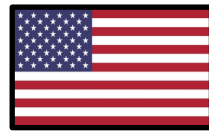


PNC Currency Review, April 2025

**Prior Quarter
January 2025 – March 2025**

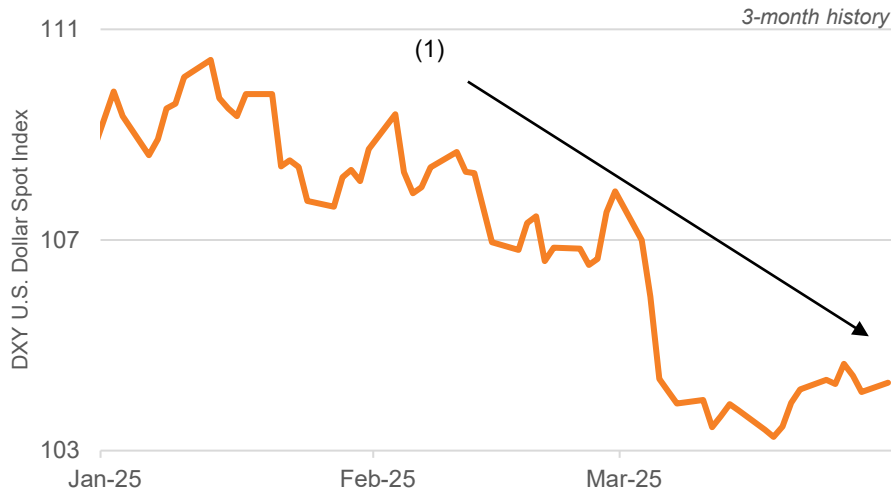
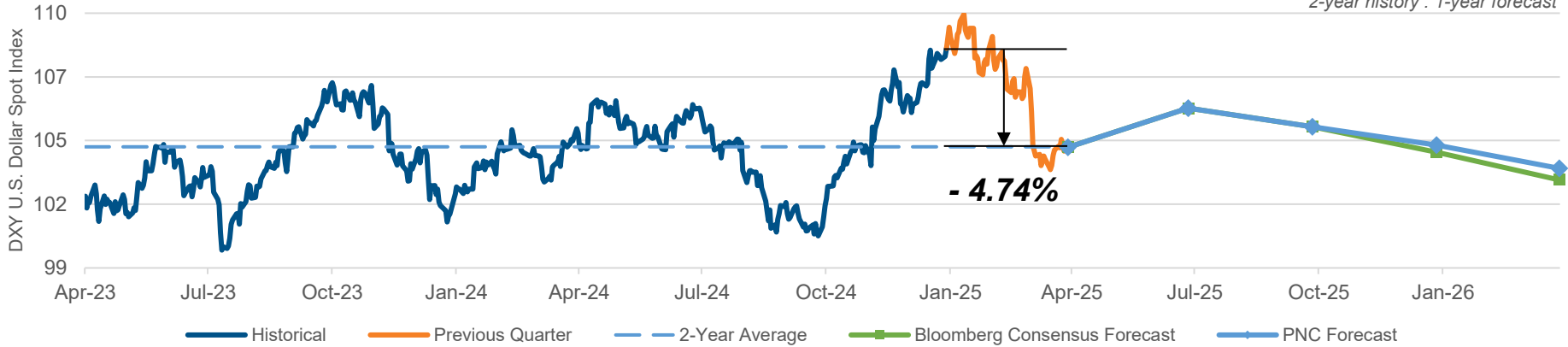
Summary

DXY Major Currencies Dollar Index



The US dollar index weakened 4.74% in the trailing quarter.

2-year history : 1-year forecast



Previous Quarter Recap

- As expected, the FOMC kept the fed funds rate unchanged on March 19, in a range between 4.25% and 4.50%.
- Impacts of the DOGE layoffs of Federal government employees extended to March, with continuing claims filed by fired civilian Federal employees in line with February's jobs report.
- Topline CPI inflation came in below the consensus and eased in February 2025 to 2.8%. The ISM PMI fell into contractionary territory for March 2025. Consumer sentiment slipped in March to the lowest level since November 2022.

Currency Outlook

- PNC and the consensus anticipate the US dollar will depreciate over the forecast horizon.
- If the US economy surprises to the downside or the Fed cuts the fed funds rate more than expected, the dollar could be weaker than forecasted.

