

FX CONSENSUS FORECAST

A LOOK AT THE MONTH AHEAD

January 2023

moneycorp 

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QUICK GLANCE



The United States economy grew much faster than previously estimated in the third quarter, indicating that the Federal Reserve's campaign to tame the economy in order to combat inflation is having only a limited impact. Despite a fast rise in interest rates, the economy is expanding, and, more crucially, individuals are spending. The economy remained resilient due to strong exports and high consumer expenditure. Nonetheless, many economists expect the economy to weaken and perhaps enter recession next year as a result of higher interest rates imposed by the Federal Reserve to combat inflation, which hit levels not seen since the early 1980s earlier this year.

Key details

In the latest scorecard by BEA (Bureau of Economic Analysis), the U.S. economy expanded at an annualized rate of 3.2% quarter in Q3 2022, beating the second estimate of 2.9% and rebounding from two consecutive quarters of contraction. According to the report, the higher-than-expected reading was driven by improvements in exports and consumer spending, which were somewhat offset by a fall in new home spending.

Consumer expenditure increased more than expected (2.3% vs. 1.7% in the second estimate) as growth in travel, entertainment, and "other" services offset a fall in spending on products, specifically motor vehicles and food and drinks.

At last, net trade contributed the most to growth (2.86 percentage points vs. 2.93 percentage points in the second estimate), but exports increased somewhat less than reported in the second estimate (14.6% vs. 15.3%), while imports were flat (-7.3%).

Consumer Confidence grew unexpectedly in December. Despite the economic difficulties, consumers remained surprisingly resilient. They continued to spend for much of the year, thanks in part to a healthy labor market, greater levels of savings, and plenty of pent-up demand from the pandemic.

According to data issued by the Conference Board, consumer confidence in the U.S. economy increased in December as high inflation continued to reduce. The newest consumer confidence index from the business think tank showed 108.3 this month, a considerable increase from the previously corrected figure of 101.4 in November. This was due to a drop in inflation expectations as well as recent drops in gasoline prices.

However, those purchasing tendencies appear to be slowing. According to Commerce Department data, U.S. retail sales fell dramatically at the start of the holiday shopping season, falling by 0.6% in November.

Inflation shows signs of easing. The most recent inflation data contained some hopeful news about the consistently high prices that have burdened Americans: Inflation, as measured by the Consumer Price Index, fell significantly in November, reaching its lowest level in a year. According to the Bureau of Labor Statistics, prices grew 7.1% year on year in November, down from 7.7% in October. The year-end core CPI, which excludes volatile food and energy categories, was 6% in November, down from 6.3% in October. Furthermore, the Fed's preferred inflation indicator, the Personal Consumption Expenditures price index, or PCE, climbed 6% year on year in October. This is a decrease from the revised 6.3% yearly growth published in September.

Moving on to the job market, while inflation has slowed from its 40 years peak, the labor market has remained robust in the face of high-interest rates. The U.S. economy added 263,000 jobs in November, despite the Federal Reserve's vigorous action to cool the economy and bring down decades-high inflation. According to the Labor Department, the unemployment rate remained stable at 3.7%. Refinitiv polled economists predicted that hiring would drop to 200,000 new positions in November, with the unemployment rate remaining unchanged at 3.7%.

While certain areas of the economy are seeing the consequences of the Fed's activities – home sales have declined, and inflation rates are beginning to slow – the labor market has stayed strong. It is undoubtedly the biggest headwind for the Fed.

In December, the Federal Reserve approved a half-point interest rate increase. A lesser hike than in recent months. This represents a turnaround for the central bank following a historic year in which it raised interest rates seven times in a row as part of an aggressive push to combat the greatest inflation since the early 1980s.

While the last hike is less than the four consecutive three-quarter-point hikes agreed upon at the Fed's prior meetings, it is expected to exacerbate the economic agony for millions of American firms and households by increasing the cost of borrowing even higher.

In its Summary of Economic Projections, the dot plot for December indicated federal fund rates climbing to a new high of 5-5.25%, up from 4.5-4.75% in September. In addition, policymakers predicted that the PCE index, the Fed's preferred price gauge, would remain over its 2% objective until at least 2025. Finally, forecasts for the health of the U.S. economy showed that GDP would fall to 0.5% next year, down from 1.2% in September.

In a nutshell, the economy has so far been able to withstand the hikes. The labor market is solid, wages are rising, Americans are spending, and GDP is growing. Economists currently predict 2.4% growth in the current period, which is lower than the previous reading.

Going forward, the main question that remains is how far the Fed would go in its journey of the rate hike. Investors and analysts are concerned that the U.S. economy will enter a recession next year, given the fact that Federal Reserve Chair Jerome Powell stated last month that there is still a chance the U.S. could avoid a recession, but the odds are minimal.

The dollar index has had one of its best years, up more than 8% year to year, as the Federal Reserve was the first among major nations to use aggressive tightening to combat stubbornly high inflation. The Federal Reserve raised its federal-funds rate by 4.25% this year, the largest since 1980, raising borrowing prices to the highest level in 15 years while predicting that rates would need to be raised much further in 2023.

