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Citibank Wealth Management



Mar 12, 2018
with data as of Mar 9, 2018

Weekly FX Strategy

FX Analysis

Data Forecasts

Weekly FX Insight

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



Weekly FX Strategy: CAD

CAD news

- Although US non-farm payrolls reached 313K in Feb, average hourly earnings yearly growth slowed down to 2.6%, which prompted the USD to pare gains.
- US President Trump signed a proclamation on steel and aluminum tariffs that exempts Canada and Mexico.
- The BoC kept the interest rate unchanged with a slightly dovish statement, emphasizing trade risk pickup and NAFTA negotiations uncertainty.

CAD outlook

- We expect oil prices to face downside risk in 2H18, which may restrain CAD. However, USD weakness may support CAD mildly. 0-3 month forecast: 1.25; 6-12 month forecast: 1.23.

USD/CAD – Daily Chart



Source: Bloomberg L.P., as of Mar 9, 2018

- Since the RSI has risen to overbought territory, USD/CAD upside may be limited at 1.3001-1.3132 and may range trade between 1.2723-1.3001.

Strategy for CAD holders - Diversify into USD

- We expect two more rate hikes from the BoC this year, with the next likely in July. An earlier rate hike in Apr is unlikely.
- Oil weakness may be seen in 2H. For the coming 6-12 months, Brent Crude and WTI Crude may test lower to US\$52/bbl and US\$48/bbl.

Strategy	Reference Level	Target Level	
Bearish on CAD	USD	1.2723	1.3001
Bearish on CAD	HKD	6.16	6.03

Strategy for USD holders - Buy CAD upon retracement

- The 8th round of NAFTA renegotiations is slated to take place in late March/early April. We expect NAFTA may finally successfully renegotiated, which may underpin CAD.
- Canada Employment grew by 15.4k in Feb and Unemployment Rate fell to record low of 5.8%, which may improve CAD's investment sentiment.

Strategy	Reference Level	Target Level	
Bullish on CAD	USD	1.3001	1.2723
Bullish on CAD	HKD	6.03	6.16

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8364 exchange rate for reference



Weekly FX Strategy: GBP

GBP news

- The UK's Brexit divorce bill will be made public for the first time next Tuesday as apart of Chancellor Hammond's Spring statement.
- GBP slid as reports showed that UK officials privately think January is the real deadline to get an accord in time for Brexit day.
- UK services PMI rose from 53 to 54.5 in Feb, better than expected.

GBP outlook

- Although the BoE may hike rates only once this year, the BoE revised up growth and short-term inflation forecasts, showing a hawkish bias. since the REER remains low and USD may weaken in the medium and long term, GBP may still have upside. 0-3 month forecast: 1.44; 6-12 month: 1.45.

GBP/USD – Daily Chart



Source: Bloomberg L.P., as of Mar 9, 2018

- Since the RSI is approaching oversold territory and GBP/USD is staying above the uptrend line, GBP downside may be limited at 1.3613-1.3657 and the pair may range trade between 1.3657-1.4345 .

Strategy for GBP holders - Diversify into USD

- Brexit negotiation uncertainty may continue to restrain GBP.
- We expect the BoE to hike rates only once this year, less than the Fed and the BoC. This may undermine GBP.



Strategy	Reference Level	Target Level
Bearish on GBP	USD 1.4345	1.3657
Bearish on GBP	HKD 11.24	10.70

Strategy for USD holders - Buy GBP upon retracement

- The BoE revised up growth and short-term inflation forecasts, showing a hawkish bias, which may underpin GBP.
- Since the REER remains low and USD may weaken in the medium and long term, GBP may still have upside.