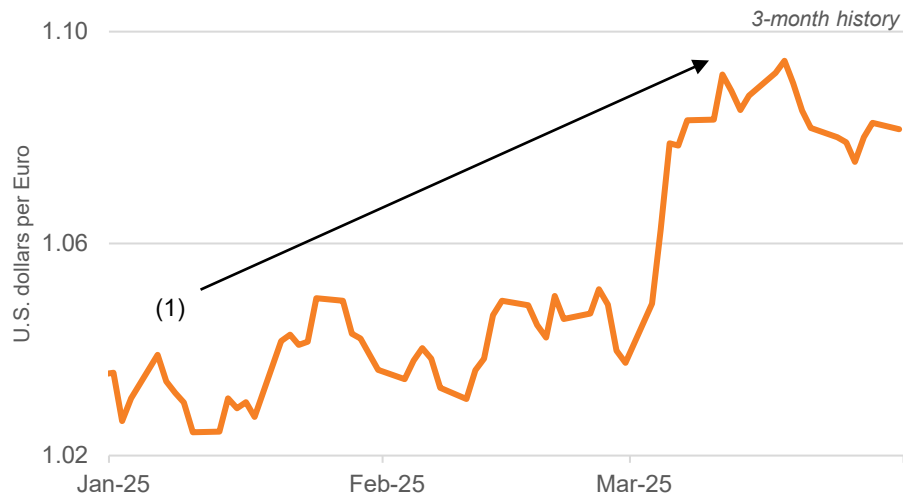
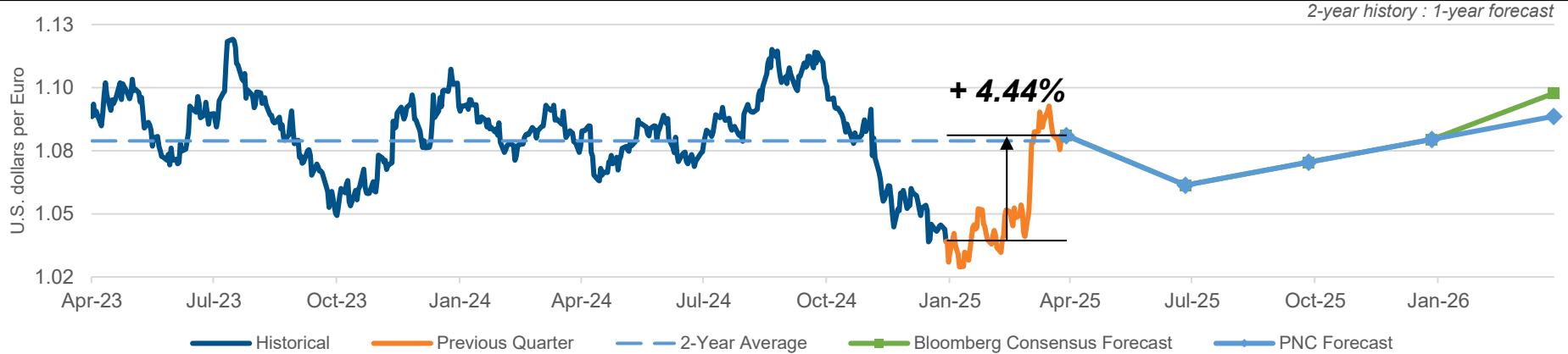
(1) The USD weakened in the trailing quarter as recession probability has increased within a trade war and under President Trump's escalating tariff measures. The on- and off- tariff narratives have created uncertainties for investors and consumers, weighing on their decisions.

Currency Update

Euro



The Euro strengthened 4.44% in the trailing quarter.



Previous Quarter Recap

- Inflation in March slowed and was in line with the consensus, with the CPI up 0.6% on the month and 2.2% over the past year.
- The Eurozone PMI improved to a 26-month high in March to 48.6 from 47.6 in February according to S&P Global. This is the fourth consecutive month of improvement and indicates a slower contraction in the euro area's factory activity.
- Producer cost pressures continued to pile up in 2025, with the PPI in February rising 3% from last year, the largest year-over-year increase since early 2023.

Currency Outlook

- Both PNC and the consensus expect the euro to strengthen over the forecast horizon.
- If the Fed cuts its fed funds rate more than expected or the US economy surprises to the downside, the euro could be stronger than forecasted.

