FX performance - how did we get here?

Source: Bloomberg, Santander
Financial markets’ volatility remains subdued

Source: Bloomberg, Santander
Local, rather than global risk, as a FX factor

1mth correlation between EUR/USD and European political risk premia, evolution from 40 days before Italian referendum (Dec 2016) and French election 1st round (Apr 2017)

Source: Bloomberg, Santander
The electoral cycle’s hold over the EUR

Source: Bloomberg, Santander
An ambiguous UK election for the Pound

Source: CFTC, Bloomberg, Santander
Bad news is priced in – and then some…

UK unemployment is 4.7%...

...but the Pound is trading as if it is closer to 9%

Source: Bloomberg, Santander
A quick Sterling rebound may be unlikely

Source: Bloomberg, Santander
Trump stimulus = stronger USD?

Source: World Bank, Santander
Taking a ‘BAT’ to US trade flows = stronger USD?

Exports to US as a share of GDP

Source: World Bank, Santander
FX over reaction – MXN

Source: Bloomberg, Santander
Is a stronger USD needed/wanted?

Net trade makes negative contribution to US GDP growth as USD strengthens.

Source: Bloomberg, Santander
Monetary policy “convergence” – ex BoJ

Source: Bloomberg, Santander
### FX Forecasts – where are we going?

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<tr>
<th>Currency Pair</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
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Source: Santander
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