Strategy	Reference Level	Target Level
Bullish on GBP	USD 1.3657	1.4345
Bullish on GBP	HKD 10.70	11.24

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8364 exchange rate for reference

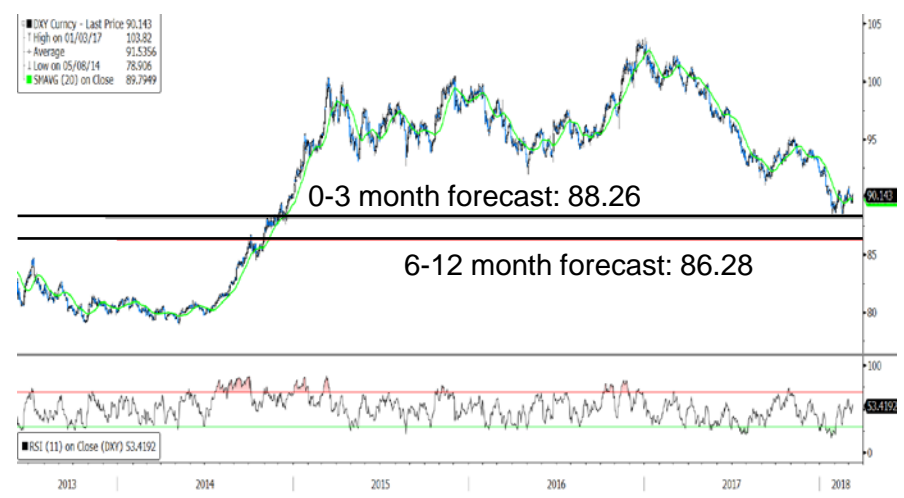
Dollar Index

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8364 exchange rate for reference



USD outlook:

- There is no change to our medium term bearish dollar view, mainly drive by:
 - 1) a timeline in which 5-6 year dollar rallies are followed by 10 year \$ bear markets.
 - 2) upside in the pivotal EUR/USD rate resulting from a much less accommodative ECB policy stance in 2018 and beyond.
 - 3) a sharp deterioration in the US net international asset position over the past 10 years which may require a lower real exchange rate longer term.
 - 4) cyclical convergence replacing divergence as Europe, Japan and EM real growth rates pick up and converge on the US.
- 0-3 month forecast: 88.26; 6-12 month forecast: 86.28. USD may have 2.5% downside against major currencies.



Source: Bloomberg L.P., as of Mar 9, 2018

EUR/USD

EUR outlook:

- As European economy strengthens and the ECB's easing program diminishes with less dovish policy stance, yields in core European bonds may rise and it may support the EUR. 0-3 month forecast: 1.25; 6-12 month forecast: 1.28.



Source: Bloomberg L.P., as of Mar 9, 2018

Shopping Cart Icon	Strategy	Reference Level	Target Level	
	Bearish on EUR	USD	1.2555	1.2092
	Bearish on EUR	HKD	9.84	9.48
	Bullish on EUR	USD	1.2092	1.2555
	Bullish on EUR	HKD	9.48	9.84

USD/CNH

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8364 exchange rate for reference



CNY outlook:

- USD weakness may underpin CNY in the long term. If CNY strengthens further, it may exert more pressures on China's trade competitiveness. The authorities' tolerance for further CNY appreciation may be limited now. Some capital control measures could be eased in the near future. 0-3 month forecast: 6.30; 6-12 month forecast: 6.45; Long-term forecast: 6.10.

Strategy	Reference Level	Target Level
Bearish on CNH USD	6.2453	6.3871
Bearish on CNH HKD	1.2548	1.2269
Bullish on CNH USD	6.3871	6.2453
Bullish on CNH HKD	1.2269	1.2548



Source: Bloomberg L.P., as of Mar 9, 2018

AUD/USD

AUD outlook:

- Although Australia exhibits strong employment growth, wage growth remains benign. Savings rate has been trending lower since 2014 and household debt is elevated. Thus, we expect the RBA not to move to a more hawkish bias soon. We expect the RBA to jawbone any significant appreciation. But USD weakness may support AUD in the medium term. 0-3 month forecast: 0.80; 6-12 month forecast: 0.81.

