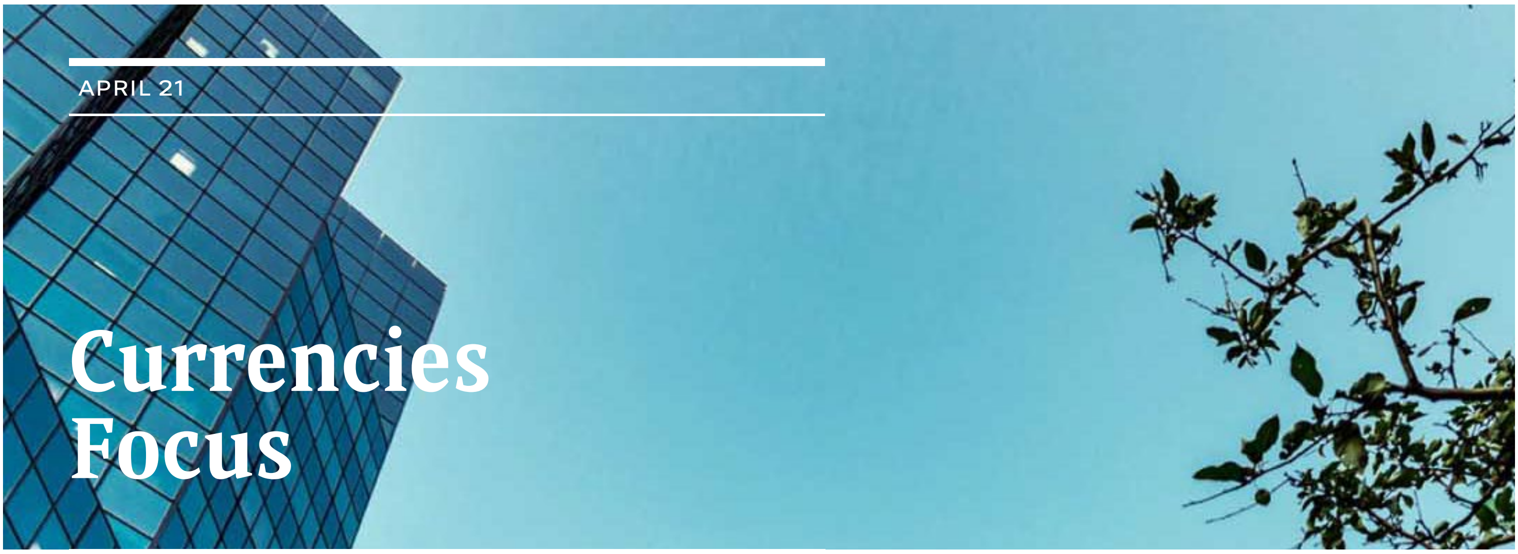


Summary

1. **March saw a worldwide rise in infections rates, leading to new lockdown measures.** The UK and US are the two standouts thanks to their strong vaccination programs. Expect release of pent-up demand in Q2 and Q3.
2. **The $1.9tn stimulus package in the US was voted and talks over an other package on infrastructure have begun.** The USD has benefited from rising yields, supported by the revised economic forecasts and general optimism. The EURUSD broke through the 1.20 level but this should be temporary. We expect a correction short-term and our 12-month target remains at 1.25.
3. **The variants of the covid-19 remain the main source of downside risk short-term**: The market was quite volatile again in March. Safe haven currencies like the CHF and JPY depreciated quite strongly despite the turmoil.
4. **Scandinavian currencies remain on diverging paths:** The SEK should stabilize around current levels while the NOK has further upside. Norway will start the rate hike cycle this year whereas Sweden should stay quite dovish.
5. **Chinese economic indicators bounced back last month.** Commodity currencies are stabilizing after a sharp fall in recent weeks. We still expect those to appreciate over the year.

