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Citibank Wealth Management



Nov 13, 2017
with data as of Nov 10, 2017

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: NZD

NZD news

- The RBNZ released a hawkish statement. It did not jawbone NZD again and said that NZD has eased and if sustained will increase inflation and promote more balanced growth.
- USD was pressured as Senate Finance Committee said Senate tax plan diverges from the House version.
- NZ electronic card spending rose 0.3%, worse than expectation of 0.5%.

NZD outlook

- NZD underperformance of late has been primarily due to the election and associated uncertainties. As uncertainties fade, NZD downside risk may recede. The RBNZ may hike rates in 3Q18 amid improved inflation and strong NZ economy, which may support NZD. 0-3 month forecast: 0.70; 6-12 month forecast: 0.71.

NZD/USD – Daily Chart



Source: Bloomberg L.P., as of Nov 10, 2017

- Since the RSI has risen from oversold territory and NZD/USD rebounded from an important support of 0.6818, upside risk may increase in the short term and the pair may range trade between 0.6818-0.7188.

Strategy for NZD holders - Diversify into USD

- We continue to expect the RBNZ to begin tightening in Q3 next year, later than the US and Canada, which may restrain NZD.
- NZ new government hopes to include employment in the RBNZ's mandate, together with inflation, triggering concerns that the RBNZ may defer rate hikes.



Strategy	Reference Level	Target Level
Bearish on NZD	USD	0.7188
Bearish on NZD	HKD	5.32

Strategy for USD holders - Buy NZD upon retracement

- The House and Senate may need to discuss tax plan differences in the coming weeks. Uncertainty may increase market volatility, which may undermine USD and underpin NZD.
- NZD may still have upside as investors may buy the currency on an unexpected hawkish policy stance.



Strategy	Reference Level	Target Level
Bullish on NZD	USD	0.7188
Bullish on NZD	HKD	5.32

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8024 exchange rate for reference



Weekly FX Strategy: AUD

AUD news

- RBA's quarterly statement of monetary policy showed cautious inflation outlook. In the RBA's view, inflation may stay at 1.75% until early 2019, lower than its target of 2%.
- Australia mainly exports iron ore. Iron ore price rose 4.2% last week.

AUD outlook

- Australian economic downside risks increase as the housing market looks to be plateauing. A weakening retail sales trend added to a high debt load is starting to affect households. Moreover, lower base metal and bulk commodity prices may damage Australian terms of trade and AUD. 0-3 month forecast: 0.78; 6-12 month forecast: 0.79.

AUD/USD – Daily Chart



Source: Bloomberg L.P., as of Nov 10, 2017

- Since the RSI has rebounded from oversold territory, AUD/USD downside may be limited. The pair may range trade between 0.7529-0.7897 in the short term.

Strategy for AUD holders - Diversify into USD

- We continue to expect the RBA not to hike rates until 4Q18, later than the US and Canada, which may restrain AUD.
- The RBA released its quarterly statement of monetary policy last week. Its cautious inflation outlook may cool down rate hike expectations, which may restrain AUD.



Strategy	Reference Level	Target Level
Bearish on AUD	USD	0.7897
Bearish on AUD	HKD	6.16

Strategy for USD holders - Buy AUD upon retracement

- We expect the RBA not to change its neutral policy stance in the first half of 2018, which may support AUD.
- The House and Senate may need to discuss tax plan differences in the coming weeks. Uncertainty may increase market volatility, which may undermine USD and underpin AUD.



Strategy	Reference Level	Target Level
Bullish on AUD	USD	0.7529
Bullish on AUD	HKD	5.87

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8024 exchange rate for reference

