



FX Strategy, Trading & Sales

Currency Report Card

August 2026

Current-cy Affairs

Summary:

- This month, our USD view is unchanged – the USD retains a high yield in G10, there are consistent net flows into the US, and the currency continues to behave like a safe haven. We attach the most weight to the USD's level of yield.
- Our forecasts continue to show the USD performing well against the lower-yielding currencies (e.g. vs CHF), with carry likely to remain a key theme amid low FX vol. Our forecasts imply a peak of 104 for DXY by Q1 before a gradual drift lower in the long-run.
- Key downside risks to our USD profile are (1) the Fed pivoting to rate cuts, (2) US equities underperforming vs the rest of the world, and/or (3) markets attaching a higher risk premium on US assets.
- Despite the US-Japan joint FX intervention, we only expect natural market forces to drive a recovery in the JPY from next year. This may materialize sooner if the BoJ turns hawkish or GPIF start bringing money home.
- Although we are constructive in the long-run, BRL is vulnerable to downside risk in the near-term with political uncertainty ahead of the October elections potentially outweighing Brazil's still-attractive carry.

Key forecast revisions:

- With our broader views intact, there are no significant revisions to our forecasts since the June Currency Report Card and the July EM Pulse.

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US Dollar

1-3 Month Outlook – Holding pattern

Since the start of Q3, the US dollar is down against most of G10 (CHF is the exception). This underperformance is largely due to (1) the July FOMC press conference causing markets to question Fed Chair Warsh's commitment to fighting inflation and (2) FX intervention to support the JPY. Following these events, markets are now only slightly net long USD per the RBC Positioning Monitor.

In the short term, the USD is likely to be in a holding pattern until the Jackson Hole Economic Policy Symposium and further data are available. July core CPI was in line with consensus at +0.2% m/m. This print raises the bar for a rate hike on September 16, but there is one more round of CPI and NFP data ahead of that FOMC meeting (mkt: +10bp). Our US rates team thinks the Fed will hold rates, though they think "terminal pricing will simply be pushed further into 2027" (see [here](#) for more details and what it would take for a September Fed hike to materialize).

With vol low and the USD retaining its higher yield status, we think the USD should be a beneficiary vs the lower-yielding currencies (e.g. USD vs CHF).

6-12 Month Outlook – Forecasts unchanged

We expect the USD to perform well vs the low yielders over the next ~6m, with DXY reaching a peak of 104 by Q1 2027.

There are three reasons why we expect this to be the case in the coming months: (1) the USD retains a high yield in G10 which leaves the USD hedging costs expensive for foreign-based investors, (2) there have been consistent net flows into US assets despite US policy uncertainty, and (3) the USD's safe haven status acts as a disincentive for foreigners to hedge USD assets (see Figure 2; inverse correlation between the USD and US equities). We attach the most weight to driver #1.

Bruised Fed credibility after the July 29th FOMC press conference is a downside risk to watch for the USD, and the risk of further JPY intervention and the ongoing Iran conflict add layers of uncertainty. But the other three drivers (higher yield, net flows, safe haven) are supportive of the USD. Thus, our view is unchanged (see [FX Snapshot – Two Points on the USD](#), 04 Aug 2026).

By H2 2027, we see a gradual pullback in the DXY, contingent on idiosyncratic stories in Japan and Canada (see pgs. 5, 8).

Key downside risks are the Fed pivoting to cuts, US equities underperforming the rest of the world, and/or a further rise in credibility concerns post the July FOMC meeting.

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.16	1.14	1.13	1.11	1.10	1.10	1.10	1.10
USD/JPY	159	163	158	160	160	158	156	154
USD/CAD	1.39	1.42	1.42	1.45	1.43	1.40	1.37	1.35

Source: RBC Capital Markets estimates

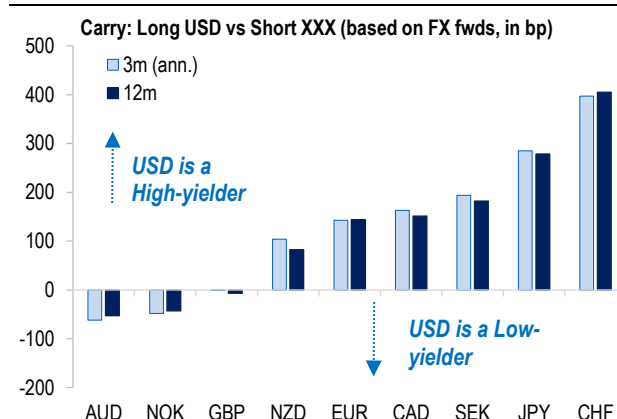
Daria Parkhomenko, CFA

Indicators

	Current (Previous)*
Official cash rate	3.50-3.75% (3.50-3.75%)
Trend interest rates (10yr average)	2.39%
Bias in interest rate market	Hikes
Core PCE Inflation %Y/Y	3.3 (3.4)
Inflation target	2.00%
Budget balance % GDP	-5.4% (-6.9%)
Budget balance target % GDP	-6.4%
GDP Growth % q/q saar	1.5 (2.1)
Trend GDP %	2.7
Purchasing Power Parity Value	-
Spot	-
PPP Valuation	-
Current account balance % GDP	-3 (-3.8)
Trend current account balance % GDP	-2.9
Moody's Foreign Currency Rating	Aa1
Outlook	STABLE

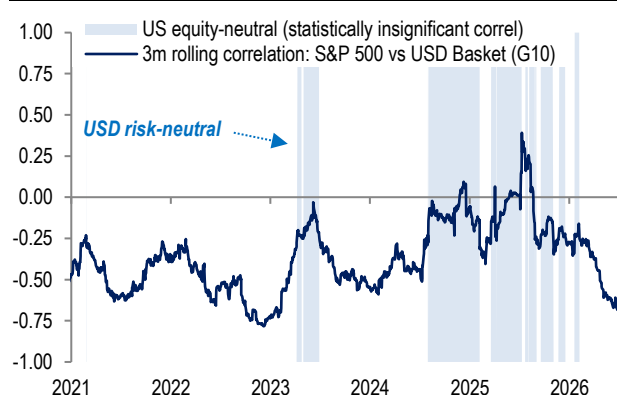
* Current is latest month, quarter or year

1. USD remains a higher yielder in G10



Source: Bloomberg, RBC Capital Markets

2. USD is still trading like a safe haven



Source: Bloomberg, RBC Capital Markets;

Euro

Daria Parkhomenko, CFA

1-3 Month Outlook – September hike largely priced

Since the start of Q3, USD weakness has taken EUR/USD back above 1.1500, with EUR one of the laggards in G10, as commodity currencies and JPY lead the pack. At the July meeting, the ECB [kept](#) its deposit rate at 2.25% as expected, with the decision unanimous and the press conference carrying both dovish (e.g. economy is “back to the baseline”, softening in the language about second-round effects) and hawkish elements (e.g. some voters contemplated a hike).

We are keeping our end-September target of 1.1300 unchanged. First, the USD vs EUR rates spread is likely to remain sufficiently wide for carry in a low FX vol environment, weighing on EUR/USD. Second, our European rates team expects one more rate hike from the ECB in September with the risk that more is delivered due to the Middle East conflict and the [supply issues](#) with natural gas for Europe. But with markets largely pricing a hike next month with some risk of another one by year-end, the hurdle is relatively high for EUR to gain on relative rate dynamics (mkt: +39bp by year-end). The rising natural gas prices, [low gas storage levels](#), and the drought in Europe add layers of uncertainty for the ECB policy path.

Therefore, we prefer to be sellers of EUR/USD on rallies, unless (1) the Fed pivots to rate cuts or the ECB hikes rates more aggressively than priced, and/or (2) markets start to attach a higher risk premia on US assets and that subsequently brings back last year’s themes of USD hedging and diversification away from the US.

6-12 Month Outlook – Watch ECB vs Fed monetary policy path for EUR/USD in the long-run

Our longer-run target for EUR/USD to trade down to 1.1000 is unchanged, with our 2027 profile flat until there is more clarity on the long-run Fed policy path.

Our rates strategists expect the Fed to hold rates for an extended period into 2027 and the ECB to deliver one more hike in September before holding rates next year too. That would keep the USD vs EUR rates differential relatively wide. In turn, this would leave USD hedging costs punitive for Euro area-based investors, keeping a cap on EUR/USD.

Given the Euro area holds a large stock of US assets (EUR 7.3trn), the main upside risks to EUR/USD are (1) a material narrowing in the EZ-US rates differential (either through Fed cuts or more ECB hikes) and/or (2) consistent outperformance of European equities relative to US equities which would result in diversification away from the US.

