

# FX

# CONSENSUS

# FORECAST

A LOOK AT THE MONTH AHEAD

May 2023

moneycorp 

# TABLE OF CONTENTS

---

01 / At a Glance

---

02 / Euro

---

03 / Japanese Yen

---

04 / Great British Pound

---

05 / Swiss Franc

---

06 / Canadian Dollar

---

07 / Chinese Yuan

---

08 / Brazilian Real

---

09 / Mexican Peso

---

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## FED SET TO KICK-OFF AN ACTION-PACKED MAY

The month ahead will be marked with a flurry of crucial economic data releases and interest rate decisions that have the potential to make a significant wave across financial markets. Headlining the busy economic calendar will be the May 3rd interest rate decision from the Federal Reserve, which could set the tone for the rest of the month as markets price in another 25bps hike.

Barring a shocking Fed decision that is out of line with market expectations, any market moves in the aftermath of the announcement are likely to be driven by any potential changes to forward guidance – whether it be in their published Monetary Policy Statement that accompanies the rate decision or in the preceding press conference with Fed chair Jerome Powell.

The Fed could also have its presence felt towards the end of May when the Federal Open Market Committee (FOMC) minutes will be released, providing insight into the Fed's current thinking on monetary policy.

## PLENTY OF ECONOMIC DATA ON TAP

On May 5th, the release of the April Non-Farm Payrolls report will be eagerly awaited by economists and investors alike and is expected to show the addition of 181k positions and an increase in the unemployment rate to 3.6%. The upcoming report comes on the heels of March data that showed the US economy created just 236K jobs – well below expectations and its lowest since December 2020 as hire borrowing costs coupled with persistent inflation have sparked layoffs across the US. Interestingly, the leisure and hospitality industry saw the highest job growth, with 72K new jobs added as the industry continues its post-pandemic path to recovery. The government, professional and business services, and healthcare industries also saw significant job growth. However, retail trade saw a decline in employment, while transportation and warehousing saw a minor increase.

Another key economic indicator to keep an eye on this month is the April Consumer Price Index, which is set to be published on May 10th. This report will shed light on inflation trends and be a factor in the Fed's outlook on interest rates heading into the summer.

Similarly, the April Retail Sales report, due to be released on May 16th, will indicate how the US consumer is holding up following two consecutive months of decline as rising prices and increasing borrowing costs continue to weigh on consumers.

Finally, on May 25th, the preliminary Q1 GDP Annualized report will be published, providing an overview of the US economy's performance in the first quarter of 2023. The initial glimpse of this data, released on April 27th, showed a growth rate of 1.1%, which was lower than the expected market rate of 2%. This is the weakest growth rate recorded since the second quarter of 2022.

The factors contributing to this lackluster growth include:

- Declining business investment growth.
- Reduced inventories.
- The negative impact of rising interest rates on the housing market.

Despite these challenges, there were some positive developments in the economy. Consumer spending growth increased, public spending grew at a faster rate, and net external demand contributed positively to GDP as exports exceeded imports. However, residential fixed investment declined for the eighth consecutive period, and private inventory investment had a negative impact on GDP.

## US BANKING SYSTEM CONCERNS CONTINUE

Issues in the banking system are still unresolved as the US Federal Deposit Insurance Corporation (FDIC) has now placed First Republic Bank under receivership. The move comes as the San Francisco-based lender experienced a panic-driven run that saw depositors pull out around \$100bn collectively. With First Republic now in FDIC receivership, large banks such as JPMorgan Chase and PNC Financial Services Group are reportedly interested in an acquisition. If the distressed lender were to fall, it would be the third US bank to collapse since March – following in the footsteps of large regional banks Silicon Valley Bank and Signature Bank. US regulators had since warned large banks that stricter oversight would be coming after the Federal Reserve and the Federal Deposit Insurance Corporation found supervisory lapses before deposit runs caused the collapse of both Silicon Valley Bank and Signature Bank.

## WALL STREET HOLDS FIRM

Despite macro headwinds and overall market pessimism heading into earning season, US stocks held firm, with all major indexes closing April in the green. S&P rose 1.5%, while the Dow added 2.5%. The tech-heavy NASDAQ barely eked out a gain, closing 0.38% higher. In addition, Wall Street's "fear gauge," the CBOE volatility index, closed at 15.78, its lowest since November 2021.

Looking ahead, earnings from major corporations such as Pfizer, AMD, Uber, Qualcomm, and Apple are all on deck to kick off the month.

## 2024 ELECTION PICTURE BEGINS TO TAKE SHAPE

President Joe Biden announced his re-election bid for 2024, setting up a potential rematch of the 2021 election with former President Trump – although the Republicans have yet to formally select a candidate. While there isn't likely to be any short-term market impact, the 2024 election will slowly take up more and more space in the broader macro picture as the year progresses.

# EUR/USD



The Euro continued its hot run after closing April up 1.6%, and has now posted gains in six out of the past seven months as markets continue to expect the European Central Bank to maintain a hawkish tone. Investors are anticipating the European Central Bank's May 4th monetary policy decision with the central bank expected to boost rates by

25 basis points. However, some governing council members have left the door open for a 50 basis point hike. The final decision is expected to be heavily influenced by April inflation data set for release on May 2nd.

## What To Watch For This Month

### 05/02/2023 April CPI YoY

CPI has a heavy influence on the future path of interest rates. April's annualized inflation rate in the Euro Area expected to show slight rise to 7%

### 05/04/2023- ECB Interest Rate Decision

April's annualized inflation rate in the Euro Area expected to show slight rise to 7% The ECB is set to deliver its monetary policy statement and announce its interest rate decision. Market participants expect a 25 bps rate hike.

