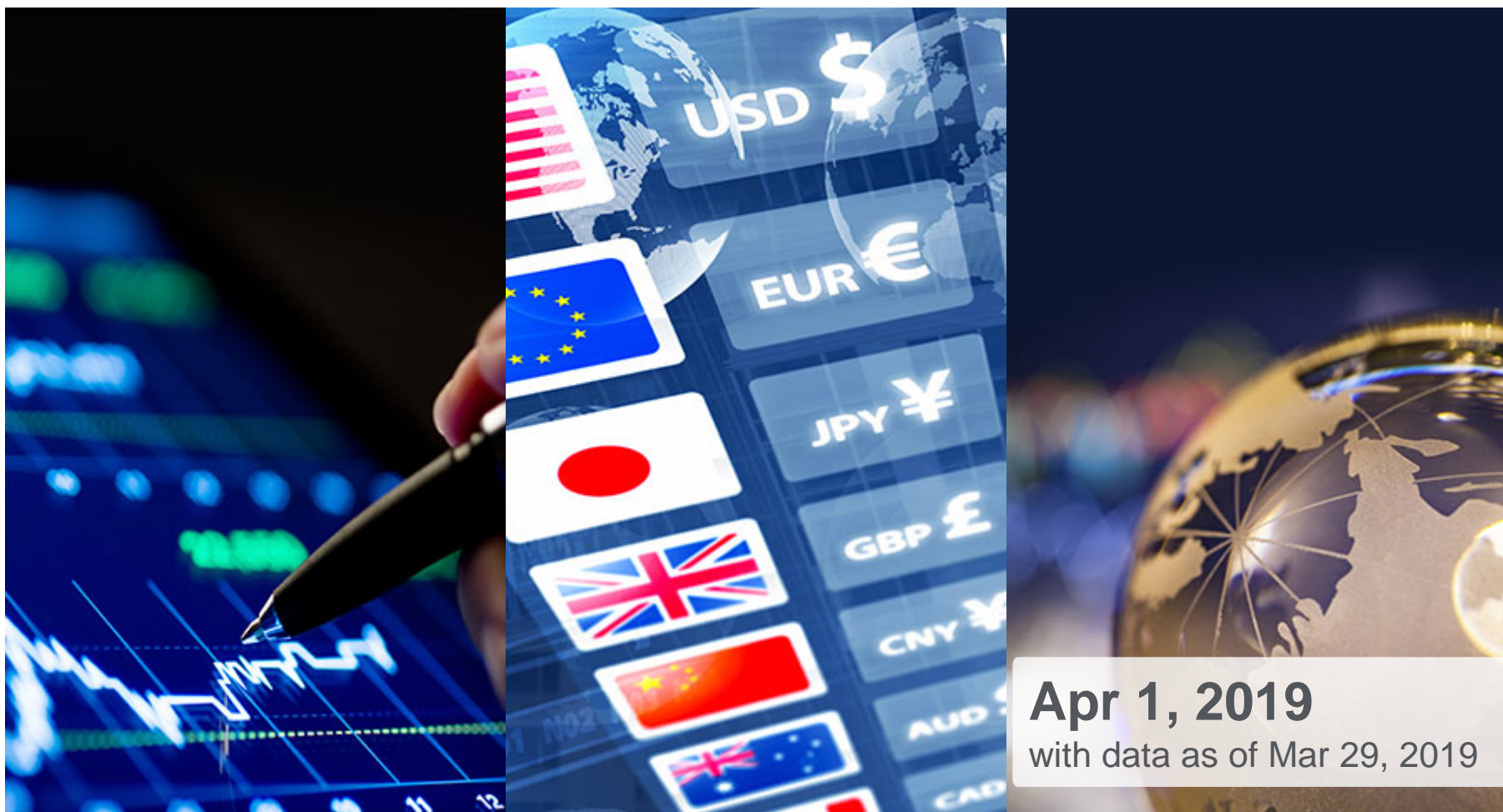


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Citibank Wealth Management



Apr 1, 2019
with data as of Mar 29, 2019

Weekly FX Strategy

FX Analysis

Data Forecasts

Weekly FX Insight

Please note and carefully read the
Important Disclosure on the last part



Weekly FX Strategy: CAD

CAD news

- Despite falling oil prices, Canada's GDP still grew 0.3% in Jan, better than expected, which supported CAD.
- US data remain weak with new housing starts dropping 8.7% in Feb and GDP slowing down to an annualized growth rate of 2.2% in 4Q18, both worse than expected.
- Several risk factors elsewhere were weighing heavily on assets: Brexit, dovish ECB speakers, and wobbles in high-yielding FX currencies, which supported the USD and undermined CAD.