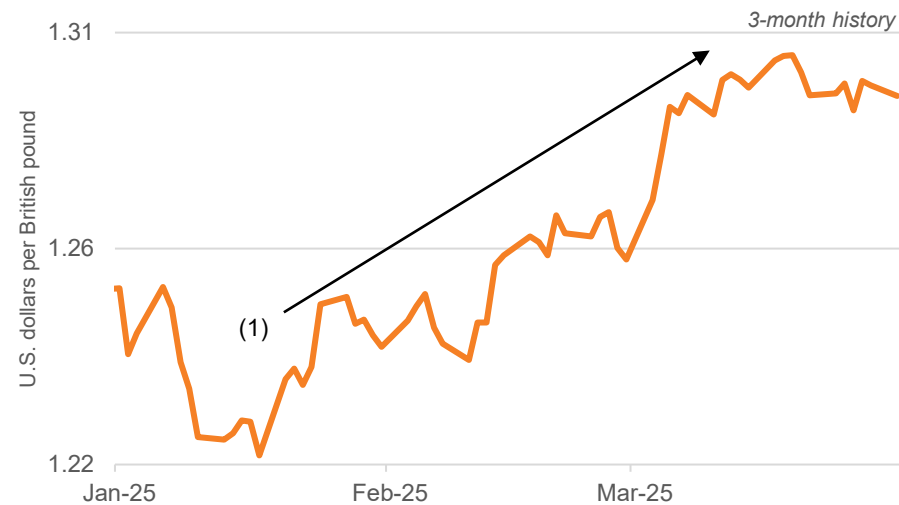
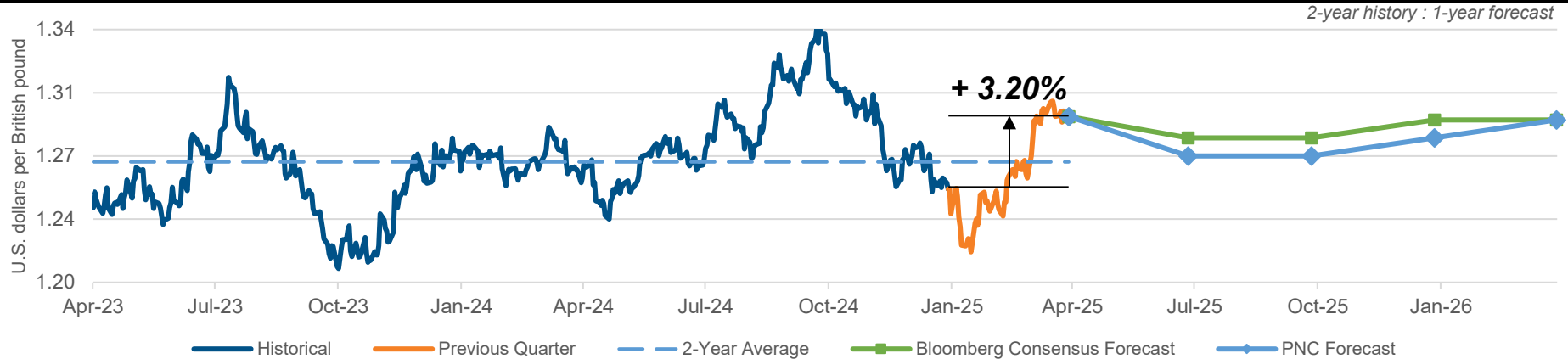
(1) President Trump's international trade measures against Canada, China and Mexico have created investment uncertainties and favored the euro in the trailing quarter where tariffs measures are not yet applied.

Currency Update

Great British Pound



The British pound strengthened 3.20% in the trailing quarter.



(1) President Trump's international trade measures against Canada, China and Mexico have created investment uncertainties and favored the sterling in the trailing quarter where tariffs measures are not yet applied.

Previous Quarter Recap

- The Bank of England kept its Bank Rate steady at 4.5% on March 20. UK economic growth slowed in H2 2024 with Q4 real GDP growth up from Q3 but down from Q1 and Q2.
- The unemployment claimant count jumped in February, hinting at a slowing UK labor market in early 2025.
- Industrial production contracted more than the consensus expected in January to the lowest on the month since May 2020. The Manufacturing PMI in March also fell to the lowest level since late 2023.

