



## Currency Report Card

### Oil Shock Rebalances Global Valuations

#### Summary:

- Since the start of the Iran conflict, broad-based USD strength has dominated FX due to (1) investors flows rotating into dollar-denominated assets and (2) the US economy being better insulated than many of its peers being a net energy exporter. We view the recent dollar strength as contingent on the duration and intensity of the Iran conflict.
- We update our AUD, NZD, GBP, NOK, CHF, INR and KRW forecasts in this report. For the remainder of currencies we cover, we acknowledge the risks to their outlook are material and need to be carefully managed.
- For outperformers, we highlight AUD and CAD. Both are supported by terms-of-trade and commodity exporters. CAD additionally benefits from its strong correlation with the US.
- In EM Asia, the CNY has also been an outperformer. The PBoC guiding CNY's stability is causing the currency to emerge as safe-haven and gain vs the more 'traditional' havens, such as CHF, JPY, and SGD.
- Underperforming globally has been the EMEA bloc, driven by weakness in ZAR. This bloc is highly exposed to European trade and growth, which has further weighed on regional valuations.
- In LatAm, Chile is the most vulnerable in the current environment. Chile's dependence on imported energy and copper exports leaves the economy vulnerable to higher energy prices and a slowdown in global growth. BRL is outperforming.

#### Key forecast revisions:

**AUD/USD:** Profile revised higher. End-2026 now 0.73 (prior 0.70). Peak at 0.74 in Q2-2027.

**NZD/USD:** Downward revisions. End-2026 now 0.61 (prior 0.62). End-2027 0.61 (0.63).

**EUR/NOK:** Profile revised lower. End-2026 now 10.70 (prior 10.95). End-2027 10.30 (10.55).

**EUR/CHF:** Long-run profile revised lower. End-2026 0.93 (prior 0.94). End-2027 0.92 (0.93).

**EUR/GBP:** Downward revisions. End-2026 0.86 (prior 0.88). End-2027 unchanged at 0.89.

**USD/KRW:** 2026 profile revised higher. Longer-run lowered. End-2026 1425 (prior 1375). End-2027 1325 (1420).

**USD/INR:** Profile revised higher. End-2026 92.50 (prior 90.75). End-2026 92.50 (91.25).

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# US Dollar

Richard Cochinos, CFA, FRM, CAIA

## 1-3 Month Outlook – USD Strength Amid Iran Conflict and Oil Dynamics

Over the past month, the USD has experienced considerable volatility against a backdrop of escalating Middle East tensions. The reversal in dollar trajectory reflects two critical developments. First, persistent geopolitical tensions have triggered flight-to-safety positioning, with investors rotating into dollar-denominated assets despite broader asset concentration concerns. Second, oil prices have surged above USD 100 per barrel for the first time since July 2022 as the Iran conflict has disrupted approximately 20 million barrels per day of Persian Gulf exports through the Strait of Hormuz—a supply shock that materially benefits the U.S. as a net energy exporter. This commodity backdrop is crucial: while elevated oil prices typically weigh on developed markets broadly, they disproportionately support the dollar given U.S. energy independence and the demand for dollar liquidity to finance higher energy import bills globally. For now, we view this USD strength as transitory, contingent on the duration and intensity of the Iran conflict. For that reason, we are not shifting our major FX forecasts, but acknowledge the risks are material and need to be carefully managed. Should the geopolitical tension resolve, as some officials have indicated, the underlying structural headwinds to the dollar—U.S. fiscal concerns, fading confidence in trade policy, & politicization of monetary policy—would reassert themselves.

## 6-12 Month Outlook – Asset reallocation and increased hedging

The medium-term case for USD weakness remains compelling, driven by two primary arguments. First, there is an expectation of asset diversification, which drives a passive reallocation away from the US. This is a very long-cycle driver and may need several years to pan-out. Second, is the cost-of-hedging argument as Federal Reserve rate cuts beginning in 2025 are expected to increase equity and rates hedge ratios for foreign investors. We expect this theme to continue to gain momentum into 2026. (See [How the Currency Risk in Global Portfolios changed in 2025](#)).

Long-term, the trade-weighted USD has depreciated by 8% in 2025. Typically, USD weakening cycles see the USD depreciate by 40% before stabilizing. These long-term trends are rooted in structural asset allocation shifts rather than short-term market fluctuations, reinforcing the idea that the USD’s depreciation is a multi-year process driven by fundamental factors and diversification needs. (See [Passive Allocation and the USD: Navigating Concentration Risks Beyond 2025](#) for greater details).

### Forecasts

|         | 2026 |      |      |      | 2027 |      |      |      |
|---------|------|------|------|------|------|------|------|------|
|         | Q1f  | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  |
| EUR/USD | 1.16 | 1.17 | 1.18 | 1.20 | 1.21 | 1.22 | 1.23 | 1.24 |
| USD/JPY | 156  | 153  | 150  | 147  | 144  | 141  | 138  | 135  |
| USD/CAD | 1.37 | 1.37 | 1.36 | 1.34 | 1.33 | 1.32 | 1.31 | 1.30 |

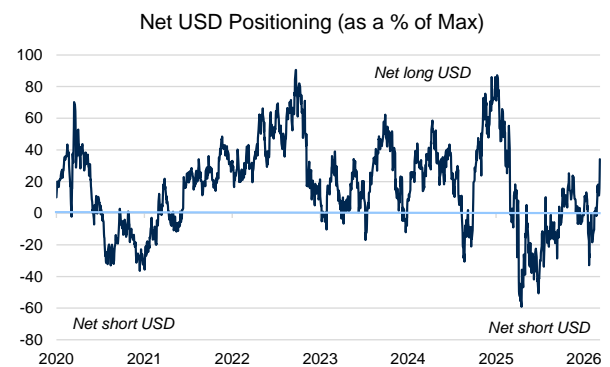
Source: RBC Capital Markets estimates

### Indicators

|  | Current (Previous)*            |
|--|--------------------------------|
| <b>Official cash rate</b>              | <b>3.50-3.75% (3.50-3.75%)</b> |
| Trend interest rates (10yr average)    | 2.26%                          |
| Bias in interest rate market           | Lower                          |
| <b>Core PCE Inflation %Y/Y</b>         | <b>2.4 (2.7)</b>               |
| Inflation target                       | 2.00%                          |
| <b>Budget balance % GDP</b>            | <b>-5.4% (-6.9%)</b>           |
| Budget balance target % GDP            | -6.2%                          |
| GDP Growth % q/q saar                  | 0.7 (4.4)                      |
| Trend GDP %                            | 2.7                            |
| <b>Purchasing Power Parity Value</b>   | -                              |
| Spot                                   | -                              |
| PPP Valuation                          | -                              |
| <b>Current account balance % GDP</b>   | <b>-4 (-4.4)</b>               |
| Trend current account balance % GDP    | -2.9                           |
| <b>Moody's Foreign Currency Rating</b> | <b>Aa1</b>                     |
| Outlook                                | STABLE                         |

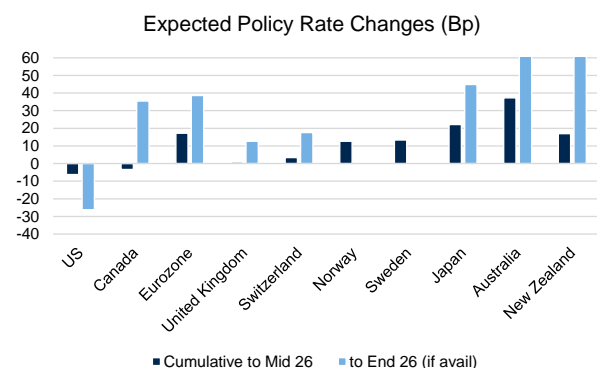
\* Current is latest month, quarter or year

## 1. FX market has shifted to now long USD with positioning similar to February 2025



Source: RBC Capital Markets

## 2. OIS market continues to price cuts from FOMC in 2026



Source: Bloomberg, RBC Capital Markets

# Euro

Richard Cochinos, CFA, FRM, CAIA

## 1-3 Month Outlook – Oil weakens shortrun view

The past month has delivered a swift repricing of Europe's outlook. EURUSD has fallen 4%—the steepest decline since July 2025—as oil prices have climbed above \$100/bbl. This move reflects a straightforward but brutal economic reality: Europe's structural energy dependence transforms oil supply shocks into simultaneous pressure on currency, equities, and credit.

The market's rotation away from the EUR has been decisive. EURUSD positioning has swung from mild long bias in January and February to 34% net short—the most bearish positioning in over a year. This sentiment reversal extends far beyond FX. German and French equities have sold off over 5%, while European government borrowing costs have repriced sharply at the front end: Italian two-year BTPs down 41 basis points, German two-year Bunds down 35 basis points. This OIS market has already priced in nearly 43 basis points of policy hikes for 2026—a sharp reversal from the neutral cycle that seemed plausible only weeks ago.

Two forces drive this reversion. The primary driver is broad-based USD strength, a natural consequence of Europe's energy vulnerability. Unlike the dollar, which benefits from oil price spikes through its commodity-hedging properties, the euro becomes a funding currency during energy shocks. Second, divergent policy expectations between the Federal Reserve and the ECB have created a negative feedback loop for European credit. The shift from an anticipated neutral stance to a hiking cycle, driven by oil-induced inflation concerns, tightens financial conditions precisely when Europe's growth outlook darkens. This policy paradox—hiking into a deteriorating growth environment—captures the core of Europe's near-term vulnerability.

## 6-12 Month Outlook – We maintain our upward bias with our 1.20 target for end-26

We are leaving our forecasts unchanged for EURUSD in this note – but emphasize short-term risks are material and much be managed.

There are three main arguments for EUR/USD higher in 2026 & 27: (1) As the cost of carry compresses between the countries, hedges on US assets will rise. (2) There is an ongoing expectation of an asset rotation from US-to-Europe. (3) Stronger European growth in 2026.

We are aware of the headwinds to long-term EUR/USD strength – US productivity growth outperforms Europe's, there is no good European alternative to USTs, the US dominates Europe in AI and tech and the EU also still has an undercurrent of political risk. Taken on balance, we are comfortable with our target of 1.24 for 2027.

### Forecasts

|         | 2026 |      |      |      | 2027 |      |      |      |
|---------|------|------|------|------|------|------|------|------|
|         | Q1f  | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  |
| EUR/USD | 1.16 | 1.17 | 1.18 | 1.20 | 1.21 | 1.22 | 1.23 | 1.24 |
| EUR/JPY | 181  | 179  | 177  | 176  | 174  | 172  | 170  | 167  |
| EUR/CAD | 1.59 | 1.60 | 1.60 | 1.61 | 1.61 | 1.61 | 1.61 | 1.61 |

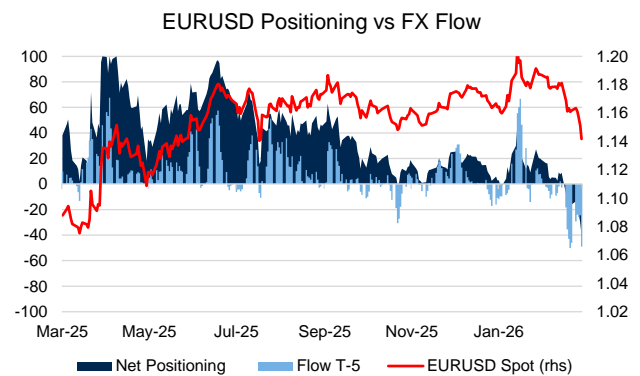
Source: RBC Capital Markets estimates

### Indicators

|   | Current (Previous)*   |
|---|-----------------------|
| Official cash rate (ECB main refi rate)   | 2.15% (2.15%)         |
| Trend interest rates 10y average          | 1.13%                 |
| Bias in interest rate market              | Hiking                |
| HICP core Inflation %Y/Y last (prev)      | 2.4 (2.2)             |
| Inflation target                          | 2.00%                 |
| Budget balance % GDP 2024 (2023)          | -3.1% (-3.1%)         |
| Budget balance target % GDP               | -2.8%                 |
| GDP Growth %Y/Y last (prev)               | 1.4 (0.9)             |
| Trend GDP %y/y                            | 1.5                   |
| Purchasing Power Parity Value             | 1.1502                |
| Spot                                      | 1.1587                |
| PPP Valuation                             | EUR/USD is overvalued |
| Current account % GDP last (prev)         | 1.7 (2.1)             |
| Trend current account balance % GDP       | 2.2                   |
| Moody's Foreign Currency Rating (Germany) | Aaa                   |
| Outlook                                   | STABLE                |