US stocks ended a dismal year on a sour note, with the Dow falling 8.8% in 2022, while the S&P 500 and Nasdaq 100 plunged 19.5% and 33.3%, respectively, marking Wall Street's worst annual performance since 2008. Governments and central banks grappled with stubbornly high inflation arising from years of loose monetary policy and the fallout from Russia's war in Ukraine. The sharp declines in global equities worldwide wiped out nearly one-fifth of the capitalization of global stocks, preceding largely pessimistic expectations for next year.

EUR/USD

The EUR continued to appreciate against the dollar throughout the course of December amid a broader pullback of the greenback against most of its peers. As inflationary pressures globally start hinting that CPI readings may have peaked, market participants anticipated a slower pace of monetary policy tightening from policymakers upcoming in 2023.

However, amid a broader global optimism on the first trading session of January, we witnessed a significant pullback on the EUR as European stock and U.S. futures rally over 1% in bout optimism. German unemployment unexpectedly fell as a sign of economic resilience. Despite the positive tone in global markets, there are several risk drivers in Europe which could shift conditions rapidly.

What To Watch For This Month

01/09/2023 Unemployment Rate

Unemployment readings will provide a good peak for market participants to assess the job market's performance in the bloc expected to remain relatively unchanged at around 6.5%.

01/18/2023 CPI

December figures released better-than-expected readings, removing pressure from the ECB to continue hiking so aggressively. The upcoming reading will confirm whether inflation has peaked at 10.1% annualized.

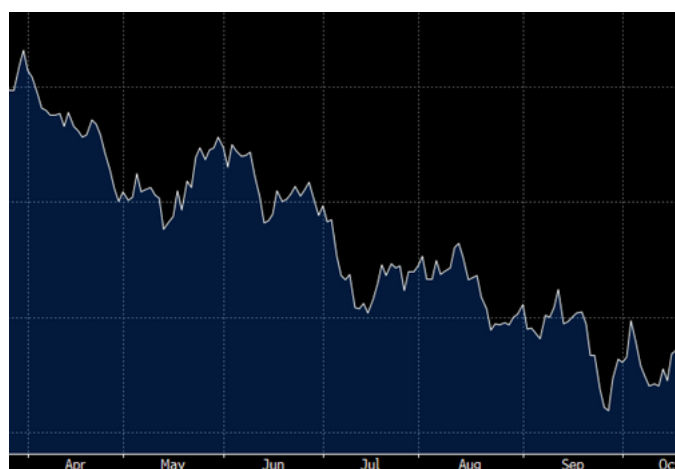
01/31/2023 GDP SA YoY

Growth readings will be crucial towards the end of the year's first month. Gross Domestic product is expected to post 2.3% annualized for 2022.

Economic Indicators

ECB Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	5.30	3.40	0.50	1.90
CPI (YOY%)	2.60	8.40	6.30	3.40
Unemployment (%)	7.74	6.70	6.90	6.80

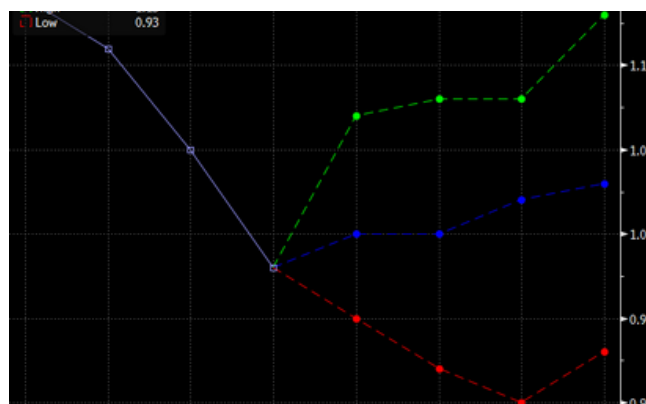


Historical Rates

EUR/USD

Market Consensus & Forecast

	Q1 23	Q2 23	Q3 23	Q4 23
Mean	1.03	1.04	1.06	1.08
High	1.09	1.11	1.15	1.15
Low	0.96	0.95	0.98	0.98



Consensus Forecast

Forecast by Institution

	As of:	Q1 23	Q2 23	Q3 23	Q4 23
Amdocs Development Ltd	01/02/23	1.06	1.05	1.03	--
Oversea-Chinese Banking Corp	12/29/22	1.06	1.08	1.08	1.1
Prestige Economics LLC	12/28/22	1.08	1.09	1.11	--
Mizuho Bank	12/26/22	1.07	1.08	1.1	1.09
Swedbank	12/22/22	1.06	1.08	1.1	1.1
Westpac Banking	12/22/22	1.06	1.07	1.09	1.15
Banco Bilbao Vizcaya Argentaria	12/21/22	1.05	1.03	1.06	1.1
Danske Bank	12/21/22	1.02	0.98	0.98	0.98
Rabobank	12/21/22	1.03	0.99	1.03	1.18
Skandinaviska Enskilda Banken	12/21/22	1.02	1.03	1.04	1.05
Monex USA Corp	12/20/22	1.04	1.05	1.06	1.08
CICC	12/19/22	1.01	1.03	1.06	1.1
CIMB	12/19/22	1.05	1.05	1.07	1.1
Standard Chartered	12/19/22	1.04	1.06	1.09	1.1
ANZ Banking Group	12/16/22	1.01	1.03	1.05	1.06
Capital Economics	12/16/22	1	0.95	0.98	1
Commerzbank	12/16/22	1.06	1.06	1.08	1.1
Wells Fargo	12/16/22	1.05	1.06	1.08	1.1
RBC Capital Markets	12/15/22	1.06	1.04	1.02	1
TD Securities	12/14/22	0.96	0.99	1.01	1.05
Nomura Bank International	12/12/22	1.04	1.08	1.09	1.1

USD/JPY

The Japanese Yen had a strong performing month in December, appreciating 5.03% by month end. However, despite the strong performance, market participants believe that the Yen remains "significantly undervalued" and even after the rally since early November. The Yen strength likely reflects the market pricing in a more aggressive BoJ. Market participants are placing a higher

probability that the BoJ is at the start of a NEW monetary policy regime after decades of being stuck in a liquidity trap. Moreover, the currency may also be benefitting from reports that former deputy governor Yamaguchi is a front-runner to become the next BoJ governor, a "more hawkish" choice than other options.