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.16	1.14	1.13	1.11	1.10	1.10	1.10	1.10
EUR/JPY	183	186	179	178	176	174	172	169
EUR/CAD	1.61	1.62	1.60	1.61	1.57	1.54	1.51	1.49

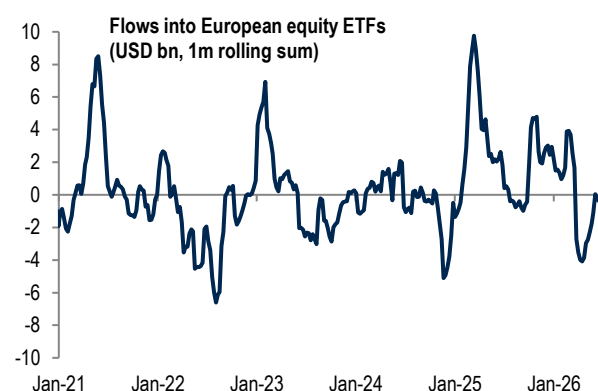
Source: RBC Capital Markets estimates

Indicators

	Current (Previous)*
Official cash rate (ECB main refi rate)	2.4% (2.15%)
Trend interest rates 10y average	1.22%
Bias in interest rate market	Hiking
HICP core Inflation %Y/Y last (prev)	2.5 (2.4)
Inflation target	2.00%
Budget balance % GDP 2024 (2023)	-2.9% (-3.0%)
Budget balance target % GDP	-2.8%
GDP Growth %Y/Y last (prev)	1.0 (0.5)
Trend GDP %y/y	1.4
Purchasing Power Parity Value	1.1446
Spot	1.1525
PPP Valuation	EUR/USD is overvalued
Current account % GDP last (prev)	1.7 (1.7)
Trend current account balance % GDP	2.1
Moody's Foreign Currency Rating (Germany)	Aaa
Outlook	STABLE

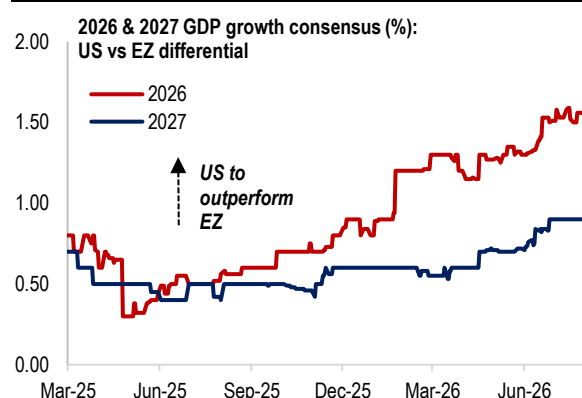
* Current is latest month, quarter or year

1. Flows into unhedged EU equity ETFs barely positive



Source: Bloomberg, RBC Capital Markets

2. Euro area growth still expected to underperform the US



Source: Bloomberg, RBC Capital Markets

Japanese Yen

Abbas Keshvani

1-3 Month Outlook – Intervention buys a few weeks

Following intervention earlier this month, we expect authorities to continue preventing JPY underperformance. Authorities will likely tolerate yen weakness caused by *broad* dollar strength.

In the past, defensive intervention typically lasted a few weeks before natural market forces brought spot back to pre-intervention levels. Despite the coordination with the US for this round of intervention, the market has already faded half of the intervention-move. We only expect natural market forces to drive a yen recovery from next year.

6-12 Month Outlook – Recovery only next year

We expect JPY to start recovering in 2027 on the BoJ stabilizing JGBs via gentler QT, but it could start sooner if the BoJ turn hawkish or GPIF start bringing money home.

Slower and nimbler QT by the Bank of Japan should help bring much-needed stability to the bond market. The central bank plan to pause the ongoing reduction in bond buying, which has coincided with both higher JGB yields and greater volatility in that market, from April 2027. Moreover, BoJ are offering to buy more bonds to stabilize yields. This should encourage local asset managers to rotate from foreign bonds to JGBs.

If investors are slow to rotate to yen assets, the government might kick-off the process by having GPIF take the lead. Under the fund's current targets, this implies an inflow of up to ¥17 tn or \$110 bn, but a formal revision of their allocation targets would allow for larger inflows. Because of their size, any GPIF re-allocation will likely influence other investors to follow suit, potentially jump-starting the rotation needed to strengthen JPY.

The central bank sound incrementally hawkish on inflation now, leading to the market anticipating more hikes, and faster. A more vigorous hiking cycle by the BoJ would allow the yen to start recovering stronger and faster than our projections, risking a 5 yen downside in spot versus our forecasts. The inflation print next week will provide important clues about the path ahead for the BoJ.

Indicators

	Current (Previous)*
Official cash rate	1.00% (0.75%)
Trend interest rates 10y average	0%
Bias in interest rate market	Hiking
CPI Inflation %Y/Y last (prev)	1.7% (1.5%)
Inflation target	2.00%
Budget balance % GDP 2025 (2024)	-0.6% (-1.4%)
Budget balance trend % GDP	-3.6%
GDP Growth %Y/Y last (prev)	0.4 (0.3)
Trend GDP %Y/Y	0.5
Purchasing Power Parity Value	116.42
Spot now	159.45
PPP Valuation	USD/JPY is overvalued
Current a/c balance % GDP last (prev)	5.2 (4.9)
Trend current account balance % GDP	3.6
Moody's Foreign Currency Rating	A1
Outlook	STABLE

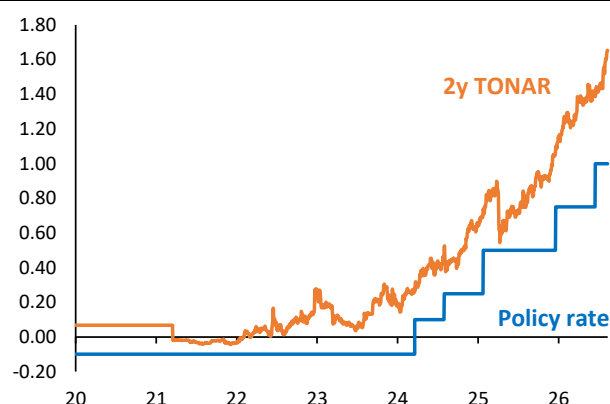
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1. Defensive intervention buys a few weeks

Period	Dollars sold \$b	Impact on spot	Longevity
Aug 2026*	77	163 → 158	?
May 2026	73	160 → 157	4 weeks
Jan 2026*	[Rate check]	158 → 156	6 weeks
Jul 2024	34	162 → 158	24 weeks
May 2024	62	158 → 155	6 weeks
Oct 2022	64	144 → 149	Spot was higher
Apr 1998	21	131 → 129	4 weeks
Jun 1998*	16	143 → 137	2 weeks
Dec 1997	27	131 → 129	2 weeks

Note: * means US participated, but "dollars sold" column only shows intervention by Japan
Source: MoF, various media, RBC Capital Markets

2. Market expects more hikes by BoJ



Source: Bloomberg, RBC Capital Markets

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/JPY	159	163	158	160	160	158	156	154
EUR/JPY	183	186	179	178	176	174	172	169
CAD/JPY	114	115	111	110	112	113	114	114

Source: RBC Capital Markets estimates

Sterling

George Moran

1-3 Month Outlook – BoE pricing looks stretched, fiscal risks are large

Over the near term, sterling faces headwinds from a combination of softening UK economic data and a potential dovish shift in Bank of England rate expectations. Both labour market and inflation releases have repeatedly come in on the softer side this year. The BoE's preferred wage gauge — private sector pay excluding bonuses — has registered a 2.9% print, sitting beneath the 3–3.5% corridor the Bank has identified as compatible with its 2% inflation target. Job vacancies have been on a sustained downward trajectory and have now fallen below pre-pandemic levels, although there are some signs of a bottoming out. Against this backdrop, further BoE rate increases this year appear unlikely, which in turn creates room for markets to unwind the approximately 30bp of hikes currently priced in by year-end. Through this lens the UK stands out as one of the most likely markets to see a front-end rates rally, therefore we marginally pushed up our EUR/GBP forecast.

In the near-term fiscal uncertainty adds a further layer of risk. Andy Burnham has taken over as Prime Minister and surprised many commentators by appointing John Healey as Chancellor. He is seen as a moderate in the party, although he has previously pushed for increased defence spending. The key test for sterling will be the UK Budget on the 28th October because the Chancellor will have to lay out their full economic agenda including costings and the DMO will publish issuance projections. Because Starmer was kicked out as Prime Minister largely for not being ambitious enough on fiscal policy, we see risks of increased borrowing and a Budget that is less well received by markets.

6-12 Month Outlook – Carry is king

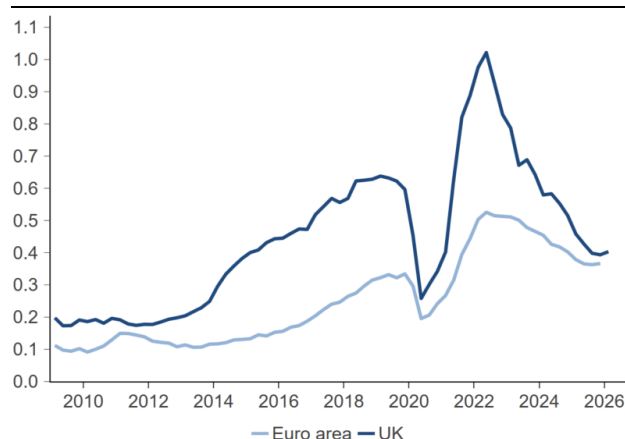
In the medium-term, GBP looks attractive from a carry perspective and comes out on top in the G10 against all currencies aside from AUD and NOK. FX vol is depressed across the G10 despite the war in the Middle East. If this vol environment can persist we expect clients to increasingly look for carry. The most attractive carry trade by far is long GBP/CHF, although short EUR/GBP also looks attractive despite a tighter yield differential than some other G10 currencies.

