



FX Strategy, Trading & Sales

Currency Report Card

February 2026

Forecasts

Three month forecast returns

Most bullish	Most bearish
PEN	AUD
KRW	BRL
MYR	NZD

Source: RBC Capital Markets

12 month forecast returns

Most bullish	Most bearish
BRL	CHF
NOK	CLP
ZAR	USD

Source: RBC Capital Markets

Key forecast revisions:

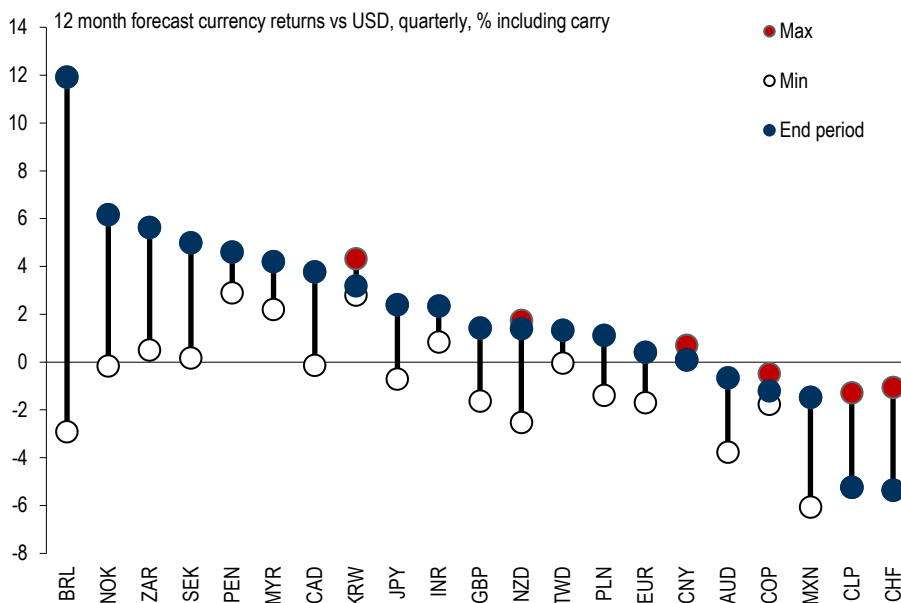
EUR/NOK: Profile revised lower. End-2026 now 10.95 (prior 11.25). End-2027 10.55 (11.00).

EUR/SEK: Profile revised lower. End-2026 now 10.20 (prior 10.40). End-2027 9.80 (10.00).

EUR/CHF: 2026 profile lowered. Rest unchanged. End-Q1 2026 0.91 (prior 0.94). End-2026 0.94 (0.95).

USD/CNY: Profile revised lower. End-Q1 2026 6.85 (prior 6.94). End-2026 6.78 (6.88).

Forecasted BRL, NOK, ZAR outperformance; CHF & CLP underperformance



Source: RBC Capital Markets

Global FX Strategy

Elsa Lignos

Global Head of FX Strategy
+44 20 7029 7077
Elsa.Lignos@rbccm.com
RBC Europe Limited

George Davis, CMT

Technical Strategist
1 (416)-842-6633
George.Davis@rbccm.com
RBC Dominion Securities Inc.

Richard Cochinos CFA, FRM, CAIA

FX Strategist
(212) 618-3378
Richard.cochinos@rbccm.com
RBC Capital Markets, LLC

Luis Estrada

LatAm FX Strategist
1 (416) 842-8701
Luis.Estrada@rbccm.com
RBC Dominion Securities Inc.

Abbas Keshvani

Asia Macro Strategist
+65 6013 6621
Abbas.Keshvani@rbccm.com
RBC Capital Markets (Singapore)

Daria Parkhomenko, CFA

FX Strategist
1 (212) 618-7857
Daria.Parkhomenko@rbccm.com
RBC Capital Markets, LLC

George Moran

Associate
+44 (0)20 7029 8167
George.Moran@rbccm.com
RBC Capital Markets Limited

This communication has been prepared by RBC Capital Markets FX Trading/Sales personnel for your information only and is not a research report prepared by the RBC Capital Markets research department. This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research.

Table of contents

US Dollar	3
Euro	4
Japanese Yen	5
Sterling.....	6
Swiss Franc.....	7
Swedish Krona & Norwegian Krone.....	8
Canadian Dollar	9
Australian Dollar & New Zealand Dollar	10
Chinese Yuan	11
South Korean Won.....	12
Taiwan Dollar	13
Indian Rupee.....	14
Brazilian Real	15
Mexican Peso.....	16
Chilean Peso	17
Colombian Peso	18
Polish Zloty	19
Forecasts.....	20
Central Bank Rate Forecasts	21
Disclaimer	22

US Dollar

Richard Cochinos, CFA, FRM, CAIA

1-3 Month Outlook – The US (and USD) is starting to have a performance problem

Over the past month, the US dollar has experienced considerable volatility. The greenback initially weakened to four-year lows near 95.50 in early February but has since recovered, gaining roughly 2% over the past week. The US Dollar Index (DXY) is now trading around 96.75-97.45. We continue to expect further US dollar weakness, mainly as US stocks and US rates are showing considerable underperformance vs European and Global benchmarks (see charts at right). This underperformance is materially surprising given that US growth continues to be quite strong and some of the best in the world.

Our interpretation of the [USD's weakness rests on three pillars](#). First, asset hedging flows as investors diversify away from concentrated US exposures. Second, a rotation of capital allocation toward previously underweight non-US developed and emerging markets. Third, rising risk premia embedded in US assets—reflected partly in the steepening of the US Treasury curve (2s10s), which reached 73bps recently. A steeper rates curve is generally associated with FX weakness as investors demand compensation for duration and convexity risk, leading to reduced demand for dollar-denominated duration assets and encouraging reallocation to alternative currency exposures.

6-12 Month Outlook – Weakness builds

The medium-term case for USD weakness remains very 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](#) for additional color).

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

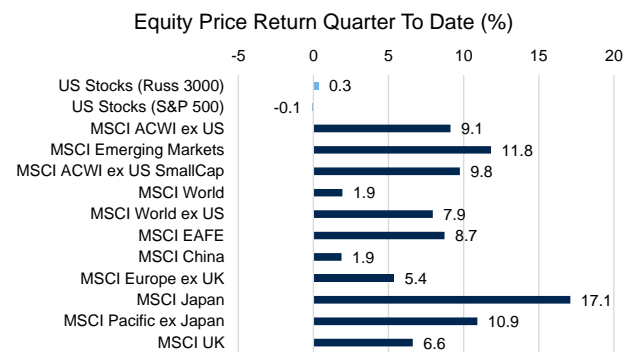
Source: RBC Capital Markets estimates

Indicators

	Current (Previous)*
Official cash rate	3.50-3.75% (3.50-3.75%)
Trend interest rates (10yr average)	2.23%
Bias in interest rate market	Lower
Core PCE Inflation %Y/Y	2.4 (2.7)
Inflation target	2.00%
Budget balance % GDP	-5.4% (-6.9%)
Budget balance target % GDP	-6.2%
GDP Growth % q/q saar	4.4 (3.8)
Trend GDP %	2.8
Purchasing Power Parity Value	-
Spot	-
PPP Valuation	-
Current account balance % GDP	-4 (-4.4)
Trend current account balance % GDP	-2.9
Moody's Foreign Currency Rating	Aa1
Outlook	STABLE

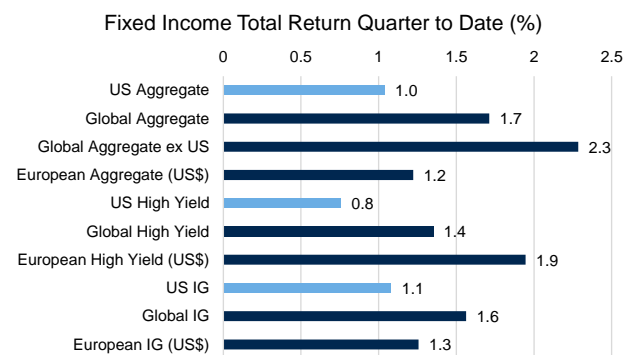
* Current is latest month, quarter or year

1. US Equities are Underperforming Global Benchmarks



Source: Bloomberg, RBC Capital Markets

2. US Rates are Underperforming Global Benchmarks



Source: Bloomberg, RBC Capital Markets

Euro

Richard Cochinos, CFA, FRM, CAIA

1-3 Month Outlook – Breaking range

EURUSD broke decisively above its 1.15-1.18 range that held for five months, rallying to a 2026 high of 1.2082 on January 27 before consolidating. The most significant driver remains broad-based USD weakness, and a contrasting policy outlook between the Federal Reserve and the ECB. What was previously expected as a potential easing cycle for the ECB in 2026 has now shifted—markets price no change for 2026. This policy divergence has strengthened the euro on the front end. Second, we note the cost of hedging USD assets back to EUR is in the bottom 25%ile since 2022.

Recent inflation data has reinforced the bullish euro case. Eurozone headline inflation declined to 1.7% in January from 2.0%, falling below the ECB's 2% target, while core inflation eased to 2.2%. This undershooting paradoxically supports the euro by reducing near-term devaluation risk and providing the ECB cover to remain on hold without urgency for cuts. Meanwhile, the eurozone economy remains resilient—the composite PMI held steady at 51.5 in January despite moderating services growth. This combination of sub-target inflation and steady growth creates an asymmetric policy backdrop relative to the Fed's hold, favoring euro appreciation.

German elections in March represent a meaningful near-term catalyst, though we maintain a steady outlook through that event. Progress on Ukraine peace solutions continues to support European positioning. We see the currency consolidating near-term while maintaining a positive bias over the medium term.

6-12 Month Outlook – We maintain an upward bias to 1.24 target to end-2027

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.