What To Watch For This Month

01/09/2023 Tokyo CPI

Japanese inflation has pulled back in the course of the last year and will now keep investors wary of its performance. Expectations are set at 3.8% annualized, vs 3.6% previously reported in December.

01/11/2023 BoP Current Account Balance

The previous current account balance in Japan reported a deficit of JPY - 64 Bill, Upcoming readings suggest a significant increase in the surplus, expecting JPY 382 bill net balance.

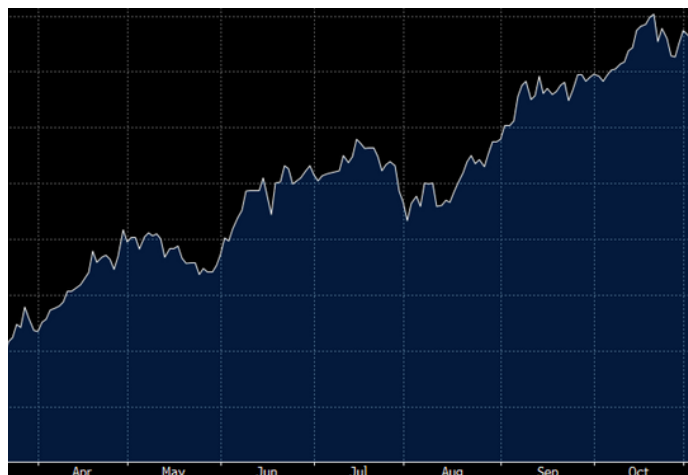
01/30/2023 Jobless Rate

Unemployment reports suggested a 2.5% jobless rate in December and participants will keep a close eye on job market performance amid the presence of higher inflation.

Economic Indicators

Bank of Japan Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	2.30	2.0	1.90	1.50
CPI (YOY%)	-0.25	--	--	--
Unemployment (%)	2.82	2.57	2.57	2.57

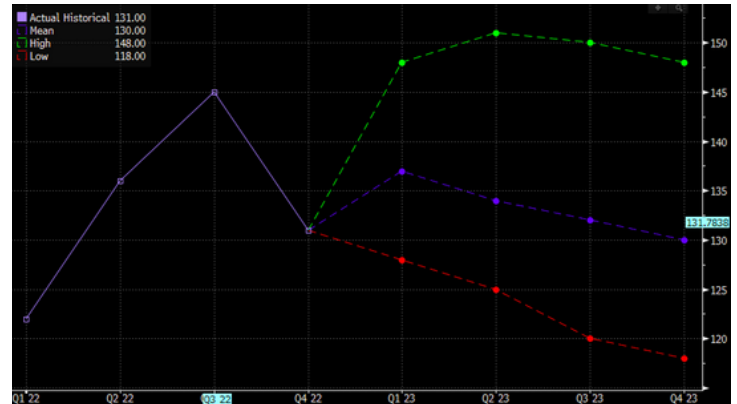


Historical Rates

USD/JPY

Market Consensus & Forecast

	Q1 23	Q2 23	Q3 23	Q4 23
Mean	137	134	132	130
High	148	151	150	148
Low	128	125	120	118



Consensus Forecast

Forecast by Institution

	As of:	Q1 23	Q2 23	Q3 23	Q4 23
Amdocs Development Ltd	01/02/23	134	130	127	--
Oversea-Chinese Banking Corp	12/29/22	133	130	128	126
Prestige Economics LLC	12/28/22	132	131	127	--
Mizuho Bank	12/26/22	130	132	134	136
Swedbank	12/22/22	128	125	120	120
Westpac Banking	12/22/22	136	135	134	124
Banco Bilbao Vizcaya Argentaria	12/21/22	130	130	128	127
Danske Bank	12/21/22	139	135	131	128
Rabobank	12/21/22	130	130	128	121
Skandinaviska Enskilda Banken	12/21/22	136	134	130	125
Monex USA Corp	12/20/22	135	130	128	126
CICC	12/19/22	134	130	127	125
CIMB	12/19/22	139	136	133	130
Standard Chartered	12/19/22	138	135	132	130
ANZ Banking Group	12/16/22	142	140	136	134
Capital Economics	12/16/22	135	135	135	135
Commerzbank	12/16/22	138	137	136	135
Wells Fargo	12/16/22	140	138	136	133
RBC Capital Markets	12/15/22	137	139	141	143
TD Securities	12/14/22	143	135	132	130
Nomura Bank International	12/12/2022	135	130	128	125

GBP/USD

The British pound had a strong recovery since September 2022, when it touched a multi-decade low against the dollar. However, the recovery rally seems to have run out of steam as in December the pair closed marginally unchanged (0.15%) amid economic challenges in the united kingdom and compromised fundamentals.