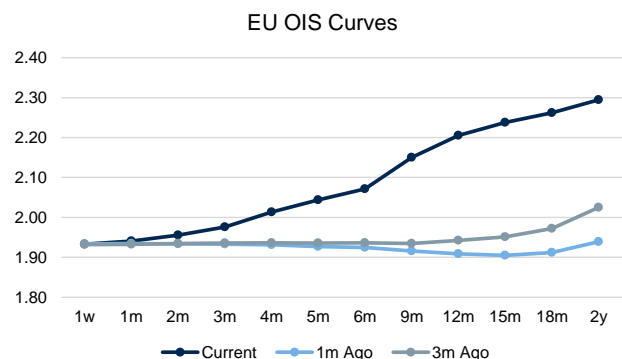
\* Current is latest month, quarter or year

## 1. EURUSD FX Positioning 34% short - with ample runway



Source: RBC Capital Markets

## 2. EZ rates markets have priced in at least one hike in 2026



Source: RBC Capital Markets

# Japanese Yen

Richard Cochinos, CFA, FRM, CAIA

## 1-3 Month Outlook – Oil shock is Japan negative

Japan's 2026 outlook has shifted from our prior bullish yen framework, warranting near-term caution. While we leave our forecast profile unchanged—spot remains close to our Q1 expectation—the risks have clearly increased and we may need to revise our forecast higher should the energy shock persist beyond March. The critical change is a pernicious stagflation dynamic. Elevated crude prices above USD\$100 per barrel, driven by Middle East tensions and constrained OPEC+ supply, combined with a structurally weaker yen, create synchronized import price pressures that threaten to keep inflation elevated precisely as policymakers attempt to lower domestic costs. This is uniquely damaging for Japan because it imports most of its energy needs; unlike other developed markets, yen weakness directly exacerbates domestic inflation rather than providing an offsetting benefit through export competitiveness.

The BOJ faces an impossible trilemma: accelerating rate hikes to combat import-driven inflation risks derailing fiscal stimulus and real wage recovery, while delaying hikes tolerates higher inflation and potentially weakens the JPY further, creating a self-reinforcing depreciation trap that undermines foreign investor appetite for JPY assets. The stagflation scenario means the BOJ may be forced into a hawkish hold or slower-than-expected tightening precisely when the JPY needs to strengthen, while government energy subsidies face sustainability questions if oil remains elevated.

## 6-12 Month Outlook – Long-run outlook unchanged

Looking past these near-term risks, we expect the next 12 months to be more JPY-positive. Fundamentally, the yen remains the most undervalued currency among developed markets, with USDJPY near the top of its three-year range despite levels last seen in 1990. Two structural drivers underpin our medium-term view: rising domestic yields are making Japanese investments increasingly attractive, and growing foreign asset hedging activity should provide sustained demand for yen.

Looking ahead to 2026 & 2027, the hedged yield differential is projected to increasingly favor domestic investments. Key drivers of this transformation include the BOJ's tapering of Quantitative and Qualitative Easing, which is forcing private investors to absorb an additional 1% of JGB supply each quarter. This shift has already led to a USD\$100 billion reduction in foreign bond purchases. Falling hedging costs—projected to decline by 50–180 basis points by 2026—could drive up to USD\$173 billion in USD selling and JPY buying.

### Forecasts

|         | 2026 |     |     |     | 2027 |     |     |     |
|---------|------|-----|-----|-----|------|-----|-----|-----|
|         | Q1f  | Q2f | Q3f | Q4f | Q1f  | Q2f | Q3f | Q4f |
| USD/JPY | 156  | 153 | 150 | 147 | 144  | 141 | 138 | 135 |
| EUR/JPY | 181  | 179 | 177 | 176 | 174  | 172 | 170 | 167 |
| CAD/JPY | 114  | 112 | 110 | 110 | 108  | 107 | 105 | 104 |

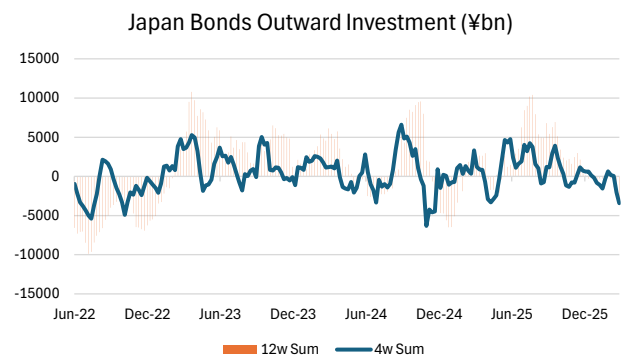
Source: RBC Capital Markets estimates

## Indicators

|   | Current (Previous)*   |
|---|-----------------------|
| <b>Official cash rate</b>                       | <b>0.75% (0.75%)</b>  |
| Trend interest rates 10y average                | 0%                    |
| Bias in interest rate market                    | Hiking                |
| <b>CPI Inflation %Y/Y last (prev)</b>           | <b>1.5 (2.1)</b>      |
| Inflation target                                | 2.00%                 |
| <b>Budget balance % GDP 2024 (2023)</b>         | <b>-2.3% (-2.3%)</b>  |
| Budget balance trend % GDP                      | -4.1%                 |
| GDP Growth %Y/Y last (prev)                     | 0.4 (0.7)             |
| Trend GDP %Y/Y                                  | 0.5                   |
| <b>Purchasing Power Parity Value</b>            | <b>115.27</b>         |
| Spot now  | 157.78                |
| PPP Valuation                                   | USD/JPY is overvalued |
| <b>Current a/c balance sa % GDP last (prev)</b> | <b>4.8 (4.8)</b>      |
| Trend current account balance % GDP             | 3.6                   |
| <b>Moody's Foreign Currency Rating</b>          | <b>A1</b>             |
| Outlook   | STABLE                |

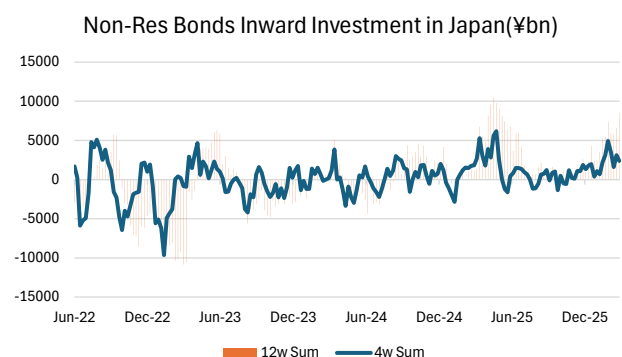
\* Current is latest month, quarter or year

## 1. Japanese demand for foreign bonds is now negative



Source: Bloomberg, RBC Capital Markets

## 2. Foreign inflows into JGBs rising with higher yields



Source: Bloomberg, RBC Capital Markets

# Sterling

**George Moran**

## 1-3 Month Outlook – The Bank of England pivots to caution

The Iran conflict has materially altered the near-term outlook for sterling. The BoE is now unlikely to cut at its March meeting, with the MPC holding Bank Rate at 3.75% as energy price shocks complicate the inflation narrative. While energy price moves are considerably smaller in magnitude than 2022—with Brent crude adding an estimated 0.2-0.3ppts to CPI from April and utility bills potentially adding 0.3ppts from July—they threaten to unwind the disinflation story that underpinned February's dovish tilt. The labour market backdrop is fundamentally different from 2022, with the unemployment rate at 5.2% and the vacancy-to-unemployment ratio now at roughly 2-to-1, suggesting wage growth should remain contained. Nevertheless, the MPC will remain wary of inflation expectations, already elevated from recent shocks. GBP yields remain at the upper range of G10, but increased FX volatility has made carry trades like GBP less attractive. Therefore, as a carry currency and net energy importer we think GBP is likely to suffer in the near-term.

## 6-12 Month Outlook – Energy uncertainty replaces fiscal risks

Fiscal concerns that plagued sterling through 2025 have receded into the background with greater certainty around Budget procedures heading into 2026. However, the geopolitical backdrop has introduced a new and more volatile source of uncertainty. The duration and intensity of supply disruptions from the Gulf region remain unknown, making it difficult for the MPC to maintain its easing bias as it reformulates forward guidance. Market pricing has tightened dramatically, with 22bp of hikes now priced for the remainder of 2026. The orthodox response would be to look through an energy shock, but the memory of 2022—when the MPC was criticised for insufficient tightening and underestimated inflation persistence—will weigh on policy thinking. While the looser labour market today should limit wage-driven persistence, political risks remain: the May local elections represent a key test of PM Starmer's leadership, and a change in government could shift policy direction. Sterling's resilience will ultimately depend on both how quickly energy disruptions resolve and whether the MPC can credibly maintain an easing bias amid lingering inflation uncertainty.

## Forecasts

|                | 2026 |      |      |      | 2027 |      |      |      |
|----------------|------|------|------|------|------|------|------|------|
|                | Q1f  | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  |
| <b>GBP/USD</b> | 1.33 | 1.35 | 1.37 | 1.40 | 1.41 | 1.40 | 1.40 | 1.39 |
| <b>EUR/GBP</b> | 0.87 | 0.87 | 0.86 | 0.86 | 0.86 | 0.87 | 0.88 | 0.89 |
| <b>GBP/JPY</b> | 208  | 207  | 206  | 205  | 203  | 198  | 193  | 188  |
| <b>GBP/CAD</b> | 1.83 | 1.85 | 1.87 | 1.87 | 1.87 | 1.85 | 1.83 | 1.81 |

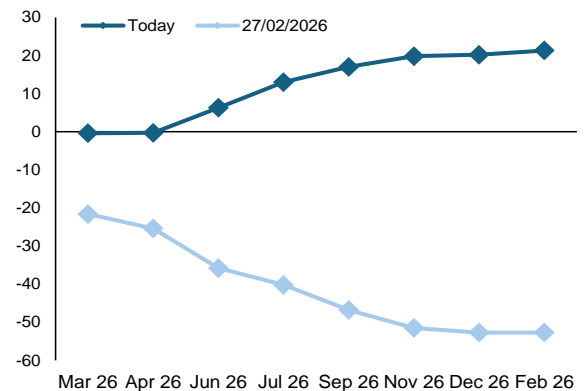
Source: RBC Capital Markets estimates

## Indicators

|   | Current (Previous)*   |
|---|-----------------------|
| <b>Bank of England Base Rate</b>        | <b>3.75% (3.75%)</b>  |
| Trend interest rates 10y average        | 1.58%                 |
| Bias in interest rate market            | Easing                |
| <b>CPI Inflation %Y/Y last (prev)</b>   | <b>3.0 (3.4)</b>      |
| Inflation target                        | 2%                    |
| <b>Budget balance % GDP 2023 (2022)</b> | <b>-5.1% (-5.2%)</b>  |
| Budget balance target % GDP             | -5%                   |
| <b>GDP Growth %Y/Y last (prev)</b>      | <b>1.3 (1.5)</b>      |
| Trend GDP %Y/Y                          | 1.5                   |
| <b>Purchasing Power Parity Value</b>    | <b>1.2175</b>         |
| Spot now                                | 1.3435                |
| PPP Valuation                           | GBP/USD is overvalued |
| Current a/c balance % GDP last (prev)   | -2.7 (-2.6)           |
| Trend current account balance % GDP     | -3.3                  |
| <b>Moody's Foreign Currency Rating</b>  | <b>Aa3</b>            |
| Outlook                                 | STABLE                |

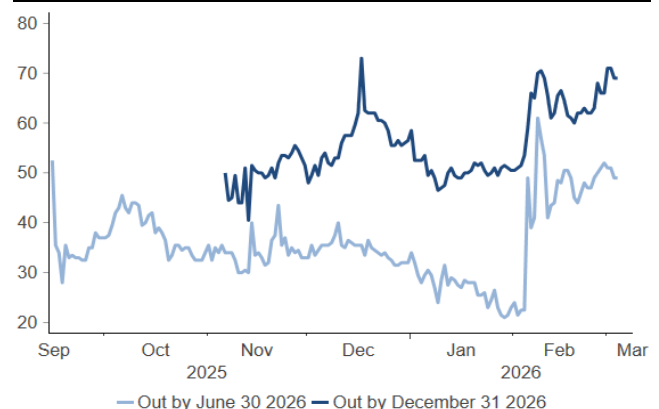
\* Current is latest month, quarter or year

## 1. Bank of England market pricing (chg from today)



Source: RBC Capital Markets, Bloomberg

## 2. Polymarket odds of Keir Starmer resigning



Source: RBC Capital Markets, Bloomberg

# Swiss Franc

George Moran

## 1-3 Month Outlook – USD’s haven status has returned, CHF loses its shine

Since our last Currency Report Card, CHF has continued to strengthen strongly, as geopolitical uncertainty has once again showcased its safe haven attraction. Over the last year CHF has behaved as the dominant risk-off currency in the G10. With Trump still in the White House for three more years, it is hard to imagine a period of geopolitical serenity emerging. Yet, while CHF has generally outperformed USD as a safe haven currency, more recently USD has performed better. Perhaps this is because the US is a net energy exporter while Switzerland is a net energy importer. Against, EUR (which is a significant energy importer) CHF has performed well.