Indicators

	Current (Previous)*
Bank of England Base Rate	3.75% (3.75%)
Trend interest rates 10y average	1.58%
Bias in interest rate market	Hikes
CPI Inflation %Y/Y last (prev)	2.6 (2.8)
Inflation target	2%
Budget balance % GDP 2025 (2024)	-4.9% (-5.3%)
Budget balance target % GDP	-5%
GDP Growth %Y/Y last (prev)	0.9 (0.9)
Trend GDP %Y/Y	1.5
Purchasing Power Parity Value Jan	1.2181
Spot-now	1.3494
PPP Valuation	GBP/USD is overvalued
Current a/c balance % GDP last (prev)	-2.7 (-2.6)
Trend current account balance % GDP	-3.3
Moody's Foreign Currency Rating	Aa3
Outlook	STABLE

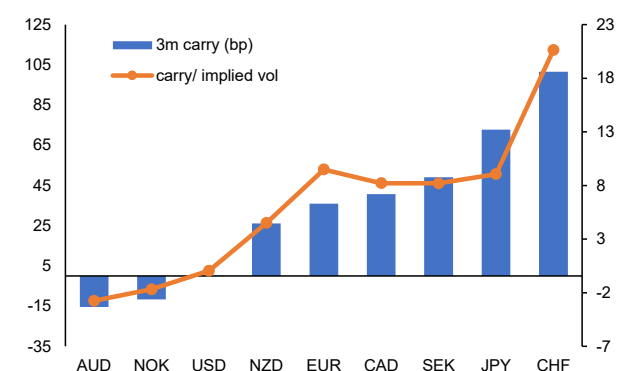
* Current is latest month, quarter or year

1. Vacancies to unemployment ratio



Source: RBC Capital Markets, Bloomberg

2. Long GBP carry (bp)



Source: RBC Capital Markets, Bloomberg

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
GBP/USD	1.32	1.33	1.30	1.27	1.27	1.29	1.29	1.31
EUR/GBP	0.87	0.86	0.87	0.88	0.87	0.86	0.85	0.84
GBP/JPY	210	216	205	203	203	203	202	202
GBP/CAD	1.84	1.88	1.84	1.84	1.82	1.80	1.77	1.77

Source: RBC Capital Markets estimates

Swiss Franc

George Moran

1-3 Month Outlook – CHF is not performing in an energy crisis

The Swiss franc has continued to be an underperformer over the past month and has not behaved effectively as a risk-off currency. That can probably be best explained by the terms of trade shock from higher energy prices and the strong performance of global equities and risk assets. Switzerland is highly exposed to oil and gas prices since it has to import virtually all of its consumption. Therefore, higher prices mean the value of imports increases and the currency depreciates. Furthermore, the impact of higher oil prices on risky assets has been blunted over time. Despite the surge in oil prices, equity market indices in Europe and the US are at record highs, so it makes sense that a risk-off currency like CHF is not performing.

The SNB is not standing in the way of CHF weakness. June's meeting was telling — inflation forecasts were revised up only modestly, with the peak still below 1%, well within the 0-2% target midpoint. Clearly, there is no urgency to hike, and Bloomberg sources story confirmed this. On intervention, the shift in language — "increased willingness to intervene if necessary" — reads as reactive rather than proactive. The SNB wants to resist unwanted strength, not actively weaken the currency. Our estimates for the size of FX intervention point to only modest, concentrated intervention through April, though the signalling effect has likely punched above its weight in markets.

6-12 Month Outlook – Carry back in focus

The carry case for CHF holds for the next 6-12 months. CHF remains the most efficient short leg in G10 carry by most measures: low volatility, compressed rates, and a central bank widening differentials relative to higher-yielding peers. The brief safe-haven bid during peak Iran tensions failed to gain traction partly because vol stayed subdued. Recent intervention in yen also to some extent neutered one of the main rivals to CHF as a carry trade funder.

However, the structural bull case for CHF in the long-run still carries weight. Switzerland's current account surplus sits around 7% of GDP, underpinned by world-class chemicals, pharma, and luxury goods exports — sectors where demand is largely price-inelastic. This creates a persistent gravitational pull toward CHF strength over the medium term. Low inflation keeps Swiss exports internationally competitive.

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CHF	0.80	0.81	0.83	0.86	0.85	0.85	0.85	0.84
EUR/CHF	0.92	0.92	0.94	0.95	0.94	0.93	0.93	0.92
CHF/JPY	199	201	190	187	187	187	185	184
CAD/CHF	0.57	0.57	0.59	0.59	0.60	0.60	0.62	0.62

Source: RBC Capital Markets estimates

Indicators

	Current (Previous)*
Official cash rate	0.0% (0.00%)
Trend interest rates average	-0.09%
Bias in interest rate market	Neutral
CPI Inflation %Y/Y July (June)	0.4% (0.5%)
Inflation target	less than 2.0%
Budget balance % GDP 2025 (2024)	0.4% (0.3%)
Budget balance target % GDP	Balanced over the business cycle
GDP Growth %Y/Y Q1 (Q4)	0.6% (0.7%)
Trend GDP %Y/Y	1.8%
EUR Purchasing Power Parity Value	0.9290
EUR/CHF spot	0.9376
EUR/CHF PPP Valuation	EUR/CHF is overvalued
Current a/c balance % GDP Q4 (Q3)	3.2% (7.3%)
Trend current account balance % GDP	6.2%
Moody's Foreign Currency Rating	Aaa
Outlook	Stable

* Current is latest month, quarter or year

1. Correlation between EUR/CHF and S&P 500 daily returns



Source: Bloomberg, RBC Capital Markets

2. Switzerland current account balance (% of GDP, 1yma)



Source: SNB, SECO, RBC Capital Markets

Canadian Dollar

Daria Parkhomenko, CFA

1-3 Month Outlook – No change to forecasts but monitoring risks

As Q3 is underway, USD/CAD is down ~1.8%, with the pair testing strong congestive support at 1.3932 (the top end of the H1 trading range). The main driver is a weaker USD and to a lesser extent higher crude oil prices and a narrowing in the US-CA front end rates spread in favor of CAD.

Into year-end, the fundamental picture is still supportive of a higher USD/CAD due to the wide US-CA rates spread (Figure 1) and our view for the USD to perform well in H2 2026. However, we note that events in the past two weeks (e.g. US data, July FOMC press conference, JPY intervention) pose a downside risk to our year-end target.

Our rates team expects the Fed and the BoC to hold rates for the rest of this year, leaving USD hedging costs elevated for Canadian-based investors (Figure 1). Although recent data have been surprising to the upside in Canada (e.g. Q2 GDP tracking ~3.4%q/q ann.), the economy remains in excess supply and inflation is soft. The BoC likely needs at least two quarters of above-potential growth to shift to hikes.

On the trade front, CAD has been immune to trade & tariff headlines. That is likely to be the case unless a significant outcome materializes (e.g. concrete deal reached). The latest news reports cite that Canada-US Trade Minister LeBlanc has met with US Trade Representative Greer three times in the past three weeks.

6-12 Month Outlook – Drift lower in USD/CAD in 2027

We continue to see a lower USD/CAD next year, with our end-2027 figure at 1.3500. This view is conditional on the BoC shifting to rate hikes as the [output gap narrows](#). RBC's central scenario is that the BoC delivers 100bp of rate hikes starting in Q1 next year. This alongside the Fed holding rates for an extended period should help narrow the rates differential between the US and Canada, cheapening the USD hedging costs for Canadian-based investors.

Upside risks to USD/CAD are a resumption of BoC cuts or more aggressive Fed hikes than priced by markets.

Downside risks are material Fed cuts, a quicker and earlier pace of BoC hikes, or US policy uncertainty. Unlike the broader US dollar that retains its safe-haven status, USD/CAD's correlation to US equities turned neutral in the past few weeks – i.e. USD/CAD is not acting as a natural hedge under risk-off (Figure 2). If this persists for a prolonged period, then the incentive for a Canadian-based investors to hedge their USD exposure would rise – this is a downside risk.

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CAD	1.39	1.42	1.42	1.45	1.43	1.40	1.37	1.35
EUR/CAD	1.61	1.62	1.60	1.61	1.57	1.54	1.51	1.49
CAD/JPY	114	115	111	110	112	113	114	114

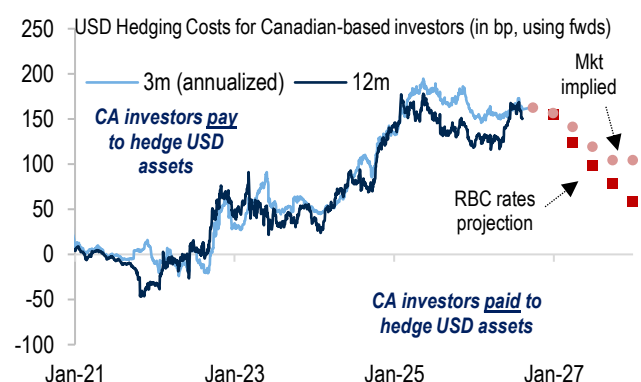
Source: RBC Capital Markets estimates

Indicators

	Current (Previous)*
Official cash rate	2.25% (2.25%)
Trend interest rates 10y average	2%
Bias in interest rate market	Neutral, then hikes
Core CPI Inflation (Trim) %Y/Y last (prev)	1.8 (2)
CPI inflation target range %Y/Y	1-3%
Budget balance % GDP 2025 (2024)	-1.1% (-2.0%)
Budget balance target % GDP	-2.3%
GDP growth %Q/Q saar last (prev)	-0.1 (-1)
Trend GDP %Q/Q	2.3
Purchasing Power Parity value	1.2917
Spot-now	1.3943
PPP valuation	USD/CAD is overvalued
Current acct balance % GDP last (prev)	-1.1 (-1)
Trend current account balance % GDP	-1.5
Moody's foreign currency rating	Aaa
Outlook	Stable

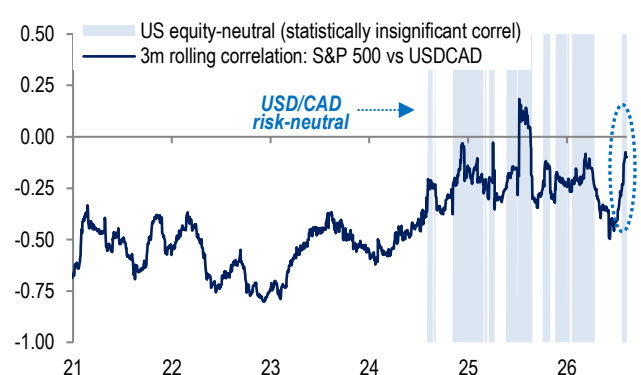
* Current is latest month, quarter or year

1. USD hedging costs to remain elevated into year-end



Source: Bloomberg, RBCCM; RBC rates projection: Our rates teams expect Fed to hold into 2027, with 100bp of BoC hikes next year.

2. USD/CAD – losing its natural hedge?



Source: Bloomberg, RBCCM.

Australian Dollar & New Zealand Dollar

Abbas Keshvani

AUD Outlook – Mild appreciation

We see mild AUD appreciation over the forecast horizon. The currency continues to offer the best carry in G10, while Australian debt offers higher yields compared to EUR and USD. Expect modest gains for the currency, with the yield thrust behind AUD sputtering out given that the RBA are likely [done hiking](#).

