

# FX CONSENSUS FORECAST

A LOOK AT THE MONTH AHEAD

*February 2023*

moneycorp ✨

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# QUICK GLANCE



Following 2021, when GDP increased by 5.9% — the greatest rate since 1984 — last year began with two consecutive quarters of contraction. Those declines sounded cautious because two consecutive quarters of negative economic growth constitute a rough but unofficial definition of a recession. However, a resilient consumer and a healthy labor market aided growth in the final two quarters, providing hope for 2023. The latest scorecard shows that the U.S. economy finished 2022 in good form, even as worries remain about whether growth would turn negative in the coming year.

Key details: GDP

The U.S. economy expanded again in the fourth quarter, registering robust growth through 2022 despite historically high inflation and rising interest rates.

According to Commerce Department figures released Thursday, gross domestic product — the broadest measure of economic activity — rose at an annualized pace of 2.9% from October through December of last year. The growth rate was slightly slower than the third-quarter figure of 3.2%. Overall, GDP grew by 2.1% in 2022.

A shockingly resilient consumer largely fueled the solid economic growth achieved during the fourth quarter. Along with consumer spending, gains in private inventory investment, government spending, and nonresidential fixed investment also contributed to the GDP increase.

On the other hand, a 26.7% drop in residential fixed investment, representing a steep drop in housing, weighed on growth, as did a 1.3% drop in exports.

Consumer Spending stays positive and still signals a downside risk. Consumer expenditure, which accounts for over 68% of GDP, grew 2.1% for the quarter, somewhat lower than the prior period's 2.3% gain but still healthy.

However, there is evidence that it is starting to fade, with retail sales down 1.1% in December.

According to Morning Consult's senior economist, John Leer, consumers are increasingly straining to navigate the continued impacts of last year's price increase by relying on credit and savings. With consumer demand expected to remain weak in the next quarters, business investment is also expected to fall, raising the prospect of a recession this year.

Moving to inflation, After reaching 41-year highs last summer, inflation measurements fell significantly at the end of the year. The Fed's preferred pricing gauge, the Personal Consumption Expenditures price index, rose 3.2% in the fourth quarter, in line with predictions but down considerably from 4.8% in the third quarter. The chain-weighted index climbed 3.9%, down from 4.7%, excluding food and energy.

While inflation data indicated that price rises were slowing, they remained significantly above the Federal Reserve's 2% target.

On the monetary policy front, a series of aggressive Fed interest rate increases aimed at taming runaway inflation is expected to come to roost this year. Since March 2022, the Fed has lifted its benchmark borrowing rate by 4.25 percentage points to its highest level since late 2007.

Markets believe the Fed will raise interest rates by another quarter percentage point at its meeting next week, followed by another similar boost in March.

While monetary policy changes take time to take effect, several sectors of the economy have already become much weaker. Housing, in particular, has been a laggard, with building permits down 30% year on year in December and starts down 22%.

Lastly, rate hikes generally operate on lags, meaning their real effect may not be felt until the time ahead.

Finally, the labor market remains resilient but shows signs of slowing. The U.S. economy added 223k jobs, higher than the expected 200k, still the least since December 2020.

Reports showed that hiring is slowing but still strong as the labor market recovers from the pandemic shock. According to Fed estimates, the labor market will remain tight in 2023, but job creation will stall further, and the unemployment rate will rise to 4.6%.

Many major tech companies have already announced substantial layoffs in the face of rising interest rates, sluggish consumer demand, and a global economic slowdown.

In summary, the economy grew steadily, buoyed by resilient consumer spending, but it remains vulnerable to a more dramatic slowdown in the coming quarters.

Going forward, the wild card will be inflation.

It is the primary driver here, towering over all of the other factors that are supporting the economy — consumer spending, business spending, and government spending.

The first six months of 2023 appear to be dynamic. It will be fascinating to see what fades first. Consumer spending or inflation. If it is inflation, we are in good shape; otherwise, we are in trouble.

US Dollar and Stocks

The dollar fell for the fourth consecutive month, finishing the month down 2.18%. Fears of a U.S. recession and forecasts of a slower pace of central bank policy tightening undermined the dollar. On Wednesday, the Fed is largely expected to offer a modest quarter-point increase, while investors will be looking for hints on the course of interest rate rises. The Fed-preferred core PCE inflation index in the U.S. dropped to a more than one-year low in December, according to data released on Friday, strengthening the case for a lesser raise. Consumer expenditure in the United States fell more than predicted in December, indicating a slowing economy at the end of the year, with most economists predicting a mild recession by the second half of 2023.

Wall Street has its best January ever. Since 2019, the Nasdaq 100 has gained 11.5%, while the S&P 500 and Dow have gained 6.6% and 2.9%, respectively, marking their third month of gains. This was due to investors digesting a slew of economic data and financial outcomes during the earnings season's busiest week. On the economic front, labor-cost growth in the United States slowed in December, implying that the Federal Reserve's strong approach to taming inflation will most likely soften, which in turn, favors the equities.

# EUR/USD

The Euro closed January with 1.1% gains, remaining near nine-month highs amid expectations that ECB will keep its aggressive approach. Investors are anticipating the European Central Bank's monetary policy decision on Thursday, with the central bank expected to boost rates by 50 basis points, raising borrowing costs to their highest level since 2008.

At the same time, statistics showing the Eurozone unexpectedly expanded 0.1% in Q4 2022, exceeding market expectations of a 0.1% drop, and new CPIs for France and Spain indicating inflation crept up in January fueled hopes that the ECB's tightening cycle would soon cease.

## What To Watch For This Month

### 02/02/2023 ECB Rate Decision

The ECB is set to deliver its monetary policy statement and announce its interest rate decision. Market participants expect a 50 bps rate hike.

### 02/14/2023 GDP YoY

Growth readings will be crucial to assess the risk of recession in the global economy.. Gross Domestic Product is expected to post 1.9% annualized in the last quarter of 2022.

### 02/21/2023 S&P Global Composite PMI

PMIs will provide good insight to investors to assess the economic performance and whether there are signs of contraction or expansion.