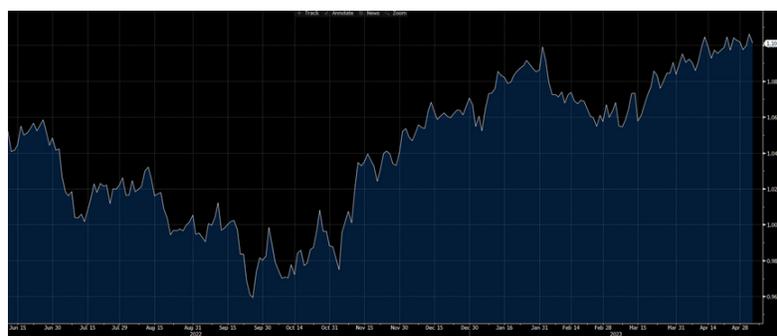
### 05/16/2023- April GDP YoY & QoQ

Growth readings will be crucial to assess the risk of recession in the global economy. Gross Domestic Product is expected to post 1.9% annualized in the last quarter of 2022.

## Economic Indicators

### ECB Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	5.30	3.40	0.50	1.90
CPI (YOY%)	2.60	8.40	6.30	3.40
Unemployment (%)	7.73	6.70	6.90	6.80

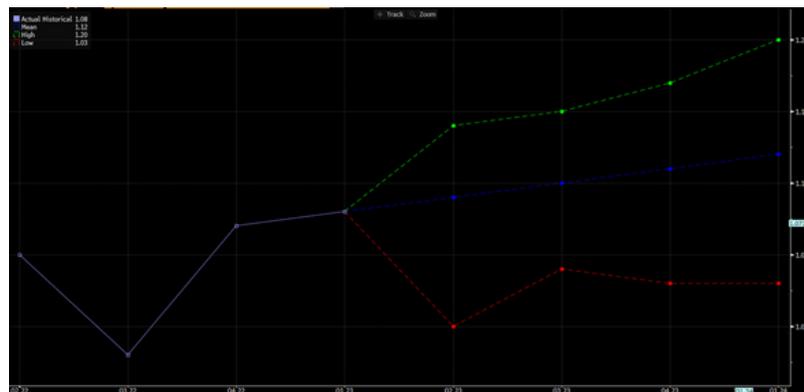


Historical Rates

# EUR/USD

## Market Consensus & Forecast

	Q2 23	Q3 23	Q4 23	Q1 24
Mean	1.09	1.1	1.11	1.12
High	1.14	1.15	1.17	1.2
Low	1	1.04	1.03	1.03



Consensus Forecast

## Forecast by Institution

	As of:	Q2 23	Q3 23	Q4 23	Q1 24
Amdocs Development Ltd	05/03/23	1.1	1.12	1.13	--
Axis Bank	05/02/23	1.05	1.1	1.1	1.09
Landesbank Baden-Wuerttemberg	05/02/23	1.08	1.09	1.1	1.1
Swedbank	05/02/23	1.12	1.13	1.14	1.14
TD Securities	05/02/23	1.11	1.13	1.14	1.15
Mizuho Bank	05/01/23	1.09	1.11	1.12	1.12
Prestige Economics LLC	05/01/23	1.09	1.11	1.13	1.15
Bank Julius Baer	04/28/23	1.11	1.13	1.14	1.15
Nomura Bank International	04/28/23	1.14	1.15	1.16	1.17
Banco Santander	04/28/23	1.07	1.07	1.09	1.1
Banco Bilbao Vizcaya Argentaria	04/27/23	1.09	1.1	1.13	1.13
ING Financial Markets	04/26/23	1.1	1.12	1.15	1.15
Skandinaviska Enskilda Banken	04/26/23	1.11	1.08	1.1	1.11
Monex USA Corp	04/26/23	1.08	1.09	1.1	1.11
ABN Amro	04/25/23	1.08	1.09	1.1	1.12
Wells Fargo	04/25/23	1.1	1.12	1.14	1.16
DZ Bank	04/24/23	1.1	1.11	1.13	1.15
Maybank Singapore	04/21/23	1.1	1.11	1.12	1.13
Oversea-Chinese Banking Corp	04/21/23	1.1	1.11	1.12	1.12
Citigroup	04/19/23	1.14	1.15	1.16	1.17
Danske Bank	04/19/23	1.09	1.07	1.05	1.03

# USD/JPY



USD/JPY posted a gain of nearly 2.7% in April - its highest level in seven weeks. The Yen was dealt a big blow to close out March after the one-two punch of a high US CPI reading combined with dovish sentiment from the Bank of Japan. New Governor Kazuo Ueda announced that they would not alter its current monetary policy position on

both interest rates and yield curve control. However, the BOJ did announce it would no longer provide forward guidance that commits to maintaining current interest rate levels, which could open the door for hikes down the road.

## What To Watch For This Month

### **05/07/2023 BoJ Policy Meeting Minutes**

New Governor, same BOJ policies. Meeting minutes may provide further insight into the thought process behind the dovish stance taken by the BOJ in its March decision.

### **05/18/2023- April National CPI YoY**

After reaching 41-year highs in January, Japan's inflation rate has cooled off in February and March. Will April the trend continue in April?

### **05/18/2023- Q1 GDP QoQ**

Growth has been hard to come by for the Japanese economy as of late, and the market is anticipating the trend to continue for this reading.

