

# FX

# CONSENSUS

# FORECAST

A LOOK AT THE MONTH AHEAD

September 2023

moneycorp 

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## US LABOUR MARKET EXHIBITS MIXED SIGNALS

In August, the US labour market displayed mixed signals, with employers adding 187,000 jobs, slightly outperforming the consensus estimate of 170,000. Still, data for July was revised downward to 157,000 from the initially reported 187,000. However, unique circumstances, such as a strike in the entertainment industry and trucking company Yellow's bankruptcy, impacted the job figures. Excluding these factors, payrolls were on pace for an approximate increase of 241,000. Furthermore, despite some sectors, such as warehousing and transportation, experiencing labour shortages, others remained resilient, particularly healthcare, leisure and hospitality, construction, and manufacturing.

The unemployment rate also rose to 3.8%, the highest since February 2022 and above the anticipated 3.5%, driven by an influx of individuals entering the workforce due to concerns about an economic slowdown. Meanwhile, the U-6 unemployment rate, also known as the underemployment rate, rose to 7.1% from 6.7% in June. In addition, wage growth moderated slightly as annualized average hourly earnings rose by 4.3%, slightly below the 4.4% expected.

## FED SET TO HOLD IN SEPTEMBER?

After 18 months of aggressive tightening, recent macroeconomic developments suggest the Federal Reserve may be nearly done with its rate-hiking campaign. The increase in the US unemployment rate, a recent rise at the long end of the US yield curve, and overall weakening global growth could signal that the economic slowdown the Fed has been seeking may be here. However, US consumer spending remains hot, as do real wages, which poses a dilemma for the Fed moving forward.

As measured by the Fed's preferred PCE Price Index, inflation has remained elevated, with the annual Core PCE Price Index rising to 4.2% in August. Given PCE is still well above the Fed's target, one might suggest there is still more tightening need on the monetary policy front. Still, a slowdown in price pressures is evident, as reflected in the 0.2% monthly increase in both indexes in August.

At the Jackson Hole Symposium in August, Fed Chair Jerome Powell demonstrated a cautious approach to future rate decisions, which markets interpreted as a signal that rates may remain steady in the near term. Market pricing indicates a 90% likelihood of rates remaining unchanged at the upcoming September 20 meeting, while the odds of a November have fallen below 40%. Even if the Fed decides to stand pat in September, traders will be keen to see the Central Bank's revised dot plot. The last dot plot, released in June, indicated the Fed projected at least one more 0.25% rate increase before the end of 2023.

## SLOWING DEMAND WEIGHS ON GLOBAL MANUFACTURING

Global manufacturing continues to experience challenges amidst slowing demand. In the US, August's S&P Global US Manufacturing PMI came in at 47.9, showing another month of contraction in the sector due to declining output and new orders. In addition, hiring in the industry was the slowest since January.

Across the pond, the picture was also gloomy. The HCOB Eurozone Manufacturing PMI, while slightly improved at 43.5, still indicated deterioration in the sector thanks to falling orders and employment levels. Europe's largest economy, Germany, saw its manufacturing sector remain firmly in contraction territory at 39.1 in August, driven by a steep fall in output and new orders, particularly in exports. At the same time, French manufacturing posted its seventh consecutive month of contraction. Meanwhile, the UK experienced its steepest output decline in a year and significant drops in new orders and staffing, resulting in a 43.0 PMI read for the month.

On the other hand, China showed slight signs of recovery, with the official NBS Manufacturing PMI coming in at 49.7, the softest decline since March, driven by growth in output and new orders. However, the sector still contracted for the fifth straight month.

## CHINA'S ECONOMIC WOES CONTINUE

China's economy has struggled in its post-pandemic recovery, but these challenges are exacerbated by a mounting crisis in the property sector, a significant portion of China's GDP. After the bankruptcy of Evergrande, Country Garden, another of the country's largest private developers, is now in the eye of the storm and on the brink of default. The embattled developer reported a \$7 Billion loss for the first half of 2023 and warned investors that the growing uncertainties in the economy "may cast significant doubt on the group's ability to continue as a going concern."

Meanwhile, China's shadow banking sector is also raising concerns, with Zhongrong International Trust Co., a significant player in the industry, failing to make good on some investor payments in August. The news prompted fears of potential contagion to the rest of the nearly \$3 Trillion industry – an essential part of China's financial system.

In response to the economic challenges, the Chinese government, the People's Bank of China, have introduced an array of stimulus measures, including lowering mortgage interest rates, relaxing downpayment requirements for homebuyers, cutting the stamp duty on stock trades, reducing margin financing requirements, and dropping the FX reserve ratios for banks. However, there are concerns that these efforts are insufficient as they do not address the underlying structural issues.

# EUR/USD

For the first time since May, the Euro closed the month in the red, dropping over 1.3% against the Dollar in August as traders scaled back bets on future ECB rate hikes after the latest Eurozone CPI read showed a modest 0.2% decline in annual core inflation. However, the core CPI is still at 5.3%, well

above the ECB's 2% target, leaving a potential hike still in play. Market pricing indicates a 40% chance of another 0.25% rate increase at the ECB's September 14 meeting. The next look at inflation will come September 8 when Germany's August CPI read is set for release.

