.0	145.3	143.5	141.8
	Baseline + σ	149.1	147.3	147.0	143.7	140.5	141.1	141.6	141.4	140.8	139.9	138.4
	Baseline	146.2	143.9	140.9	137.2	134.1	131.7	129.6	127.6	125.8	124.0	122.3
	Baseline - σ	143.2	140.4	134.7	130.6	127.6	122.2	117.5	113.7	110.7	108.0	106.1
	Low	137.0	132.8	127.8	122.2	117.4	113.7	110.7	108.2	106.3	104.6	102.9
USD/CNY	High	7.344	7.531	7.641	7.683	7.718	7.687	7.607	7.544	7.481	7.424	7.379
	Baseline + σ	7.193	7.245	7.31	7.226	7.174	7.144	7.043	6.955	6.885	6.808	6.763
	Baseline	7.123	7.175	7.15	7.056	6.974	6.854	6.713	6.615	6.545	6.488	6.443
	Baseline - σ	7.053	7.105	6.99	6.886	6.774	6.564	6.383	6.275	6.205	6.168	6.123
	Low	6.902	6.818	6.658	6.429	6.231	6.022	5.819	5.686	5.609	5.552	5.507

Chart sources: Oxford Economics, Refinitiv, Convera – February 26, 2024. 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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