Currency Outlook

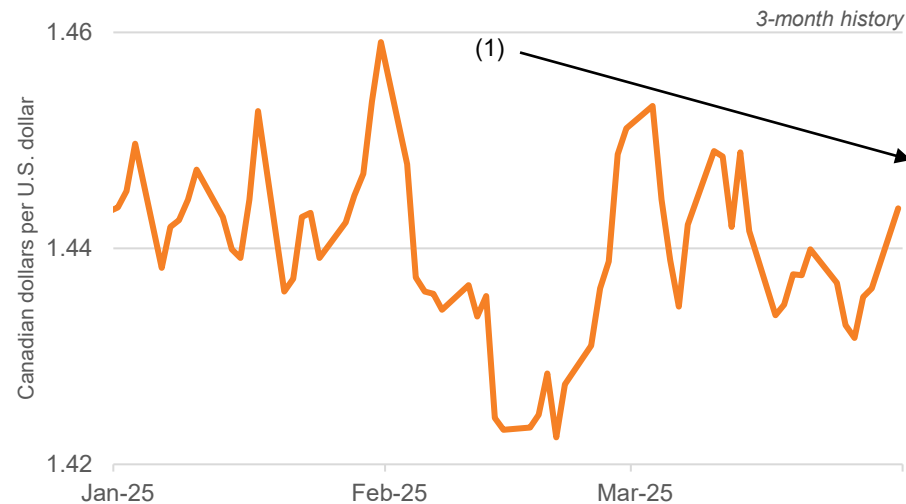
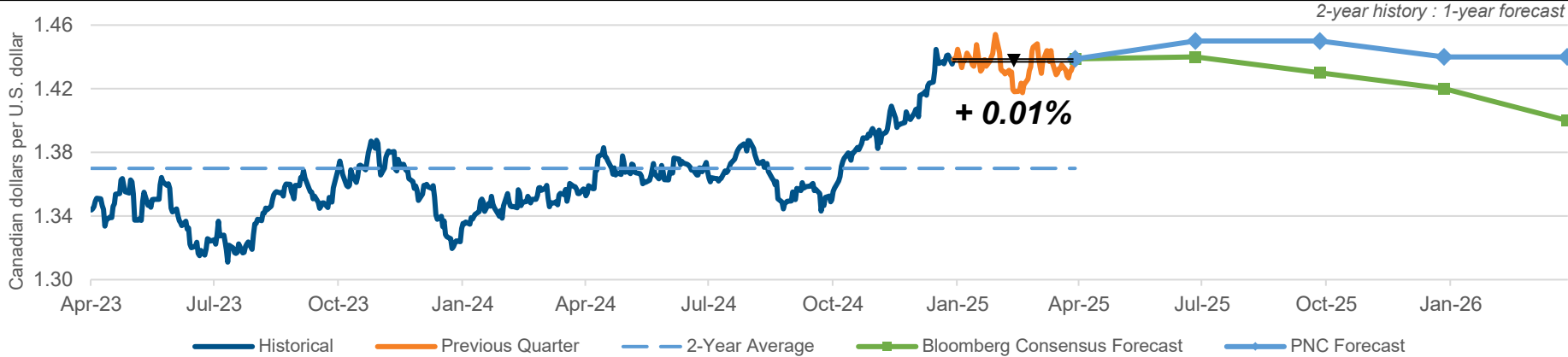
- Both PNC and the consensus expect the pound to strengthen after falling in Q2.
- A weaker-than-anticipated US economy or faster-than-expected UK economic recovery could contribute to a stronger pound.

Currency Update

Canadian Dollar



The Canadian dollar strengthened 0.01% in the previous quarter.



(1) Canada's cooling inflation at the BOC's 2% objective along with moderate economic growth contributed to a stronger Canadian dollar over the trailing quarter. But the on- and off- tariff narratives from President Trump have contributed to a great deal of volatility and caused limited appreciation in the Canadian dollar.

Previous Quarter Recap

- Due to a possible wide range of trade measures with the US, business sentiment fell recently according to a PMI survey from S&P Global.
- The BOC cut its policy interest rate 25 bps from 3% to 2.75% on March 12, as expected. Economic growth in Canada remained solid ending 2024, with an inflation rate within the BOC's target range between 1% and 3%.
- Canada's CPI inflation picked up strongly in February to 2.6% and came in higher than the consensus expectation of 2.2%. Inflation would have been higher without the temporary tax break during this period.