Prior to Iran we saw growing deflationary risks as evidence that the underlying inflation momentum in Switzerland has weakened. Perhaps the last major source of inflationary pressure, rents, has significantly moderated as actual inflation has caught up with changes in the rate for regulated rents. In the near-term Iran has provided some relief from deflationary forces, although the lesson of 2022 was that for Switzerland the increase in inflation was transitory.

## 6-12 Month Outlook – Intervention look-out

The Swiss Franc has an almost magnetic pull stronger in the medium-term on account of its persistent current account surplus. Switzerland is a world leader in chemicals and pharmaceuticals and luxury goods exports, which tend to be inelastic in demand. The current account surplus remains wide at around 7%. This strengthening pressure may weaken if tariffs successfully reduce Switzerland current account surplus.

Yet, there is increasingly serious talk within the SNB about FX intervention. On March 2, the Swiss National Bank stated it is "prepared to intervene in the foreign exchange market to counter a rapid and excessive appreciation of the Swiss franc, which jeopardises price stability in Switzerland." The SNB’s Vice President repeated this language two days later. Over the past five years the SNB has been active in FX markets although it has not done any significant action for the past two years. If intervention did occur it would be likely to be conducted in a similar fashion to 2020. Forward-looking indicators of FX intervention suggest it has not happened yet.

### Forecasts

|         | 2026 |      |      |      | 2027 |      |      |      |
|---------|------|------|------|------|------|------|------|------|
|         | Q1f  | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  |
| USD/CHF | 0.78 | 0.77 | 0.78 | 0.78 | 0.77 | 0.76 | 0.76 | 0.74 |
| EUR/CHF | 0.91 | 0.90 | 0.92 | 0.93 | 0.93 | 0.93 | 0.93 | 0.92 |
| CHF/JPY | 199  | 199  | 192  | 190  | 187  | 185  | 183  | 182  |
| CAD/CHF | 0.57 | 0.56 | 0.57 | 0.58 | 0.58 | 0.58 | 0.58 | 0.57 |

Source: RBC Capital Markets estimates

### Indicators

|  | Current (Previous)*              |
|--|----------------------------------|
| <b>Official cash rate</b>                | <b>0.0% (0.00%)</b>              |
| Trend interest rates average             | -0.09%                           |
| Bias in interest rate market             | Neutral                          |
| <b>CPI Inflation %Y/Y Feb (Jan)</b>      | <b>0.1% (0.1%)</b>               |
| Inflation target                         | less than 2.0%                   |
| <b>Budget balance % GDP 2024 (2023)</b>  | <b>0.1% (-0.4%)</b>              |
| Budget balance target % GDP              | Balanced over the business cycle |
| <b>GDP Growth %Y/Y Q3 (Q2)</b>           | <b>1.5% (1.3%)</b>               |
| Trend GDP %Y/Y                           | 1.8%                             |
| <b>EUR Purchasing Power Parity Value</b> | <b>0.9463</b>                    |
| EUR/CHF spot now                         | 0.9133                           |
| EUR/CHF PPP Valuation                    | EUR/CHF is undervalued           |
| Current a/c balance % GDP Q2 (Q1)        | 4.0% (13.1%)                     |
| Trend current account balance % GDP      | 6.2%                             |
| <b>Moody’s Foreign Currency Rating</b>   | <b>Aaa</b>                       |
| Outlook                                  | Stable                           |

\* Current is latest month, quarter or year

### 1. CHF performs best when equity volatility spikes



Source: Bloomberg, RBC Capital Markets

### 2. SNB FX intervention



Source: SNB, SECO, RBC Capital Markets

# Swedish Krona & Norwegian Krone

George Moran

## Swedish Krona – Vulnerable to energy shocks

The Swedish krona has been the hardest hit currency in the G10 by the outbreak of the Iran War, with USD/SEK rising by nearly 4%. That makes sense because among the risk-sensitive currencies (SEK, NOK, AUD, NZD) Sweden stands out as lacking a large energy exporting sector. Sweden is a significant energy net importer and relies on imports for 25% of its energy needs. Therefore, higher energy prices hit Sweden as a terms of trade shock and also drags krona down in the general risk-off environment.

Prior to the Iran conflict, we were constructive on the Swedish krona going into 2026. The green shots of a recovery emerged as aggressive rate cuts from the Riksbank breathed life into an embattled economy. Sweden is also well-positioned as a major export of military equipment to benefit from the rearmament process in Europe. However, the economic recovery has taken a little bit longer than we expected and the labour market is still in a weak state. Government intervention will play a key role in boosting the economy. The budget deficit is forecast by the government to grow by 1pp to 2.4% in 2026.

In the short-term, SEK is highly exposed to any escalation in geopolitical tensions. As a risk-on currency, this is likely the biggest factor that could drive SEK weaker in the near term.

## Norwegian Krone – Not the biggest winner from Iran

The Norwegian krone is as risk-sensitive, if not more than the Swedish krona. So, while conventional wisdom suggests higher energy prices are good for NOK, that is less so the case when higher energy prices are associated with a selling of risky-assets. Furthermore, prior to Iran NOK was an attractive carry currency as the highest G10 yielder. However, in the current environment of elevated FX volatility, carry trades are less effective and so some demand for holding NOK for those purposes is likely to have dropped off, or there has been increased hedging of NOK exposures. Generally, we think NOK can remain strong, but it is not the best placed to benefit from an energy shock associated with increased financial market volatility. We saw this in 2022 when EUR/NOK moved largely sideways when oil prices surged after Russia’s invasion of Ukraine. Nevertheless, the fundamentals for NOK strength are strong. Underlying inflation continues to be an issue for Norway - we do not expect a cut from Norges Bank in 2026. The labour market is tight, real wage gains considerable and there is a clear upswing in productivity. Norges Bank has only cut its policy rate twice from the peak of 4.5%.

## Forecasts

|         | 2026  |       |       |       | 2027  |       |      |      |
|---------|-------|-------|-------|-------|-------|-------|------|------|
|         | Q1f   | Q2f   | Q3f   | Q4f   | Q1f   | Q2f   | Q3f  | Q4f  |
| USD/SEK | 9.14  | 8.89  | 8.73  | 8.50  | 8.35  | 8.20  | 8.05 | 7.90 |
| EUR/SEK | 10.60 | 10.40 | 10.30 | 10.20 | 10.10 | 10.00 | 9.90 | 9.80 |
| NOK/SEK | 0.96  | 0.95  | 0.95  | 0.95  | 0.95  | 0.95  | 0.95 | 0.95 |
| CAD/SEK | 6.67  | 6.49  | 6.42  | 6.34  | 6.28  | 6.21  | 6.14 | 6.08 |

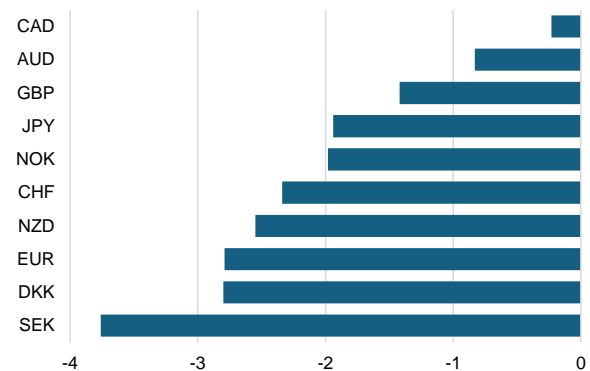
Source: RBC Capital Markets estimates

## Indicators - Sweden

|                                     | Current (Previous)*            |
|-------------------------------------|--------------------------------|
| Official cash rate                  | 1.75 % (1.75%)                 |
| Trend interest rates 10y average    | 0.577%                         |
| Bias in interest rate market        | Neutral                        |
| CPIF Inflation %Y/Y Feb (Jan)       | 1.7% (2.0%)                    |
| Inflation target (UND1X)            | 2.0%                           |
| Budget balance % GDP 2025 (2024)    | -1.4% (-1.5%)                  |
| Budget balance target % GDP         | Cyclical avg. surplus of 0.33% |
| GDP Growth %Y/Y Q3 (Q2)             | 2.6% (1.9%)                    |
| Trend GDP %Y/Y                      | 2.0%                           |
| EUR Purchasing Power Parity Value   | 10.6700                        |
| Spot now                            | 10.7584                        |
| PPP Valuation                       | EUR/SEK is overvalued          |
| Current a/c balance % GDP Q1 (EQ4)  | 4.0% (1.9%)                    |
| Trend current account balance % GDP | 4.35%                          |
| Moody's Foreign Currency Rating     | Aaa                            |
| Outlook                             | Stable                         |

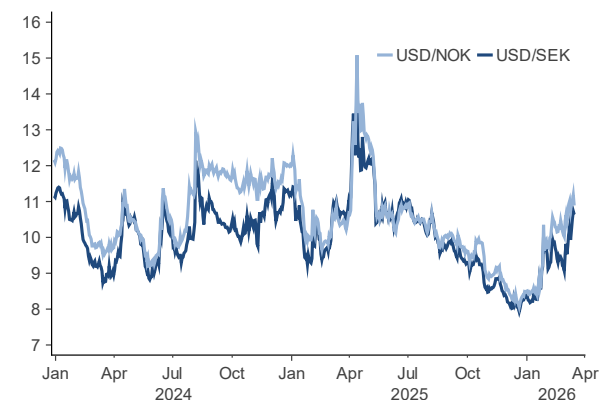
\* Current is latest month, quarter or year

## 1. Change in xxx/USD since the 27<sup>th</sup> February



Source: RBC Capital Markets, Bloomberg

## 2. 3m ATM FX vol



Source: RBC Capital Markets, Bloomberg

# Canadian Dollar

Daria Parkhomenko, CFA

## 1-3 Month Outlook – Monitoring risks: Iran, USMCA

Since our last update, USD/CAD has traded sideways. We are keeping our forecast for the pair to trade around 1.3700 in H1, but we will adjust depending on how prolonged the Iran conflict is and more importantly how it feeds into the global real economy. USD/CAD breaking out of recent ranges requires 1) a more pronounced USD rally or a negative outcome on the USMCA renegotiations to push USD/CAD higher, or (2) rising concerns about the US economy/financial markets to push USD/CAD lower.

In the short-term, USD/CAD's price action depends on the USD and energy prices – these are opposing forces. We think USD direction is likely to be a key driver of USD/CAD, with energy prices acting as a partial offset through the terms of trade. RBC Economics thinks that higher oil prices are an upside risk to inflation if elevated for months and net-neutral for growth (please see [here](#)).

On rates, the BoC refrained from providing a strong lean on policy on March 18. The Bank cited (1) upside risk to inflation from higher energy prices, though caveating that inflation is contained due to inflation at target and the economy in excess supply, (2) downside risk to growth, (3) high uncertainty (USMCA “big unknown”), and (4) that “ready to respond as needed”. In all, the BoC is not in a rush to react and likely to ‘hold’ for the foreseeable future, keeping US-CA rate spreads wide (market: little change for BoC & Fed in H1). The start of the USMCA's Joint Review is fast approaching on July 1. As outlined by our Canada Rates Strategy team [here](#), there are three main scenarios – Best case (a deal is reached with limited changes = small CAD-boost as trade uncertainty removed), Middle case (no extension in the USMCA results in annual reviews = limited impact on CAD due to status quo), and Worst case (the US follows through on withdrawal from the USMCA after the 6m notice = CAD-negative).