Guy Ertz, PhD
Chief Investment Advisor
BNP Paribas Wealth Management

Contents

OUR TARGETS OVER THE NEXT 3 AND 12 MONTHS

	Country	Spot 14/04/21		Target 3 months	Target 12 months
Against euro	United States	EUR / USD	1.20	1.20	1.25
	United Kingdom	EUR / GBP	0.87	0.86	0.86
	Switzerland	EUR / CHF	1.11	1.11	1.14
	Japan	EUR / JPY	130	133	139
	Sweden	EUR / SEK	10.15	10.2	10.2
	Norway	EUR / NOK	10.09	10.10	9.90
Against dollar	Japan	USD / JPY	109	111	111
	Canada	USD / CAD	1.26	1.25	1.25
	Australia	AUD / USD	0.77	0.76	0.80
	New Zealand	NZD / USD	0.71	0.72	0.75
	Brazil	USD / BRL	5.72	5.30	4.50
	Russia	USD / RUB	75.6	74.0	68.0
	India	USD / INR	75.1	75.0	75.0
	China	USD / CNY	6.53	6.60	6.50

Source: Refinitiv - BNP Paribas

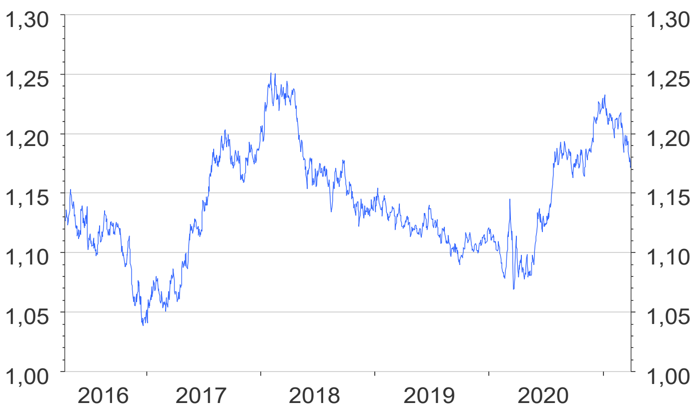
USD VIEW>> TARGET 12M VS EUR: 1.25

Dollar rebounded but for how long?

The positive outlook and the stimulus package have pushed US Treasury yields higher. The Fed has signaled its intention to look through any near term strength in inflation and to wait for signs of a sustained rise in inflation and improvements in labour markets before tightening. This should keep financial conditions relatively accommodative and support the recovery. Indeed, we anticipate the announcement of the reduction in asset purchases in Q4 2021 with implementation in Q2 2022 and a first rate hike in Q3 2023. At the same time, the ECB has been more active verbally at trying to talk down the rise in eurozone yields. Yield spreads moved in favor of the USD. Nevertheless, short-term yield spreads should remain low for a long time and that should be a key negative factor for the dollar.

The euro should recover gradually as vaccines allow the European economies to emerge from the most recent string of lockdown measures.

Therefore, we keep our EURUSD target to 1.20 and 1.25 for the next 3 and 12 months, respectively. This suggests upside for the euro.



Source: Refinitiv Datastream, 31/03/2021

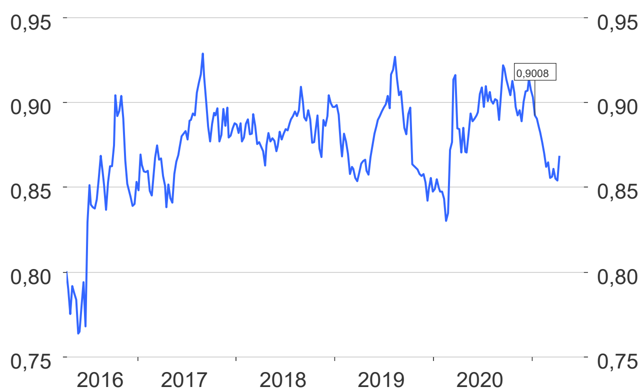
GBP VIEW >> Target 12M VS EUR: 0.86

Vaccination efforts are paying off

The rates of covid-19 infections and hospitalizations have fallen markedly across the UK and the vaccination program is proceeding at a rapid pace. Plans for the easing of restrictions have been announced and suggest that restrictions could be lifted somewhat more rapidly than was assumed in the February report. These expectations have helped the UK composite PMI, as it saw a second consecutive sharp increase, to 56.6, the highest level since August. Both Manufacturing and Services PMIs are now above 50. High saving rates suggests pent up demand. Moreover, current travel restrictions mean consumers are likely to take domestic holidays this summer, boosting domestic travel and leisure sectors.