Rishi Sunak's headaches continue to add up as rail workers, nurses, and ambulance drivers are set for walkouts as the Sunak administration maintains a confrontational stance. Union kicked off 2023 with five-day strikes starting on Tuesday, snarling the usual return to work after the holiday season and interrupting January sales that are crucial for retailers.



What To Watch For This Month

01/04/2023 Mortgage Approvals

As the UK inflation faces the longest recession in G7 in tightening conditions mortgage approvals are expected to fall from 59k to 53k.

01/17/2023 ILO Unemployment Rate 3Months

Bank of England officials raised concerns about the condition of the labour market and how the shortages in labour are impacting salaries and underpinning inflation. Previous reading at 3.7%.

01/18/2023 CPI (December)

National Statistics will release the CPI for December, which will reflect changes in the prices of goods and services. Previously 10.7% annually suggesting inflation has peaked.

Economic Indicators

Bank of England Forecast

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

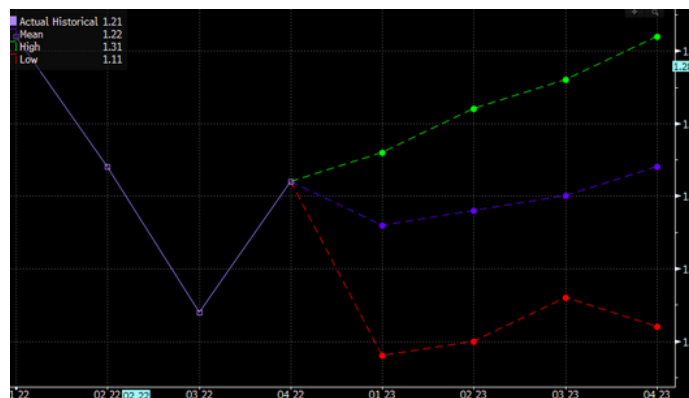


Historical Rates

GBP/USD

Market Consensus & Forecast

	Q1 23	Q2 23	Q3 23	Q4 23
Mean	1.18	1.19	1.2	1.22
High	1.23	1.26	1.28	1.31
Low	1.09	1.1	1.13	1.11



Consensus Forecast

Forecast by Institution

	As of:	Q1 23	Q2 23	Q3 23	Q4 23
Amdocs Development Ltd	01/02/23	1.2	1.22	1.18	--
Oversea-Chinese Banking Corp	12/29/22	1.23	1.24	1.25	1.26
Prestige Economics LLC	12/28/22	1.22	1.23	1.25	--
Swedbank	12/22/22	1.19	1.23	1.28	1.29
Westpac Banking	12/22/22	1.22	1.22	1.23	1.28
Banco Bilbao Vizcaya Argentaria	12/21/22	1.15	1.14	1.2	1.29
Danske Bank	12/21/22	1.18	1.15	1.15	1.15
Rabobank	12/21/22	1.17	1.12	1.14	1.37
Skandinaviska Enskilda Banken	12/21/22	1.15	1.16	1.16	1.15
Monex USA Corp	12/20/22	1.23	1.24	1.25	1.27
CICC	12/19/22	1.15	1.17	1.2	1.24
CIMB	12/19/22	1.18	1.2	1.18	1.21
Standard Chartered	12/19/22	1.19	1.2	1.22	1.23
ANZ Banking Group	12/16/22	1.15	1.17	1.19	1.22
Capital Economics	12/16/22	1.16	1.1	1.13	1.15
Commerzbank	12/16/22	1.19	1.18	1.2	1.21
Wells Fargo	12/16/22	1.18	1.19	1.19	1.2
RBC Capital Markets	12/15/22	1.22	1.18	1.15	1.11
TD Securities	12/14/22	1.09	1.1	1.14	1.18
Nomura Bank International	12/12/22	1.2	1.26	1.28	1.31
Barclays	12/07/22	1.13	1.15	1.18	1.21

USD/CHF

The Swiss Franc extended gains in December, capitalizing 2.42% against the greenback in the last month of the year. However, despite the CHF momentum we witnessed a significant rally on the dollar on the first session of 2023 after Swiss National Bank announced their foreign currency deposits. Reserve report showed that sight

deposit fell to CHF 491 billion in the week of Dec 30, from CHF 506 in Dec 23. The overall reduction in deposit is linked to the poor performance of U.S. stocks which seem to be gaining momentum amid broader optimism in global markets. In December the SNB hiked rates by 50 bps setting the interest benchmark rate at 1%.



What To Watch For This Month

01/04/2023 Consumer Price Index

Market participants will stay close to Swiss fundamental in order to anticipate any risk drivers. Inflation figures are expected to remain unchanged at 3% Annualized.

01/06/2023 Foreign Currency Reserves

Foreign Currency Reserves were reported at CHF 790 Billion. As U.S. stock markets extended losses we could see these Reserves remain tamed in the upcoming report.

