

## EUR/USD and NZD/USD trading in line with long-term fair values

- The USD's long-term fair value had a mixed Q424 according to our G10 VALFeX fair value model, increasing vs the EUR, CHF, JPY and NOK but declining vs the AUD, CAD, SEK, GBP and NZD. This reflected the impact of drivers like the improving relative US productivity that contrasted with the USD's fading real rate and yield advantage as well as its deteriorating relative external position. We also note that the USD's fair value benefitted from improving US commodity terms-of-trade vs G10 commodity importers but suffered from worsening US commodity terms-of-trade vs most G10 commodity exporters bar Norway.
- The USD's long-term fair value increased by c.0.6% on average while its FX spot rate rallied by c.8.85% on average in Q424. At present, the USD looks (1) overvalued vs the JPY, NOK, AUD, CAD and SEK; (2) close to fair value vs the EUR and NZD; and (3) cheap vs the CHF and GBP.
- EUR/USD saw its value ease to 1.092 in Q424 from 1.094 in Q324 while USD/JPY, USD/CHF and USD/NOK saw their fair values increase to 118.1, 1.01 and 8.84 in Q424 from 117.2, 0.995 and 8.26 in Q324, respectively. GBP/USD, AUD/USD and NZD/USD saw their fair values increase to 1.247, 0.738 and 0.582 in Q424 from 1.234, 0.727 and 0.578 in Q324, respectively. Lastly, USD/CAD and USD/SEK saw their respective fair values drop to 1.331 and 8.89 in Q424 from 1.339 and 8.94 in Q324.



**Valentin Marinov**

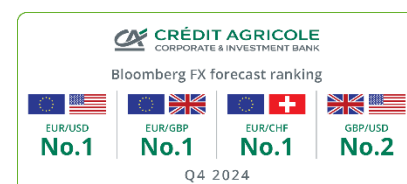
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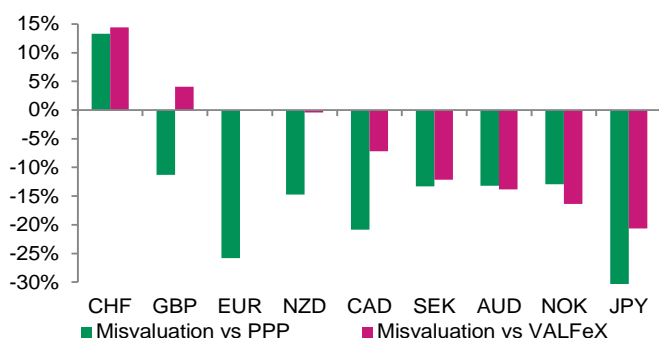
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### Related publications

For more information please refer to the FX Focus - [Introducing CACIB's FX fair value model: G10 VALFeX](#)

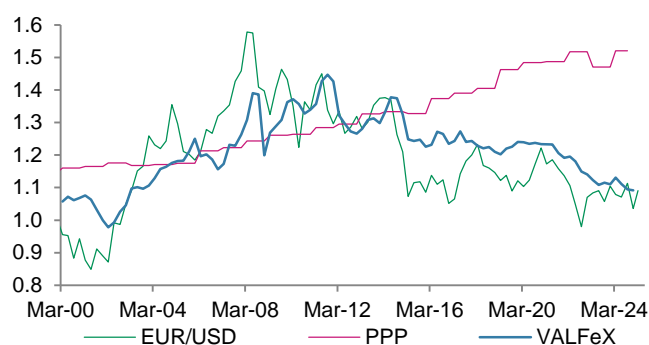


### USD still looking expensive vs several G10 currencies but cheap vs the CHF and GBP



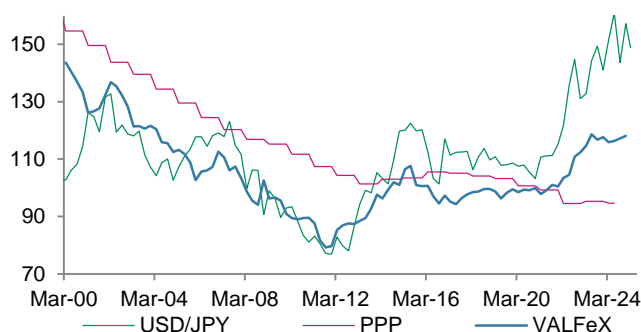
Source: Crédit Agricole CIB, Bloomberg

### EUR/USD is trading in line with VALFeX but is looking undervalued relative to PPP



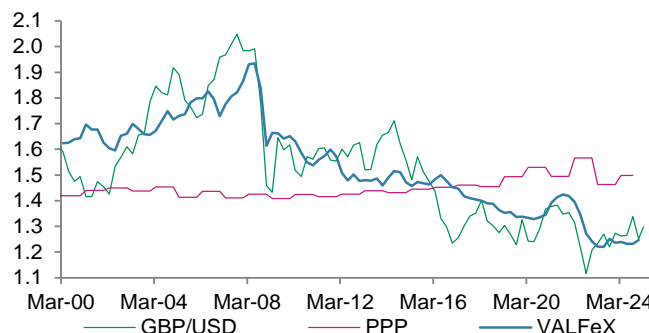
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### The JPY still looks very undervalued relative to VALFeX and PPP

