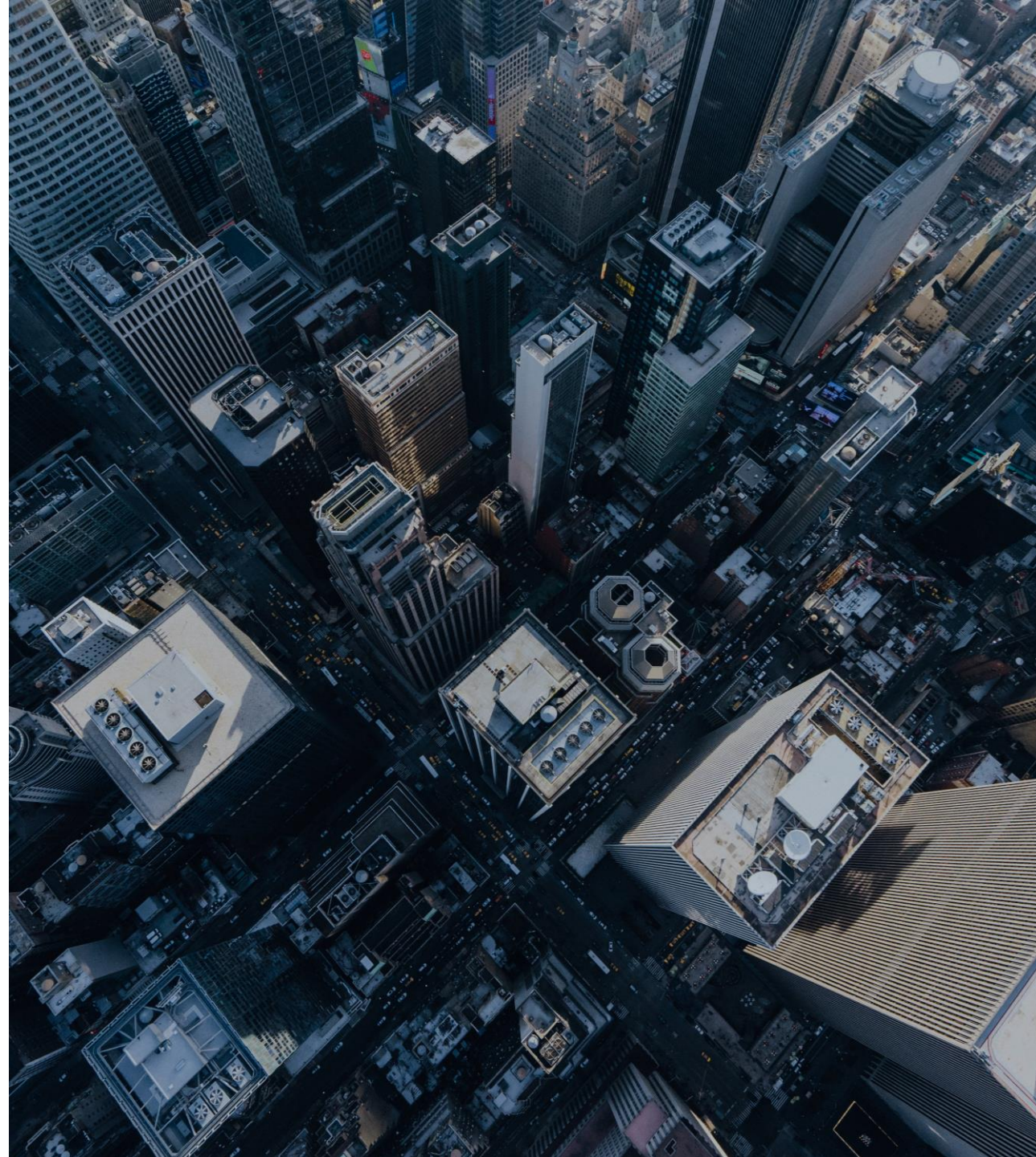




Global FX Outlook

November 2024

convera
SMART MONEY MOVES



Key insights

Trump, tariffs and tax cuts to heighten volatility

While we saw plenty of volatility and movement around the US presidential election, the eventual post-result impact was muted. For example, the biggest post-election G10 mover, the USD/JPY, which jumped 1.9% on the Wednesday after the election, ended the week down only 0.1%.

Similarly, the USD/CAD gently eased 0.2% lower for the week while the AUD/USD was flat. The euro was the only major pair that saw the post-election move stick, with the EUR/USD down 1.5% over the US election week.

The main reason we didn't see a significant, sustained move is that markets had already priced in a likely Trump win. The USD index was up 3.2% since the start of October going into election week and the greenback had almost exactly tracked the probability of a Trump win. The USD index ended election week near where it started – at four-month highs.

The 7 November Federal Reserve decision also capped US gains. The Fed's commentary indicated it remains open to further cuts and is still worried about the labour market. That said, the Fed will have its hands full with tax cuts and tariffs potentially stoking another round of inflationary pressures.

The election is over but political volatility might remain anchored on elevated levels. 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 almost exactly tracked the probability of a Trump win through October and the eventual result saw the USD at the highest level in four months.

EU



The euro was the hardest hit in the aftermath of the US election, partly due to trade, but worries about regional growth and political instability in Germany also weighed. The EUR/USD hit four-month lows.

UK



The GBP shook off a 25bps rate cut on 7 Nov and, remarkably, ended higher on the day, markets anticipating the last BoE cut for 2024. The next cut is not priced in until March 2025 (source: Bloomberg).

Australia



The Aussie had a horror October, starting at 18-month highs, but the AUD/USD then fell more than 5.0% as markets fretted about the potential for another US-China trade war.

Global economic outlook

Key market themes to watch

Post-election volatility drop

Donald Trump has decisively won the US presidential election, and the Republican party is on track to win both chambers of congress. The red sweep is reverberating through financial markets and is leading to higher bond yields, equity gains, and a stronger dollar. Volatility is receding across countries as investors welcome some certainty on the political front. Macro will slowly go back into the center of attention. However, specific new appointees of the Trump administration and new policy outlines could still create volatility on markets.

Investors breathe sigh of relief as US election finally over

Equity volatility index and macro uncertainty index

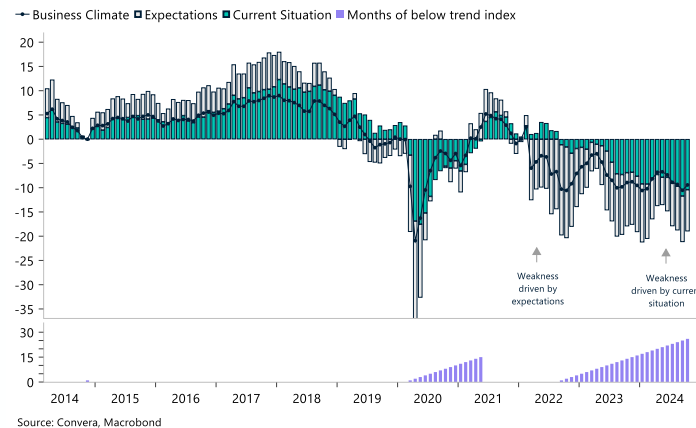


Germany has structural problems

The German economy is stuck in a stagnation spiral as growth prospects remain subdued. Think-tanks continue to revise down their forecasts for this year and next, due to the negative news flow and incoming macro disappointments. Business confidence has been below trend for 25 months with no clear upside impetus in sight. A vote of confidence in January will likely be followed by a snap election in Germany, which means that Europe's largest economy will not have a new government until the middle of 2025.

German economy stuck in stagnation

German Ifo manager survey - business climate (deviation from mean)



Doves taking over the ECB

Markets see the European Central Bank as the institution most likely to cut rates aggressively next year. Inflation is below target and the continent's largest economy is stagnating both economically and politically. The Fed and Bank of England have meanwhile seen above-consensus growth over the past couple of months and only slowly falling wage growth. Monetary policy divergence will therefore likely be driven by a dovish ECB vs. its peers as Europe continues to underperform expectations.

Dovish ECB is diverging from the Fed and BoE

Current policy rates extended with markets policy expectations

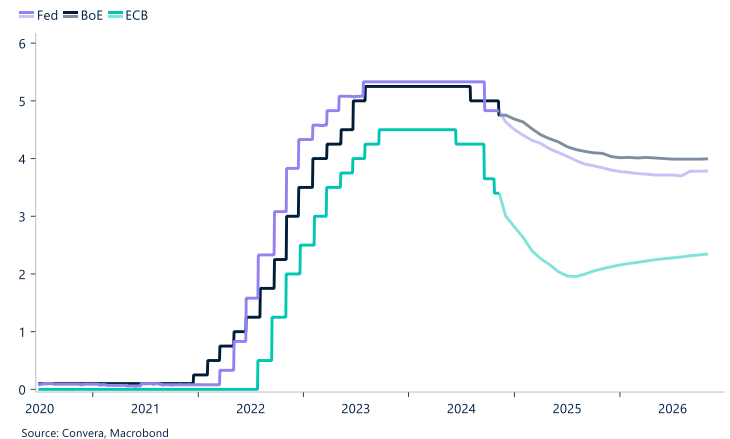
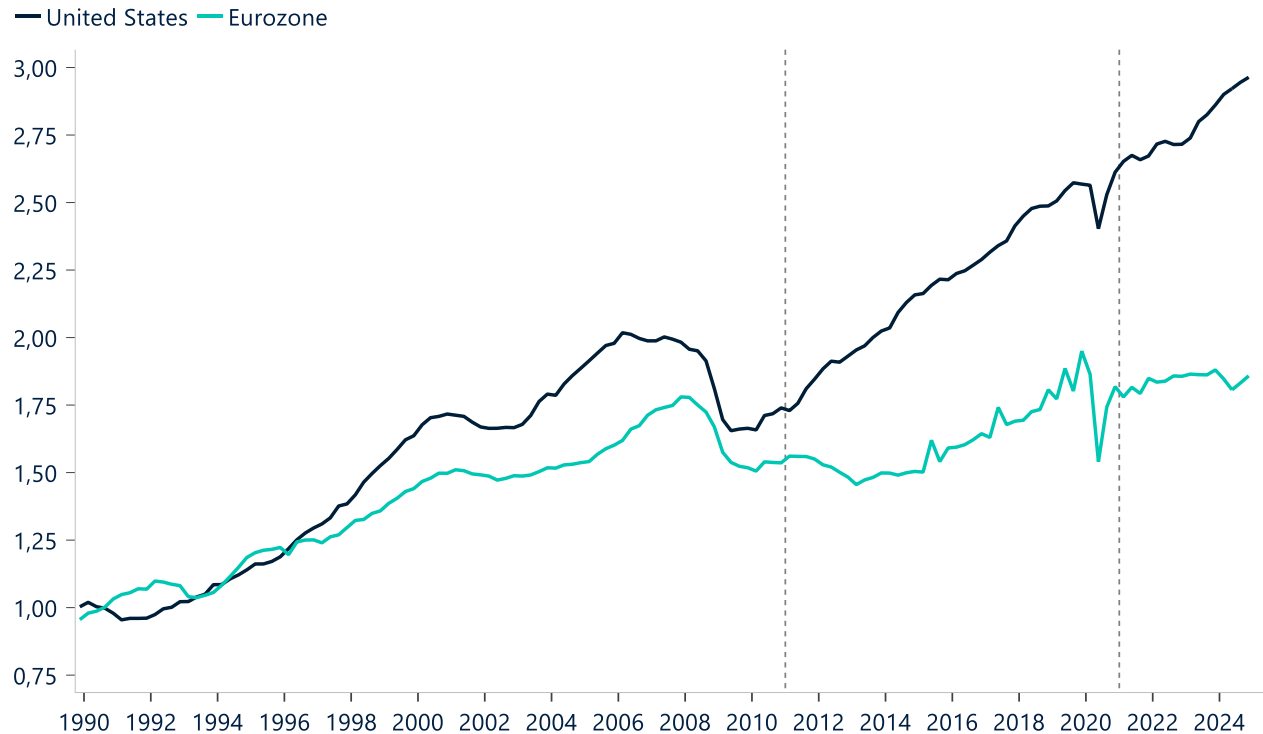


Chart sources: Convera, Macrobond – September 30, 2024

Theme in focus: Zero-sum game?