Currency Outlook

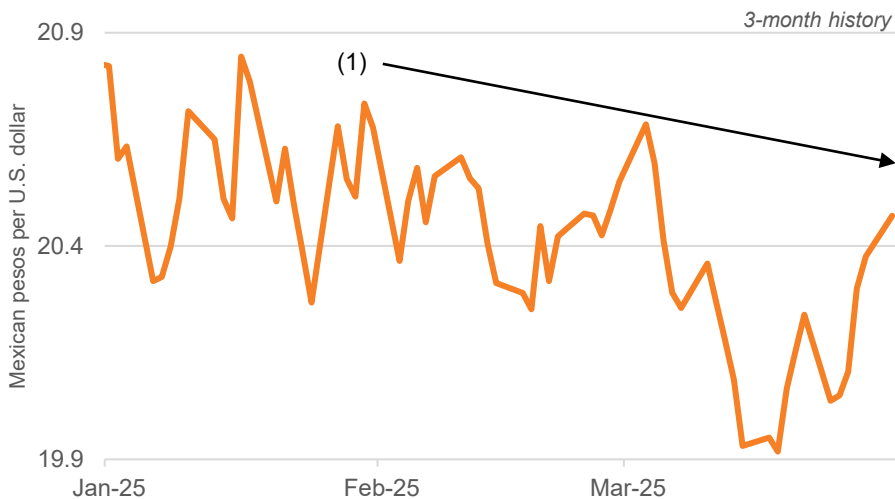
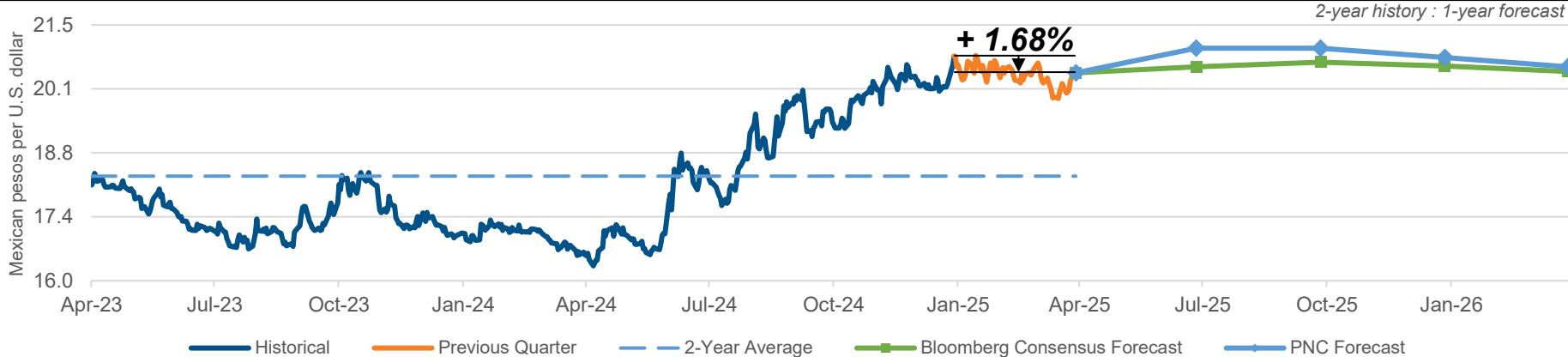
- PNC expects the Canadian dollar to remain flat and the consensus expects it to strengthen over the forecast horizon.
- The Canadian dollar could be stronger with fewer or no tariffs from the US.

Currency Update

Mexican Peso



The Mexican peso strengthened 1.68% in the trailing quarter.



(1) Fewer-than-expected tariff measures targeting non-USMCA articles have contributed to a stronger Mexican peso over the past quarter. However, Mexican economic weakness still exists in early 2025.

Previous Quarter Recap

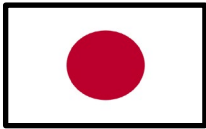
- The Central Bank of Mexico cut the policy rate by 50 basis-points to 9.0% from 9.5% on March 27. After expanding for three quarters in 2024, Mexico's real GDP contracted in Q4.
- Industrial production continued to contract in early 2025, down 0.4% in January after seasonal adjustment. The Manufacturing PMI also fell to a three-year low in March.
- Mexico's CPI year-over-year fell to 3.7% in mid-March from 3.8% earlier last month, still within the Banxico's inflation target range between 2% and 4%.

