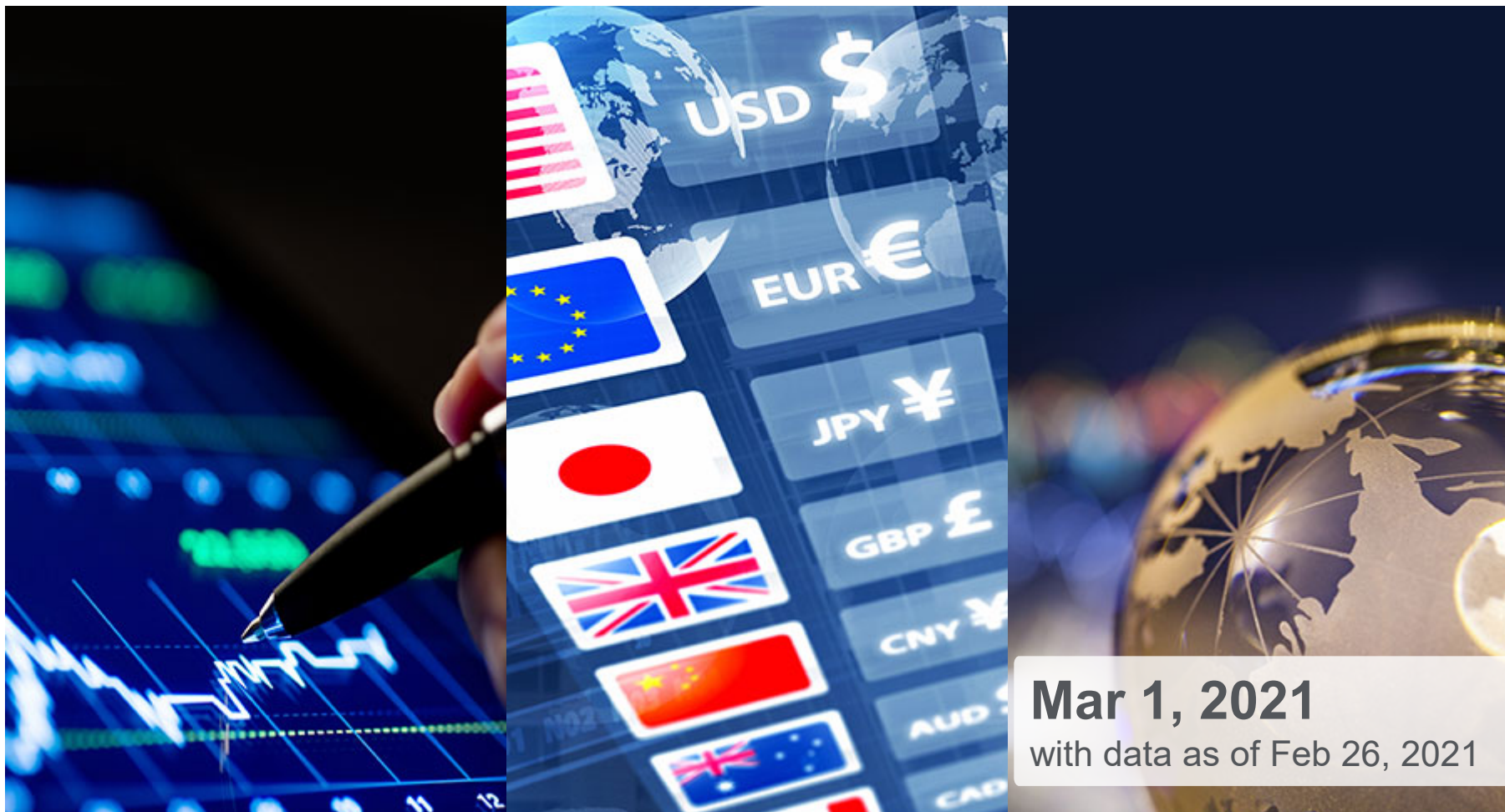


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Citibank Wealth Management



Mar 1, 2021
with data as of Feb 26, 2021

Weekly FX Strategy

FX Analysis

Data Forecasts

Weekly FX Insight

Please note and carefully read the
Important Disclosure on the last part



Weekly FX Strategy: GBP

GBP news

- The performance of G10 currencies last week was divergent. EUR and safe havens underperformed while commodity bloc and GBP outperformed.
- However, the UST yields spiked which led the slump of risk assets and limited the GBP's performance.