CAD outlook

- We expect Canada's activity to rebound later this year, supporting their view for another hike by the BoC in H2 2019. In addition, BoC may not always follow the Fed. We forecast mild CAD appreciation against this medium term projection.

0-3M forecast: 1.32

6-12M forecast: 1.31

LT forecast: 1.20

USD/CAD – Daily Chart



Source: Bloomberg L.P., as of Mar 29, 2019

- USD/CAD tested 1.3450 level two times in March but failed to sustain, reflecting a major resistance in this level. The pair may range trade between 1.3120-1.3457 in short term.

Strategy for CAD holders - Diversify into USD

- On Friday US will release job data and we expect non-farm payroll may grow by 170k in Mar, far above Feb's 20k, which may support the USD.
- Canada's inflation rose 1.5% yoy, lower than the central bank's target level of 2%. The BoC may not hike rates in the short term, which may restrain CAD.



| Strategy | | Reference Level | Target Level |
|----------------|-----|-----------------|--------------|
| Bearish on CAD | USD | 1.3120 | 1.3457 |
| Bearish on CAD | HKD | 5.98 | 5.83 |

Strategy for USD holders - Buy CAD upon retracement

- We revised up the Q2, Q3, Q4 Brent oil forecasts to \$69, \$74, \$72, \$65 respectively, which may benefit CAD.
- Among commodity currencies, the RBA and RBNZ are more dovish while the BoC is more hawkish, which may underpin CAD.



| Strategy | | Reference Level | Target Level |
|----------------|-----|-----------------|--------------|
| Bullish on CAD | USD | 1.3457 | 1.3120 |
| Bullish on CAD | HKD | 5.83 | 5.98 |

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8500 exchange rate for reference



Weekly FX Strategy: EUR

EUR news

- The IMF's data showed the USD share of currency reserves fell to the lowest level since 2013 in the 4th quarter in 2018 while the EUR share increased.
- ECB Governor Draghi said to delay rate hikes further if necessary. He also mentioned the ECB would analyze measures to mitigate side effects of negative interest rates.
- The vote on the Withdrawal Agreement was lost by 344 votes to 286 in UK Parliament. President of European Council Donald Tusk calls for emergency summit on 10th April. To avoid No Deal on 12th April, UK needs extension or alternative plan agreed by parliament and with the EU.

EUR outlook

- EUR includes EA economic data recovering relative to the US and ECB LSAP taper, which may reduce debt outflows.

0-3M forecast: 1.14

6-12M forecast: 1.18

LT forecast: 1.30

EUR/USD – Daily Chart



Source: Bloomberg L.P., as of Mar 29, 2019

- EUR/USD has remained range-bound since Nov 2018. The pair may range trade between 1.1177-1.1514 in the short term.

Strategy for EUR holders - Diversify into USD

- The ECB was more dovish than markets had expected. We pushed back the rate hike timing forecast to 1Q21, which may undermine EUR.
- The ECB will implement TLTRO-III in Sep. Dovish stance may pressure EUR.



| Strategy | | Reference Level | Target Level |
|----------------|-----|-----------------|--------------|
| Bearish on EUR | USD | 1.1514 | 1.1177 |
| Bearish on EUR | HKD | 9.04 | 8.77 |

Strategy for USD holders - Buy EUR upon retracement

- In our view, EA economic data may start recovering relative to the US in 2Q19, which may underpin EUR.
- We expect the Fed not to hike rates this year and may end its balance sheet reduction in Sep, which may undermine USD and underpin EUR.