Strategy	Reference Level	Target Level
Bearish on AUD USD	0.8125	0.7740
Bearish on AUD HKD	6.37	6.07
Bullish on AUD USD	0.7740	0.8125
Bullish on AUD HKD	6.07	6.37



Source: Bloomberg L.P., as of Mar 9, 2018

NZD/USD

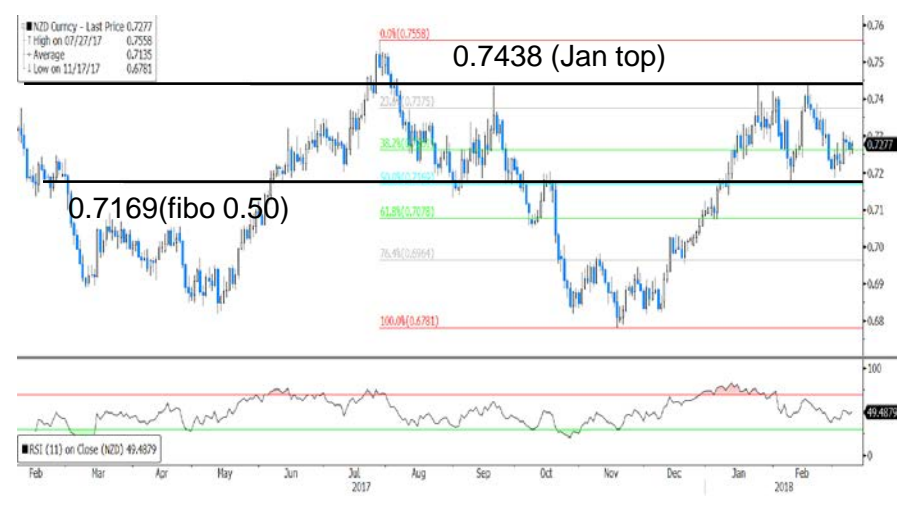
The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8364 exchange rate for reference



NZD outlook:

- Dairy prices remain solid, helping the countries terms of trade. We are keeping a close eye on the cooling housing market, which may affect construction activity and employment and GDP growth. The RBNZ adopted a dovish lean and lowered inflation forecasts at its first meeting. The probability that the RBNZ will remain on hold for the future remains high. 0-3M forecast : 0.74; 6-12M forecast: 0.75.

Strategy	Reference Level	Target Level
Bearish on NZD	USD 0.7438	0.7169
Bearish on NZD	HKD 5.82	5.61
Bullish on NZD	USD 0.7169	0.7438
Bullish on NZD	HKD 5.61	5.82



Source: Bloomberg L.P., as of Mar 9, 2018

USD/JPY

JPY outlook:

- Medium term fundamentals are supportive of JPY. Japan's current account surplus made an all-time high in October 2017, while the REER of JPY remains low. If the BoJ continues to reduce asset purchases, eventually putting additional upward pressure on long end JGBs, JPY may be underpinned. 0-3 month forecast: 105; 6-12 month forecast: 103.

Strategy	Reference Level	Target Level
Bearish on JPY	USD 103.66	108.84
Bearish on JPY	HKD 75.54	71.95
Bullish on JPY	USD 108.84	103.66
Bullish on JPY	HKD 71.95	75.54



Source: Bloomberg L.P., as of Mar 9, 2018

USD/CHF

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8364 exchange rate for reference



CHF outlook:

- The SNB reiterated that the currency is “highly valued”, which may undermine CHF.
- The CHF recovery is at a particularly nascent stage and we believe the economy will not be able to recover sufficiently if CHF FX appreciate substantially.
- 0-3 month forecast: 0.93; 6-12 month forecast: 0.92

Technical Analysis:

- Due to the neutral RSI, USD/CHF may range trade between 0.9222-0.9651, with limited downside.