## 6-12 Month Outlook – Profile unchanged, but w/ risks

Our profile for a decline in USD/CAD to 1.3400 by end-2026 and 1.3000 by end-2027 is unchanged, but this profile is vulnerable to developments on Iran and the USMCA. Our base case has been conditional on : 1) the BoC shifting to rate hikes as the [output gap narrows](#) (RBC base case: gradual hikes starting in 2027), 2) USD weakness (see pg. 3), and 3) most Canadian exports continuing to enter the US duty-free. Upside risks to our profile are a resumption of BoC cuts, USD outperformance, or the USMCA renegotiations yielding a [negative outcome](#). Downside risks are Fed independence concerns, or a significant decline in US equities vs the rest of world and that subsequently translating into a USD selloff.

## Forecasts

|         | 2026 |      |      |      | 2027 |      |      |      |
|---------|------|------|------|------|------|------|------|------|
|         | Q1f  | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  |
| USD/CAD | 1.37 | 1.37 | 1.36 | 1.34 | 1.33 | 1.32 | 1.31 | 1.30 |
| EUR/CAD | 1.59 | 1.60 | 1.60 | 1.61 | 1.61 | 1.61 | 1.61 | 1.61 |
| CAD/JPY | 114  | 112  | 110  | 110  | 108  | 107  | 105  | 104  |

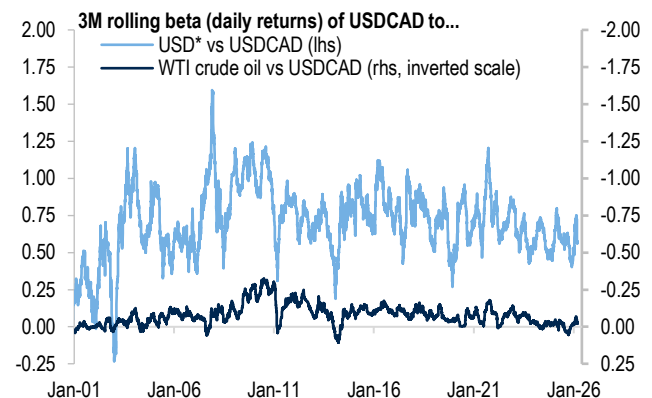
Source: RBC Capital Markets estimates

## Indicators

|   | Current (Previous)*   |
|---|-----------------------|
| <b>Official cash rate</b>                         | <b>2.25% (2.25%)</b>  |
| Trend interest rates 10y average                  | 1.93%                 |
| Bias in interest rate market                      | Neutral, then hikes   |
| <b>Core CPI Inflation (Trim) %Y/Y last (prev)</b> | <b>2.3 (2.4)</b>      |
| CPI inflation target range %Y/Y                   | 1-3%                  |
| <b>Budget balance % GDP 2025 (2024)</b>           | <b>-2.0% (-1.2%)</b>  |
| Budget balance target % GDP                       | -2.3%                 |
| <b>GDP growth %Q/Q saar last (prev)</b>           | <b>-0.6 (2.4)</b>     |
| Trend GDP %Q/Q                                    | 2.4                   |
| <b>Purchasing Power Parity value</b>              | <b>1.2854</b>         |
| Spot-now  | 1.3734                |
| PPP valuation                                     | USD/CAD is overvalued |
| <b>Current acct balance % GDP last (prev)</b>     | <b>-0.9 (-1)</b>      |
| Trend current account balance % GDP               | -1.6                  |
| <b>Moody's foreign currency rating</b>            | <b>Aaa</b>            |
| Outlook   | Stable                |

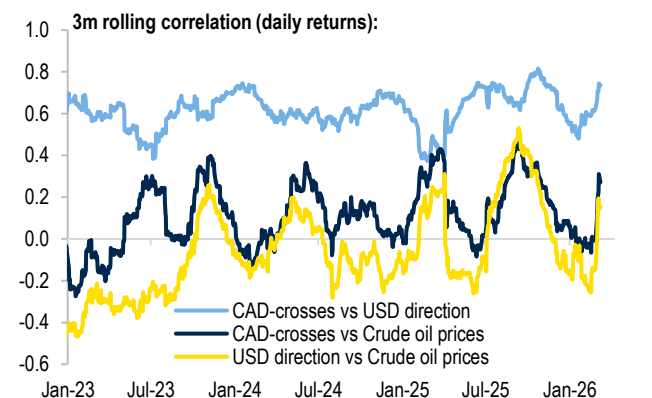
\* Current is latest month, quarter or year

## 1. USD/CAD has a higher sensitivity to USD direction



Source: Bloomberg, RBCCM; USD is equally weighted basket of USD vs G10 (ex-CAD) &amp; EM

## 2. CAD's mini-dollar status boosting its oil relationship on the crosses



Source: Bloomberg, RBCCM.

# Australian Dollar & New Zealand Dollar

Richard Cochinos, CFA, FRM, CAIA

## AUD Outlook – Outperforming the G10

We update our forecasts for AUDUSD in this report, reflecting a confluence of structural and cyclical factors that should continue to support the currency over the near term.

The first driver is a meaningful structural shift in yield dynamics. AUD offers the highest yield among G10 currencies, with Australian debt commanding a premium across the curve relative to EUR and USD. This structural advantage should sustain investment inflows over the medium term.

Second, commodity prices have become a powerful driver of AUD strength. Oil, gas, precious metals, industrial metals, and other minerals have faced sustained upward pressure amid the ongoing oil price shock and broader concerns over geopolitical supply disruptions. Australia's commodity exporters are well positioned to benefit from this improved terms-of-trade environment, which explains much of AUD's outperformance versus the broader G10 currency complex during this period.

Third, regional growth dynamics remain constructive. Expansionary monetary policies in Japan and anticipated fiscal stimulus announcements from China create a favorable backdrop for regional demand. With China and Japan representing 53% of Australian exports combined—approximately A\$160bn annually—stronger growth expectations in these markets should continue to underpin AUD demand. The hawkish tilt of the Reserve Bank of Australia has further reinforced near-term support for the currency, though the disconnect between the RBA's rhetoric and market pricing in rates suggests some caution may be warranted.

## NZD Outlook – Improving but still under-performing

New Zealand faces a more challenging near-term backdrop as AUD outperforms NZD through Q2 before mean reversion begins. We mark both currencies to account for stronger outlook than anticipated, but as the year progresses we are maintaining a mild 1% appreciation forecast for NZD over AUD in 2026. The New Zealand economic outlook and RBNZ outlook if improving. Currently two policy hikes are expected in the next 12-months. With higher rates helping inflows and a positive commodity cycle underpinning New Zealand exports, we expect to see NZD to appreciate relative to the USD into 2027.

## Forecasts

|         | 2026 |      |      |      | 2027 |      |      |      |
|---------|------|------|------|------|------|------|------|------|
|         | Q1f  | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  |
| AUD/USD | 0.71 | 0.72 | 0.72 | 0.73 | 0.73 | 0.74 | 0.73 | 0.72 |
| NZD/USD | 0.58 | 0.58 | 0.60 | 0.61 | 0.62 | 0.63 | 0.62 | 0.61 |
| AUD/NZD | 1.22 | 1.24 | 1.20 | 1.20 | 1.18 | 1.17 | 1.18 | 1.18 |
| AUD/CAD | 0.97 | 0.99 | 0.98 | 0.98 | 0.97 | 0.98 | 0.96 | 0.94 |

Source: RBC Capital Markets estimates

## Australia Indicators

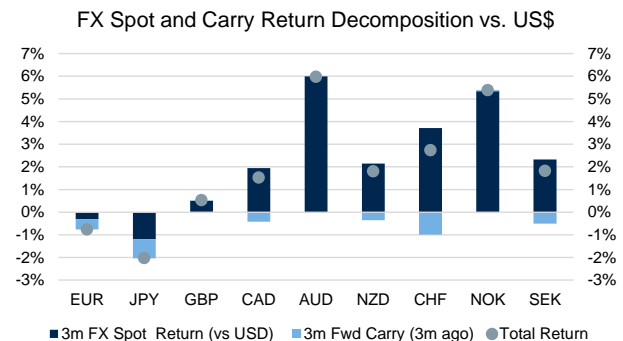
|   | Current (Previous)*   |
|---|-----------------------|
| <b>RBA cash rate</b>                          | <b>4.1% (3.85%)</b>   |
| Trend interest rates (10yr average)           | 2%                    |
| Bias in interest rate market                  | Hiking                |
| <b>CPI Inflation %Y/Y last (prev)</b>         | <b>3.8 (3.8)</b>      |
| Inflation target                              | 2.0-3.0%              |
| <b>Budget balance % GDP last (prev)</b>       | <b>-2.6% (-3.96%)</b> |
| Budget balance trend % GDP                    | -2.9%                 |
| GDP Growth % y/y last (prev)                  | 2.6 (2.1)             |
| Trend GDP %y/y                                | 2.3                   |
| <b>Purchasing Power Parity Value Q4</b>       | <b>0.7034</b>         |
| Spot  | 0.7086                |
| PPP valuation                                 | AUD/USD is overvalued |
| <b>Current acct balance % GDP last (prev)</b> | <b>-2.6 (-2.5)</b>    |
| Trend current account balance % GDP           | -1.1                  |
| <b>Moody's Foreign Currency Rating</b>        | <b>Aaa</b>            |
| Outlook                                       | STABLE                |

\* Current is latest month, quarter or year

## 1. Australia's Terms of Trade at its highest since 2023



## 2. AUD is outperforming all G10 currencies



Source: RBC Global Markets

# Chinese Yuan

**Abbas Keshvani**

## 1-3 Month Outlook – Safe haven

Even amid the risk-off tone in markets since the outbreak of war, the PBoC have marshalled CNY stability, enabling its emergence as a safe-haven. This has enabled CNY to behave as a safe-haven currency amid a fraught geopolitical climate. This has resulted in CNY outperforming traditional safe-havens such as CHF, JPY, and SGD.

A meeting between Trump and Xi is slated for the end of March / early April, but it may be postponed due to ongoing conflict in the Middle East.

## 6-12 Month Outlook – Bullish

PBoC preference for a stronger currency is likely to persist beyond the war. A growing consensus has emerged between the US and EU that CNY should be stronger, which dovetails with Chinese leadership's preference for a "[strong currency](#)". The fix has dipped below 6.90, from a peak of above 7.20 around the peak of trade tensions.

At the National People's Congress, China's policymakers set the stage for fiscal stimulus. Although the growth target was lowered to 4.5-5.0% from around 5.0%, additional fiscal spending is warranted to meet the new target. Some of this stimulus has already been announced in the form of CNY 350 bn of additional consumption spending (2025: CNY 300 bn) and CNY 800 bn for investment (2025: CNY 500 bn). A policymaker added that "we still have the policy room" for incremental stimulus.

In the long-term, CNY stands to benefit from increasing internationalization. Iran recently floated the idea of allowing ships to pass the Straits of Hormuz if they invoice in yuan.

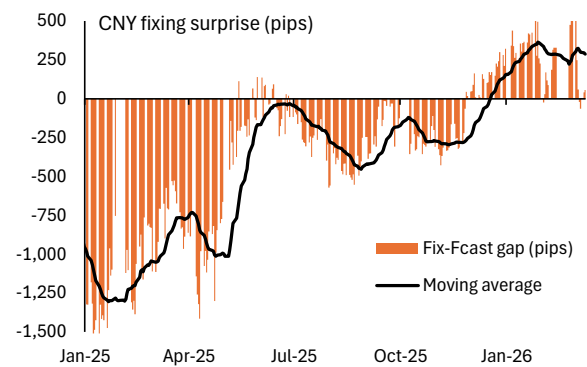
We continue to recommend being long CNH both [via 12m forwards](#) and in [options](#).