US investment and productivity gains have been exceptional

Investment, total fixed investment in local currency (rebased to 1990)

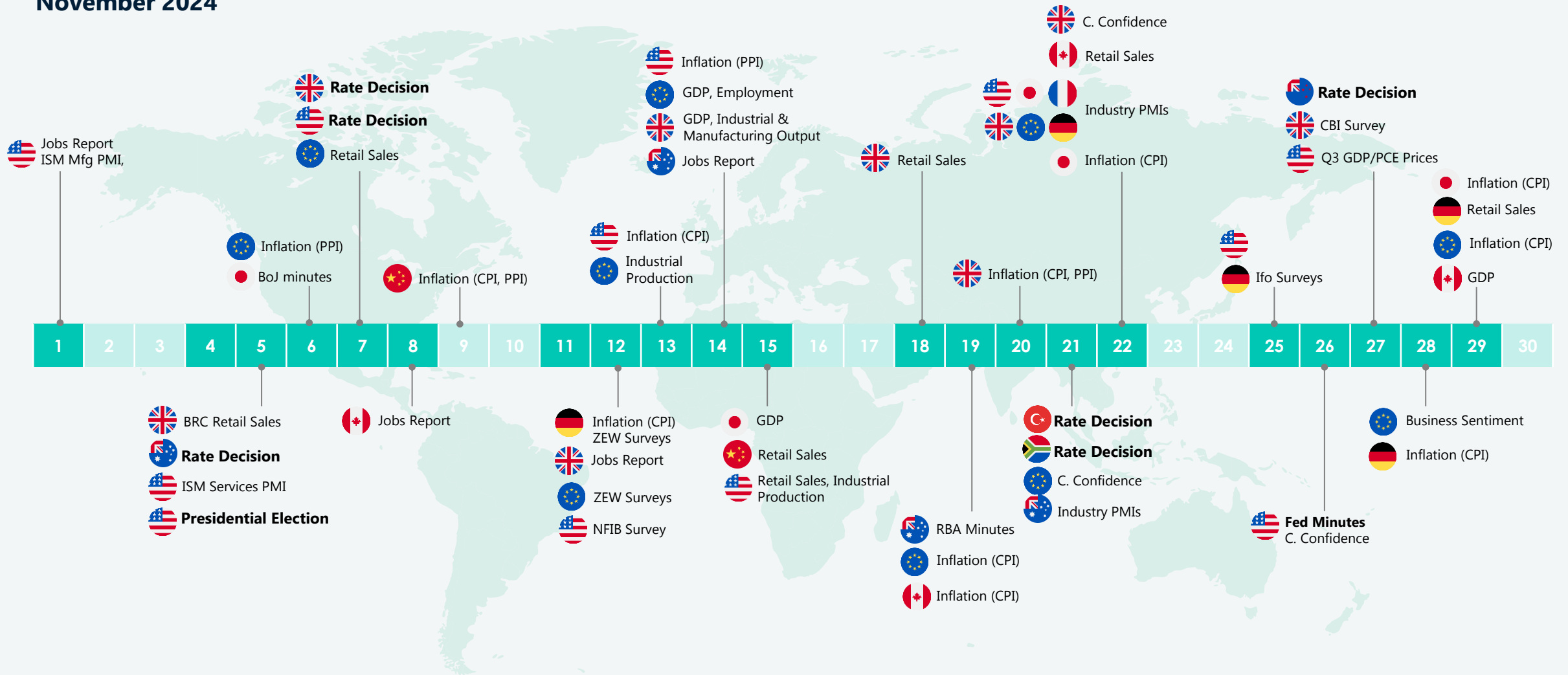


Source: Convera, Oxford Economics, Macrobond

- Productivity is back on politicians' agendas after former ECB president Mario Draghi showed the European Union its lack of competitiveness in his latest report.
- German productivity has not grown since 2007, while increasing by almost 30% in the United States. Draghi is right about calling the lack of productivity growth an existential challenge for Europe.
- The initial failure to capitalize on the internet at the end of the 1990s, the Global Financial Crisis, and the pandemic have left the continent in the shadow of the US and China.
- Europe is now running the well-recognized risk of losing global relevance as it fails to incorporate new technological advancements like AI into its growth model.
- Industrial policy and tariffs have both had a comeback in recent years, changing the trade narrative from a win-win to a zero-sum-game structure. The US, Europe, and China are all pursuing policy in the interest of their respective policies, something that is leading to fragmentation of trade and slowbalization.
- This aggressive insertion of politics into economics is increasing the macro complexity for investors and businesses and is something to be watched under a Trump 2.0 administration and with Germany likely to go to the polls next year.

Key market events to watch

November 2024

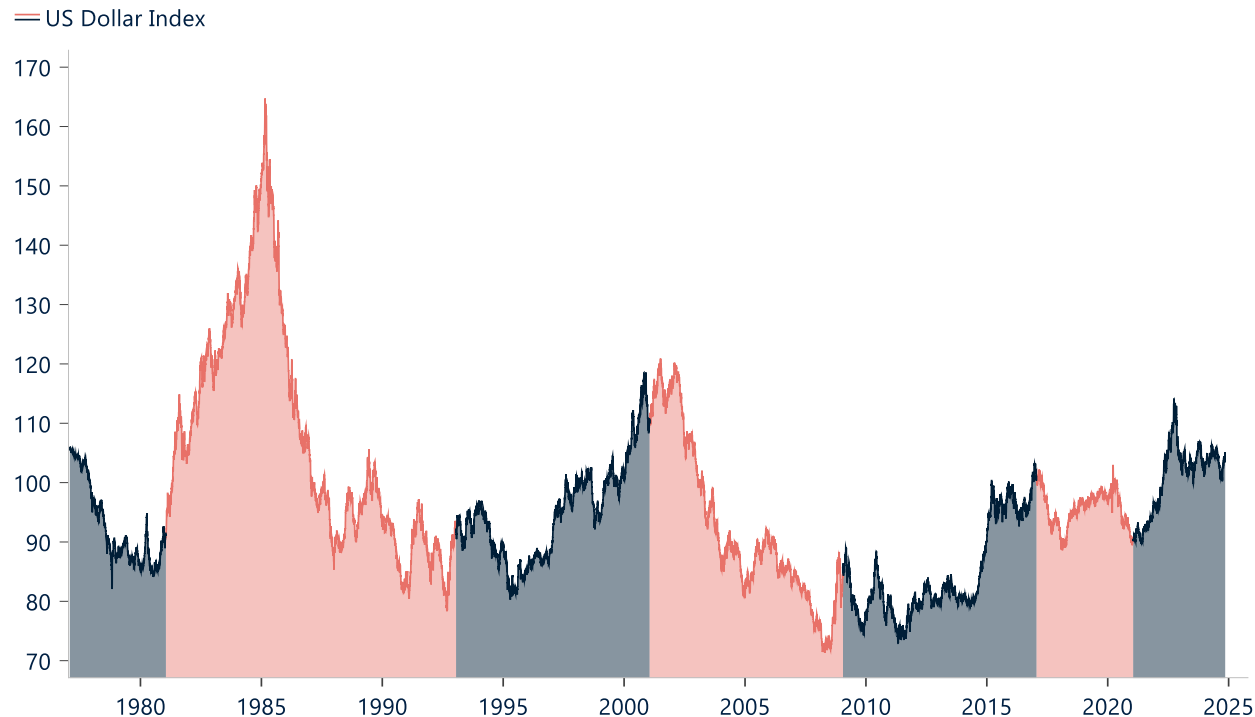


Source: Convera, Bloomberg – November 1, 2024

Event in focus: Political uncertainty to remain high

Trump wants a weaker dollar but gets a stronger one for now

Performance of the US dollar under different US presidents



Source: Convera, Macrobond

- Economic data and central bank decisions will remain important for investors as we close in on the last few weeks of the year.
- While there is no key event that we will be watching for the remainder of the month, the political news flow should remain a potential catalyst for volatility.
- Markets will be sensitive to political headlines. Donald Trump continues to build and shape his new administration with policy promises and new appointees. Markets are already priced for a high growth, high inflation trade protectionist regime.
- All three factors should act as tailwinds for the US dollar, despite Donald Trump's likely rhetoric against the strength of the Greenback. Verbal intervention as during his first presidential term are expected to continue.
- At least for 2025, actions should speak louder than words and FX traders will focus more on which policies are being implemented (+USD) compared to where Trump would like the dollar to trend to (-USD).
- In either case, policy uncertainty will remain high. Especially if Europe and China retaliate against any discriminatory trade policies, which is likely to happen.



UK currency outlook

GBP volatility analysis



Pound holding YTD gains versus the euro

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



	Spot	High	Low	High	Low	Trading range		Position within the range	
		30D	YTD	30D	YTD	30D	YTD		
GBP/JPY	198.6	199.8	193.5	208.1	178.7	3.3%	16.5%	81%	68%
GBP/ZAR	22.47	23.13	22.43	24.59	22.43	3.1%	9.6%	6%	2%
GBP/NOK	14.10	14.37	13.94	14.37	12.88	3.1%	11.6%	37%	82%
GBP/AUD	1.944	1.988	1.934	2.003	1.860	2.8%	7.7%	19%	59%
GBP/NZD	2.155	2.184	2.130	2.191	2.005	2.5%	9.3%	46%	81%
GBP/CHF	1.133	1.135	1.110	1.167	1.064	2.3%	9.7%	92%	67%
GBP/USD	1.298	1.310	1.283	1.343	1.23	2.1%	9.2%	56%	60%
GBP/CNY	9.267	9.325	9.145	9.471	8.908	2.0%	6.3%	68%	64%
GBP/EUR	1.202	1.205	1.183	1.205	1.147	1.9%	5.1%	86%	95%
GBP/CAD	1.799	1.815	1.784	1.815	1.678	1.7%	8.2%	48%	88%

- **GBP/USD** whilst one-week implied volatility — a measure of future currency swings — had its largest rise since 2020 once the US election date was captured, it fell just as quick once the uncertainty of the risk event came to an end. One-month implied volatility expectations remain well above the YTD average, signaling investor angst going into year-end though.
- The currency pair was caught in the crossfires of the UK Budget, and US election as well as the Fed and BoE meetings. However, it only swung in a 2% range as these events seemed to counteract each other.
- **GBP/EUR** reclaimed €1.20 after the US election and is in the top 5% of its YTD range. The BoE’s hawkish rate cut following the UK Budget provided additional support for the pound alongside German political risks. We see upside potential beyond €1.20 – a level the pair has only been above for 3% of the post-Brexit period.
- **GBP/JPY** staged the biggest moves once again though, swinging over 3% from high to low in October. The low yielding yen was stung by the rise in global bond yields as traders questioned the pace of rate cuts. The pair jumped back into the top half of its YTD trading range.

