

MTFX Currency Forecast

May 2018

FX MARKET CALL

- The US dollar (USD) has improved broadly over the past few weeks. The rebound contrasts with the market's still bearish view of risks and prospects for the currency in the longer term. The USD could get a temporary lift over the next little while but most expect the greenback to weaken over the balance of the year.
- The CAD was a significant under-achiever in Q1, but the currency has steadied over the past month and, through April managed to squeeze out a marginal gain against the USD. NAFTA represents the biggest uncertainty for the CAD in the near-term but risks cut both ways for the currency. A positive outcome to the discussions would clearly lift the CAD.
- The euro's bearish remains bearish and defensive posture seems to have spilled over into May. The common currency slid as the European Central Bank highlighted the deceleration of the zone's economic growth. While those uncertainties and the lack of inflation mean the ECB will remain patient on rates, the anticipation of tighter monetary policy could push up the euro over the coming quarters.

USD EXCHANGE RATES		2018					2019			
	Curr. Pair	SPOT	Q1a	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Canadian Dollar	USD/CAD	1.29	1.29	1.27	1.26	1.25	1.25	1.24	1.23	1.22
Euro	EUR/USD	1.19	1.23	1.25	1.28	1.30	1.30	1.33	1.35	1.35
Japanese Yen	USD/JPY	109	106	108	110	110	111	109	107	105
British Pound	GBP/USD	1.35	1.40	1.40	1.42	1.47	1.48	1.48	1.50	1.50
Swiss Franc	USD/CHF	1.00	0.95	0.99	0.97	0.96	0.95	0.95	0.94	0.93
Australian Dollar	AUD/USD	0.74	0.77	0.79	0.80	0.80	0.81	0.81	0.82	0.82
Mexican Peso	USD/MXN	19.58	18.15	19.07	19.17	19.48	19.59	19.42	19.47	19.75

This report has been prepared by MTFX Inc. as a resource for its clients. The opinions, projections and estimates contained herein are our own and subject to change without notice.

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OTHER PAIRS (USD)		2018					2019			
	Curr. Pair	SPOT	Q1a	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
New Zealand Dollar	NZD/USD	0.70	0.72	0.73	0.75	0.77	0.78	0.78	0.78	0.78
Chinese Renminbi	USD/CNY	6.37	6.28	6.30	6.30	6.20	6.20	6.10	6.10	6.10
Indian Rupee	USD/INR	67.2	65.2	65.5	65.0	65.0	64.5	64.5	64.0	64.0
South African Rand	USD/ZAR	12.6	11.8	12.3	12.4	12.5	12.6	12.5	12.6	12.6
Polish Zloty	USD/PLN	3.61	3.43	3.50	3.60	3.60	3.70	3.75	3.8	3.85

CANADIAN CROSSES		2018					2019			
	Curr. Pair	SPOT	Q1a	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Euro	EUR/CAD	1.54	1.59	1.63	1.68	1.68	1.65	1.66	1.70	1.72
Japanese Yen	CAD/JPY	84.2	82.4	85.0	87.3	88.0	88.0	90.2	88.5	84.0
British Pound	GBP/CAD	1.76	1.81	1.78	1.79	1.84	1.85	1.84	1.85	1.83
Swiss Franc	CAD/CHF	0.77	0.74	0.77	0.77	0.76	0.77	0.76	0.74	0.74
Australian Dollar	AUD/CAD	0.96	0.99	1.00	1.01	1.00	1.01	0.99	1.00	1.03
New Zealand Dollar	NZD/CAD	0.90	0.93	0.94	0.97	0.99	1.00	1.00	1.01	1.01
Chinese Renminbi	CAD/CNY	4.92	4.87	4.88	4.91	4.81	4.80	4.70	4.66	4.69
Indian Rupee	CAD/INR	51.9	50.2	50.7	50.3	50	50	49.6	48.9	48.8
South African Rand	CAD/ZAR	9.72	9.13	9.53	9.61	9.68	9.76	9.68	9.71	9.77
Polish Zloty	CAD/PLN	2.78	2.64	2.71	2.79	2.86	2.90	2.94	2.96	2.98
Mexican Peso	CAD/MXN	15.1	14.1	14.8	14.9	15.0	15.1	15.4	15.3	15.2

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SOURCES:

Bank of Nova Scotia

www.scotiafx.com

Royal Bank of Canada

www.rbc.com/economics

TD Bank

<https://www.td.com/economics>

Bank of Montreal

<http://economics.bmocapitalmarkets.com>

CIBC

<https://economics.cibccm.com/economicsweb/EconomicsHome>

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