

Citi Wealth Management

FX Snapshot



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

May 29, 2023

Major Currencies Performance

CCY	Close	Weekly Change	1 month high	1 month low	1 month change	3 month high	3 month low	3 month change	52 week high	52 week low	Year-To-Date Change
USD	104.21	1.0%	104.25	101.21	2.7%	105.66	101.01	-1.0%	114.78	100.79	0.7%
EUR/USD	1.0723	-0.8%	1.1062	1.0723	-2.9%	1.1062	1.0545	1.7%	1.1095	0.9536	0.2%
USD/JPY	140.60	1.9%	140.60	133.67	5.2%	140.60	130.73	3.0%	151.95	126.86	7.2%
GBP/USD	1.2344	-0.8%	1.2636	1.2321	-1.0%	1.2636	1.1830	3.3%	1.2680	1.0350	2.2%
USD/CAD	1.3615	0.8%	1.3642	1.3372	-0.2%	1.3832	1.3337	0.0%	1.3977	1.2518	0.5%
AUD/USD	0.6517	-2.0%	0.6782	0.6505	-1.3%	0.6786	0.6505	-3.1%	0.7283	0.6170	-4.3%
NZD/USD	0.6051	-3.7%	0.6367	0.6051	-1.1%	0.6367	0.6051	-1.8%	0.6576	0.5512	-4.7%
USD/CHF	0.9057	0.7%	0.9057	0.8840	1.6%	0.9424	0.8840	-3.7%	1.0148	0.8820	-2.0%
USD/CNY	7.0645	0.7%	7.0804	6.9094	2.0%	7.0804	6.8232	1.5%	7.3274	6.6394	2.4%
USD/CNH	7.0739	0.7%	7.0919	6.9153	1.9%	7.0919	6.8296	1.3%	7.3749	6.6170	2.2%
GOLD	1946.46	-1.6%	2050.28	1941.41	-2.1%	2050.28	1813.45	7.5%	2062.99	1614.96	6.7%

CCY	Last Trading Day Change				Technical levels				Citi Forecasts		
	Close	Day High	Day Low	Daily Change	Sup2	Sup1	Res1	Res2	0-3M	6-12M	LT
USD	104.21	104.42	103.85	-0.04%	100.79	101.01	104.50	105.88	101.12	96.81	93.48
EUR/USD	1.0723	1.0759	1.0702	-0.02%	1.0515	1.0613	1.0973	1.1095	1.11	1.16	1.20
USD/JPY	140.60	140.73	139.50	0.39%	129.64	133.01	142.25	143.53	137	125	130
GBP/USD	1.2344	1.2395	1.2311	0.19%	1.2204	1.2275	1.2680	1.2871	1.26	1.27	1.40
USD/CAD	1.3615	1.3655	1.3601	-0.20%	1.3315	1.3557	1.3631	1.3668	1.33	1.31	1.25
AUD/USD	0.6517	0.6544	0.6491	0.18%	0.6426	0.6491	0.6818	0.6893	0.66	0.68	0.76
NZD/USD	0.6051	0.6096	0.6033	-0.20%	0.5997	0.6033	0.6385	0.6538	0.63	0.63	0.67
USD/CHF	0.9057	0.9075	0.9019	0.00%	0.8758	0.8820	0.9120	0.9223	0.88	0.86	0.85
USD/CNY	7.0645	7.0798	7.0454	0.05%	--	--	--	--	6.85	6.70	6.80
USD/CNH	7.0739	7.0986	7.0558	-0.25%	6.8317	6.8962	7.0986	7.2559	--	--	--
GOLD	1946.46	1957.28	1936.83	0.26%	\$1,900	\$1,934	\$2,070	\$2,075	\$2,100	\$2,300	--

Source: Bloomberg L.P., as of May 26, 2023
(cut off time is NY Time 5:00pm); Citi
(forecasts as of May 19, 2023)

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JPY: medium term bullish

S2	S1	R1	R2	O-3m forecast	6-12m forecast	LT forecast
129.64	133.01	142.25	143.53	137	125	130