GBP outlook

- Since our last FX Forecasts, GBP has been the best performing G10 currency vs. USD. Perhaps one of the reasons for this, is that UK data momentum (and surprises) has been much stronger since the turn of the year relative to its peers. A global economic recovery and broad USD depreciation can see the demand for cheap/ value-type assets remain robust in 2021. On this metric, UK equities and GBP both screen well. However, it should be noted Citi's base case is for an August cut to -10bps. Negative policy rates would likely put an end to GBP TWI appreciation.

S2	S1	R1	R2	0-3m forecast	6-12m forecast	LT forecast
1.3657	1.3759	1.4237	1.4377	1.42	1.47	1.48



Source: Bloomberg L.P., as of Feb 26, 2021

- GBPUSD once jumped higher to 1.4237 but quickly erased all of its gains. Also, the daily momentum rolled over from a much extended level, suggesting that we should err on the side of caution given that we may see some choppy price action or even some retracement around this resistance level. The support may be found at 1.3759 and 1.3657.

Strategy for GBP holders - Diversify into USD

- The BoE's relatively optimistic forecasts may be vulnerable to disappointment. We still see a 20bp rate cut (to -0.1%) at the BoE's August meeting as our base case.
- UST yield is rising and coupled with our base case for Fed tapering in Q4 and possibly even earlier, the USD rebound could continue for now, which may weigh on GBP.



Strategy		Reference Level	Target Level
Bearish on GBP	USD	1.3759	1.4237
Bearish on GBP	HKD	10.67	11.04

Strategy for USD holders - Buy GBP upon retracement

- A global economic recovery and broad USD depreciation can see the demand for cheap/ value-type assets remain robust in 2021. On this metric, UK equities and GBP both screen well.
- Brexit is no longer an overhang holding back investment in the UK. There is also better domestic political stability, and increasingly less likelihood of lower rates. Valuation and inflows will give sterling well supported.



Strategy		Reference Level	Target Level
Bullish on GBP	USD	1.4237	1.3759
Bullish on GBP	HKD	11.04	10.67

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7566 exchange rate for reference

Weekly FX Strategy: RMB

RMB news

- The UST yields spiked which led the slump of risk assets and limited the RMB's performance.
- Potential slowing in demand for RMB with Lunar New Year holidays over, may also dampen the pace of RMB appreciation.

RMB outlook

- We see a strong RMB appreciation bias to continue in 2021E. As the PBoC's policy exit is way ahead of other industrial economies, the already large interest-rate differential will likely remain, and could continue to enlarge next year, which helps attract large and persistent capital inflows and support continuous RMB appreciation.



Source: Bloomberg L.P., as of Feb 26, 2021

- Given that the pair has remained below the 55dMA ever since breaking below it at the beginning of the downtrend that commenced in late May 2020, the level looks unlikely to give away. Also, the daily momentum has diverged slightly from the recent price action. Therefore, we believe that there is a higher possibility of the pair resuming its decline towards the Jan 2021 and the trend low at 6.4009-6.4118.

Strategy for RMB holders - Diversify into USD

- The mild but persistent weakening bias in USDCNY fixings and potential slowing in demand for RMB with Lunar New Year holidays over, may also dampen the pace of RMB appreciation.
- We feel Asia FX is vulnerable to the sharp rise in UST yields on expectations of a larger fiscal boost from the US together with an earlier than anticipated normalization by the Fed.

Strategy	Reference Level	Target Level
Bearish on RMB	USD	6.4009
Bearish on RMB	HKD	1.2118

Strategy for USD holders - Buy RMB upon retracement

- We think the underlying rationale for CNH bullishness persists—China's economic resilience, strength of exports, higher conversion to RMB by corporates, more predictable trajectory of US-China relations etc.
- We see a strong RMB appreciation bias to continue in 2021E. As the PBoC's policy exit is way ahead of other industrial economies, the already large interest-rate differential will likely remain, and could continue to enlarge next year, which helps attract large and persistent capital inflows and support continuous RMB appreciation.