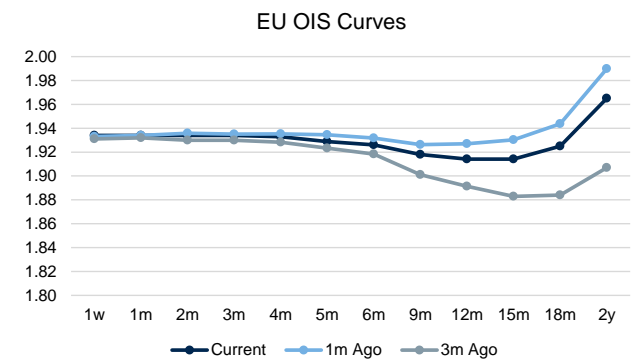
We are aware of the headwinds to long-term EUR/USD strength – US productivity growth outperforms Europe's, there is no good European alternative to USTs, the US dominates Europe in AI and tech and the EU also still has an undercurrent of political risk. Taken on balance, we are comfortable with our target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

Indicators

	Current (Previous)*
Official cash rate (ECB main refi rate)	2.15% (2.15%)
Trend interest rates 10y average	1.11%
Bias in interest rate market	Neutral
HICP core Inflation %Y/Y last (prev)	2.2 (2.3)
Inflation target	2.00%
Budget balance % GDP 2024 (2023)	-3.1% (-3.5%)
Budget balance target % GDP	-2.8%
GDP Growth %Y/Y last (prev)	0.9 (0.9)
Trend GDP %y/y	1.5
Purchasing Power Parity Value Jan	1.1430
Spot-now	1.1851
PPP Valuation	EUR/USD is overvalued
Current account % GDP last (prev)	1.8 (2.1)
Trend current account balance % GDP	2.2
Moody's Foreign Currency Rating (Germany)	Aaa
Outlook	STABLE

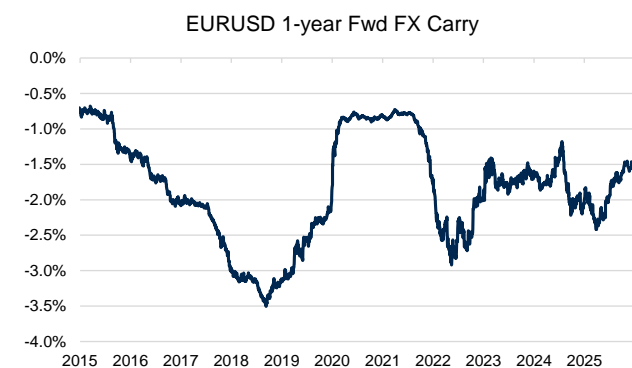
* Current is latest month, quarter or year

1. European rates are flat for nearly all of 2026



Source: RBC Capital Markets

2. FX hedging costs for EU managers in bottom quartile



Source: RBC Capital Markets

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

Japanese Yen

1-3 Month Outlook – Yen-thusiasm!

We maintain a bullish view on the JPY over the next few months. In [Japan's Coming Sea Change](#) we highlighted a JGB shift that would destabilize fixed income and USDJPY flows. We believe we are now in the early innings of such a rotation - in both rates and FX. We update our earlier work and highlight the goalposts to evaluate this trade from a domestic and foreign portfolio perspective.

There are four parts to the Japanese rotation trade – incentives, break evens, asset holdings, and expected flows. We cover the details below. Two factors will determine the foreign JGB demand – duration equivalence and FX carry. Interest is rising. As the breakeven between the US and Japan falls in duration, significantly larger notional amounts will be applied to this trade – raising the FX impact. All point to a preferred habitat shift in rates - and a stronger Yen. This is a long-cycle theme. Expect the impact on rates and currency throughout 2026 and 2027. Our preferred structures that reflect this horizon are 1-year USDJPY digital puts and 6-month USDJPY put spreads funded with call spreads. We maintain USDJPY for 147 end-26 and 135 end-2027.

6-12 Month Outlook – Positive on Japanese inflows

Over the next 12 months, Japan is poised for [a significant financial transformation](#) that we expect will be 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 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.

For the first time since 2020, Japanese investors will have domestic yields high enough to incentivize keeping capital at home. Looking ahead to 2026 and 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 (QQE), which is forcing private investors to absorb an additional 1% of JGB supply each quarter. This shift has already led to a \$100 billion reduction in foreign bond purchases. Falling hedging costs—projected to decline by 50–180 basis points by 2026—could drive up to \$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

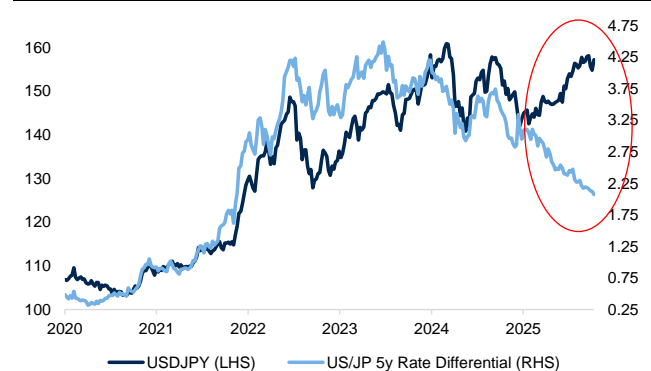
Richard Cochinos, CFA, FRM, CAIA

Indicators

	Current (Previous)*
Official cash rate	0.75% (0.75%)
Trend interest rates 10y average	-0.01%
Bias in interest rate market	Hiking
CPI Inflation %Y/Y last (prev)	2.1 (2.9)
Inflation target	2.00%
Budget balance % GDP 2024 (2023)	-2.26% (-4.2%)
Budget balance trend % GDP	-4.1%
GDP Growth %Y/Y last (prev)	0.6 (2)
Trend GDP %Y/Y	0.5
Purchasing Power Parity Value Jan	115
Spot-now	154.78
PPP Valuation	USD/JPY is overvalued
Current a/c balance sa % GDP last (prev)	4.8 (4.8)
Trend current account balance % GDP	3.6
Moody's Foreign Currency Rating	A1
Outlook	STABLE

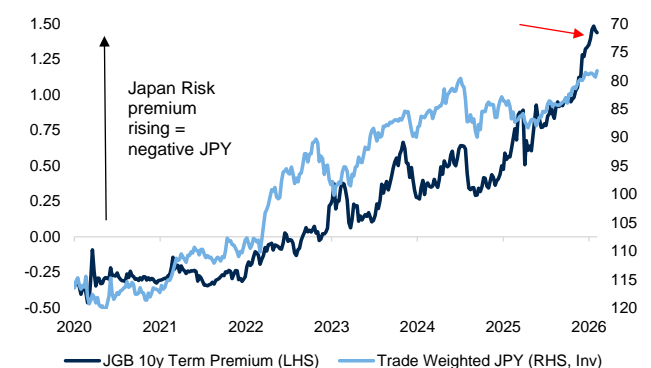
* Current is latest month, quarter or year

1. USDJPY and US/JP 5y Rate Differential



Source: Bloomberg, RBC Capital Markets

2. Lower risk premium should help JPY to appreciate



Source: Bloomberg, RBC Capital Markets

Sterling

George Moran

1-3 Month Outlook – The Bank of England is honing in on neutral

In the near-term the Bank of England is likely to be the key driver of the currency. Despite a more dovish vote split at its February meeting than we expected the market is pricing 48bp of cuts by the end of the year – roughly the same as at the time of the last CRC. Our economist is calling for two further cuts in March and July. The risks look clearly skewed towards more cuts being delivered than is being priced. The labour market is displaying growing cracks that show little sign of growing. The unemployment rate has now exceeded 5%. Although the BoE's Governor Bailey said he was comfortable with a neutral interest rate of 3.25% so that is likely to anchor the market for now. Nevertheless, GBP yields are still at the upper range of the G10, so the carry is not favorable for short GBP view. It is probably best to express via pairs like short GBP/NOK.

6-12 Month Outlook – Fiscal risks are back!

Fiscal concerns were a perennial source of pressure for sterling in 2025 with markets frequently questioning the UK government's commitment to its fiscal rules. That uncertainty surrounding Budgets has largely been eliminated going into 2026 which should make sterling more immune to selling pressure. However, new fiscal risks have emerged from a potential change in leadership of the governing party.

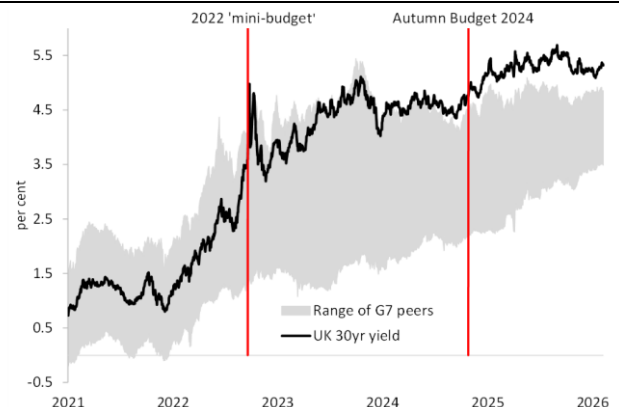
Recently, there has been intense speculation that PM Starmer may be forced to resign after a string of scandals. Local elections in early May are widely seen as a key test of the Prime Minister's leadership and media chatter about a potential challenge is unlikely to abate. The market's default assumption appears to be that a change of Prime Minister/Chancellor would pivot the incumbent Labour government to the left. The market has previously reacted negatively when it appeared that the Chancellor might be about to be replaced, though we are less convinced that outcome is the given that is sometimes assumed. Therefore, while some GBP downside risks can be priced out of 2026, new uncertainties may emerge.

Indicators

	Current (Previous)*
Bank of England Base Rate	3.75% (4%)
Trend interest rates 10y average	1.79%
Bias in interest rate market	Easing
CPI Inflation %Y/Y last (prev)	3.2 (3.6)
Inflation target	2%
Budget balance % GDP 2023 (2022)	-5.1% (-5.2%)
Budget balance target % GDP	-5%
GDP Growth %Y/Y last (prev)	1.3 (1.4)
Trend GDP %Y/Y	1.6
Purchasing Power Parity Value Jan	1.2045
Spot-now	1.3686
PPP Valuation	GBP/USD is overvalued
Current a/c balance % GDP last (prev)	-2.7 (-2.8)
Trend current account balance % GDP	-3.2
Moody's Foreign Currency Rating	Aa3
Outlook	STABLE

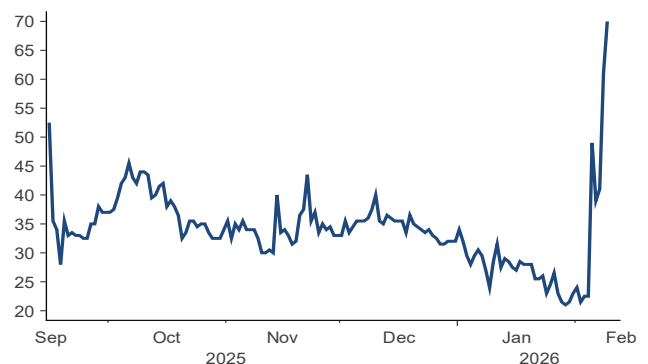
* Current is latest month, quarter or year

1. UK 30-year Gilt yield vs. G7 peers



Source: RBC Capital Markets, Bloomberg

2. Polymarket odds of Keir Starmer resigning by 30th June 2026



Source: RBC Capital Markets, Bloomberg

Forecasts

	2026				2027			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
GBP/USD	1.33	1.34	1.34	1.36	1.38	1.39	1.39	1.39
EUR/GBP	0.87	0.87	0.88	0.88	0.88	0.88	0.89	0.89
GBP/JPY	208	206	201	200	199	195	192	188
GBP/CAD	1.83	1.84	1.82	1.83	1.84	1.83	1.82	1.81

Source: RBC Capital Markets estimates

Swiss Franc

George Moran

1-3 Month Outlook – CHF remains the ‘super haven’

Since our last Currency Report Card, CHF has strengthened 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. A key risk to the franc – tariffs – was removed when Switzerland renegotiated the headline tariff rate to 15% from 39% previously. This CHF strength is likely to endure in the near-term even though the economic data has been weak.