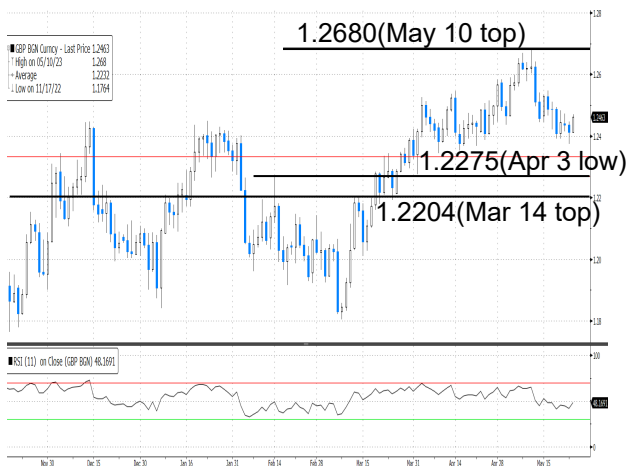


Source: Bloomberg L.P., as of May 26, 2023

- The debt ceiling outcome overall may not change the medium to longer term negative outlook for DXY. The bottom line for DXY is to fade any further gains > 104.50.
- Japanese fundamentals also make a strong case for limited Yen weakness-(1) Japan's terms of trade having decisively bottomed around mid-August 2022 from the spike in global energy prices; (2) the rising probability of a shift in the BoJ's stance on YCC at its June meeting; (3) BoJ's balance sheet now reducing at a faster pace than the Fed.

GBP: underperform in medium term

S2	S1	R1	R2	O-3m forecast	6-12m forecast	LT forecast
1.2204	1.2275	1.2680	1.2871	1.26	1.27	1.40



Source: Bloomberg L.P., as of May 26, 2023

- We now expect a final 25bp rate hike in June for a terminal rate of 4.75 % after which potential for undershoots on headline inflation alongside unemployment and signs of accelerating policy pass through could drive BoE to pause in August.
- Meanwhile, UK GDP unexpectedly contracts in March by 0.3% MM which is significantly below the 0% MM consensus forecast. . The medium to longer term view does not get any better for sterling from UK's high external vulnerabilities.

***FX TRADING INVOLVES RISKS**

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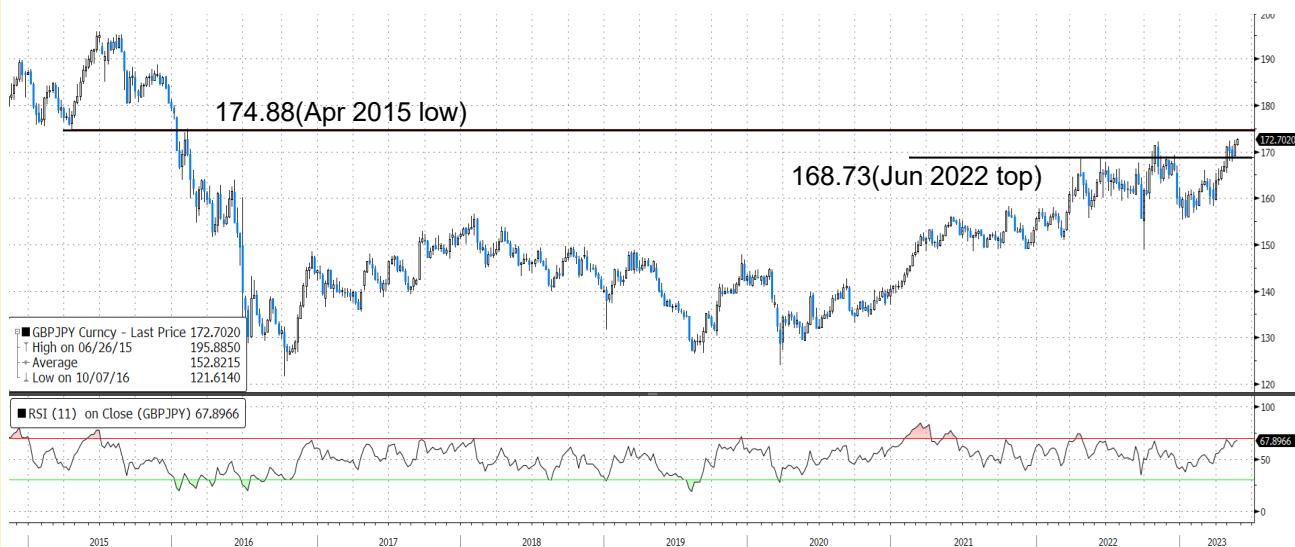
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EURGBP



