



Mature Economies

Quarterly Currency Outlook

MarketQuant Research

2017 Q2

Extracts from the original document

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1. Summary tables

Currency projections in September 2018

(month average)

	Spot Apr. 18, 2017	Mar. 2018	Sep. 2018	Changes from last projections (Jan. 2017)
EUR/USD	1.06	1.13	1.10	A sequence of two steps: stability until mid-2017, followed by an upward reversal towards 1.05-1.10.
GBP/EUR	1.18	1.14	1.15	No major change: our projections suggest a relative stabilization of the GBP/EUR around 1.18 in 2017H1 followed by a new phase of depreciation in 2017H2 and 2018H1 in the range 1.10-1.15. Our models suggest a high volatility over the whole period.
AUD/USD	0.75	0.76	0.75	Our models predict the Australian Dollar to stabilize (with a depreciation bias) to 0.75 against the USD until mid-2018.
EUR/NOK	9.11	9.09	8.97	According to a scenario of oil Brent prices close to 60\$/bl in 2017, the Norwegian Krone would remain in the range 8.9 – 9.2 against the Euro, until June 2018.

Source: TAC ECONOMICS

Cross-rates in September 2018

(Month Average)

	USD	EUR	GBP	AUD	NOK
USD		0.91	0.79	1.34	8.16
EUR	1.10		0.87	1.47	8.97
GBP	1.26	1.15		1.69	10.29
AUD	0.75	0.68	0.59		6.09
NOK	0.12	0.11	0.10	0.16	

2. Euro & US Dollar

Compared to previous quarter, our EUR/USD projections have been revised slightly upward given our revision of higher Eurozone GDP and more moderate US 10-year government bond yield increase.

Our models point to a sequence in two steps: a stabilization close to 1.05 until mid-2017 and an upward reversal in 2017H2 towards 2018 in the background of relative GDP convergence and less divergence in monetary policy conditions. This creates conditions for a EUR/USD reversal towards 1.10-1.15 in 2018.

Econometric Projections

- **Up to 2017H1, EUR/USD may stabilize around 1.05-1.07.** Stable US economic activity along with slightly positive adjustment in the Eurozone economic prospects support the short-term stabilization of EUR/USD around the current level. Uncertainties related to French elections outcome (through US/Bund spread widening) will limit any EUR/USD appreciation in the short term.
- **From 2017H2, EUR/USD will gradually appreciate until 2018H1 up to 1.15.** The combination of GDP convergence (close to 2.0% in the Eurozone, and between 2.0 and 2.5% in the US in 2018) and neutral ECB monetary policy point towards EUR/USD reversal towards 1.10-1.15 in 2018. Supportive fiscal policy implementation will boost US GDP growth, thus transmitting to the Eurozone economic activity, already supported by positive domestic factors (labor market, confidence, investment). Readjustment of monetary policy across the Fed gradual tightening and the ECB upcoming tapering (expected more neutral stance in June 2017 and QE tapering announcement in September 2017) will provide support for further EUR/USD appreciation.
- **From 2018H2, our model indicates a relative stabilization of EUR/USD between 1.10 and 1.15 in the background of growing risks of US cyclical reversal** given the progressively biting credit conditions which will cancel the initial benefits of lower taxes on the US economic activity.

Consensus Projections

(end of period values against USD)

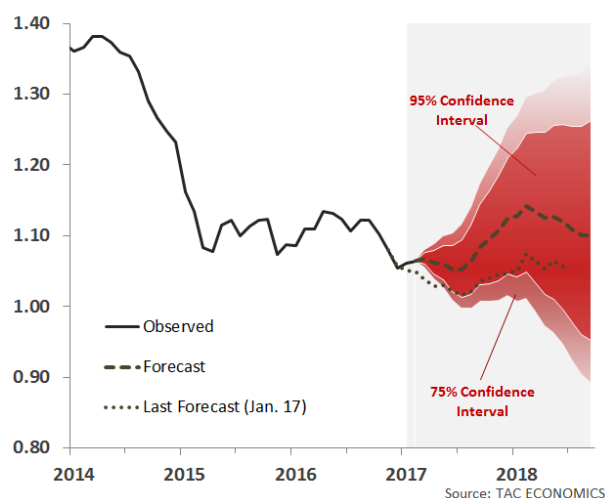
	Mean	Divergence	High	Low
Apr. 2017	1.05	10.5%	1.11	1.00
Jun. 2017	1.05	12.9%	1.11	0.98
Mar. 2018	1.05	18.7%	1.16	0.96
Sep. 2018	1.07			

Source: Consensus Inc.

TAC ECONOMICS Projections

	Spot Apr., 18	Jun. 2017	Mar. 2018	Sep. 2018
EUR/USD	1.06	1.05	1.13	1.10

EUR/USD: Projections for 2017/2018



Monte-Carlo simulations