## Economic Indicators

ECB Forecast

| Forecast         | 2021 | 2022 | 2023 | 2024 |
|------------------|------|------|------|------|
| Real GDP (YOY%)  | 5.30 | 3.40 | 0.50 | 1.90 |
| CPI (YOY%)       | 2.60 | 8.40 | 6.30 | 3.40 |
| Unemployment (%) | 7.73 | 6.70 | 6.90 | 6.80 |

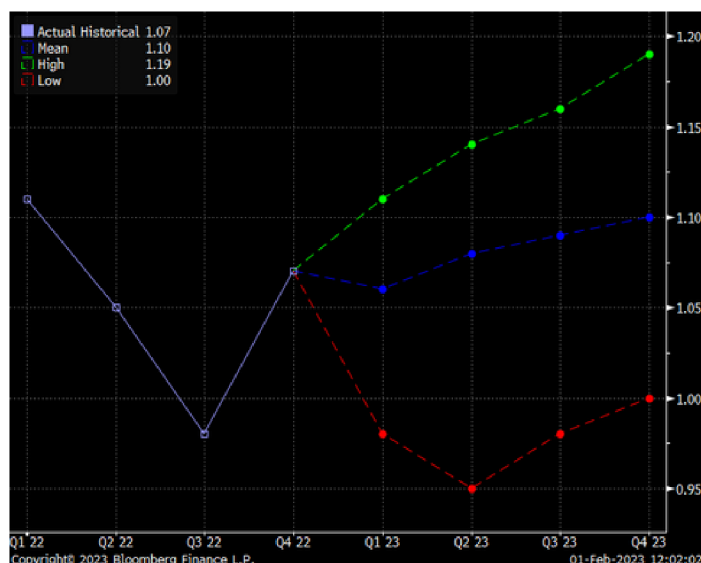


Historical Rates

# EUR/USD

## Market Consensus & Forecast

|      | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------|-------|-------|-------|-------|
| Mean | 1.06  | 1.08  | 1.09  | 1.1   |
| High | 1.11  | 1.14  | 1.16  | 1.19  |
| Low  | 0.98  | 0.95  | 0.98  | 1     |



Consensus Forecast

## Forecast by Institution

|                               | As of:   | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|-------------------------------|----------|-------|-------|-------|-------|
| Amdocs Development Ltd        | 02/01/23 | 1.08  | 1.1   | 1.11  | --    |
| Prestige Economics LLC        | 01/31/23 | 1.1   | 1.11  | 1.12  | 1.14  |
| Rabobank                      | 01/31/23 | 1.07  | 1.04  | 1.04  | 1.05  |
| CICC                          | 01/30/23 | 1.08  | 1.06  | 1.09  | 1.13  |
| DNB                           | 01/26/23 | 1.1   | 1.13  | 1.16  | 1.19  |
| Wells Fargo                   | 01/25/23 | 1.09  | 1.1   | 1.11  | 1.13  |
| BBVA                          | 01/24/23 | 1.07  | 1.05  | 1.08  | 1.11  |
| Skandinaviska Enskilda Banken | 01/23/23 | 1.05  | 1.06  | 1.07  | 1.08  |
| Credit Agricole CIB           | 01/20/23 | 1.05  | 1.07  | 1.09  | 1.1   |
| Commerzbank                   | 01/20/23 | 1.06  | 1.06  | 1.08  | 1.1   |
| DZ Bank                       | 01/20/23 | 1.06  | 1.07  | 1.09  | 1.1   |
| NAB/BNZ                       | 01/20/23 | 1.1   | 1.12  | 1.15  | 1.17  |
| Standard Chartered            | 01/20/23 | 1.04  | 1.06  | 1.09  | 1.1   |
| Bank Julius Baer              | 01/19/23 | 1.09  | 1.1   | 1.1   | 1.1   |
| Cinkciarz.pl                  | 01/18/23 | 1.05  | 1.07  | 1.09  | 1.11  |
| JPMorgan Chase                | 01/17/23 | 1.1   | 1.1   | 1.08  | 1.08  |
| Kshitij Consultancy Services  | 01/17/23 | 1.06  | 1.07  | 1.12  | 1.15  |
| Oversea-Chinese Banking Corp  | 01/17/23 | 1.08  | 1.1   | 1.11  | 1.12  |
| Sumitomo Mitsui Trust Bank    | 01/17/23 | 1.06  | 1.08  | 1.09  | 1.1   |
| ABN Amro                      | 01/16/23 | 1.07  | 1.08  | 1.1   | 1.12  |
| ING Financial Markets         | 01/16/23 | 0.98  | 1     | 1     | 1     |

# USD/JPY

The Yen finished January with a 2.73% gain, and returned to its highest levels in over eight months, aided primarily by broad dollar weakness. The summary of opinions from the Bank of Japan's January meeting revealed that policymakers discussed the inflation outlook, underlining the importance of keeping monetary policy accommodating.

The central bank recently resisted rumors about another policy adjustment by retaining its ultra-low interest rates and remaining constant in its yield control strategy. Traders will be watching the BOJ's policy meeting in March for a potential change, as well as the appointment of a new BOJ governor in April.

## What To Watch For This Month

### **02/07/2023 Current Account**

The previous current account balance in Japan reported a surplus of JPY 1.800 Billion expected to drop to JPY 505 billion.

### **02/13/2023 Gross Domestic Product Q4**

Japanese growth will be closely monitored amid positive expectations from market participants in Q4.-22. Consensus suggests that the economy should rebound from -0.2% to 0.6%.

### **02/24/2023 National Consumer Price Index**

Amid a recent spike in Japanese inflation, following decades of no inflation at all, market participants monitor inflationary activity. The previous reading posted 4% annualized.