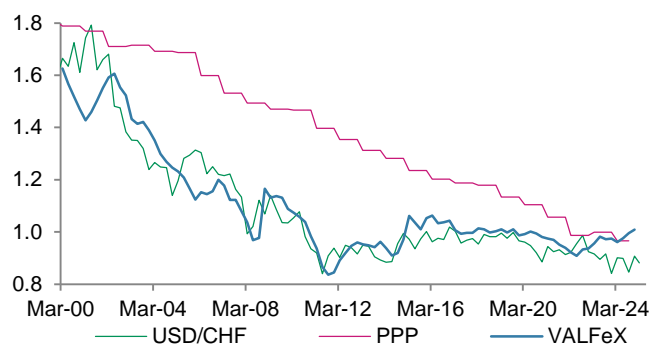


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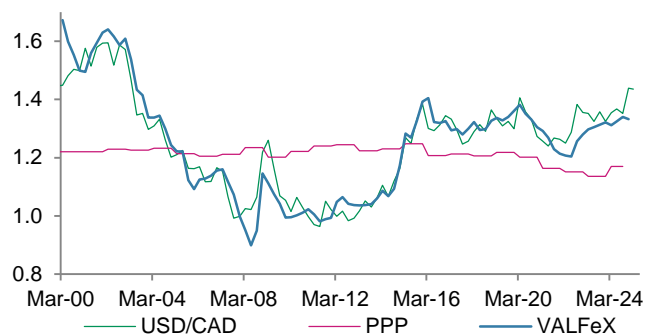
### GBP/USD is looking expensive relative to VALFeX but cheap relative to PPP



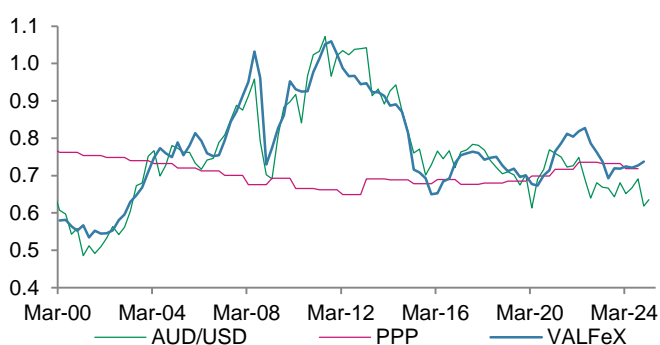
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**The CHF looks overvalued relative to PPP and VALFeX**

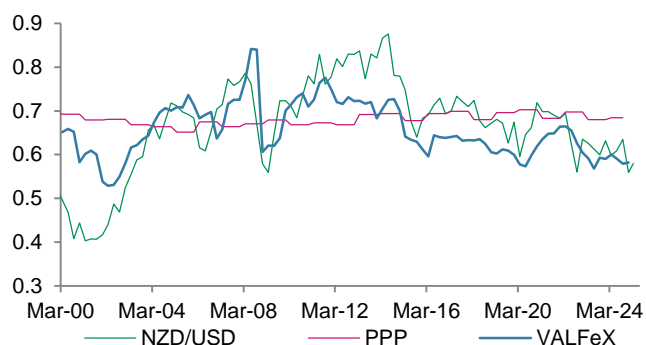
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**USD/CAD looks overvalued relative to PPP and VALFeX**

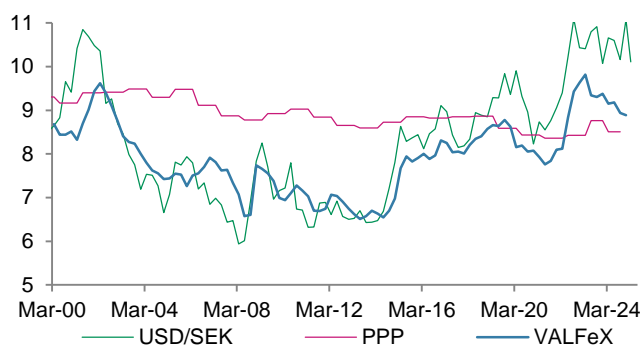
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**The AUD looks undervalued relative to VALFeX and PPP**

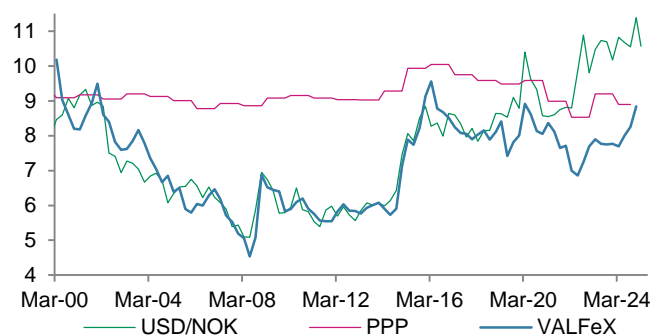
Source: Crédit Agricole CIB, Bloomberg

**The NZD looks undervalued relative to PPP but trades in line with VALFeX**

Source: Crédit Agricole CIB, Bloomberg

**The SEK looks undervalued relative to VALFeX and PPP**

Source: Crédit Agricole CIB, Bloomberg

**The NOK looks undervalued relative to VALFeX and PPP**

Source: Crédit Agricole CIB, Bloomberg

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## Valentin Marinov

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