## What To Watch For This Month

### **09/06/2023 Eurozone July Retail Sales**

After a surprise upward revision in May to a 0.6% rise, Eurozone retail sales fell 0.3% in June, the third monthly decrease of 2023

### **09/08/2023 Germany August CPI**

The preliminary estimate showed Germany's inflation rate fell slightly to 6.1% in August, but has made little progress since May.

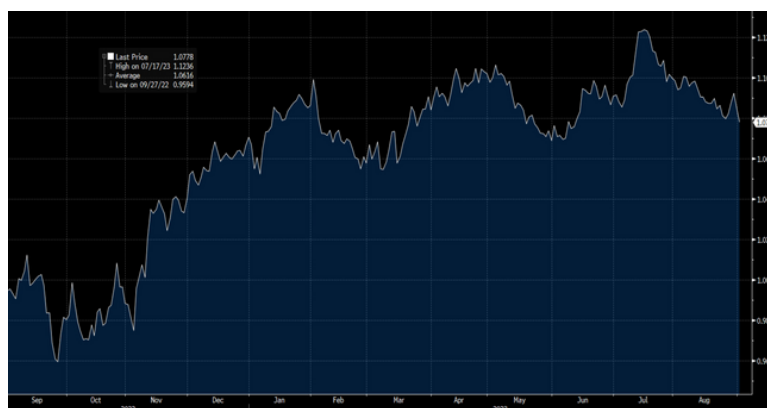
### **09/29/2023 Eurozone September CPI**

August's Eurozone CPI read showed a modest 0.2% decline in annual core inflation. However, the core CPI is still at 5.3%, well above the ECB target.

## Economic Indicators

### ECB Forecast

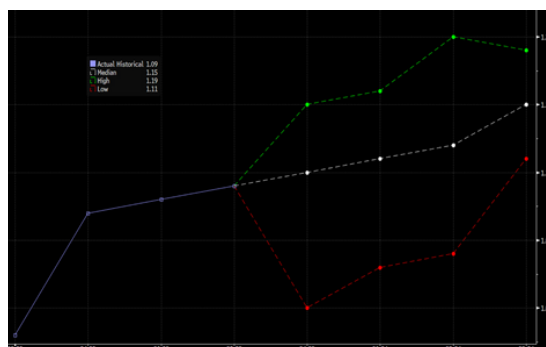
FORECAST	2022	2023	2024	2025
Real GDP (yoy%)	3.3	0.9	1.5	1.6
CPI (yoy%)	8.36	5.4	3	2.2
Unemployment (%)	6.73	6.5	6.4	6.3



# EUR/USD

## Market Consensus & Forecast

FORECAST	Q4 23	Q1 24	Q2 24	Q3 24
Mean	1.1	1.11	1.12	1.15
High	1.15	1.16	1.2	1.19
Low	1	1.03	1.04	1.11



Consensus Forecast

## Forecast by Institution

INSTITUTION	AS OF	Q4 23	Q1 24	Q2 24	Q3 24
Amdocs Development Ltd	09/01/23	1.07	1.1	1.12	--
Commonwealth Bank of Australia	09/01/23	1.08	1.1	1.14	1.19
Societe Generale	08/30/23	1.08	1.1	1.12	1.15
Swedbank	08/29/23	1.1	1.12	1.12	--
Banco Santander	08/25/23	1.09	1.1	1.12	--
Wells Fargo	08/25/23	1.06	1.07	1.09	--
Danske Bank	08/23/23	1.07	1.05	1.04	--
Standard Chartered	08/22/23	1.1	1.12	1.13	--
Credit Agricole CIB	08/21/23	1.1	1.11	1.09	--
Rabobank	08/18/23	1.07	1.06	1.08	--
RBC Capital Markets	08/10/23	1.04	1.04	1.07	--
TD Securities	07/17/23	1.15	1.16	1.17	1.18
Canadian Imperial Bank of Commerce	07/10/23	1.08	1.11	1.14	--
Commerzbank	07/10/23	1.14	1.12	1.1	1.09
JPMorgan Chase	07/07/23	1.05	1.08	1.12	--
Barclays	06/20/23	1.1	1.11	1.12	--
BNP Paribas	06/13/23	1.12	1.13	1.15	--
PNC Financial	05/22/23	1.12	1.13	--	--
Citigroup	04/19/23	1.16	1.17	1.17	1.18
Morgan Stanley	03/03/23	1.15	1.14	--	--

# USD/JPY

The Japanese Yen returned to the red in August, dropping over 2% against the Greenback en route to a nine month low. The decline marks the fifth losing month of the year for the Yen, and leaving the struggling currency down over 11% on the year.

Traders continue to watch for signs of potential intervention from Japanese officials to boost the Yen.

Meanwhile, BOJ Member Naoki Tamura suggested the possibility of ending negative interest rates in early 2024, emphasizing the need to normalise policy as soon as economic conditions permit.