## Economic Indicators

Bank of Japan Forecast

| Forecast         | 2021  | 2022 | 2023 | 2024 |
|------------------|-------|------|------|------|
| Real GDP (YOY%)  | 2.30  | 1.9  | 1.70 | 1.10 |
| CPI (YOY%)       | -0.25 | --   | --   | --   |
| Unemployment (%) | 2.82  | 2.53 | 2.53 | 2.53 |

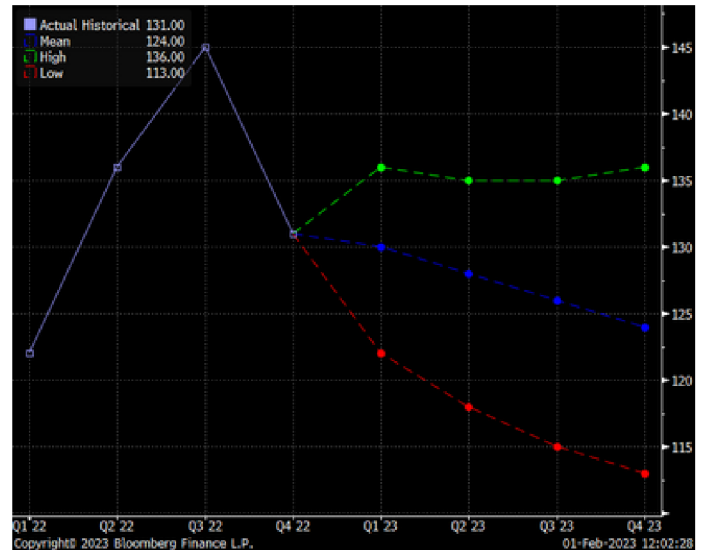


Historical Rates

# USD/JPY

## Market Consensus & Forecast

|      | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------|-------|-------|-------|-------|
| Mean | 130   | 128   | 126   | 124   |
| High | 136   | 135   | 135   | 136   |
| Low  | 122   | 118   | 115   | 113   |



Consensus Forecast

## Forecast by Institution

|                               | As of:   | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|-------------------------------|----------|-------|-------|-------|-------|
| Amdocs Development Ltd        | 02/01/23 | 130   | 127   | 125   | --    |
| Prestige Economics LLC        | 01/31/23 | 129   | 127   | 125   | 124   |
| Rabobank                      | 01/31/23 | 129   | 127   | 125   | 125   |
| CICC                          | 01/30/23 | 125   | 125   | 123   | 120   |
| Wells Fargo                   | 01/25/23 | 130   | 129   | 128   | 126   |
| BBVA                          | 01/24/23 | 130   | 126   | 125   | 123   |
| Skandinaviska Enskilda Banken | 01/23/23 | 130   | 128   | 127   | 125   |
| Credit Agricole CIB           | 01/20/23 | 130   | 128   | 125   | 122   |
| Commerzbank                   | 01/20/23 | 131   | 130   | 129   | 128   |
| DZ Bank                       | 01/20/23 | 129   | 127   | 123   | 121   |
| NAB/BNZ                       | 01/20/23 | 125   | 120   | 117   | 115   |
| Standard Chartered            | 01/20/23 | 125   | 122   | 120   | 118   |
| Bank Julius Baer              | 01/19/23 | 126   | 125   | 124   | 123   |
| Cinkciarz.pl                  | 01/18/23 | 131   | 130   | 128   | 124   |
| JPMorgan Chase                | 01/17/23 | 135   | 133   | 130   | 128   |
| Oversea-Chinese Banking Corp  | 01/17/23 | 127   | 125   | 124   | 122   |
| Sumitomo Mitsui Trust Bank    | 01/17/23 | 135   | 133   | 130   | 127   |
| ABN Amro                      | 01/16/23 | 132   | 131   | 130   | 128   |
| ING Financial Markets         | 01/16/23 | 128   | 127   | 125   | 125   |
| Capital Economics             | 01/13/23 | 127   | 127   | 126   | 125   |
| Danske Bank                   | 01/13/23 | 126   | 125   | 125   | 125   |

# GBP/USD

Sterling gained 2.14% last month, primarily due to the narrative that the Bank of England will hike interest rates to 4% on Thursday.

Britain's inflation rate fell further from its 41-year peak in October, still significantly above the central bank's 2% objective. Furthermore, the global dollar weakening functioned as a tailwind for the sterling.

Going forward, the picture is bleak, with the possibility of the UK entering a recession exacerbated by rising interest rates, strikes, and sluggish consumer demand. The IMF has lowered its forecast for UK GDP in 2023 from 0.9% to 0.6%. Elsewhere, traders are divided on how much borrowing costs will rise going ahead.



## What To Watch For This Month

### **02/02/2023 BoE Monetary Policy Meeting**

The Bank of England is set to deliver its monetary policy statement alongside its announcement of the interest rate decision. Markets expect an interest rate hike of 50 bps.

### **01/10/2023 Gross Domestic Product**

Recent studies show that despite a rebound in global economies, the United Kingdom is facing a looming chance of entering in recession. GDP is expected to be Zero for the month of December.

### **01/15/2023 CPI (January)**

Following the latest rate hikes from policymakers, inflation is expected to start pulling back from 10.5% to 10.2% annualized.

## Economic Indicators

Bank of England Forecast

| Forecast         | 2021 | 2022  | 2023  | 2024 |
|------------------|------|-------|-------|------|
| Real GDP (YOY%)  | 8.53 | 4.25  | -1.50 | -1.0 |
| CPI (YOY%)       | 2.58 | 10.75 | 5.25  | 1.50 |
| Unemployment (%) | 4.60 | 3.75  | 5.0   | 5.75 |



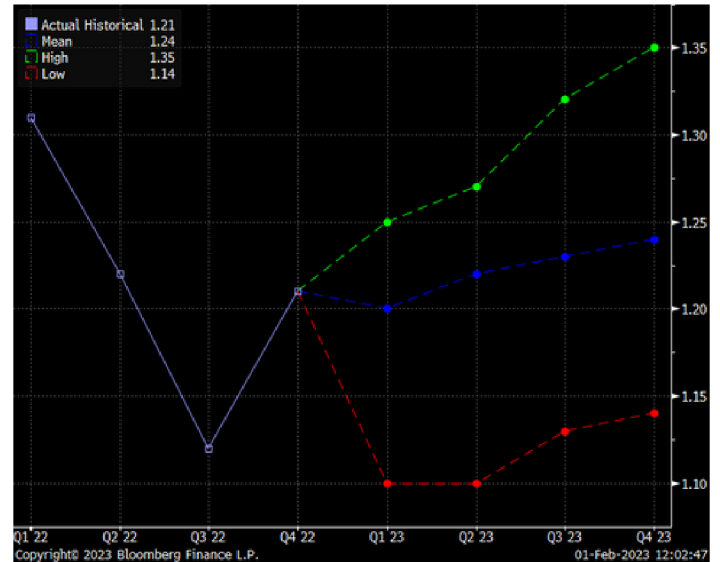
Historical Rates



# GBP/USD

## Market Consensus & Forecast

|      | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------|-------|-------|-------|-------|
| Mean | 1.2   | 1.22  | 1.23  | 1.24  |
| High | 1.25  | 1.27  | 1.32  | 1.35  |
| Low  | 1.1   | 1.1   | 1.13  | 1.14  |