Currency Outlook

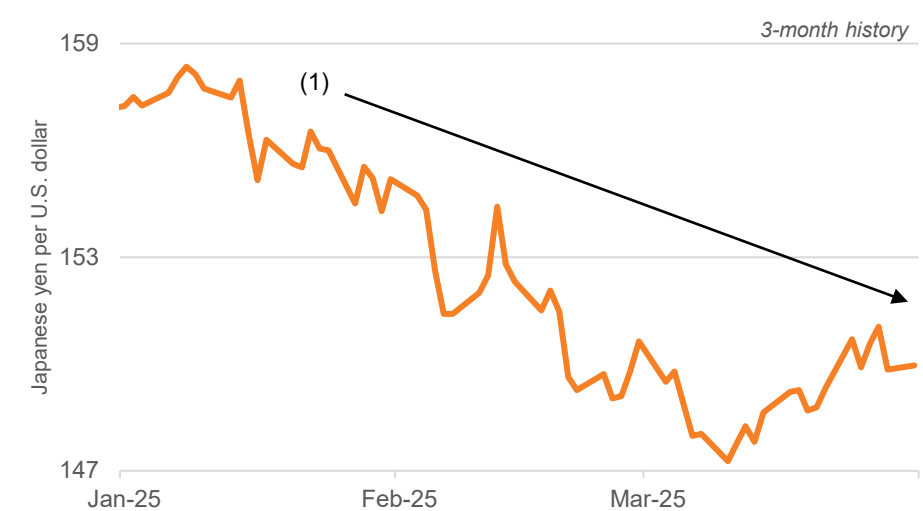
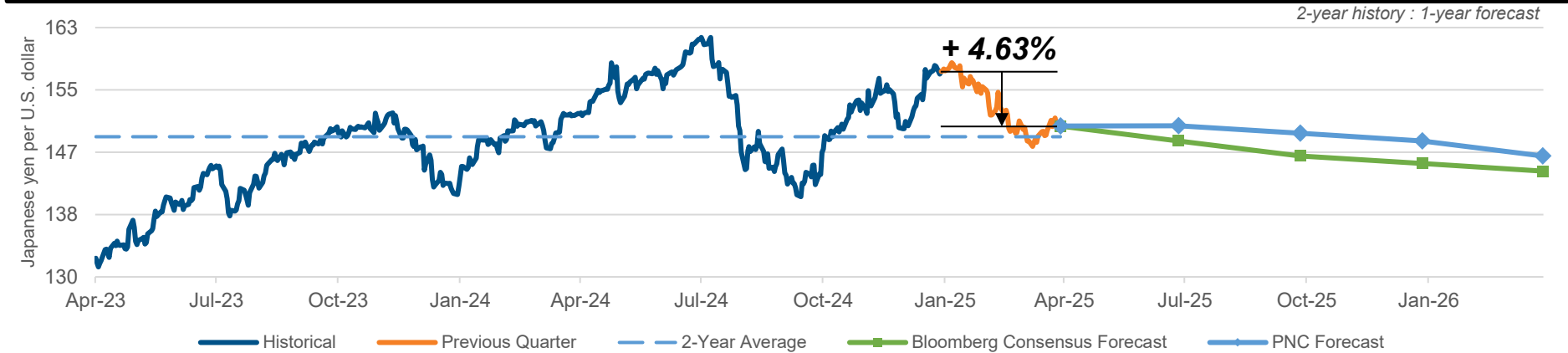
- Both PNC and the consensus expect the Mexican peso to depreciate slightly over the forecast horizon.
- Fewer-than-expected US trade measures with Mexico or stronger growth hold upside potential for the Mexican peso.

Currency Update

Japanese Yen



The Japanese yen strengthened 4.63% in the previous quarter.



(1) The yen strengthened as inflation continued to heat up in Japan, and expectations of interest rate hikes from the BOJ favored the yen instead of the US dollar.

Previous Quarter Recap

- The Bank of Japan (BOJ) kept its uncollateralized overnight call rate unchanged at around 0.5% on March 19.
- Until early 2025, Japan's economic growth continued to outpace its long-run potential. Real GDP expanded 2.2% at a seasonally adjusted annual rate in the trailing quarter.
- In February 2025, the Consumer Price Index (CPI) rose 3.7% year-over-year, down from 4% in January but far above the central bank's 2% inflation objective. Tokyo CPI inflation in March came in stronger than the consensus, up to 2.9% from 2.8% in January.