AUD also enjoys the stabilizing effect of CNY, which we remain constructive on (see CNY page). This is enabled by Australia's strong trading relationship with China. Our expectations for incremental fiscal stimulus by Beijing bodes well for Australia, a commodity exporter that sends a third of its exports to China.

At some point, pricing in of cuts will bias AUD weaker. The market is pricing small cuts from 3Q27, but the first indication of a shift in the RBA stance will likely lead to a shift lower in the curve. This should weigh on AUD performance, but it is likely a few months away.

Over the long term, Australia's trade surplus has been dwindling for some time and this year saw Australia's first trade deficit in almost a decade. Much of this was caused by higher energy import costs, and we caution that disruptions to refined oil supply bode poorly for AUD.

NZD Outlook – Staying weak vs AUD

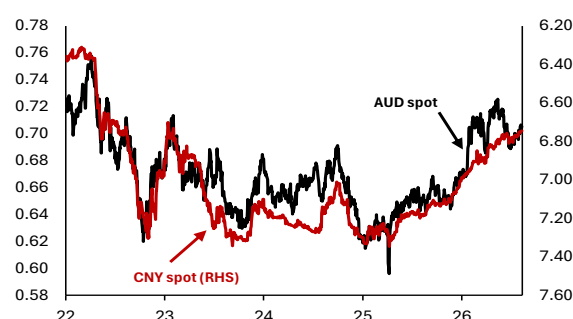
Although we see RBNZ hiking and RBA on hold, we project AUD/NZD trading sideways. We see RBNZ hiking its policy rate by 25bp each in September and Q4 to ward off inflation, even as growth remains lackluster. Even with those hikes, NZD will remain a low-yielder (relative to both USD and AUD), with our carry trade barometer continuing to show NZD as an efficient funder for long AUD positions. Any conclusion to the war in the Middle East should be favorable to NZD, given its exposure to global growth. On balance, we see AUD/NZD staying rangebound around its currently elevated levels.

Australia Indicators

	Current (Previous)*
RBA cash rate	4.35%
Trend interest rates (10yr average)	2.10%
Bias in interest rate market	Hold
CPI Inflation %Y/Y last (prev)	3.8% (4.0%)
Inflation target	2.0-3.0%
Budget balance % GDP last (prev)	-2.2% (-2.0%)
Budget balance trend % GDP	-2.1%
GDP Growth % y/y last (prev)	2.6% (2.5%)
Trend GDP %y/y	2.3%
Purchasing Power Parity Value Q4	0.7068
Spot	0.7061
PPP valuation	AUD/USD is fairly valued
Current acct balance % GDP last (prev)	-3.0% (-2.7%)
Trend current account balance % GDP	-1.2%
Moody's Foreign Currency Rating	Aaa
Outlook	STABLE

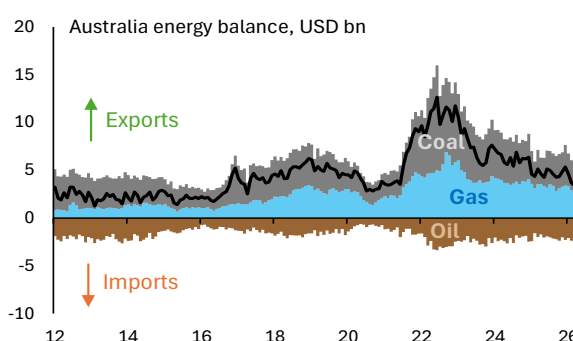
* Current is latest month, quarter or year

1. AUD enjoys positive beta to CNY



Source: Bloomberg, RBC Capital Markets

2. Australia's oil imports are more burdensome



Source: Haver, RBC Capital Markets

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
AUD/USD	0.69	0.69	0.70	0.71	0.71	0.72	0.72	0.72
NZD/USD	0.57	0.57	0.57	0.58	0.58	0.59	0.59	0.60
AUD/NZD	1.20	1.22	1.23	1.22	1.22	1.21	1.22	1.20
AUD/CAD	0.96	0.98	0.99	1.02	1.02	1.00	0.99	0.97

Source: RBC Capital Markets estimates

Chinese Yuan

Abbas Keshvani

1-3 Month Outlook – Safe haven

We continue to see the yuan as a defensive [hedge](#) against the risk of flare-ups in the Middle East. CNY enjoys relative insulation from the energy/inflation spillovers of the war, while the PBoC continue to marshal the currency stable. We remain long CNH vs USD and EUR equally weighted.

6-12 Month Outlook – Expected to strengthen

We think China will continue to steer the currency stable, with a bias for modest appreciation. Domestically, policymakers have ambitions for internationalization of the currency, which will be facilitated by a stable/strong currency. Externally, China's trading partners – especially the EU – continue to pressure for a stronger yuan to reflect China's hefty trade surplus.

Months of lower fixes have re-anchored expectations in favor of gradual currency strength. Spot now trades in the lower half of the fix±2% band. Previously the fix was the de facto floor in the trading range for spot. This shift in the trading range indicates a greater willingness by exporters to convert proceeds.

We expect fiscal stimulus to improve the cyclical outlook for China and attract equity inflows. Policymakers unveiled modest stimulus in March and we expect additional measures to accelerate growth to the middle of the 4.5-5.0% target (second quarter growth disappointed at 4.3% y/y). Chinese policymakers have called for counter-cyclical adjustments and zoomed in on domestic consumption as a driver of future growth.

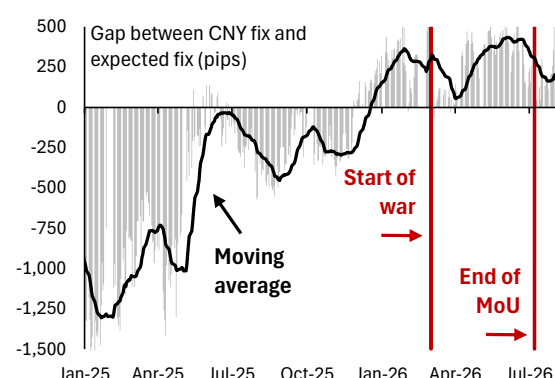
We see risks from the EU's increasingly protectionist stance towards China. The bloc recently threatened to impose tariffs and import quotas on Chinese goods. If such measures pass, China will be less inclined to fix CNY stronger as an overture to its trading partners.

Indicators

	Current (Previous)*
China 1-year loan prime rate	3.00%
Trend interest rates (10yr average)	3.80%
Bias in interest rate market	Sideways
CPI Inflation %Y/Y last (prev)	+0.5% (+1.0%)
Inflation target	2.0%
Budget balance % GDP last (prev)	-4.7% (-5.1%)
Budget balance trend % GDP	-4.5%
GDP Growth % y/y last (prev)	4.3% (5.0%)
Trend GDP %y/y	5.5%
Purchasing Power Parity Value	6.0099
Spot now	6.7457
PPP valuation	USD/CNY is overvalued
Current acct balance % GDP last (prev)	3.8% (3.8%)
Trend current account balance % GDP	3.1%
Moody's Foreign Currency Rating	A1
Outlook	Stable

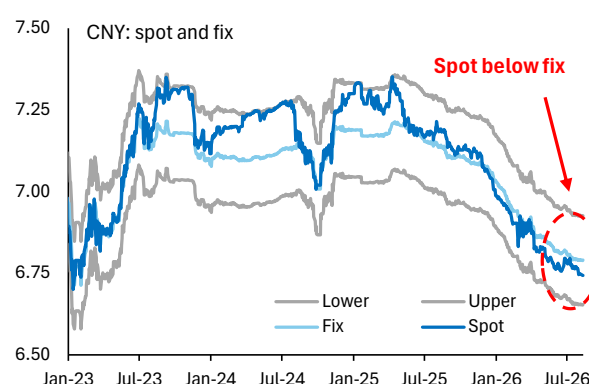
* Current is latest month, quarter or year

1. Authorities have marshalled renminbi stability



Source: Bloomberg, RCB Capital Markets

2. Spot trading in lower half of fixing band



Source: Bloomberg, RCB Capital Markets

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CNY	6.89	6.79	6.76	6.74	6.72	6.70	6.68	6.66
EUR/CNY	7.97	7.75	7.64	7.48	7.39	7.37	7.35	7.33
CNY/JPY	23.0	23.9	23.4	23.7	23.8	23.6	23.4	23.1
CAD/CNY	4.95	4.78	4.76	4.65	4.70	4.79	4.88	4.93

Source: RBC Capital Markets estimates

South Korean Won

Abbas Keshvani

1-3 Month Outlook – Rebalancing incoming

We remain [bullish](#) on KRW. Investors will likely buy Korean stocks for month-end rebalancing. After \$100b of outflows and the Kospi index coming off 30% from its peak, foreign passive investors are underweight Korea on average. This should lead to inflows at monthend, compounding our FDI-led bullish case on KRW.

6-12 Month Outlook – Better outlook

Korean exporters finally have a reason to convert their dollars, in the form of companies' plans to invest in Korea. Two of the country's tech giants plan to invest \$1.3 trillion over the next decade into semiconductor foundries and data centers (the ADR in July was likely related to this). There are a lot of dollars to convert, with Korea boasting an impressive trade surplus.

Korea is a notable energy importer and we hedge our bullish KRW view by funding in other energy importers. KRW is especially vulnerable to higher energy prices, with Korea's net imports of oil and gas exceeding 4% of GDP before the war. Moreover, Korea had been importing almost 75% of crude oil via the Strait of Hormuz, the highest share in EM Asia. As such, we fund our bullish KRW trade in currencies dependent on energy imports (INR, EUR) and vulnerable to higher inflation (IDR).

Bank of Korea [joined](#) Japan in selling dollars at the end of July, even though the Korean Won was the world's [best performer](#) that month. This indicates that the BoK are, at a minimum, not standing in the way of a Won recovery.

