













FX Event Radar & Views In A Nutshell

June 2023

Event Radar - June 2023



FX Views In A Nutshell

Near-term bias (next ~1 month)		Longer-term thoughts (~6-12 months ahead)		
USD		Elevated inflation and a resilient labour market has seen US rate expectations re-adjust higher, lifting the USD. A <i>'higher for longer'</i> interest rate view now looks to be more appropriately priced. The USD's upswing could begin to lose momentum.		Once the global economy stabilises, and the US FOMC shifts to a definitive easing bias, which we think could occur towards end-2023/early-2024, we see the <i>'overvalued'</i> USD's downturn accelerating and broadening out.
AUD/USD		AUD has fallen to a multi-month low on the back of global growth worries and more <i>'hawkish'</i> expectations for other central banks. Fundamental AUD pressures remain, but Australia's strong current account position is a downside support.		As the worst of the global slump passes and lower inflation provides scope for central banks to pivot to an easing cycle to assist growth, we expect risk appetite to improve, and cyclical currencies like the AUD set to benefit.
AUD/EUR		High Eurozone inflation points to further ECB rate rises, in our view, which should keep yield spreads in favour of a lower AUD/EUR. Also, softer industrial activity is a relative negative for commodity demand and 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 rebounded, inline with the shift in yield differentials after the RBNZ suggested its late-May rate hike could be the last this cycle. We think this trend can continue as markets continue to factor in the chance of additional RBA tightening.		As tightening cycles end, we foresee the AUD outperforming the NZD as relative interest rates give way to other factors such as growth and trade flows. We believe the RBNZ's aggressive steps should be quite negative for the NZ economy.
AUD/GBP		We expect AUD/GBP to remain heavy as high/sticky UK inflation and tight labour market conditions push the Bank of England to deliver a <i>'hawkish'</i> rate rise in late-June. Relative yield spreads point to further AUD/GBP downside, in our opinion.		We are forecasting AUD/GBP to rebound over the medium-term on the back of Australia's high terms-of-trade, the RBA's efforts to achieve a <i>'soft landing'</i> , a global recovery, and as Brexit impacts generate structural economic and GBP headwinds.
AUD/JPY		JPY has weakened since the BoJ disappointed markets by maintaining its accommodative stance in late-April. We think risks of an AUD/JPY reversal are rising given the global slowdown, weaker commodities, and market volatility.		The upswing in Japanese wages and inflation continue to support the case for BoJ policy normalisation over coming months. This, the improvement in Japan's terms of trade, and shift in its capital flow dynamics should lift the JPY, in our view.
AUD/CNH		We are looking for AUD/CNH to remain range bound over the near-term. China's post COVID recovery is faltering. Expectations for further monetary easing are weighing on CNH. At the same time, slower global growth is an AUD headwind.		China's emergence from COVID hibernation should be a domestic tailwind. We think China's economic <i>'outperformance'</i> over the next year should encourage capital inflows, with the CNH boost more than offsetting the AUD's recovery.
USD/SGD		We think USD/SGD can remain supported, while EUR/SGD can recover ground. Slower world growth, coupled with high US yields and further ECB tightening should benefit USD and EUR over the SGD which is leveraged to the 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.

Corpay[^]

Thank You!

"Cambridge Global Payments" and "AFEX" are trading names that may be used for the international payment solutions and risk management solutions provided by certain affiliated entities using the brand "Corpay". International payment solutions are provided in Australia through Cambridge Mercantile (Australia) Pty. Ltd.; in Canada through Cambridge Mercantile Corp.; in the United Kingdom through Cambridge Mercantile Corp. (UK) Ltd.; in Ireland and the European Economic Area on a cross-border basis through Associated Foreign Exchange Ireland Ltd.; in Jersey and the Channel Islands through AFEX Offshore Ltd.; in Singapore through Associated Foreign Exchange (Singapore) Pte. Ltd. and in the United States through Cambridge Mercantile Corp. (U.S.A.). Risk management solutions are provided in in Australia through Cambridge Mercantile (Australia) Pty. Ltd.; in Canada through Cambridge Mercantile Corp.; in the United Kingdom through Cambridge Mercantile Risk Management (UK) Ltd.; in Ireland and the European Economic Area on a cross-border basis through AFEX Markets Europe Ltd.; in Jersey and the Channel Islands through AFEX Offshore Ltd.; in Singapore through Associated Foreign Exchange (Singapore) Pte. Ltd. and in the United States through Cambridge Mercantile Corp. (U.S.A.). Please refer to <http://cross-border.corpay.com/brochure-disclaimers> for important terms and information regarding this brochure.