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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.

Shopping Cart Icon	Strategy	Reference Level	Target Level
	Bearish on CAD	USD	1.3120
	Bearish on CAD	HKD	5.98

## 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.

Shopping Cart Icon	Strategy	Reference Level	Target Level
	Bullish on CAD	USD	1.3457
	Bullish on CAD	HKD	5.83

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 4<sup>th</sup> 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
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## 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
Bearish on EUR	HKD	9.04

## 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
Bullish on EUR	HKD	8.77

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



# AUD/NZD



# NZD/CAD





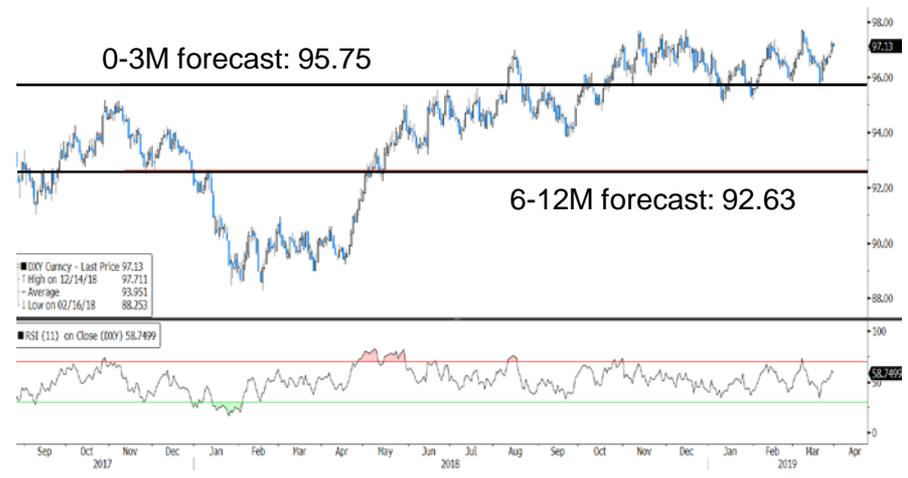
# Dollar Index

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.

0-3M forecast: 6.70    6-12M forecast: 6.50    LT forecast: 6.10



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

Shopping Cart Icon	Strategy		Reference Level	Target Level
	Bearish on CNH	USD	6.8048	6.6083
	Bearish on CNH	HKD	1.1536	1.1879
	Bullish on CNH	USD	6.6083	6.8048
	Bullish on CNH	HKD	1.1879	1.1536

# 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

0-3M forecast: 1.36    6-12M forecast: 1.29    LT forecast: 1.53



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

# 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: 111    6-12M forecast: 105    LT forecast: 93



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



# AUD/USD

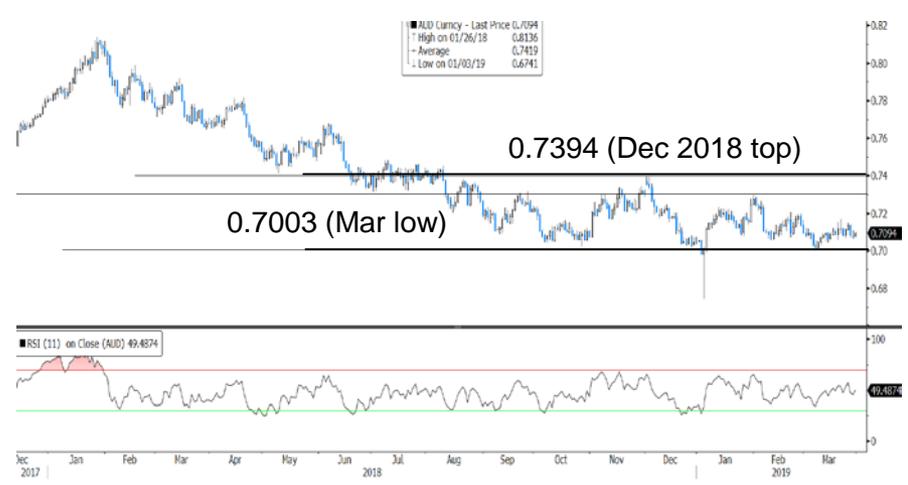
The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8500 exchange rate for reference

## 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

0-3M forecast: 0.72      6-12M forecast: 0.74      LT forecast: 0.77



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

# 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: 0.68      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

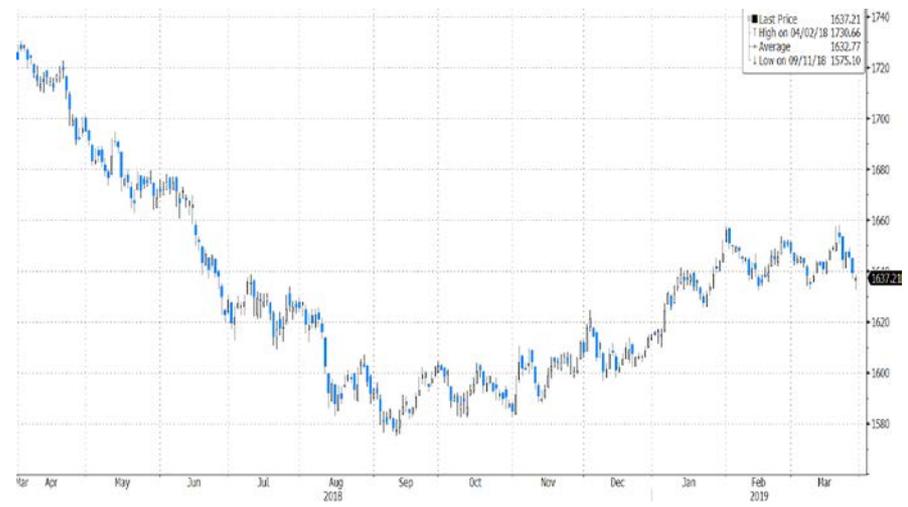


Source: Bloomberg L.P., as of Mar 29, 2019

# 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
<b>Monday</b>							
03/25/19 17:00	GE	!!	IFO Business Climate	Mar	99.6	98.5	98.7
<b>Tuesday</b>							
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
<b>Wednesday</b>							
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
<b>Thursday</b>							
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%
<b>Friday</b>							
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
<b>Monday</b>							
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
<b>Tuesday</b>							
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%
<b>Wednesday</b>							
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
<b>Thursday</b>							
04/04/19 20:30	US	!	Initial Jobless Claims	Mar	--	--	--
04/04/19 22:00	CA	!!	Ivey Purchasing Managers Index SA	Mar	--	--	50.6
<b>Friday</b>							
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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**Downgrade Risk** – Downgrades in the credit rating of unrated or non investment grade Debt Securities by rating agencies are generally accompanied by declines in the market value of these Debt Securities. In some circumstances, investors in the unrated or non investment grade Debt Securities market may anticipate such downgrades as a result of these credits being placed on "credit watch" by rating agencies, causing volatility and speculation of further credit deterioration.

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**Risk relating to RMB** – If you choose RMB as the base currency or the alternate currency, you should also note the following:

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.