Source: Bloomberg, Convera – November 8, 2024

GBP value indicator



GBP/CAD 6% above its 5-year average

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

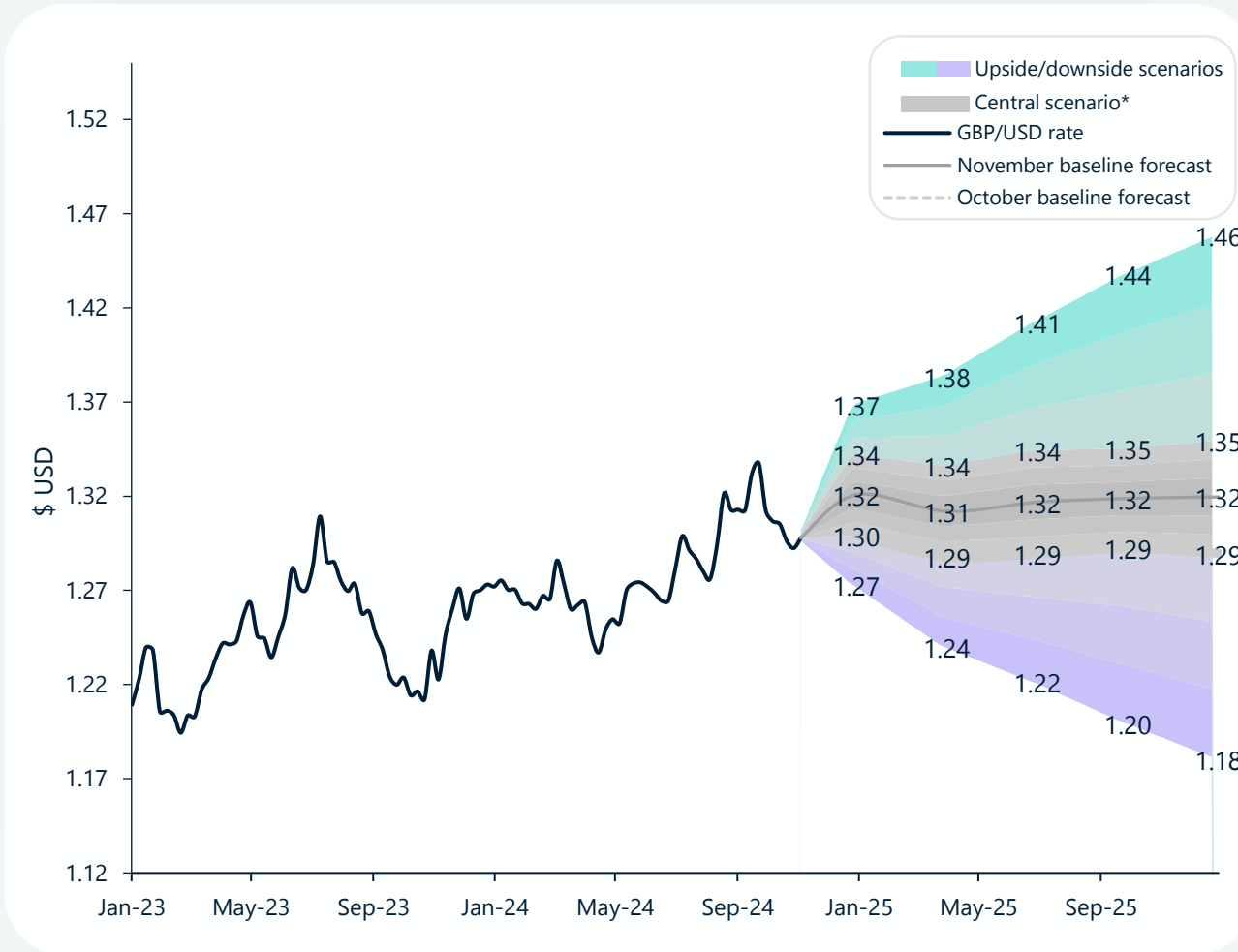
● Appreciation ● Depreciation

	Spot		Spot vs		
	(As of 08.11.2024)	YTD average	1-year average	2-year average	5-year average
GBP/CAD	1.799	3.2% Avg.: 1.743	3.5% Avg.: 1.738	5.7% Avg.: 1.702	6.2% Avg.: 1.694
GBP/JPY	198.6	2.8% Avg.: 193.2	3.4% Avg.: 192.0	9.1% Avg.: 182.0	22.5% Avg.: 162.1
GBP/NZD	2.155	2.6% Avg.: 2.100	2.9% Avg.: 2.094	5.1% Avg.: 2.051	8.0% Avg.: 1.995
GBP/EUR	1.202	2.1% Avg.: 1.177	2.4% Avg.: 1.174	3.5% Avg.: 1.161	3.8% Avg.: 1.157
GBP/USD	1.298	1.4% Avg.: 1.280	1.6% Avg.: 1.277	3.3% Avg.: 1.256	1.0% Avg.: 1.284
GBP/CNY	9.267	0.7% Avg.: 9.200	1.0% Avg.: 9.174	3.5% Avg.: 8.954	5.2% Avg.: 8.808
GBP/CHF	1.133	0.7% Avg.: 1.124	1.0% Avg.: 1.121	1.0% Avg.: 1.121	-4.1% Avg.: 1.181
GBP/AUD	1.944	0.7% Avg.: 1.930	0.9% Avg.: 1.926	2.7% Avg.: 1.892	4.8% Avg.: 1.854

- The sea of green on this table is a welcome sight for UK importers exposed to FX. The pound is trading above most of its key long-term averages up until the five-year mark versus a slew of peers.
- Despite moderating economic growth and inflation, the UK Budget has led the BoE to take a more cautious stance on rate cuts, allowing GBP to retain its yield appeal.
- **GBP/USD** has fallen below \$1.30 again but is still more than 3% above its two-year average rate.
- **GBP/EUR** is around 4% above its five-year average and looks to have established a new higher trading range with a low of €1.16 in place.
- **GBP/CAD** has switched to the top of the table, up 3.2% versus its year-to-date average rate, but it's still the JPY that stands out relative to peers, with the pound up 22% versus its five-year average versus the yen.
- **GBP/AUD** has slipped to the bottom of the table, with the pair just edging above its YUTD average, but remains almost 5% above its five-year average in yet another sign of broad-based a sterling strength.

Source: Bloomberg, Convera – November 8, 2024

GBP/USD future scenarios



Upside scenario: Global recovery & risk appetite

- UK economic recovery gathers pace. The BoE keeps interest rates elevated due to persistent services inflation, whilst US economy underperforms.
- Geopolitical risks recede and China's growth outlook improves, fueling increased demand for risk assets and hurting the safe haven USD.

Central scenario: Policy easing cycle

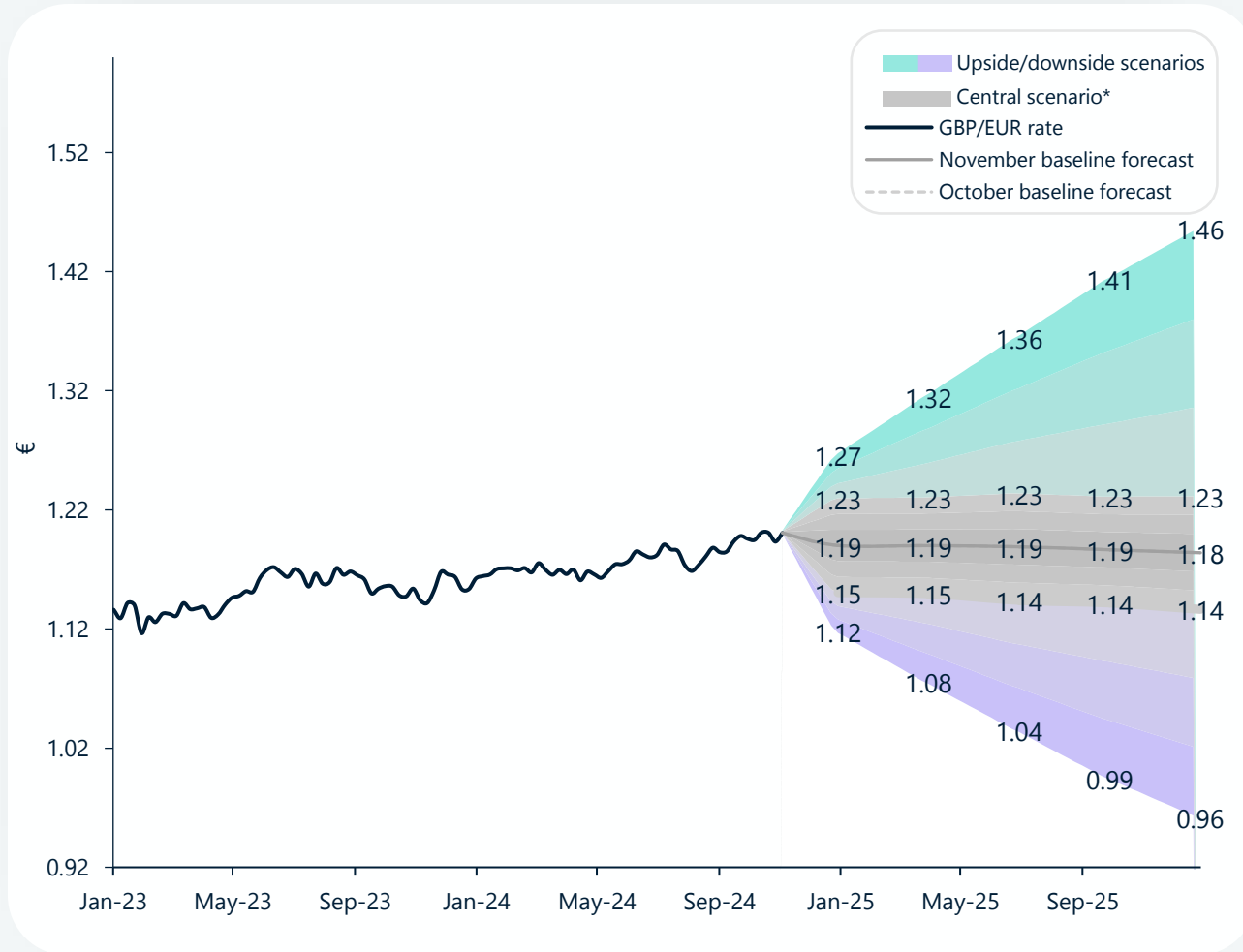
- UK-US economic growth divergence narrows as UK recovery gathers steam.
- Both central banks embark on their easing cycles, but GBP retreats given the historically overstretched long positioning.

Downside scenario: Red Sweep & dovish BoE

- Following the US election, there is an increase in US-China tension and wider tariffs, hurting risk-sensitive GBP.
- BoE forced to cut interest rates as UK falls into recession, hurting GBP. Geopolitical risks and the US election inflate safe haven USD demand.

Chart sources: Oxford Economics, Bloomberg, Convera – November 6, 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: UK economic outperformance

- 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 economic recovery falters further, whilst the UK economy continues to surprise stronger than expected.

Central scenario: Easing at different speeds

- The euro faces growing downside risks due to the US election and its sensitivity to trade tariffs greater than that of the GBP.
- BoE doesn't cut rates as much as ECB, providing the pound a bigger yield advantage.

Downside scenario: Global growth outlook weakens

- Tighter credit conditions globally weigh on global economic growth, the housing market tumbles, and the "riskier" pound is sold across the board.
- BoE eases policy rates as the headline inflation is at the 2% target, eroding sterling's yield advantage. EZ economy recovers, boosting EUR demand.

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



EU currency outlook

EUR volatility analysis



EUR/SEK swings almost 4% last month

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



	Spot	High	Low	High	Low	Trading range		Position within the range	
		30D	YTD	30D	YTD	30D	YTD		
EUR/SEK	11.54	11.71	11.29	11.77	11.03	3.7%	6.7%	60%	69%
EUR/JPY	165.2	166.6	161.8	175.4	154.4	3.0%	13.6%	71%	51%
EUR/AUD	1.617	1.660	1.613	1.718	1.599	2.9%	7.4%	9%	15%
EUR/USD	1.080	1.098	1.068	1.121	1.060	2.8%	5.8%	40%	33%
EUR/NZD	1.793	1.827	1.782	1.864	1.739	2.5%	7.2%	24%	43%
EUR/CAD	1.497	1.517	1.486	1.522	1.446	2.1%	5.3%	35%	67%
EUR/GBP	0.831	0.844	0.829	0.870	0.829	1.8%	4.9%	13%	5%
EUR/CNY	7.704	7.769	7.664	7.978	7.655	1.4%	4.2%	38%	15%
EUR/CHF	0.942	0.944	0.933	0.993	0.921	1.2%	7.8%	82%	29%
EUR/CZK	25.25	25.44	25.15	25.53	24.45	1.2%	4.4%	34%	74%

- **EUR/USD** gave up its grip on the \$1.09 handle having lingered nearer \$1.10. The uncertainty of the US election, downbeat European data relative to the US and widening rate differentials in favor of the dollar, were the main drivers of the pair.
- From five-month highs in August, **EUR/AUD** plunged over 4% in October as the high beta, commodity currency benefited from the announcement of the fresh China stimulus package.
- **EUR/SEK** swung almost 4% over the past 30 days and is in the top third of its year-to-date trading range. The driving force higher has been the dovish Riksbank but also the illiquid SEK was shunned in the buildup to the election as traders sought safer more liquid FX.
- **EUR/GBP** fell for the eighth consecutive month, plunging to the lowest level since April 2022. One-month implied volatility is on the increase due to rising French political uncertainty and now the German snap election for Q1 next year.