## Indicators

|  | Current (Previous)*   |
|--|-----------------------|
| China 1-year loan prime rate           | 3.00%                 |
| Trend interest rates (10yr average)    | 3.85%                 |
| Bias in interest rate market           | Higher                |
| CPI Inflation %Y/Y last (prev)         | +1.3% (+0.2%)         |
| Inflation target                       | 2.0%                  |
| Budget balance % GDP last (prev)       | -5.1% (-5.1%)         |
| Budget balance trend % GDP             | -4.4%                 |
| GDP Growth % y/y last (prev)           | 4.5% (4.8%)           |
| Trend GDP %y/y                         | 5.7%                  |
| Purchasing Power Parity Value          | 6.0653                |
| Spot now                               | 6.8909                |
| PPP valuation                          | USD/CNY is overvalued |
| Current acct balance % GDP last (prev) | 3.8% (3.4%)           |
| Trend current account balance % GDP    | 1.7%                  |
| Moody's Foreign Currency Rating        | A1                    |
| Outlook                                | NEG                   |

\* Current is latest month, quarter or year

## 1. PBoC fix is no longer surprising to upside



Source: RBC Capital Markets; Bloomberg

## 2. What China has unveiled so far

|                              | Latest        | Previously    |
|------------------------------|---------------|---------------|
| <b>Growth target</b>         | 4.5-5.0%      | 5%            |
| <b>Fiscal deficit target</b> | 4%            | 4%            |
| <b>Consumption stimulus</b>  | CNY 350 bn    | CNY 300 bn    |
| <b>Investment stimulus</b>   | CNY 800 bn    | CNY 500 bn    |
| <b>Defense spending</b>      | 7% increase   | 7.2% increase |
| <b>Diplomatic budget</b>     | 9.3% increase | 8.4% increase |

Source: RBC Capital Markets

## Forecasts

|                | 2026 |      |      |      | 2027 |      |      |      |
|----------------|------|------|------|------|------|------|------|------|
|                | Q1f  | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  |
| <b>USD/CNY</b> | 6.85 | 6.82 | 6.80 | 6.78 | 6.76 | 6.74 | 6.72 | 6.70 |
| <b>EUR/CNY</b> | 7.95 | 7.98 | 8.02 | 8.13 | 8.17 | 8.22 | 8.26 | 8.30 |
| <b>CNY/JPY</b> | 22.8 | 22.4 | 22.1 | 21.7 | 21.3 | 20.9 | 20.6 | 20.2 |
| <b>CAD/CNY</b> | 5.00 | 4.98 | 5.00 | 5.06 | 5.08 | 5.10 | 5.13 | 5.15 |

Source: RBC Capital Markets estimates

# South Korean Won

**Abbas Keshvani**

## 1-3 Month Outlook – Vulnerable to oil

The path ahead for KRW is binary due to uncertainty on oil prices. If energy prices remain elevated, we can expect a slow bleed higher in USD/KRW. Authorities appear to have abandoned the previous line in the sand of 1,480. If energy prices come off, we see USD/KRW resuming their downtrend, moving below 1,400 in the next few months.

A silver lining for KRW is that local equity investors are repatriating some of their foreign assets. Koreans, liable to 22% capital gains tax, can enjoy relief from these taxes if they sell their foreign stocks and use the proceeds to buy local stocks. March has seen \$400m of inflow by retailers back into Korea, from an average monthly outflow of \$4b previously. This reduced drag outweighs the anticipated dividend-related outflows of \$1.2b for April.

## 6-12 Month Outlook – WGBI to the rescue

KRW is especially vulnerable to higher energy prices as Korea's net imports of oil and gas exceed 4% of GDP. At \$100 Brent, we expect Korea's current account to narrow to 4.7% of GDP, from 6.5% in 2025. As long as expectations of the currency remain de-anchored, this will remain a phantom surplus that exporters keep in dollars, allowing FDI and portfolio outflows to continue inflicting depreciation pressure.

Beyond the war, Korea's inclusion in the WGBI bond index from April through November will likely lead to ~\$7b of monthly FX-unhedged inflows into KRW debt.

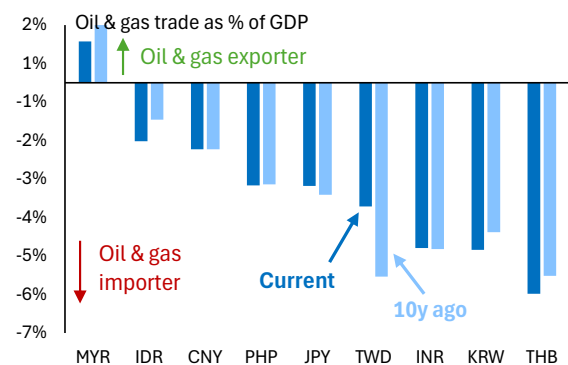
We had been bullish [KRW](#) on expectations of debt inflows due to index inclusion and the government encouraging local retailers to repatriate their foreign equity investments. Given KRW's sensitivity to oil prices, we [closed](#) out this expression out for a total return of 0.0% including carry and bid/offer. We also closed out our bullish KRW [seagull](#) structure for -31bp. We look to re-enter bullish expressions in KRW once hostilities cool, anticipating KRW to be one of the biggest winners from normalization in energy markets.

## Indicators

|  | Current (Previous)*   |
|--|-----------------------|
| BOK Base Rate                          | 2.50%                 |
| Trend interest rates (10yr average)    | 1.85%                 |
| Bias in interest rate market           | Sideways              |
| CPI Inflation %Y/Y last (prev)         | 2.0% (2.0%)           |
| Inflation target                       | 2.0%                  |
| GDP Growth % y/y last (prev)           | 1.6% (1.8%)           |
| Trend GDP %y/y                         | 2.4%                  |
| Purchasing Power Parity Value          | 1,175                 |
| Spot now                               | 1,494                 |
| PPP valuation                          | USD/KRW is overvalued |
| Current acct balance % GDP last (prev) | 6.8% (6.2%)           |
| Trend current acct. balance % GDP      | 4.2%                  |
| Moody's Foreign Currency Rating        | Aa2                   |
| Outlook                                | Stable                |

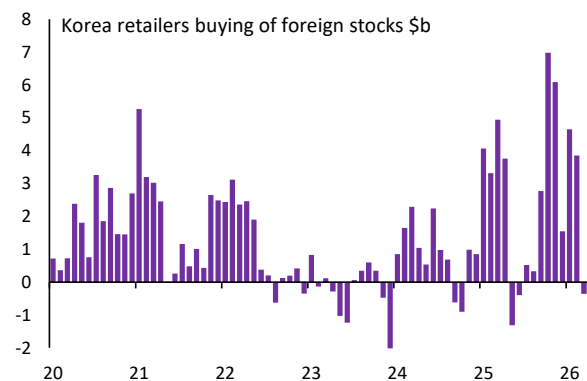
\* Current is latest month, quarter or year

## 1. Korea vulnerable to higher energy prices



Source: Bloomberg, RBC Capital Markets

## 2. Retail outflows have ground to a virtual halt



Source: Seibro, RBC Capital Markets

## Forecasts

|         | 2026 |      |      |      | 2027 |      |      |      |
|---------|------|------|------|------|------|------|------|------|
|         | Q1f  | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  |
| USD/KRW | 1475 | 1475 | 1450 | 1425 | 1400 | 1375 | 1350 | 1325 |
| EUR/KRW | 1711 | 1726 | 1711 | 1710 | 1694 | 1678 | 1661 | 1643 |
| JPY/KRW | 9.46 | 9.64 | 9.67 | 9.69 | 9.72 | 9.75 | 9.78 | 9.81 |
| CAD/KRW | 1077 | 1077 | 1066 | 1063 | 1053 | 1042 | 1031 | 1019 |

Source: RBC Capital Markets estimates

# Taiwan Dollar

Abbas Keshvani

## 1-3 Month Outlook – Lacking a catalyst

Taiwan’s historical beta to CNY has not been playing out. USD/TWD remains stubbornly high even as the PBoC have been guiding USD/CNY lower.

Regulatory [changes](#) reduce the need for life insurance companies (“lifers”) to FX-hedge their foreign bond holdings. Short-NDF positions will be allowed to roll off, propping up points. Moreover, many lifers will increasingly be accessing dollars via spot instead of swaps (the latter incurs hedging costs), supporting spot in the near term.

## 6-12 Month Outlook – Phantom surplus

There remains a wall of dollars waiting to come back – exporters in 2025 reaped a trade surplus that was \$90b in excess of previous years’ surplus. We envisage a scenario whereby greater conversion by exporters could lead to outsized moves in TWD, but a catalyst remains elusive. Meanwhile higher energy prices are being felt via stronger onshore dollar demand.

Taiwan’s AI bounty has proven to be a phantom surplus. Taiwanese exporters are not bringing their AI windfall home and it is not clear when they will. In any case, chipmakers are being called on to invest more in chip foundries in states like Arizona, so they may need dollars later.

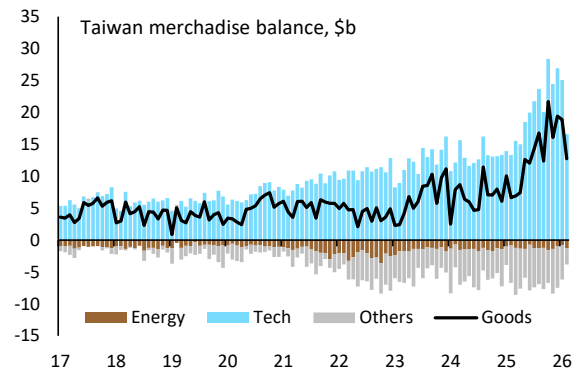
The US Treasury lacks the motivation to scrutinize TWD weakness in the same way that they are watching weakness in CNY and KRW. Since Taiwan’s advanced chip exports do not compete with homegrown American chips for now, there is little impetus for the US Treasury to demand for a stronger TWD – doing so would only make US AI imports more expensive.

## 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)            | 1.8% (0.7%)           |
| Budget balance % GDP last (prev)          | -0.8% (-1.7%)         |
| Budget balance trend % GDP                | 1.2%                  |
| GDP Growth % y/y last (prev)              | 12.7% (8.4%)          |
| Trend GDP %y/y                            | 3.9%                  |
| Purchasing Power Parity Value             | 28.17                 |
| Spot now                                  | 31.96                 |
| PPP valuation                             | USD/TWD is overvalued |
| Current account balance % GDP last (prev) | 19.3% (16.6%)         |
| Trend current account balance % GDP       | 13.8%                 |
| Moody's Foreign Currency Rating           | Aa3                   |
| Outlook                                   | Stable                |

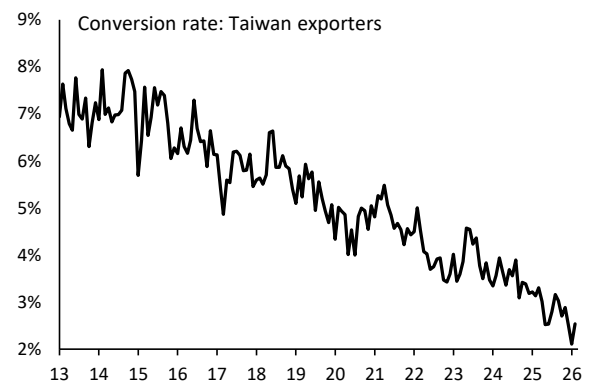
\* Current is latest month, quarter or year

## 1. Taiwan boasts a large goods surplus



Source: RBC Capital Markets; Haver

## 2. Most of the surplus is retained in dollars



Source: RBC Capital Markets, Haver

## Forecasts

|         | 2026  |       |       |       | 2027  |       |       |       |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|
|         | Q1    | Q2    | Q3    | Q4f   | Q1f   | Q2f   | Q3f   | Q4f   |
| USD/TWD | 31.50 | 31.25 | 31.00 | 30.75 | 30.50 | 30.25 | 30.00 | 30.00 |
| EUR/TWD | 36.54 | 36.56 | 36.58 | 36.90 | 36.91 | 36.91 | 36.90 | 37.20 |
| TWD/JPY | 4.95  | 4.90  | 4.84  | 4.78  | 4.72  | 4.66  | 4.60  | 4.50  |
| CAD/TWD | 22.99 | 22.81 | 22.79 | 22.95 | 22.93 | 22.92 | 22.90 | 23.08 |

Source: RBC Capital Markets estimates

# Indian Rupee

Abbas Keshvani

## 1-3 Month Outlook – A less defensive RBI

We had expected USD/INR to continue grinding higher before oil prices spiked, but the pace of rupee weakness will accelerate if energy prices stay elevated.

The forwards space appears to be too bearish on INR but we do not recommend trying to pick up carry in INR due to uncertainty on RBI intervention patterns. As we flagged in the previous edition of Current Report Card, the RBI appears more permissive of currency weakness lately. The central bank allowed spot to break above 92.00, likely recognizing that higher oil prices warrant a weaker currency.

## 6-12 Month Outlook – Weaker either way

Even before the war, we noted that INR is on a secular depreciation path. Prior to the oil shock, India's energy imports were set to widen as the country was halting buying discounted Russian crude. At \$100 Brent, the overall current account deficit in CY 2026 is likely to widen to 1.5% of GDP from 0.4% in CY 2025.