Indicators

	Current (Previous)*
BOK Base Rate	2.75%
Trend interest rates (10yr average)	1.90%
Bias in interest rate market	Sideways
CPI Inflation %Y/Y last (prev)	2.8% (3.2%)
Inflation target	2.0%
GDP Growth % y/y last (prev)	3.7% (3.8%)
Trend GDP %y/y	2.4%
Purchasing Power Parity Value	1,182
Spot now	1,439
PPP valuation	USD/KRW is overvalued
Current acct balance % GDP last (prev)	13.3% (9.1%)
Trend current acct. balance % GDP	4.3%
Moody's Foreign Currency Rating	Aa2
Outlook	Stable

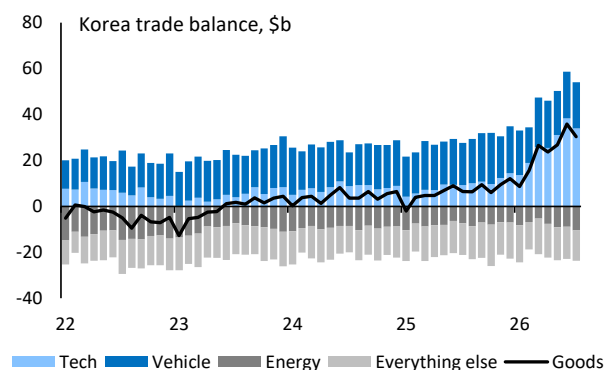
* Current is latest month, quarter or year

1. Investors are underweight Korean stocks

	Korea	Other EM
Foreign passive investors holdings of stocks, Dec	\$ 432 bn	\$ 2448 bn
Rally in equities since Dec	68.0%	23.6%
Foreign passive investors holdings of stocks w/o rebalancing, now	\$ 726 bn	\$ 3027 bn
Flow year-to-date by passive investors	\$ 53 bn outflow	\$ 12 bn outflow
Holdings after valuation and rebal, now	\$ 673 bn	\$ 3015 bn
Investor weight after valuation and rebal, now	18.3%	81.7%
Benchmark weight at last reweight, May	21.7%	78.3%
Verdict	Underweight	Overweight

Source: Bloomberg, RBC Capital Markets

2. There are a lot of dollars to convert to KRW



Source: Haver, RBC Capital Markets

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/KRW	1516	1549	1440	1420	1400	1380	1360	1340
EUR/KRW	1752	1769	1627	1576	1540	1518	1496	1474
JPY/KRW	9.55	9.53	9.11	8.88	8.75	8.73	8.72	8.70
CAD/KRW	1089	1091	1014	979	979	986	993	993

Source: RBC Capital Markets estimates

Taiwan Dollar

Abbas Keshvani

1-3 Month Outlook – Rebalancing ritual

TWD should come under additional rebalancing pressure. The TWSE index remains near the highs and foreigners are still overweight the equities. This should lead to additional rebalancing outflows, inflicting more depreciation pressure on TWD. The Korean Won experienced a similar rebalancing ritual earlier this year and its pain has since abated thanks to a much-needed correction in the Kospi.

6-12 Month Outlook – Phantom surplus

USD/TWD risks are skewed firmly to the downside but a catalyst for such a move remains elusive.

Exporters retain most of their proceeds in dollars, rendering most of the country's mammoth current account surplus (22%) dormant as a driver of FX. This wall of dollars – unconverted and future proceeds – could potentially result in a dramatic TWD strength if authorities prod exporters to convert. But the catalyst for encouraging such conversion remains elusive. The US Treasury, who have voiced concern about KRW and directly intervened to defend JPY, lack the motivation to scrutinize TWD weakness. Since Taiwan's advanced chip exports do not compete with homegrown American chips for now, there is little impetus for the US to demand for a stronger TWD – doing so would only make US AI imports more expensive.

Life insurance companies are no longer consistently selling USD/TWD NDF to hedge their FX exposure. In fact, they allowing existing hedges to gradually roll off, with the size of their hedge book whittling down to under \$160b in June, from a peak of \$230b in 2022. Regulatory [changes](#) reduce the need for life insurance companies to FX-hedge their foreign bond holdings. As such, many lifers will increasingly be accessing dollars via spot instead of swaps (the latter incurs hedging costs).

Indicators

	Current (Previous)*
CBC benchmark rate	2.0%
Trend interest rates (10yr average)	1.5%
Bias in interest rate market	Sideways
CPI Inflation %Y/Y last (prev)	2.5% (2.6%)
Budget balance % GDP last (prev)	+1.8% (-0.1%)
Budget balance trend % GDP	+1.1%
GDP Growth % y/y last (prev)	12.9% (14.5%)
Trend GDP %y/y	4.5%
Purchasing Power Parity Value	28.12
Spot now	32.25
PPP valuation	USD/TWD is overvalued
Current account balance % GDP last (prev)	21.9% (19.5%)
Trend current account balance % GDP	14.0%
Moody's Foreign Currency Rating	Aa3
Outlook	Stable

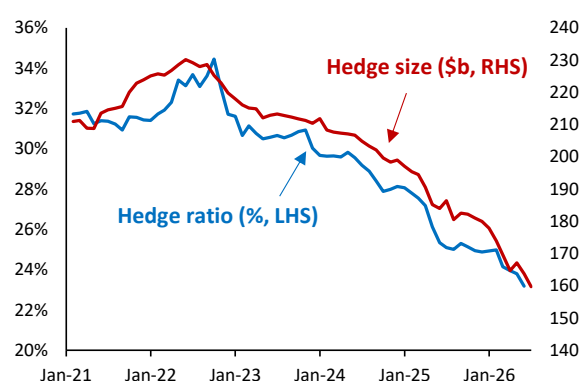
* Current is latest month, quarter or year

1. Rebalancing outflows should weigh on TWD

	Taiwan	Other EM
Foreign passive investors holdings of stocks, Dec	\$ 571 bn	\$ 2121 bn
Rally in equities since Dec	65%	22%
Foreign passive investors holdings of stocks w/o rebalancing, now	\$ 940 bn	\$ 2584 bn
Flow year-to-date by passive investors	\$ 32 bn outflow	\$ 43 bn outflow
Holdings after valuation and rebal, now	\$ 908 bn	\$ 2540 bn
Investor weight after valuation and rebal, now	26.3%	73.7%
Benchmark weight at last reweight, May	25.3%	74.7%
Verdict	Overweight	Underweight

Source: Bloomberg, RBC Capital Markets

2. Taiwan lifers are allowing hedges to roll off their books



Note: Hedge ratio computed as size of lifer hedge including swap as share of total foreign assets;
Source: RBC Capital Markets, Haver

Forecasts

	2026				2027			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/TWD	32.05	31.85	31.75	31.50	31.25	31.00	30.75	30.50
EUR/TWD	37.03	36.38	35.88	34.97	34.38	34.10	33.83	33.55
TWD/JPY	4.95	5.10	4.98	5.08	5.12	5.10	5.07	5.05
CAD/TWD	23.03	22.43	22.36	21.72	21.85	22.14	22.45	22.59

Source: RBC Capital Markets estimates

Indian Rupee

Abbas Keshvani

1-3 Month Outlook – Slower depreciation ahead

RBI's June measures to defend the rupee should lead to slower depreciation. The measures – which will lead to milder net outflows from portfolio securities, increased external borrowing, and bolstering of RBI reserves – portend slower INR depreciation, but not outright strength.

6-12 Month Outlook – It's cheap

The silver lining for the rupee is that it is currently trading weak, with fair value in USD/INR around 94. So even with reduced intervention by the RBI, the rupee should not be underperforming for the next few months.

It is unlikely that RBI will defend INR with the same vigor as it had previously, making INR more sensitive to depreciation pressure later (for now, it enjoys the aforementioned cheapness). RBI have been a consistent seller of dollars over the last few years, selling an average of \$6b per month in spot dollars and an additional \$3b per month in forwards. Going forward, we expect the central bank to preserve their firepower, since reserve cover has thinned to 6.5 months.

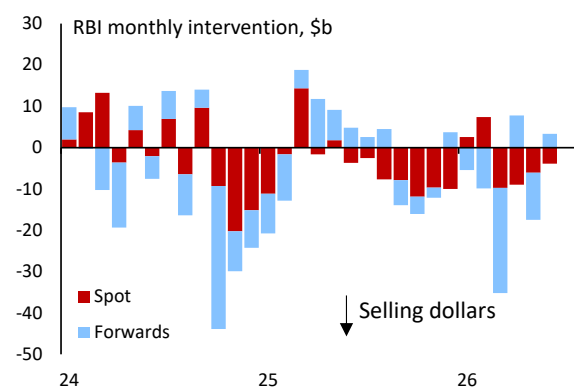
India's services industry is increasingly at [risk](#) from advances in AI. Exports of services – from IT and backend processes – have come off to \$36b in June, from \$42b in December. For now we are imputing flatlining in services growth, but further contraction could lead to more rupee weakness.

