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August 2023

# Event Radar - August 2023



# FX Views In A Nutshell

Near-term bias (next ~1 month)		Longer-term thoughts (~6-12 months ahead)		
USD		The US' economic outperformance and re-pricing of US rate expectations has underpinned the USD. A ' <i>higher for longer</i> ' interest rate view now looks more appropriately discounted. The firm USD may struggle to add to its gains.		As the global economy stabilises, price pressures ease, and the US Fed definitively shifts away from its inflation fighting bias, which we think could occur towards early-2024, we see the USD's downturn broadening out and picking up steam.
AUD/USD		AUD volatility has picked up over recent months as domestic and global cross-currents push and pull the currency. This is likely to continue. Growth pressures remain, but Australia's current account <i>surplus</i> (~1.4% of GDP) is AUD supportive.		As the worst of the global slump passes and lower inflation provides scope for central banks to pivot to an easing cycle, we expect risk appetite to improve. This, and a pickup in China's economic momentum, should give the AUD a boost.
AUD/EUR		The ECB hiked rates again in late-July, but it is now data-dependent. Relative yield differentials point to AUD/EUR remaining range-bound, though softer industrial activity tends to be more of a headwind for cyclical currencies like the AUD.		Once global growth turns the corner, we are forecasting a weaker USD to drive both the AUD and EUR higher. However, in our judgement, other relative fundamentals should counteract each other holding AUD/EUR in the low-0.60's.
AUD/NZD		AUD/NZD has consolidated, but the pair remains above its late-May 2023 low with markets assuming the RBNZ rate rise cycle has ended. No change is predicted from the RBNZ in August. We think AUD/NZD's bumpy upswing can continue.		As tightening cycles end we foresee the AUD outperforming the NZD as relative interest rates give way to factors such as growth and capital flows. We believe the RBNZ's more aggressive steps should be more negative for the NZ economy.
AUD/GBP		High UK inflation should keep BoE rate hike pricing elevated. Another increase is anticipated in August. But we believe a lot of positives are now in the GBP price. Further AUD/GBP downside may be limited, with the pair carving out a bottom.		We are forecasting AUD/GBP to rebound over the medium-term on the back of Australia's higher terms-of-trade, a global recovery, the UK's relatively weaker growth prospects, and as Brexit impacts generate structural GBP pressures.
AUD/JPY		AUD/JPY has fallen back over recent weeks. In our view, the (tentative) shift in stance by the BoJ, coupled with slowing global industrial activity and complacency about lingering inflation risks point to a further reversal in AUD/JPY.		High Japanese inflation supports the case for BoJ policy normalisation. In our judgement, building policy pivot expectations, the improvement in Japan's terms-of-trade, and the shift in its capital flow dynamics should help the JPY rebound.
AUD/CNH		CNH has clawed back some lost ground as odds of more stimulus measures to reinvigorate China's faltering recovery have risen, and with authorities stepping up their FX support. We expect these CNH trends to continue over the near-term.		We expect China's post COVID expansion to re-accelerate as policymakers inject fresh stimulus. We think China's ' <i>outperformance</i> ' should encourage capital inflows, with the CNH boost offsetting the AUD's projected recovery.
USD/SGD		We think USD/SGD can hold up, with SGD likely to underperform EUR & JPY. Slower world growth, combined with higher offshore yields should benefit other currencies over the SGD which is leveraged to the decelerating global cycle.		Longer-term, as the global cycle turns, we are looking for EUR and JPY strength. The resultant USD weakness should push USD/SGD lower, though an anticipated ' <i>dovish</i> ' tilt by the MAS down the track is likely to slow/limit USD/SGD's fall.