Source: Bloomberg L.P., as of May 26, 2023

GBPJPY



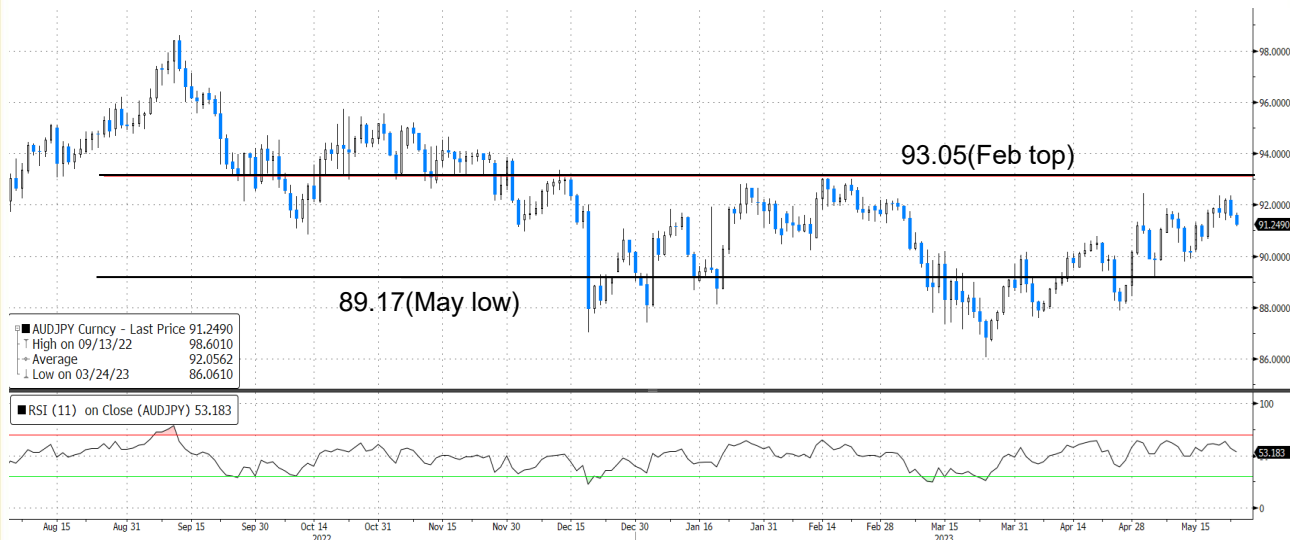
Source: Bloomberg L.P., as of May 26, 2023

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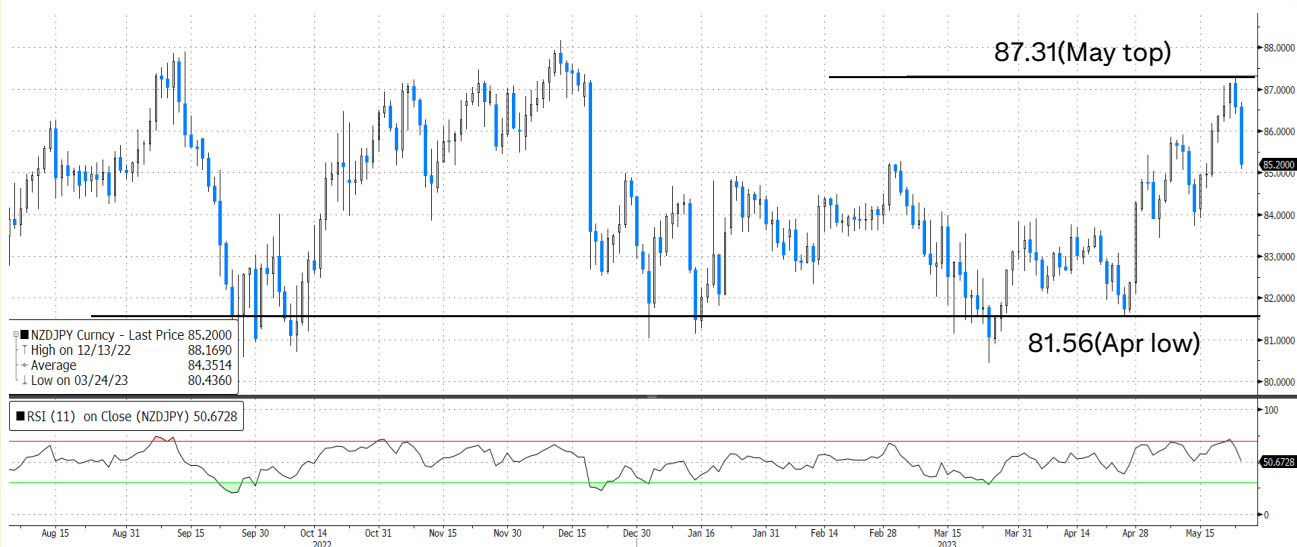
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AUDJPY