Strategy	Reference Level	Target Level
Bullish on RMB	USD	6.5151
Bullish on RMB	HKD	1.2118

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7566 exchange rate for reference

Dollar Index

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7566 exchange rate for reference



USD outlook:

- The recent USD bid may be more positioning related than a change in the outlook for USD fundamentals. Over the medium term, we still think the dollar will continue to move lower, with Q1 to Q3 this year likely to see the bulk of the weakness.
- An additional "aid" for the rates markets is the expectation for the Fed's TGA balance to draw down (to \$600bn) by the summer, which will be a positive liquidity impulse for markets, keeping the momentum in medium term reflation trades in tact (higher equities, higher breakevens, weaker USD).
- Besides, the overriding message from Fed is that it is too "premature" to discuss exit from easy policy. So long as the Fed stays dovish, this means flows can continue into RoW value-type assets in 2021 and cyclically correlated/ high beta FX will enjoy the bulk of gains vs. USD.
- Over time, we believe the tightening of key easy macro policies remains the biggest potential risk to our medium term bearish USD view.

0-3M forecast: 88.40

6-12M forecast: 86.14

LT forecast: 85.33



Source: Bloomberg L.P., as of Feb 26, 2021

Gold/USD

Gold outlook:

- We cut the 2021E average price forecast 5% from \$1,900/oz to \$1,800/oz, with 0-3m target at \$1800/oz and 6-12m target at \$1700/oz. The Gold market bull cycle ends. In the very short-term, spot bullion holding support at \$1,750-1,765 appears critical to avoid a sharper sell-off. For now, we hold our 2022E and 2023E outlook unchanged at \$1,700/oz and \$1,550/oz.

0-3M forecast: 1800

6-12M forecast: 1700



Source: Bloomberg L.P., as of Feb 26, 2021



Strategy		Reference Level	Target Level
Bearish on Gold	USD	1966	1730
Bearish on Gold	HKD	15,250	13,419
Bullish on Gold	USD	1730	1966
Bullish on Gold	HKD	13,419	15,250

NZD/USD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7566 exchange rate for reference

NZD outlook:

- Similar to Aussie, Kiwi should be supported by the continued strong economic recovery in China, given the two countries trade links. The biggest "hitch" is that FX strength is negative for exports and inflation. While the bar for easing is perhaps higher than we had originally assumed, we don't completely discount the possibility. The RBNZ do still have a number of easing tools. The result is our NZD/USD upside forecast is more modest than our AUD/USD upside forecast.

Strategy	Reference Level	Target Level
Bearish on NZD	USD 0.7550	0.7026
Bearish on NZD	HKD 5.86	5.45
Bullish on NZD	USD 0.7026	0.7550
Bullish on NZD	HKD 5.45	5.86

AUD/USD

AUD outlook:

- Through 2021, AUD should continue to trade high beta to risk-on/global growth developments. The expected wide scale rollout of a vaccine, our expectations for a reflationary 2021 and associated weaker dollar, therefore implies AUD appreciation. Aussie should be additionally supported by the continued strong economic recovery in China, given the two countries trade links.

Strategy	Reference Level	Target Level
Bearish on AUD	USD 0.8122	0.7704
Bearish on AUD	HKD 6.30	5.98
Bullish on AUD	USD 0.7704	0.8122
Bullish on AUD	HKD 5.98	6.30

0-3M forecast: 0.73	6-12M forecast: 0.75	LT forecast: 0.74
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Source: Bloomberg L.P., as of Feb 26, 2021

0-3M forecast: 0.78	6-12M forecast: 0.81	LT forecast: 0.80
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Source: Bloomberg L.P., as of Feb 26, 2021

USD/CHF

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7566 exchange rate for reference

CHF outlook:

- The SNB still classifies CHF as “highly valued” and will intervene if needed to curb material CHF appreciation. Our view is that the threat of (as well as the actual implementation if need be) of SNB FX interventions should also keep rallies in the Swiss franc limited.



Strategy		Reference Level	Target Level
Bearish on CHF	USD	0.8758	0.9183
Bearish on CHF	HKD	8.85	8.44
Bullish on CHF	USD	0.9183	0.8758
Bullish on CHF	HKD	8.44	8.85

USD/CAD

CAD outlook:

- Despite continued lockdowns, data has been coming in strongly; GDP by industry rose 0.7% MoM in November. We expect the tapering of purchases to be announced in April. Typically a mix of loose fiscal and tight MoPo indicates currency appreciation.