## What To Watch For This Month

### **09/07/2023 Q2 GDP**

Preliminary estimates showed Japan's economy expanded 1.5% in Q2, its second-straight quarter of growth and its best quarter since Q4 2020.

### **09/21/2023 BOJ Interest Rate Decision**

The BOJ is projected to keep rates unchanged at -0.1%, although traders will be keen to see if any further changes are made to its yield curve controls.

### **09/28/2023 Tokyo CPI**

Tokyo's inflation exceeded the BoJ's target for the 15th consecutive month in July, although it declined to 2.9% from the 3.2% seen in July.

## Economic Indicators

### BOJ Forecast

FORECAST	2022	2023	2024	2025
Real GDP (yoy%)	1.05	1.3	1.2	1
CPI (yoy%)	2.51	--	--	--
Unemployment (%)	2.59	2.57	2.57	2.57

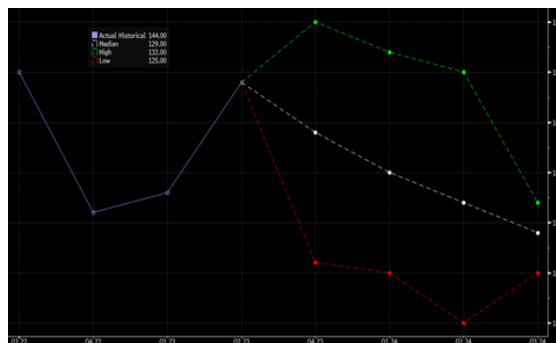


Historical Rates

# USD/JPY

## Market Consensus & Forecast

FORECAST	Q4 23	Q1 24	Q2 24	Q3 24
Mean	139	135	132	129
High	150	147	145	132
Low	126	125	120	125



Consensus Forecast

## Forecast by Institution

INSTITUTION	AS OF	Q4 23	Q1 24	Q2 24	Q3 24
Amdocs Development Ltd	09/01/23	143	139	135	--
Commonwealth Bank of Australia	09/01/23	136	133	130	128
Societe Generale	08/30/23	142	137	133	130
Swedbank	08/29/23	140	135	130	--
Banco Santander	08/25/23	134	130	128	--
Wells Fargo	08/25/23	149	147	144	--
Danske Bank	08/23/23	138	132	131	--
Standard Chartered	08/22/23	134	130	124	--
Rabobank	08/18/23	145	143	138	--
RBC Capital Markets	08/10/23	150	147	145	--
Credit Agricole CIB	07/28/23	136	135	136	--
TD Securities	07/17/23	132	127	125	118
Canadian Imperial Bank of Commerce	07/10/23	130	125	122	--
Commerzbank	07/10/23	138	136	134	132
JPMorgan Chase	07/07/23	152	153	153	--
Barclays	06/20/23	135	132	128	--
BNP Paribas	06/13/23	130	127	125	--
PNC Financial	05/22/23	136	134	--	--
Citigroup	04/19/23	121	122	124	126
Morgan Stanley	03/03/23	127	127	--	--

# GBP/USD



The British Pound fell over 1.2% versus the Dollar in August, its first monthly decline since May and falling to a two-month low.

The Pound has been anchored by gloomy economic data as of late, although the UK is finally showing signs of progress on inflation. UK CPI fell to 6.8% in July, the lowest level

since February 2022, although still a long way from the BOE's 2% target.

With this in mind, markets are pricing in a 75% of another 0.25% rate hike at the BOE's September 21 meeting, and one more by the end of 2023.

## What To Watch For This Month

### 09/20/2023 September CPI

UK inflation slowed to 6.8% in July, the lowest since February 2022, but still well above the BoE's 2% target.

### 09/21/2023 BOE Interest Rate Decision

Markets are pricing in a 75% of another 0.25% rate hike, taking UK rates to 5.5%.

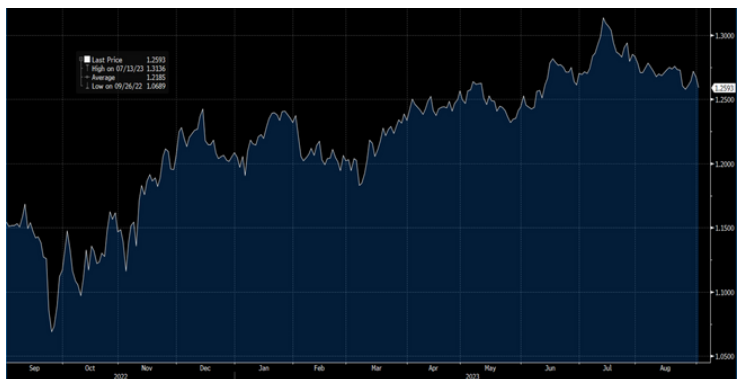
### 09/22/2023 Sept. S&P Global/CIPS PMIs

The UK private sector continues to trend in the wrong direction, with July's PMIs showing growth weakening for the fourth-straight month.