Source: Bloomberg L.P., as of May 26, 2023

NZDJPY



Source: Bloomberg L.P., as of May 26, 2023

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Important Economic Data (May 29, 2023 – Jun 2, 2023)

Source: Bloomberg L.P.
(K = Thousand, M = Million, B = Billion)

Time		Event	Period	Actual	Survey	Prior
Tuesday						
05/30/23 15:00	SZ	GDP YoY	1Q		--	0.80%
05/30/23 20:30	CA	Current Account Balance	1Q		--	-\$10.64b
05/30/23 22:00	US	Conf. Board Consumer Confidence	May		99.5	101.3
Wednesday						
05/31/23 07:00	AU	RBA's Lowe-Testimony	May			
05/31/23 09:30	CH	Manufacturing PMI	May		--	49.2
05/31/23 09:30	CH	Non-manufacturing PMI	May		--	56.4
05/31/23 09:30	AU	CPI YoY	Apr		--	6.30%
05/31/23 20:30	CA	GDP YoY	Mar		--	2.50%
Thursday						
06/01/23 02:00	US	Federal Reserve Releases Beige Book	Jun			
06/01/23 09:30	AU	Private Capital Expenditure	1Q		--	2.20%
06/01/23 16:00	EC	HCOB Eurozone Manufacturing PMI	May		--	44.6
06/01/23 16:30	UK	S&P Global/CIPS UK Manufacturing PMI	May		--	46.9
06/01/23 17:00	EC	CPI Estimate YoY	May		--	7.00%
06/01/23 20:15	US	ADP Employment Change	May		155k	296k
06/01/23 20:30	US	Initial Jobless Claims	May		--	--
06/01/23 22:00	US	ISM Manufacturing	May		47	47.1
Friday						
06/02/23 20:30	US	Change in Nonfarm Payrolls	May		180k	253k
06/02/23 20:30	US	Unemployment Rate	May		3.50%	3.40%
06/02/23 20:30	US	Average Hourly Earnings MoM	May		0.30%	0.50%

Rate hike cycle forecasts

	Current (5/29/2023)	Hike Magnitude (bps)	Remaining Hike (times)	Terminal Rate (%)
USD	5.25	0	0	5.25
EUR	3.25	25	1	3.50
GBP	4.50	25	1	4.75
CHF	1.50	100	2	2.50
JPY	-0.10	0	0	-0.10
AUD	3.85	25	1	4.10
NZD	5.50	0	0	5.50
CAD	4.50	25	1	4.75

Source: forecasts on USD, EUR, GBP are from OCIS; forecasts on CHF, JPY, AUD, NZD, CAD are from Citi analysts

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Commodity Blocs

AUD	Citi views & strategy	Bias/ Forecasts/ Key levels
Citi FX outlook	Ongoing price pressures across the services sector continue to keep RBA on a firm tightening bias. Citi analysts push RBA rate hike expectation from June to August to give it more time to assess its reaction function towards wages, inflation and the labor market. This should underpin strong support for AUDUSD at 0.6550 – 0.6600 with a likely acceleration of China's growth in 2H a medium-term tailwind for AUD, putting it on track for further medium-term gains vs USD (> 0.72-0.74 range in H2'23), NZD, CAD and GBP (economies with much higher rates and higher recession risks than Australia).	<p>Previously</p> <ul style="list-style-type: none"> AUDUSD: 0 – 3mths: 0.70 AUDUSD: 6 – 12mths: 0.71 AUDUSD: LT: 0.76 <p>Currently (as of May):</p> <ul style="list-style-type: none"> AUDUSD: 0 – 3mths: 0.66 AUDUSD: 6 – 12mths: 0.68 AUDUSD: LT: 0.76 <ul style="list-style-type: none"> 6-12mths: Moderately bullish AUD vs USD, bearish vs EUR, moderately bullish vs NZD