Indicators

	Current (Previous)*
RBI repo rate	5.25%
Trend interest rates (10yr average)	5.60%
Bias in interest rate market	Sideways
CPI Inflation %Y/Y last (prev)	4.4% (3.9%)
Inflation target	4 ± 2%
Budget balance % GDP last (prev)	-4.4% (-4.5%)
Budget balance trend % GDP	-5.2%
GDP Growth % y/y last (prev)	7.8% (8.0%)
Trend GDP %y/y	6.1%
Purchasing Power Parity Value	80.03
Spot now	95.34
PPP valuation	USD/INR is overvalued
Current account balance % GDP last (prev)	-0.6% (-0.5%)
Trend current account balance % GDP	-1.0%
Moody's Foreign Currency Rating	Baa3
Outlook	Stable

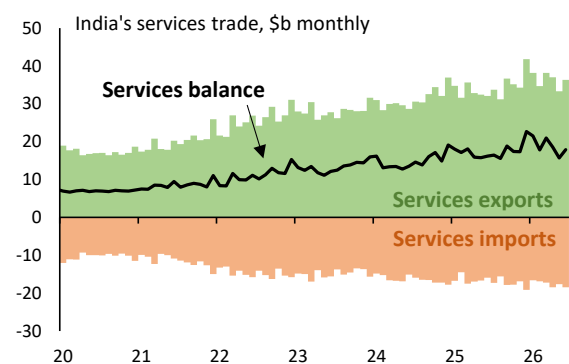
* Current is latest month, quarter or year

1. RBI have been using reserves to defend INR



Note: Haver, RBC Capital Markets

2. India's service surplus is wobbling



Source: Haver, RBC Capital Markets

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/INR	94.81	94.67	94.50	95.00	95.50	96.00	96.50	97.00
EUR/INR	110	108	107	105	105	106	106	107
INR/JPY	1.67	1.72	1.67	1.68	1.68	1.65	1.62	1.59
CAD/INR	68.1	66.7	66.5	65.5	66.8	68.6	70.4	71.9

Source: RBC Capital Markets estimates

Luis Estrada

Brazilian Real

1-3 Month outlook – High beta assets troubles

Since our July EM podcast, we have argued August would be a difficult month for high-beta and carry assets. The multi-year July MoM decline in high-carry, high-momentum US equities was an early warning that the market's appetite for these strategies was fading just as liquidity conditions deteriorated into August. Brazil is particularly exposed to this combination given the importance of carry and global risk appetite for foreign participation in local markets.

Domestic developments have reinforced this weaker backdrop. The BCB cut rates by 25bps to 14.00% in August, bringing total easing to 100bps, but the September COPOM falls on the same day as the FOMC. A Fed hike would likely force the BCB to pause, complicating the easing cycle. Brazilian rates have already experienced outflows over the past two weeks, while US CPI fears contributed to local markets beginning to price renewed BCB hikes.

Additionally, disappointing earnings from index heavyweights including Vale and Petrobras, together with the July 31, B3 outage, have pushed Bovespa sentiment to its weakest level since 2025. The election is now only 52 days away, adding another reason to reduce risk. Unlike previous cycles, we see few first-round outcomes that would represent a clear upside surprise for Brazilian assets.

Overall, we expect USDBRL to trade within 5.05–5.25, with a bias toward the upper end, as election uncertainty outweighs Brazil's still-attractive carry.

6-12 Month Outlook – No FED hikes in our thesis

Our longer-term view remains more constructive on BRL. The key disagreement with current market pricing is the Fed: we do not expect the Fed to hike. Once markets converge to that view, global risk limits should expand again and investors should gradually rebuild exposure to high-carry assets. Brazil would be a natural beneficiary. Even after the BCB easing cycle, local rates remain high enough to offer compelling carry, while the recent reduction in positioning should leave the market less vulnerable to another crowded unwind. The main domestic condition is politics. If the election ultimately proves to be a non-event for macro policy and fiscal expectations, the election premium embedded in Brazilian assets should fade.

In the long-run, we see current BRL weakness as cyclical rather than structural. As Fed hike expectations disappear and global risk appetite recovers, USDBRL should reverse lower, particularly if the election passes without a material deterioration in Brazil's policy outlook.

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/BRL	5.18	5.16	5.08	5.00	4.80	4.70	4.65	4.70
EUR/BRL	5.98	5.90	5.74	5.55	5.28	5.17	5.12	5.17
BRL/JPY	30.6	31.5	31.1	32.0	33.3	33.6	33.5	32.8
CAD/BRL	3.72	3.64	3.58	3.45	3.36	3.36	3.39	3.48

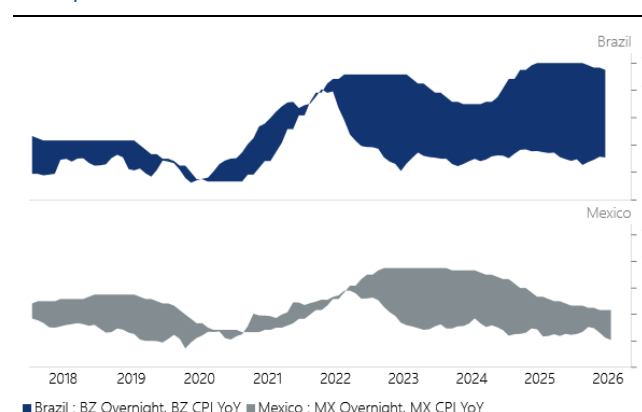
Source: RBC Capital Markets estimates

Indicators

	Current (Previous)*
Official policy rate	14.00(14.25)
Trend O/N interest rates (10yr avg)	9.60
Bias in interest rate market	Easing
Headline Inflation %Y/Y last(prev)	4.44% (4.64%)
Inflation target (range)	3% (1.5%-4.5%)
Budget balance % GDP last(prev)	-9.99% (-9.39%)
Budget balance forecast % GDP(26E)	-8.89 %
GDP Growth % y/y 26(25)	2.00% (2.30%)
Trend GDP %y/y (10y avg)	1.77%
Purchasing Power Parity Value	5.03
Spot now	5.0729
PPP Valuation	USD/BRL is overvalued
Current acct balance % GDP ('26 ('25))	-2.50%(-2.92%)
Trend current acct balance % GDP (10y avg)	-2.31%
Moody's Foreign Currency Rating	Ba1(5/25)
Outlook	Stable (5/25)

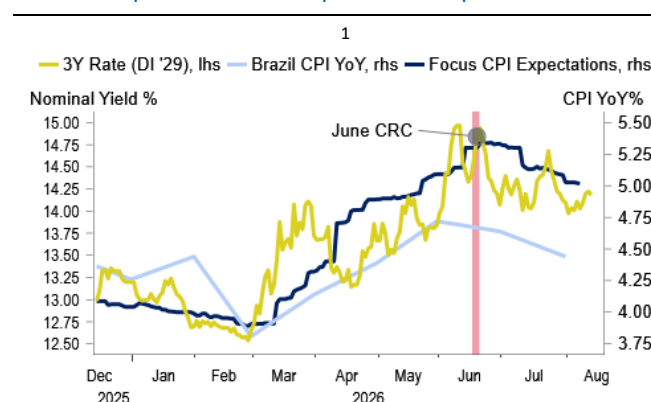
* Current is latest month, quarter, or year

1. Ex-post real rate in Brazil ~10% is 3x Mex real rate



Source: RBC Capital Markets Bloomberg, Macrobond

2. Focus expectations of CPI peaked as expected in June CRC



Source: BCB, RBC Capital Markets

Mexican Peso

Luis Estrada

1-3 Month outlook – USMCA optimism builds on MXN

The green shoots emerging from the third round of US-Mexico negotiations have started to improve sentiment toward Mexico. Announcements such as Blackstone's USD20bn investment in private lending are adding credibility to the idea that investors are becoming more comfortable with Mexico's medium-term outlook. USDMXN has consequently remained resilient despite the deterioration in the external backdrop and has recently fallen around 40 cents toward 17.00. We interpret this move as the market slowly beginning to recognize the possibility of a constructive USMCA outcome.

MXN has also benefited from Brazil's recent difficulties. As BRL has come under pressure from rates outflows, weaker equities & election uncertainty, some regional flows appear to have rotated toward MXN, driving BRLMXN lower.

However, the domestic rates backdrop makes us more cautious at current FX levels. The 5Y Mexico-US spread is near its lows for the year, while the steepness between the 1Y and 5Y sectors has remained remarkably persistent even during rates rallies. To us, this suggests the overnight rate remains too tight relative to the rest of the curve.

Bottom line (3M): USMCA optimism and regional rotation can keep USDMXN testing 17.00, but the increasingly stretched rates structure leaves MXN vulnerable to a sharp reversal if negotiations disappoint.

6-12 Month Outlook – USMCA remains a binary event

The long-term direction of USDMXN remains primarily dependent on whether Mexico and the US reach an agreement that confirms the continuity of USMCA. A successful outcome would remove the largest structural risk premium hanging over Mexican assets and should unlock greater foreign investment and renewed appetite for MXN.

The concern is the asymmetry if negotiations fail. With the Mexico-US 5Y spread already compressed and limited flexibility embedded in the front end of the Mexican curve, there is less of a rates cushion available to absorb a negative shock. The same curve structure that currently supports MXN through high overnight carry could therefore amplify the adjustment if USMCA expectations deteriorate.

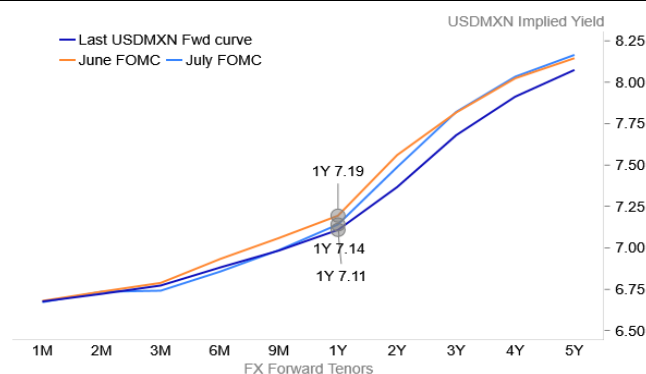
Bottom line (12M): A credible USMCA agreement remains the catalyst for a structural move lower in USDMXN. Without it, current valuations and the lack of flexibility in the rates curve leave USDMXN increasingly exposed to a meaningful repricing higher.