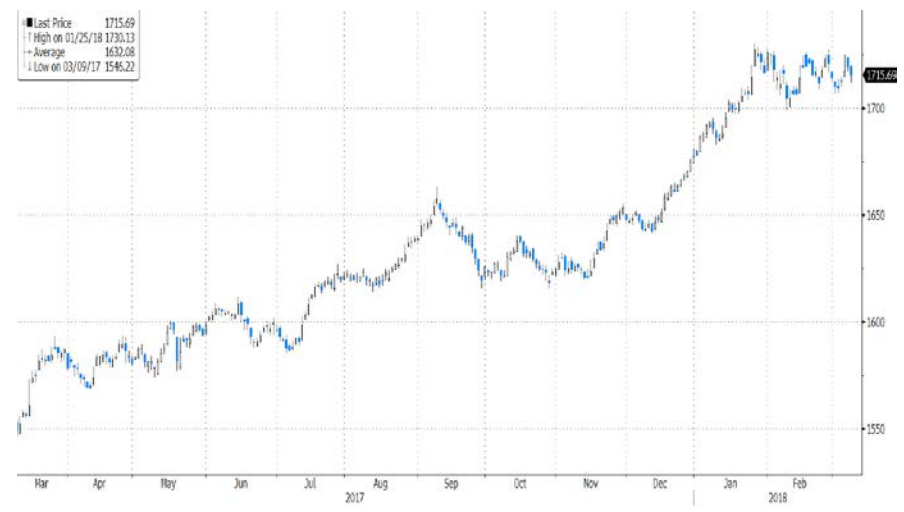


Source: Bloomberg L.P., as of Mar 9, 2018

EM Currencies

EM Currencies outlook:

- For the coming 6-12 months, EMFX may be supported amid stronger EUR and equity gains.
- We expect Asia to outperform over 12-months time vs, CEEMEA and Latam.



Source: Bloomberg L.P., as of Mar 9, 2018

Appendix 1: Last week performance, Citi interest rate and FX Forecasts

Citi FX Outlook Forecast

Citi FX interest rate Forecast

	0-3 month	6-12 month	3/9/2018	1Q '18	2Q '18	3Q '18
Dollar Index	88.26	86.28	1.50	1.75	2.00	2.25
EUR/USD	1.25	1.28	0.00	0.00	0.00	0.00
GBP/USD	1.44	1.45	0.50	0.50	0.50	0.75
USD/JPY	105	103	-0.10	-0.10	-0.10	-0.10
USD/CHF	0.93	0.92	-0.75	-0.75	-0.75	-0.75
AUD/USD	0.80	0.81	1.50	1.50	1.50	1.50
NZD/USD	0.74	0.75	1.75	1.75	1.75	1.75
USD/CAD	1.25	1.23	1.25	1.25	1.25	1.50
USD/CNY	6.30	6.45	3.45	3.50	3.50	3.70

Source: Citi, forecast as of Feb 16, 2018

■ Rate cut expectations
 ■ Rate hike expectations

Major Currencies Weekly Performance

CCY	Last week close	Weekly Change	1 month high	1 month low	3 month high	3 month low	52 week high	52 week low	Year-To-Date Change
USD	90.09	0.0%	90.61	88.59	94.10	88.59	101.79	88.25	-2.2%
EUR/USD	1.2307	-0.2%	1.2506	1.2194	1.2510	1.1742	1.2555	1.0570	2.5%
USD/JPY	106.82	0.7%	108.80	105.75	113.56	105.75	115.20	105.25	-5.4%
GBP/USD	1.3850	0.0%	1.4099	1.3760	1.4264	1.3318	1.4345	1.2110	2.5%
USD/CAD	1.2812	-1.2%	1.2964	1.2481	1.2964	1.2268	1.3793	1.2062	1.9%
AUD/USD	0.7844	1.2%	0.7945	0.7756	0.8110	0.7526	0.8136	0.7329	0.7%
NZD/USD	0.7280	1.0%	0.7407	0.7212	0.7407	0.6912	0.7558	0.6781	2.8%
USD/CHF	0.9513	1.2%	0.9513	0.9220	0.9918	0.9220	1.0127	0.9188	-2.4%
USD/CNY	6.3344	-0.2%	6.3582	6.3032	6.6215	6.2778	6.9209	6.2525	-2.7%
USD/CNH	6.3306	-0.1%	6.3475	6.2823	6.6279	6.2819	6.9177	6.2557	-3.0%
GOLD	1323.93	0.2%	1353.67	1316.65	1358.46	1242.02	1366.15	1197.42	1.6%