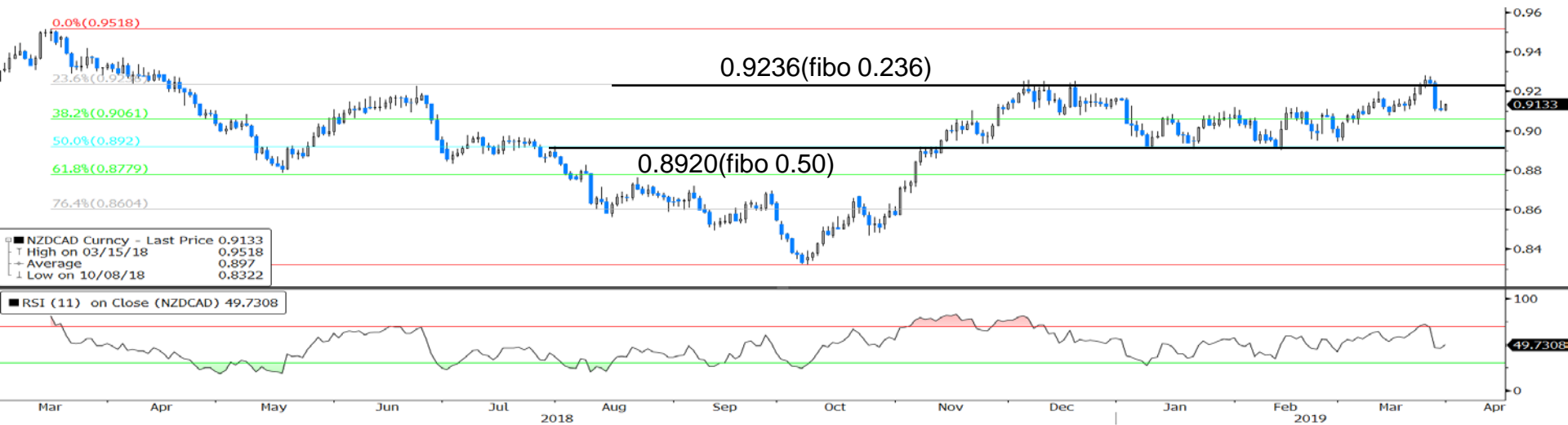
| Strategy | | Reference Level | Target Level |
|----------------|-----|-----------------|--------------|
| Bullish on EUR | USD | 1.1177 | 1.1514 |
| Bullish on EUR | HKD | 8.77 | 9.04 |

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8500 exchange rate for reference

AUD/NZD



NZD/CAD



Dollar Index

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8500 exchange rate for reference

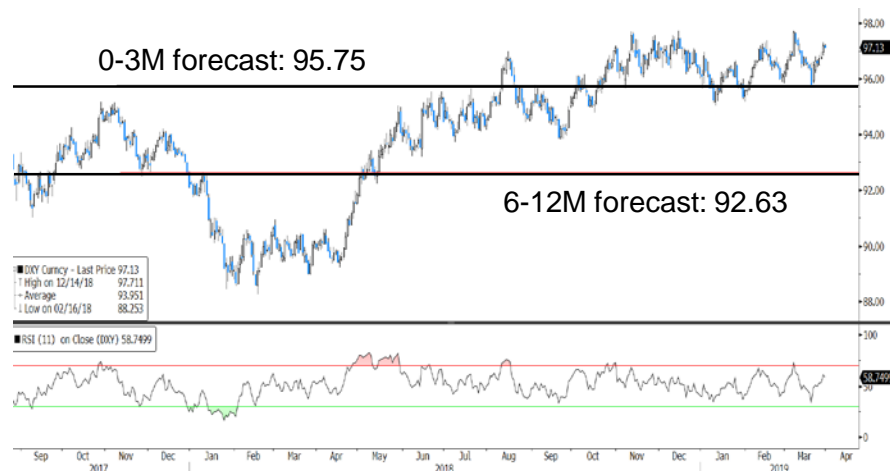
USD outlook:

- As the Fed may not hike rates this year and fiscal boost may fade gradually, USD may lose momentum.
- We expect EA growth recovering relative to the US with slower US activity the bigger driver. This is also medium term USD negative.
- Our point forecasts show the \$ around 1% weaker vs. G10 over 0-3m and around 3-4% weaker over 6-12m.