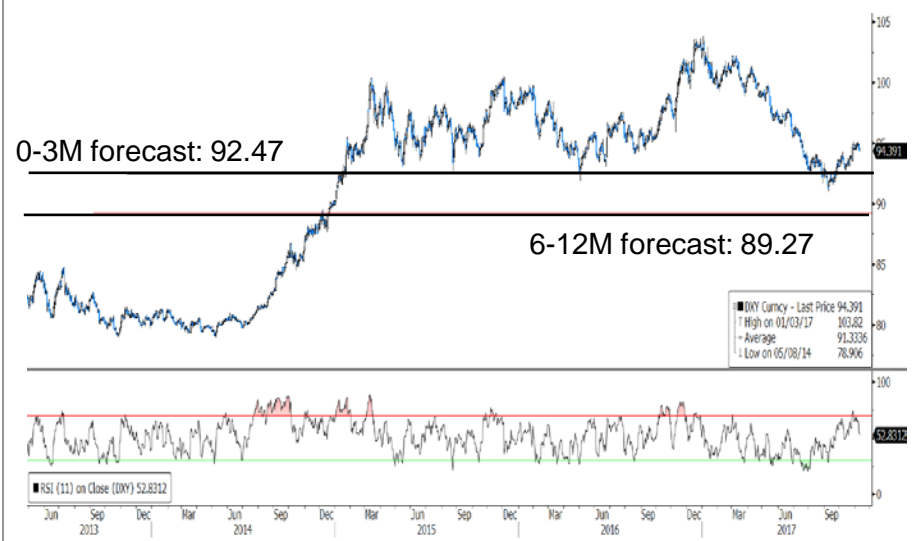
Dollar Index

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8024 exchange rate for reference



USD outlook:

- Over the past few weeks, USD strengthened again amid a more hawkish stance of the Fed, improved US data and rising political risk in Europe.
- However, US upbeat job data could not support USD much. It is a sign that our base case of a \$ bear market medium term may be correct.
- Since 1975, USD bull cycles have lasted 5-6 years on average while bear cycles have lasted around 10 years. The latest USD bull cycle started in 2011. According to past experience, this bull cycle may have ended and may start a bear cycle.
- 0-3 month forecast: 92.47; 6-12 month forecast: 89.27.



Source: Bloomberg L.P., as of Nov 10, 2017

USD/CNH

CNY outlook:

- The PBOC is not willing to see one-way CNY moves.
- We expect the CNY to show two-way fluctuations in the remainder of the year (3m forecast 6.65).
- Seasonally higher demand in 4Q could pressure the CNY in the short-term.

Technical analysis:

- As RSI is near overbought territory, USD/CNH upside may be limited and may range trade between 6.5724-6.6904.



Source: Bloomberg L.P., as of Nov 10, 2017

USD/CAD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8024 exchange rate for reference



CAD outlook:

- We expect the BOC to hike rates again. Moreover, markets may have priced in a Dec rate hike by the Fed, which may underpin CAD. 0-3 month forecast: 1.23; 6-12 month forecast: 1.20.



Strategy		Reference Level	Target Level
Bearish on AUD	USD	1.2471	1.2969
Bearish on AUD	HKD	6.26	6.02
Bullish on AUD	USD	1.2969	1.2471
Bullish on AUD	HKD	6.02	6.26



Source: Bloomberg L.P., as of Nov 10, 2017

GBP/USD

GBP outlook:

- Although political uncertainty may restrain GBP, the BOE hiked rates in Nov and one more hikes may be seen in 2018, which may underpin GBP. 0-3 month forecast: 1.35; 6-12 month: 1.38.



Strategy		Reference Level	Target Level
Bearish on CAD	USD	1.3338	1.2963
Bearish on CAD	HKD	10.41	10.11
Bullish on CAD	USD	1.2963	1.3338
Bullish on CAD	HKD	10.11	10.41



Source: Bloomberg L.P., as of Nov 10, 2017

USD/JPY

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8024 exchange rate for reference



JPY outlook:

- USD/JPY mainly range bound this year between 108-114 with US yields a critical driver. Tax cuts in the US, or a more hawkish Fed or higher wage inflation may drive US yields and USD/JPY higher. Geopolitical risks in North Korea may underpin safe haven JPY. 0-3 month forecast: 113; 6-12 month forecast: 110

Strategy	Reference Level	Target Level
Bearish on JPY	USD 110.00	114.33
Bearish on JPY	HKD 70.93	68.24
Bullish on JPY	USD 114.33	110.00
Bullish on JPY	HKD 68.24	70.93