CAD	Citi views & strategy	Bias/ Forecasts/ Key levels
Citi FX outlook	BoC will likely raise rates again if inflation looks persistently high. any tactical CAD strength on the back of a BoC 25bp hike is unlikely to sustain. Fade CAD gains from next (and last) BoC hike - with BoC's rates cycle most closely aligned to the Fed from the strong linkages of the Canadian economy to US via the export channel, an eventual dovish pivot from Fed would likely see BoC doing the same with a 3-4 month lag, leaving USDCAD largely range-bound (1.30 – 1.36) during H2'23.	<p>Previously</p> <ul style="list-style-type: none"> USDCAD: 0 – 3mth: 1.31 USDCAD: 6 – 12mth: 1.31 USDCAD: LT: 1.25 <p>Currently (as of May):</p> <ul style="list-style-type: none"> USDCAD: 0 – 3mth: 1.33 USDCAD: 6 – 12mth: 1.31 USDCAD: LT: 1.25 <ul style="list-style-type: none"> 6-12mths: Moderately bullish CAD vs USD, moderately bearish vs EUR

NZD	Citi views & strategy	Bias/ Forecasts/ Key levels
Citi FX outlook	NZD's recent outperformance on non-USD crosses looks unsustainable as – (1) NZ financial conditions at their most restrictive within the G10 sharply raise odds of an extended hard landing for the NZ economy; (2) next 25bp RBNZ hike is likely the last; and (3) strengthening Chinese recovery lifts Australia's broad balance of payments relative to NZ and better supports other currencies closely linked to China's recovery (EUR, AUD, CNH) and JPY as BoJ normalizes policy.	<p>Previously</p> <ul style="list-style-type: none"> NZDUSD: 0 – 3mths: 0.63 NZDUSD: 6 – 12mths: 0.63 NZDUSD: Longer term: 0.67 <p>Currently (as of May):</p> <ul style="list-style-type: none"> NZDUSD: 0 – 3mths: 0.63 NZDUSD: 6 – 12mths: 0.63 NZDUSD: Longer term: 0.67 <ul style="list-style-type: none"> 6-12mths: Neutral NZD vs USD, bearish vs EUR and moderately bearish vs AUD

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European Currencies

GBP	Citi views & strategy	Bias/ Forecasts/ Key levels
Citi FX outlook	The MPC is likely to pause after a 25bp hike in June until November after which there it could shift towards cuts. This is earlier than what OIS rates are pricing and represents a medium-term headwind for sterling. The medium to longer term view does not get any better for GBP from UK's external vulnerabilities.	<p>Previously</p> <ul style="list-style-type: none"> • GBPUSD: 0 – 3mths: 1.27 • GBPUSD: 6 – 12mths: 1.27 • GBPUSD: LT: 1.40 <p>Currently (as of May):</p> <ul style="list-style-type: none"> • GBPUSD: 0 – 3mth: 1.26 • GBPUSD: 6 – 12mth: 1.27 • GBPUSD: LT: 1.40 <p>• 6-12mths: Moderately bullish GBP vs USD, bearish vs EUR</p>

EUR	Citi views & strategy	Bias/ Forecasts/ Key levels
Citi FX outlook	A break above 1.1100 – 1.1200 resistance looks likely over the medium term as several dynamics favor EURUSD upside – (1) a resilient euro area banking system vs US; (2) euro area's relative growth resilience vs US in part, due to China's recovery – admittedly under some question marks lately but momentum is likely to pick up again in H2; and (3) likely long-lasting divergence in ECB's policy path vs Fed as market rates price less than half as many rate cuts for ECB than the Fed over a 2-year period.	<p>Previously</p> <ul style="list-style-type: none"> • EURUSD: 0 – 3m: 1.13 • EURUSD: 6 – 12m: 1.16 • EURUSD: LT: 1.20 <p>Currently (May):</p> <ul style="list-style-type: none"> • EURUSD: 0 – 3m: 1.11 • EURUSD: 6 – 12m: 1.16 • EURUSD: LT: 1.20 <p>• 6 12mths: Bullish EUR vs USD, CHF, SGD, CNH, NZD, AUD, CAD, moderately bearish EUR vs JPY</p>