On the monetary side, the Central Bank stands ready to take actions to achieve the 2% inflation target if the outlook for inflation weakens. We don't expect the BoE to exit its current stance of monetary policy. Near term, the downside risk for the pound is regarding major vaccine suppliers, particularly given reports of a potential slow down in supply over the coming weeks.

We adjust our EURGBP target to 0.86 (from 0.88) over a 3-month horizon and keep it to 0.86 over a 12-month horizon. This suggests a stable pair from here.



Source: Refinitiv Datastream, 14/04/2021

CHF VIEW>> TARGET 12M VS EUR: 1.14

Global recovery should weaken the franc

The Swiss franc has fallen by 1.7% against the euro in 2021, and was down 2.2% at the end of March, despite renewed lockdowns in the Eurozone. At its policy meeting March 25th, the Swiss National Bank (SNB) said that the currency was "highly valued" and kept its ultra-expansive monetary policy on hold. This reflects the aim of the central bank to keep the Swiss franc at low levels in order to fight deflation and protect the Swiss economy, which relies heavily on exports. We believe that the Swiss National Bank stance and the positive global outlook offer ground for the euro to keep appreciating against the Swiss currency. Moreover, after considerably expanding its balance sheet in 2020, the SNB is not expected to normalize it until substantial CHF depreciation. The steepening in the eurozone yield curve, low inflation expectations, together with the expected improvement in the global economic outlook support our view.

Therefore, we adjust our EURCHF targets to 1.11 (from 1.08) over a 3-month horizon and to 1.14 (from 1.11) over a 12-month horizon (value of one euro). This suggests further upside for the euro.

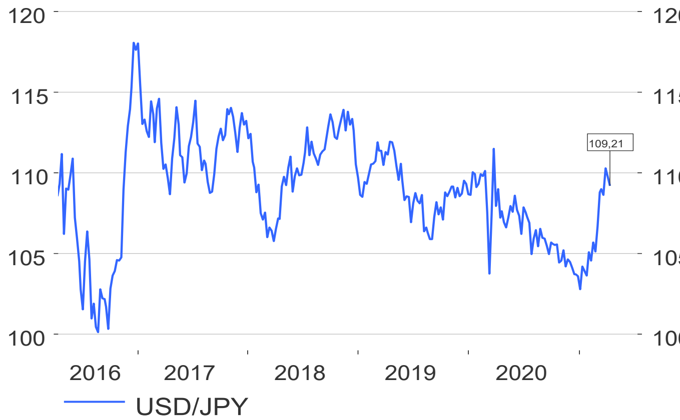
JPY VIEW >> TARGET 12M VS USD: 111

We expect a stabilization

The increase in yields between short and long maturities in the US and upward revisions in US growth relative to Japan have propelled the USDJPY to very high levels. At its March 19th meeting, the Bank of Japan (BOJ) confirmed the expansion of its 10y yield curve control target range to +/−0.25%, but outside of this tweak we expect the BOJ to leave its stance unchanged for the foreseeable future. The currency is likely to remain under pressure in the coming months due to reduced demand for safe-haven currencies amid a global growth recovery and further widening yield differentials with the U.S. Japan's government cut its view on exports for the first time in 10 months, saying they were increasing at a slower pace. They added that overall economic conditions were still showing weakness due to the coronavirus pandemic. But they are also anticipating the decline will be followed by a rebound of an annualized 5.3% in the second-quarter, as economic activity is expected to pick up following the easing of lockdown measures.

We adjust our 3- and 12-month USDJPY targets to 111 (from 104 and 102, respectively). This suggests a slight appreciation of the USD vs JPY from here.