Consensus Forecast

## Forecast by Institution

|                              | As of:   | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------------------------------|----------|-------|-------|-------|-------|
| Prestige Economics LLC       | 01/31/23 | 1.24  | 1.26  | 1.27  | 1.28  |
| Rabobank                     | 01/31/23 | 1.21  | 1.16  | 1.16  | 1.16  |
| Wells Fargo                  | 01/25/23 | 1.23  | 1.24  | 1.25  | 1.26  |
| BBVA                         | 01/24/23 | 1.19  | 1.15  | 1.24  | 1.29  |
| Credit Agricole CIB          | 01/20/23 | 1.19  | 1.23  | 1.27  | 1.29  |
| Commerzbank                  | 01/20/23 | 1.19  | 1.18  | 1.2   | 1.21  |
| NAB/BNZ                      | 01/20/23 | 1.23  | 1.27  | 1.28  | 1.31  |
| Standard Chartered           | 01/20/23 | 1.19  | 1.2   | 1.22  | 1.23  |
| Bank Julius Baer             | 01/19/23 | 1.23  | 1.25  | 1.24  | 1.24  |
| Cinkciarz.pl                 | 01/18/23 | 1.2   | 1.22  | 1.23  | 1.25  |
| JPMorgan Chase               | 01/17/23 | 1.2   | 1.18  | 1.16  | 1.15  |
| Oversea-Chinese Banking Corp | 01/17/23 | 1.22  | 1.23  | 1.24  | 1.26  |
| Sumitomo Mitsui Trust Bank   | 01/17/23 | 1.19  | 1.22  | 1.23  | 1.24  |
| ABN Amro                     | 01/16/23 | 1.22  | 1.23  | 1.24  | 1.25  |
| ING Financial Markets        | 01/16/23 | 1.1   | 1.14  | 1.14  | 1.14  |
| Capital Economics            | 01/13/23 | 1.16  | 1.1   | 1.13  | 1.15  |
| Morgan Stanley               | 01/13/23 | 1.2   | 1.2   | 1.21  | 1.21  |
| Nomura Bank International    | 01/13/23 | 1.25  | 1.26  | 1.28  | 1.32  |
| Swedbank                     | 01/13/23 | 1.21  | 1.27  | 1.25  | 1.28  |
| UniCredit                    | 01/13/23 | 1.22  | 1.23  | 1.24  | 1.25  |
| Citigroup                    | 01/12/23 | 1.18  | 1.22  | 1.25  | 1.27  |

# USD/CHF

The USD/CHF pair started the year on the wrong foot, with the pair struggling to show a clear direction. That said, the uncertainty scenario is due to some confusion over what to expect from the Swiss National Bank (SNB).

Overall, the market is forecasting a strong CHF throughout this year on the back of a resilient domestic economy and its inflation advantage. To confirm this 2023 outlook, SNB's rate guidance will remain a source of support to its currency as further interest rate rises can be expected.

## What To Watch For This Month

### 02/07/2023 Unemployment Rate

The swiss economy is expecting to reduce its jobless rate in the month of January from 1.9% to 1.8%.

### 02/22/2023 ZEW Survey - Expectations

Amid expectations of lower unemployment, sentiment indicators should reflect certain confidence in market participants.

### 02/28/2023 Gross Domestic Product

February will close out the year with a focus on growth figures of the Swiss economy. Fundamentals remains strong although shifts in sentiment might affect growth readings.

## Economic Indicators

Swiss National Bank Forecast

| Forecast         | 2021 | 2022 | 2023 | 2024 |
|------------------|------|------|------|------|
| Real GDP (YOY%)  | 4.33 | 2.10 | 0.70 | 1.90 |
| CPI (YOY%)       | 0.58 | 2.90 | 2.20 | 1.50 |
| Unemployment (%) | 2.98 | 2.20 | 2.30 | 2.40 |

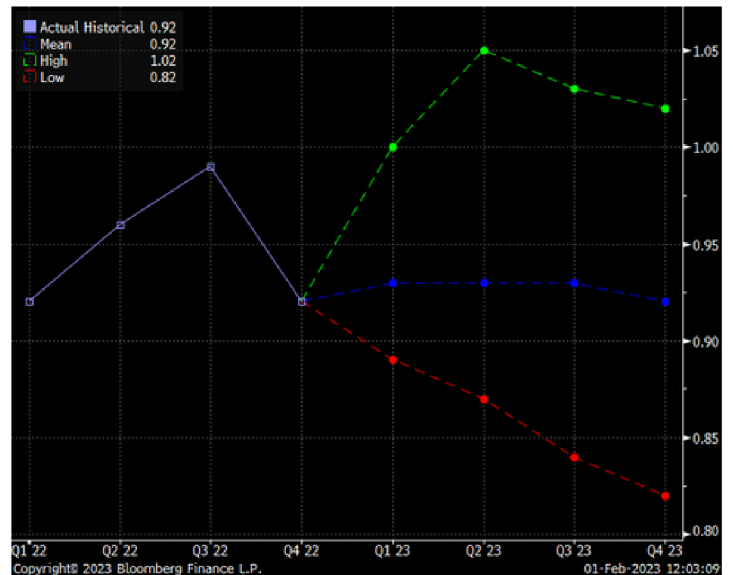


Historical Rates

# USD/CHF

## Market Consensus & Forecast

|      | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------|-------|-------|-------|-------|
| Mean | 0.93  | 0.93  | 0.93  | 0.92  |
| High | 1     | 1.05  | 1.03  | 1.02  |
| Low  | 0.89  | 0.87  | 0.84  | 0.82  |