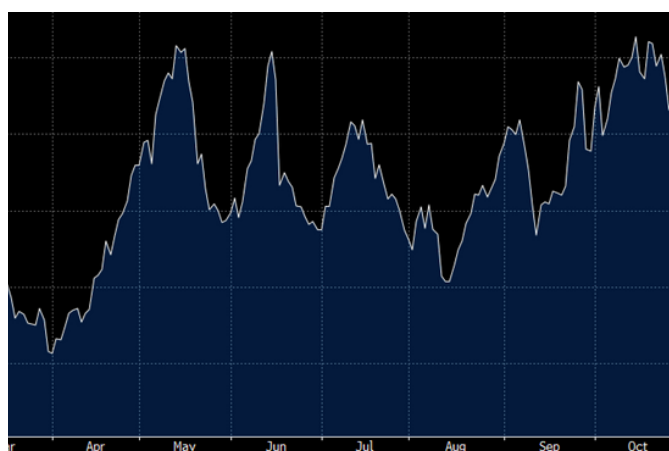
01/09/2023 Unemployment Rate

The Swiss job market is expected to remain tight, at a 2% unemployment rate as reported in December.

Economic Indicators

Swiss National Bank Forecast

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

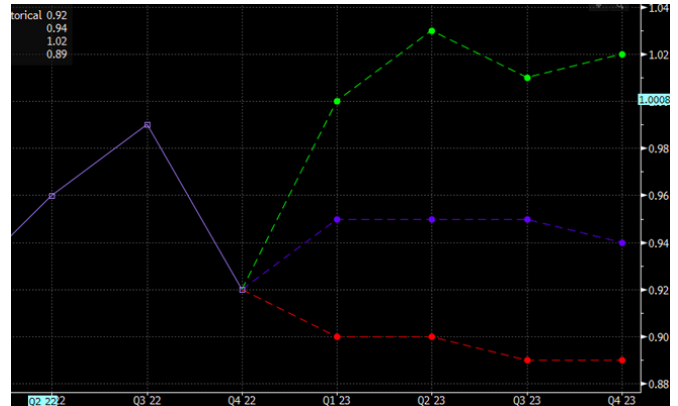


Historical Rates

USD/CHF

Market Consensus & Forecast

	Q1 23	Q2 23	Q3 23	Q4 23
Mean	0.98	0.99	1	1.01
High	1.01	1.05	1.07	1.08
Low	0.95	0.95	0.93	0.92



Consensus Forecast

Forecast by Institution

	As of:	Q1 23	Q2 23	Q3 23	Q4 23
Amdocs Development Ltd	01/02/23	0.99	1	0.95	--
Oversea-Chinese Banking Corp	12/29/22	1	1	1	1.01
Prestige Economics LLC	12/28/22	0.97	0.98	0.99	--
Swedbank	12/22/22	1	1.02	1.02	1.04
Westpac Banking	12/22/22	0.99	1	1	1.02
Banco Bilbao Vizcaya	12/21/22	1	1.02	1.05	1.08
Danske Bank	12/21/22	0.97	0.96	0.96	0.96
Rabobank	12/21/22	0.99	0.97	0.96	1.14
Skandinaviska Enskilda	12/21/22	0.97	0.99	1	1.02
Standard Chartered	12/19/22	1.01	1.05	1.07	1.07
ANZ Group	12/16/22	0.98	0.99	1	1.01
Capital Economics	12/16/22	0.96	0.97	0.99	1
Commerzbank	12/16/22	0.98	0.99	1	1.01
Wells Fargo	12/16/22	1	1	1.01	1.01
RBC Capital Markets	12/15/22	0.97	0.95	0.93	0.92
Nomura Bank International	12/12/22	0.97	0.98	0.99	1
Barclays	12/07/22	0.97	0.97	0.98	1
Credit Agricole CIB	12/07/22	0.95	0.96	0.97	0.98
Landesbank Baden-W	12/06/22	0.97	0.98	0.98	0.98
Polski Instytut Ekonomiczny	12/06/22	1.01	1.03	1.05	1.06
ABN Amro	12/05/22	1	1.02	1.03	1.03

USD/CAD



The Canadian Dollar edged 1.26% lower in December amid softer Crude oil prices removing support from the Loonie. The fallout of Covid in China keep the industrial recovery of the country in check and the demand for crude oil remains low amid the internal crisis aligned with a delicate real estate market. Weaker manufacturing data

from China, the second-largest oil user and the world largest importer of petroleum. Senior staff from the IMF have raised concerns that all three major global growth drivers (US, EU and China) are slowing concurrently, marking the year 2023 more challenging than 2022 for the world economy.

What To Watch For This Month

01/06/2023 Unemployment Rate

Unemployment readings are expected to edge marginally lower in December, from 5.1%.

01/17/2023 Consumer Price Index

Canadian policymakers are set to confirm whether inflation peaked already keeping the last readings at 6.8% annualized as the benchmark level.

01/31/2023 Gross Domestic Product

The last growth reading of the year took place on the 23rd Dec. Previous reading showed that the economy grew 3.1% in a yearly basis.