Source: Bloomberg L.P., as of Mar 9, 2018

Appendix2: Completion Levels of Citi's Target Prices

	Jan 2 Close	Current Price	0-3M Target Price	Completion Level of 0-3M Target Price	6-12M Target Price	Completion Level of 6-12M Target Price	Long-term Target Price	Completion Level of Long-term Target Price
DXY	91.87	90.09	88.26	98%	86.28	96%	79.42	88%
EUR	1.2059	1.2307	1.25	98%	1.28	96%	1.4	86%
JPY	112.29	106.82	105	98%	103	96%	95	88%
GBP	1.359	1.385	1.44	96%	1.45	95%	1.59	85%
CAD	1.2512	1.2812	1.25	98%	1.23	96%	1.20	93%
AUD	0.783	0.7844	0.80	98%	0.81	97%	0.82	95%
NZD	0.7105	0.728	0.74	98%	0.74	98%	0.74	98%
CHF	0.9717	0.9513	0.93	98%	0.92	97%	0.86	89%
CNY	6.493	6.3344	6.30	99%	6.45	102%	6.10	96%
GOLD	1317.56	1323.93	1350	98%	1380	96%	1200	109%

Appendix3: Major Currencies Performance

vs USD	現價	1個月表現	3個月表現	6個月表現
DXY	90.09	-0.1%	-4.3%	-1.9%
EUR	1.2307	0.1%	4.8%	2.8%
JPY	106.82	1.7%	6.3%	3.1%
GBP	1.385	0.1%	4.0%	4.3%
CAD	1.2812	-1.8%	0.4%	-4.9%
AUD	0.7844	-0.2%	3.8%	-2.2%
NZD	0.728	0.2%	5.0%	-0.1%
CHF	0.9513	-1.3%	4.2%	1.0%
CNY	6.3344	-0.5%	4.5%	3.1%
CNH	6.3306	-0.1%	4.7%	3.2%
GOLD	1324	0.1%	6.4%	-0.6%
HKD	7.8364	-0.2%	-0.4%	-0.3%

Appendix 2: Last week's Economic Figures

Time		Importance	Event	Period	Actual	Survey	Prior
Monday							
03/05/18 17:00	EC	!	Markit Eurozone Services PMI	Feb	56.2	56.7	56.7
03/05/18 17:30	UK	!	Markit/CIPS UK Services PMI	Feb	54.5	53.3	53
03/05/18 23:00	US	!!	ISM Non-Manf. Composite	Feb	59.5	59	59.9
Tuesday							
03/06/18 08:30	AU	!!	Retail Sales MoM	Jan	0.10%	0.40%	-0.50%
03/06/18 11:30	AU	!!!	RBA Cash Rate Target	Mar	1.50%	1.50%	1.50%
03/06/18 23:00	US	!!	Durable Goods Orders	Jan	-3.60%	-3.60%	-3.70%
Wednesday							
03/07/18 08:30	AU	!!	GDP YoY	4Q	2.40%	2.50%	2.90%
03/07/18 18:00	EC	!!	GDP SA YoY	4Q	2.70%	2.70%	2.70%
03/07/18 21:15	US	!!	ADP Employment Change	Feb	235k	200k	244k
03/07/18 21:30	CA	!	Int'l Merchandise Trade	Jan	-1.91b	-2.50b	-3.05b
03/07/18 21:30	US	!!	Trade Balance	Jan	-\$56.6b	-\$55.0b	-\$53.9b
03/07/18 23:00	CA	!!!	Bank of Canada Rate Decision	Mar	1.25%	1.25%	1.25%
Thursday							
03/08/18 07:50	JN	!!	GDP Annualized SA QoQ	4Q	1.60%	1.00%	0.50%
03/08/18 08:30	AU	!	Trade Balance	Jan	A\$1055m	A\$160m	-\$1146m
03/08/18 20:45	EC	!!!	ECB Main Refinancing Rate	Mar	0.00%	0.00%	0.00%
03/08/18 21:30	US	!!	Initial Jobless Claims	Mar	231k	220k	210k
03/08/18	CH	!!	Trade Balance	Feb	\$33.74b	-\$5.70b	\$20.35b
Friday							
03/09/18 09:30	CH	!!	CPI YoY	Feb	2.90%	2.50%	1.50%
03/09/18 17:30	UK	!!	Industrial Production YoY	Jan	1.60%	1.90%	0.00%
03/09/18 17:30	UK	!!	Manufacturing Production YoY	Jan	2.70%	2.80%	1.40%
03/09/18 21:30	US	!!!	Unemployment Rate	Feb	4.10%	4.10%	4.10%
03/09/18 21:30	US	!!!	Change in Nonfarm Payrolls	Feb	313k	205k	239k
03/09/18 21:30	CA	!!	Net Change in Employment	Feb	15.4k	21k	-88.0k
03/09/18 21:30	CA	!!	Unemployment Rate	Feb	5.80%	5.90%	5.90%
03/09/18	JN	!!!	BOJ Policy Balance Rate	Mar	-0.10%	-0.10%	-0.10%