Source: Bloomberg, Convera – November 8, 2024

EUR value indicator



Euro in the doldrums versus pound

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

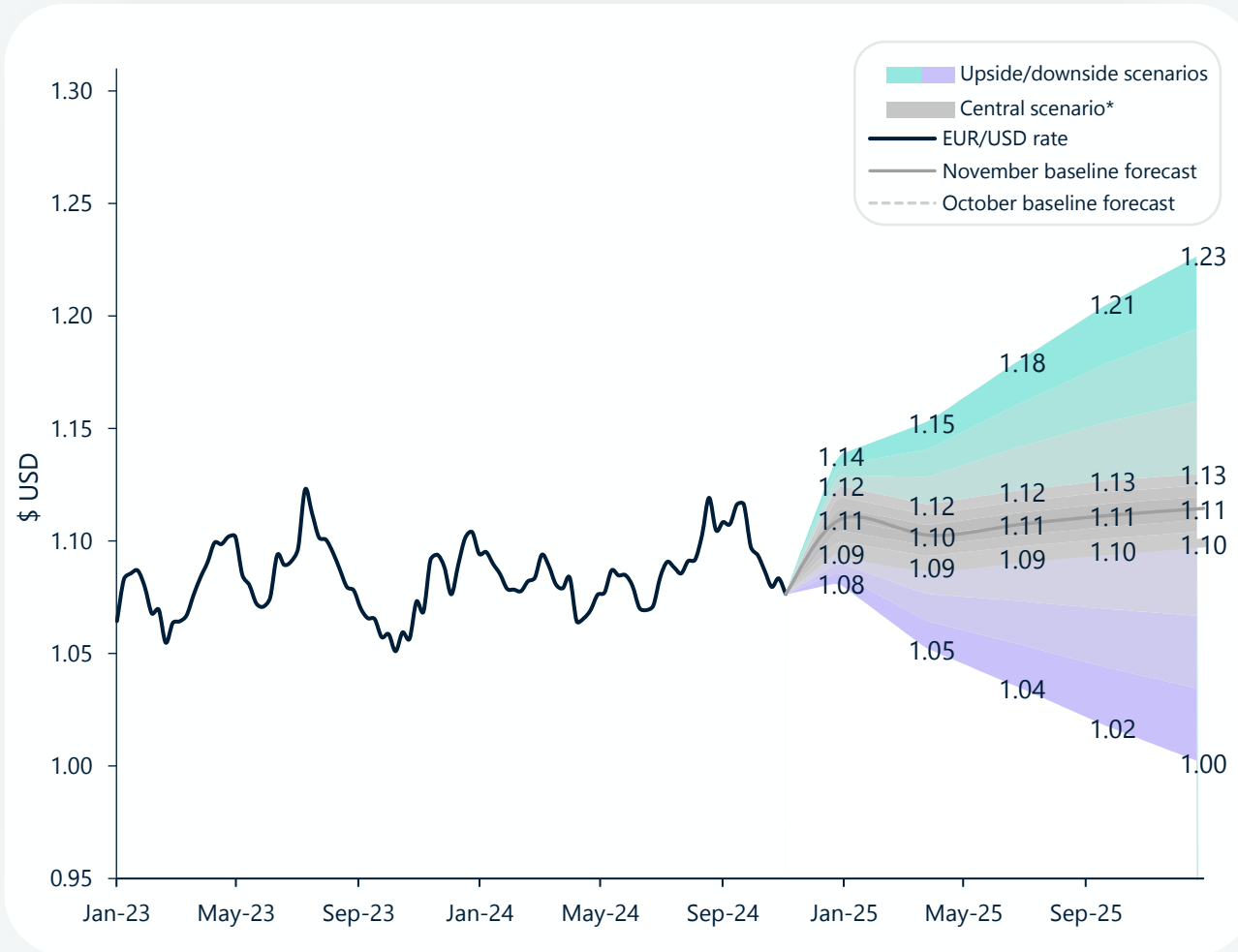
● Appreciation ● Depreciation

	Spot (As of 08.11.2024)	Spot vs			
		YTD average	1-year average	2-year average	5-year average
EUR/CAD	1.497	1.1% Avg.: 1.481	1.1% Avg.: 1.480	2.2% Avg.: 1.465	2.2% Avg.: 1.464
EUR/JPY	165.2	0.6% Avg.: 164.1	1.0% Avg.: 163.3	5.5% Avg.: 158.6	18.1% Avg.: 139.9
EUR/CZK	25.25	0.6% Avg.: 25.10	0.9% Avg.: 25.01	3.1% Avg.: 24.49	0.3% Avg.: 25.16
EUR/NZD	1.793	0.5% Avg.: 1.784	0.5% Avg.: 1.783	1.6% Avg.: 1.765	4.0% Avg.: 1.724
EUR/USD	1.080	-0.7% Avg.: 1.087	-0.7% Avg.: 1.087	-0.1% Avg.: 1.081	-2.7% Avg.: 1.110
EUR/CHF	0.942	-1.4% Avg.: 0.955	-1.4% Avg.: 0.955	-2.5% Avg.: 0.965	-7.7% Avg.: 1.020
EUR/AUD	1.617	-1.4% Avg.: 1.639	-1.5% Avg.: 1.640	-0.7% Avg.: 1.628	0.9% Avg.: 1.602
EUR/GBP	0.831	-2.2% Avg.: 0.849	-2.4% Avg.: 0.851	-3.5% Avg.: 0.861	-3.8% Avg.: 0.864

- The euro was the worst G10 performer post the US election. When Trump was elected in 2016, EUR/USD fell around 4% through November and December. If history repeats, the world's most traded currency pair could be trading below \$1.03 before year-end.
- **EUR/USD** is currently trading over 0.7% below its YTD, and one-year moving averages. EUR/USD slumped 1.8% after the US election to near \$1.07, its biggest drop since March 2020. At one point, it was heading for a six-standard-deviation shift from its average, which has never happened before.
- Alongside buckling fundamentals and the Trump tariff risk, rising uncertainty related to the German snap election will also add to the woes.
- It appears that **EUR/CHF** may have found its near term bottom. The pair continues to trade below its short and long-term moving averages but appears to find support around the 0.94 level.
- **EUR/CAD** is more than 1% above its YTD and one-year averages, and over 2% above its two- and five-year averages in a sign the Loonie has suffered from the dovish BoC. But the post-election trend suggests the CAD might enjoy some demand from here.

Source: Bloomberg, Convera – November 8, 2024

EUR/USD future scenarios



Upside scenario: EZ economy recovers, US exceptionalism fades

- Economic growth across the Eurozone picks up in H2, while the US economy's growth continues to slow.
- Renewed risk sentiment supports pro-cyclical euro over the dollar.

Central scenario: USD supported by safe haven flows

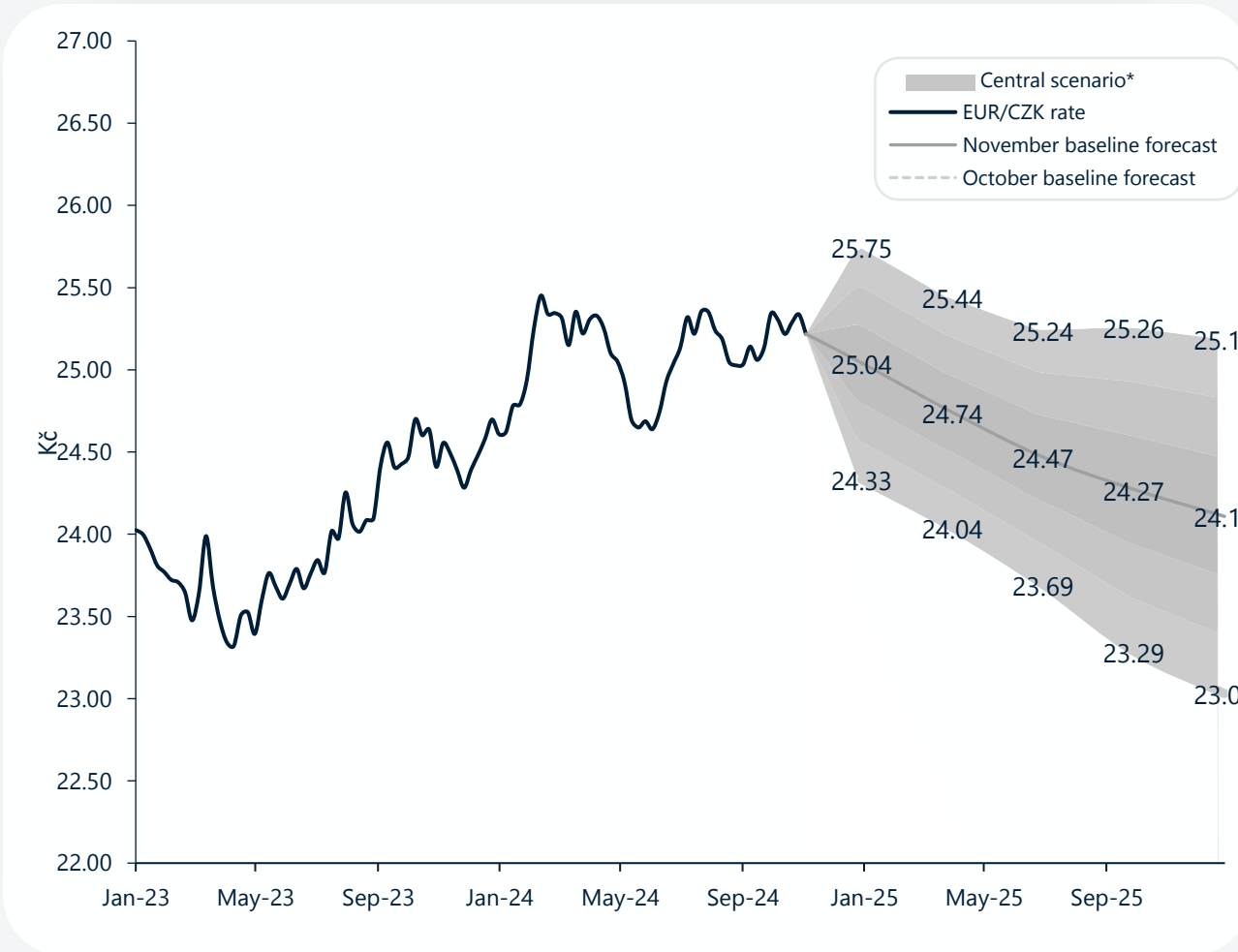
- EUR/USD pulls back from the one-year high given stretched momentum indicators and deteriorating EZ economic fundamentals.
- Lingering political risks in the Eurozone and the upcoming US presidential election in November support the US dollar via safe haven flows.

Downside scenario: "Red sweep" hits trade

- The euro might be pressured lower by an increase in US-China tension and wider tariffs, hurting the risk and trade-sensitive euro.
- ECB forced to cut rates more aggressively than the Fed due to deteriorating Eurozone economic outlook.