## Economic Indicators

### BOE Forecast

BOE FORECAST	2022	2023	2024	2025
Real GDP (yoy%)	4.25	0.5	0.5	0.25
CPI (yoy%)	9.05	5	2.5	1.5
Unemployment (%)	3.73	4	4.5	4.75



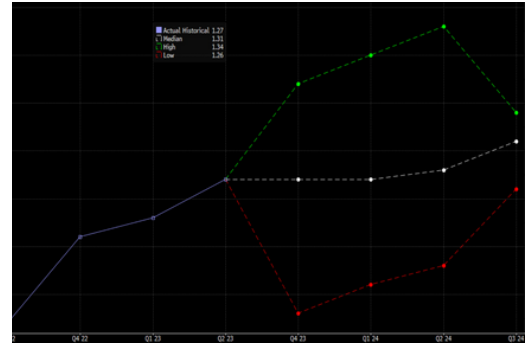
Historical Rates



# GBP/USD

## Market Consensus & Forecast

FORECAST	Q4 23	Q1 24	Q2 24	Q3 24
Mean	1.27	1.27	1.28	1.3
High	1.37	1.4	1.43	1.34
Low	1.13	1.16	1.18	1.26



Consensus Forecast

## Forecast by Institution

INSTITUTION	AS OF	Q4 23	Q1 24	Q2 24	Q3 24
Commonwealth Bank of Australia	09/01/23	1.23	1.24	1.26	1.27
Nomura Bank International	08/31/23	1.22	1.25	1.28	1.31
Societe Generale	08/30/23	1.27	1.26	1.26	1.26
Swedbank	08/29/23	1.24	1.27	1.29	--
Banco Santander	08/25/23	1.26	1.24	1.25	--
Wells Fargo	08/25/23	1.24	1.23	1.24	--
Danske Bank	08/23/23	1.22	1.2	1.18	--
Standard Chartered	08/22/23	1.24	1.21	1.21	--
Credit Agricole CIB	08/21/23	1.29	1.31	1.28	--
Rabobank	08/18/23	1.24	1.21	1.21	--
RBC Capital Markets	08/10/23	1.13	1.16	1.19	--
TD Securities	07/17/23	1.3	1.32	1.34	1.34
Canadian Imperial Bank of Commerce	07/10/23	1.27	1.29	1.32	--
Commerzbank	07/10/23	1.27	1.23	1.2	1.18
JPMorgan Chase	07/07/23	1.19	1.23	1.29	--
Barclays	06/20/23	1.29	1.29	1.29	--
BNP Paribas	06/13/23	1.27	1.28	1.31	--
PNC Financial	05/22/23	1.26	1.28	--	--
Citigroup	04/19/23	1.27	1.29	1.32	1.34
Morgan Stanley	03/03/23	1.21	1.22	--	--

# USD/CHF

The Swiss Franc fell over 1.3% versus the Greenback in August, pulling back from an eight-year high, although still well in the green for the year.

The SNB continues to convey its hawkish stance on interest rates to markets, suggesting that further rate hikes will be needed to

combat the risks of second-round inflation. As it stands, markets are pricing in another 0.25% rate hike in September, taking Swiss rates to 2%.

Meanwhile, Switzerland's annual inflation rate held steady at 1.6% in August, matching its lowest level since January 2022.

## What To Watch For This Month

### **09/21/2023 SNB Interest Rate Decision**

Market pricing indicates another 0.25% rate hike is in the card, taking Swiss rates to 2%.

### **09/27/2023 Sept ZEW Survey - Expectations**

Swiss investor sentiment hit a five-month low in August, the 18th consecutive negative reading, indicating overall pessimism.

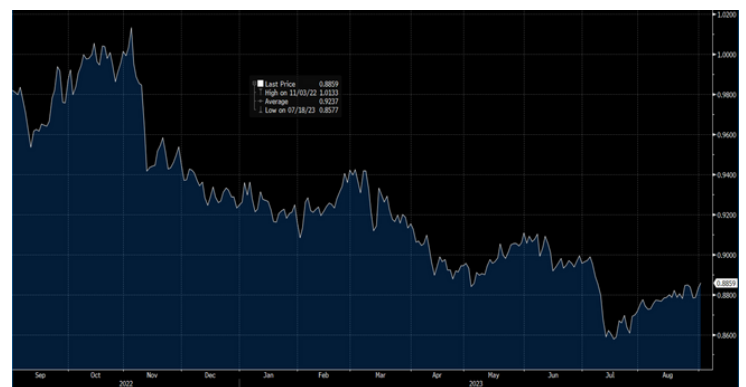
### **09/29/2023 September Retail Sales**

Swiss retail sales fell 2.2% year-on-year in July, and 2.3% on a monthly basis, the largest since July 2021.