0-3M forecast: 95.75

6-12M forecast: 92.63

LT forecast: 83.79



Source: Bloomberg L.P., as of Mar 29, 2019

USD/CNH

RMB outlook:

- If the US and China were to reach a minimal agreement (no additional tariff), the subsiding trade war risk would boost more capital inflows into China's onshore capital markets, thus putting pressure for further RMB appreciation. The RMB depreciation would resume again if both countries were unable to reach a minimal agreement and the US were to escalate the trade tension by imposing additional 15% tariffs on US\$200bn Chinese exports.



| | Strategy | Reference Level | Target Level |
|--|----------------|-----------------|--------------|
| | Bearish on CNH | USD | 6.8048 |
| | Bearish on CNH | HKD | 1.1536 |
| | Bullish on CNH | USD | 6.6083 |
| | Bullish on CNH | HKD | 1.1879 |

0-3M forecast: 6.70

6-12M forecast: 6.50

LT forecast: 6.10



Source: Bloomberg L.P., as of Mar 29, 2019

GBP/USD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8500 exchange rate for reference

GBP outlook:

- If there is a longer extension, one would caution the tendency of FX to overshoot. A further 5% rally in TWI GBP would be a 50% retracement from the entire Brexit sell-off. However, GBP may be restrained amid political instability and potential snap elections.



| Strategy | | Reference Level | Target Level |
|----------------|-----|-----------------|--------------|
| Bearish on GBP | USD | 1.3381 | 1.2949 |
| Bearish on GBP | HKD | 10.50 | 10.17 |
| Bullish on GBP | USD | 1.2949 | 1.3381 |
| Bullish on GBP | HKD | 10.17 | 10.50 |

USD/JPY

JPY outlook:

- Slower balance sheet expansion from the BoJ has resulted in further weakness in broad money growth, normally a medium term driver of a stronger JPY. In equity markets, NKY underperformance of SPX has also been significant, another event normally correlated with JPY strength.



| Strategy | | Reference Level | Target Level |
|----------------|-----|-----------------|--------------|
| Bearish on JPY | USD | 108.38 | 112.19 |
| Bearish on JPY | HKD | 7.24 | 7.00 |
| Bullish on JPY | USD | 112.19 | 108.38 |
| Bullish on JPY | HKD | 7.00 | 7.24 |

0-3M forecast: 1.36

6-12M forecast: 1.29

LT forecast: 1.53



Source: Bloomberg L.P., as of Mar 29, 2019

0-3M forecast: 111

6-12M forecast: 105

LT forecast: 93



Source: Bloomberg L.P., as of Mar 29, 2019

AUD/USD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8500 exchange rate for reference

AUD outlook:

- We believe calls for the RBA to cut the cash rate seem premature. In addition, Chinese reflation/ credit creation should start to benefit Australian data momentum. a further escalation of trade tensions looks increasingly unlikely in the near term, as such risk assets and high beta currencies may trade robustly.



| Strategy | | Reference Level | Target Level |
|----------------|-----|-----------------|--------------|
| Bearish on AUD | USD | 0.7394 | 0.7003 |
| Bearish on AUD | HKD | 5.80 | 5.50 |
| Bullish on AUD | USD | 0.7003 | 0.7394 |
| Bullish on AUD | HKD | 5.50 | 5.80 |

NZD/USD

NZD outlook:

- The New Zealand economy remains near the top of the AE growth tables. As such, the RBNZ remains as one of the only two central banks that have held onto their previous tone (neutral) in 2019, reluctant to pivot to the dovish side. We expect NZD to remain range bound as relative short end rate differential may not change significantly.



| Strategy | | Reference Level | Target Level |
|----------------|-----|-----------------|--------------|
| Bearish on NZD | USD | 0.6939 | 0.6720 |
| Bearish on NZD | HKD | 5.45 | 5.28 |
| Bullish on NZD | USD | 0.6720 | 0.6939 |
| Bullish on NZD | HKD | 5.28 | 5.45 |

0-3M forecast: 0.72

6-12M forecast: 0.74

LT forecast: 0.77



Source: Bloomberg L.P., as of Mar 29, 2019

0-3M forecast: 0.68

6-12M Forecast: 0.68

LT Forecast: 0.68



Source: Bloomberg L.P., as of Mar 29, 2019

USD/CHF

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8500 exchange rate for reference

CHF outlook:

- As the global manufacturing slowdown caught up with Switzerland, economic indicators have continued to cool sharply.
- We expect Swiss growth and inflation outlook to further deteriorate. Further rate cuts by the SNB may be needed and the SNB may even expand its balance sheet if necessary.
- Should Italy fears re-escalate, we think the SNB will remain “active in the FX market as necessary.”

