

## FX FORECASTS

# If Easing the Lockdown Is a Success, Several Currencies Could Appreciate Once Again against the U.S. Dollar

### HIGHLIGHTS

- ▶ The financial markets seem to be reassured as several countries begin to ease the lockdown. The DXY index, which measures the value of the U.S. dollar compared with the major currencies of the advanced countries, is struggling to move up again. It seems to have reached a cyclical peak on March 20. Nonetheless, the greenback was able to hold its own against most of the emerging countries' currencies. This clearly shows that investors are not prepared to take on huge amounts of risk again.
- ▶ March was a fairly difficult month for the Canadian dollar. However, after falling to less than US\$0.69, it rose once again and is now tending to remain stable at between US\$0.71 and US\$0.72. Significant oil price volatility didn't have much of an impact on the currency. Unlike Quebec, the rest of Canada seems to have been less affected by the pandemic. The Canadian economy is nonetheless very fragile as a result of the current crisis. Still, it appears that the loonie is being held aloft by the overall mood of the markets based on the news that the economic situation in many countries should improve in the coming months, including that of the United States, Canada's main trading partner.
- ▶ Despite the significant economic difficulties Europe is experiencing, the euro continued to demonstrate a certain resilience. The euro's trajectory is not only determined by economic changes, but also by the European Central Bank's (ECB) interventions, which were smaller than those of the other central banks, especially the Federal Reserve. At its meeting at the end of April, the ECB announced few new measures, although the markets expected it to fall into line by buying more securities, including higher risk corporate bonds. The situation can also be looked at from the point of view of inflation expectations. A lower inflation expected in the eurozone compared with other areas in the world could support the euro's value over the long term.
- ▶ The Australian dollar seems to be another currency that is taking advantage of the more restrained approach of its central bank. The Australian currency is currently worth nearly US\$0.65, although it was worth less than US\$0.60 in early April. After increasing significantly, the size of the Reserve Bank of Australia's balance sheet has declined slightly in recent weeks. The Australian dollar also seems to be profiting from China's economic recovery.
- ▶ The protectionist threat is raising its head in the current economic and financial climate. The United States is accusing China for the current crisis and the partial trade agreement reached at the end of 2019 seems at risk. This seems to be providing some support to the U.S. currency.

### MAIN FACTORS TO WATCH

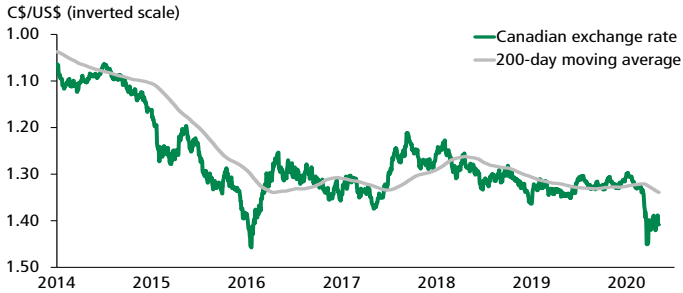
- ▶ Normally, if the lockdown easing begun in several countries is successful and the economy restarts, the demand for the U.S. dollar should fall, and several currencies could appreciate against it. That said, this scenario is far from certain. Between now and summer, we should be more able to gauge the success of the easing and the strength of the economic recovery throughout the world. The rise of the protectionist threat in the United States will also have to be watched closely.
- ▶ For now, we are counting on the Canadian dollar gaining slightly over the next few quarters. This presumes that the Canadian economy will rebound in the next few months. However, it may take several quarters more for the economy to fully recover. Some sectors are likely to experience prolonged difficulties, or even permanent losses.

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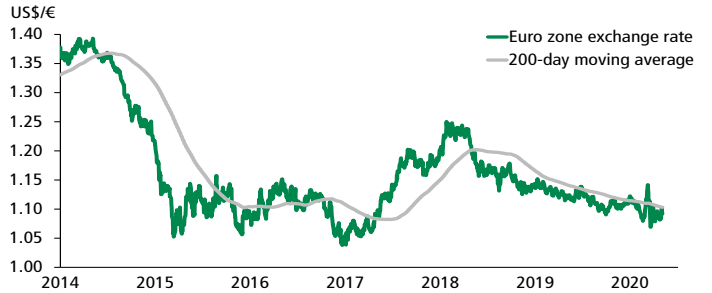
# Main Exchange Rates