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

EUR/CZK future scenarios

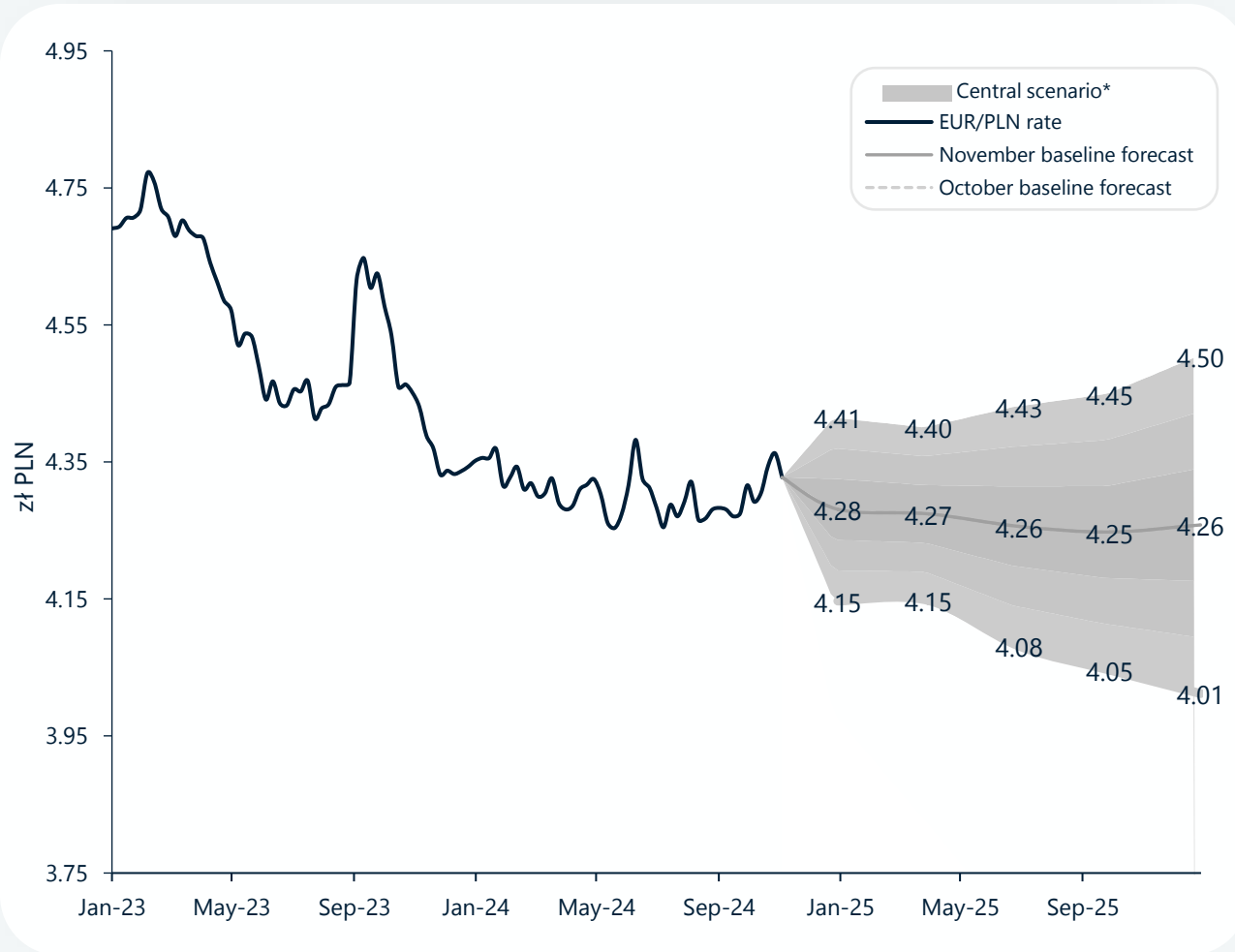


Central scenario: CNB tries to be hawkish

- The Czech National Bank continues its traditional hawkish tone, but the latest forecasts presented a dovish picture of the economy across the board, and the press conference made it clear that external developments are clearly anti-inflationary. While the economy remains weak, inflation risks from services and food pricing have recently surprised to the upside.
- Expect a pause in the cutting cycle in December, which one of the seven board members already voted for at yesterday's meeting. This could support the CZK further amidst the dovish ECB rhetoric and now political risk emanating from Germany's snap election next year.
- Going forward, interest rate decisions will be shaped by several factors, including the persistence of the low-inflation environment, the performance of the koruna exchange rate, the influence of fiscal policy on the economy, labor market conditions, domestic and foreign demand trends, and the actions of major foreign central banks.
- **Upside risks:** The ECB cuts more gradually as services inflation remains sticky.
- **Downside risks:** ECB continues front-loading its easing cycle. Meanwhile, CNB postpones further rate cuts as inflation reheats.

Chart sources: Oxford Economics, Bloomberg, Convera – November 6, 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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EUR/PLN future scenarios



Central scenario: No NBP cuts in '24

- The National Bank of Poland provided some new details in its press conference this month and an indication that the first cut will not necessarily be just 25bp. The governor suggested that March would be the first live meeting for a rate cut, which the market accepted as a dovish outcome even though March was already priced in before the press conference.
- Throughout 2024, the central bank has consistently been more hawkish than consensus expectations and will probably retain that bias in the coming quarter. Looking beyond that though, we expect the NBP to deliver 75 basis points of cuts over 2025, bringing the reference rate to 5.0% by the end of next year.
- **Upside risks:** Inflation in Poland cools, prompting the NBP to cut once towards the end of the year, taking away from PLN appeal. EUR/PLN trends higher as rate differentials improve marginally to favor the euro.
- **Downside risks:** the ECB cuts rates more aggressively amid growth risks and cooling inflation while the NBP leaves the rates unchanged throughout 2024.

Chart sources: Oxford Economics, Bloomberg, Convera – November 6, 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



Yen turbulence drives regional fluctuations

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



	Spot	High	Low	High	Low	Trading range		Position within the range	
		30D		YTD		30D	YTD	30D	YTD
NZD/USD	0.593	0.614	0.591	0.637	0.585	3.9%	8.9%	9%	15%
AUD/USD	0.656	0.676	0.651	0.694	0.635	3.8%	9.3%	20%	36%
AUD/JPY	101.6	102.2	99.08	109.3	90.15	3.1%	21.2%	81%	60%
AUD/EUR	0.612	0.619	0.602	0.625	0.582	2.8%	7.4%	59%	70%
AUD/CNY	4.716	4.786	4.654	4.934	4.527	2.8%	9.0%	47%	46%
AUD/GBP	0.510	0.517	0.502	0.539	0.499	3.0%	8.0%	53%	28%
USD/SGD	1.332	1.336	1.302	1.367	1.278	2.6%	7.0%	88%	61%
NZD/EUR	0.553	0.560	0.547	0.575	0.536	2.4%	7.3%	46%	44%
USD/CNY	7.186	7.187	7.048	7.277	7.006	2.0%	3.9%	99%	66%
NZD/AUD	0.904	0.912	0.901	0.946	0.894	1.2%	5.8%	27%	19%

- **AUD/JPY** emerges as the standout volatility pair with an unprecedented 21.2% year-to-date range, currently positioned at 81% of its 30-day range and 60% of YTD range, highlighting intensified market reactions to BOJ policy speculation
- **AUD/USD** exhibits notable volatility with a 9.3% YTD range, reflecting heightened sensitivity around US election uncertainty.
- **NZD/USD** maintains significant movement potential with an 8.9% YTD range, aligning with broader market expectations of continued volatility in Antipodean currencies.
- **AUD/GBP** shows substantial variation with an 8.0% YTD range, demonstrating the impact of diverging monetary policies between RBA and BOE.
- **USD/CNY** displays remarkable stability at 3.9% YTD range, reflecting PBOC's effective management amid regional volatility pressures.

Source: Bloomberg, Convera – November 7, 2024

APAC value indicator



Divergent trends in Antipodean and Asian currencies

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

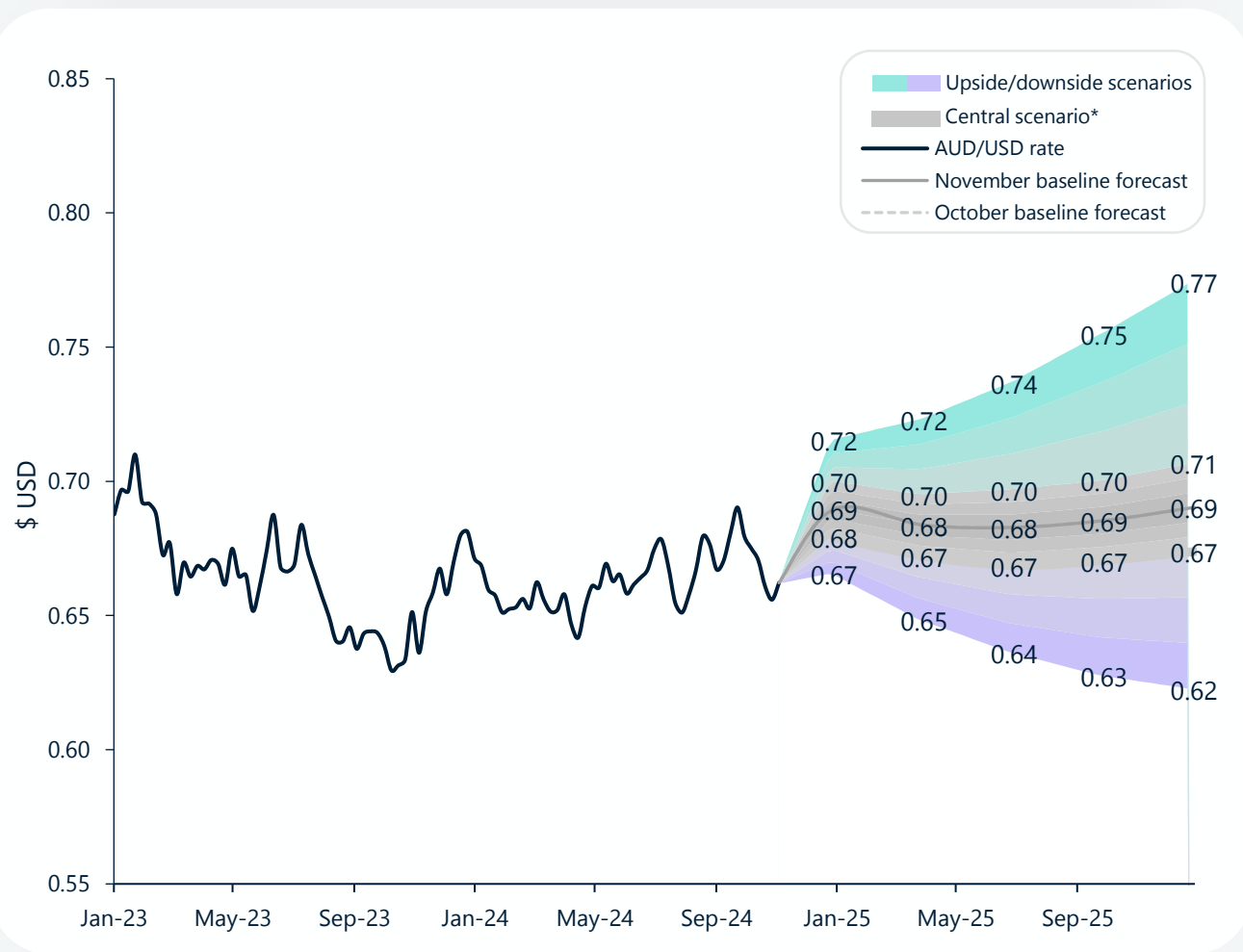
● Appreciation ● Depreciation

	Spot (As of 07.11.2024)	Spot vs			
		YTD average	1-year average	2-year average	5-year average
AUD/NZD	1.106	1.6% 1.6%	1.8% 1.8%	2.0% 2.0%	2.8% 2.8%
AUD/JPY	101.6	1.5% 1.5%	2.0% 2.0%	5.7% 5.7%	16.3% 16.3%
AUD/CAD	0.915	1.3% 1.3%	1.4% 1.4%	1.7% 1.7%	0.1% 0.1%
AUD/EUR	0.612	0.4% 0.4%	0.4% 0.4%	-0.4% -0.4%	-2.1% -2.1%
AUD/USD	0.656	-1.1% -1.1%	-1.0% -1.0%	-1.3% -1.3%	-5.4% -5.4%
AUD/CNY	4.716	-1.0% -1.0%	-0.9% -0.9%	-0.3% -0.3%	-0.7% -0.7%
AUD/SGD	0.875	-1.1% -1.1%	-1.1% -1.1%	-1.8% -1.8%	-7.0% -7.0%
AUD/GBP	0.510	-1.6% -1.6%	-1.8% -1.8%	-3.6% -3.6%	-5.6% -5.6%

- **AUD/CAD** demonstrates notable strength trading 1.4% above its one-year average, highlighting relative strength of AUD vs CAD.
- **AUD/NZD** maintains positive momentum at 1.8% above its one-year average, reflecting the RBA's firm stance on maintaining rates amid inflation concerns.
- **AUD/JPY** records significant appreciation at 16.3% against five-year average, driven by persistent yield differentials and BOJ policy dynamics.
- **AUD/USD** shows continued weakness, trading 1% below one-year average and remaining 5.4% below five-year mean.
- **AUD/SGD** exhibits sustained weakness at 7% below five-year average, indicating continued pressure against Asian currencies amid regional economic divergence.