0-3M forecast: 1.00

6-12M forecast: 0.98

LT forecast: 0.92

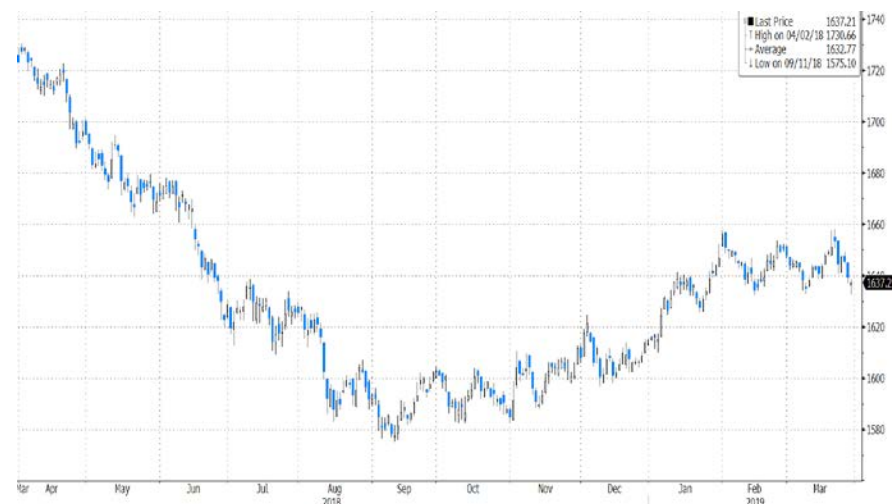


Source: Bloomberg L.P., as of Mar 29, 2019

EM Currencies

EM Currencies outlook:

- We see EM FX broadly flat vs the dollar in 0-3m and -0.5% in 6-12m.
- We expect Asian currencies to strengthen by 1.1% in 6-12m. This is largely driven by a significantly stronger CNY, INR and SGD in spot terms.



Source: Bloomberg L.P., as of Mar 29, 2019

Appendix 1: Last week performance, Citi interest rate and FX Forecasts

Citi FX Outlook Forecast

Citi FX interest rate Forecast

| | 0-3 month | 6-12 month | Long-term | 3/29/2019 | 2Q '19 | 3Q '19 | 4Q '19 |
|--------------|-----------|------------|-----------|-----------|--------|--------|--------|
| Dollar Index | 95.75 | 92.63 | 83.79 | 2.50 | 2.50 | 2.50 | 2.50 |
| EUR/USD | 1.14 | 1.18 | 1.30 | 0.00 | 0.00 | 0.00 | 0.00 |
| GBP/USD | 1.36 | 1.39 | 1.53 | 0.75 | 0.75 | 1.00 | 1.00 |
| USD/JPY | 111 | 105 | 93 | -0.10 | -0.10 | -0.10 | -0.10 |
| USD/CHF | 1.00 | 0.98 | 0.92 | -0.75 | -0.75 | -0.75 | -0.75 |
| AUD/USD | 0.72 | 0.74 | 0.77 | 1.50 | 1.50 | 1.50 | 1.50 |
| NZD/USD | 0.68 | 0.68 | 0.68 | 1.75 | 1.50 | 1.25 | 1.25 |
| USD/CAD | 1.32 | 1.31 | 1.20 | 1.75 | 1.75 | 2.00 | 2.00 |
| USD/CNY | 6.70 | 6.50 | 6.10 | 3.40 | 3.20 | 3.20 | 3.20 |

Source: Citi, forecast as of Mar 20, 2019

 Rate cut expectations

 Rate hike expectations

Major Currencies Weekly Performance

| CCY | Last week close | Weekly Change | 1 month high | 1 month low | 3 month high | 3 month low | 52 week high | 52 week low | Year-To-Date Change |
|---------|-----------------|---------------|--------------|-------------|--------------|-------------|--------------|-------------|---------------------|
| USD | 97.28 | 0.7% | 97.67 | 95.76 | 97.67 | 95.22 | 97.71 | 89.23 | 1.1% |
| EUR/USD | 1.1218 | -0.7% | 1.1413 | 1.1193 | 1.1543 | 1.1193 | 1.2414 | 1.1177 | -2.1% |
| USD/JPY | 110.86 | 0.9% | 111.89 | 109.92 | 111.89 | 107.68 | 114.55 | 104.87 | 1.1% |
| GBP/USD | 1.3035 | -1.3% | 1.3338 | 1.3015 | 1.3338 | 1.2607 | 1.4377 | 1.2441 | 2.1% |
| USD/CAD | 1.3349 | -0.6% | 1.3455 | 1.3297 | 1.3637 | 1.3102 | 1.3665 | 1.2528 | -2.2% |
| AUD/USD | 0.7096 | 0.2% | 0.7135 | 0.7016 | 0.7273 | 0.6985 | 0.7813 | 0.6741 | 0.8% |
| NZD/USD | 0.6804 | -1.1% | 0.6909 | 0.6754 | 0.6916 | 0.6655 | 0.7395 | 0.6425 | 1.4% |
| USD/CHF | 0.9952 | 0.2% | 1.0113 | 0.9920 | 1.0113 | 0.9744 | 1.0128 | 0.9527 | 1.3% |
| USD/CNY | 6.7121 | -0.1% | 6.7390 | 6.6945 | 6.8721 | 6.6872 | 6.9799 | 6.2596 | -2.5% |
| USD/CNH | 6.7232 | 0.0% | 6.7395 | 6.6876 | 6.8830 | 6.6817 | 6.9805 | 6.2549 | -2.3% |
| GOLD | 1292.38 | -1.6% | 1321.90 | 1285.61 | 1340.94 | 1280.47 | 1365.22 | 1160.39 | 0.8% |