Source: Refinitiv Datastream, 14/04/2021



Source: Refinitiv Datastream, 14/04/2021

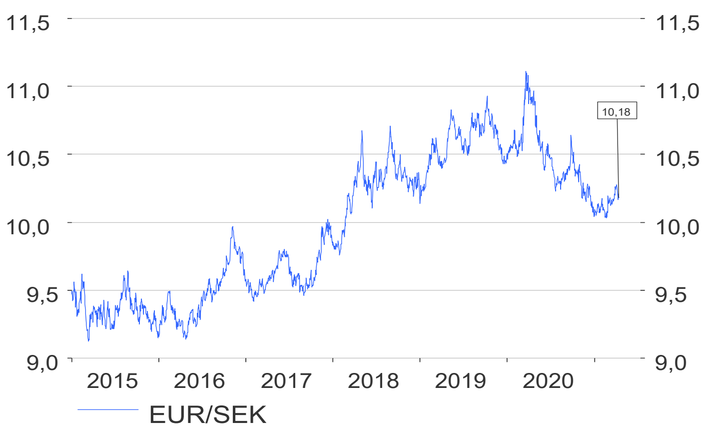
SEK VIEW>> TARGET 12M VS EUR: 10.2

The SEK is stable around our target

As expected, the Swedish krone has been on a negative trend this year (down 1.3% against the EUR, -0.4% over the last month). As a reminder, Swedish inflation expectations are a key driver of the Riksbank policy decisions and those have risen lately, albeit from very low levels. For this reason, the central bank revised up its economic forecast at its February monetary policy meeting.

On the monetary side, we don't expect the Riksbank to tighten its monetary policy stance significantly, with the policy rate remaining at 0% for some time. We still believe that higher inflation expectations should reduce the Riksbank's sensitivity to SEK strength. Downside risks to the SEK come from the potential for the Riksbank's stance to turn more dovish if inflation expectations start to moderate or the SEK strengthens back. Over the next 12 months, the expected global recovery should support the economy, which is reliant on global trade.

Therefore, we keep our EURSEK targets at 10.2 over the next 3 and 12 months. This suggests a stable pair.



Source: Refinitiv Datastream, 14/04/2021

NOK VIEW >> TARGET 12M VS EUR: 9.9

The NOK could strengthen more

The NOK recovered well in 2021. It is now up 3% against the EUR. We continue to expect it to appreciate back to pre-pandemic levels. The economy holds up and business confidence is much higher than expected (the manufacturing PMI reached 60.1, a 30-month high). Additional support to the krone could come from a further rise in the appetite for risky assets and/or higher oil prices.

At its last meeting March 18th, the central bank (Norges) pulled forward its rate path to signal a 50% probability of a rate hike by year-end and a terminal rate of 1.25% by mid-2024. The relatively swift reversal of its emergency cuts seems fully priced by rates markets. The krone remains a bet on Europe's vaccine path and the broader global growth rebound.

We adjust our EURNOK target to 10.10 (from 10.2) over the next 3 months and keep it to 9.9 over the next 12. This suggests more upside for the NOK.

Source: Refinitiv Datastream, 14/04/2021

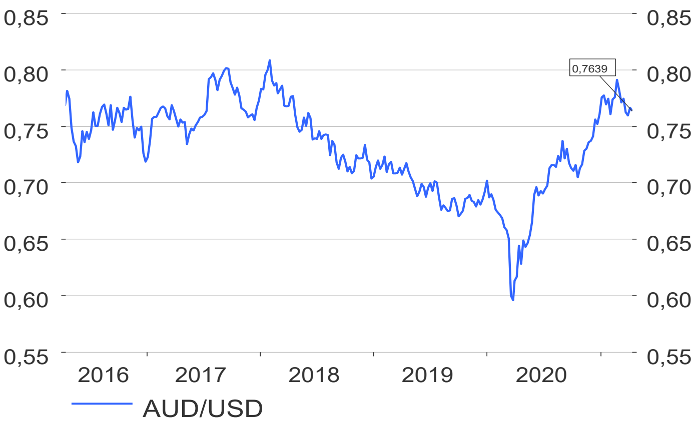
AUD VIEW>> TARGET 12M VS USD: 0.8

AUD getting over the recent slump

The Australian dollar is flat against the greenback so far in 2021, as it has recovered from its lows of March. Domestic data has been encouraging. Thousands of businesses across the country are indeed enjoying a sharp revival, thanks to a COVID-19 containment effort that has kept total cases below 30,000 and deaths under 1,000 since the pandemic began. In addition, the AUD is a cyclical currency that should benefit from the global economic recovery later this year and the favorable interest rate differential with the US. Tensions with China remain a downside risk, given the importance of China for Australia's exports.