## Economic Indicators

Bank of Japan Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	2.30	1.9	1.70	1.10
CPI (YOY%)	-0.25	--	--	--
Unemployment (%)	2.82	2.53	2.53	2.53

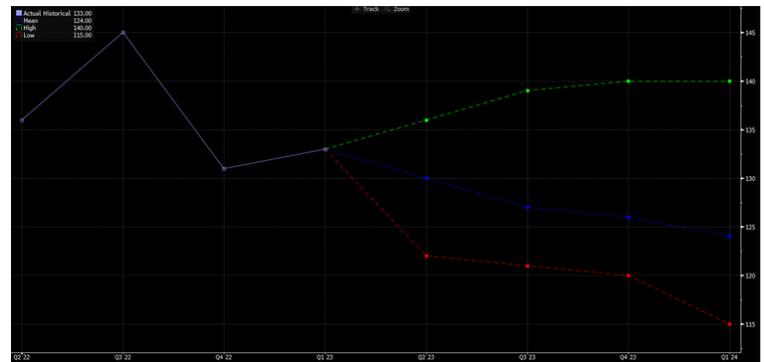


Historical Rates

# USD/JPY

## Market Consensus & Forecast

	Q2 23	Q3 23	Q4 23	Q1 24
Mean	130	127	126	124
High	136	139	140	140
Low	122	121	120	115



Consensus Forecast

## Forecast by Institution

	As of:	Q2 23	Q3 23	Q4 23	Q1 24
Amdocs Development Ltd	05/03/23	135	130	127	--
Axis Bank	05/02/23	133	135	135	134
Landesbank Baden- Wuerttemberg	05/02/23	135	135	135	135
Swedbank	05/02/23	132	127	125	120
TD Securities	05/02/23	125	122	120	120
Mizuho Bank	05/01/23	136	139	138	137
Prestige Economics LLC	05/01/23	133	130	127	125
Bank Julius Baer	04/28/23	129	125	124	123
Nomura Bank International	04/28/23	125	123	120	120
Banco Santander	04/28/23	130	127	125	124
Banco Bilbao Vizcaya Argentaria	04/27/23	134	129	126	122
ING Financial Markets	04/26/23	128	125	120	118
Skandinaviska Enskilda Banken	04/26/23	131	128	124	123
Monex USA Corp	04/26/23	130	128	126	126
ABN Amro	04/25/23	131	130	128	127
Wells Fargo	04/25/23	134	132	128	126
DZ Bank	04/24/23	131	127	123	121
Maybank Singapore	04/21/23	128	125	122	120
Oversea-Chinese Banking Corp	04/21/23	130	128	125	124
Citigroup	04/19/23	130	125	121	122
Danske Bank	04/19/23	130	127	127	127

# GBP/USD

The Pound continued its ascent in April, closing at an 11-month high. The primary catalyst for the recent surge is the market's anticipation of a 25 basis point hike during the Bank of England's May meeting. The market has also priced in several more BoE interest rate increases throughout the year.

Despite these hawkish expectations, recent UK economic data has not necessarily been positive. GDP continues to sputter and retail sales declined more than expected in March due to rising costs of living, so the upcoming April CPI data could prove crucial to the future direction of UK monetary policy.

## What To Watch For This Month

### **05/11/2023 BoE Monetary Policy Meeting**

The Bank of England is set to deliver its monetary policy statement alongside its announcement of the interest rate decision. Markets expect a 25 basis point hike.

### **05/12/2023 April Gross Domestic Product**

Q1 GDP is expected to show 0.1% contraction which would make it four consecutive quarters near-zero growth for the United Kingdom.

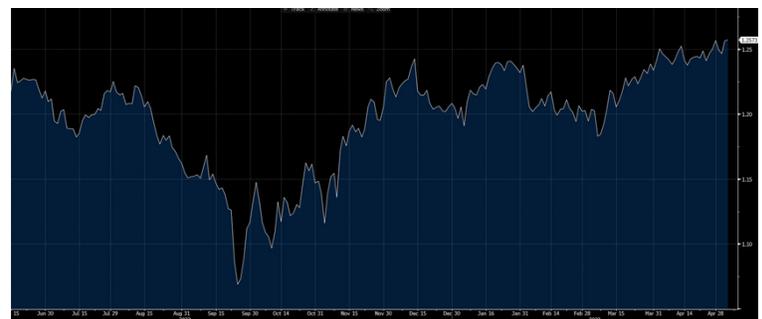
### **05/17/2023 April CPI**

Despite the recent rate hikes from the BoE, UK inflation remains stubbornly high. The March YoY figure came in at 10.1%, which has fueled market expectations for multiple more rate increase in 2023.