## Economic Indicators

### SNB Forecast

FORECAST	2022	2023	2024	2025
Real GDP (yoy%)	2.13	0.8	1.8	--
CPI (yoy%)	2.83	2.3	1.5	--
Unemployment (%)	2.14	2	2.3	--

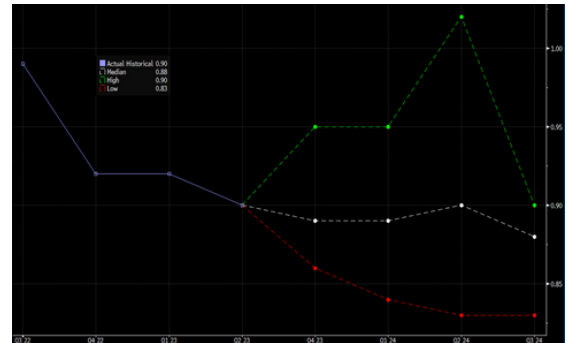


Historical Rates

# USD/CHF

## Market Consensus & Forecast

FORECAST	Q4 23	Q1 24	Q2 24	Q3 24
Mean	0.89	0.89	0.9	0.87
High	0.95	0.95	1.02	0.9
Low	0.86	0.84	0.83	0.83



Consensus Forecast

## Forecast by Institution

INSTITUTION	AS OF	Q4 23	Q1 24	Q2 24	Q3 24
Commonwealth Bank of Australia	09/01/23	0.93	0.89	0.86	0.83
Nomura Bank International	08/31/23	0.88	0.87	0.88	0.88
Societe Generale	08/30/23	0.87	0.88	0.88	0.89
Swedbank	08/29/23	0.9	0.89	0.91	--
Banco Santander	08/25/23	0.94	0.95	0.95	--
Wells Fargo	08/25/23	0.91	0.91	0.9	--
Danske Bank	08/23/23	0.89	0.89	0.91	--
Standard Chartered	08/22/23	0.93	0.93	0.94	--
Credit Agricole CIB	08/21/23	0.89	0.88	0.89	--
Rabobank	08/18/23	0.88	0.9	0.88	--
RBC Capital Markets	08/10/23	0.92	0.91	0.89	--
TD Securities	07/17/23	0.86	0.85	0.84	0.84
Canadian Imperial Bank of Commerce	07/10/23	0.92	0.9	0.89	--
Commerzbank	07/10/23	0.88	0.9	0.93	0.94
JPMorgan Chase	07/07/23	0.9	0.88	0.86	--
Barclays	06/20/23	0.88	0.87	0.87	--
BNP Paribas	06/13/23	0.86	0.85	0.84	--
PNC Financial	05/22/23	0.87	0.85	--	--
Citigroup	04/19/23	0.86	0.86	0.86	0.86
Morgan Stanley	03/03/23	0.9	0.91	--	--

# USD/CAD

The Loonie sank 2.4% in August, its worst monthly performance since February. The latest selloff now has the Loonie in the red for the year, erasing the gains made earlier in the summer.

Canada's recent string of troubling economic data economic data, including the latest GDP

showing an unexpected 0.2% annualized contraction in Q2 versus an expected 1.2% growth, has caused traders to put the brakes on bets of further rate increases from the BOC this year.

Market pricing currently has odds of a rate hike in September below 10%, and rate cuts are now being fully priced in for Q4/24.

## What To Watch For This Month

### 09/06/2023 BOC Interest Rate Decision

Recent data has convinced markets that BOC is done with its tightening cycle and will leave rates at 5%.

### 09/08/2023 August Unemployment Rate

Canada's unemployment rate rose to 5.5% in July, the third-straight monthly increase and highest since January 2022.

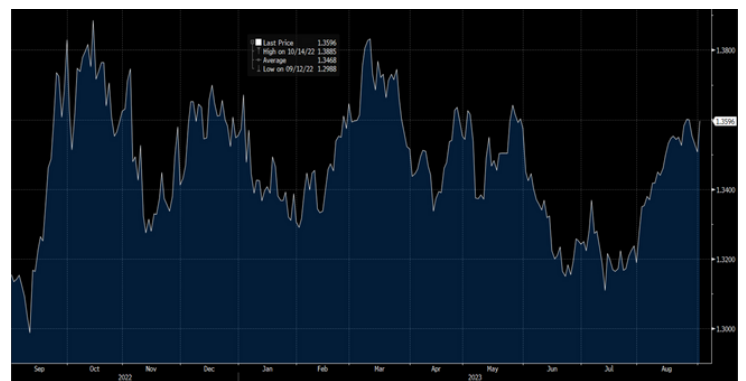
### 09/20/2023 August CPI

Canada's headline inflation rate rose to 3.3% in July, led by sky-rocketing mortgage interest costs and steep rise in electricity prices.