Economic Indicators

Bank of Canada Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	5.20	3.30	0.90	2.00
CPI (YOY%)	3.40	6.90	4.10	2.20
Unemployment (%)	7.43	--	--	--

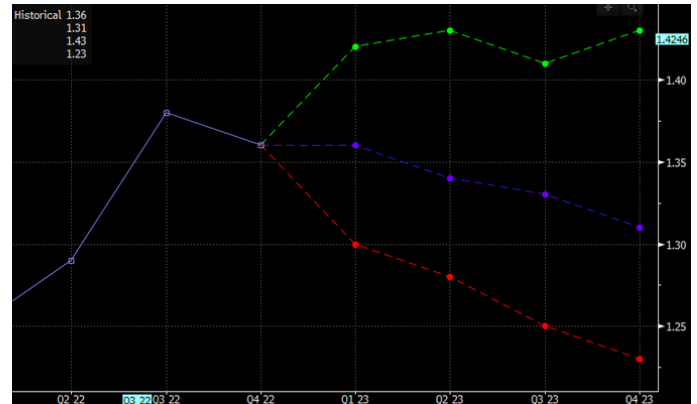


Historical Rates

USD/CAD

Market Consensus & Forecast

	Q1 23	Q2 23	Q3 23	Q4 23
Mean	1.36	1.34	1.33	1.31
High	1.42	1.43	1.41	1.43
Low	1.3	1.28	1.25	1.23



Consensus Forecast

Forecast by Institution

	As of:	Q1 23	Q2 23	Q3 23	Q4 23
Amdocs Development Ltd	01/02/23	1.33	1.32	1.3	--
Oversea-Chinese Banking C	12/29/22	1.32	1.31	1.3	1.3
Prestige Economics LLC	12/28/22	1.34	1.32	1.28	--
ATB FINANCIAL	12/22/22	1.32	1.29	1.27	1.26
Swedbank	12/22/22	1.34	1.32	1.3	1.25
Westpac Banking	12/22/22	1.32	1.3	1.29	1.26
Banco Bilbao Vizcaya A	12/21/22	1.33	1.32	1.3	1.29
Danske Bank	12/21/22	1.38	1.39	1.39	1.39
Rabobank	12/21/22	1.38	1.36	1.35	1.28
Skandinaviska Enskilda B	12/21/22	1.36	1.32	1.28	1.26
Monex USA Corp	12/20/22	1.3	1.28	1.27	1.24
CICC	12/19/22	1.42	1.39	1.36	1.33
Standard Chartered	12/19/22	1.3	1.28	1.27	1.26
Capital Economics	12/16/22	1.4	1.43	1.41	1.39
Commerzbank	12/16/22	1.34	1.32	1.3	1.28
Wells Fargo	12/16/22	1.4	1.39	1.38	1.37
RBC Capital Markets	12/15/22	1.37	1.38	1.37	1.36
TD Securities	12/14/22	1.4	1.38	1.35	1.32
Nomura Bank International	12/12/22	1.33	1.32	1.31	1.3
Barclays	12/07/22	1.36	1.35	1.34	1.33
Credit Agricole CIB	12/07/22	1.32	1.29	1.26	1.23

USD/CNY

The CNY remained relatively stable throughout the course of December. However the kick start of 2023 sent the Yuan to its highest levels in four months as traders place bets of a softer dollar and further reopening of China's economy. China's Caixin manufacturing index, which covers

mainly smaller, export-oriented businesses - dropped to 49 for December from 49.4 in November. Businesses were optimistic about the future although confidence readings are improving. The latest wave of covid keep the health system in China on alert and further outbreaks could have significant impacts in the global economy and supply chain disruptions.

What To Watch For This Month

01/09/2023 CPI (Nov)

Inflation is expected to continue dropping in China, previously released at 1.6% annualized which has given leeway for PBOc to release economic stimulus

01/13/2023 Trade Balance

Amid the recent outburst of Covid and the latest lockdowns, the trade balance is expected to increase from USD 69 bill to USD 76 bill.

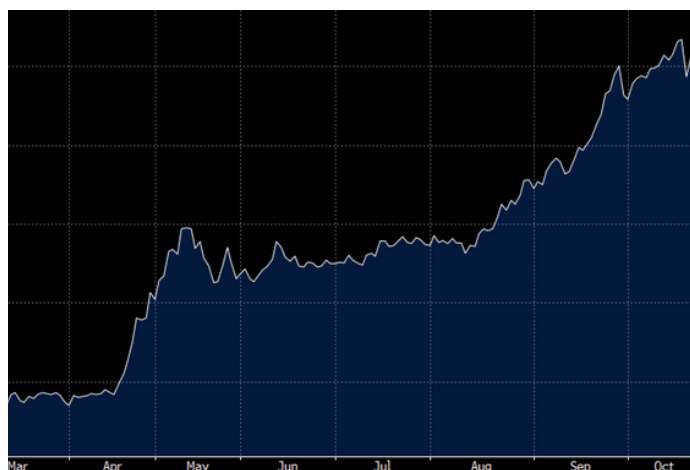
01/27/2023 Gros Domestic Product

The Chinese economy is expected to hit 3.9% annualized growth in December.