While the growth data is holding up, deflationary risks are growing further 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. Yet, in the near-term the SNB appears reluctant to reach for any of its policy levels as confirmed by the recent meeting minutes. Its policy rate is already at zero and the board appears reluctant to go into negative rates territory despite the precedent for it.

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.

Having said that, the medium-term conversations around FX intervention are only likely to grow, especially given renewed CHF strength over the past month. Imported inflation is very weak in Switzerland (actually negative) and that situation is likely to persist as long as the pressures from the current account and safe haven status persist. Although with a tariff trade agreement made and the issue of trade generally appearing to occupy less of Trump’s attention, the SNB may be less fearful of the political consequences of FX intervention. We think FX intervention at some point over the next year is likely, but timing is a challenge. Instead of a spot trade a view on FX intervention may be better expressed through options, for example EUR/CHF call spreads.

Forecasts

	2026				2027			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CHF	0.78	0.77	0.78	0.78	0.78	0.77	0.76	0.75
EUR/CHF	0.91	0.90	0.92	0.94	0.94	0.94	0.93	0.93
CHF/JPY	199	199	192	188	185	183	183	180
CAD/CHF	0.57	0.56	0.57	0.58	0.58	0.58	0.58	0.58

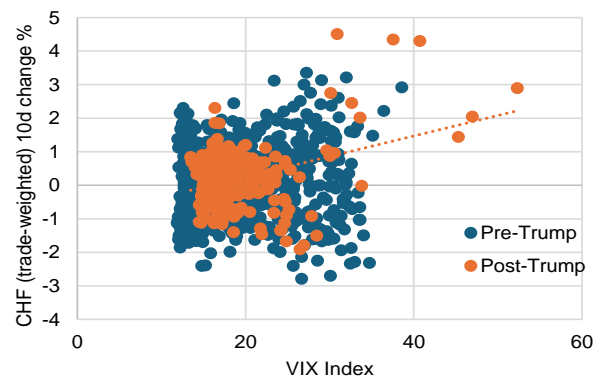
Source: RBC Capital Markets estimates

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 Jan (Dec)	0.1% (0.1%)
Inflation target	less than 2.0%
Budget balance % GDP 2024 (2023)	0.1% (-0.4%)
Budget balance target % GDP	Balanced over the business cycle
GDP Growth %Y/Y Q3 (Q2)	1.5% (1.3%)
Trend GDP %Y/Y	1.8%
EUR Purchasing Power Parity Value Jan	0.9389
EUR/CHF spot-now	0.9161
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%
Moody’s Foreign Currency Rating	Aaa
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 – Fiscal policy tailwinds for growth

We are constructive on the Swedish krona in 2026. The green shoots 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. This is despite the economic recovery taking a little bit longer than we expected and the labour market 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. A major part of this package is a temporary 50% cut in the VAT rate on food, which should lead to a sharp mechanical drop in the y/y rate of inflation. So, while we think the growth environment can improve in Sweden, inflation is likely to undershoot the 2% target in 2026 which would probably make a pivot towards hikes a distant possibility in the near term. For context that is about the same size as the German fiscal stimulus.

In terms of risks, SEK is highly exposed to any escalation in geopolitical tensions, given it is a risk-on currency.

Norwegian Krone – Inflation is a problem

The Norwegian krone has had a very strong start to the year and our short EUR/NOK trade idea is comfortably in the money. There was a very strong upside surprise to underlying inflation in January (3.4% y/y vs 3.0% consensus). That led to a sharp repricing for Norges Bank and a slight hiking bias emerging. We think inflation continues to be an issue for Norway and no longer expect a cut 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%. With wage pressures still strong and domestic inflation high, we do not expect rate cuts in 2026 and see a scenario where 4% is the “new neutral” in Norway and we remain at these levels for a considerable period. Therefore, we think NOK strength can extend in 2026.

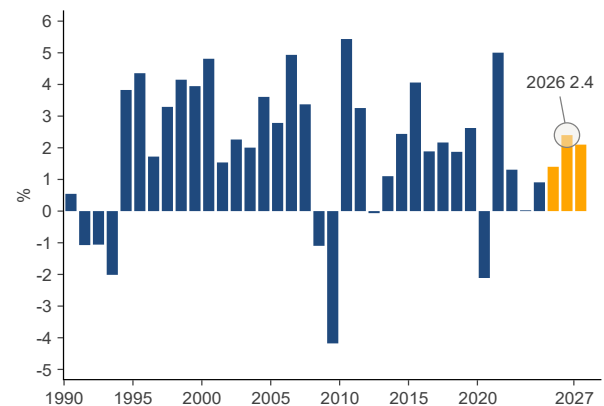
Norway’s economy is far more oil sensitive than Sweden, so higher oil prices have supported a drift higher in NOK/SEK in the first few weeks of 2026. Like SEK, Norway is a very risk-sensitive currency – in fact NOK/SEK trades more like a risk-on currency pair.

Indicators - Sweden

	Current (Previous)*
Official cash rate	1.75 % (1.75%)
Trend interest rates 10y average	0.577%
Bias in interest rate market	Neutral
CPI Inflation %Y/Y Jan (Dec)	2.0% (2.1%)
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 Jan	10.5914
Spot-now	10.5719
PPP Valuation	EUR/SEK is slightly 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. Sweden’s annual growth rate projections (consensus forecast in orange)



Source: RBC Capital Markets, SCB, Bloomberg

2. Norway underlying inflation CPI-ATE %/y



Source: RBC Capital Markets, Bloomberg

Forecasts

	2026				2027			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/SEK	10.60	10.40	10.30	10.20	10.10	10.00	9.90	9.80
EUR/NOK	11.25	11.15	11.05	10.95	10.85	10.75	10.65	10.55
NOK/SEK	0.94	0.93	0.93	0.93	0.93	0.93	0.93	0.93
CAD/SEK	6.67	6.49	6.42	6.34	6.28	6.21	6.14	6.08

Source: RBC Capital Markets estimates

Canadian Dollar

1-3 Month Outlook – Trade headlines in the spotlight

Since our last update, USD/CAD has taken a sharp leg lower, reaching a low of 1.3482 amid broad-based USD weakness, with the decline materializing faster and earlier than expected. We are nudging our end-Q1 forecast to 1.3700 (prior 1.3800) and keeping the rest of the profile unchanged.

In the short-term, both the BoC and the Fed are likely to be on hold, leaving the US-CA rates spreads relatively wide and therefore the cost of USD hedging for Canadian-based investors high. At the [January MPR meeting](#), the BoC signaled that they are comfortable with the current policy rate at the bottom end of their estimated neutral range of 2.25-3.25%, and flagged two-way risks for the policy stance amid “elevated uncertainty” (e.g. USMCA & geopolitics).

Adding to this, CAD faces potential trade volatility. Our base case has been that this year’s peak trade uncertainty is likely to materialize in H1 than H2 given the US midterm elections in November. The worst-case scenarios are 1) the US removing Canada’s USMCA exemption for a prolonged period of time, or 2) the US giving a 6m withdrawal notice without a new US-CA trade agreement in place within the 6m window – these are not part of our central scenario.

Given the ongoing wide interest rate differentials, potential trade volatility, and Canadians continuing to buy US securities, the hurdle is high for another aggressive near-term leg lower in USD/CAD. It would require either labor market weakness in the US (which would prompt Fed cuts) or US policy uncertainty.

6-12 Month Outlook – USD/CAD decline in long-run

We continue to expect a long-run decline in USD/CAD to 1.3400 by end-2026 and 1.3000 by end-2027. There are three underlying assumptions: 1) the BoC shifting to rate hikes as the [output gap narrows](#) (base case: gradual hikes starting in 2027 with the risk by end-2026), 2) broad-based USD weakness (see pg. 3), and 3) most Canadian exports continuing to enter the US duty-free.

Upside risks to our profile are a material deterioration in Canadian growth that causes a resumption of BoC cuts, markets repricing US exceptionalism, or materialization of the [worst scenarios](#) in the USMCA renegotiations.

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

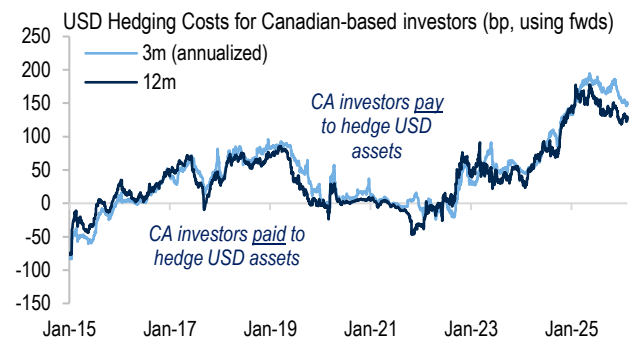
Source: RBC Capital Markets estimates

Indicators

	Current (Previous)*
Official cash rate	2.25% (2.25%)
Trend interest rates 10y average	1.91%
Bias in interest rate market	Slight easing
Core CPI Inflation (Trim) %Y/Y last (prev)	2.7 (2.7)
CPI inflation target range %Y/Y	1-3%
Budget balance % GDP 2025 (2024)	-2.0% (-1.2%)
Budget balance target % GDP	-2.3%
GDP growth %Q/Q saar last (prev)	2.6 (-1.8)
Trend GDP %Q/Q	2.4
Purchasing Power Parity value Jan	1.2866
Spot-now	1.3610
PPP valuation	USD/CAD is overvalued
Current acct balance % GDP last (prev)	-1.1 (-0.9)
Trend current account balance % GDP	-1.6
Moody’s foreign currency rating	Aaa
Outlook	Stable

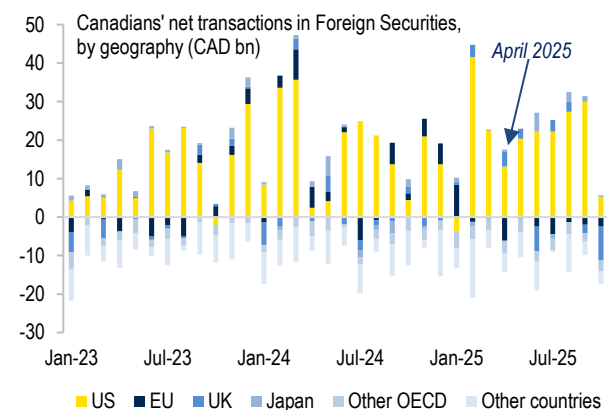
* Current is latest month, quarter or year

1. BoC & Fed on hold - rates spreads wide for now



Source: Bloomberg, RBC Capital Markets

2. Canadians are still buyers of Foreign Securities



Source: Statistics Canada, Macrobond, RBCCM. Note: This is only Canadians' net transactions in Foreign Securities (excludes Foreigners' transactions in Canada).