Consensus Forecast

## Forecast by Institution

|                              | As of:   | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------------------------------|----------|-------|-------|-------|-------|
| Prestige Economics LLC       | 01/31/23 | 0.91  | 0.9   | 0.89  | 0.88  |
| Rabobank                     | 01/31/23 | 0.93  | 0.95  | 0.93  | 0.91  |
| Wells Fargo                  | 01/25/23 | 0.93  | 0.92  | 0.92  | 0.91  |
| BBVA                         | 01/24/23 | 0.95  | 1     | 1     | 1     |
| Credit Agricole CIB          | 01/20/23 | 0.92  | 0.9   | 0.89  | 0.89  |
| Commerzbank                  | 01/20/23 | 0.94  | 0.95  | 0.94  | 0.94  |
| NAB/BNZ                      | 01/20/23 | 0.89  | 0.87  | 0.84  | 0.82  |
| Standard Chartered           | 01/20/23 | 0.97  | 0.99  | 0.98  | 0.97  |
| Bank Julius Baer             | 01/19/23 | 0.91  | 0.9   | 0.9   | 0.9   |
| Cinkciarz.pl                 | 01/18/23 | 0.93  | 0.93  | 0.92  | 0.91  |
| JPMorgan Chase               | 01/17/23 | 0.9   | 0.89  | 0.9   | 0.89  |
| Oversea-Chinese Banking Corp | 01/17/23 | 0.93  | 0.92  | 0.92  | 0.91  |
| ABN Amro                     | 01/16/23 | 0.93  | 0.94  | 0.94  | 0.92  |
| Capital Economics            | 01/13/23 | 1     | 1.05  | 1.03  | 1     |
| Danske Bank                  | 01/13/23 | 0.93  | 0.94  | 0.95  | 0.96  |
| Morgan Stanley               | 01/13/23 | 0.93  | 0.91  | 0.9   | 0.9   |
| Nomura Bank International    | 01/13/23 | 0.93  | 0.93  | 0.93  | 0.92  |

# USD/CAD



The Loonie gained more than 1% in January as the dollar fell and oil prices rose. Crude oil, one of Canada's primary exports, was trading above \$88 per barrel, reflecting continued optimism about fuel demand. Meanwhile, the Bank of Canada hiked its overnight rate to 4.50% in January, the highest level since 2007, while signaling the end of its aggressive tightening cycle.

Policymakers anticipate that the Canadian economy will stall at the start of 2023 before resuming growth near the end of the year, resulting in 1% growth in 2023 and 2% growth in 2024. A tighter monetary policy is already stifling domestic demand and dragging down economic growth.

## What To Watch For This Month

### **02/10/2023 Unemployment Rate**

Unemployment readings are expected to remain unchanged at 5%.

### **02/21/2023 Consumer Price Index**

Canadian policymakers are set to confirm whether inflation peaked already keeping the last readings at 6.3% annualized as the benchmark level.

### **01/31/2023 Gross Domestic Product**

The previous reading showed that the economy expanded 2.9% on a yearly basis, showing a slight slowdown in the pace of growth.

## Economic Indicators

Bank of Canada Forecast

| Forecast         | 2021 | 2022 | 2023 | 2024 |
|------------------|------|------|------|------|
| Real GDP (YOY%)  | 5.20 | 3.60 | 1.0  | 1.8  |
| CPI (YOY%)       | 3.40 | 6.8  | 3.6  | 2.30 |
| Unemployment (%) | 7.51 | --   | --   | --   |

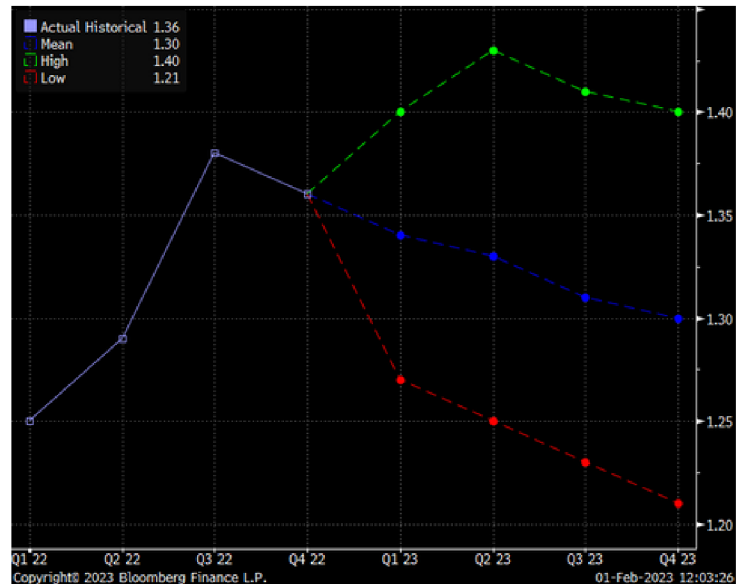


Historical Rates

# USD/CAD

## Market Consensus & Forecast

|      | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------|-------|-------|-------|-------|
| Mean | 1.34  | 1.33  | 1.31  | 1.3   |
| High | 1.4   | 1.43  | 1.41  | 1.4   |
| Low  | 1.27  | 1.25  | 1.23  | 1.21  |