## Economic Indicators

### Bank of England Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	8.53	4.25	-1.50	-1.0
CPI (YOY%)	2.58	10.75	5.25	1.50
Unemployment (%)	4.60	3.75	5.0	5.75

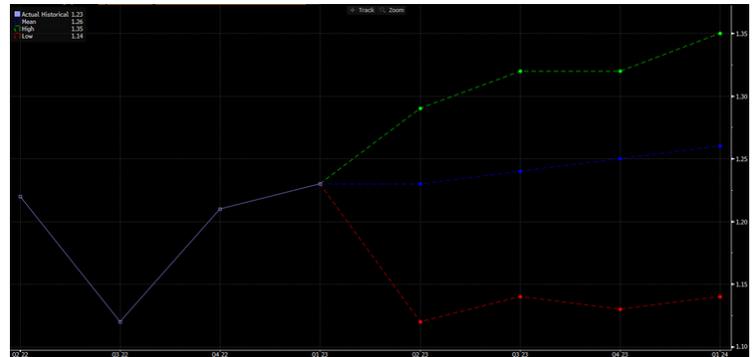


Historical Rates

# GBP/USD

## Market Consensus & Forecast

	Q2 23	Q3 23	Q4 23	Q1 24
Mean	1.23	1.24	1.25	1.26
High	1.29	1.32	1.32	1.35
Low	1.12	1.14	1.13	1.14



## Forecast by Institution

	As of:	Q2 23	Q3 23	Q4 23	Q1 24
Amdocs Development Ltd	05/03/23	1.26	1.25	1.22	--
Axis Bank	05/02/23	1.21	1.25	1.26	1.26
Landesbank Baden-Wuerttemberg	05/02/23	1.23	1.24	1.26	1.26
Swedbank	05/02/23	1.24	1.26	1.3	1.33
TD Securities	05/02/23	1.24	1.26	1.29	1.28
Prestige Economics LLC	05/01/23	1.25	1.27	1.29	1.3
Bank Julius Baer	04/28/23	1.26	1.28	1.29	1.29
Nomura Bank International	04/28/23	1.27	1.29	1.32	1.34
Banco Santander	04/28/23	1.22	1.23	1.24	1.22
Banco Bilbao Vizcaya Argentaria	04/27/23	1.22	1.22	1.28	1.33
ING Financial Markets	04/26/23	1.24	1.24	1.28	1.28
Skandinaviska Enskilda Banken	04/26/23	1.29	1.21	1.22	1.22
Monex USA Corp	04/26/23	1.24	1.25	1.27	1.27
ABN Amro	04/25/23	1.24	1.23	1.22	1.25
Wells Fargo	04/25/23	1.24	1.25	1.26	1.27
DZ Bank	04/24/23	1.24	1.24	1.25	1.26
Maybank Singapore	04/21/23	1.21	1.22	1.24	1.24
Oversea-Chinese Banking Corp	04/21/23	1.24	1.25	1.26	1.26
Citigroup	04/19/23	1.27	1.27	1.27	1.29
Danske Bank	04/19/23	1.24	1.21	1.19	1.17
Westpac Banking	04/17/23	1.23	1.24	1.25	1.26

# USD/CHF



USD/CHF has been amongst the worst performing majors over the last 12 month, and is fresh off a nearly 2.8% decline in April. The pair's descent to January 2021 lows has been exacerbated by a hawkish Swiss National Bank, despite Switzerland having an inflation rate far

below its European counterparts. With more rate hikes on the table, including another 50 basis point increase priced in for June, the current conditions support a stronger Swiss Franc.

## What To Watch For This Month

### **05/05/2023 Unemployment Rate MoM**

The swiss economy is expecting to maintain its 1.9% MoM jobless rate April.

### **05/30/2023 Q1 Gross Domestic Product**

#### **QoQ**

Q1 will be the headline data point on the Swiss economic calendar this month. While the Swiss economy has posted 7 straight quarters of growth, the rate has fallen below 1% since Q3/22 and is trending in the wrong direction.

### **05/31/2023 April Real Retail Sales YoY**

Like many of its counterparts, the Swiss consumer continues to feel the effects of rising costs of living and borrowing rates. Retail sales for April are expected to show another decline.

## Economic Indicators

### Swiss National Bank Forecast

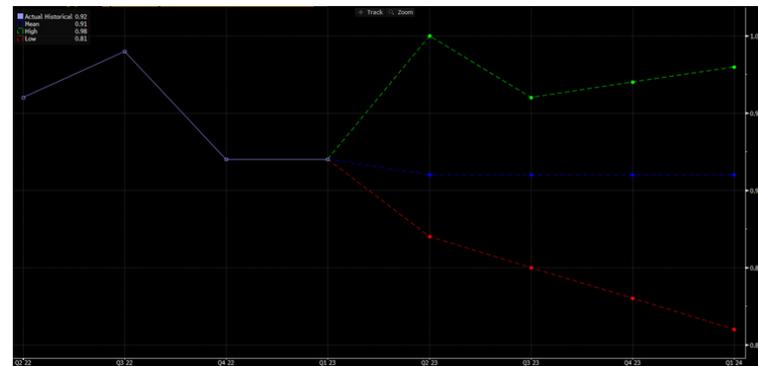
Forecast	2021	2022	2023	2024
Real GDP (YOY%)	4.33	2.10	0.70	1.90
CPI (YOY%)	0.58	2.90	2.20	1.50
Unemployment (%)	2.98	2.20	2.30	2.40



# USD/CHF

## Market Consensus & Forecast

	Q2 23	Q3 23	Q4 23	Q1 24
Mean	0.91	0.91	0.91	0.91
High	1	0.96	0.97	0.98
Low	0.87	0.85	0.83	0.81