## CANADIAN DOLLAR Exchange rate and trend



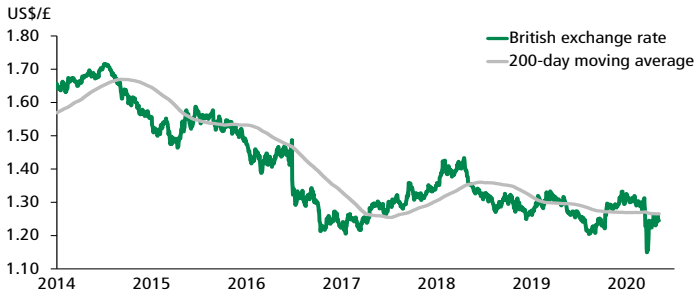
Sources: Datastream and Desjardins, Economic Studies

## EURO Exchange rate and trend



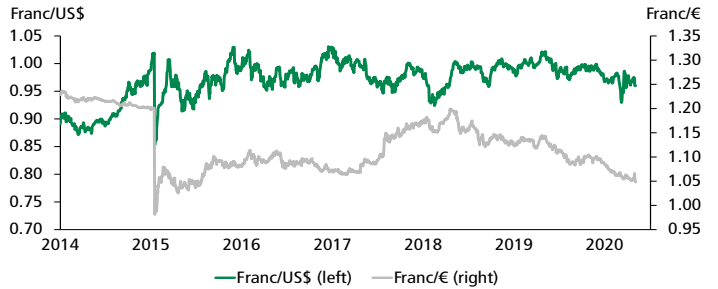
Sources: Datastream and Desjardins, Economic Studies

## BRITISH POUND Exchange rate and trend



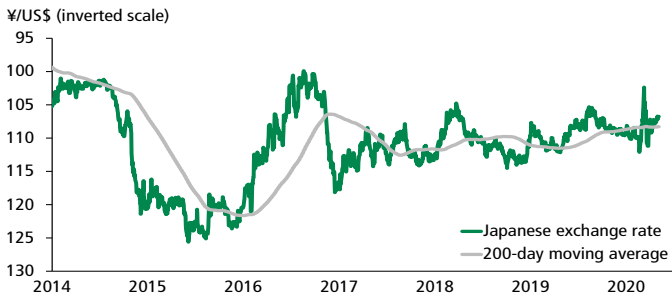
Sources: Datastream and Desjardins, Economic Studies

## SWISS FRANC Exchange rate



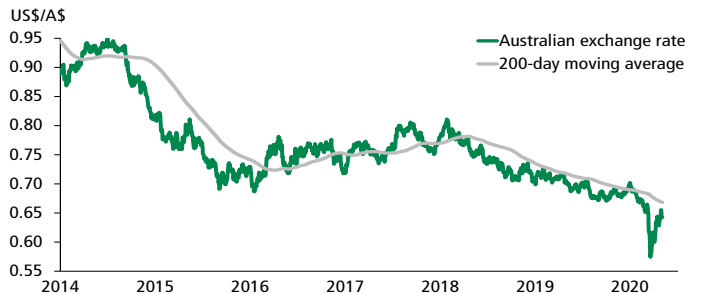
Sources: Datastream and Desjardins, Economic Studies

## YEN Exchange rate and trend



Sources: Datastream and Desjardins, Economic Studies

## AUSTRALIAN DOLLAR Exchange rate and trend



Sources: Datastream and Desjardins, Economic Studies

**TABLE 1**  
**Currency market: Yields**

COUNTRY – CURRENCY*	SPOT PRICE	VARIATION (%)					LAST 52 WEEKS		
	May 5	-1 month	-3 months	-6 months	-1 year	Higher	Average	Lower	
<b>Americas</b>									
Argentina – peso	67.0007	3.26	10.59	12.36	50.66	67.0007	55.9219	41.6508	
Brazil – real	5.5571	4.94	30.54	38.95	41.14	5.6885	4.2512	3.7382	
Canada – (USD/CAD)	1.4058	-0.32	5.75	6.83	4.73	1.4539	1.3370	1.2968	
Canada – (CAD/USD)	0.7114	0.32	-5.43	-6.40	-4.52	0.7712	0.7480	0.6878	
Mexico – peso	23.8275	-3.04	28.02	24.17	25.26	25.1420	19.9491	18.5605	
<b>Asia and South Pacific</b>									
Australia – (AUD/USD)	0.6432	7.27	-4.65	-6.70	-8.43	0.7076	0.6735	0.5742	
China – yuan renminbi	7.0622	-0.43	1.27	0.75	4.86	7.1789	6.9988	6.7346	
Hong Kong – dollar	7.7535	0.01	-0.12	-1.00	-1.17	7.8499	7.8077	7.7500	
India – rupee	75.7100	-0.70	6.35	6.97	9.57	76.9750	71.5369	68.4100	
Japan – yen	106.60	-1.72	-2.93	-2.35	-4.06	112.13	108.38	102.36	
New Zealand – (NZD/USD)	0.6053	3.09	-6.51	-5.06	-8.94	0.6783	0.6405	0.5673	
South Korea – won	1,229	-0.14	3.16	6.19	5.06	1,286	1,190	1,155	
<b>Europe</b>									
Denmark – krona	6.8859	-0.35	1.35	2.05	3.32	6.9901	6.7407	6.5273	
Euro zone – (EUR/USD)	1.0841	0.39	-1.47	-2.11	-3.10	1.1419	1.1079	1.0689	
Norway – kroner	10.2639	-3.21	11.44	11.87	17.95	11.7547	9.2006	8.4804	
Russia – ruble	73.9475	-4.04	17.55	16.40	13.61	80.2825	65.9322	60.9575	
Sweden – krona	9.8389	-3.55	2.66	1.87	3.13	10.3899	9.6409	9.2622	
Switzerland – swiss franc	0.9724	-0.53	-0.07	-1.95	-4.45	1.0221	0.9831	0.9297	
United Kingdom – (GBP/USD)	1.2455	1.60	-4.06	-3.21	-5.06	1.3345	1.2657	1.1491	