Source: Bloomberg L.P., as of Mar 29, 2019

Appendix 2: Last week's Economic Figures

| Time | | Importance | Event | Period | Actual | Survey | Prior |
|------------------|----|------------|---------------------------------|--------|-----------|-----------|-----------|
| Monday | | | | | | | |
| 03/25/19 17:00 | GE | !! | IFO Business Climate | Mar | 99.6 | 98.5 | 98.7 |
| Tuesday | | | | | | | |
| 03/26/19 05:45 | NZ | !! | Trade Balance NZD | Feb | 12m | -200m | -948m |
| 03/26/19 05:45 | NZ | !! | Exports NZD | Feb | 4.82b | 4.70b | 4.33b |
| 03/26/19 05:45 | NZ | !! | Imports NZD | Feb | 4.80b | 4.90b | 5.28b |
| 03/26/19 20:30 | US | !! | Housing Starts MoM | Feb | -8.70% | -1.60% | 11.70% |
| 03/26/19 20:30 | US | !! | Building Permits MoM | Feb | -1.60% | -0.90% | -0.70% |
| 03/26/19 22:00 | US | !! | Conf. Board Consumer Confidence | Mar | 124.1 | 132.5 | 131.4 |
| Wednesday | | | | | | | |
| 03/27/19 09:00 | NZ | !!! | RBNZ Official Cash Rate | Mar | 1.75% | 1.75% | 1.75% |
| 03/27/19 20:30 | CA | ! | Int'l Merchandise Trade | Jan | -4.25b | -3.55b | -4.82b |
| 03/27/19 20:30 | US | !! | Trade Balance | Jan | -\$51.1b | -\$57.0b | -\$59.9b |
| 03/27/19 22:00 | US | !! | Current Account Balance | 4Q | -\$134.4b | -\$130.0b | -\$126.6b |
| Thursday | | | | | | | |
| 03/28/19 20:30 | US | !!! | GDP Annualized QoQ | 4Q | 2.20% | 2.30% | 2.60% |
| 03/28/19 20:30 | US | ! | Initial Jobless Claims | Mar | 211k | 220k | 216k |
| 03/28/19 22:00 | US | !! | Pending Home Sales NSA YoY | Feb | -5.00% | -3.00% | -3.30% |
| Friday | | | | | | | |
| 03/29/19 05:00 | NZ | ! | ANZ Consumer Confidence MoM | Mar | 0.80% | -- | -0.70% |
| 03/29/19 05:45 | NZ | ! | Building Permits MoM | Feb | 1.90% | | 13.60% |
| 03/29/19 08:01 | UK | ! | GfK Consumer Confidence | Mar | -13 | -14 | -13 |
| 03/29/19 08:30 | AU | !! | Private Sector Credit YoY | Feb | 4.20% | 4.20% | 4.30% |
| 03/29/19 17:30 | UK | !! | GDP YoY | 4Q | 1.40% | 1.30% | 1.30% |
| 03/29/19 20:30 | CA | !! | GDP YoY | Jan | 1.60% | 1.30% | 1.10% |
| 03/29/19 20:30 | US | !! | Personal Income | Feb | 0.20% | 0.30% | -0.10% |
| 03/29/19 20:30 | US | !! | Personal Spending | Jan | 0.10% | 0.30% | -0.60% |
| 03/29/19 22:00 | US | !! | U. of Mich. Sentiment | Mar | 98.4 | 97.8 | 97.8 |