Indicators

	Current (Previous)*
Official policy rate	6.50 (6.50)
Trend O/N interest rates (10yr avg)	7.62%
Bias in interest rate market	Easing
Headline Inflation %Y/Y last(prev)	3.12% (3.36%)
Inflation target(range)	3% (2%-4%)
Budget balance % GDP last(prev)	-4.05% (-4.02%)
Budget balance target % GDP(26E)	-4.30%
GDP Growth % y/y 26F(25)	1.12% (0.60%)
Trend GDP %y/y (10y avg)	1.21%
Purchasing Power Parity Value	20.5100
Spot now	17.3426
PPP Valuation	USD/MXN is undervalued
Current acct balance % GDP ('25 ('24))	-0.68% (-0.55%)
Trend current acct bal % GDP (10y avg)	-0.79%
Moody's Foreign Currency Rating	Baa3(05/26)
Outlook	Stable (06/26)

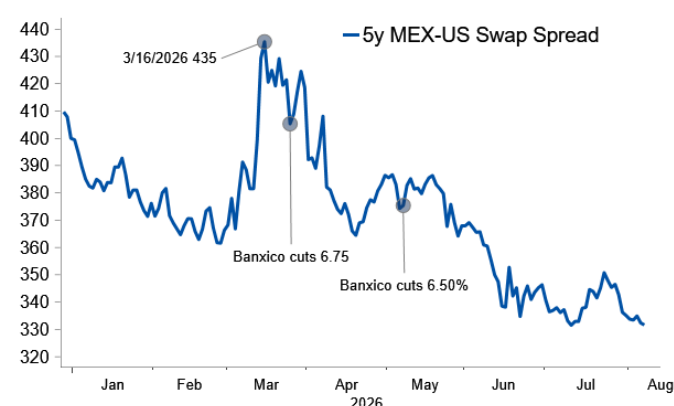
* Current is latest month, quarter, or year

1. FX Forward curve steepness past 1Y is risk premium



Source: RBC Capital Markets, Bloomberg

2. Mex-US 5Y spread at 330bps is tight by historic standards



Source: RBC Capital Markets, Bloomberg, Banxico

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/MXN	17.94	17.49	17.75	18.00	18.00	18.25	18.70	19.00
EUR/MXN	20.72	19.97	20.06	19.98	19.80	20.08	20.57	20.90
MXN/JPY	8.85	9.30	8.90	8.89	8.89	8.66	8.34	8.11
CAD/MXN	12.89	12.32	12.50	12.41	12.59	13.04	13.65	14.07

Source: RBC Capital Markets estimates

Chilean Peso

Luis Estrada

1-3 Month Outlook – Volatility without carry

Chile has been one of the most volatile currencies in LatAm over recent months, with historical volatility around 12%. Part of this can be attributed to the lack of convincing economic success stories from the new Kast administration. More recently, heavy rains have forced some mines to close and disrupted production, weakening one of Chile's most important exports and macro fundamentals. Copper production forecasts have consequently been revised down by 2.5% YoY, adding another near-term headwind for CLP.

This backdrop has generated substantial two-way volatility in USDCLP, with a sharp selloff toward 950 followed by a rapid recovery toward 915. Despite that rebound, CLP spot remains down around 1.5% YTD. More importantly, carry is not high enough to compensate investors for this level of volatility. This helps explain why CLP has lagged both its regional peers, which are up around 3.2% YTD, and even Asian EM currencies, which have gained around 1.2% (Figure 1) despite several economies being net oil importers.

Bottom line (3M): We continue to expect USDCLP to trade within a 910–935 range, with a bias toward the upper end, given weak relative carry, elevated volatility and limited domestic catalysts.

6-12 Month Outlook – The potential to appreciate

The longer-term picture is more constructive. CLP remains the second-most undervalued currency in liquid EM relative to its 2018 level, leaving significant room to outperform in an environment of lower global rates. In particular, a Fed easing cycle should improve the relative attractiveness of CLP and allow valuation to become a more important driver. A second structural development is the new FAPP created under the 2025 pension reform. The fund currently has around USD400mn in AUM and is expected to reach approximately USD4bn over the next five years. With investments expected to be concentrated primarily in domestic corporate debt, FAPP should provide a growing structural source of demand for Chile's local fixed-income market.

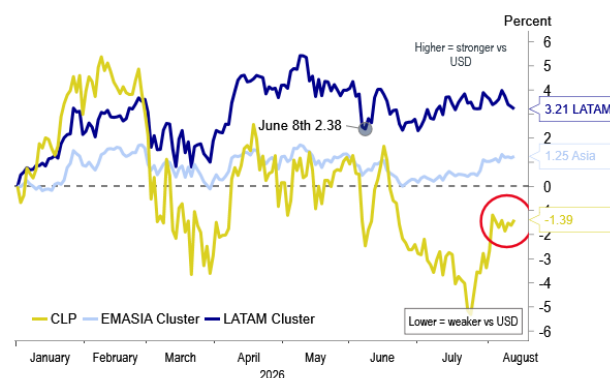
Bottom line (12M): Cheap valuation, lower global rates and growing structural demand for local fixed income provide a credible path toward CLP outperformance, even if the near-term environment remains volatile.

Indicators

	Current (Previous)*
Official policy rate	4.50% (4.50%)
Trend O/N interest rates (10yr avg)	4.38
Bias in interest rate market	Easing
Headline Inflation %Y/Y last(prev)	3.50% (4.30%)
Inflation target (range)	3% (2%-4%)
Budget balance % GDP	(-2.80%)
Budget balance forecast % GDP(26E)	-2.20%
GDP Growth % y/y 26E(25)	1.55% (2.46%)
Trend GDP %y/y (10y avg)	2.13%
Purchasing Power Parity Value	849.9
Spot end- July	911
PPP Valuation	USD/CLP overvalued
Current acct balance % GDP '25E ('24)	-1.63% (-2.50%)
Trend current acct balance % GDP (10y avg)	-4.02
Moody's Foreign Currency Rating	A2(9/22)
Outlook	Stable(9/22)

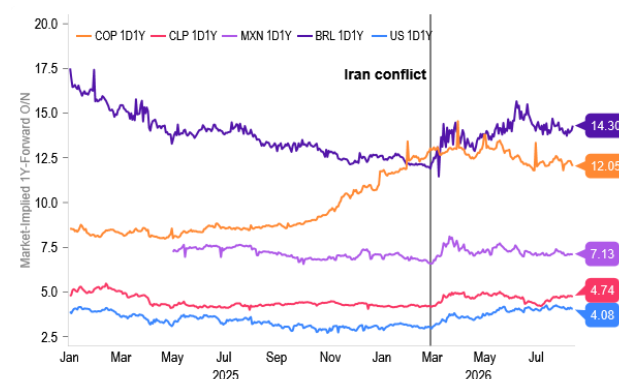
* Current is latest month, quarter, or year

1. CLP underperforms LATAM and Asia Pairs YTD



Source RBC Capital Markets, Bloomberg

2. Chile CPI is back below 4.0% but still under pressure



Source: RBC Capital Markets, Bloomberg

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CLP	926	922	935	930	920	920	925	930
EUR/CLP	1070	1054	1057	1032	1012	1012	1018	1023
JPY/CLP	30.6	31.5	31.1	32.0	33.3	33.6	33.5	32.8
CAD/CLP	666	650	658	641	643	657	675	689

Source: RBC Capital Markets estimates

Colombian Peso

Luis Estrada

1-3 Month Outlook – A reality check at 3100

Colombia has delivered perhaps the biggest surprise in LatAm FX this year. Since USDCOP peaked around 3800 in May, COP has appreciated with remarkably limited retracement. Unlike most high-beta currencies, it was also relatively insulated from the Iran conflict, reflecting Colombia's position as an oil exporter and the positive terms-of-trade implications of higher energy prices.

In the short term, however, we think the inauguration of Abelerdo could provide a reality check for a market that has become increasingly convinced USDCOP can move through 3100. We see 3100 as an important floor, particularly following the recent earthquake that killed more than 100 people and damaged infrastructure across major cities. The reconstruction effort should complicate the beginning of the new administration and potentially increase fiscal pressures.

Monetary policy also argues for some stabilization. Inflation expectations have risen toward 6.9%, yet BanRep surprised the market by not delivering the expected 50bps hike. At the same time, the Bank announced plans to accumulate FX reserves, introducing a natural USD buyer into a market that has been dominated by COP demand. Despite this announcement, USDCOP retraced only around 1.5%, considerably less than we expected and recovered quickly, adding another indication of underlying COP resilience.

Bottom line (3M): We expect USDCOP to stabilize within 3100–3200, with 3100 becoming increasingly difficult to break in the near term.

6-12 Month Outlook – Still with upside for COP

Beyond this near-term consolidation, we remain constructive on COP. The currency's ability to absorb both external volatility and a new BanRep reserve-purchase program suggests that underlying demand remains unusually strong.

The key medium-term variable will be monetary policy. With inflation expectations around 6.9%, BanRep may ultimately need to resume its hiking cycle. A renewed tightening cycle would rebuild COP's carry advantage and provide another catalyst for appreciation.

Bottom line (12M): We expect COP appreciation to resume over the medium term, particularly if BanRep returns to hiking, leaving the longer-term risks to USDCOP skewed below the 3100-3200 near-term range.