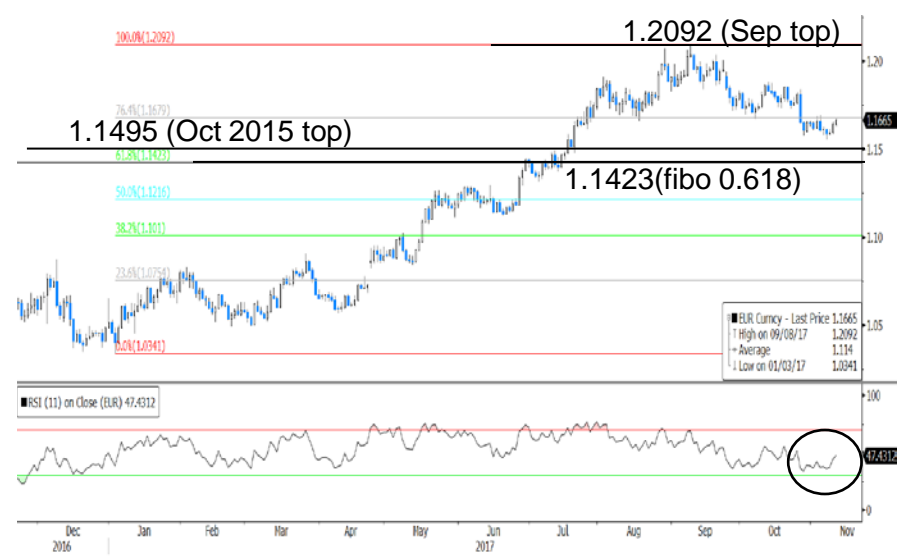
Source: Bloomberg L.P., as of Nov 10, 2017

EUR/USD

EUR outlook:

- EUR supports include a low real effective exchange rate level, large current account surplus, equity market inflows, Euro Area cyclical recovery above expectations and a related turn less accommodative by the ECB. Medium term gains may rely on less ECB buying of bonds and a likely further narrowing in yield spreads. 0-3 month forecast: 1.19; 6-12 month forecast: 1.24.

Strategy	Reference Level	Target Level
Bearish on GBP	USD 1.2092	1.1495
Bearish on GBP	HKD 9.43	8.97
Bullish on GBP	USD 1.1495	1.2092
Bullish on GBP	HKD 8.97	9.43



Source: Bloomberg L.P., as of Nov 10, 2017

USD/CHF

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.8024 exchange rate for reference



CHF outlook:

- The SNB may not hike rates in 2017 and 2018 amid moderate inflation in Switzerland. Since CHF rates may remain low, CHF may continue to be a funding currency of carry trades.
- In our view, CHF is still overvalued. For the coming 0-3 months and 6-12 months, USD/CHF may remain at 0.97.

Technical Analysis:

- As RSI fell from overbought territory, USD/CHF upside may be limited and may range trade between 0.9773-1.0126.

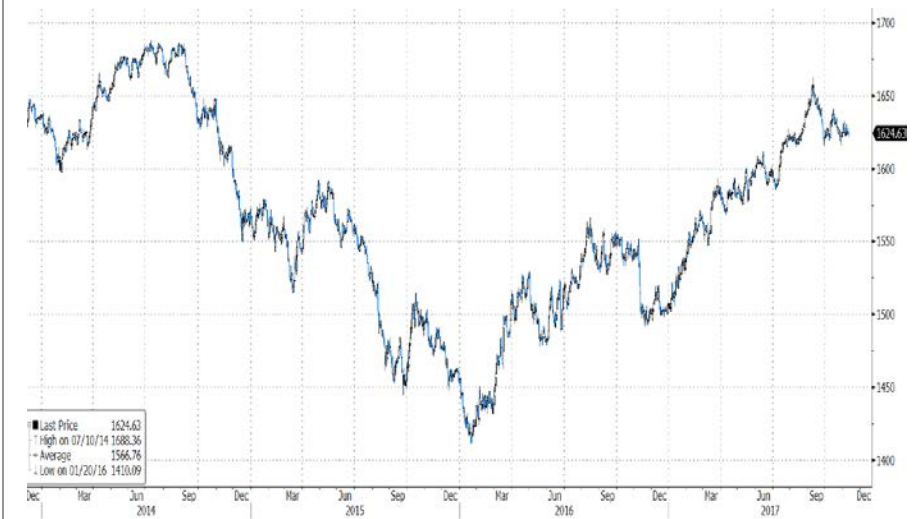


Source: Bloomberg L.P., as of Nov 10, 2017

EM Currencies

EM Currencies outlook:

- We expect a stronger EUR, equity market gains and flat oil prices may support EM currencies for the coming 6-12 months.
- In the short term, carry trades may underpin high-yield EM currencies.
- EMFX may appreciate by roughly 1.2% in spot terms in the 3 month timeframe and 1.4% in 12 months.



