

FX Event Radar & Views In A Nutshell

September 2023

Event Radar - September 2023

US & Canada

















Australia & NZ

UK & Eurozone

Asia



FX Views In A Nutshell

Near-term bias (next ~1 month)			Longer-term thoughts (~6-12 months ahead)		
USD		The US' relative economic outperformance and jump up in US bond yields has boosted the USD. A ' <i>higher for longer</i> ' interest rate view now looks more appropriately priced. The USD appears vulnerable to a bout of softer US data.		As the US' relative economic strength fades, price pressures ease, and the US Fed shifts from its inflation fighting bias, which we judge could occur towards early-2024, we see the USD's downturn broadening out and picking up steam.	
AUD/USD		AUD underperformed in August. In our view, near current levels a lot of negatives look discounted. We expect the AUD to level off and tick up as supports such as the current account <i>surplus</i> kick in, the USD turns, and China's outlook brightens.		As the worst of the global slowdown passes and lower inflation provides scope for central banks to pivot to an easing cycle, we expect risk sentiment to improve. This, and a pickup in China's growth momentum, should give the AUD a boost.	
AUD/EUR		The data dependent ECB appears near the end of its hiking phase. Relative yield differentials point to a modest pick up in AUD/EUR. However still sluggish global industrial activity remains a headwind for the global growth sensitive AUD/EUR.		Once global growth turns the corner we are forecasting a weaker USD to drive both the AUD and EUR higher. However, in our opinion, other relative fundamentals should offset each other holding AUD/EUR in the low-0.60's.	
AUD/NZD		AUD/NZD has continued to consolidate near its ~1-year average. We expect no further rate rises from either the RBA or RBNZ. But we think AUD/NZD's bumpy upswing can continue with NZ's growth pulse weakening faster than Australia's.		As tightening cycles end we foresee the AUD outperforming the NZD as interest rates give way to other relative factors such as growth trends and capital flows. We believe the RBNZ's aggressive steps should leave NZ in a weaker spot.	
AUD/GBP		Sticky UK inflation and high wage growth points to further BoE rate rises. But that already appears factored in. In our judgement a lot of positives are now in the GBP price. Further AUD/GBP falls 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 cyclical global recovery, the UK's relatively weaker growth outlook, and as Brexit impacts generate structural GBP pressures.	
AUD/JPY		AUD/JPY has found support, though it remains below its 2023 peak. In our opinion, the step down in industrial activity, asymmetric risks around bond yields at current high levels, and prospect for bouts of volatility may drag on AUD/JPY.		High Japanese inflation supports the case for BoJ policy normalisation. We expect a build up of policy pivot expectations, the snapback in Japan's terms-of-trade, and the shift in its capital flow dynamics to be JPY supportive over the longer-term.	
AUD/CNH		CNH has clawed back lost ground with authorities stepping up their FX support and measures to invigorate confidence also being rolled out. Further action to bolster the recovery looks likely. We expect the CNH bounce back to continue.		We expect China's post COVID expansion to re-accelerate as policymakers inject fresh stimulus. We think a stronger Chinese economy should encourage capital inflows with the CNH boost counteracting the AUD's projected recovery.	
USD/SGD		The stronger USD has pushed USD/SGD to the top of its 2023 range. We think downside risks to the now elevated USD points to USD/SGD falling back, though slowing world growth and market volatility can work in the opposite direction.		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
AUD/USD	0.68	0.70	0.71	0.72	0.73	0.74							
Consensus	0.67	0.68	0.69	0.70	0.71	0.72							
Forwards	0.64	0.64	0.65	0.65	0.65	0.65							
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							
AUD/EUR	0.6126	0.6140	0.6174	0.6207	0.6239	0.6325	AUD/GBP	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
AUD/NZD	1.0968	1.1111	1.1270	1.1250	1.1406	1.1385	AUD/CNY	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
AUD/JPY	95.20	93.10	90.17	89.28	89.06	88.80	AUD/CAD	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