## Forecast by Institution

	As of:	Q2 23	Q3 23	Q4 23	Q1 24
Amdocs Development Ltd	05/03/23	0.9	0.91	0.95	--
Landesbank Baden-Wuerttemberg	05/02/23	0.92	0.92	0.92	0.92
Swedbank	05/02/23	0.89	0.9	0.89	0.91
TD Securities	05/02/23	0.92	0.92	0.91	0.91
Prestige Economics LLC	05/01/23	0.89	0.88	0.86	0.85
Bank Julius Baer	04/28/23	0.88	0.87	0.86	0.84
Nomura Bank International	04/28/23	0.92	0.92	0.92	0.93
Banco Bilbao Vizcaya Argentaria	04/27/23	0.91	0.93	0.93	0.96
Skandinaviska Enskilda Banken	04/26/23	0.92	0.92	0.91	0.92
Monex USA Corp	04/26/23	0.92	0.91	0.91	0.91
ABN Amro	04/25/23	0.94	0.94	0.94	0.93
Wells Fargo	04/25/23	0.89	0.88	0.87	0.86
DZ Bank	04/24/23	0.91	0.93	0.94	0.93
Maybank Singapore	04/21/23	0.95	0.95	0.95	0.95
Oversea-Chinese Banking Corp	04/21/23	0.91	0.9	0.9	0.89
Citigroup	04/19/23	0.87	0.86	0.86	0.86
Danske Bank	04/19/23	0.9	0.91	0.93	0.94
Westpac Banking	04/17/23	0.91	0.91	0.9	0.9
Canadian Imperial Bank of Commerce	04/14/23	0.89	0.9	0.89	0.89
Rabobank	04/14/23	0.95	0.92	0.9	0.88
Australia & New Zealand Banking Group	04/13/23	0.91	0.9	0.9	0.89

# USD/CAD

The month began favorably for the Loonie, seeing USD/CAD retreat from the March 10 high by mid-April. However, the pair quickly found its way back on the upswing to close out the month, driven by a turnaround in oil prices along with falling Canadian inflation.

Annualized Q1 GDP data is expected to show decent growth, but the early indications for Q2 are not positive given the recent federal workers strike. With this in mind, and inflation on the backfoot, the Bank of Canada is expected to be headed for the sidelines.

## What To Watch For This Month

### **05/05/2023 April Unemployment Rate**

Unemployment readings are expected to remain unchanged at 5%.

### **05/17/2023 - April CPI YoY**

With inflation back below 5% as of March, the April reading will be an important one in determining whether or not the BoC is done hiking for 2023.

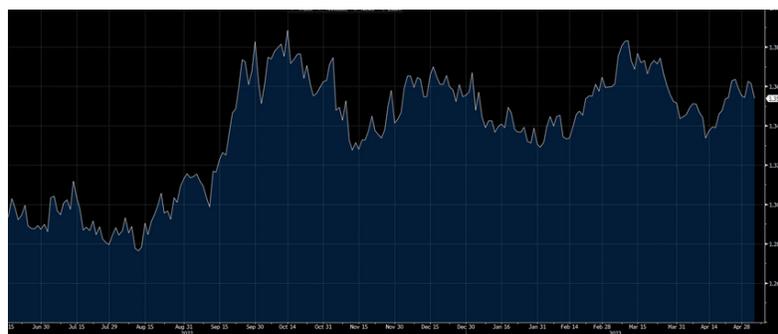
### **05/30/2023 Q1 GDP Annualized**

After stalling in Q4, the Canadian economy is expected to post stronger numbers in Q1.

## Economic Indicators

Bank of Canada Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	5.20	3.60	1.0	1.8
CPI (YOY%)	3.40	6.8	3.6	2.30
Unemployment (%)	7.51	--	--	--

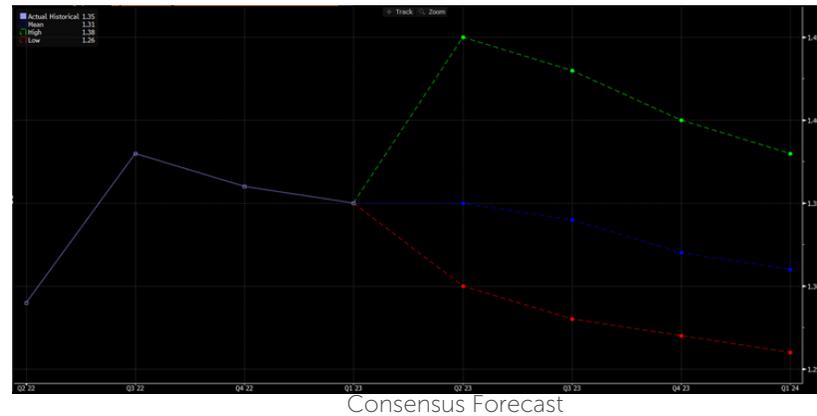


Historical Rates

# USD/CAD

## Market Consensus & Forecast

	Q2 23	Q3 23	Q4 23	Q1 24
Mean	1.35	1.34	1.32	1.31
High	1.45	1.43	1.4	1.38
Low	1.3	1.28	1.27	1.26