Source: Bloomberg L.P., as of Nov 10, 2017

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	11/10/17	4Q '17	1Q '18	2Q '18
Dollar Index	92.47	89.27	1.25	1.50	1.75	2.00
EUR/USD	1.19	1.24	0.00	0.00	0.00	0.00
GBP/USD	1.35	1.38	0.50	0.50	0.50	0.50
USD/JPY	113	110	-0.10	-0.10	-0.10	-0.10
USD/CHF	0.97	0.97	-0.75	-0.75	-0.75	-0.75
AUD/USD	0.78	0.79	1.50	1.50	1.50	1.50
NZD/USD	0.70	0.71	1.75	1.75	1.75	1.75
USD/CAD	1.23	1.20	1.00	1.00	1.00	1.25
USD/CNY	6.65	6.75	3.30	3.50	3.50	3.70

Source: Citi, forecast as of Oct 13, 2017

■ 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	94.39	-0.6%	94.94	93.02	94.94	91.35	103.82	91.01	-7.6%
EUR/USD	1.1665	0.5%	1.1859	1.1587	1.2036	1.1587	1.2092	1.0341	10.9%
USD/JPY	113.53	-0.5%	114.18	111.82	114.18	107.84	118.66	106.51	-3.0%
GBP/USD	1.3196	0.9%	1.3285	1.3059	1.3594	1.2800	1.3657	1.1986	6.9%
USD/CAD	1.2682	-0.6%	1.2888	1.2458	1.2888	1.2110	1.3793	1.2062	-6.0%
AUD/USD	0.7661	0.1%	0.7887	0.7645	0.8060	0.7645	0.8125	0.7160	6.3%
NZD/USD	0.6937	0.4%	0.7181	0.6840	0.7357	0.6840	0.7558	0.6818	0.0%
USD/CHF	0.9961	-0.5%	1.0033	0.9735	1.0033	0.9442	1.0344	0.9421	-2.3%
USD/CNY	6.6409	0.0%	6.6505	6.5743	6.6916	6.4870	6.9649	6.4390	-4.6%
USD/CNH	6.6618	0.4%	6.6618	6.5667	6.6963	6.4865	6.9895	6.4436	-4.7%
GOLD	1275.07	0.4%	1303.82	1266.99	1349.22	1266.99	1357.61	1122.89	11.1%

Source: Bloomberg L.P., as of Nov 10, 2017

Appendix 2: Last week's Economic Figures

Time		Importance	Event	Period	Actual	Survey	Prior
Monday							
11/06/17 17:00	EC	!!	Markit Eurozone Services PMI	Oct	55	54.9	54.9
11/06/17 23:00	CA	!	Ivey Purchasing Managers Index SA	Oct	63.8	--	59.6
Tuesday							
11/07/17 11:30	AU	!!!	RBA Cash Rate Target	Nov	1.50%	1.50%	1.50%
Wednesday							
11/08/17 21:15	CA	!	Housing Starts	Oct	222.8k	211.0k	219.3k
11/08/17 21:30	CA	!	Building Permits MoM	Sep	3.80%	1.00%	-5.10%
11/08/17	CH	!!	Trade Balance	Oct	\$38.17b	\$39.10b	\$28.50b
11/08/17	CH	!!	Exports YoY	Oct	6.90%	7.10%	8.10%
11/08/17	CH	!!	Imports YoY	Oct	17.20%	17.00%	18.70%
Thursday							
11/09/17 04:00	NZ	!!!	RBNZ Official Cash Rate	Nov	1.75%	1.75%	1.75%
11/09/17 08:01	UK	!!	RICS House Price Balance	Oct	1%	4%	6%
11/09/17 09:30	CH	!!	CPI YoY	Oct	1.90%	1.80%	1.60%
11/09/17 21:30	US	!!	Initial Jobless Claims	Nov	239k	232k	229k
Friday							
11/09/17 17:30	UK	!!	Industrial Production YoY	Sep	2.50%	1.90%	1.80%
11/09/17 17:30	UK	!!	Manufacturing Production YoY	Sep	2.70%	2.40%	2.80%
11/09/17 17:30	UK	!!	Trade Balance	Sep	-£2754	-£4300	-£3455
11/10/17 23:00	US	!!	U. of Mich. Sentiment	Nov	97.8	100.8	100.7

Appendix 3: Upcoming Economic Figures (Nov 13, 2017 – Nov 17, 2017)