Consensus Forecast

## Forecast by Institution

|                        | As of:   | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------------------------|----------|-------|-------|-------|-------|
| Prestige Economics LLC | 01/31/23 | 1.32  | 1.3   | 1.29  | 1.28  |
| Rabobank               | 01/31/23 | 1.34  | 1.35  | 1.37  | 1.37  |
| Wells Fargo            | 01/25/23 | 1.35  | 1.34  | 1.33  | 1.32  |
| BBVA                   | 01/24/23 | 1.35  | 1.35  | 1.31  | 1.29  |
| Credit Agricole CIB    | 01/20/23 | 1.32  | 1.29  | 1.26  | 1.23  |
| Commerzbank            | 01/20/23 | 1.34  | 1.32  | 1.3   | 1.28  |
| DZ Bank                | 01/20/23 | 1.35  | 1.34  | 1.32  | 1.31  |
| NAB/BNZ                | 01/20/23 | 1.3   | 1.28  | 1.27  | 1.25  |
| Standard Chartered     | 01/20/23 | 1.3   | 1.28  | 1.27  | 1.26  |
| Bank Julius Baer       | 01/19/23 | 1.34  | 1.34  | 1.32  | 1.31  |
| Cinkciarz.pl           | 01/18/23 | 1.32  | 1.29  | 1.28  | 1.27  |
| ATB FINANCIAL          | 01/17/23 | 1.32  | 1.29  | 1.27  | 1.26  |
| JPMorgan Chase         | 01/17/23 | 1.32  | 1.35  | 1.4   | 1.4   |
| ABN Amro               | 01/16/23 | 1.36  | 1.38  | 1.35  | 1.3   |
| ING Financial Markets  | 01/16/23 | 1.36  | 1.33  | 1.28  | 1.26  |
| Capital Economics      | 01/13/23 | 1.4   | 1.43  | 1.41  | 1.39  |
| Danske Bank            | 01/13/23 | 1.36  | 1.38  | 1.38  | 1.38  |
| Morgan Stanley         | 01/13/23 | 1.34  | 1.31  | 1.28  | 1.26  |
| Swedbank               | 01/13/23 | 1.32  | 1.3   | 1.28  | 1.25  |
| UniCredit              | 01/13/23 | 1.33  | 1.32  | 1.3   | 1.28  |
| Citigroup              | 01/12/23 | 1.38  | 1.34  | 1.3   | 1.29  |

# USD/CNY

Last month, the Yuan gained 2.13% against the dollar, aided by positive reports on industrial and service activity. In addition, the rise was fueled by China's quick reopening from Covid limitations and the PBoC's supportive monetary policy. Moreover, China pledged to stimulate consumption and imports in Asia's biggest economy.

According to the most recent figures, China's GDP rose 2.9% year on year in the fourth quarter, down from 3.9% in the previous quarter but above estimates of a 1.8% increase. Strong holiday spending and tourism numbers during the week-long Lunar New Year celebrations have bolstered confidence in the country's continuing economic growth.



## What To Watch For This Month

### **02/10/2023 CPI (Jan)**

Inflation is expected to spike in China, jumping from 1.8% to 2.3% on an annualized basis. This could affect the stance of policymakers moving forward

### **02/20/2023 PBoC Interest Rate Decision**

Amid the recent outburst of Covid and the latest lockdowns, the monetary policy stance has been expansionary. Amid shifts in inflation, markets will stay tuned to hints of policy adjustments.

### **02/28/2023 NBS Manufacturing PMI**

PMI will provide insight to assess the economic activity in China and its recovery from the latest wave of Covid, which had impact over supply chains.

## Economic Indicators

People's Bank of China Forecast

| Forecast         | 2021 | 2022 | 2023 | 2024 |
|------------------|------|------|------|------|
| Real GDP (YOY%)  | 8.40 | 3.00 | 5.1  | 5.00 |
| CPI (YOY%)       | 0.92 | 2.00 | 2.3  | 2.2  |
| Unemployment (%) | 3.96 | 4.90 | 4.05 | 4.03 |

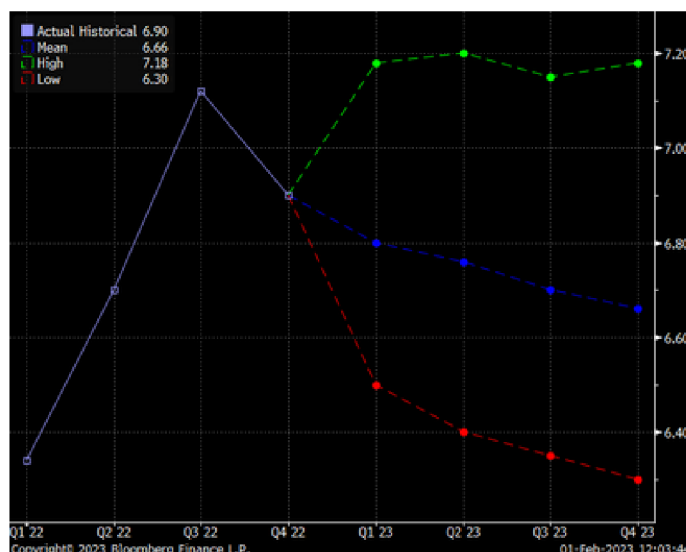


Historical Rates

# USD/CNY

## Market Consensus & Forecast

|      | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------|-------|-------|-------|-------|
| Mean | 7.05  | 6.76  | 6.7   | 6.66  |
| High | 7.42  | 7.2   | 7.15  | 7.18  |
| Low  | 6.3   | 6.4   | 6.35  | 6.3   |



Consensus Forecast

## Forecast by Institution

|                        | As of:   | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------------------------|----------|-------|-------|-------|-------|
| Prestige Economics LLC | 01/31/23 | 6.7   | 6.7   | 6.6   | 6.5   |
| Rabobank               | 01/31/23 | 6.85  | 6.83  | 6.73  | 6.67  |
| CICC                   | 01/30/23 | 6.8   | 6.85  | 6.65  | 6.55  |
| Wells Fargo            | 01/25/23 | 6.76  | 6.72  | 6.68  | 6.64  |
| BBVA                   | 01/24/23 | 6.82  | 7.02  | 7.12  | 7.18  |
| Commerzbank            | 01/20/23 | 6.75  | 6.6   | 6.5   | 6.5   |
| DZ Bank                | 01/20/23 | 6.77  | 6.6   | 6.47  | 6.42  |
| NAB/BNZ                | 01/20/23 | 6.75  | 6.6   | 6.5   | 6.5   |
| Standard Chartered     | 01/20/23 | 6.7   | 6.8   | 6.8   | 6.75  |
| Credit Agricole CIB    | 01/18/23 | 6.75  | 6.65  | 6.65  | 6.6   |
| Cinkciarz.pl           | 01/18/23 | 6.8   | 7     | 6.9   | 6.8   |
| JPMorgan Chase         | 01/17/23 | 6.8   | 6.75  | 6.75  | 6.75  |
| ABN Amro               | 01/16/23 | 6.8   | 6.8   | 6.7   | 6.7   |
| ING Financial Markets  | 01/16/23 | 6.9   | 6.77  | 6.75  | 6.72  |
| Capital Economics      | 01/13/23 | 6.8   | 6.8   | 6.65  | 6.5   |
| Morgan Stanley         | 01/13/23 | 6.68  | 6.55  | 6.6   | 6.65  |
| UniCredit              | 01/13/23 | 6.8   | 6.75  | 6.7   | 6.65  |
| Citigroup              | 01/12/23 | 6.77  | 6.71  | 6.66  | 6.68  |
| Mizuho Bank            | 01/12/23 | 6.95  | 6.9   | 6.8   | 6.7   |
| Mouvement Desjardins   | 01/11/23 | 7     | 7.2   | 7.15  | 7.1   |
| Barclays               | 01/09/23 | 7     | 7     | 6.8   | 6.7   |