\* In comparison with the U.S. dollar, unless otherwise indicated.  
 Note: Currency table base on previous day closure.

**TABLE 2**  
**Currency market: History and forecasts**

END OF PERIOD	2019		2020				2021				
	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	
<b>U.S. dollar</b>											
Canadian dollar	USD/CAD	1.3241	1.2988	1.4062	1.4085	1.3889	1.3793	1.3699	1.3514	1.3333	1.3333
Euro	EUR/USD	1.0902	1.1225	1.0973	1.0800	1.0800	1.0900	1.1000	1.1100	1.1200	1.1200
British pound	GBP/USD	1.2323	1.3248	1.2400	1.2300	1.2400	1.2500	1.2500	1.2500	1.2600	1.2800
Swiss franc	USD/CHF	0.9974	0.9667	0.9672	0.9700	0.9800	0.9700	0.9700	0.9700	0.9700	0.9800
Yen	USD/JPY	108.08	108.63	107.55	106.00	107.00	108.00	110.00	110.00	111.00	111.00
Australian dollar	AUD/USD	0.6748	0.7022	0.6136	0.6400	0.6500	0.6600	0.6700	0.6700	0.6800	0.6800
Chinese yuan	USD/CNY	7.1484	6.9632	7.0825	7.1500	7.0500	7.0000	6.9500	6.9000	6.9000	6.9000
Mexican peso	USD/MXN	19.73	18.93	23.72	25.00	22.00	21.00	20.00	19.00	18.75	18.50
Brazilian real	USD/BRL	4.1641	4.0304	5.1984	5.5000	5.0000	4.7000	4.5000	4.3000	4.2000	4.2000
Effective dollar <sup>1</sup>		111.69	108.58	113.13	114.00	113.60	112.80	112.40	111.60	110.70	110.10
<b>Canadian dollar</b>											
U.S. dollar	CAD/USD	0.7552	0.7699	0.7112	0.7100	0.7200	0.7250	0.7300	0.7400	0.7500	0.7500
Euro	EUR/CAD	1.4435	1.4579	1.5429	1.5211	1.5000	1.5034	1.5068	1.5000	1.4933	1.4933
British pound	GBP/CAD	1.6317	1.7206	1.7436	1.7324	1.7222	1.7241	1.7123	1.6892	1.6800	1.7067
Swiss franc	CAD/CHF	0.7533	0.7443	0.6878	0.6887	0.7056	0.7033	0.7081	0.7178	0.7275	0.7350
Yen	CAD/JPY	81.63	83.63	76.48	75.26	77.04	78.30	80.30	81.40	83.25	83.25
Australian dollar	AUD/CAD	0.8935	0.9120	0.8628	0.9014	0.9028	0.9103	0.9178	0.9054	0.9067	0.9067
Chinese yuan	CAD/CNY	5.3986	5.3613	5.0368	5.0765	5.0760	5.0750	5.0735	5.1060	5.1750	5.1750
Mexican peso	CAD/MXN	14.90	14.58	16.87	17.75	15.84	15.23	14.60	14.06	14.06	13.88
Brazilian real	CAD/BRL	3.1449	3.1032	3.6969	3.9050	3.6000	3.4075	3.2850	3.1820	3.1500	3.1500

f: forecasts; <sup>1</sup> Trade-weighted against major U.S. partners (1973 = 100).  
 Sources: Datastream, Federal Reserve Board and Desjardins, Economic Studies