Australian Dollar & New Zealand Dollar

Richard Cochinos, CFA, FRM, CAIA

AUD Outlook – Upward momentum

AUDUSD has rallied sharply over the past two months, breaking decisively above multi-year resistance levels to reach 0.7125, its highest level in years.

Three main trends underpin the recent surge in the AUD, helping keep us bullish over the near term. First, AUD is now the highest yielding currency in the G10. This is a structural change for the AUD relative to other G10 currencies and should continue to support investment inflows over the medium-term. Australia’s debt is now the highest yielding across the curve and looks like it will remain that way. This creates a positive carry on the AUD relative to EUR and USD. It is very likely that hedging flows by Australian based investment funds underpin part of the recent AUD strength.

Second, a cyclical theme which is emerging across investment markets is strong upward pressure on non-energy commodities – notable precious metals, industrial metals and other minerals. This leaves Australia well placed to benefit from the upward pressure this impacts terms-of-trade with the global grab for commodities underway. Third, expansionary policies in Japan and expectations for China stimulus to be announced in March keep investors optimistic on growth for the region. China (37%) and Japan (16%) are Australia’s first and second largest export destinations totaling A\$160bn per year.

NZD Outlook – An improving but still underperforming outlook

The New Zealand Dollar has appreciated since the beginning of 2026, but remains unable to break above its 2025 highs, trading around 0.60 amid a divergent monetary outlook relative to its regional peer Australia. Recent economic data has been mixed, with unemployment rising unexpectedly to a decade-high of 5.4% in early February, while employment growth only modestly beat expectations, suggesting limited near-term pressure for the RBNZ to hike.

Retail spending has remained resilient with 6% year-over-year growth in January, but broader economic growth is expected to recover only gradually at around 1% as inflation moderates toward the target band. The RBNZ is expected to drop its near-term easing bias in its February statement but has signaled caution given the labor market weakness, placing the NZD at a structural disadvantage versus the more hawkish AUD and limiting upside momentum for the currency pair near-term.

Forecasts

	2026				2027			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
AUD/USD	0.67	0.68	0.69	0.70	0.70	0.69	0.70	0.72
NZD/USD	0.58	0.59	0.61	0.62	0.62	0.63	0.63	0.63
AUD/NZD	1.16	1.15	1.13	1.13	1.13	1.10	1.11	1.14
AUD/CAD	0.92	0.93	0.94	0.94	0.93	0.91	0.92	0.94

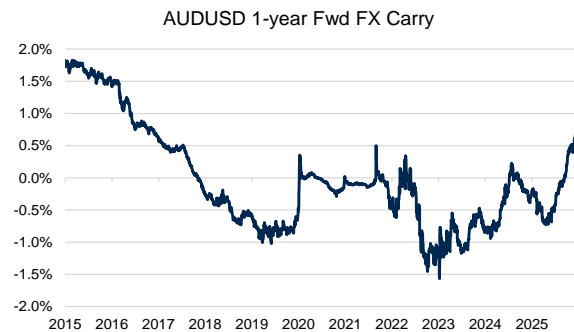
Source: RBC Capital Markets estimates

Australia Indicators

	Current (Previous)*
RBA cash rate	3.85% (3.6%)
Trend interest rates (10yr average)	1.98%
Bias in interest rate market	Hiking
CPI Inflation %Y/Y last (prev)	3.8 (3.4)
Inflation target	2.0-3.0%
Budget balance % GDP last (prev)	-2.6% (-3.9%)
Budget balance trend % GDP	-2.9%
GDP Growth % y/y last (prev)	2.1 (2)
Trend GDP %y/y	2.3
Purchasing Power Parity Value Q4	0.7034
Spot	0.7076
PPP valuation	AUD/USD is overvalued
Current acct balance % GDP last (prev)	-2.4 (-2.4)
Trend current account balance % GDP	-1.1
Moody's Foreign Currency Rating	Aaa
Outlook	STABLE

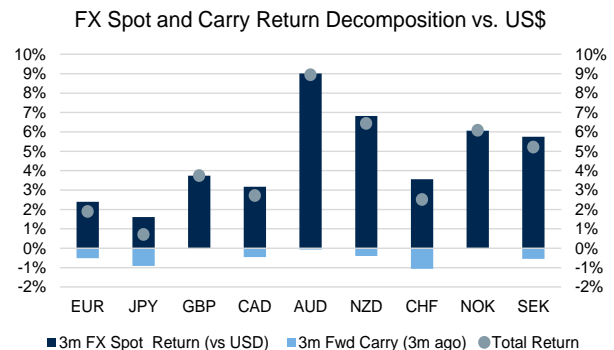
* Current is latest month, quarter or year

1. AUDUSD carry is the highest it's been since 2017



Source: Bloomberg, RBCCM.

2. AUD is outperforming all G10 currencies



Source: RBC Global Markets

Chinese Yuan

Abbas Keshvani

1-3 Month Outlook – Going into NPC

The National People’s Congress starts on March 5th, 2026. At this meeting, China will ratify its Five Year Plan and announce its latest growth target. Recent communiqués from policymakers indicate that China is preparing to launch fiscal [stimulus](#) to counter the diminishing growth impulse from investment and exports. This stimulus could be unveiled in conjunction with the next Five Year Plan. Such an announcement would boost the cyclical outlook for China and turbo-charge the equity rally, leading to stronger foreign inflows and the next leg lower in USD/CNH.

6-12 Month Outlook – Bullish

A growing consensus is emerging both externally and domestically that CNY should be stronger. The US Treasury recently labelled CNY as being “[substantially undervalued](#)”. EU stakeholders have also been more vocal about competition from Chinese goods due to a [weak](#) CNY. Domestically, a 2024 speech by Xi Jinping was recently published in which he emphasized the need for a “[strong currency](#)”.

The PBoC appears to be heeding this consensus for a stronger CNY. The fix has dipped below 6.95, from 7.08 three months ago.

The impact of these fixings has been to re-anchor expectations for CNY towards currency appreciation. This is evident in spot breaking below the fix for the first time in years – previously onshore participants would have used the fix to load up on dollars. These expectations for CNY strength are “switching on” China’s annual trade surplus of \$1tn, in that exporters will be more inclined to sell dollars.

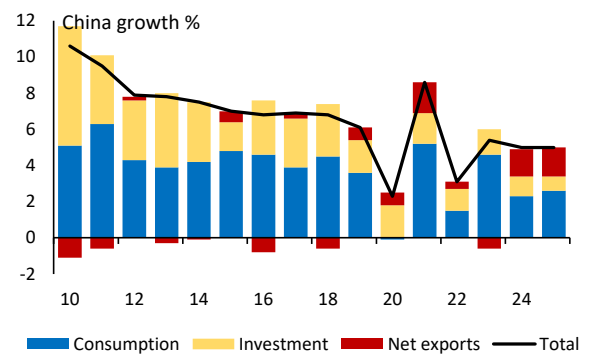
We continue to recommend being long CNH both [via 12m forwards](#) and in [options](#).

Indicators

	Current (Previous)*
China 1-year loan prime rate	3.00%
Trend interest rates (10yr average)	3.85%
Bias in interest rate market	Lower
CPI Inflation %Y/Y last (prev)	+0.8% (+0.7%)
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 Jan	6.0818
Spot-now	6.9568
PPP valuation	USD/CNY is overvalued
Current acct balance % GDP last (prev)	3.4% (3.2%)
Trend current account balance % GDP	1.7%
Moody’s Foreign Currency Rating	A1
Outlook	NEG

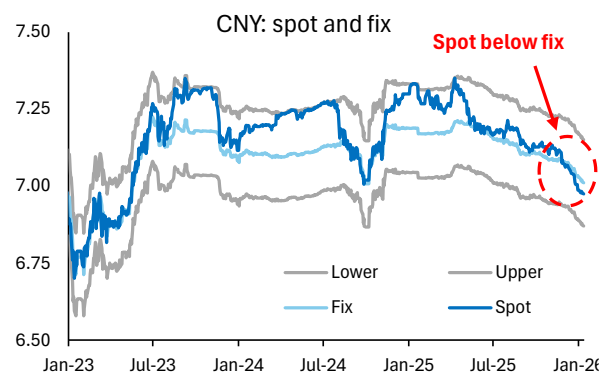
* Current is latest month, quarter or year

1. Investment is contributing less to growth in China



Source: RBC Capital Markets; Bloomberg

2. CNY spot is trading below fix



Source: RBC Capital Markets; Bloomberg

Forecasts

	2026				2027			
	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f
USD/CNY	6.85	6.82	6.80	6.78	6.76	6.74	6.72	6.70
EUR/CNY	7.95	7.98	8.02	8.13	8.17	8.22	8.26	8.30
CNY/JPY	22.8	22.4	22.1	21.7	21.3	20.9	20.6	20.2
CAD/CNY	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 – Authorities guarding currency

Authorities have exhibited, over the last year, a willingness to defend 1,480 via various measures. The US has already signaled its support for this FX defense, with Treasury secretary Scott Bessent recently noting that weakness in the Won is undesirable. In addition to BoK and NPS selling dollars when needed, authorities are scrutinizing exporters to screen for hoarding of dollars and retail investors are being offered tax cuts if they rotate out of foreign stocks and into Korea stocks.

6-12 Month Outlook – WGBI to the rescue

We think the worst is over for KRW. Korea’s inclusion in the WGBI bond index from April will likely lead to ~\$7b of monthly FX-unhedged inflows into KRW debt. The flows may start before April (when China was added to the GBI-EM index in 2020, active investors front-ran the inclusion by a few months). These bond inflows should finally bring Korea’s financial account into balance, offsetting dollar demand from retail investors and FDI.