Appendix 3: Upcoming Economic Figures (Apr 1, 2019 – Apr 5, 2019)

| Time | | Importance | Event | Period | Actual | Survey | Prior |
|------------------|----|------------|-----------------------------------|--------|--------|--------|----------|
| Monday | | | | | | | |
| 04/01/19 07:50 | JN | !! | Tankan Large Mfg Outlook | 1Q | -- | -- | 15 |
| 04/01/19 08:30 | AU | ! | NAB Business Conditions | Mar | -- | -- | 4 |
| 04/01/19 16:00 | EC | !! | Markit Eurozone Manufacturing PMI | Mar | -- | -- | -- |
| 04/01/19 16:30 | UK | !! | Markit UK PMI Manufacturing SA | Mar | -- | -- | 52 |
| 04/01/19 20:30 | US | !!! | Retail Sales Advance MoM | Feb | -- | 0.20% | 0.20% |
| 04/01/19 20:30 | US | !!! | Retail Sales Ex Auto MoM | Feb | -- | 0.40% | 0.90% |
| 04/01/19 22:00 | US | !! | ISM Manufacturing | Mar | -- | -- | 54.2 |
| Tuesday | | | | | | | |
| 04/02/19 08:30 | AU | ! | Building Approvals YoY | Feb | -- | -- | -28.60% |
| 04/02/19 11:30 | AU | !! | RBA Cash Rate Target | Apr | -- | 1.50% | 1.50% |
| 04/02/19 20:30 | US | !! | Durable Goods Orders | Feb | -- | -- | 0.30% |
| 04/02/19 20:30 | US | !! | Durables Ex Transportation | Feb | -- | -- | -0.20% |
| Wednesday | | | | | | | |
| 04/03/19 08:30 | AU | !! | Retail Sales MoM | Feb | -- | -- | 0.10% |
| 04/03/19 08:30 | AU | !! | Trade Balance | Feb | -- | -- | A\$4549m |
| 04/03/19 16:00 | EC | !! | Markit Eurozone Services PMI | Mar | -- | -- | -- |
| 04/03/19 16:30 | UK | !! | Markit/CIPS UK Services PMI | Mar | -- | -- | 51.3 |
| 04/03/19 20:15 | US | !! | ADP Employment Change | Mar | -- | -- | 183k |
| 04/03/19 22:00 | US | !! | ISM Non-Manufacturing Index | Mar | -- | -- | 59.7 |
| Thursday | | | | | | | |
| 04/04/19 20:30 | US | ! | Initial Jobless Claims | Mar | -- | -- | -- |
| 04/04/19 22:00 | CA | !! | Ivey Purchasing Managers Index SA | Mar | -- | -- | 50.6 |
| Friday | | | | | | | |
| 04/05/19 20:30 | CA | !! | Net Change in Employment | Mar | -- | -- | 55.9k |
| 04/05/19 20:30 | CA | !! | Unemployment Rate | Mar | -- | -- | 5.80% |
| 04/05/19 20:30 | US | !!! | Change in Nonfarm Payrolls | Mar | -- | -- | 20k |
| 04/05/19 20:30 | US | !!! | Unemployment Rate | Mar | -- | -- | 3.80% |
| 04/05/19 20:30 | US | !!! | Average Hourly Earnings YoY | Mar | -- | -- | 3.40% |

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Higher Credit Risk – Unrated or non investment grade Debt Securities generally have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. There is greater risk of non-payment of interest and loss of principal. Many issuers of these Debt Securities have experienced substantial difficulties in servicing their debt obligations, which has led to default and restructurings. The issuers of these Debt Securities generally have to pay a higher rate of interest than investment grade Debt Securities.

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RMB is currently not freely convertible through banks in Hong Kong. Due to exchange controls and/or restrictions imposed on the convertibility, utilisation or transferability of RMB (if any) which in turn is affected by, amongst other things, the PRC government's control, there is no guarantee that disruption in the transferability, convertibility or liquidity of RMB will not occur. There is thus a likelihood that you may not be able to convert RMB received into other freely convertible currencies.

CNH exchange rates and CNY exchange rates are currently quoted in different markets with different exchange rates, whereby their exchange rate movements may not be in the same direction or magnitude. Therefore, the CNH exchange rate may be different from the CNY exchange rate.