Strategy		Reference Level	Target Level
Bearish on CAD	USD	1.2461	1.2881
Bearish on CAD	HKD	6.22	6.02
Bullish on CAD	USD	1.2881	1.2461
Bullish on CAD	HKD	6.02	6.22

0-3M forecast: 0.88

6-12M forecast: 0.89

LT forecast: 0.91

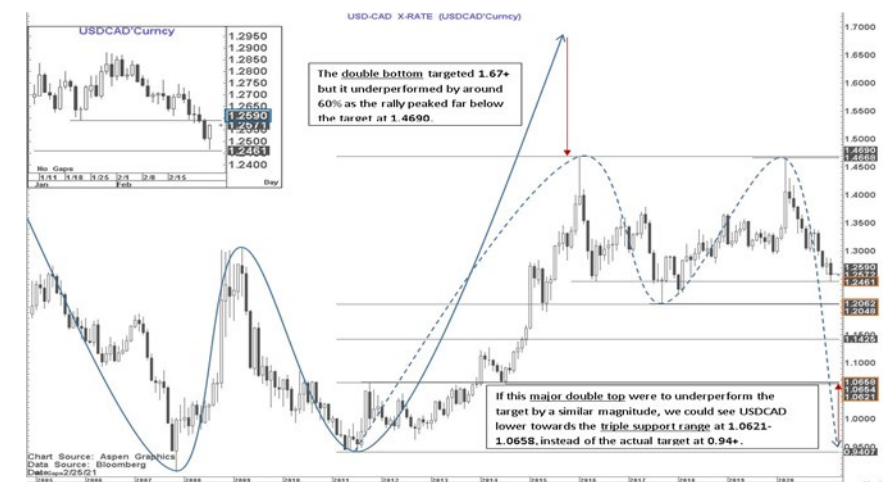


Source: Bloomberg L.P., as of Feb 26, 2021

0-3M forecast: 1.25

6-12M forecast: 1.22

LT forecast: 1.20



Source: Bloomberg L.P., as of Feb 26, 2021

EUR/USD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7566 exchange rate for reference

EUR outlook:

- Over the medium term, EUR/USD is likely to remain driven by global risk appetite and more so weaker broad USD dynamics during post COVID-19 reflation/ global trade volume recovery. Citi believes the bar to additional stimulus, including rates cuts, looks very high. The current lockdowns seem to be bringing down infection numbers successfully, which may allow the lifting of some restrictions earlier than they had expected. This may EUR positive.



Strategy		Reference Level	Target Level
Bearish on EUR	USD	1.2349	1.1919
Bearish on EUR	HKD	9.58	9.25
Bullish on EUR	USD	1.1916	1.2349
Bullish on EUR	HKD	9.25	9.58

USD/JPY

JPY outlook:

- We remain JPY bulls as a main beneficiary of a loose Fed and higher export demand. Near term price action suggests positioning unwinds may be causing spot USD/JPY to decouple from its main drivers. However, the BOJ may be nervy about allowing USD/JPY too close to 100, the level seen by big exporters as the overall turning point between profits and losses.

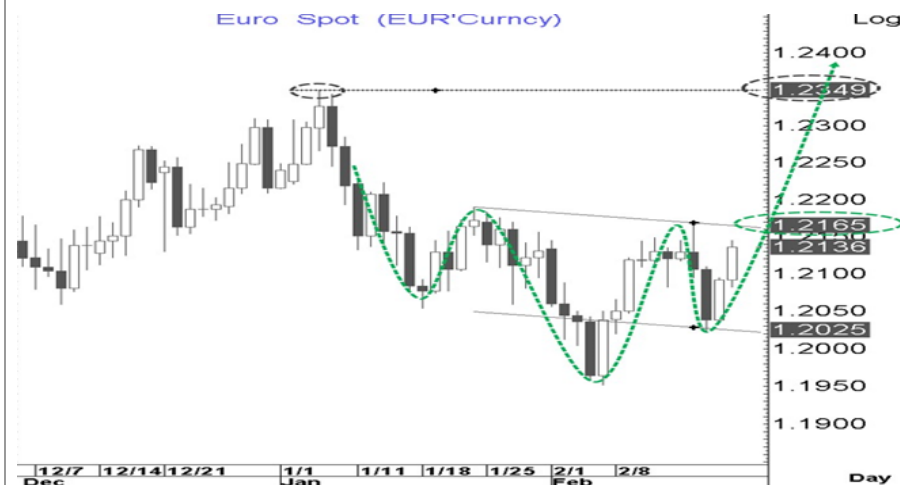


Strategy		Reference Level	Target Level
Bearish on JPY	USD	104.40	106.82
Bearish on JPY	HKD	7.43	7.26
Bullish on JPY	USD	106.82	104.40
Bullish on JPY	HKD	7.26	7.43