Moreover, local equity investors are likely to repatriate some of their funds in the coming months. Koreans must report profits on their equity investments by May and are liable to 22% capital gains tax. But under the Reshoring Investment Account (RIA) scheme, Koreans can enjoy relief from these taxes if they sell their foreign stocks and use the proceeds to buy local stocks. The S&P would have to therefore have to outperform Korean equities by a factor of ~1.25 over the next year to make it worthwhile for Koreans to stay invested in foreign equities – in reality, KOSPI has been outperforming global equities. As a result we are likely to see inflows, or at least reduced outflows as the scheme is rolled out.

With spot having likely peaked (it reached 1,485 in December), exporters will likely take heart and start selling dollars. In December, the government was scrutinizing exporters to encourage conversion, indicating that there is a backlog of unconverted proceeds.

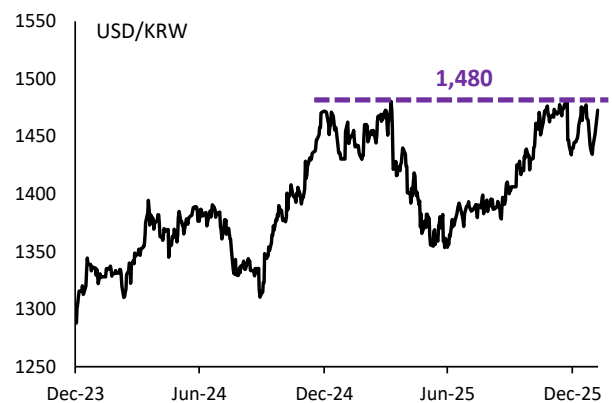
We recommend being long KRW both [via 12m forwards](#) and in [options](#).

Indicators

	Current (Previous)*
BOK Base Rate	2.50%
Trend interest rates (10yr average)	1.85%
Bias in interest rate market	Stable
CPI Inflation %Y/Y last (prev)	2.0% (2.3%)
Inflation target	2.0%
GDP Growth % y/y last (prev)	1.5% (1.8%)
Trend GDP %y/y	2.4%
Purchasing Power Parity Value Jan	1,174
Spot-now	1,445
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

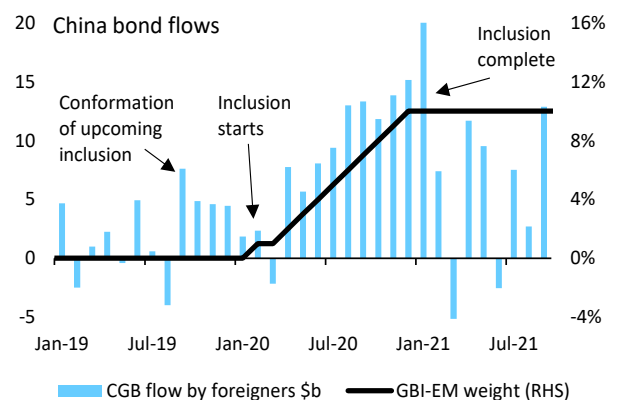
* Current is latest month, quarter or year

1. Authorities are guarding 1,480



Source: Bloomberg, RBC Capital Markets

2. Market can front-run index inclusion



Source: Haver, RBC Capital Markets

Forecasts

	2026				2027			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/KRW	1425	1400	1375	1375	1385	1400	1410	1420
EUR/KRW	1653	1638	1623	1650	1676	1708	1734	1761
JPY/KRW	9.13	9.15	9.17	9.35	9.62	9.93	10.22	10.52
CAD/KRW	1040	1022	1011	1026	1041	1061	1076	1092

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 and other CNY-sensitive currencies have seen similar appreciation. TWD remains Asia's worst performer over the last six months, so there is a notable amount of catching up that can take place. But the catalyst for this remains elusive.

Regulatory [changes](#) reduce the need for life insurance companies ("lifers") to FX-hedge their foreign bond holdings. As a result, many lifers will increasingly be accessing dollars via spot instead of swaps (the latter incurs hedging costs). This will support spot in the near term.

6-12 Month Outlook – Phantom surplus

There remains a wall of dollars waiting to come back – exporters last year reaped a trade surplus that was \$90b in excess of previous years. We envisage a scenario whereby greater conversion by exporters could lead to outsized moves in TWD, but a catalyst remains elusive.

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.

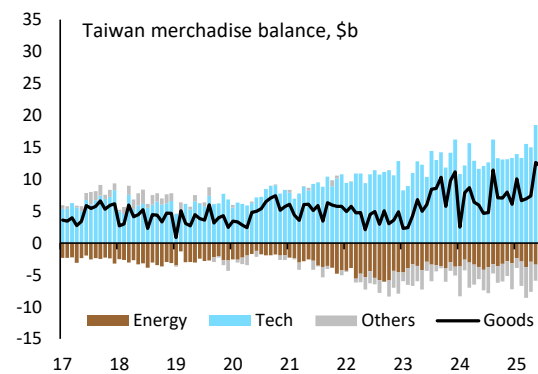
The US Treasury lacks the motivation to scrutinize TWD weakness in the same way that they are watching weakness in CNY and KRW. Since Taiwan's advanced chip exports do not compete with homegrown American chips for now, there is little impetus for the US Treasury to demand for a stronger TWD – doing so 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	Stable
CPI Inflation %Y/Y last (prev)	0.7% (1.3%)
Budget balance % GDP last (prev)	-0.7% (-1.7%)
Budget balance trend % GDP	1.3%
GDP Growth % y/y last (prev)	12.7% (8.2%)
Trend GDP %y/y	3.9%
Purchasing Power Parity Value Jan	28.09
Spot-now	31.47
PPP valuation	USD/TWD is overvalued
Current account balance % GDP last (prev)	16.7% (15.0%)
Trend current account balance % GDP	13.6%
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 Taiwan's goods 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	31.00	30.50	30.25	30.00	30.00
EUR/TWD	36.54	36.56	36.58	37.20	36.91	36.91	36.90	37.20
TWD/JPY	4.95	4.90	4.84	4.74	4.72	4.66	4.60	4.50
CAD/TWD	22.99	22.81	22.79	23.13	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

INR spot briefly broke into the 91-92 range in late January, after having just broken above 90 in December. Although it is now back in the 90-91 range, the fact that the central bank allowed two breakouts so close together suggests a more permissive attitude towards FX weakness. But it is too early to conclude a regime shift with regards to FX intervention.

6-12 Month Outlook – Slow bleed

Over the medium term, we expect RBI to allow slow and gradual depreciation of INR. 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.

The overall current account is likely to remain manageable at around 1% of GDP in 2026. India’s trade deficit is likely to widen from the current \$300b per year due to higher oil prices (both from higher Brent prices and India halting imports of cheap Russian crude), higher defense expenditure, and strong domestic demand for imports. This is offset by the services sector, whose surplus was \$200b in 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.

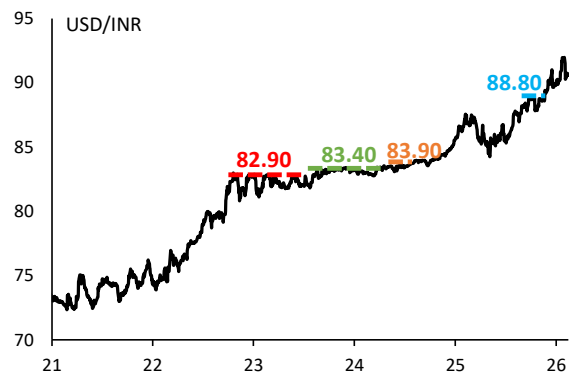
Over the longer term, the RBI might have to evaluate its management of the currency. FX reserves net of forwards have dipped to \$490b, from \$550b two years ago. While the RBI’s reserves are currently ample, the current pace of intervention is unlikely to sustain.

Indicators

	Current (Previous)*
RBI repo rate	5.25%
Trend interest rates (10yr average)	5.66%
Bias in interest rate market	Stable
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	-5.0%
GDP Growth % y/y last (prev)	8.2% (7.8%)
Trend GDP %y/y	6.2%
Purchasing Power Parity Value Jan	78.98
Spot-now	91.99
PPP valuation	USD/INR is overvalued
Current account balance % GDP last (prev)	-0.3% (-0.5%)
Trend current account balance % GDP	-1.0%
Moody’s Foreign Currency Rating	Baa3
Outlook	Stable

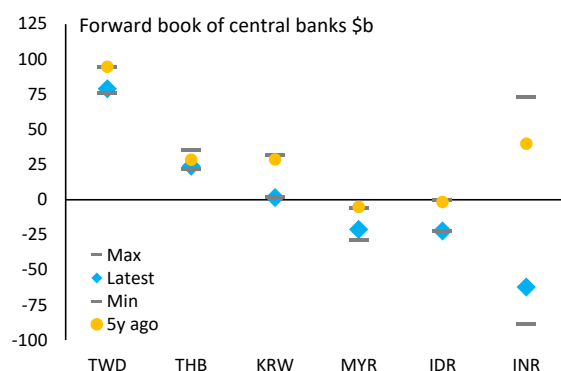
* Current is latest month, quarter or year

1. RBI lines in the sand



Note: Source: RBC Capital Markets; Bloomberg

2. RBI have a negative forward book



Source: RBC Capital Markets, Haver

Forecasts

	2026				2027			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/INR	90.50	90.50	90.75	90.75	91.00	91.00	91.25	91.25
EUR/INR	105	106	107	109	110	111	112	113
INR/JPY	1.72	1.69	1.65	1.62	1.58	1.55	1.51	1.48
CAD/INR	66.1	66.1	66.7	67.7	68.4	68.9	69.7	70.2

Source: RBC Capital Markets estimates

Brazilian Real

Luis Estrada

1-3 Month outlook – Easing Cycle begins soon

BRL has appreciated 4.8% versus USD in the first six weeks of the year, already delivering a substantial portion of our expected 7% total spot return (see [2026 FX Trades](#) Figure 1). The rally to 5.1650 reflects improving domestic sentiment and anticipation of the upcoming BCB easing cycle. The key event this month was the BCB's clear communication that rate cuts will begin at the March 18th MPC meeting. Markets have largely anticipated this shift, already pricing 250bps of easing in 2026 and an additional 150bps in 2027. We expect the initial move to be a 50bps cut, bringing the Selic to 14.50%.