## Forecast by Institution

	As of:	Q2 23	Q3 23	Q4 23	Q1 24
Amdocs Development Ltd	05/03/23	1.36	1.38	1.4	--
ATB FINANCIAL	05/03/23	1.36	1.33	1.31	1.3
Landesbank Baden-Wuerttemberg	05/02/23	1.39	1.33	1.27	1.26
Swedbank	05/02/23	1.3	1.28	1.27	1.27
TD Securities	05/02/23	1.36	1.34	1.32	1.29
Prestige Economics LLC	05/01/23	1.34	1.32	1.3	1.28
Bank Julius Baer	04/28/23	1.35	1.34	1.33	1.32
Nomura Bank International	04/28/23	1.37	1.36	1.35	1.32
Banco Santander	04/28/23	1.34	1.33	1.31	1.29
Banco Bilbao Vizcaya Argentaria	04/27/23	1.36	1.35	1.32	1.3
ING Financial Markets	04/26/23	1.33	1.3	1.28	1.26
Skandinaviska Enskilda Banken	04/26/23	1.32	1.34	1.32	1.3
Monex USA Corp	04/26/23	1.32	1.31	1.3	1.29
ABN Amro	04/25/23	1.38	1.35	1.3	1.29
Wells Fargo	04/25/23	1.36	1.35	1.34	1.33
DZ Bank	04/24/23	1.34	1.32	1.31	1.3
Maybank Singapore	04/21/23	1.32	1.3	1.28	1.28
Oversea-Chinese Banking Corp	04/21/23	1.34	1.32	1.32	1.31
Citigroup	04/19/23	1.31	1.31	1.31	1.3
Danske Bank	04/19/23	1.36	1.37	1.37	1.37
Westpac Banking	04/17/23	1.33	1.31	1.29	1.28

# USD/CNY

The yuan has failed to build on its March gains and closed April near six week lows. The decline can be largely attributed to the expectation that the Fed will increase interest rates in May. Despite China's Q1 GDP growth of 4.5%, the global economic outlook remains challenging, which has hindered

the Yuan. However, the People's Bank of China has kept its main lending rates constant for eight straight months, suggesting that the country's economic recovery is progressing. Nevertheless, the latest inflation data has raised concerns about the possibility of rate cuts, which would be another headwind for the Yuan.

## What To Watch For This Month

### **05/11/2023 April CPI YoY**

Inflation is expected to show a minimal YoY decline of 0.1% in China, which could impact the PBoC decision later in the month

### **05/22/2023 PBoC Interest Rate Decision**

After holding firm on lending rates for eight consecutive months, and with the Chinese economic recovery progressing, the base case is for rates to remain steady at the May fixing.

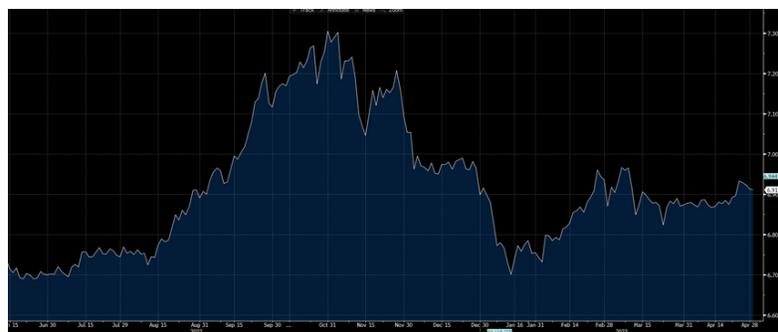
### **05/31/23 May NBS Manufacturing PMI**

This reading will be a key indicator of the state of China's recovery, given that manufacturing is still at the core of its economy. It will also provide insight into the near-term direction of the Yuan.

## Economic Indicators

People's Bank of China Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	8.40	3.00	5.1	5.00
CPI (YOY%)	0.92	2.00	2.3	2.2
Unemployment (%)	3.96	4.90	4.05	4.03

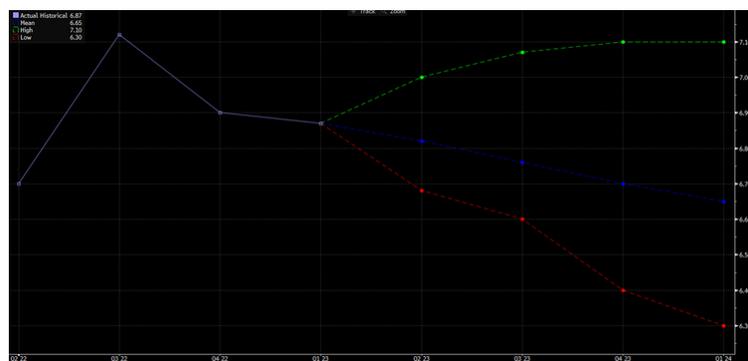


Historical Rates

# USD/CNY

## Market Consensus & Forecast

	Q2 23	Q3 23	Q4 23	Q1 24
Mean	6.82	6.76	6.7	6.65
High	7	7.07	7.1	7.1
Low	6.68	6.6	6.4	6.3



Consensus Forecast

## Forecast by Institution

	As of:	Q2 23	Q3 23	Q4 23	Q1 24
Amdocs Development Ltd	05/03/23	6.9	6.7	6.8	--
Landesbank Baden-Wuerttemberg	05/02/23	6.81	6.79	6.82	6.82
TD Securities	05/02/23	6.72	6.65	6.55	6.68
Mizuho Bank	05/01/23	6.8	6.75	6.7	6.65
Prestige Economics LLC	05/01/23	6.9	6.85	6.75	6.65
Nomura Bank International	04/28/23	6.85	6.78	6.6	6.4
Banco Bilbao Vizcaya Argentaria	04/27/23	6.94	6.96	7	6.96
ING Financial Markets	04/26/23	6.8	6.7	6.5	6.45
Skandinaviska Enskilda Banken	04/26/23	6.73	6.67	6.6	6.48
Monex USA Corp	04/26/23	6.7	6.65	6.6	6.55
ABN Amro	04/25/23	6.8	6.7	6.7	6.6
Wells Fargo	04/25/23	6.88	6.84	6.8	6.76
DZ Bank	04/24/23	6.83	6.67	6.57	6.52
Maybank Singapore	04/21/23	6.75	6.7	6.65	6.6
Oversea-Chinese Banking Corp	04/21/23	6.8	6.7	6.65	6.6
Citigroup	04/19/23	6.68	6.64	6.61	6.63
Danske Bank	04/19/23	6.93	7.07	7.1	7.1
Westpac Banking	04/17/23	6.7	6.6	6.5	6.4
Canadian Imperial Bank of Commerce	04/14/23	6.85	6.8	6.78	6.75
Rabobank	04/14/23	7	7	7	7
Australia & New Zealand Banking Group	04/13/23	6.7	6.6	6.55	6.5