# USD/BRL



The Brazilian Real kicked off the year on the right foot, enjoying a strong appreciation against the U.S. dollar as risk appetite rose and local yields eased modestly. Simultaneously, the ongoing and persistent fiscal risks are the main reason that keeps investors cautious.

The currency pair is trading back below 5.10 and, the market players are closely monitoring a potential break back below the psychological 5.00 level. Looking forward, China's economy reopening should be the primary driver for the USDBRL, as it would boost the Brazilian payment balance and provide some support to currency.

## What To Watch For This Month

### 02/09/2023 IBGE Inflation IPCA

IBGE released an inflation reading at 5.79% annualized on their latest report and investor will remain tuned to confirm an easing trend of price activity is sustained.

### 02/09/2023 Retail Sales

Retail sales released 1.5% in their previous release and these will provide good insight into the economic activity.

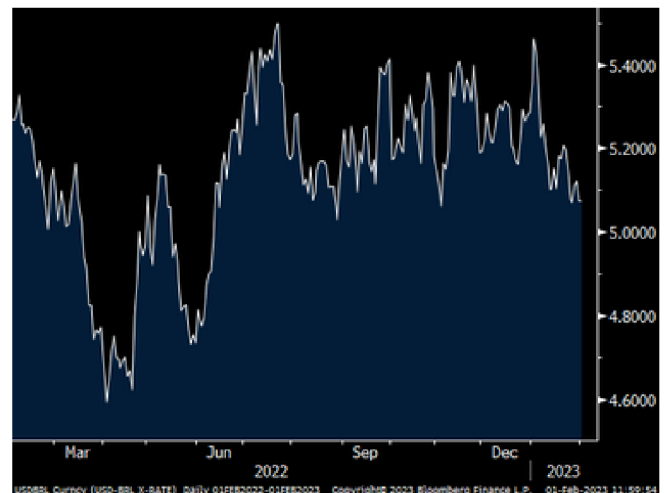
### 02/28/2023 Unemployment

As inflation starts to hint at a pullback, economists will stay tuned to see any particular reaction in the unemployment front set at 8.1% previously.

## Economic Indicators

Brazil's Central Bank Forecast

| Forecast        | 2021 | 2022  | 2023  | 2024 |
|-----------------|------|-------|-------|------|
| Real GDP (YOY%) | 5.17 | 3.00  | 0.80  | 1.80 |
| CPI (YOY%)      | 8.29 | 9.30  | 4.9   | 4.0  |
| Policy Rate (%) | 9.25 | 13.75 | 11.90 | 9.15 |



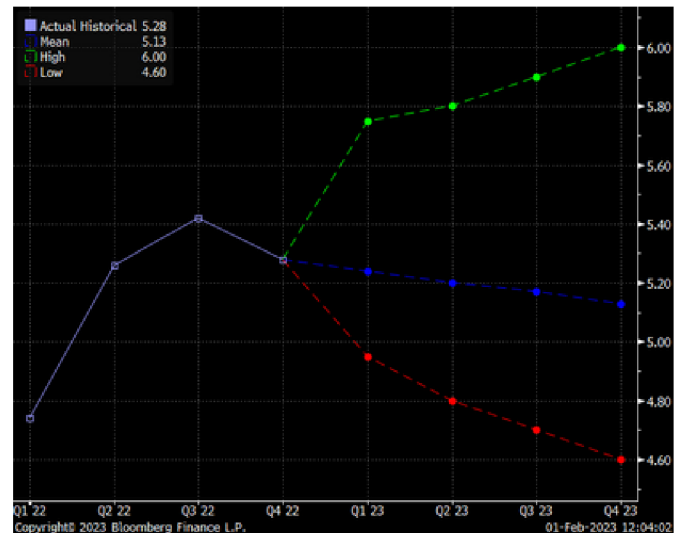
Historical Rates



# USD/BRL

## Market Consensus & Forecast

|      | Q1 23 | Q2 23 | Q4 23 | Q4 23 |
|------|-------|-------|-------|-------|
| Mean | 5.24  | 5.2   | 5.17  | 5.13  |
| High | 5.75  | 5.8   | 5.9   | 6     |
| Low  | 4.95  | 4.8   | 4.7   | 4.6   |



Consensus Forecast

## Forecast by Institution

|                           | As of:   | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|---------------------------|----------|-------|-------|-------|-------|
| Rabobank                  | 01/31/23 | 5.13  | 5.13  | 5.18  | 5.23  |
| Wells Fargo               | 01/25/23 | 5.05  | 5     | 4.95  | 4.9   |
| BBVA                      | 01/24/23 | 5.18  | 5.2   | 5.16  | 5.21  |
| DZ Bank                   | 01/20/23 | 5.1   | 5.03  | 5     | 5     |
| Standard Chartered        | 01/20/23 | 5.05  | 5     | 4.95  | 4.9   |
| Bank Julius Baer          | 01/19/23 | 5     | 4.95  | 4.95  | 5     |
| Cinkciarz.pl              | 01/18/23 | 5.2   | 4.95  | 4.75  | 4.6   |
| JPMorgan Chase            | 01/17/23 | 5.25  | 5.15  | 5.25  | 5.5   |
| ABN Amro                  | 01/16/23 | 5.1   | 5     | 4.9   | 4.8   |
| ING Financial Markets     | 01/16/23 | 5.75  | 5.8   | 5.9   | 6     |
| Capital Economics         | 01/13/23 | 5.38  | 5.5   | 5.38  | 5.25  |
| Morgan Stanley            | 01/13/23 | 5.15  | 5.25  | 5.2   | 5.15  |
| Nomura Bank International | 01/13/23 | 5.4   | 5.3   | 5.25  | 5.2   |
| Citigroup                 | 01/12/23 | 5.34  | 5.32  | 5.3   | 5.29  |
| Mizuho Bank               | 01/12/23 | 5.2   | 5.13  | 5.05  | 5     |
| Barclays                  | 01/09/23 | 5.2   | 5.2   | 5.05  | 5     |
| MUFG                      | 12/02/22 | 5.58  | 5.55  | 5.53  | 5.5   |
| MPS Capital Services      | 11/30/22 | 5.33  | 5.47  | 5.56  | 5.46  |
| BNP Paribas               | 11/17/22 | 5.3   | 5.3   | 5.2   | 5.2   |