On the monetary side, the Central Bank (RBA) kept its accommodative monetary policy unchanged (6th April), noting that the recovery is "stronger than had been expected". The RBA stated that it is committed to maintaining highly supportive monetary conditions until its goals are achieved. Thus, the cash rate won't be raised until inflation is "sustainably" within the 2-3% target range, requiring wage growth through much better employment figures. These conditions should not be met until 2024 at the earliest. Lastly, they noted that the monetary measures have contributed to keep a lower exchange rate than otherwise.

Therefore, we keep our AUDUSD 3-month target at 0.76. Our 12-month target remains at 0.80. This implies further appreciation potential.



Source: Refinitiv Datastream, 13/04/2021

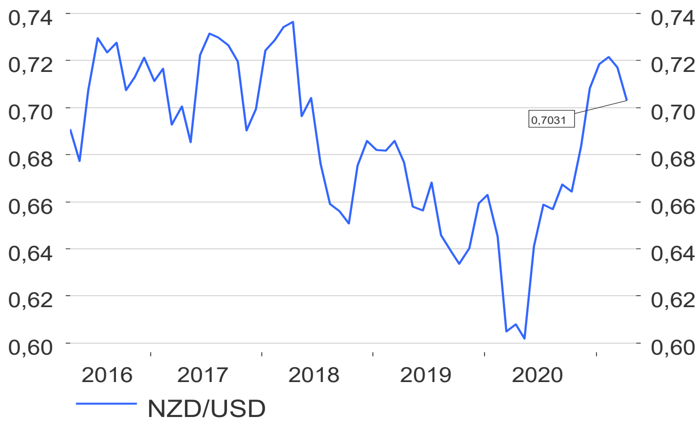
NZD VIEW >> TARGET 12M VS USD: 0.75

The NZD had a sharp fall, but should recover

The NZD is down 1% against the USD this year. New Zealand's economic data has shown resilience and the currency has been supported by high commodity prices. It should also take advantage of the global economic recovery later this year to make up for the recent losses. We expect the upgraded free trade deal with China to further support the country later this year.

On the monetary side, prolonged monetary stimulus remains necessary as it will take time before the country can meet its inflation and employment targets. The central bank stated in February that it "remains prepared to provide additional monetary stimulus if necessary". Nevertheless, low rates as well as fiscal and monetary stimulus have propelled house prices to historical highs. This lead the government to introduce stricter-than-expected measures to cool the housing market. With lower housing risks and inflationary pressures likely curbed, rate hike expectations have been pushed out even further.

Therefore, we keep our NZDUSD 3-month and 12-month targets at 0.72 and 0.75, respectively. This implies a further appreciation potential.



Source: Refinitiv Datastream, 14/04/2021

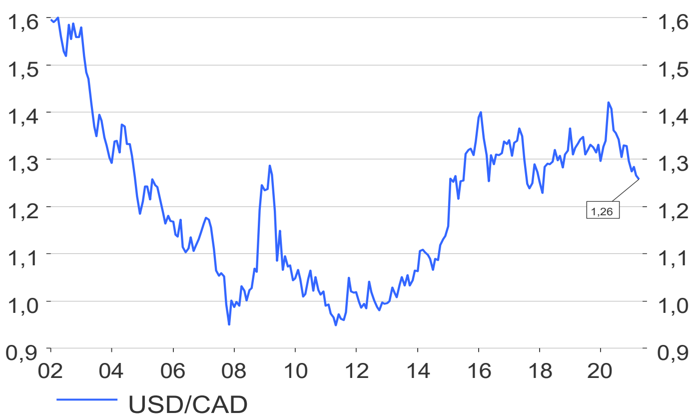
CAD VIEW>> TARGET 12M VS USD: 1.25

Stabilization after recent appreciation

The CAD remains one of the two major currencies, alongside the GBP, that have appreciated against the greenback this year. It has benefitted from high commodity prices, in particular oil, even if President Biden's policies could hurt Canada's ability to move oil to the market. The main drivers of the CAD appreciation remain the low interest rate differential with the US and the positive global outlook., especially in the US given the very strong trade links between the two countries.