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Safe-haven Currencies

JPY	Citi views & strategy	Bias/ Forecasts/ Key levels
Citi FX outlook	Japanese fundamentals make a strong case for Yen to find support on 3 grounds – (1) Japan's terms of trade having decisively bottomed around mid-August 2022; (2) rising probability of a shift in the BoJ's stance on YCC at its June meeting; (3) BoJ's balance sheet reducing at a faster pace than the Fed. The 140 level in USDJPY seen as solid resistance.	<p>Previously</p> <ul style="list-style-type: none"> • USDJPY: 0 – 3mths: 132.0 • USDJPY: 6 – 12mths: 120.0 • USDJPY: LT: 130.0 <p>Currently (as of May):</p> <ul style="list-style-type: none"> • USDJPY: 0 – 3mths: 137.0 • USDJPY: 6 – 12mths: 125.0 • USDJPY: LT: 130.0 <p>• 6-12mths: Bullish JPY vs USD, moderately bullish JPY vs EUR and CNH</p>

CHF	Citi views & strategy	Bias/ Forecasts/ Key levels
Citi FX outlook	Financial instability risks in the Swiss banking system may now see need for more CHF liquidity as the SNB along with the Swiss government walks a fine line between fighting inflation and boosting confidence in the Swiss banking sector. This provides scope for SNB to moderate FX intervention to strengthen CHF and likely leaves CHF range bound vs a weaker DXY over the medium term (0.88 – 0.95) but weaker vs EUR and JPY during H2'2023.	<p>Previously</p> <ul style="list-style-type: none"> • USDCHF: 0 – 3mths: 0.87 • USDCHF: 6 – 12mths: 0.86 • USDCHF: LT: 0.85 <p>Currently (as of May):</p> <ul style="list-style-type: none"> • USDCHF: 0 – 3mths: 0.88 • USDCHF: 6 – 12mths: 0.86 • USDCHF: LT: 0.85 <p>• 6-12mths: Bullish CHF vs USD, moderately bearish vs EUR</p>

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USD and EM Currency

USD	Citi views & strategy	Bias/ Forecasts/ Key levels
Citi FX outlook	<p>DXY's medium to longer term outlook remains negative – a debt ceiling agreement would almost certainly deliver greater fiscal restraint. Markets are likely to view this as constraining US government's ability to contain regional banking instability through fiscal means. This may be enough to make Fed pause and lead markets to price more extended Fed rate cuts – representing a greater medium-term headwind for USD.</p>	<p>Previous month:</p> <ul style="list-style-type: none"> • DXY: 0 – 3m: 99.04 • DXY: 6 – 12m: 96.06 • DXY: LT: 93.48 <p>Currently (as of May):</p> <ul style="list-style-type: none"> • DXY: 0 – 3m: 101.12 • DXY: 6 – 12m: 96.81 • DXY: LT: 93.48 <ul style="list-style-type: none"> • 6-12mths: Bearish DXY (ex NZD)

CNH	Citi views & strategy	Bias/ Forecasts/ Key levels
Citi FX outlook	<p>Weak import growth points to China's uneven domestic recovery and a tactical headwind to CNH. China's low inflation also beckons additional policy support from PBoC which may pose additional near-term headwind to CNH as rate differentials work against the currency, tactically leaving USDCNH on the higher side of its 6.80 – 7.00 range, but with scope to target the 6.50 – 7.0 range in the latter part of H2'2023 as Fed pivots towards rate cuts while China's domestic recovery gathers pace in what is likely to be a highly de-synchronized global business cycle.</p>	<p>Previously</p> <ul style="list-style-type: none"> • USDCNH: 0 – 3mths: 6.70 • USDCNH: 6 – 12mths: 6.60 • USDCNH: LT: 6.80 <p>Currently (as of May):</p> <ul style="list-style-type: none"> • USDCNH: 0 – 3mths: 6.85 • USDCNH: 6 – 12mths: 6.70 • USDCNH: LT: 6.80 <ul style="list-style-type: none"> • 6-12mths: Bullish CNH vs USD, bearish CNH vs EUR and vs JPY

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Important Disclosure

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