Rather than undermining BRL, the start of easing may attract bond investors seeking to capture the duration rally as the cycle begins. Some investors may wait for formal confirmation in March before positioning more aggressively. Importantly, the easing cycle is expected to pause around 12.50%, a level that remains high relative to global peers and preserves Brazil's carry advantage.

The first week of April is critical ([Brazil Elections history](#) Figure 2). The deadline for government officials to step down if they plan to run in the presidential election will likely generate the highest short-term volatility in USDBRL, particularly if Tarcísio de Freitas joins the presidential race. Once the candidate field becomes clearer—especially if Freitas remains outside the race—volatility should begin to stabilize. In the near term, we expect USDBRL to remain supported by carry and inflows, though highly sensitive to election-related headlines.

6-12 Month Outlook – Growth and Politics drive risks

Looking further ahead, macro dynamics are becoming more constructive. GDP growth expectations are trending higher than initially projected and are approaching 2% for 2026. Government programs aimed at stimulating the construction industry, combined with easier financial conditions, are supporting activity. Lower rates, stronger equities, and a stronger BRL provide a positive feedback loop for domestic demand in the near term.

Political risk will increasingly shape FX direction as October approaches. Volatility could diminish if Lula maintains a clear lead over his primary contender, Flávio Bolsonaro, reducing uncertainty around the policy outlook. In that scenario, BRL would benefit from improving growth and still-attractive real yields to reach the 5.00 YE-26 objective.

Forecasts

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

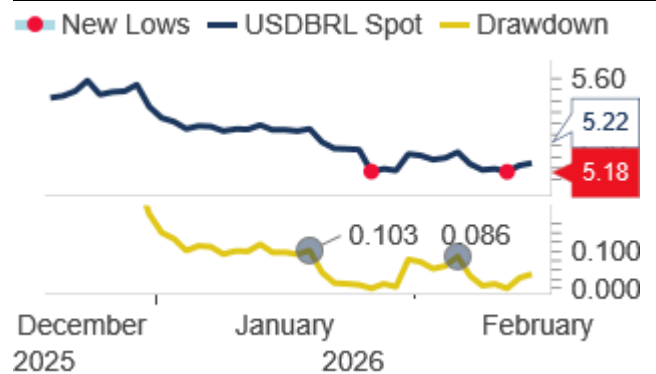
Source: RBC Capital Markets estimates

Indicators

	Current (Previous)*
Official policy rate	15.00(15.0)
Trend O/N interest rates (10yr avg)	9.60
Bias in interest rate market	Easing
Headline Inflation %Y/Y last(prev)	4.44% (4.26%)
Inflation target (range)	3% (1.5%-4.5%)
Budget balance % GDP last(prev)	-8.34% (-8.13%)
Budget balance forecast % GDP(26E)	-8.21 %
GDP Growth % y/y 26(25)	1.80% (2.30%)
Trend GDP %y/y (10y avg)	1.46%
Purchasing Power Parity Value	4.9300
Spot end-Jan	5.2634
PPP Valuation	USD/BRL is overvalued
Current acct balance % GDP ('26 ('25))	-2.80%(-4.05%)
Trend current acct balance % GDP (10y avg)	-2.30%
Moody's Foreign Currency Rating	Ba1(5/25)
Outlook	Stable (5/25)

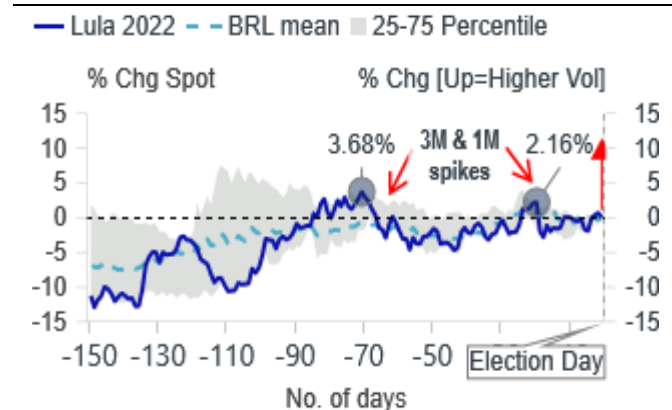
* Current is latest month, quarter, or year

1. USDBRL Drawdowns since 2026 FX Trades published



Source: RBC Capital Markets

2. USDBRL volatility spike 70 sessions prior to elections



Source: BCB, RBC Capital Markets

Mexican Peso

Luis Estrada

1-3 Month outlook – Banxico hits pause

Banxico's reaction function has shifted meaningfully. While headline inflation continues to ease gradually, the more relevant development has been the widening gap between 2026 inflation expectations and Banxico's own forecast trajectory. Medium-term expectations have drifted higher, raising concerns about the re-anchoring process and the credibility of the convergence path toward the 3% target.

In this context, Banxico chose to pause its easing cycle. The decision reflects a clear signal: policy will not accommodate fiscal expansion if it risks contaminating the disinflation process. Indeed, 2025 fiscal spending has turned out larger than initially anticipated, reinforcing the perception of a looser fiscal stance at a time when monetary conditions were easing.

For FX, the pause provides short-term support to MXN by preserving the carry cushion and limiting further compression in rate differentials versus the US. However, positioning remains sensitive to headlines around inflation expectations and fiscal execution. We expect USD/MXN to trade with a firm tone, biased toward the upper end of the recent range if inflation expectations continue to diverge from forecasts.

6-12 Month Outlook – Credibility versus carry

Looking further ahead, technically, the USDMXN has a multiyear support at 17.00 (Figure 2) that we think holds the Q1 downtrend, and USMCA headlines will start to pull it higher back towards 18.0000. But fundamentally, long term, the key variable is whether the divergence between 2026 inflation expectations and Banxico's projections narrows. If expectations remain elevated, Banxico will be forced into a prolonged pause, or even a renewed tightening bias, effectively delaying the normalization cycle.

At the same time, larger fiscal spending in 2025 raises medium-term sustainability questions. Markets will increasingly scrutinize the consistency of the policy mix. A persistent fiscal impulse combined with sticky expectations would weaken the credibility anchor that has historically underpinned MXN strength.

Structurally, MXN remains supported by strong external accounts and attractive real yields. However, without a clear re-negotiation of USMCA, upside for MXN will be capped.

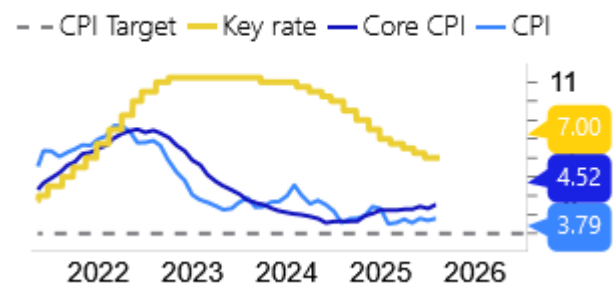
Indicators

	Current (Previous)*
Official policy rate	7.00 (7.00)
Trend O/N interest rates (10yr avg)	7.45%
Bias in interest rate market	Easing
Headline Inflation %Y/Y last(prev)	3.79% (3.69%)
Inflation target(range)	3% (2%-4%)
Budget balance % GDP last(prev)	-4.02% (-4.02%)
Budget balance target % GDP(26E)	-4.05%
GDP Growth % y/y 26F(25)	1.40% (0.42%)
Trend GDP %y/y (10y avg)	1.23%
Purchasing Power Parity Value	20.5941
Spot end-Jan	17.4606
PPP Valuation	USD/MXN is undervalued
Current acct balance % GDP ('25 ('24))	-0.50% (-0.69%)
Trend current acct bal % GDP (10y avg)	-0.90%
Moody's Foreign Currency Rating	Baa2(07/22)
Outlook	Negative (11/24)

* Current is latest month, quarter, or year

1. Banxico paused until CPI & Core CPI converge to 3.00%

YoY %, 1M MA



Source: RBC Capital Markets, Bloomberg

2. USDMXN monthly- Long term support at 17.00



Source: RBC Capital Markets, Bloomberg, Banxico

Forecasts

	2026				2027			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
USD/MXN	17.50	17.70	18.50	18.25	18.00	18.25	18.70	19.00
EUR/MXN	20.30	20.71	21.83	21.90	21.78	22.27	23.00	23.56
MXN/JPY	8.91	8.64	8.11	8.05	8.00	7.73	7.38	7.11
CAD/MXN	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 – FX Stabilizes

BCCh kept the policy rate unchanged at 4.50% in January, delivering a statement that leaned mildly dovish. With inflation risks diminishing and convergence to target expected by Q1 2026, markets have shifted toward pricing one additional 25bps cut in 2026. Following the January CPI print of 2.78% YoY—below target—investors began tentatively pricing the possibility of a March move.

CLP has been a clear beneficiary of external tailwinds. The surge in copper prices, appreciation in CNH, and broad-based USD depreciation have pushed USDCLP into the mid-850s. However, with the currency having moved materially stronger and markets now anticipating a rate cut, the scope for further near-term gains appears more limited. We expect USDCLP to begin stabilizing around current levels.

Looking ahead, the Energy Ministry is expected to present a new bill in April addressing pending electricity tariff adjustments. This could result in a temporary pickup in inflation during April. Nevertheless, the expected increase is unlikely to meaningfully alter the broader disinflation trajectory or reverse CLP's recent strength.

6-12 Month Outlook – CLP structural undervaluation

Currently, the recent long USDCLP positions (~ +2SD) by offshore investors have been closed and are back close to the 1Y mean area (Figure 2), limiting further appreciation of CLP due to unwinds. But over the medium term, CLP is positioned to continue outperforming regional peers. Despite the recent rally, the currency remains far from its 2018 levels near 650 and can still be considered structurally cheap relative to other EMFX.

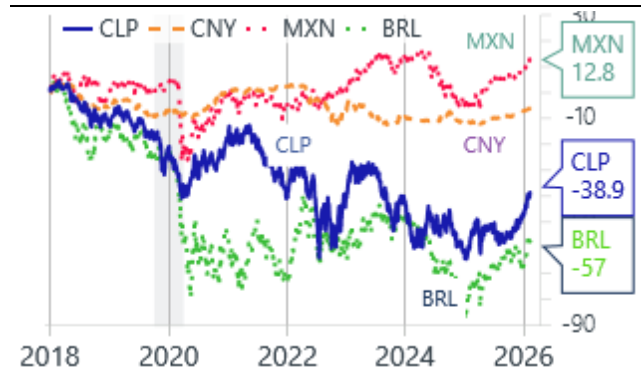
This valuation backdrop becomes increasingly relevant as global rates trend lower. A decline in global yields compresses spreads toward Chile's naturally lower rate structure, reducing the relative penalty of holding CLP. In that environment, external demand for Chilean assets could strengthen further, reinforcing CLP's medium-term outperformance profile.