## Economic Indicators

### BOC Forecast

BOC FORECASTS	2022	2023	2024	2025
Real GDP (yoy%)	3.45	1.8	1.2	2.4
CPI (yoy%)	6.8	3.7	2.5	2.1
Unemployment (%)	5.28	--	--	--

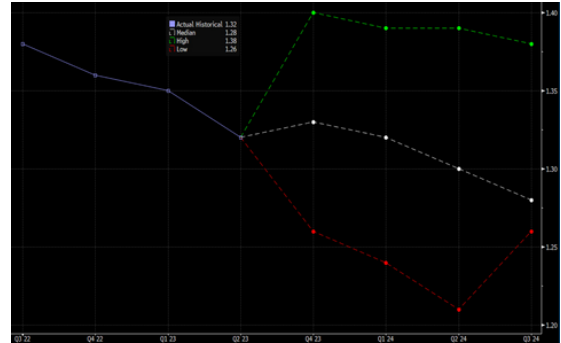


Historical Rates

# USD/CAD

## Market Consensus & Forecast

FORECAST	Q4 23	Q1 24	Q2 24	Q3 24
Mean	1.33	1.32	1.31	1.3
High	1.4	1.39	1.39	1.38
Low	1.26	1.24	1.21	1.26



Consensus Forecast

## Forecast by Institution

INSTITUTION	AS OF	Q4 23	Q1 24	Q2 24	Q3 24
Commonwealth Bank of Australia	09/01/23	1.36	1.32	1.3	1.27
Nomura Bank International	08/31/23	1.35	1.32	1.35	1.38
Societe Generale	08/30/23	1.38	1.35	1.32	1.3
Swedbank	08/29/23	1.33	1.3	1.28	--
Banco Santander	08/25/23	1.31	1.29	1.27	--
Wells Fargo	08/25/23	1.38	1.37	1.35	--
Danske Bank	08/23/23	1.37	1.38	1.39	--
Standard Chartered	08/22/23	1.29	1.29	1.28	--
Credit Agricole CIB	08/21/23	1.27	1.26	1.25	--
Rabobank	08/18/23	1.35	1.36	1.35	--
RBC Capital Markets	08/10/23	1.38	1.37	1.35	--
TD Securities	07/17/23	1.3	1.29	1.27	1.26
Canadian Imperial Bank of Commerce	07/10/23	1.31	1.31	1.3	--
Commerzbank	07/10/23	1.3	1.29	1.28	1.28
JPMorgan Chase	07/07/23	1.37	1.37	1.31	--
Barclays	06/20/23	1.32	1.31	1.3	--
BNP Paribas	06/13/23	1.31	1.3	1.3	--
PNC Financial	05/22/23	1.33	1.31	--	--
Citigroup	04/19/23	1.31	1.3	1.29	1.28
Morgan Stanley	03/03/23	1.26	1.25	--	--

# USD/CNY

The Yuan failed to build on the momentum seen in July, dropping 1.8% against the Dollar in the offshore market as troubling economic headlines continue to put pressure on the Yuan.

China's property sector is displaying alarming signs of a brewing crisis, as exemplified by the recent struggles of Evergrande and Country

Garden. Meanwhile concerns about the shadow banking sector, illustrated by Zhongrong International Trust Co., potentially affecting China's financial system have emerged.

At the same time, China may have a deflation problem on its hands after July's CPI showed a 0.3% drop in prices.

## What To Watch For This Month

### 09/08/23 August CPI YoY

China's consumer prices declined by 0.3% year-on-year in July, the first decrease since February 2021, primarily due to falling food prices.

### 09/14/23 August Retail Sales

China's retail sales grew by 2.5% year-on-year in July, marking the seventh consecutive month of increase but at a slower pace.

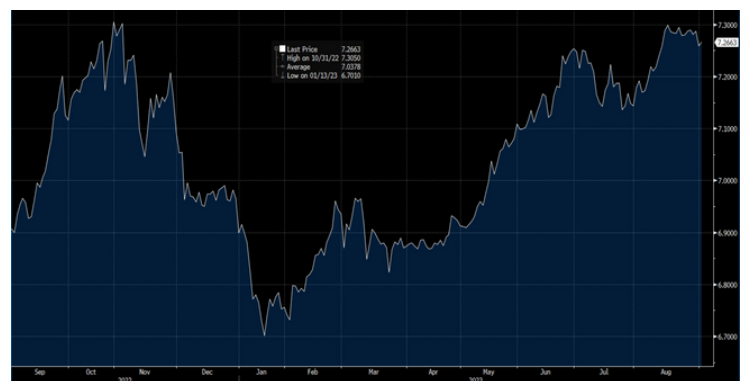
### 09/29/23 September NBS Manufacturing PMI

The index improved to 49.7 in July, reflecting increased output and new orders although still showing contraction in the sector for the fifth month in a row.