Source: Bloomberg, Convera – November 7, 2024

AUD/USD future scenarios



Upside scenario: Australian inflation remains high

- The Australian government plans to boost growth prospects by compensating for cost savings with another significant fiscal easing.
- US inflation slows down faster than anticipated, lowering expectations for terminal rates, and boosting risk assets like the AUD.

Central scenario: Greenback recovers

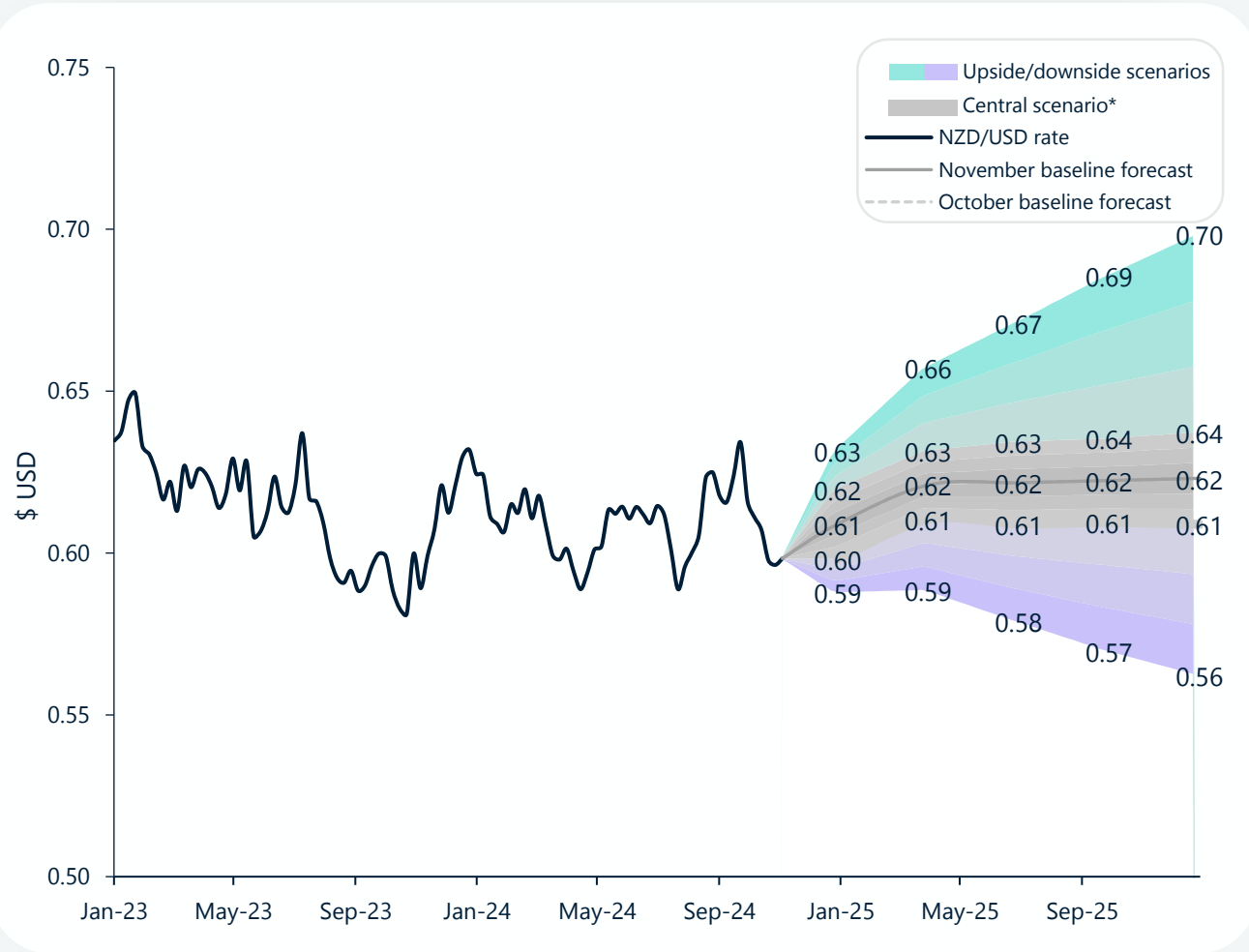
- The Australian dollar might rise in response to the Reserve Bank of Australia's resistance to a worldwide cycle of rate cuts.
- Although the RBA may hold steady in coming meetings, US rates are likely to remain above Australian rates, capping growth in the AUD/USD.

Downside scenario: Financial system stress

- Following the US election, there is an increase in US-China tension and wider tariffs
- Higher-for-longer global policy outlook starts to put pressure on credit markets.

Chart sources: Oxford Economics, Bloomberg, Convera – November 7, 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: Likelihood of global soft landing

- The budget cutbacks promised to finance the new tax package are abandoned by the incoming administration
- The likelihood of soft landing globally is boosted by sharply lower US inflation

Central scenario: NZD susceptible to risk-off events

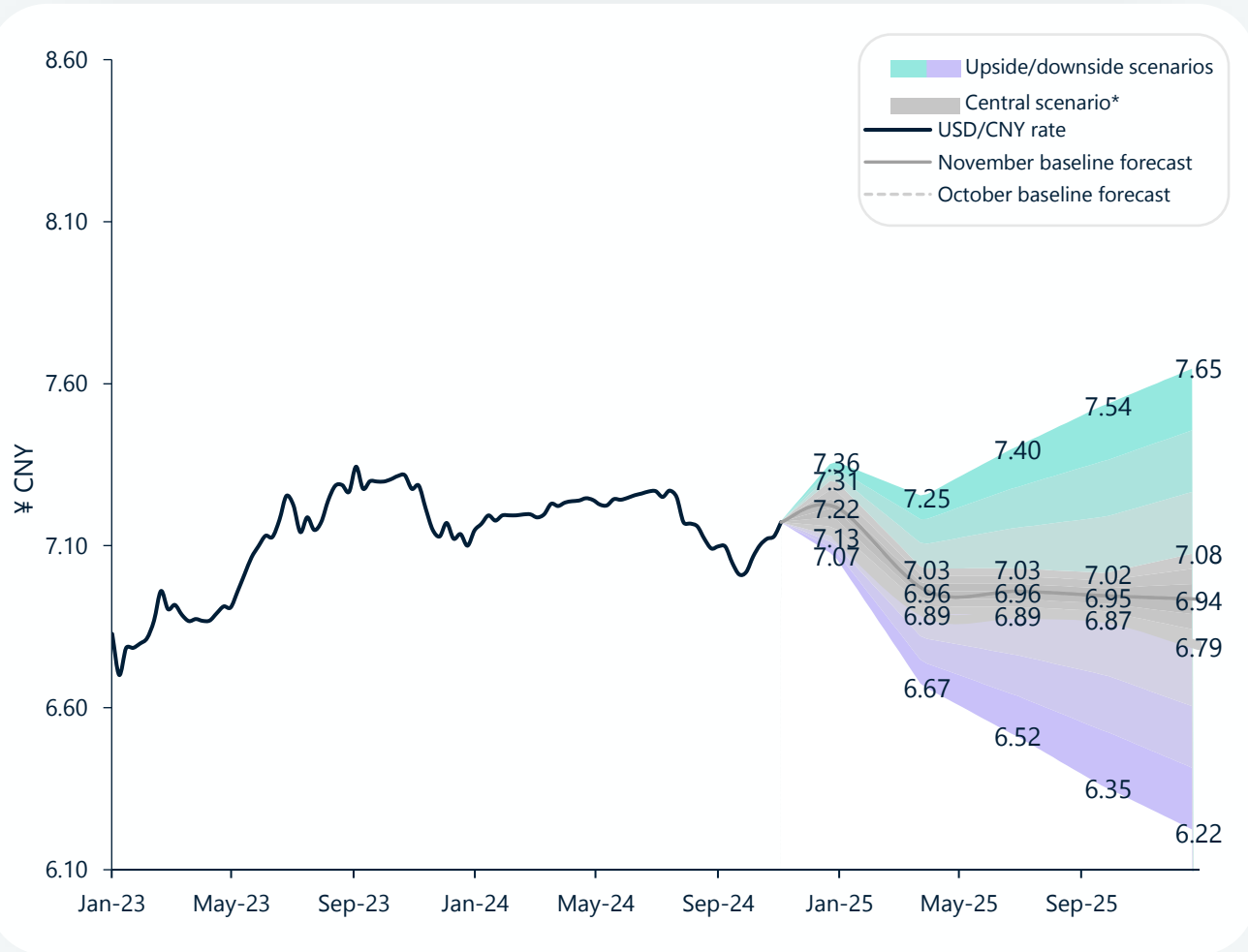
- NZD is still susceptible to any global risk-off events, even if China surprises to the upside.
- A slowdown in growth means commodities remain under pressure with dairy prices key for NZD.

Downside scenario: More aggressive RBNZ easing

- The implementation of high tariffs after the US election.
- When the RBNZ begins to ease, domestic growth stagnates and a more aggressive policy response is pursued,

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USD/CNY future scenarios



Upside scenario: Higher PBoC tolerance for a yuan that is weaker

- Higher PBoC tolerance for a yuan that is weaker
- Geopolitical unrest intensifies

Central scenario: China recovery improves

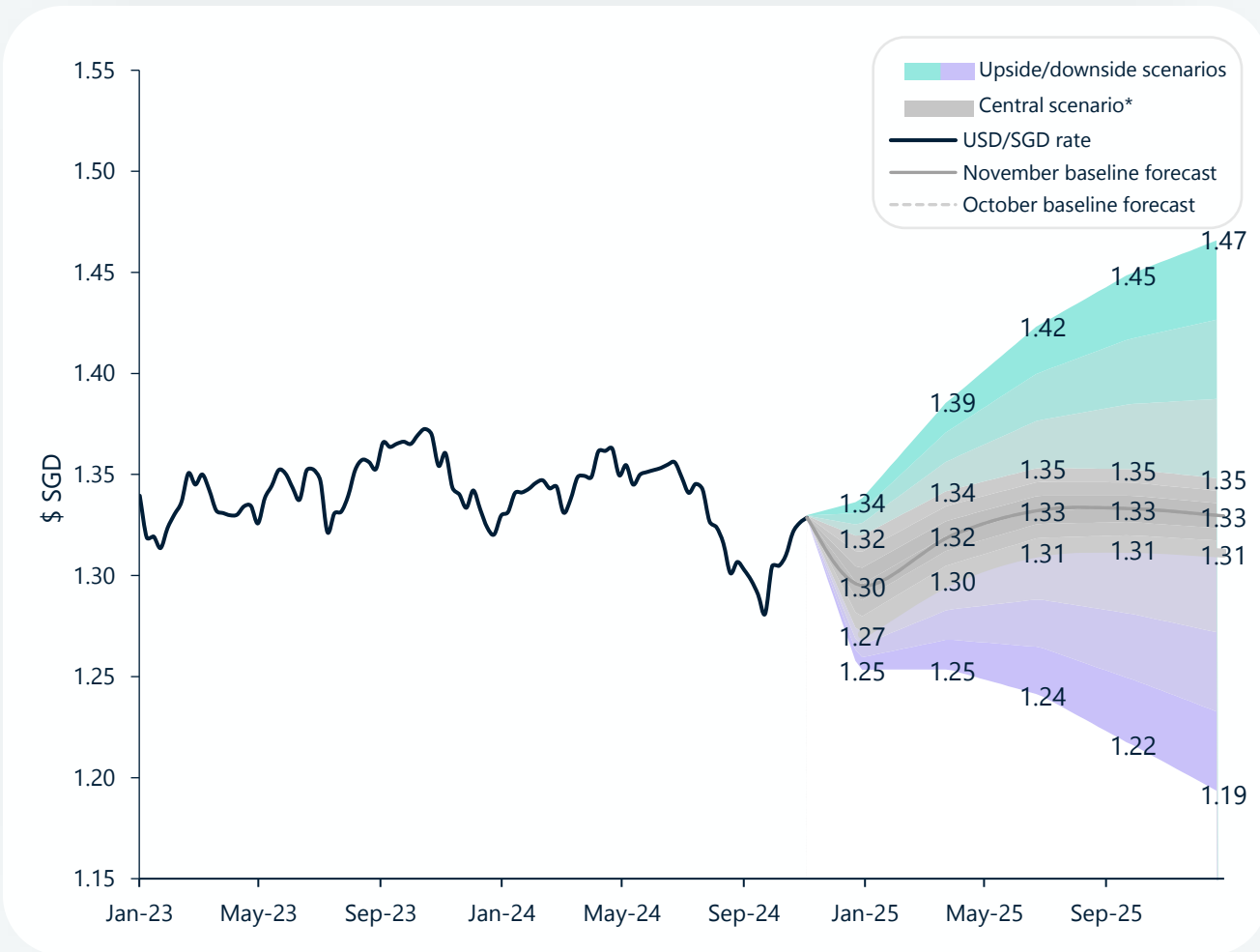
- The Chinese government's recent supportive action to the local economy could see the CNY strengthen.
- Once the Fed confirms a cut in rates, the US dollar might ease.