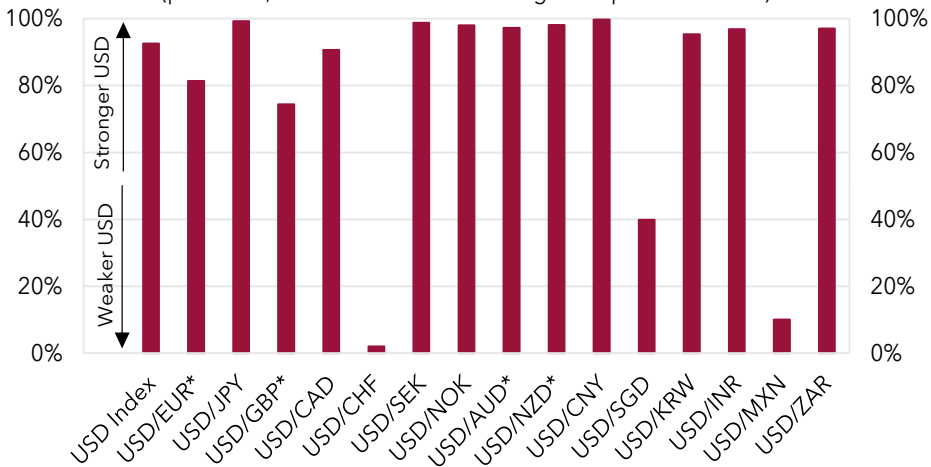
Source: Analysis by Corpay

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

USD Trends

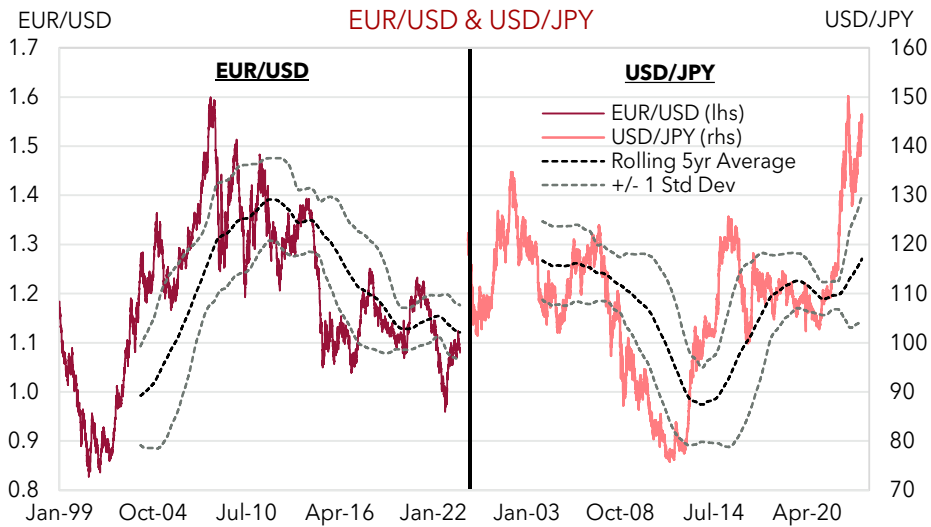
USD RANGE GAUGE

(percentile, current level relative to range occupied since 2015)



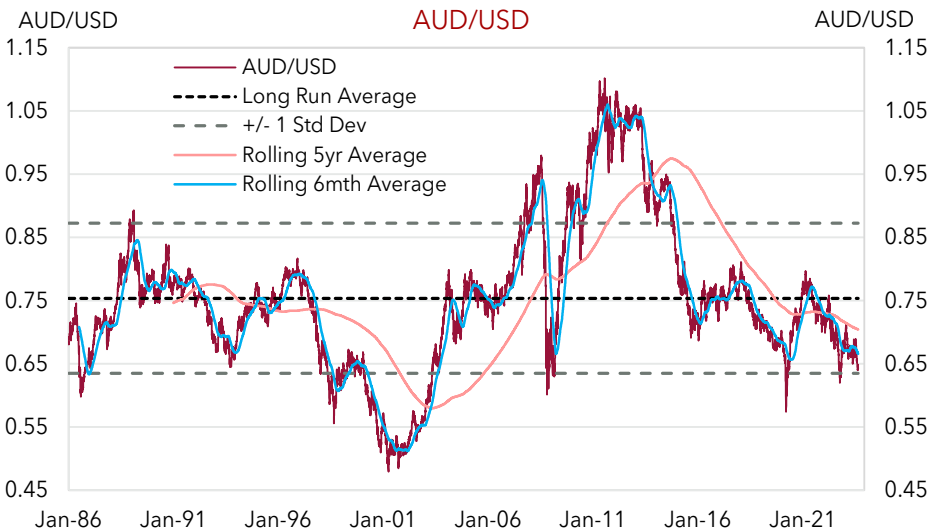
Source: Bloomberg, Analysis by Corpay

* currency pair inverted for consistency

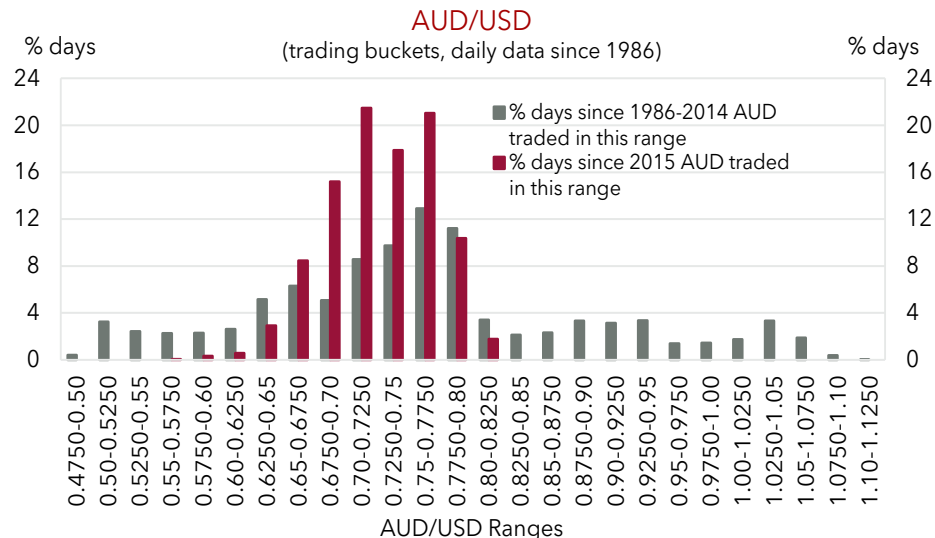


Source: Bloomberg, Analysis by Corpay

AUD Long Run Perspective



Source: Bloomberg, Analysis by Corpay



Source: Bloomberg, Analysis by Corpay

FX Seasonal Trends

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 Seasonal Trends

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

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Thank You!

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