0-3M forecast: 1.24

6-12M forecast: 1.27

LT forecast: 1.27



Source: Bloomberg L.P., as of Feb 26, 2021

0-3M forecast: 102

6-12M forecast: 100

LT forecast: 95



Source: Bloomberg L.P., as of Feb 26, 2021

Appendix 1: Last week performance, Citi interest rate and FX Forecasts

Citi FX Outlook Forecast

Citi FX interest rate Forecast

	0-3 month	6-12 month	Long-term	2/26/2021	1Q '21	2Q '21	3Q '21	4Q '21
Dollar Index	88.40	86.14	85.33	*0.00	0.00	0.00	0.00	0.00
EUR/USD	1.24	1.27	1.27	-0.50	-0.50	-0.50	-0.50	-0.50
GBP/USD	1.42	1.47	1.48	0.10	0.10	0.10	-0.10	-0.10
USD/JPY	102	100	95	-0.10	-0.10	-0.10	-0.10	-0.10
USD/CHF	0.88	0.89	0.91	-0.75	-0.75	-0.75	-0.75	-0.75
AUD/USD	0.78	0.81	0.80	0.10	0.10	0.10	0.10	0.10
NZD/USD	0.73	0.75	0.74	0.25	0.25	0.25	0.25	0.25
USD/CAD	1.25	1.22	1.20	0.25	0.25	0.25	0.25	0.25
USD/CNY	6.35	6.15	5.60	2.95	2.95	2.95	2.95	2.95

Source: Citi (as of Feb 3, 2021) *lower bound

 Rate cut expectations
  Rate hike expectations

Major Currencies Weekly Performance

CCY	Last week close	Weekly Change	1 month high	1 month low	1 month change	3 month high	3 month low	3 month change	52 week high	52 week low	Year-To-Date Change
USD	90.88	0.6%	91.53	90.01	0.8%	91.99	89.44	-1.2%	102.99	89.21	0.9%
EUR/USD	1.2075	-0.4%	1.2175	1.1964	-0.7%	1.2327	1.1913	1.4%	1.2349	1.0636	-1.0%
USD/JPY	106.57	1.1%	106.57	103.62	2.8%	106.57	102.72	2.2%	111.71	101.19	3.1%
GBP/USD	1.3933	-0.6%	1.4141	1.3647	1.4%	1.4141	1.3224	4.3%	1.4237	1.1412	2.2%
USD/CAD	1.2738	1.0%	1.2851	1.2513	0.3%	1.3017	1.2513	-2.1%	1.4668	1.2468	-0.2%
AUD/USD	0.7706	-2.1%	0.7968	0.7600	-0.5%	0.7968	0.7344	4.7%	0.8007	0.5510	0.8%
NZD/USD	0.7233	-0.9%	0.7436	0.7156	0.0%	0.7436	0.7006	3.2%	0.7465	0.5470	1.2%
USD/CHF	0.9085	1.4%	0.9085	0.8869	2.4%	0.9089	0.8784	0.2%	0.9902	0.8758	2.5%
USD/CNY	6.4737	0.2%	6.4878	6.4283	0.1%	6.5789	6.4283	-1.5%	7.1777	6.4236	-0.8%
USD/CNH	6.4807	0.4%	6.4961	6.4060	0.1%	6.5839	6.4060	-1.4%	7.1965	6.4009	-0.5%
GOLD	1734.04	-2.8%	1860.78	1734.04	-6.3%	1950.01	1734.04	-4.5%	2075.47	1451.55	-8.4%