Downside scenario: Larger-than-expected stimulus from PBoC

- Larger-than-expected stimulus from PBoC.
- The USD could fall if the Fed is forced to cut official interest rates to support the US economy.

Chart sources: Oxford Economics, Bloomberg, Convera – November 7, 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 rises as risk aversion comes to the fore

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, Bloomberg, Convera – November 7, 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



MXN, JPY take post-election spotlight

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



	Spot	High	Low	High	Low	Trading range		Position within the range	
		30D		YTD		30D	YTD	30D	YTD
USD/MXN	20.16	20.80	19.24	20.80	16.26	8.1%	27.9%		59% 86%
USD/JPY	152.6	154.7	148.4	161.9	139.5	4.2%	16.1%		67% 58%
AUD/USD	0.658	0.675	0.651	0.694	0.635	3.7%	9.3%		29% 39%
NZD/USD	0.596	0.612	0.591	0.637	0.585	3.6%	8.9%		24% 21%
EUR/USD	1.071	1.095	1.068	1.121	1.060	2.5%	5.8%		11% 18%
USD/CHF	0.876	0.877	0.855	0.922	0.837	2.6%	10.2%		95% 46%
GBP/USD	1.291	1.310	1.283	1.343	1.23	2.1%	9.2%		30% 54%
EUR/CAD	1.489	1.517	1.486	1.522	1.446	2.1%	5.3%		10% 57%
USD/CNY	7.178	7.187	7.063	7.277	7.006	1.8%	3.9%		93% 63%
USD/CAD	1.390	1.395	1.372	1.395	1.322	1.7%	5.5%		78% 93%

- The most volatile US dollar pairs of the year– the Mexican peso and Japanese yen – continued to take the spotlight during the US election.
- The attention on trade and tariffs maintained focus on the **USD/MXN** with the pair trading in a massive 8.1% range over the 30-day period. The USD/MXN is trading near the year-to-date highs.
- The **USD/JPY** also saw heightened levels of volatility, but these moves were driven by expectations that a Trump presidency might mean the Federal Reserve has less room to cut interest rates.
- Otherwise, FX moves were in line or lower than, historical levels. Notably, AUD/USD and USD/CAD are at less than half of their usual annual trading range with only seven weeks to go before the end of the year.

Source: Bloomberg, Convera – November 11, 2024

NAM value indicator



MXN, CAD at lows post-election

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

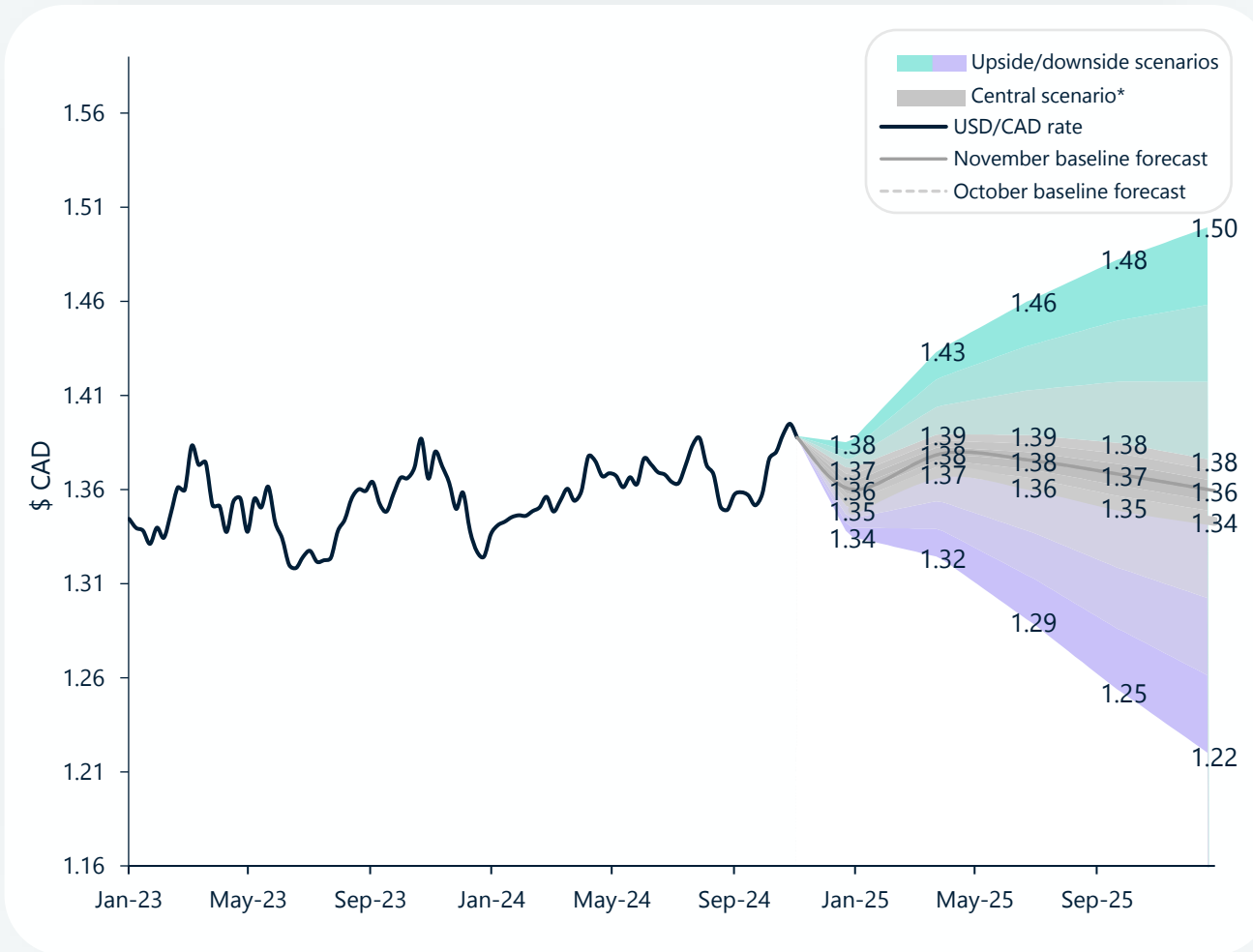
● Appreciation ● Depreciation

	Spot	Spot vs			
	(As of 11.11.2024)	YTD average	1-year average	2-year average	5-year average
USD/MXN	20.16	12.1% Avg.: 17.98	12.7% Avg.: 17.88	12.2% Avg.: 17.97	3.1% Avg.: 19.55
USD/CAD	1.390	2.0% Avg.: 1.362	2.1% Avg.: 1.361	2.6% Avg.: 1.355	5.3% Avg.: 1.320
USD/JPY	152.6	1.0% Avg.: 151.0	1.5% Avg.: 150.3	5.4% Avg.: 144.8	20.4% Avg.: 126.7
GBP/USD	1.291	0.8% Avg.: 1.280	1.1% Avg.: 1.277	2.7% Avg.: 1.256	0.5% Avg.: 1.284
EUR/CAD	1.489	0.5% Avg.: 1.481	0.6% Avg.: 1.480	1.6% Avg.: 1.465	1.7% Avg.: 1.464
AUD/USD	0.658	-0.8% Avg.: 0.663	-0.8% Avg.: 0.662	-1.0% Avg.: 0.664	-5.1% Avg.: 0.693
EUR/USD	1.071	-1.5% Avg.: 1.087	-1.5% Avg.: 1.087	-1.0% Avg.: 1.081	-3.5% Avg.: 1.110
NZD/USD	0.596	-2.2% Avg.: 0.609	-2.3% Avg.: 0.609	-2.8% Avg.: 0.613	-7.5% Avg.: 0.644

- The US's largest trading partners wore the brunt of the selling versus the US dollar after the election, but interest rate moves were also likely driving the action.
- The **USD/MXN** was around 12.0% higher versus the YTD, one and two-year averages but, in line with the 2016 trend, the Mexican peso is outperforming over the longer term.
- In 2016, the MXN weakened into the election but traded strongly for most of Trump's term as the United States-Mexico-Canada Agreement ((USMCA) supported trade from Mexico.
- The **USD/CAD** is also at historically heightened levels but this is most likely due to the 50bps rate cut seen from the Bank of Canada in October. The 1.4000 level remains a short-term cap for this market.
- Otherwise, trade worries are also weighing on this month's basement dwellers – the Aussie, euro and kiwi all underperforming on a historical basis.

Source: Bloomberg, Convera – November 11, 2024. Note: YTD average refers to the following time periods: 01.01.2024 - 11.11.2024; 1Y: 10.11.2023 - 11.11.2024; 2Y: 11.11.2022 - 11.11.2024; 5Y: 13.11.2019 - 11.11.2024.

USD/CAD future scenarios



Upside scenario: Dovish BoC, cautious Fed

- Confident with inflation diffusion progress, the BoC signals more easing, increasing the US dollar's interest rate advantage.
- As US inflation proves sticky, prompting investors to price out aggressive Fed rate cut bets in the near-term and 2025.

Central scenario: Fed cuts rates gradually

- Fed cuts gained by year end amid lingering upside risks to inflation, despite weakening US labor market.
- The USD index eases from four-month highs.

Downside scenario: US labor market deteriorates

- Fed forced to deliver an aggressive cutting cycle as US labor market weakens, reducing the US dollar interest rate differential advantage.
- The BoC adopts a conservative approach to monetary easing as economy shows signs of recovery.