# AUD FX Forecasts

Corpay FX Forecasts													
	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24		Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
<b>AUD/USD</b>	0.68	0.70	0.71	0.72	0.73	0.74							
Consensus	0.67	0.69	0.70	0.72	0.71	0.72							
Forwards	0.67	0.67	0.67	0.67	0.67	0.67							
Upper Range*	0.71	0.73	0.74	0.75	0.76	0.77							
Lower Range*	0.65	0.67	0.68	0.69	0.70	0.71							
<b>AUD/EUR</b>	0.6126	0.6140	0.6174	0.6207	0.6239	0.6325	<b>AUD/GBP</b>	0.5313	0.5426	0.5504	0.5538	0.5615	0.5649
Upper Range*	0.6382	0.6397	0.6430	0.6463	0.6496	0.6581	Upper Range*	0.5515	0.5629	0.5706	0.5741	0.5818	0.5851
Lower Range*	0.5870	0.5884	0.5918	0.5951	0.5983	0.6069	Lower Range*	0.5110	0.5224	0.5301	0.5336	0.5413	0.5446
<b>AUD/NZD</b>	1.0968	1.1111	1.1270	1.1250	1.1406	1.1385	<b>AUD/CNY</b>	4.8280	4.8650	4.8635	4.8600	4.8545	4.8470
Upper Range*	1.1323	1.1467	1.1625	1.1606	1.1762	1.1740	Upper Range*	5.0291	5.0661	5.0646	5.0611	5.0556	5.0481
Lower Range*	1.0612	1.0756	1.0914	1.0894	1.1051	1.1029	Lower Range*	4.6269	4.6639	4.6624	4.6589	4.6534	4.6459
<b>AUD/JPY</b>	95.20	93.10	90.17	89.28	89.06	88.80	<b>AUD/CAD</b>	0.8840	0.9310	0.9514	0.9432	0.9417	0.9472
Upper Range*	99.78	97.68	94.75	93.86	93.64	93.38	Upper Range*	0.9159	0.9629	0.9833	0.9751	0.9736	0.9791
Lower Range*	90.62	88.52	85.59	84.70	84.48	84.22	Lower Range*	0.8521	0.8991	0.9195	0.9113	0.9098	0.9153

Source: Analysis by Corpay

\* Possible range based on an evenly distributed historical average quarterly trading window

# FX Seasonality

USD & FX Majors: Seasonality Heatmap																		
	Average Monthly % Change Since 1986									% Times Negative Since 1986								
	USD Index	EUR/USD*	USD/JPY	GBP/USD	AUD/USD	NZD/USD	USD/CAD	USD/CNH**	USD/Asia***	USD Index	EUR/USD*	USD/JPY	GBP/USD	AUD/USD	NZD/USD	USD/CAD	USD/CNH**	USD/Asia***
Jan	0.8	-0.8	0.1	-0.3	0.1	-0.0	0.3	-0.8	-0.3	42	64	53	55	55	42	39	62	60
Feb	0.2	-0.4	0.0	-0.6	-0.1	0.1	0.0	0.3	0.3	42	60	58	55	37	42	58	46	52
Mar	0.2	-0.0	0.5	0.0	0.3	-0.0	-0.1	0.0	-0.1	47	48	50	50	50	50	61	46	56
Apr	-0.5	0.5	-0.2	1.0	0.8	1.0	-0.7	0.3	-0.2	68	48	53	34	42	34	63	38	56
May	0.7	-0.5	0.2	-0.8	-0.8	-0.8	0.0	0.6	0.4	39	60	45	74	61	66	39	38	32
Jun	-0.2	0.4	0.1	0.1	0.3	0.2	-0.2	0.5	0.1	55	40	47	39	45	42	61	46	52
Jul	-0.4	0.3	-0.5	0.6	-0.1	-0.2	0.1	0.1	-0.0	51	50	51	51	49	49	51	58	58
Aug	0.2	-0.4	-0.3	-0.7	-0.7	-1.0	0.2	0.4	0.3	49	58	59	68	59	57	46	58	42
Sep	-0.4	0.1	-0.0	0.1	-0.2	-0.0	-0.0	0.3	0.2	57	54	51	41	46	49	54	50	50
Oct	0.0	-0.4	-0.4	0.2	0.3	0.3	0.2	-0.2	-0.1	59	54	43	49	41	46	41	75	67
Nov	0.2	-0.0	0.5	0.0	0.3	0.7	0.4	-0.3	-0.0	43	46	46	57	46	46	38	67	50
Dec	-0.9	1.5	-0.1	0.6	0.5	1.0	-0.0	-0.3	-0.5	65	33	43	41	49	30	51	67	71