Economic Indicators

People's Bank of China Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	8.40	3.00	4.80	4.95
CPI (YOY%)	0.92	2.10	2.30	2.20
Unemployment (%)	3.96	4.10	4.04	4.00

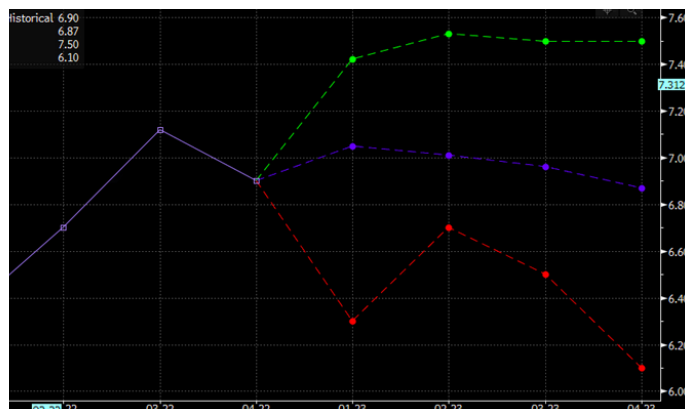


Historical Rates

USD/CNY

Market Consensus & Forecast

	Q1 23	Q2 23	Q3 23	Q4 23
Mean	7.05	7.01	6.96	6.87
High	7.42	7.53	7.5	7.5
Low	6.3	6.7	6.5	6.1



Consensus Forecast

Forecast by Institution

	As of:	Q1 23	Q2 23	Q3 23	Q4 23
Amdocs Development Ltd	01/02/2023	7	6.85	6.75	--
Oversea-Chinese Banking C	12/29/22	6.9	6.85	6.8	6.75
Prestige Economics LLC	12/28/22	7.02	7.04	6.95	--
Mizuho Bank	12/26/22	6.95	6.9	6.8	6.7
Westpac Banking	12/22/22	6.9	6.8	6.6	6.1
Banco Bilbao Vizcaya A	12/21/22	6.93	7.08	7.18	7.24
Danske Bank	12/21/22	7.21	7.3	7.3	7.3
Rabobank	12/21/22	7.25	7.3	7.35	6.75
Skandinaviska Enskilda B	12/21/22	7.08	7	6.96	6.85
Monex USA Corp	12/20/22	6.8	6.7	6.6	6.55
CICC	12/19/22	7.05	7	6.9	6.7
Standard Chartered	12/19/22	7.05	7.1	7	6.95
ANZ Group	12/16/22	6.95	6.8	6.7	6.65
Capital Economics	12/16/22	7	7	6.9	6.8
Commerzbank	12/16/22	7.25	7.2	7.1	7.05
Wells Fargo	12/16/22	7.02	6.98	6.94	6.9
RBC Capital Markets	12/15/22	7	6.8	6.7	6.6
TD Securities	12/14/22	7.3	7.2	7.15	7.1
Nomura Bank International	12/12/2022	6.97	6.7	6.5	6.45
Barclays	12/07/2022	6.3	6.9	7.4	7.5
Landesbank Baden-W	12/06/2022	7.42	7.53	7.5	7.4

USD/BRL



The Brazilian Real closed out December 1.79% lower against the greenback although we witnessed high levels of volatility within intra month moves. However, there are expectations of a weaker real amid talks of fuel tax cuts in the country. Reports about the pressure to further extend tax exemptions on fuels may keep investors risk-averse.

Local newspapers reported that some of Lula's allies want the exemption on gasoline to be extended for another six months as Petrobras may need more time to change its pricing policy. The resumption of BCBs tightening cycle in the first quarter of 2023 is almost discarded now, with only 13 bps in risk premium left in the short end of the curve.

What To Watch For This Month

01/10/2023 IBGE Inflation IPCA

IBGE released an inflation reading at 5.9% annualized on their latest report and investor will remain tuned to confirm an easing trend of price activity.

01/11/2023 Retail Sales

Retail sales release 2.7% in their previous release and these will provide good insight into the economic activity.

01/26/2023 Foreign Direct Investment

December readings reached USD 8.3 billion of international flows into Brazil.

Economic Indicators

Brazil's Central Bank Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	5.17	3.00	0.80	1.90
CPI (YOY%)	8.29	9.30	5.00	3.89
Policy Rate (%)	9.25	13.75	11.60	8.70

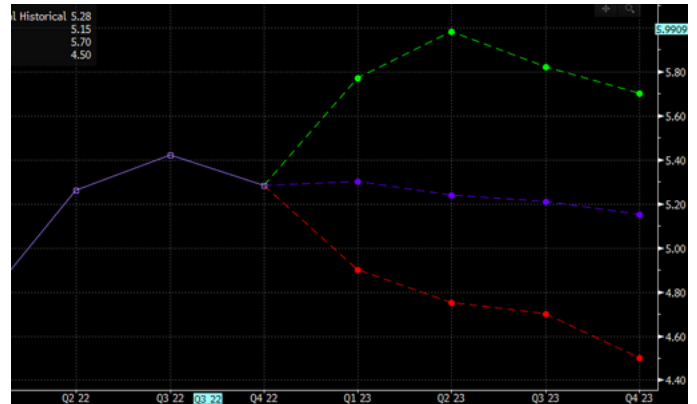


Historical Rates

USD/BRL

Market Consensus & Forecast

	Q1 23	Q2 23	Q4 23	Q4 23
Mean	5.3	5.24	5.21	5.15
High	5.77	5.98	5.82	5.7
Low	4.9	4.75	4.7	4.5



