

# MTFX Currency Forecast



February 2019

## FX MARKET CALL

- A flat yield curve coupled with a near-neutral fed funds rate, restrains the ability of the Federal Reserve to tighten U.S. monetary policy much further. So, while the U.S. dollar could see occasional bouts of strength - e.g. coinciding with Fed signals or the return of risk aversion □ we continue to expect a mostly downward trend over the forecast horizon for the trade-weighted greenback.
- A recovery in oil prices and export volumes should allow the BoC to raise rates near mid-year, supporting the loonie. But more broadly, the C\$ is still a range-bound story, unlikely to benefit from the U.S dollar index softness given Canada's persistent current account gap and need to do better on exports as housing slows.
- The euro has made little ground lately given economic data disappointments. While the ECB may delay policy action most analysts do not expect this to materially compromise EUR performance, with EURUSD expected to rise to 1.22 by the end of 2019.

USD EXCHANGE RATES			2019				2020			
	Curr. Pair	SPOT	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Canadian Dollar	USD/CAD	1.33	1.30	1.31	1.32	1.34	1.33	1.32	1.33	1.32
Euro	EUR/USD	1.13	1.15	1.17	1.19	1.22	1.25	1.26	1.25	1.24
Japanese Yen	USD/JPY	110	107	106	106	105	104	103	101	100
British Pound	GBP/USD	1.29	1.32	1.36	1.40	1.44	1.45	1.46	1.45	1.44
Swiss Franc	USD/CHF	1.00	0.97	0.95	0.95	0.93	0.92	0.92	0.93	0.94
Australian Dollar	AUD/USD	0.71	0.74	0.75	0.76	0.77	0.78	0.79	0.79	0.80
Mexican Peso	USD/MXN	19.06	19.10	19.40	20.10	19.90	20.10	20.40	20.60	20.70

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OTHER PAIRS (USD)			2019				2020			
	Curr. Pair	SPOT	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
New Zealand Dollar	NZD/USD	0.67	0.69	0.7	0.71	0.72	0.73	0.74	0.75	0.76
Chinese Renminbi	USD/CNY	6.74	6.72	6.68	6.63	6.58	6.53	6.5	6.47	6.44
Indian Rupee	USD/INR	71.16	71.00	70.75	70.5	70.25	70.00	69.75	69.5	69.25
South African Rand	USD/ ZAR	13.59	14.35	14.20	14.10	13.95	13.80	16.65	13.50	13.40
Swedish Krona	USD/SEK	9.27	8.83	8.59	8.32	7.99	7.76	7.62	7.6	7.78

CANADIAN CROSSES			2019				2020			
	Curr. Pair	SPOT	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Euro	EUR/CAD	1.50	1.50	1.53	1.57	1.63	1.66	1.66	1.66	1.64
Japanese Yen	CAD/JPY	82.63	82.31	80.92	80.30	78.36	78.20	78.03	75.94	75.76
British Pound	GBP/CAD	1.72	1.72	1.78	1.85	1.93	1.93	1.93	1.93	1.90
Swiss Franc	CAD/CHF	0.75	0.75	0.73	0.72	0.69	0.69	0.70	0.70	0.71
Australian Dollar	AUD/CAD	0.94	0.96	0.98	1.00	1.03	1.04	1.04	1.05	1.06
New Zealand Dollar	NZD/CAD	0.89	0.90	0.92	0.94	0.96	0.97	0.98	1.00	1.00
Chinese Renminbi	CAD/CNY	5.08	5.17	5.10	5.02	4.91	4.91	4.92	4.86	4.88
Indian Rupee	CAD/INR	53.63	54.62	54.01	53.41	52.43	52.63	52.84	52.26	52.46
South African Rand	CAD/ZAR	10.27	11.04	10.84	10.68	10.41	10.38	12.61	10.15	10.15
Swedish Krona	CAD/SEK	6.90	6.79	6.56	6.30	5.96	5.83	5.77	5.71	5.89
Mexican Peso	CAD/MXN	14.37	14.69	14.81	15.23	14.85	15.11	15.45	15.49	15.68

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# Foreign Exchange Disclaimer

## SOURCES:

### Bank of Nova Scotia

[www.scotiafx.com](http://www.scotiafx.com)

### Royal Bank of Canada

[www.rbc.com/economics](http://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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