Source: Bloomberg, Analysis by Corpay

\* EUR/USD since 1999, \*\* USD/CNH since 2011, \*\*\* USD/Asia Index since 1999

# FX Seasonality

## AUD & AUD Cross-Rate: Seasonality Heatmap

	Average Monthly % Change Since 1986							% Times Negative Since 1986						
	AUD/USD	AUD/EUR*	AUD/JPY	AUD/GBP	AUD/NZD	AUD/CAD	AUD/CNH**	AUD/USD	AUD/EUR*	AUD/JPY	AUD/GBP	AUD/NZD	AUD/CAD	AUD/CNH**
Jan	0.1	0.6	0.1	0.4	0.2	0.4	-0.9	55	36	45	45	58	45	62
Feb	-0.1	0.4	-0.1	0.5	-0.2	-0.1	-0.1	37	40	45	34	53	50	38
Mar	0.3	0.1	0.8	0.4	0.4	0.2	0.2	50	48	53	47	37	50	54
Apr	0.8	0.7	0.6	-0.2	-0.1	0.1	0.8	42	48	47	55	53	53	54
May	-0.8	-0.3	-0.7	0.1	-0.0	-0.9	-1.3	61	56	50	47	47	71	54
Jun	0.3	0.3	0.3	0.1	0.1	-0.0	1.1	45	48	42	53	50	58	23
Jul	-0.1	-0.1	-0.6	-0.5	0.1	-0.1	0.3	49	50	49	51	38	43	42
Aug	-0.7	-0.6	-1.0	-0.0	0.3	-0.5	-0.7	59	67	62	46	49	54	67
Sep	-0.2	-0.7	-0.4	-0.1	-0.1	-0.4	-1.5	46	54	59	54	49	54	75
Oct	0.3	0.9	-0.1	0.1	0.0	0.4	0.8	41	46	41	49	51	41	42
Nov	0.3	0.0	0.7	0.2	-0.3	0.7	-0.7	46	50	38	43	62	43	58
Dec	0.5	-0.5	0.4	-0.1	-0.6	0.4	-0.2	49	63	41	49	62	49	58

Source: Bloomberg, Analysis by Corpay

\* AUD/EUR since 1999, \*\* AUD/CNH since 2011

## Selected Asset Markets: Seasonality Heatmap

	Average Monthly % Change Since 1986								% Times Negative Since 1986							
	S&P500	MSCI World	Iron Ore*	Copper**	WTI Crude	Gold	Agri. Prices	US 10yr Yield (bps)	S&P500	MSCI World	Iron Ore*	Copper**	WTI Crude	Gold	Agri. Prices	US 10yr Yield (bps)
Jan	0.9	0.4	4.6	0.6	-0.1	1.6	0.2	-3.8	39	42	20	46	50	45	50	53
Feb	0.3	0.4	1.6	2.3	0.5	0.3	1.2	1.3	39	47	40	43	42	55	47	45
Mar	1.2	0.9	-3.4	1.1	1.6	-0.2	-0.6	4.4	34	42	53	51	39	58	58	39
Apr	1.6	2.2	2.9	1.4	3.7	0.7	0.7	8.3	26	21	33	49	34	45	47	47
May	1.0	0.2	-3.4	-1.5	2.6	0.0	-0.4	-1.5	24	47	67	54	53	53	61	47
Jun	-0.0	-0.4	3.0	0.2	1.3	-0.3	-0.3	-6.2	41	59	33	40	45	55	50	53
Jul	1.4	1.6	1.1	2.3	0.3	0.7	-1.3	-5.1	41	30	36	29	32	49	58	62
Aug	-0.3	-0.6	-1.0	-0.3	2.0	0.8	-0.1	-7.2	43	51	43	56	46	49	49	57
Sep	-0.9	-1.0	-2.9	-1.3	1.5	1.3	-1.2	-2.0	54	46	57	53	51	41	59	51
Oct	1.0	0.9	-2.0	-0.8	-2.1	-0.5	0.7	0.3	35	38	57	59	57	57	43	41
Nov	1.5	1.2	2.3	1.7	-2.9	0.9	0.2	-2.1	30	32	50	53	59	43	54	51
Dec	1.4	1.7	7.4	0.3	1.0	0.6	1.1	-0.5	24	22	21	47	43	51	51	49

Source: Bloomberg, Analysis by Corpay

\* Iron Ore since 2009, \*\* Copper since 1989

# Corpay<sup>^</sup>

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## Thank You!

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