Appendix 3: Upcoming Economic Figures (Mar 12, 2018 – Mar 16, 2018)

Time		Importance	Event	Period	Actual	Survey	Prior
Tuesday							
03/13/18 02:00	US	!	Monthly Budget Statement	Feb	--	--	\$49.2b
03/13/18 08:30	AU	!	NAB Business Conditions	Feb	--	--	19
03/13/18 20:30	US	!!!	CPI YoY	Feb	--	--	2.10%
03/13/18 20:30	US	!!!	CPI Ex Food and Energy YoY	Feb	--	--	1.80%
Wednesday							
03/14/18 05:45	NZ	!	BoP Current Account Balance NZD	4Q	--	--	-4.679b
03/14/18 07:30	AU	!	Westpac Consumer Conf SA MoM	Mar	--	--	-2.30%
03/14/18 10:00	CH	!!	Retail Sales YTD YoY	Feb	--	9.50%	10.20%
03/14/18 10:00	CH	!!	Industrial Production YTD YoY	Feb	--	6.10%	6.60%
03/14/18 20:30	US	!!!	Retail Sales Advance MoM	Feb	--	0.40%	-0.30%
03/14/18 20:30	US	!!!	Retail Sales Ex Auto MoM	Feb	--	0.50%	0.00%
Thursday							
03/15/18 05:45	NZ	!!	GDP YoY	4Q	--	--	2.70%
03/15/18 20:30	US	!!	Initial Jobless Claims	Mar	--	--	--
03/15/18 21:00	CA	!	Existing Home Sales MoM	Feb	--	--	-14.50%
Friday							
03/16/18 04:00	US	!	Total Net TIC Flows	Jan	--	--	-\$119.3b
03/16/18 18:00	EC	!!	CPI YoY	Feb	--	--	1.30%
03/16/18 20:30	CA	!	Int'l Securities Transactions	Jan	--	--	-1.97b
03/16/18 20:30	US	!!	Housing Starts MoM	Feb	--	-3.90%	9.70%
03/16/18 20:30	US	!!	Building Permits MoM	Feb	--	-4.90%	7.40%
03/16/18 21:15	US	!!	Industrial Production MoM	Feb	--	0.20%	-0.10%
03/16/18 22:00	US	!!	U. of Mich. Sentiment	Mar	--	--	--

Appendix 4: Upcoming Economic Figures (Mar 19, 2018 – Mar 23, 2018)