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/COP	3673	3429	3300	3250	3250	3200	3100	3000
EUR/COP	4244	3917	3729	3608	3575	3520	3410	3300
JPY/COP	23.14	21.10	20.89	20.31	20.31	20.25	19.87	19.48
CAD/COP	2640	2416	2324	2241	2273	2286	2263	2222

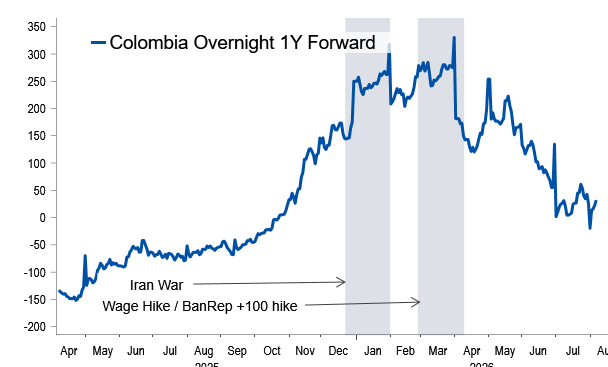
Source: RBC Capital Markets estimates

Indicators

	Current (Previous)*
Official policy rate	12.00% (11.25%)
Trend interest rates (10yr average)	7.08
Bias in interest rate market	Hiking
Headline Inflation %Y/Y last(prev)	6.03% (6.14%)
Inflation target (range)	3% (2%-4%)
Budget balance % GDP ('25)	(-5.55%)
Budget balance forecast % GDP 26E	-6.60%
GDP Growth % y/y ('26 ('25))	2.48% (+2.60%)
Trend GDP %y/y (10y average)	2.21%
Purchasing Power Parity Value	-
Spot end-July	3133
PPP Valuation	-
Current account balance % GDP'25 ('24)	-2.50% (-2.40%)
Trend current acct balance % GDP (10y avg)	-3.77%
Moody's Foreign Currency Rating	Baa3(6/25)
Outlook	Stable(6/25)

* Current is latest month, quarter, or year

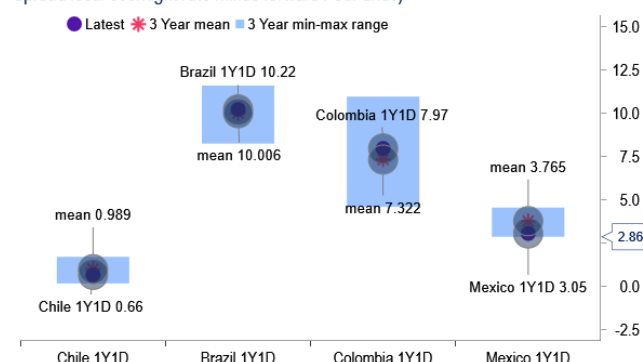
1. Colombia CDS trades wider than Brazil CDS by 20bps



Source: RBC Capital Markets, Bloomberg

2. Colombia Monetary Policy vs COP and 5Y Coltes

Spread local overnight rate minus forward FedFunds)



Source: RBC Capital Markets, Bloomberg

Polish Zloty

1-3 Month Outlook – Neutral EUR/PLN

As Q3 gets underway, PLN is a middle of the pack performer in EM, with the currency slightly lagging CZK and outperforming HUF. EUR/PLN rallied to a YTD high of 4.3504 in July amid a dovish NBP press conference and an escalation in the Middle East conflict, but most of that move has been unwound due to USD weakness.

At the July meeting, the NBP held the policy rate at 3.75% and made upward revisions to its inflation projections for 2026 and 2027. However, Governor Glapinski was dovish in the press conference the following day. He stated that a rate cut is possible this year and that wage growth is “significantly slowing”. He likely leans on the more dovish end of the NBP spectrum given other NBP speakers’ comments and Glapinski characterizing himself “decidedly dovish” vs the rest of the MPC being “cautiously dovish”.

Since that meeting, data are not sufficient for the NBP to shift to a rate cut soon, and we continue to see the NBP holding rates for now (mkt: Obp by year-end).

Given the lack of a strong idiosyncratic driver in the short-term, the external backdrop (i.e. USD direction, Middle East conflict) is likely to be the key determinant of EUR/PLN’s direction.

6-12 Month Outlook – Slight uptrend intact for EUR/PLN but less steep than the forward curve

Our long-run trend points to a slightly higher EUR/PLN amid (1) expectations of a possible shift to small cuts by the NBP and the ECB holding rates (after delivering a hike in September) and (2) a lower EUR/USD.

Russia/Ukraine headlines have not been a significant driver of PLN, but this is an ongoing risk to watch in the background. Poland’s general elections are also due by late 2027.

Longer-run, the Polish zloty is overvalued, leaving it vulnerable to downside risk.

Forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/PLN	4.29	4.30	4.28	4.30	4.32	4.34	4.34	4.34
USD/PLN	3.71	3.76	3.79	3.87	3.93	3.95	3.95	3.95
GBP/PLN	4.91	4.99	4.92	4.91	4.99	5.08	5.11	5.17

Source: RBC Capital Markets estimates

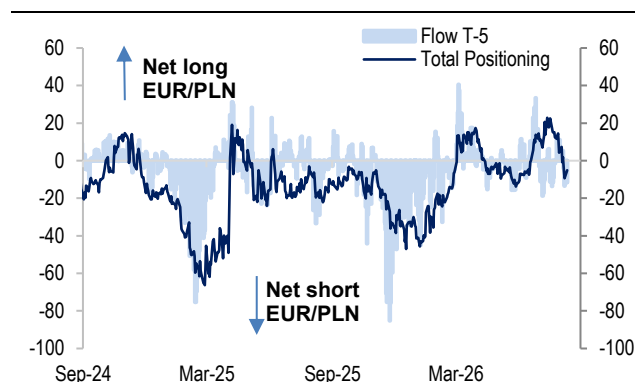
Daria Parkhomenko, CFA

Indicators

	Current (Previous)*
NBP policy rate (%)	3.75% (3.75%)
Trend interest rates (historical avg)	3.1%
Bias in interest rate market	Cuts, then hikes
CPI Inflation %Y/Y last (prev)	3.0 (2.5)
Inflation target	2.5% (+/- 1pp)
Budget bal (ESA 2010) %GDP 2024 (2023)	-7.3 (-6.4)
Budget balance trend % GDP	-3.4%
GDP Growth % y/y nsa last (prev)	3.5 (4.1)
Trend GDP %y/y	3.5
Purchasing Power Parity Value	4.8634
Spot now	4.3055
PPP Valuation	EUR/PLN is undervalued
Current a/c (4Q sum, sa) %GDP last (prev)	0.4 (-0.3)
Trend current account balance % GDP	-0.4
Moody’s Foreign Currency Rating	A2
Outlook	NEG

* Current is latest month, quarter or year

1. Markets are slightly net short EUR/PLN



2. PLN vs EUR rates spread at the low-end vs prior years



Forecasts

Spot forecasts

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.16	1.14	1.13	1.11	1.10	1.10	1.10	1.10
USD/JPY	159	163	158	160	160	158	156	154
GBP/USD	1.32	1.33	1.30	1.27	1.27	1.29	1.29	1.31
USD/CHF	0.80	0.81	0.83	0.86	0.85	0.85	0.85	0.84
USD/SEK	9.47	9.70	9.65	9.73	9.73	9.64	9.55	9.45
USD/CAD	1.39	1.42	1.42	1.45	1.43	1.40	1.37	1.35
AUD/USD	0.69	0.69	0.70	0.71	0.71	0.72	0.72	0.72
NZD/USD	0.57	0.57	0.57	0.58	0.58	0.59	0.59	0.60
USD/CNY	6.89	6.79	6.76	6.74	6.72	6.70	6.68	6.66
USD/KRW	1516	1549	1440	1420	1400	1380	1360	1340
USD/INR	94.81	94.67	94.50	95.00	95.50	96.00	96.50	97.00
USD/MYR	4.05	4.08	4.00	3.95	3.90	3.85	3.80	3.80
USD/TWD	32.05	31.85	31.75	31.50	31.25	31.00	30.75	30.50
USD/BRL	5.18	5.16	5.08	5.00	4.80	4.70	4.65	4.70
USD/MXN	17.94	17.49	17.75	18.00	18.00	18.25	18.70	19.00
USD/CLP	926	922	935	930	920	920	925	930
USD/PEN	3.48	3.41	3.43	3.47	3.30	3.25	3.20	3.20
USD/COP	3673	3429	3300	3250	3250	3200	3100	3000
USD/PLN	3.71	3.76	3.79	3.87	3.93	3.95	3.95	3.95
DX	100.0	101.3	101.9	103.8	104.1	103.5	103.0	102.5

Source: RBC Capital Markets estimates

EUR Crosses

	2026				2027			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/USD	1.16	1.14	1.13	1.11	1.10	1.10	1.10	1.10
EUR/JPY	183	186	179	178	176	174	172	169
EUR/GBP	0.87	0.86	0.87	0.88	0.87	0.86	0.85	0.84
EUR/CHF	0.92	0.92	0.94	0.95	0.94	0.93	0.93	0.92
EUR/SEK	10.94	11.08	10.90	10.80	10.70	10.60	10.50	10.40
EUR/CAD	1.61	1.62	1.60	1.61	1.57	1.54	1.51	1.49
EUR/AUD	1.67	1.65	1.61	1.57	1.55	1.54	1.53	1.53
EUR/NZD	2.01	2.01	1.98	1.91	1.90	1.86	1.86	1.83
EUR/CNY	7.97	7.75	7.64	7.48	7.39	7.37	7.35	7.33
EUR/KRW	1752	1769	1627	1576	1540	1518	1496	1474
EUR/INR	110	108	107	105	105	106	106	107
EUR/MYR	4.68	4.67	4.52	4.38	4.29	4.24	4.18	4.18
EUR/TWD	37.03	36.38	35.88	34.97	34.38	34.10	33.83	33.55
EUR/BRL	5.98	5.90	5.74	5.55	5.28	5.17	5.12	5.17
EUR/MXN	20.72	19.97	20.06	19.98	19.80	20.08	20.57	20.90
EUR/CLP	1070	1054	1057	1032	1012	1012	1018	1023
EUR/PEN	4.02	3.89	3.88	3.85	3.63	3.58	3.52	3.52
EUR/COP	4244	3917	3729	3608	3575	3520	3410	3300
EUR/PLN	4.29	4.30	4.28	4.30	4.32	4.34	4.34	4.34

Source: RBC Capital Markets estimates

Central Bank Rate Forecasts

	2026			
	Q1	Q2	Q3f	Q4f
Fed	3.63	3.63	3.63	3.63
BoC	2.25	2.25	2.25	2.25
ECB*	2.00	2.25	2.50	2.50
BoE	3.75	3.75	3.75	3.75
RBA	4.10	4.35	4.35	4.35
RBNZ	2.25	2.25	2.75	3.00

Source: RBC Capital Markets & RBC Economics estimates

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