On the monetary side, the rise in government bond yields has been very fast in Canada as well, a good sign of optimism about growth. The pickup in savings has been particularly pronounced in Canada. The release of pent-up demand could lead the Bank of Canada (BOC) to raise interest rates to avoid pressure on prices. The market already expects a tapering in April, but it is not a done deal as covid-19 cases have been rising in Canada over recent weeks and further lockdowns could lead the BOC to postpone its tapering to July. The markets have already priced in multiple rate hikes.

Therefore, we adjust our 3-month target for the USDCAD to 1.25 (from 1.27) and keep our 12-month target at 1.25 (value of one dollar) as we believe the pair should be stable from here.



Source: Refinitiv Datastream, 14/04/2021

CNY VIEW >> TARGET 12M VS USD: 6.5

There is sunshine after rain

The move up in US treasury yields these last few weeks has eroded the yield advantage of Chinese government bonds over the US ones. The decline in PMIs in February reflected the slowing underlying momentum of China's economy. The recent pace of economic rebound was unsustainable. On the other hand, Joe Biden recently set the stage for further spending to boost the world's largest economy. We expect that faster growth and higher yields will continue to support the dollar.

China also has a more neutral monetary stance which could impact the CNY negatively. We expect the Central Bank to continue to focus on stabilizing the macro leverage and the financial risk. Lastly, higher commodity prices, especially for crude oil, could raise import values and thus reduce the trade surplus, which can in turn weaken the currency.

Therefore, we adjust our 3-month target to 6.6 (from 6.5) and our 12-month target to 6.5 (from 6.4) for the USDCNY (value of one dollar). This suggests some downside near-term for the CNY followed by a period of appreciation over the year.

Source: Refinitiv Datastream, 14/04/2021

	Country		Spot 14/04/2021	Trend	Target 3 months (vs EUR)	Trend	Target 12 months (vs EUR)
	United States	EUR / USD	1.20	Neutral	1.20	Negative	1.25
	United Kingdom	EUR / GBP	0.87	Neutral	0.86	Neutral	0.86
	Japan	EUR / JPY	130	Negative	133	Negative	139
	Switzerland	EUR / CHF	1.10	Neutral	1.11	Negative	1.14
	Australia	EUR / AUD	1.56	Neutral	1.58	Neutral	1.56
	New-Zealand	EUR / NZD	1.68	Neutral	1.67	Neutral	1.67
	Canada	EUR / CAD	1.50	Neutral	1.50	Negative	1.56
	Sweden	EUR / SEK	10.15	Neutral	10.20	Neutral	10.20
	Norway	EUR / NOK	10.09	Neutral	10.10	Neutral	9.90
Asia	China	EUR / CNY	7.82	Neutral	7.92	Negative	8.13
	India	EUR / INR	89.9	Neutral	90.0	Negative	93.75
Latam	Brazil	EUR / BRL	6.83	Positive	6.36	Positive	5.63
EMEA	Russia	EUR / RUB	24.1	Negative	88.8	Negative	85

	Country		Spot 14/04/2021	Trend	Target 3 months (vs USD)	Trend	Target 12 months (vs USD)
	Eurozone	EUR / USD	1.20	Neutral	1.20	Positive	1.25
	United Kingdom	GBP / USD	1.38	Neutral	1.40	Positive	1.45
	Japan	USD / JPY	109	Neutral	111	Neutral	111
	Switzerland	USD / CHF	0.92	Neutral	0.93	Neutral	0.91
	Australia	AUD / USD	0.77	Neutral	0.76	Positive	0.80
	New-Zealand	NZD / USD	0.71	Neutral	0.72	Positive	0.75
	Canada	USD / CAD	1.25	Neutral	1.25	Neutral	1.25
Asia	China	USD / CNY	6.53	Neutral	6.60	Neutral	6.50
	India	USD / INR	75.1	Neutral	75.0	Neutral	75.0
Latam	Brazil	USD / BRL	5.72	Positive	5.30	Positive	4.50
	Mexico	USD / MXN	20.11	Neutral	20.0	Positive	18.0
EMEA	Russia	USD / RUB	75.60	Positive	74.0	Positive	68.0
	South Africa	USD / ZAR	14.50	Negative	15.0	Negative	15.0
	USD Index	DXY	91.69	Neutral	91.7	Negative	88.9

Source: Refinitiv - BNP Paribas

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