The main risk to INR remains from labor regulation in the US. Higher fees and stricter criteria for H1B worker visas, which were overwhelmingly allotted to workers from India, portend slower growth in remittance flow to India. If US Congress revise rules on H1Bs further, there could be a level drop in remittance flows from the current ~\$12b per month.

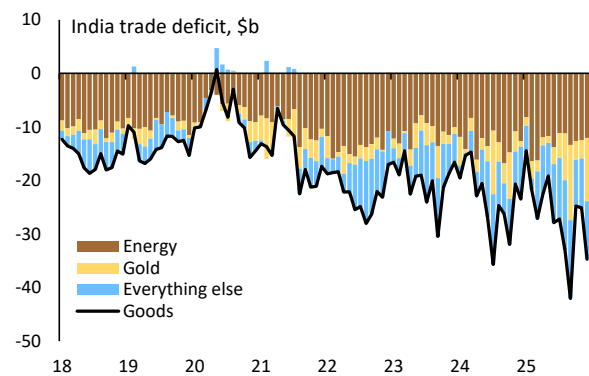
Over the longer term, the RBI might have to evaluate its management of the currency. FX reserves net of forwards have dipped to \$490b, from \$550b two years ago. While the RBI's reserves are currently ample, the current pace of intervention is unlikely to sustain.

## Indicators

|   | Current (Previous)*   |
|---|-----------------------|
| RBI repo rate                             | 5.25%                 |
| Trend interest rates (10yr average)       | 5.65%                 |
| Bias in interest rate market              | Sideways              |
| CPI Inflation %Y/Y last (prev)            | 2.7% (1.2%)           |
| Inflation target                          | 2-6%                  |
| Budget balance % GDP last (prev)          | -4.9% (-5.1%)         |
| Budget balance trend % GDP                | -5.3%                 |
| GDP Growth % y/y last (prev)              | 7.8% (8.4%)           |
| Trend GDP %y/y                            | 6.2%                  |
| Purchasing Power Parity Value             | 79.02                 |
| Spot now                                  | 92.64                 |
| PPP valuation                             | USD/INR is overvalued |
| Current account balance % GDP last (prev) | -0.4% (-0.4%)         |
| Trend current account balance % GDP       | -1.1%                 |
| Moody's Foreign Currency Rating           | Baa3                  |
| Outlook                                   | Stable                |

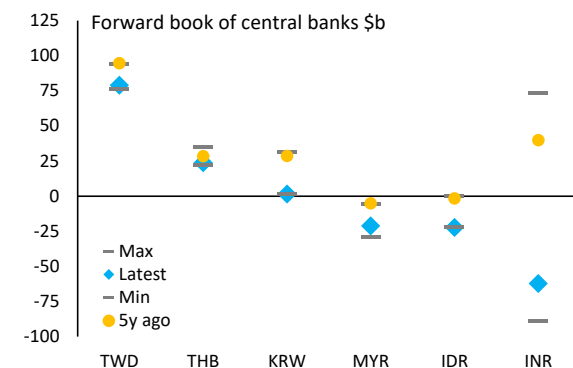
\* Current is latest month, quarter or year

## 1. India's trade deficit exceeded \$30b before the war



Note: Source: RBC Capital Markets; Haver

## 2. RBI have a negative forward book



Source: RBC Capital Markets, Haver, CBC

## Forecasts

|         | 2026  |       |       |       | 2027  |       |       |       |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|
|         | Q1f   | Q2f   | Q3f   | Q4f   | Q1f   | Q2f   | Q3f   | Q4f   |
| USD/INR | 92.00 | 92.00 | 92.25 | 92.50 | 92.50 | 92.50 | 92.50 | 92.50 |
| EUR/INR | 107   | 108   | 109   | 111   | 112   | 113   | 114   | 115   |
| INR/JPY | 1.70  | 1.66  | 1.63  | 1.59  | 1.56  | 1.52  | 1.49  | 1.46  |
| CAD/INR | 67.2  | 67.2  | 67.8  | 69.0  | 69.5  | 70.1  | 70.6  | 71.2  |

Source: RBC Capital Markets estimates

# Brazilian Real

**Luis Estrada**

## 1-3 Month outlook – Inside the Oil Storm

Brazil's near-term outlook will largely be driven by oil prices and the start of the BCB easing cycle. Oil between \$60 and \$85 represents the optimal range for Brazil as an energy exporter, supporting fiscal revenues and the current account while only mildly slowing the disinflation process. However, if oil prices sustain levels above \$85, global inflation fears would likely push bond yields higher and tighten financial conditions for emerging markets. In that scenario, BRL could face volatility despite Brazil's commodity exposure.

Domestically, attention centers on the March 18 start of the easing cycle with a 25bps cut. Markets now expect a cautious but consistent easing cycle, reflecting concerns about inflation persistence and global conditions. Still, the key signal for markets is simply the beginning of the easing cycle. Once cuts begin, Brazil's bond market—recently under pressure—should stabilize, and Brazil's large carry differential should remain supportive for BRL.

Politically, markets will begin monitoring the early stages of the 2026 election cycle. The key event is whether Tarcisio de Freitas resigns as governor of São Paulo to run for president. [Our base case](#) is that he remains in office and seeks reelection, limiting near-term political volatility.

## 6-12 Month Outlook – Growth and Inflation balance

Over the medium term, Brazil's outlook will depend on the pace of monetary easing and the evolution of global commodity markets. Even with the recent repricing, Brazil continues to offer one of the highest carry opportunities in emerging markets. A gradual easing cycle from the current ~15% policy rate will support local bonds while maintaining an attractive rate differential versus developed markets.

At the same time, Brazil remains structurally leveraged to commodity prices. Sustained strength in oil and agricultural exports would support the current account and fiscal revenues, providing an important buffer against global financial volatility.

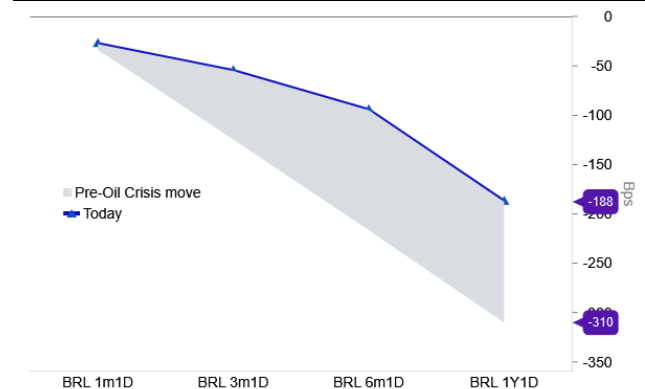
We see USDBRL resistance at 5.30 and then 5.60, which should cap depreciation unless global risk conditions deteriorate sharply. We recommend maintaining tail-risk hedges, such as a [bullish seagull structure](#) (5.30/5.60/5.10) to protect against a temporary move into the 5.30–5.60 range.

## Indicators

|   | Current (Previous)*   |
|---|-----------------------|
| <b>Official policy rate</b>                   | 15.00(15.0)           |
| Trend O/N interest rates (10yr avg)           | 9.60                  |
| Bias in interest rate market                  | Easing                |
| <b>Headline Inflation %Y/Y last(prev)</b>     | 3.81% (4.44%)         |
| Inflation target (range)                      | 3% (1.5%-4.5%)        |
| <b>Budget balance % GDP last(prev)</b>        | -8.34% (-8.13%)       |
| Budget balance forecast % GDP(26E)            | -8.31 %               |
| GDP Growth % y/y 26(25)                       | 1.80% (2.30%)         |
| Trend GDP %y/y (10y avg)                      | 1.47%                 |
| <b>Purchasing Power Parity Value</b>          | 4.9430                |
| Spot now                                      | 5.2210                |
| PPP Valuation                                 | USD/BRL is overvalued |
| <b>Current acct balance % GDP ('26 ('25))</b> | -2.80%(-3.02%)        |
| Trend current acct balance % GDP (10y avg)    | -2.30%                |
| <b>Moody's Foreign Currency Rating</b>        | Ba1(5/25)             |
| Outlook                                       | Stable (5/25)         |

\* Current is latest month, quarter, or year

## 1. DI 1Day rate 1Y forward moved from -310bps to -188bps



Source: RBC Capital Markets

## 2. Inflation spiked during 2022 (grey) in part due to fertilizers



Source: BCB, RBC Capital Markets

## Forecasts

|                | 2026 |      |      |      | 2027 |      |      |      |
|----------------|------|------|------|------|------|------|------|------|
|                | Q1f  | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  |
| <b>USD/BRL</b> | 5.35 | 5.50 | 5.35 | 5.00 | 5.10 | 5.10 | 5.00 | 5.00 |
| <b>EUR/BRL</b> | 6.21 | 6.44 | 6.31 | 6.00 | 6.17 | 6.22 | 6.15 | 6.20 |
| <b>BRL/JPY</b> | 29.2 | 27.8 | 28.0 | 29.4 | 28.2 | 27.6 | 27.6 | 27.0 |
| <b>CAD/BRL</b> | 3.91 | 4.01 | 3.93 | 3.73 | 3.83 | 3.86 | 3.82 | 3.85 |

Source: RBC Capital Markets estimates

# Mexican Peso

**Luis Estrada**

## 1-3 Month outlook – Inflation breaking bad

MXN's near-term outlook will be shaped by energy prices, inflation dynamics, and the reaction function of Banxico. Historically, MXN has traded closely with oil prices, particularly in crosses such as EURMXN. However, Mexico's energy balance has shifted in recent years. Declining Pemex production and rising gasoline imports from the US mean that higher oil prices no longer translate into clear fiscal benefits. Instead, higher global energy prices tend to worsen Mexico's trade and fiscal balances while increasing inflation pressures.

Inflation was already a concern for Banxico prior to the recent geopolitical tensions. In February, the central bank paused its easing cycle as price pressures proved more persistent than expected. Since then, headline inflation has climbed to 4.44%, moving back above the upper bound of the target range. In our view, the latest rise in oil prices will initially feed into food inflation through higher transportation costs, while the government's gasoline price management mechanism may force the fiscal accounts to absorb part of the international price increase.

Markets will also monitor the early stages of the USMCA renegotiation, which could generate volatility in MXN.

## 6-12 Month Outlook – USMCA showtime

Over the medium term, we believe Mexico's macro outlook will increasingly depend on the interaction between inflation dynamics and trade negotiations with the United States. If energy prices remain elevated, Banxico is likely to maintain a cautious stance, delaying further easing well into 2026 to prevent inflation expectations from drifting higher.

At the same time, prolonged geopolitical tensions could alter the political environment in the US. If higher gasoline prices feed into US inflation ahead of the summer, US trade negotiators may prioritize stability in supply chains and avoid policy changes that risk increasing inflation. In our view, this dynamic could improve the odds of a smoother USMCA renegotiation process than markets currently expect (deadline for start of negotiations is July 1<sup>st</sup>).

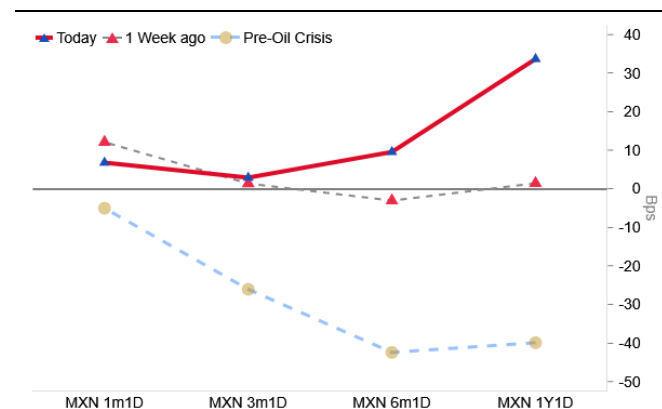
We see 17.90 as the first key resistance in USDMXN, followed by 18.50 & ultimately 19.00. Options markets show volatility skew rising from historically low levels. A break above 18.50 could trigger stop-outs in risk reversals, pushing USDMXN temporarily above 19.00. While we remain cautious around USMCA headlines, geopolitical tensions that lift energy prices may ultimately increase the probability of a smoother renegotiation outcome.