# USD/BRL



USD/BRL had its lowest monthly close since May 2022. Brazil's central bank surprised markets with its resistance to government pressure on dropping interest rates. The Central Bank of Brazil's inflation projections continue to rise, which led to them holding steady. The Brazilian Real has been

weighed down by recent worries surrounding low growth and the government's new fiscal framework, although President Lula da Silva's push for deeper economic ties with China could provide some form of support heading into May

## What To Watch For This Month

### **05/03/2023 Interest Rate Decision**

Despite Brazil's inflation projections continuing to rise rates have held firm at 13.75% since August of 2022. Investors will eagerly await the decision to see if the Central Bank of Brazil makes a move.

### **05/12/2023 April Inflation IPCA**

Brazilian economists raised their inflation forecasts for four consecutive week's in April, according to the Central Bank of Brazil's weekly survey. The consensus forecast for April IPCA inflation is a rise of 0.78%

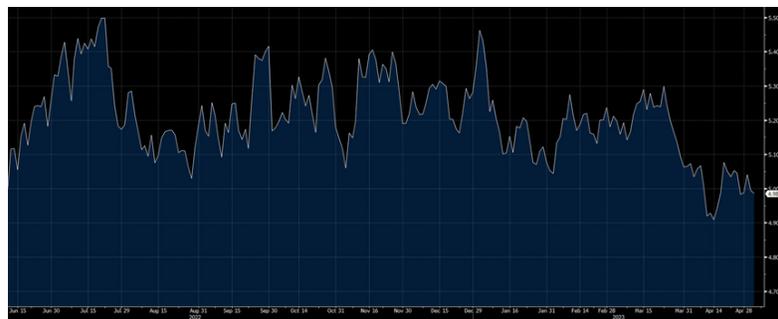
### **05/31/2023 May Unemployment Rate**

Unemployment has risen in each of the last four months, and the March figure came in at its highest since August 2022. If the trend continues, does the Central Bank of Brazil take action?

## Economic Indicators

### Brazil's Central Bank Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	5.17	3.00	0.80	1.80
CPI (YOY%)	8.29	9.30	4.9	4.0
Policy Rate (%)	9.25	13.75	11.90	9.15

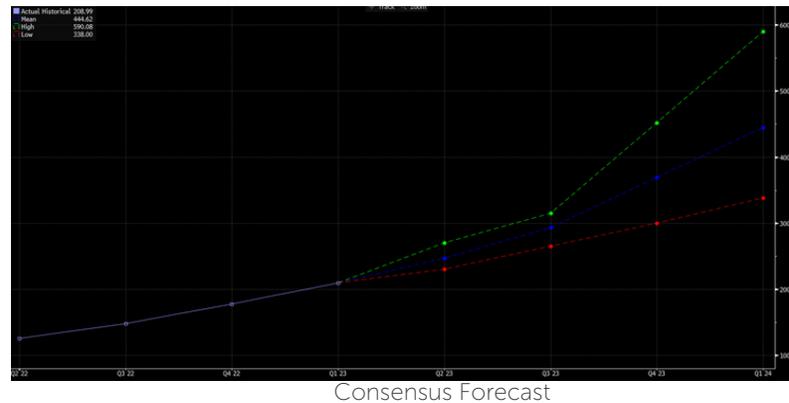


Historical Rates

# USD/BRL

## Market Consensus & Forecast

	Q2 23	Q3 23	Q4 23	Q1 24
Mean	5.14	5.11	5.1	5.05
High	5.56	5.69	5.64	5.55
Low	4.75	4.5	4.7	4.5



## Forecast by Institution

	As of:	Q2 23	Q3 23	Q4 23	Q1 24
Amdocs Development Ltd	05/03/23	5.15	5	4.7	--
Landesbank Baden-Wuerttemberg	05/02/23	5.56	5.69	5.64	5.55
TD Securities	05/02/23	4.85	4.95	4.85	4.75
Mizuho Bank	05/01/23	5.2	5.15	5.1	5.12
Prestige Economics LLC	05/01/23	5.04	4.98	4.95	4.9
Bank Julius Baer	04/28/23	4.95	4.9	4.95	5
Nomura Bank International	04/28/23	5.3	5.25	5.2	5.15
Banco Bilbao Vizcaya Argentaria	04/27/23	5.08	5.05	5.16	5.16
ING Financial Markets	04/26/23	5.3	5.2	5.2	5.2
Skandinaviska Enskilda Banken	04/26/23	5.25	5.21	5.2	5.15
ABN Amro	04/25/23	5	4.9	4.8	4.7
Wells Fargo	04/25/23	5	4.9	4.8	4.7
DZ Bank	04/24/23	5.07	5.03	5	5
Citigroup	04/19/23	5.12	5.16	5.19	5.19
Canadian Imperial Bank of Commerce	04/14/23	5.05	5.2	5.4	5.2
Rabobank	04/14/23	5.2	5.2	5.35	5.05
Standard Chartered	04/11/23	5	4.95	4.9	4.9
X-Trade Brokers Dom Maklerski	04/07/23	5.15	5.12	5.13	5.02
RBC Capital Markets	04/06/23	4.75	4.5	4.75	4.5
MUFG	04/05/23	5.28	5.34	5.4	5.42
Mouvement Desjardins	04/03/23	5.2	5.4	5.3	5.1