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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 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2
GBP/USD	High	1.368	1.383	1.412	1.437	1.458	1.474	1.485	1.490	1.492	1.493	1.494
	Baseline + σ	1.341	1.335	1.343	1.344	1.348	1.365	1.366	1.371	1.379	1.389	1.394
	Baseline	1.320	1.311	1.316	1.318	1.319	1.320	1.320	1.320	1.320	1.321	1.322
	Baseline - σ	1.298	1.286	1.288	1.291	1.289	1.274	1.273	1.268	1.260	1.252	1.249
	Low	1.272	1.240	1.221	1.199	1.180	1.166	1.156	1.150	1.149	1.149	1.150
GBP/EUR	High	1.265	1.315	1.364	1.413	1.456	1.489	1.513	1.525	1.527	1.524	1.522
	Baseline + σ	1.229	1.230	1.233	1.230	1.231	1.264	1.267	1.273	1.286	1.309	1.320
	Baseline	1.190	1.19	1.189	1.186	1.184	1.182	1.180	1.179	1.177	1.176	1.174
	Baseline - σ	1.150	1.149	1.144	1.141	1.136	1.099	1.092	1.084	1.067	1.042	1.027
	Low	1.118	1.075	1.035	0.994	0.961	0.937	0.920	0.910	0.907	0.906	0.905
GBP/JPY	High	218.4	220.4	224.6	228.2	231.2	233.3	234.3	234.4	233.4	232.1	231.2
	Baseline + σ	208.5	203.5	202.0	200.3	201.7	202.6	201.5	204.9	208.0	210.7	212.4
	Baseline	196.2	192.7	191.1	189.1	187.1	185.5	184.0	182.7	181.4	180.3	179.5
	Baseline - σ	183.8	181.8	180.1	177.8	172.4	168.3	166.4	160.4	154.7	149.8	146.5
	Low	175.0	166.7	160.3	153.6	147.7	143.2	139.7	137.4	136.0	135.0	134.3
GBP/CHF	High	1.220	1.268	1.308	1.347	1.379	1.404	1.421	1.430	1.431	1.429	1.428
	Baseline + σ	1.168	1.181	1.182	1.177	1.180	1.210	1.215	1.218	1.219	1.224	1.224
	Baseline	1.122	1.130	1.129	1.127	1.124	1.123	1.121	1.120	1.118	1.117	1.115
	Baseline - σ	1.075	1.078	1.075	1.076	1.067	1.035	1.026	1.021	1.016	1.009	1.005
	Low	1.028	1.000	0.963	0.926	0.896	0.873	0.857	0.847	0.844	0.843	0.841

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

Future scenarios



	Scenarios	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2
EUR/USD	High	1.138	1.152	1.179	1.205	1.227	1.244	1.255	1.262	1.265	1.267	1.270
	Baseline + σ	1.123	1.115	1.121	1.126	1.129	1.147	1.151	1.154	1.162	1.175	1.184
	Baseline	1.109	1.102	1.107	1.111	1.114	1.117	1.118	1.119	1.121	1.123	1.125
	Baseline - σ	1.094	1.088	1.092	1.095	1.098	1.086	1.084	1.083	1.079	1.070	1.065
	Low	1.081	1.052	1.035	1.017	1.001	0.989	0.981	0.977	0.977	0.979	0.981
EUR/GBP	High	0.894	0.929	0.966	1.005	1.039	1.066	1.086	1.097	1.101	1.102	1.103
	Baseline + σ	0.865	0.866	0.870	0.870	0.875	0.898	0.902	0.909	0.919	0.935	0.944
	Baseline	0.840	0.840	0.841	0.842	0.844	0.845	0.846	0.848	0.849	0.850	0.851
	Baseline - σ	0.814	0.813	0.811	0.813	0.812	0.791	0.789	0.786	0.778	0.764	0.757
	Low	0.790	0.760	0.732	0.707	0.686	0.671	0.660	0.655	0.654	0.655	0.656
EUR/CHF	High	1.014	1.057	1.093	1.129	1.160	1.184	1.201	1.211	1.213	1.213	1.213
	Baseline + σ	0.978	0.986	0.986	0.985	0.988	1.015	1.024	1.025	1.028	1.035	1.040
	Baseline	0.942	0.949	0.949	0.949	0.949	0.949	0.949	0.950	0.950	0.949	0.949
	Baseline - σ	0.905	0.911	0.911	0.912	0.909	0.882	0.873	0.874	0.871	0.862	0.857
	Low	0.873	0.848	0.816	0.785	0.760	0.741	0.727	0.720	0.718	0.718	0.718
EUR/CNY	High	8.379	8.361	8.732	9.086	9.391	9.624	9.780	9.867	9.886	9.882	9.884
	Baseline + σ	8.216	7.846	7.890	7.906	7.997	8.114	8.180	8.294	8.383	8.473	8.530
	Baseline	8.009	7.672	7.707	7.719	7.729	7.732	7.727	7.720	7.717	7.713	7.715
	Baseline - σ	7.801	7.497	7.523	7.531	7.460	7.349	7.273	7.145	7.050	6.952	6.899
	Low	7.648	7.013	6.746	6.463	6.228	6.047	5.915	5.837	5.816	5.812	5.814

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

Future scenarios



	Scenarios	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2
EUR/HUF	High	425.4	449.4	471.5	495.3	517.6	536.5	550.7	559.1	562.0	563.2	564.4
	Baseline + σ	406.9	406.3	406.9	408.0	409.1	429.1	434.0	438.2	445.5	456.2	462.4
	Baseline	395.4	395.9	394.0	393.1	393.7	395.5	397.4	398.7	399.7	400.6	401.6
	Baseline - σ	383.8	385.4	381.0	378.1	378.2	361.8	360.7	359.1	353.8	344.9	340.7
	Low	376.5	361.1	343.7	327.6	315.5	307.5	302.5	299.9	299.8	300.6	301.5
EUR/CZK	High	26.58	27.27	27.99	28.81	29.52	30.04	30.36	30.48	30.40	30.26	30.14
	Baseline + σ	25.74	25.43	25.23	25.25	25.17	25.59	25.58	25.46	25.45	25.62	25.67
	Baseline	25.04	24.74	24.46	24.27	24.10	23.95	23.80	23.65	23.52	23.40	23.29
	Baseline - σ	24.33	24.04	23.68	23.28	23.02	22.30	22.01	21.83	21.58	21.17	20.90
	Low	23.54	22.33	21.17	20.12	19.24	18.54	18.03	17.69	17.52	17.41	17.32
USD/CZK	High	23.35	23.65	23.72	23.89	24.05	24.14	24.18	24.14	24.01	23.87	23.73
	Baseline + σ	22.89	22.78	22.48	22.40	22.28	22.30	22.20	22.04	21.88	21.79	21.65
	Baseline	22.56	22.44	22.09	21.83	21.63	21.44	21.28	21.12	20.97	20.82	20.68
	Baseline - σ	22.22	22.09	21.69	21.25	20.97	20.57	20.35	20.19	20.05	19.84	19.70
	Low	21.77	21.22	20.45	19.78	19.20	18.73	18.37	18.11	17.92	17.78	17.64
USD/PLN	High	4.032	4.113	4.141	4.181	4.235	4.284	4.322	4.347	4.352	4.342	4.324
	Baseline + σ	3.924	3.941	3.946	3.947	3.985	4.092	4.125	4.123	4.118	4.121	4.112
	Baseline	3.857	3.876	3.842	3.821	3.820	3.827	3.836	3.845	3.846	3.835	3.818
	Baseline - σ	3.789	3.810	3.737	3.694	3.654	3.561	3.546	3.566	3.573	3.548	3.523
	Low	3.682	3.640	3.544	3.461	3.405	3.370	3.350	3.342	3.340	3.329	3.312

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

Future scenarios



	Scenarios	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2
AUD/USD	High	0.715	0.723	0.736	0.754	0.774	0.793	0.809	0.823	0.835	0.848	0.859
	Baseline + σ	0.699	0.694	0.696	0.699	0.706	0.714	0.724	0.737	0.751	0.767	0.781
	Baseline	0.689	0.683	0.682	0.685	0.690	0.696	0.703	0.709	0.718	0.727	0.735
	Baseline - σ	0.678	0.671	0.667	0.670	0.673	0.677	0.681	0.680	0.684	0.686	0.688
	Low	0.665	0.648	0.636	0.627	0.622	0.620	0.621	0.623	0.629	0.637	0.643
AUD/EUR	High	0.661	0.687	0.711	0.742	0.773	0.801	0.825	0.842	0.854	0.867	0.875
	Baseline + σ	0.632	0.634	0.634	0.635	0.641	0.638	0.646	0.663	0.672	0.682	0.692
	Baseline	0.621	0.620	0.616	0.616	0.619	0.623	0.628	0.633	0.640	0.647	0.653
	Baseline - σ	0.609	0.605	0.597	0.596	0.596	0.607	0.609	0.602	0.607	0.611	0.613
	Low	0.584	0.562	0.539	0.520	0.507	0.499	0.494	0.493	0.497	0.502	0.506
AUD/NZD	High	1.217	1.228	1.272	1.324	1.377	1.424	1.463	1.492	1.515	1.538	1.552
	Baseline + σ	1.169	1.137	1.143	1.148	1.159	1.178	1.193	1.230	1.263	1.299	1.327
	Baseline	1.132	1.100	1.098	1.101	1.107	1.116	1.125	1.135	1.147	1.161	1.170
	Baseline - σ	1.094	1.062	1.052	1.053	1.054	1.053	1.056	1.039	1.030	1.022	1.012
	Low	1.053	0.986	0.948	0.915	0.891	0.875	0.866	0.864	0.870	0.879	0.883
AUD/CNY	High	5.267	5.244	5.452	5.689	5.925	6.137	6.307	6.431	6.525	6.618	6.689
	Baseline + σ	5.115	4.886	4.900	4.913	5.002	5.054	5.141	5.303	5.416	5.534	5.629
	Baseline	4.977	4.757	4.752	4.760	4.787	4.822	4.857	4.892	4.940	4.997	5.041
	Baseline - σ	4.838	4.627	4.603	4.606	4.571	4.589	4.572	4.480	4.463	4.459	4.452
	Low	4.707	4.321	4.147	3.987	3.871	3.793	3.744	3.725	3.745	3.781	3.808

Chart sources: Oxford Economics, Bloomberg, Convera – November 6, 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)

Future scenarios



	Scenarios	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2
USD/CAD	High	1.384	1.434	1.460	1.482	1.500	1.513	1.523	1.528	1.527	1.526	1.524
	Baseline + σ	1.370	1.389	1.388	1.384	1.375	1.368	1.376	1.382	1.384	1.390	1.390
	Baseline	1.36	1.379	1.375	1.367	1.359	1.353	1.349	1.346	1.343	1.342	1.341
	Baseline - σ	1.349	1.368	1.361	1.349	1.342	1.337	1.321	1.309	1.301	1.293	1.291
	Low	1.335	1.324	1.290	1.252	1.218	1.192	1.175	1.164	1.160	1.158	1.157
USD/MXN	High	22.10	22.61	23.13	23.65	24.04	24.36	24.60	24.78	24.89	24.99	25.07
	Baseline + σ	20.39	20.91	20.85	20.85	20.89	21.17	21.42	21.61	21.78	21.85	21.94
	Baseline	19.72	19.79	19.87	19.95	20.03	20.11	20.19	20.27	20.36	20.46	20.55
	Baseline - σ	19.04	18.66	18.88	19.04	19.16	19.04	18.95	18.92	18.93	19.06	19.15
	Low	18.44	18.25	18.07	17.89	17.79	17.73	17.71	17.73	17.82	17.92	18.00
USD/JPY	High	159.5	159.3	159.0	158.7	158.5	158.2	157.8	157.2	156.4	155.4	154.7
	Baseline + σ	155.3	152.2	150.2	148.8	149.5	148.3	147.4	149.2	150.7	151.6	152.2
	Baseline	148.5	146.8	145.1	143.3	141.8	140.5	139.3	138.3	137.3	136.4	135.7
	Baseline - σ	141.6	141.3	139.9	137.7	134.0	132.6	131.1	127.3	123.8	121.1	119.1
	Low	137.5	134.4	131.2	128.0	125.1	122.7	120.9	119.4	118.3	117.4	116.7
USD/CNY	High	7.362	7.252	7.401	7.535	7.651	7.736	7.789	7.814	7.809	7.795	7.781
	Baseline + σ	7.305	7.029	7.030	7.016	7.078	7.071	7.098	7.180	7.208	7.207	7.196
	Baseline	7.217	6.959	6.959	6.945	6.935	6.922	6.908	6.894	6.880	6.865	6.851
	Baseline - σ	7.128	6.888	6.887	6.873	6.791	6.772	6.717	6.607	6.551	6.522	6.505
	Low	7.072	6.666	6.517	6.354	6.218	6.109	6.027	5.974	5.950	5.936	5.922

Chart sources: Oxford Economics, Bloomberg, Convera – November 6, 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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