Time		Importance	Event	Period	Actual	Survey	Prior
Tuesday							
11/14/17 10:00	CH	!!	Retail Sales YoY	Oct	--	10.40%	10.30%
11/14/17 10:00	CH	!!	Industrial Production YoY	Oct	--	6.30%	6.60%
11/14/17 17:30	UK	!!	CPI YoY	Oct	--	--	3.00%
11/14/17 18:00	EC	!!	GDP SA YoY	3Q	--	--	2.50%
Wednesday							
11/15/17 07:50	JN	!!	GDP Annualized SA QoQ	3Q	--	1.50%	2.50%
11/15/17 08:30	AU	!!	Wage Price Index YoY	3Q	--	--	1.90%
11/15/17 17:30	UK	!!	Weekly Earnings ex Bonus 3M/YoY	Sep	--	--	2.10%
11/15/17 17:30	UK	!!	ILO Unemployment Rate 3Mths	Sep	--	--	4.30%
11/15/17 21:30	US	!!!	CPI YoY	Oct	--	--	2.20%
11/15/17 21:30	US	!!!	CPI Ex Food and Energy YoY	Oct	--	--	1.70%
11/15/17 21:30	US	!!!	Retail Sales Advance MoM	Oct	--	0.00%	1.60%
11/15/17 21:30	US	!!!	Retail Sales Ex Auto MoM	Oct	--	0.30%	1.00%
11/15/17 22:00	CA	!	Existing Home Sales MoM	Oct	--	--	2.10%
Thursday							
11/16/17 05:00	US	!	Total Net TIC Flows	Sep	--	--	\$125.0b
11/16/17 08:30	AU	!!	Employment Change	Oct	--	--	19.8k
11/16/17 08:30	AU	!!	Unemployment Rate	Oct	--	--	5.50%
11/16/17 17:30	UK	!!	Retail Sales Ex Auto Fuel YoY	Oct	--	--	1.60%
11/16/17 17:30	UK	!!	Retail Sales Inc Auto Fuel YoY	Oct	--	--	1.20%
11/16/17 18:00	EC	!!	CPI YoY	Oct	--	--	1.50%
11/16/17 21:30	US	!!	Initial Jobless Claims	Nov	--	--	--
Friday							
11/17/17 21:30	US	!	Housing Starts MoM	Oct	--	3.40%	-4.70%
11/17/17 21:30	CA	!!	CPI YoY	Oct	--	--	1.60%
11/17/17 21:30	US	!	Building Permits MoM	Oct	--	1.40%	-4.50%

Appendix 4: Upcoming Economic Figures (Nov 20, 2017 – Nov 24, 2017)

Time		Importance	Event	Period	Actual	Survey	Prior
Monday							
11/20/17 07:50	JN	!	Trade Balance Adjusted	Oct	--	--	¥240.3b
Tuesday							
11/21/17 08:30	AU	!!	RBA Nov. Rate Meeting Minutes	Nov			
11/21/17 23:00	US	!	Existing Home Sales MoM	Oct	--	0.50%	0.70%
Wednesday							
11/22/17 07:30	AU	!	Westpac Leading Index MoM	Oct	--	--	0.08%
11/22/17 21:30	US	!!	Initial Jobless Claims	Nov	--	--	--
11/22/17 21:30	US	!!	Durable Goods Orders	Oct	--	0.70%	2.00%
11/22/17 21:30	US	!!	Durables Ex Transportation	Oct	--	--	0.70%
11/22/17 23:00	US	!!	U. of Mich. Sentiment	Nov	--	--	--
Thursday							
11/23/17 03:00	US	!!!	FOMC Meeting Minutes	Nov	--	--	--
11/23/17 05:45	NZ	!!	Retail Sales Ex Inflation QoQ	3Q	--	--	1.70%
11/23/17 17:00	EC	!!	Markit Eurozone Manufacturing PMI	Nov	--	--	58.5
11/23/17 21:30	CA	!!	Retail Sales MoM	Sep	--	--	-0.30%
11/23/17 21:30	CA	!!	Retail Sales Ex Auto MoM	Sep	--	--	-0.70%
Friday							
11/24/17 05:45	NZ	!!	Trade Balance NZD	Oct	--	--	-1143m
11/24/17 05:45	NZ	!!	Exports NZD	Oct	--	--	3.78b
11/24/17 05:45	NZ	!!	Imports NZD	Oct	--	--	4.92b
11/24/17 17:00	GE	!!	IFO Business Climate	Nov	--	--	116.7
11/24/17 22:45	US	!	Markit US Manufacturing PMI	Nov	--	--	54.6

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