# USD/MXN



USD/MXN eked out a minimal gain in April, but continues to trade near five year lows around 18.00. One of the drivers of the pair's performance has been the decrease in Mexican government spending and deficits as a result of austerity measures spearheaded by President Obrador. The Mexican peso continues to be

propelled by strong levels of foreign investment into Mexico, which surged to its highest since 2015. The Bank of Mexico has also implemented measures to strengthen the currency, hiking its benchmark interest rate to a record 11.25% in March, which brings the total increase to 800 in just under two years.

## What To Watch For This Month

### **05/04/2023 – March Jobless Rate**

The market expectation is for the March rate to come in at 2.8%, which would be a slight increase from the 2.7% number in February.

### **05/09/2023 – April 12-Month Inflation**

12-month inflation fell sharply in March to 6.85%, the lowest since October 2021, and the April measure is expected to show another drop to 6.28%

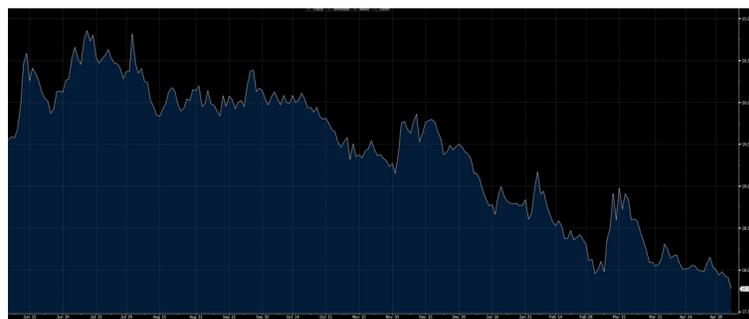
### **05/18/2023 – Interest Rate Decision**

Banxico is projected to hold rates at 11.25% as inflation continues to fall.

## Economic Indicators

Banco de Mexico Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	4.80	3.00	1.20	1.90
CPI (YOY%)	5.68	7.9	5.70	4.00
Unemployment (%)	4.14	3.40	3.63	3.60

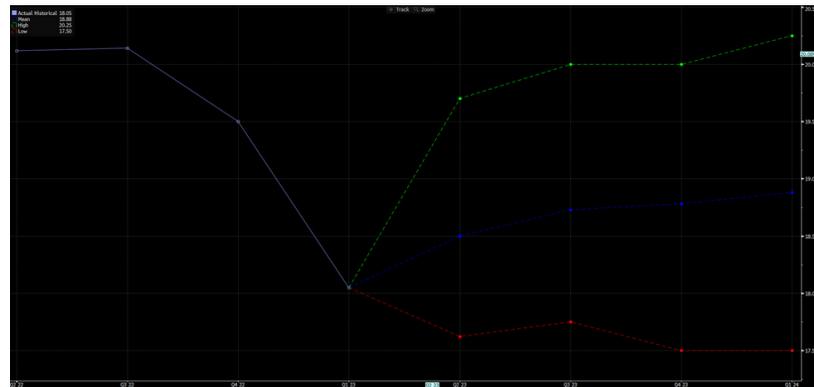


Historical Rates

# USD/MXN

## Market Consensus & Forecast

	Q2 23	Q3 23	Q4 23	Q1 24
Mean	18.5	18.73	18.78	18.88
High	19.7	20	20	20.25
Low	17.62	17.75	17.5	17.5



Consensus Forecast

## Forecast by Institution

	As of:	Q1 23	Q2 23	Q3 23	Q4 23
Capital Economics	05/05/23	19	19.5	20	20.25
Commerzbank	05/05/23	17.9	17.8	17.7	17.6
Rabobank	05/05/23	18.15	18.63	18.93	19.13
Landesbank Baden-Wuerttemberg	05/02/23	19.44	19.72	19.27	18.91
TD Securities	05/02/23	18.6	19	19.8	19.95
Mizuho Bank	05/01/23	18.5	18.8	19	19.1
Prestige Economics LLC	05/01/23	18.2	18.05	17.85	17.75
Bank Julius Baer	04/28/23	17.9	18	18.2	18.45
Nomura Bank International	04/28/23	19.7	19.6	19.5	19.4
Banco Bilbao Vizcaya Argentaria	04/27/23	18.32	18.35	18.85	19.7
ING Financial Markets	04/26/23	18.1	18	17.75	17.5
Monex USA Corp	04/26/23	19	19.25	19.5	19.5
Banorte	04/25/23	17.62	18.97	18.7	19.35
Wells Fargo	04/25/23	18	17.75	17.5	17.5
DZ Bank	04/24/23	18.39	18.83	19.17	19.42
Citigroup	04/19/23	18.7	19	19.3	19.4
Canadian Imperial Bank of Commerce	04/14/23	19.5	20	19.8	20
Standard Chartered	04/11/23	18.5	18.35	18.2	18.4
X-Trade Brokers Dom Maklerski	04/07/23	18.49	18.38	18.39	18.02
Klarity FX	04/06/23	18.5	18.75	18.75	19
RBC Capital Markets	04/06/23	17.9	18.25	18	18.5



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