# USD/MXN



Market players are expecting that the Mexican peso can continue its good start to the year, although some uncertainties linger, including questions over China's pace of recovery, the Fed and geopolitics. On the other hand, a consistently hawkish tone from Banxico and high carry have been major instigators for the MXN's good performance.

The next interest rate meeting occurs on the 9th of February and Mexico's high level of nominal rates continues to offer foreign investors a good reason to favor the MXN.

## What To Watch For This Month

### 02/09/2023 Consumer Price Index

Inflation reading in January reported prices increased 7.8% on an annualized basis and remain stable since December.

### 02/09/2023 Overnight Rate

Banxico is likely to sustain its monetary policy as inflation remains stable for the past couple of months. The current benchmark rate is set at 10.5%.

### 02/24/2023 Gross Domestic Product

Growth estimations for Q4-22 are expected to be released towards the end of the month. Latest updates suggest that the economy should grow around 4.8% for the full year of 2022.

## Economic Indicators

Banco de Mexico Forecast

| Forecast         | 2021 | 2022 | 2023 | 2024 |
|------------------|------|------|------|------|
| Real GDP (YOY%)  | 4.80 | 3.00 | 1.20 | 1.90 |
| CPI (YOY%)       | 5.68 | 7.9  | 5.70 | 4.00 |
| Unemployment (%) | 4.14 | 3.40 | 3.63 | 3.60 |

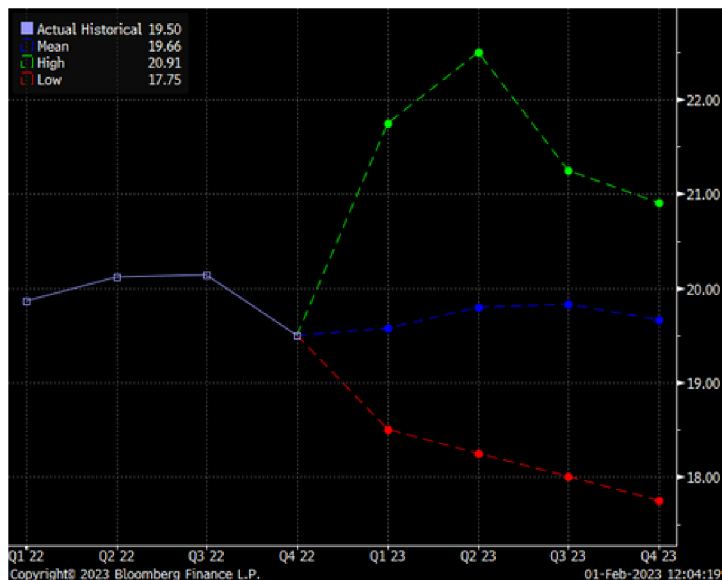


Historical Rates

# USD/MXN

## Market Consensus & Forecast

|      | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------|-------|-------|-------|-------|
| Mean | 19.58 | 19.8  | 19.83 | 19.66 |
| High | 21.75 | 22.5  | 21.25 | 20.91 |
| Low  | 18.5  | 18.25 | 18    | 17.75 |



Consensus Forecast

## Forecast by Institution

|                        | As of:   | Q1 23 | Q2 23 | Q3 23 | Q4 23 |
|------------------------|----------|-------|-------|-------|-------|
| Prestige Economics LLC | 01/31/23 | 18.5  | 18.4  | 18.3  | 18.2  |
| Rabobank               | 01/31/23 | 19    | 19.6  | 20.07 | 20.4  |
| Klarity FX             | 01/25/23 | 19.25 | 19.5  | 19.5  | 19.75 |
| Wells Fargo            | 01/25/23 | 18.5  | 18.25 | 18    | 17.75 |
| BBVA                   | 01/24/23 | 18.93 | 19.4  | 19.54 | 19.68 |
| DZ Bank                | 01/20/23 | 19.26 | 19.83 | 20    | 20    |
| Standard Chartered     | 01/20/23 | 19.4  | 19.35 | 19.25 | 19.1  |
| Bank Julius Baer       | 01/19/23 | 19.3  | 19.6  | 19.6  | 19.5  |
| Banorte                | 01/18/23 | 19.34 | 19.37 | 20.3  | 20.2  |
| Cinkciarz.pl           | 01/18/23 | 20    | 20.5  | 21    | 20.5  |
| JPMorgan Chase         | 01/17/23 | 19.5  | 19.5  | 19.75 | 19.75 |
| ING Financial Markets  | 01/16/23 | 20    | 19.5  | 19.25 | 19    |
| Morgan Stanley         | 01/13/23 | 19.4  | 19.5  | 19.6  | 20    |
| Citigroup              | 01/12/23 | 19.6  | 20    | 20.3  | 20.4  |
| Mizuho Bank            | 01/12/23 | 19.8  | 19.9  | 20.1  | 20.3  |
| Mouvement Desjardins   | 01/11/23 | 20.25 | 20.25 | 20    | 19.5  |
| Barclays               | 01/09/23 | 19.5  | 19.25 | 19    | 19    |
| RBC Capital Markets    | 12/15/22 | 19.5  | 20    | 20.3  | 19.5  |
| MUFG                   | 12/02/22 | 19.8  | 19.9  | 20    | 20.1  |
| BNP Paribas            | 11/17/22 | 20    | 20.5  | 20.5  | 20.5  |

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