Source: Bloomberg L.P., as of Feb 26, 2021

Appendix 2: Last week's Economic Figures

Time		Event	Period	Actual	Survey	Prior
Monday						
02/22/21 17:00	GE	IFO Business Climate	Feb	92.4	90.5	90.3
02/22/21 23:00	US	Leading Index	Jan	0.50%	0.40%	0.40%
Tuesday						
02/23/21 05:45	NZ	Retail Sales Ex Inflation QoQ	4Q	-2.70%	-0.50%	27.80%
02/23/21 15:00	UK	Average Weekly Earnings 3M/YoY	Dec	4.70%	4.10%	3.70%
02/23/21 15:00	UK	ILO Unemployment Rate 3Mths	Dec	5.10%	5.10%	5.00%
02/23/21 18:00	EC	CPI Core YoY	Jan	1.40%	1.40%	1.40%
02/23/21 23:00	US	Powell To Deliver Semi-Annual Monetary Policy Report	Feb	--		
02/23/21 23:00	US	Conf. Board Consumer Confidence	Feb	91.3	90	88.9
Wednesday						
02/24/21 08:30	AU	Wage Price Index YoY	4Q	1.40%	1.10%	1.40%
02/24/21 09:00	NZ	RBNZ Official Cash Rate	Feb	0.25%	0.25%	0.25%
02/24/21 23:00	US	New Home Sales MoM	Jan	4.30%	1.70%	5.50%
Thursday						
02/25/21 08:30	AU	Private Capital Expenditure	4Q	3.00%	1.00%	-3.10%
02/25/21 21:30	US	Durable Goods Orders	Jan	3.40%	1.10%	1.20%
02/25/21 21:30	US	Durables Ex Transportation	Jan	1.1%	0.70%	1.70%
02/25/21 21:30	US	Initial Jobless Claims	Feb	730k	825k	841k
02/25/21 21:30	US	GDP Annualized QoQ	4Q	4.10%	4.20%	4.00%
02/25/21 23:00	US	Pending Home Sales NSA YoY	Jan	8.20%	--	23.10%
Friday						
02/26/21 05:45	NZ	Exports NZD	Jan	4.19b	4.19b	5.38b
02/26/21 05:45	NZ	Imports NZD	Jan	4.82b	4.82b	5.32b
02/26/21 05:45	NZ	Trade Balance NZD	Jan	-626m	-627m	69m
02/26/21 21:30	US	Personal Income	Jan	10.00%	9.50%	0.60%
02/26/21 21:30	US	Personal Spending	Jan	2.40%	2.50%	-0.40%
02/26/21 23:00	US	U. of Mich. Sentiment	Feb	76.8	76.5	76.2

Appendix 3: Upcoming Economic Figures (Mar 1, 2020 – Mar 5, 2020)

Time		Event	Period	Actual	Survey	Prior
Monday						
03/01/21 17:00	EC	Markit Eurozone Manufacturing PMI	Feb	--	--	57.7
03/01/21 17:30	UK	Markit UK PMI Manufacturing SA	Feb	--	--	54.9
03/01/21 21:30	CA	Current Account Balance	4Q	--	--	-\$7.53b
03/01/21 23:00	US	ISM Manufacturing	Feb	--	58.9	58.7
Tuesday						
03/02/21 11:30	AU	RBA Cash Rate Target	Mar	--	--	0.10%
03/02/21 18:00	EC	CPI Estimate YoY	Feb	--	--	0.90%
03/02/21 21:30	CA	Quarterly GDP Annualized	4Q	--	--	40.50%
Wednesday						
03/03/21 08:30	AU	GDP YoY	4Q	--	--	-3.80%
03/03/21 17:00	EC	Markit Eurozone Services PMI	Feb	--	--	44.7
03/03/21 17:30	UK	Markit/CIPS UK Services PMI	Feb	--	--	49.7
03/03/21 21:30	CA	Building Permits MoM	Jan	--	--	-4.10%
03/03/21 23:00	US	ISM Services Index	Feb	--	58.7	58.7
Thursday						
03/04/21 03:00	US	U.S. Federal Reserve Releases Beige Book	Mar			
03/04/21 08:30	AU	Retail Sales MoM	Jan	--	--	0.60%
03/04/21 08:30	AU	Trade Balance	Jan	--	--	A\$6785m
03/04/21 21:30	US	Initial Jobless Claims	Feb	--	--	--
03/04/21 23:00	US	Durable Goods Orders	Jan	--	--	--
Friday						
03/05/21 21:30	CA	Int'l Merchandise Trade	Jan	--	--	-1.67b
03/05/21 21:30	US	Average Hourly Earnings YoY	Feb	--	5.30%	5.40%
03/05/21 21:30	US	Change in Nonfarm Payrolls	Feb	--	143k	49k
03/05/21 21:30	US	Unemployment Rate	Feb	--	6.40%	6.30%
03/05/21 21:30	US	Trade Balance	Jan	--	-\$67.1b	-\$66.6b
03/05/21 23:00	CA	Ivey Purchasing Managers Index SA	Feb	--	--	48.4

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CNH exchange rates and CNY exchange rates are currently quoted in different markets with different exchange rates, whereby their exchange rate movements may not be in the same direction or magnitude. Therefore, the CNH exchange rate may be different from the CNY exchange rate.