## Economic Indicators

### PBOC Forecast

FORECAST	2022	2023	2024	2025
Real GDP (yoy%)	3	5.1	4.5	4.55
CPI (yoy%)	1.96	0.68	1.9	2
Unemployment (%)	--	5.3	5	5

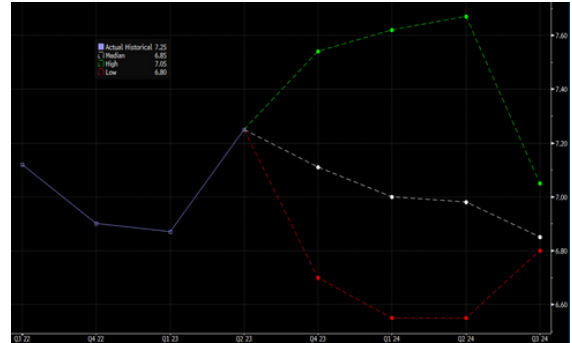


Historical Rates

# USD/CNY

## Market Consensus & Forecast

FORECAST	Q4 23	Q1 24	Q2 24	Q3 24
Mean	7.13	7.03	6.98	6.9
High	7.54	7.62	7.67	7.05
Low	6.7	6.55	6.55	6.8



Consensus Forecast

## Forecast by Institution

INSTITUTION	AS OF	Q4 23	Q1 24	Q2 24	Q3 24
Nomura Bank International	08/31/23	7.25	7	6.9	6.85
NAB/BNZ	08/30/23	7.25	7.2	7	--
Oversea-Chinese Banking Corp	08/28/23	7.11	7.05	7	--
Wells Fargo	08/25/23	7.25	7.2	7.15	--
Danske Bank	08/23/23	7.54	7.62	7.67	--
Standard Chartered	08/22/23	7.05	6.9	6.8	--
Rabobank	08/18/23	7.23	7.18	7.13	--
Credit Agricole CIB	08/15/23	7.05	6.95	6.85	--
Mizuho Bank	08/10/23	6.95	6.9	6.85	--
RBC Capital Markets	08/10/23	7.3	7.2	7.15	--
CICC	08/01/23	6.85	6.65	6.65	--
TD Securities	07/17/23	6.8	6.7	6.5	6.3
Canadian Imperial Bank of Commerce	07/10/23	6.85	6.75	6.73	--
Commerzbank	07/10/23	7	6.95	6.9	6.85
JPMorgan Chase	07/07/23	7.25	7.15	7.1	--
Barclays	06/20/23	7	6.9	6.8	--
BNP Paribas	06/13/23	6.95	6.85	6.83	--
PNC Financial	05/22/23	6.8	6.77	--	--
Citigroup	04/19/23	6.61	6.63	6.67	6.71
Morgan Stanley	03/03/23	6.65	6.65	--	--

# USD/BRL



The Brazilian Real shed nearly 5% against the Dollar in August, its worst monthly performance since June 2022.

The selloff was driven by the BCB's more aggressive-than-expected 0.5% rate cut, kicking off its easing long-awaited easing cycle. BCB leader Roberto Campos Neto

crossed the wires recently stating that the Central Bank would likely stick with a 0.5% per meeting rate cut pace, barring significant, unforeseen economic changes.

However, Brazil's annual inflation rate surged to 3.99% in July, potentially giving the BCB reason to think twice prior to their next meeting.

## What To Watch For This Month

### **09/12/2023 August IPCA Inflation**

Brazil's annual inflation rate surged to 3.99% in July, rebounding significantly from June's near-three-year low of 3.16%,

### **09/20/2023 BCB Interest Rate Decision**

The BCB's rate cutting cycle has begun, and the Bank has been telegraphing another 0.5% cut at their September meeting.

### **09/29/2023 August Unemployment Rate**

Brazil's three-month average unemployment rate fell to 7.9% in July, its fourth-consecutive monthly decline.

## Economic Indicators

### Brazil's Central Bank Forecast

FORECAST	2022	2023	2024	2025
Real GDP (yoy%)	2.9	2.3	1.5	1.95
CPI (yoy%)	9.34	4.8	4	3.7
Policy Rate	13.75	11.75	8.8	8.6
Exchange Rate	5.2804	4.97	4.85	5.05



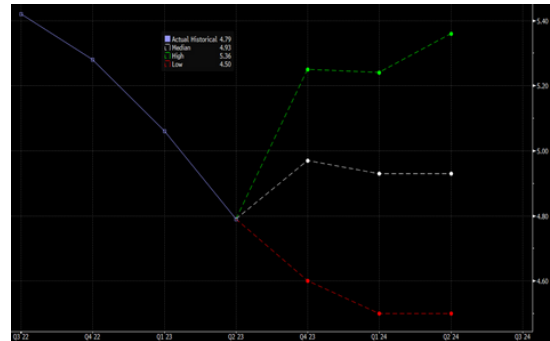
Historical Rates



# USD/BRL

## Market Consensus & Forecast

FORECAST	Q4 23	Q1 24	Q2 24	Q3 24
Mean	4.94	4.91	4.9	--
High	5.25	5.24	5.36	--
Low	4.6	4.5	4.5	--