Consensus Forecast

Forecast by Institution

	As of:	Q1 23	Q2 23	Q3 23	Q4 23
Amdocs Development Ltd	01/02/23	5.3	5.2	5.11	--
Prestige Economics LLC	12/28/22	5.35	5.3	5.2	--
Mizuho Bank	12/26/22	5.2	5.13	5.05	5
Banco Bilbao Vizcaya A	12/21/22	5.18	5.2	5.16	5.21
Rabobank	12/21/22	5.15	5.15	5.25	5.2
Skandinaviska Enskilda B	12/21/22	5.35	5.2	5.3	5.5
Standard Chartered	12/19/22	5.05	5	4.95	4.9
Capital Economics	12/16/22	5.38	5.5	5.38	5.25
Wells Fargo	12/16/22	5.3	5.2	5.1	5
RBC Capital Markets	12/15/22	5.11	4.75	5	4.75
TD Securities	12/14/22	5.1	5.05	4.95	4.85
Nomura Bank International	12/12/22	5.4	5.3	5.25	5.2
Barclays	12/07/22	5.25	4.9	4.8	4.8
Landesbank Baden-W	12/06/22	5.77	5.98	5.82	5.7
ABN Amro	12/05/22	4.9	4.8	4.7	4.5
MUFG	12/02/22	5.58	5.55	5.53	5.5
Canadian Imperial Bank of C	12/02/22	5.2	5.05	5.2	5.4
Mouvement Desjardins	12/02/22	5.6	5.5	5.4	5.3
X-Trade Brokers Dom M	12/02/22	5.42	5.45	5.37	5.1
Citigroup	11/30/22	5.33	5.31	5.3	5.29
MPS Capital Services	11/30/22	5.33	5.47	5.56	5.46

USD/MXN



The Mexican peso was one of the performing currencies against the dollar in 2023, despite closing the last month of the year with a loss. Overall, Mexican fundamentals and significant appetite in foreign direct investment or COP with an implied keep growth and currency volatility in check securing a decent performance through the course of the year.

Mexican Peso's one month implied volatility at 10.98% is set to keep attracting carry traders as it makes local market much more predictable than peers like CLP, BRL or COP with an implied volatility of almost 20%. The Mexican peso has benefitted from a combination of high-interest rates and low volatility.

What To Watch For This Month

01/09/2023 Consumer Price Index

Inflation reading in December reported prices increased 7.8% on an annualized basis.

01/20/2023 Retail Sales (November)

The INEGI will publish retail sales data for November. Previously 3.8% annually.

01/26/2023 Jobless Rate

INEGI is set to release the number of unemployed workers in the economy compared to the active workers in the economy. The previous report was 2.85%.

Economic Indicators

Banco de Mexico Forecast

Forecast	2021	2022	2023	2024
Real GDP (YOY%)	4.80	2.50	1.10	1.91
CPI (YOY%)	5.68	8.00	5.80	4.00
Unemployment (%)	4.14	3.50	3.70	3.70

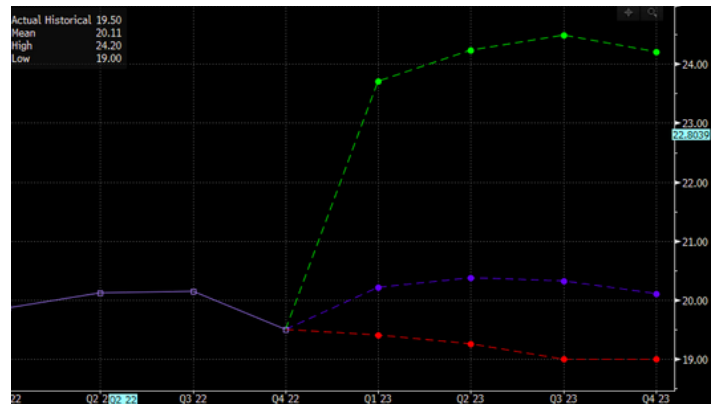


Historical Rates

USD/MXN

Market Consensus & Forecast

	Q1 23	Q2 23	Q3 23	Q4 23
Mean	20.21	20.38	20.32	20.11
High	23.71	24.23	24.49	24.2
Low	19.4	19.25	19	19



Consensus Forecast

Forecast by Institution

	As of:	Q1 23	Q2 23	Q3 23	Q4 23
Prestige Economics LLC	12/28/22	19.75	19.7	19.5	--
Mizuho Bank	12/26/22	19.8	19.9	20.1	20.3
Banco Bilbao Vizcaya A	12/21/22	19.58	19.93	19.65	20.1
Rabobank	12/21/22	20.5	20.5	20.8	22
Monex USA Corp	12/20/22	20	20	20	20
Standard Chartered	12/19/22	19.4	19.35	19.25	19.1
Banorte	12/16/22	20.02	20.19	21.12	21.2
Capital Economics	12/16/22	21.75	22.5	21.25	20
Wells Fargo	12/16/22	19.75	19.5	19.25	19
RBC Capital Markets	12/15/22	19.5	20	20.3	19.5
TD Securities	12/14/22	20.15	20.2	20.25	20.35
Nomura Bank International	12/12/2022	19.8	19.7	19.6	19.5
Barclays	12/07/2022	19.5	19.25	19	19
Landesbank Baden-W	12/06/2022	23.71	24.23	24.49	24.2
MUFG	12/02/2022	19.8	19.9	20	20.1
Canadian Imperial Bank of C	12/02/2022	20.5	21.5	20.5	19.8
Mouvement Desjardins	12/02/2022	20.25	20.25	20	19.5
X-Trade Brokers Dom M	12/02/2022	20.26	20.5	20.34	19.08
Citigroup	11/30/22	20.3	20.5	20.7	20.8
Cinkciarz.pl	11/23/22	20	20.5	21	20.5
JPMorgan Chase	11/23/22	19.5	19.5	19.75	19.75

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