Indicators

	Current (Previous)*
Official policy rate	4.50% (4.50%)
Trend O/N interest rates (10yr avg)	4.34
Bias in interest rate market	Easing
Headline Inflation %Y/Y last(prev)	2.80% (3.50%)
Inflation target (range)	3% (2%-4%)
Budget balance % GDP	(-3.86%)
Budget balance forecast % GDP(26E)	-1.75%
GDP Growth % y/y 26E(25)	2.30% (2.40%)
Trend GDP %y/y (10y avg)	2.13%
Purchasing Power Parity Value	841
Spot end-Jan	861
PPP Valuation	USD/CLP overvalued
Current acct balance % GDP '25E ('24)	-2.40% (-2.50%)
Trend current acct balance % GDP (10y avg)	-4.19
Moody's Foreign Currency Rating	A2(9/22)
Outlook	Stable(9/22)

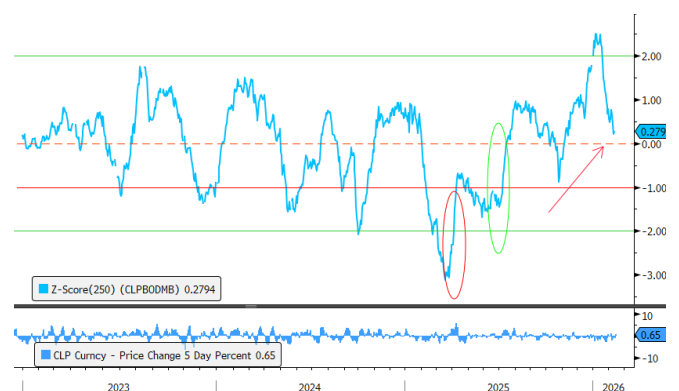
* Current is latest month, quarter, or year

1. CLP 38.9% cheaper versus 2018 (then 650 per 1 USD)



Source RBC Capital Markets, Bloomberg

2. USDCLP offshore positions back to the 1Y average



Source: RBC Capital Markets, Bloomberg

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

Luis Estrada

Colombian Peso

1-3 Month Outlook – Monetary Policy shock

BanRep delivered a 100bps rate hike to 10.25%, twice market's consensus, in response to a material upward revision in its 2026 inflation projection to 6.3%. The revision was triggered by the December minimum wage hike announced by President Petro, which materially altered the inflation trajectory. The aggressive policy move signals a clear intent to defend credibility and re-anchor expectations.

The fixed income market initially sold off sharply, with 10y yields reaching 12.80% (Figure 1), a level not seen since June 2025. However, COP appreciated as markets repriced the policy path roughly 200bps higher than previously expected, increasing the currency's carry appeal. Volatility remains elevated. Unexpectedly, Congress annulled the wage hike on February 13th, prompting a 30bps recovery in bonds. USDCOP, however, has remained relatively muted as it awaits the government's response to defend the wage decree. Policy uncertainty is likely to continue dominating price action.

We expect USDCOP to remain within a 3600–3750 range ahead of the March 8 Congressional elections, with volatility driven more by legal and political headlines than by macro data.

6-12 Month Outlook – Political Resolution for COP

Over the medium term, a compromise on the wage increase is likely, though its political impact will become clearer after the March 8 Congressional elections. Polls suggest stronger-than-expected support for Petro-aligned candidates, which could influence fiscal policy continuity and the broader reform agenda.

At the same time, the Constitutional Court's temporary suspension of the economic emergency decree—and the expected full merits review in March—adds further uncertainty. If the decree and temporary taxes are permanently struck down, fiscal pressures would remain, potentially sustaining inflation risks and validating BanRep's tighter stance.

Bottom Line: Monetary policy has turned decisively hawkish, supporting carry and limiting near-term downside for COP. However, political and legal uncertainty will drive direction. The March 8 elections represent the key inflection point for USDCOP beyond the current range.

Forecasts

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

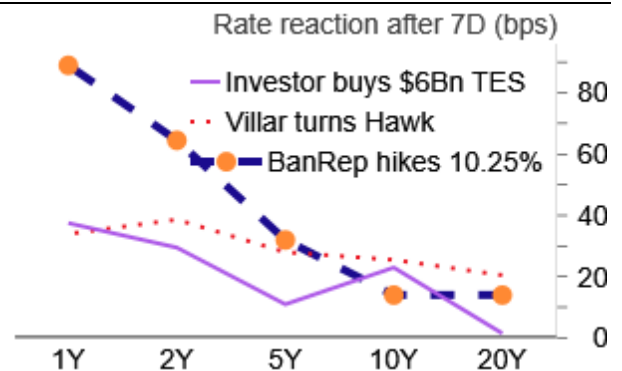
Source: RBC Capital Markets estimates

Indicators

	Current (Previous)*
Official policy rate	10.25% (9.25%)
Trend interest rates (10yr average)	6.84
Bias in interest rate market	Hiking
Headline Inflation %Y/Y last(prev)	5.31% (5.10%)
Inflation target (range)	3% (2%-4%)
Budget balance % GDP ('25)	(-6.88%)
Budget balance forecast % GDP 26E	-6.90%
GDP Growth % y/y ('26 ('25))	2.8% (+2.7%)
Trend GDP %y/y (10y average)	2.71%
Purchasing Power Parity Value	-
Spot end-Jan	3655
PPP Valuation	-
Current account balance % GDP'25 ('24)	-2.90% (-2.14%)
Trend current acct balance % GDP (10y avg)	-3.95%
Moody's Foreign Currency Rating	Baa3(6/25)
Outlook	Stable(6/25)

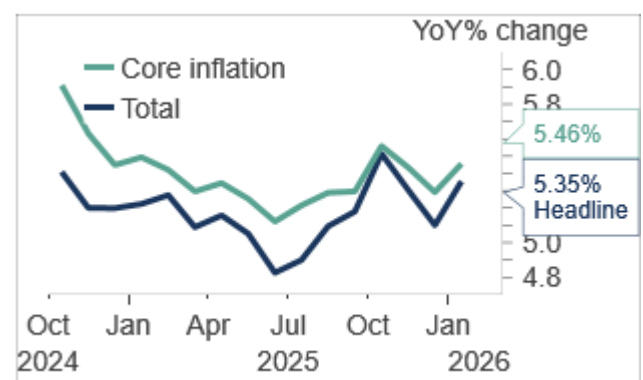
* Current is latest month, quarter, or year

1. Bonds now price the 1Y forward O/N ~ +200bps



Source: RBC Capital Markets, Bloomberg

2. Colombia's CPI expected to soar above 6.0% in 2026



Source: RBC Capital Markets, Bloomberg

Polish Zloty

Daria Parkhomenko, CFA

1-3 Month Outlook – NBP to cut rates in March

Monetary policy, Russia/Ukraine developments, EU funds, and local politics are the key drivers of the Polish zloty over the short- and long-term horizons.

Our view for two more NBP rate cuts to a terminal of 3.50% in H1 is intact, with risk to the downside, and the next 25bp cut likely to materialize in March. The NBP held rates at 4.00% in February, however, the statement had a dovish tilt, as the NBP appeared to downplay the recent acceleration in wage growth and pointed to an expectation for a moderation in inflation. Markets are fully pricing the next 25bp rate cut to happen in March, and hence, we are comfortable maintaining our end-Q1 projection of 4.2000 for EUR/PLN (spot 4.2175).

6-12 Month Outlook – Narrowing rates spreads vs solid economic backdrop

Beyond the near-term outlook, we see a gentle drift higher in EUR/PLN, well within the 2025 trading range and not as steep as shown by the forward curve as of writing.

The upward drift assumes that support to PLN will diminish in the medium-term, as the rates differential between Poland and the Euro area narrows. If the NBP cuts rates to 3.50% and the ECB holds at 2.00% as we expect, a 150bp rate differential will be at the lower end of the spectrum over the past two decades (ex-COVID). Adding to this, in relative terms, a simple carry-to-vol ratio shows that a long PLN carry position does not screen as well as other EMEA or LatAm currencies (funded through USD or EUR; Figure 1).

Having said that, Poland’s economic backdrop should remain solid, amid support from private consumption, loose fiscal policy, and an ongoing absorption of EU funds (~50% of the total Recovery and Resilience Facility grants & loans allocated to Poland have been disbursed). In turn, this should continue to attract foreign investment, tempering EUR/PLN’s drift higher from a smaller rates differential.

Outside of EUR/USD direction and external sentiment, the main risks to our profile are domestic politics and Russia/Ukraine developments. 1) If the political backdrop were to raise concerns about political stability and early parliamentary elections (next general elections due by late 2027), that may act as a downside risk to PLN. 2) If a Russia/Ukraine peace deal materializes, this will be a PLN-upside risk through regional stability, reconstruction in Ukraine, and lower energy prices (even if Poland has significantly reduced its dependence on Russian energy).

Forecasts

	2026				2027			
	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
EUR/PLN	4.20	4.22	4.24	4.25	4.26	4.27	4.28	4.29
USD/PLN	3.62	3.61	3.59	3.54	3.52	3.50	3.48	3.46
GBP/PLN	4.83	4.85	4.82	4.83	4.87	4.85	4.84	4.82

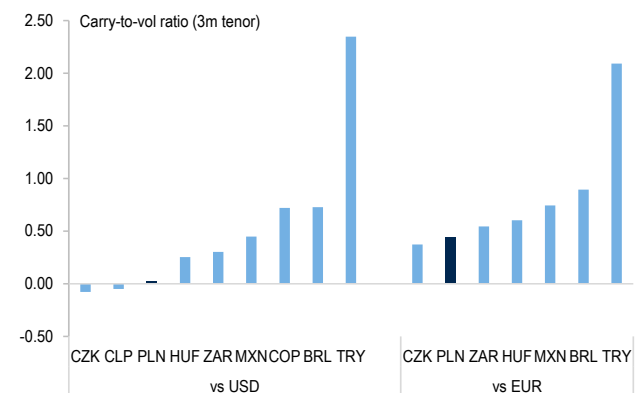
Source: RBC Capital Markets estimates

Indicators

	Current (Previous)*
NBP policy rate (%)	4% (4%)
Trend interest rates (historical average)	2.95%
Bias in interest rate market	Easing
CPI Inflation %Y/Y last (prev)	2.2 (2.4)
Inflation target	2.5% (+/- 1pp)
Budget balance (ESA 2010) %GDP 2024 (2023)	-6.5 (-5.2)
Budget balance trend % GDP	-2.9%
GDP Growth % y/y nsa last (prev)	4 (3.8)
Trend GDP %y/y	3.5
Purchasing Power Parity Value Jan	4.9213
Spot end-now	4.2093
PPP Valuation	EUR/PLN is overvalued
Current a/c (4Q sum, sa) %GDP last (prev)	-1.9 (-0.4)
Trend current account balance % GDP	-0.5
Moody's Foreign Currency Rating	A2
Outlook	NEG

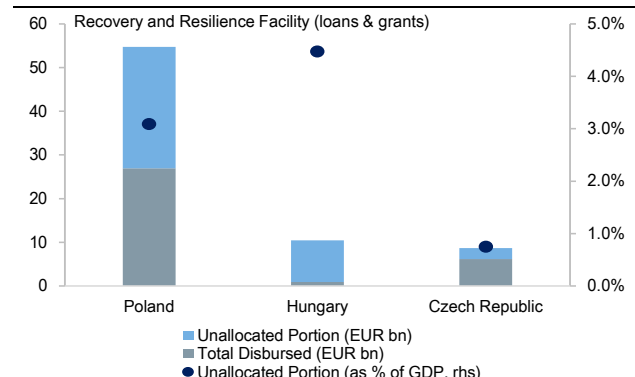
* Current is latest month, quarter or year

1. PLN not the most attractive on a simple carry-to-vol ratio



Source: Bloomberg, RBC Capital Markets; Carry-to-vol ratio for long EM, funded by USD & EUR.