## Indicators

|   | Current (Previous)*    |
|---|------------------------|
| <b>Official policy rate</b>                   | 7.00 (7.00)            |
| Trend O/N interest rates (10yr avg)           | 7.51%                  |
| Bias in interest rate market                  | Easing                 |
| <b>Headline Inflation %Y/Y last(prev)</b>     | 4.44% (4.02%)          |
| Inflation target(range)                       | 3% (2%-4%)             |
| <b>Budget balance % GDP last(prev)</b>        | -4.02% (-4.02%)        |
| Budget balance target % GDP(26E)              | -4.00%                 |
| GDP Growth % y/y 26F(25)                      | 1.50% (0.60%)          |
| Trend GDP %y/y (10y avg)                      | 1.24%                  |
| <b>Purchasing Power Parity Value</b>          | 20.5663                |
| Spot now                                      | 17.7315                |
| PPP Valuation                                 | USD/MXN is undervalued |
| <b>Current acct balance % GDP ('25 ('24))</b> | -0.50% (-0.51%)        |
| Trend current acct bal % GDP (10y avg)        | -0.90%                 |
| <b>Moody's Foreign Currency Rating</b>        | Baa2(07/22)            |
| Outlook                                       | Negative (11/24)       |

\* Current is latest month, quarter, or year

## 1. Banxico 1D rate 1Y forward now prices +30bps (+70bps)



Source: RBC Capital Markets, Bloomberg

## 2. Mexico's CPI is already above ceiling, and core 4.55%



Source: RBC Capital Markets, Bloomberg, Banxico

## Forecasts

|                | 2026  |       |       |       | 2027  |       |       |       |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|
|                | Q1f   | Q2f   | Q3f   | Q4f   | Q1f   | Q2f   | Q3f   | Q4f   |
| <b>USD/MXN</b> | 17.50 | 17.70 | 18.50 | 18.25 | 18.00 | 18.25 | 18.70 | 19.00 |
| <b>EUR/MXN</b> | 20.30 | 20.71 | 21.83 | 21.90 | 21.78 | 22.27 | 23.00 | 23.56 |
| <b>MXN/JPY</b> | 8.91  | 8.64  | 8.11  | 8.05  | 8.00  | 7.73  | 7.38  | 7.11  |
| <b>CAD/MXN</b> | 12.77 | 12.92 | 13.60 | 13.62 | 13.53 | 13.83 | 14.27 | 14.62 |

Source: RBC Capital Markets estimates

# Chilean Peso

**Luis Estrada**

## 1-3 Month Outlook – The weak-link in Latam

Chile appears particularly vulnerable in the current environment of rising oil prices and geopolitical tensions. Unlike many Latin American peers, Chile is structurally disadvantaged by higher energy costs. Oil represents roughly 20% of Chile's imports, making it the largest oil importer in the region. As a result, higher oil prices tend to deteriorate Chile's trade balance and place immediate pressure on the CLP.

In addition, CLP maintains strong correlations with Asian currencies, particularly CNH. Since much of Asia is also heavily dependent on imported energy, rising oil prices typically weaken regional currencies and amplify pressure on CLP through financial market channels. At the same time, Chile's export base remains heavily concentrated in copper, which acts as a proxy for global growth. If oil prices remain elevated—particularly above \$90—global demand destruction could lead to downward revisions to global growth expectations and reduce demand for industrial metals.

On the domestic side, the BCCh had been expected to deliver one final rate cut in March, bringing the overnight rate to 4.25%. However, the recent volatility in CLP linked to Middle East developments has shifted expectations toward a pause. In our view, maintaining rates unchanged should provide some near-term support for the currency.

## 6-12 Month Outlook – CLP fundamental weakness

Over the medium term, Chile's macro-outlook will depend on the interaction between commodity prices, global growth, and the new political environment under President Kast. While markets initially welcomed the political shift, the composition of Congress means that meaningful reforms will likely require coalition-building and compromise. This reality may slow the pace of structural changes and moderate investor expectations.

From a macro perspective, Chile's dependence on imported energy and copper exports leaves the economy particularly exposed to this oil event. If oil prices remain elevated while global growth slows, Chile could face a dual shock: weaker copper prices and a deteriorating trade balance.

USDCLP has already broken resistance at 905 and 910, leaving 933 and 940 as the next key levels. A sustained break above 940 would likely require oil prices moving above \$100. Given the current environment, we prefer expressing bullish views through BRL longs funded with CLP shorts, which captures the divergence between oil tailwinds and Chile's vulnerability to higher oil prices.

## Forecasts

|         | 2026 |      |      |      | 2027 |      |      |      |
|---------|------|------|------|------|------|------|------|------|
|         | Q1f  | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  |
| USD/CLP | 880  | 875  | 890  | 900  | 910  | 920  | 940  | 940  |
| EUR/CLP | 1021 | 1024 | 1050 | 1080 | 1101 | 1122 | 1156 | 1166 |
| JPY/CLP | 29.2 | 27.8 | 28.0 | 29.4 | 28.2 | 27.6 | 27.6 | 27.0 |
| CAD/CLP | 642  | 639  | 654  | 672  | 684  | 697  | 718  | 723  |

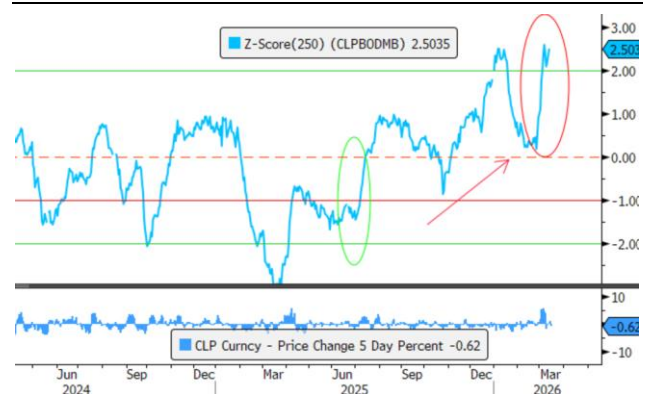
Source: RBC Capital Markets estimates

## Indicators

|  | Current (Previous)* |
|--|---------------------|
| <b>Official policy rate</b>                  | 4.50% (4.50%)       |
| Trend O/N interest rates (10yr avg)          | 4.34                |
| Bias in interest rate market                 | Easing              |
| <b>Headline Inflation %Y/Y last(prev)</b>    | 2.40% (2.80%)       |
| Inflation target (range)                     | 3% (2%-4%)          |
| <b>Budget balance % GDP</b>                  | (-3.86%)            |
| Budget balance forecast % GDP(26E)           | -1.92%              |
| GDP Growth % y/y 26E(25)                     | 2.45% (2.40%)       |
| Trend GDP %y/y (10y avg)                     | 2.13%               |
| <b>Purchasing Power Parity Value</b>         | 841                 |
| Spot now                                     | 914                 |
| PPP Valuation                                | USD/CLP overvalued  |
| <b>Current acct balance % GDP '25E ('24)</b> | -2.25% (-2.50%)     |
| Trend current acct balance % GDP (10y avg)   | -4.19               |
| <b>Moody's Foreign Currency Rating</b>       | A2(9/22)            |
| Outlook                                      | Stable(9/22)        |

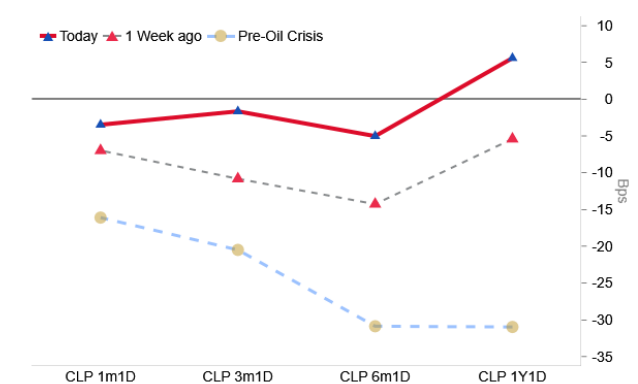
\* Current is latest month, quarter, or year

## 1. Chile 1D rate no longer prices the last -25bps cut



Source RBC Capital Markets, Bloomberg

## 2. USDCLP offshore positions back to the 1Y average



Source: RBC Capital Markets, Bloomberg

# Colombian Peso

## 1-3 Month Outlook – Oil and BanRep Actions

Colombia's near-term macro outlook will be shaped primarily by monetary policy tightening and global financial conditions. While oil remains Colombia's largest export and historically a key driver of COP, the traditional correlation between oil prices and the currency has weakened. Treasury intervention and FX market operations have distorted the usual transmission channel, making COP increasingly sensitive to financial flows rather than commodity prices alone.

The main domestic catalyst will be the policy path of BanRep. In February, the central bank surprised markets by hiking rates 100bps, signaling concern that the 23% minimum wage increase could fuel inflationary pressures into 2026. Markets now expect an additional 75bps hike at the March 31 meeting, with roughly 250bps of cumulative tightening priced over the next year. In our view, this aggressive repricing reflects policymakers' determination to anchor inflation expectations early.

However, global financial conditions remain an important risk. Rising global yields and broader risk-off sentiment have pushed Colombian local bond yields sharply higher—roughly 150bps since mid-February—raising the possibility of further bond market liquidation. Such moves could spill over into FX markets and weigh on COP in the short term.

## 6-12 Month Outlook – Inflation Credibility

Over the medium term, Colombia's outlook will depend on the interaction between monetary tightening and the evolving political environment. BanRep's willingness to act preemptively suggests policymakers are prioritizing inflation credibility, which should support the currency if global financial conditions stabilize.

At the same time, the March 8 Congressional Elections have complicated the political landscape. The results indicate a more fragmented Congress, with the left-wing coalition gaining influence. Even if the presidency shifts toward a more market-friendly candidate, implementing structural reforms may prove difficult without broad legislative coalitions. All eyes are focused on May 31<sup>st</sup> first round.

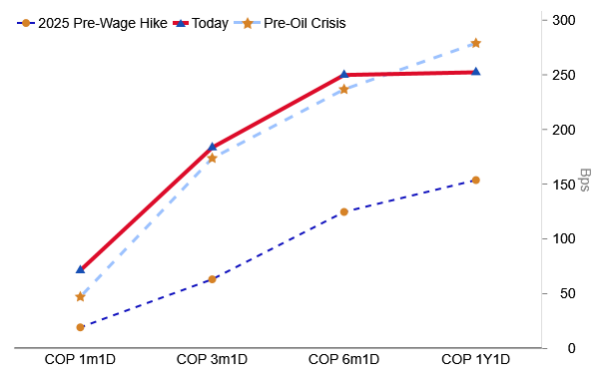
We see USDCOP trading between 3650 and 3750 in the near term, though the balance of risks remains two-sided given volatile global markets and domestic political uncertainty.

## Indicators

|   | Current (Previous)* |
|---|---------------------|
| <b>Official policy rate</b>                   | 10.25% (9.25%)      |
| Trend interest rates (10yr average)           | 6.88                |
| Bias in interest rate market                  | Hiking              |
| <b>Headline Inflation %Y/Y last(prev)</b>     | 5.29% (5.35%)       |
| Inflation target (range)                      | 3% (2%-4%)          |
| <b>Budget balance % GDP ('25)</b>             | (-6.85%)            |
| Budget balance forecast % GDP 26E             | -6.78%              |
| GDP Growth % y/y ('26 ('25))                  | 2.75% (+2.60%)      |
| Trend GDP %y/y (10y average)                  | 2.56%               |
| <b>Purchasing Power Parity Value</b>          | -                   |
| Spot now                                      | 3681                |
| PPP Valuation                                 | -                   |
| <b>Current account balance % GDP'25 ('24)</b> | -2.95% (-2.37%)     |
| Trend current acct balance % GDP (10y avg)    | -3.91%              |
| <b>Moody's Foreign Currency Rating</b>        | Baa3(6/25)          |
| Outlook                                       | Stable(6/25)        |

\* Current is latest month, quarter, or year

## 1. Colombia yield curve is driven by wage-hike shock



Source: RBC Capital Markets, Bloomberg

## 2. Colombia's CPI 153bps above target ceiling in February



Source: RBC Capital Markets, Bloomberg

## Forecasts

|                | 2026  |       |       |       | 2027  |       |       |       |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|
|                | Q1f   | Q2f   | Q3f   | Q4f   | Q1f   | Q2f   | Q3f   | Q4f   |
| <b>USD/COP</b> | 3700  | 3800  | 3850  | 3900  | 4000  | 4050  | 4100  | 4200  |
| <b>EUR/COP</b> | 4292  | 4446  | 4543  | 4680  | 4840  | 4941  | 5043  | 5208  |
| <b>JPY/COP</b> | 23.72 | 24.84 | 25.67 | 26.53 | 27.78 | 28.72 | 29.71 | 31.11 |
| <b>CAD/COP</b> | 2701  | 2774  | 2831  | 2910  | 3008  | 3068  | 3130  | 3231  |

Source: RBC Capital Markets estimates

Daria Parkhomenko, CFA

# Polish Zloty

## 1-3 Month Outlook – Iran conflict in the spotlight

As of writing, PLN is the fifth worst performer globally since the conflict started, albeit EUR/PLN's rally has so far been more muted than in 2022 (Figure 1). In the short-term, the Iran conflict is an upside risk to EUR/PLN, with the economy exposed to higher energy prices and European trade & growth. Ultimately, the path for EUR/PLN will depend on the duration of the Iran conflict and the feed through of higher energy prices and supply chain disruptions to the domestic and global economies. The price action will also depend on the monetary and fiscal policy responses.