Consensus Forecast

## Forecast by Institution

INSTITUTION	AS OF	Q4 23	Q1 24	Q2 24	Q3 24
Banco Bilbao Vizcaya Argentaria	08/31/23	4.98	5.05	5.12	--
Nomura Bank International	08/31/23	4.85	4.83	4.82	4.8
Prestige Economics LLC	08/30/23	4.84	4.77	4.72	--
Wells Fargo	08/25/23	5	4.95	4.9	--
Standard Chartered	08/22/23	4.6	4.5	4.6	--
Rabobank	08/18/23	4.98	5.03	5	--
Mizuho Bank	08/10/23	5	5.05	5.1	--
RBC Capital Markets	08/10/23	4.75	4.5	4.5	--
DZ Bank	07/18/23	5	5	5	--
ING Financial Markets	07/18/23	4.8	4.7	4.8	--
TD Securities	07/17/23	4.4	4.3	4.5	4.6
Canadian Imperial Bank of Commerce	07/10/23	5.4	5.2	5.2	--
Commerzbank	07/10/23	5	4.95	5.05	5.15
JPMorgan Chase	07/07/23	4.9	5	5	--
MUFG	07/06/23	5.2	5.22	--	--
ABN Amro	07/05/23	4.8	4.7	4.6	--
Skandinaviska Enskilda Banken	06/26/23	5.15	5.15	5.15	--
Barclays	06/20/23	4.75	4.85	5	--
BNP Paribas	06/13/23	4.6	4.65	4.7	--
Citigroup	04/19/23	5.19	5.19	5.18	5.17
Morgan Stanley	03/03/23	5.15	5.07	--	--

# USD/MXN

The Mexican Peso came down to earth, slightly, in August, falling over 1.7% versus the Greenback. Despite the pullback, MXN remains the top performing major currency year date, up over 12% for 2023.

That said, the recent news that Banxico is set to unwind its FX hedging program jolted

traders who interpreted the move as a sign that the Central Bank is not comfortable with further appreciation in the Peso.

On the interest rate front, Banxico appears content to leave rates at or close to their current levels for the foreseeable future as inflation remains above target.

## What To Watch For This Month

### 09/07/2023 August 12-Month Inflation

Mexico's annual inflation rate dropped to 4.79% in July, marking the sixth consecutive month of easing inflation, but it remains above Banxico's target.

### 09/28/2023 Banxico Interest Rate Decision

With inflation remaining above target, Banxico may elect to hold rates again. However, the latest GDP and unemployment print may keep the door open for a rate cut if the data trends in the wrong direction.

### 09/28/2023 August Jobless Rate

Mexico's unemployment rate was 3.1% in July, slightly higher than in June and above market expectations.

## Economic Indicators

### Banco de Mexico Forecast

FORECAST	2022	2023	2024	2025
Real GDP (yoy%)	3.1	2.95	1.51	2
CPI (yoy%)	7.89	5.52	4	3.64
Unemployment (%)	3.27	3.3	3.5	3.5

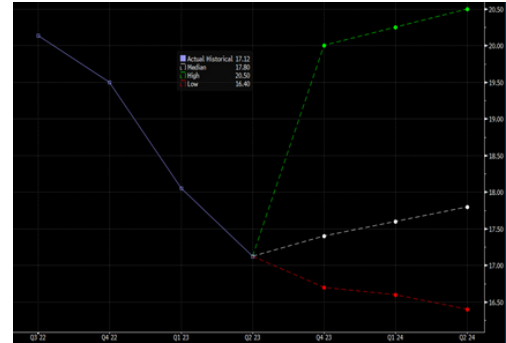


Historical Rates

# USD/MXN

## Market Consensus & Forecast

FORECAST	Q4 23	Q1 24	Q2 24	Q3 24
Mean	17.54	17.74	17.82	--
High	20	20.25	20.5	--
Low	16.7	16.6	16.4	--



Consensus Forecast

## Forecast by Institution

INSTITUTION	AS OF	Q4 23	Q1 24	Q2 24	Q3 24
Bank Julius Baer	08/31/23	16.8	17.05	17.3	--
Banco Bilbao Vizcaya Argentaria	08/31/23	17.38	17.9	18.3	--
Nomura Bank International	08/31/23	16.7	16.6	16.5	16.5
Prestige Economics LLC	08/30/23	16.8	16.75	16.7	--
Wells Fargo	08/25/23	17.25	17.5	17.25	--
Standard Chartered	08/22/23	17.4	17.8	18	--
Rabobank	08/18/23	17.4	17.93	18.3	--
Mizuho Bank	08/10/23	18.3	18.5	18.6	--
RBC Capital Markets	08/10/23	18	18.5	18.5	--
Banorte	07/20/23	17.9	18.5	19.7	--
DZ Bank	07/18/23	17.83	18	18	--
ING Financial Markets	07/18/23	17	16.75	16.5	--
TD Securities	07/17/23	17.15	17.3	17.5	17.5
Canadian Imperial Bank of Commerce	07/10/23	19	19	19.5	--
Commerzbank	07/10/23	17.7	17.6	17.5	17.5
JPMorgan Chase	07/07/23	17.4	17.75	18	--
MUFG	07/06/23	17.3	17.4	--	--
Barclays	06/20/23	17.5	18.15	18	--
BNP Paribas	06/13/23	16.7	17.2	17.4	--
Citigroup	04/19/23	19.3	19.4	19.6	19.7
Morgan Stanley	03/03/23	20	20.16	--	--



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