2. Poland has not yet received all of its allocated RRF funds



Source: European Commission, Eurostat, RBC Capital Markets

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	1.34	1.34	1.36	1.38	1.39	1.39	1.39
USD/CHF	0.78	0.77	0.78	0.78	0.78	0.77	0.76	0.75
USD/SEK	9.14	8.89	8.73	8.50	8.35	8.20	8.05	7.90
USD/NOK	9.70	9.53	9.36	9.13	8.97	8.81	8.66	8.51
USD/CAD	1.37	1.37	1.36	1.34	1.33	1.32	1.31	1.30
AUD/USD	0.67	0.68	0.69	0.70	0.70	0.69	0.70	0.72
NZD/USD	0.58	0.59	0.61	0.62	0.62	0.63	0.63	0.63
USD/CNY	6.85	6.82	6.80	6.78	6.76	6.74	6.72	6.70
USD/KRW	1425	1400	1375	1375	1385	1400	1410	1420
USD/INR	90.50	90.50	90.75	90.75	91.00	91.00	91.25	91.25
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	31.00	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	96	95	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	0.88	0.88	0.88	0.88	0.89	0.89
EUR/CHF	0.91	0.90	0.92	0.94	0.94	0.94	0.93	0.93
EUR/SEK	10.60	10.40	10.30	10.20	10.10	10.00	9.90	9.80
EUR/NOK	11.25	11.15	11.05	10.95	10.85	10.75	10.65	10.55
EUR/CAD	1.59	1.60	1.60	1.61	1.61	1.61	1.61	1.61
EUR/AUD	1.73	1.72	1.71	1.71	1.73	1.77	1.76	1.72
EUR/NZD	2.00	1.98	1.93	1.94	1.95	1.94	1.95	1.97
EUR/CNY	7.95	7.98	8.02	8.13	8.17	8.22	8.26	8.30
EUR/KRW	1653	1638	1623	1650	1676	1708	1734	1761
EUR/INR	105.0	105.89	107.09	108.90	110.1	111.0	112.2	113.2
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	37.20	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			
	Q1f	Q2f	Q3f	Q4f
Fed	3.63	3.63	3.63	3.63
BoC	2.25	2.25	2.25	2.25
ECB*	2.00	2.00	2.00	2.00
BoE	3.50	3.50	3.25	3.25
RBA	3.85	4.10	4.10	4.10
RBNZ	2.25	2.25	2.25	2.25

Source: RBC Capital Markets & RBC Economics estimates

Disclaimer

IMPORTANT DISCLOSURE: THIS COMMUNICATION HAS BEEN GENERATED BY AN EMPLOYEE OF RBCCM AND IS BEING CONVEYED TO YOU AS A SOLICITATION (FOR PURPOSES OF 17 CFR §§1.71(a)-(c) AND 23.605) FOR ENTERING INTO A DERIVATIVES TRANSACTION.

This communication has been prepared by RBC Capital Markets ("RBCCM") sales personnel for institutional clients and your information only and is not a research report prepared by the RBCCM Research Department. Unless otherwise specified, the views expressed herein are the author's and may differ from the views of RBCCM's Research Department and from the views of others within RBCCM. The information in the body of this communication is intended to provide general company and/or market commentary, is not intended to provide a sufficient basis for an investment decision and should not be considered a research report. This material may include references to recently published research notes and reports by RBCCM's Research Department. Complete research notes and reports, including important conflicts disclosures, are available at <https://www.rbcinsightresearch.com/>. **You should assume that trading desks at RBCCM or its affiliates makes markets and/or hold positions, and may have conducted underwriting or other investment banking work in any of the securities referenced herein.** Information contained herein has been compiled by RBCCM from sources believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this communication may not be eligible for sale in some jurisdictions. To the full extent permitted by law neither RBCCM nor any of its affiliates or any other person accepts any liability whatsoever for any direct, or indirect or consequential loss or damage arising from any use of the information contained herein. No matter contained in this communication may be reproduced or copied by any means without the prior consent of RBCCM.

RBC Capital Markets is the global brand name for the capital markets business of Royal Bank of Canada and its affiliates. **United States:** This communication has been approved by RBC Capital Markets, LLC (member FINRA, NYSE, SIPC), which is a U.S. registered broker-dealer and which accepts responsibility for this communication and its dissemination in the United States. Any U.S. recipient of this communication that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this communication, should contact and place orders with RBC Capital Markets, LLC. This communication is not a research report or a product of RBCCM's Research Department. **Canada:** RBC Dominion Securities Inc. (member CIRO and CIPF). **France:** RBC Paris Branch, RBC Capital Markets (Europe) GmbH Paris Branch are regulated by the Autorité de Contrôle Prudentiel et de Résolution and the Autorité des Marchés Financiers. **Germany:** This publication has been approved by RBC Capital Markets (Europe) GmbH, which is a company authorized by BaFin. **United Kingdom:** This publication has been approved by RBC Europe Limited, which is authorized by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority and PRA. **Hong Kong:** Royal Bank of Canada, Hong Kong (regulated by HKMA and SFC). **Australia:** Royal Bank of Canada, Sydney Branch (regulated by the Australian Securities & Investments Commission and the Australian Prudential Regulation Authority; AFSL 246521; ABN 86 076 940 880). This document is distributed only to persons who satisfy the definition of wholesale client for the purposes of the Corporations Act 2001 and not intended for distribution to retail clients. **Japan:** Securities business (as defined under the Financial Instruments and Exchange Law) in Japan will be carried out by RBC Capital Markets (Japan) Ltd. in compliance with all applicable laws and regulations. RBC Capital Markets (Japan) Ltd. is a Financial Instrument Dealer registered with the Kanto Financial Bureau (Kinsho #203) and a member of Japan Securities Dealers Association ("JSDA") and the Financial Futures Association of Japan ("FFAJ"). Banking business (as defined under the Banking Law) in Japan will be carried out by Royal Bank of Canada, Tokyo Branch in compliance with applicable laws and regulations. **Singapore:** Royal Bank of Canada, Singapore Branch (regulated by the Monetary Authority of Singapore).

For non-institutional investors in the U.S., Canada, nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Interest rates, market conditions, special offers, tax ruling and other investment factors are subject to change. You are advised to seek independent advice from your financial adviser before purchasing any product or if you are in doubt about any of the contents of this document. If you do not obtain independent advice, you should consider whether the product is suitable for you.

To persons receiving this from RBC Wealth Management Asia: This document has been prepared by RBC Capital Markets. It is made available to you by Royal Bank of Canada, Singapore Branch in Singapore, Royal Bank of Canada, Hong Kong Branch in Hong Kong and/or RBC Investment Services (Asia) Limited in Hong Kong ("RBC Wealth Management Asia"). This is not a research report and commentary contained herein should not be considered to be research. This material is not for distribution in Singapore to investors who are not "accredited investors", as defined in the Securities and Futures Act 2001 of Singapore and in Hong Kong, to investors who are not "professional investors", as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) and any rules made under that Ordinance. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. The information and opinions contained in this document has been obtained from sources believed to be reliable and neither RBC Wealth Management Asia nor its related companies or affiliates (collectively, "RBC") make any representation or warranty as to its adequacy, completeness, accuracy or timeliness for any particular purpose. You are advised to seek independent advice from a financial adviser before purchasing any product. Any past performance, projection, forecast or simulation of results is not necessarily indicative of the future or likely performance of any investment. RBC accepts no liability whatsoever for any direct, indirect or consequential losses or damages arising from or in connection with the use or reliance of this material or its contents. The information herein is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

This content relies on tracking technologies to monitor, understand and improve our electronic communication and your online experience, to customize marketing, and to track your usage of RBC content, websites and services. Tracking technology may identify when you visit specific RBC content and may be shared with third parties involved in customizing RBC marketing on RBC or digital channels. RBC does not sell your information to third parties, nor do we track your interaction with a third party website. For more information, see our privacy policy at <http://www.rbc.com/privacysecurity/ca/index.html>.

Disclaimer for Central Bank A.I. Sight™

Central Bank A.I. Sight™ uses Using Natural Language Processing techniques to analyze U.S. Federal Reserve ("U.S. Fed") press conferences, statements and

speeches, European Central Bank ("ECB") press conferences and speeches and Bank of Canada ("BoC") press releases, summaries of governing council deliberations, parliamentary testimonies, monetary policy reports, financial system reviews, statements, and speeches. These materials are available free of charge on the website of the U.S. Fed, ECB and BoC respectively. The U.S. Fed, ECB and BoC have not endorsed this product or any of its findings.

This content relies on tracking technologies to monitor, understand and improve our electronic communication and your online experience, to customize marketing, and to track your usage of RBC content, websites and services. Tracking technology may identify when you visit specific RBC content and may be shared with third parties involved in customizing RBC marketing on RBC or digital channels. RBC does not sell your information to third parties, nor do we track your interaction with a third party website. For more information, see our privacy policy at <http://www.rbc.com/privacysecurity/ca/index.html>.

® Registered trademark of Royal Bank of Canada. Used under license.
© 2026. All rights reserved.