Domestically, the NBP opted to deliver a rate cut on March 4 on the back of an improving CPI path. Having said that, in the press conference the following day, Governor Glapinski stated that the Iran developments will be a key risk for CPI in the short-term, and he cited two-way risks, with the conflict carrying both an upside risk to prices and downside risk to growth. He also stated that "the Council is not announcing any further decisions at this time". This points to a more cautious stance on monetary policy going forward.

## 6-12 Month Outlook – Profile unchanged, but ready to adjust based on Iran conflict developments

We are keeping the gentle drift higher in EUR/PLN over the long-run horizon intact. But this profile is vulnerable to developments on the Iran conflict. We will continue to assess these forecasts as more information becomes available.

If the Iran conflict ends quickly and the impact on economies is short-lived, then we would go back to watching the Poland-Euro area rate differentials, whether the economic backdrop remains solid, local politics, and Russia-Ukraine developments.

Next general elections are due by late 2027, but if the political backdrop were to raise concerns about political stability, that may act as a downside risk to PLN. Meanwhile, PLN would face upside risk if a Russia/Ukraine peace deal were to materialize.

## Indicators

|   | Current (Previous)*   |
|---|-----------------------|
| <b>NBP policy rate (%)</b>                        | <b>3.75% (4%)</b>     |
| Trend interest rates (historical avg)             | 2.97%                 |
| Bias in interest rate market                      | Cuts, then hikes      |
| <b>CPI Inflation %Y/Y last (prev)</b>             | <b>2.1 (2.1)</b>      |
| Inflation target                                  | 2.5% (+/- 1pp)        |
| <b>Budget balance (ESA 2010) %GDP 2024 (2023)</b> | <b>-6.5 (-5.2)</b>    |
| Budget balance trend % GDP                        | -2.9%                 |
| GDP Growth % y/y nsa last (prev)                  | 4 (3.8)               |
| Trend GDP %y/y                                    | 3.5                   |
| <b>Purchasing Power Parity Value</b>              | <b>5.0253</b>         |
| Spot now  | 4.2680                |
| PPP Valuation                                     | EURPLN is undervalued |
| <b>Current a/c (4Q sum, sa) %GDP last (prev)</b>  | <b>-1.9 (-0.4)</b>    |
| Trend current account balance % GDP               | -0.5                  |
| <b>Moody's Foreign Currency Rating</b>            | <b>A2</b>             |
| Outlook   | NEG                   |

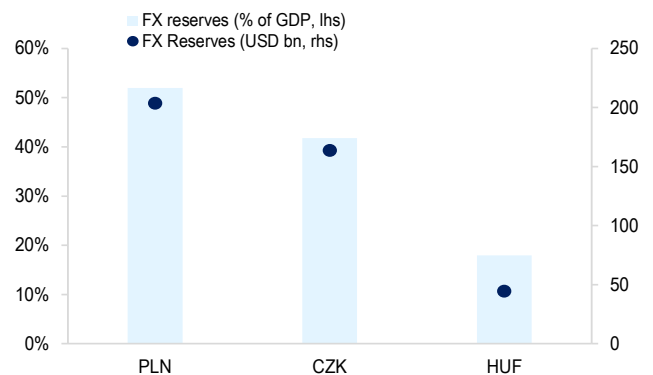
\* Current is latest month, quarter or year

## 1. EUR/PLN's reaction to Iran conflict not as large as 2022



Source: Bloomberg, RBC Capital Markets

## 2. Poland has ample FX reserves to intervene if necessary



Source: Macrobond, RBC Capital Markets

## Forecasts

|                | 2026 |      |      |      | 2027 |      |      |      |
|----------------|------|------|------|------|------|------|------|------|
|                | Q1f  | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  |
| <b>EUR/PLN</b> | 4.20 | 4.22 | 4.24 | 4.25 | 4.26 | 4.27 | 4.28 | 4.29 |
| <b>USD/PLN</b> | 3.62 | 3.61 | 3.59 | 3.54 | 3.52 | 3.50 | 3.48 | 3.46 |
| <b>GBP/PLN</b> | 4.83 | 4.88 | 4.93 | 4.94 | 4.95 | 4.91 | 4.86 | 4.82 |

Source: RBC Capital Markets estimates

## Forecasts

### Spot forecasts

|         | 2026  |       |       |       | 2027  |       |       |       |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|
|         | Q1f   | Q2f   | Q3f   | Q4f   | Q1f   | Q2f   | Q3f   | Q4f   |
| EUR/USD | 1.16  | 1.17  | 1.18  | 1.20  | 1.21  | 1.22  | 1.23  | 1.24  |
| USD/JPY | 156   | 153   | 150   | 147   | 144   | 141   | 138   | 135   |
| GBP/USD | 1.33  | 1.35  | 1.37  | 1.40  | 1.41  | 1.40  | 1.40  | 1.39  |
| USD/CHF | 0.78  | 0.77  | 0.78  | 0.78  | 0.77  | 0.76  | 0.76  | 0.74  |
| USD/SEK | 9.14  | 8.89  | 8.73  | 8.50  | 8.35  | 8.20  | 8.05  | 7.90  |
| USD/NOK | 9.48  | 9.32  | 9.15  | 8.92  | 8.76  | 8.61  | 8.46  | 8.31  |
| USD/CAD | 1.37  | 1.37  | 1.36  | 1.34  | 1.33  | 1.32  | 1.31  | 1.30  |
| AUD/USD | 0.71  | 0.72  | 0.72  | 0.73  | 0.73  | 0.74  | 0.73  | 0.72  |
| NZD/USD | 0.58  | 0.58  | 0.60  | 0.61  | 0.62  | 0.63  | 0.62  | 0.61  |
| USD/CNY | 6.85  | 6.82  | 6.80  | 6.78  | 6.76  | 6.74  | 6.72  | 6.70  |
| USD/KRW | 1475  | 1475  | 1450  | 1425  | 1400  | 1375  | 1350  | 1325  |
| USD/INR | 92.00 | 92.00 | 92.25 | 92.50 | 92.50 | 92.50 | 92.50 | 92.50 |
| USD/MYR | 3.85  | 3.80  | 3.75  | 3.70  | 3.68  | 3.66  | 3.64  | 3.62  |
| USD/TWD | 31.50 | 31.25 | 31.00 | 30.75 | 30.50 | 30.25 | 30.00 | 30.00 |
| USD/BRL | 5.35  | 5.50  | 5.35  | 5.00  | 5.10  | 5.10  | 5.00  | 5.00  |
| USD/MXN | 17.50 | 17.70 | 18.50 | 18.25 | 18.00 | 18.25 | 18.70 | 19.00 |
| USD/CLP | 880   | 875   | 890   | 900   | 910   | 920   | 940   | 940   |
| USD/PEN | 3.30  | 3.26  | 3.25  | 3.25  | 3.23  | 3.20  | 3.20  | 3.20  |
| USD/COP | 3700  | 3800  | 3850  | 3900  | 4000  | 4050  | 4100  | 4200  |
| USD/ZAR | 16.30 | 16.00 | 15.75 | 15.50 | 15.50 | 15.50 | 15.50 | 15.50 |
| USD/PLN | 3.62  | 3.61  | 3.59  | 3.54  | 3.52  | 3.50  | 3.48  | 3.46  |
| DXY     | 99    | 98    | 97    | 95    | 94    | 94    | 93    | 92    |

Source: RBC Capital Markets estimates

### EUR Crosses

|         | 2026  |        |        |        | 2027  |       |       |       |
|---------|-------|--------|--------|--------|-------|-------|-------|-------|
|         | Q1f   | Q2f    | Q3f    | Q4f    | Q1f   | Q2f   | Q3f   | Q4f   |
| EUR/USD | 1.16  | 1.17   | 1.18   | 1.20   | 1.21  | 1.22  | 1.23  | 1.24  |
| EUR/JPY | 181   | 179    | 177    | 176    | 174   | 172   | 170   | 167   |
| EUR/GBP | 0.87  | 0.87   | 0.86   | 0.86   | 0.86  | 0.87  | 0.88  | 0.89  |
| EUR/CHF | 0.91  | 0.90   | 0.92   | 0.93   | 0.93  | 0.93  | 0.93  | 0.92  |
| EUR/SEK | 10.60 | 10.40  | 10.30  | 10.20  | 10.10 | 10.00 | 9.90  | 9.80  |
| EUR/NOK | 11.00 | 10.90  | 10.80  | 10.70  | 10.60 | 10.50 | 10.40 | 10.30 |
| EUR/CAD | 1.59  | 1.60   | 1.60   | 1.61   | 1.61  | 1.61  | 1.61  | 1.61  |
| EUR/AUD | 1.63  | 1.63   | 1.64   | 1.64   | 1.66  | 1.65  | 1.68  | 1.72  |
| EUR/NZD | 2.00  | 2.02   | 1.97   | 1.97   | 1.95  | 1.94  | 1.98  | 2.03  |
| EUR/CNY | 7.95  | 7.98   | 8.02   | 8.13   | 8.17  | 8.22  | 8.26  | 8.30  |
| EUR/KRW | 1711  | 1726   | 1711   | 1710   | 1694  | 1678  | 1661  | 1643  |
| EUR/INR | 106.7 | 107.64 | 108.86 | 111.00 | 111.9 | 112.9 | 113.8 | 114.7 |
| EUR/MYR | 4.47  | 4.45   | 4.43   | 4.44   | 4.45  | 4.47  | 4.48  | 4.49  |
| EUR/TWD | 36.54 | 36.56  | 36.58  | 36.90  | 36.91 | 36.91 | 36.90 | 37.20 |
| EUR/BRL | 6.21  | 6.44   | 6.31   | 6.00   | 6.17  | 6.22  | 6.15  | 6.20  |
| EUR/MXN | 20.30 | 20.71  | 21.83  | 21.90  | 21.78 | 22.27 | 23.00 | 23.56 |
| EUR/CLP | 1021  | 1024   | 1050   | 1080   | 1101  | 1122  | 1156  | 1166  |
| EUR/PEN | 3.83  | 3.81   | 3.84   | 3.90   | 3.91  | 3.90  | 3.94  | 3.97  |
| EUR/COP | 4292  | 4446   | 4543   | 4680   | 4840  | 4941  | 5043  | 5208  |
| EUR/ZAR | 18.91 | 18.72  | 18.59  | 18.60  | 18.76 | 18.91 | 19.07 | 19.22 |
| EUR/PLN | 4.20  | 4.22   | 4.24   | 4.25   | 4.26  | 4.27  | 4.28  | 4.29  |

Source: RBC Capital Markets estimates

## Central Bank Rate Forecasts

|             | 2026 |      |      |      |
|-------------|------|------|------|------|
|             | Q1   | Q2f  | Q3f  | Q4f  |
| <b>Fed</b>  | 3.63 | 3.63 | 3.63 | 3.63 |
| <b>BoC</b>  | 2.25 | 2.25 | 2.25 | 2.25 |
| <b>ECB*</b> | 2.00 | 2.00 | 2.00 | 2.00 |
| <b>BoE</b>  | 3.75 | 3.75 | 3.75 | 3.75 |
| <b>RBA</b>  | 4.10 | 4.35 | 4.35 | 4.35 |
| <b>RBNZ</b> | 2.25 | 2.25 | 2.25 | 2.25 |

Source: RBC Capital Markets & RBC Economics estimates

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