Time		Importance	Event	Period	Actual	Survey	Prior
Tuesday							
03/20/18 08:30	AU	!!	RBA March Meeting Minutes	Mar			
03/20/18 17:30	UK	!!	CPI YoY	Feb	--	--	3.00%
Wednesday							
03/21/18 17:30	UK	!!	Average Weekly Earnings 3M/YoY	Jan	--	--	2.50%
03/21/18 17:30	UK	!!	ILO Unemployment Rate 3Mths	Jan	--	--	4.40%
03/21/18 20:30	US	!!	Current Account Balance	4Q	--	--	-\$100.6b
03/21/18 22:00	US	!!	Existing Home Sales MoM	Feb	--	--	-3.20%
Thursday							
03/22/18 02:00	US	!!!	FOMC Rate Decision (Upper Bound)	Mar	--	1.75%	1.50%
03/22/18 04:00	NZ	!!!	RBNZ Official Cash Rate	Mar	--	1.75%	1.75%
03/22/18 08:30	AU	!!	Employment Change	Feb	--	--	16.0k
03/22/18 08:30	AU	!!	Unemployment Rate	Feb	--	--	5.50%
03/22/18 17:00	EC	!!	Markit Eurozone Manufacturing PMI	Mar	--	--	58.6
03/22/18 17:00	GE	!!	IFO Business Climate	Mar	--	--	115.4
03/22/18 17:30	UK	!!	Retail Sales Ex Auto Fuel YoY	Feb	--	--	1.50%
03/22/18 17:30	UK	!!	Retail Sales Inc Auto Fuel YoY	Feb	--	--	1.60%
03/22/18 20:00	UK	!!!	Bank of England Bank Rate	Mar	--	--	0.50%
03/22/18 20:30	US	!!	Initial Jobless Claims	Mar	--	--	--
03/22/18	EC	!!!	EU leaders meet in Brussels	Mar			
Friday							
03/23/18 07:30	JN	!!	Natl CPI Ex Fresh Food YoY	Feb	--	--	0.90%
03/23/18 20:30	CA	!!	CPI YoY	Feb	--	--	1.70%
03/23/18 20:30	CA	!!	CPI Core- Common YoY%	Feb	--	--	1.80%
03/23/18 20:30	CA	!!	Retail Sales MoM	Jan	--	--	-0.80%
03/23/18 20:30	CA	!!	Retail Sales Ex Auto MoM	Jan	--	--	-1.80%
03/23/18 20:30	US	!!	Durable Goods Orders	Mar	--	--	-3.60%
03/23/18 22:00	US	!!	New Home Sales MoM	Feb	--	--	-7.80%

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Unrated or non investment grade Debt Securities typically offer a higher yield than investment grade Debt Securities, but also present greater risks with respect to liquidity, volatility, and non-payment of principal and interest. As a result of being classified as non investment grade Debt Securities, these Debt Securities present a greater degree of credit risk relative to many other fixed income Debt Securities.

Higher Credit Risk – Unrated or non investment grade Debt Securities generally have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. There is greater risk of non-payment of interest and loss of principal. Many issuers of these Debt Securities have experienced substantial difficulties in servicing their debt obligations, which has led to default and restructurings. The issuers of these Debt Securities generally have to pay a higher rate of interest than investment grade Debt Securities.

Higher Liquidity and Secondary Market Risk – The markets in which unrated or non investment grade Debt Securities are traded are generally more limited than those in which investment grade Debt Securities are traded. This lack of liquidity may make it more difficult to resell these Debt Securities and obtain market quotations.

Downgrade Risk – Downgrades in the credit rating of unrated or non investment grade Debt Securities by rating agencies are generally accompanied by declines in the market value of these Debt Securities. In some circumstances, investors in the unrated or non investment grade Debt Securities market may anticipate such downgrades as a result of these credits being placed on "credit watch" by rating agencies, causing volatility and speculation of further credit deterioration.

Higher Vulnerability to economic cycles - During economic downturns, unrated or non investment grade Debt Securities are typically more susceptible to price volatility and fall more in value than investment grade Debt Securities as i) investors may reevaluate holdings in lower-quality bonds in favor of investment-grade corporate Debt Securities; ii) investors become more risk averse; and iii) default risk rises. This is often referred to a "flight to quality".

Event Risk – This includes any of a variety of events that can adversely affect the issuer of unrated or non investment grade Debt Securities, and therefore the issuer's ability to meet debt service obligations to repay principal and interest to Debt Securities holders. Event risk may pertain to the issuer specifically, the industry or business sector of the issuer, or generally upon the overall economy. It could have a direct or indirect impact on the issuer and their outstanding debts.

Risk relating to RMB – If you choose RMB as the base currency or the alternate currency, you should also note the following:

RMB is currently not freely convertible through banks in Hong Kong. Due to exchange controls and/or restrictions imposed on the convertibility, utilisation or transferability of RMB (if any) which in turn is affected by, amongst other things, the PRC government's control, there is no guarantee that disruption in the transferability, convertibility or liquidity of RMB will not occur. There is thus a likelihood that you may not be able to convert RMB received into other freely convertible currencies.

CNH exchange rates and CNY exchange rates are currently quoted in different markets with different exchange rates, whereby their exchange rate movements may not be in the same direction or magnitude. Therefore, the CNH exchange rate may be different from the CNY exchange rate.