Currency Outlook

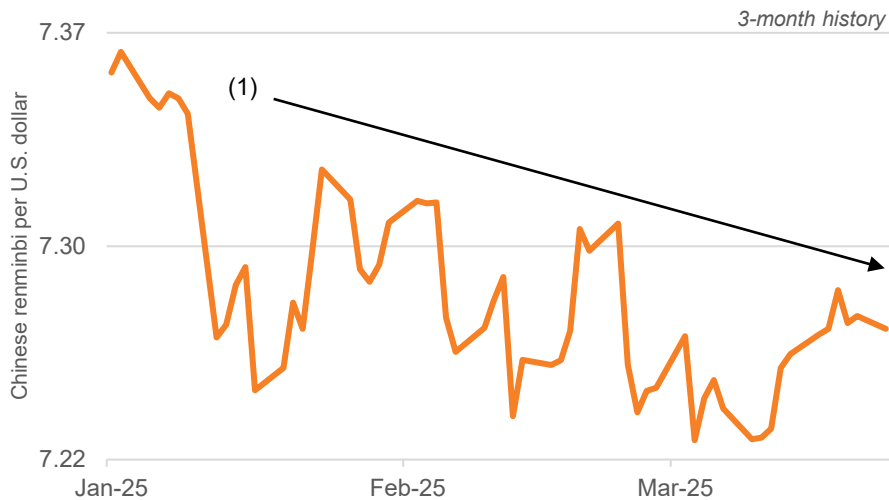
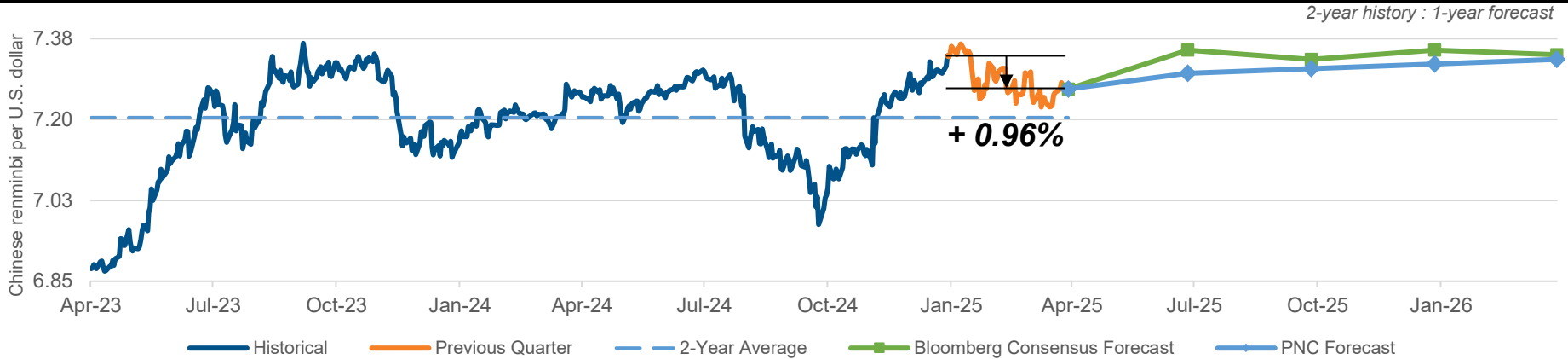
- PNC and the consensus expect the yen to strengthen over the forecast horizon.
- The yen could be stronger than forecasted if the Fed cuts more or the BOJ raises policy rates more than expected in 2025.

Currency Update

Chinese Renminbi



The Chinese renminbi strengthened 0.96% in the last quarter.



Previous Quarter Recap

- The headline CPI contracted 0.7% year-over-year in February without seasonal adjustment, mainly due to the base effect from the Chinese Lunar Calendar.
- The growth in retail sales also picked up somewhat, albeit still weak in March 2025.
- The National Bureau of Statistics' Manufacturing PMI inched up in March, with an improvement in services activity as well. Growth risks are still tilted to the downside, as additional drags from newly announced tariffs could further weigh on Chinese exports that have already experienced a slowdown in February 2025.

Currency Outlook

- Both the consensus and PNC expect the renminbi to weaken over the forecast horizon, albeit to varying degrees.
- If economic weakness persists under support measures, the Chinese renminbi could be weaker than PNC's forecast.

(1) Weaker US soft economic data, in comparison to hard data, in the trailing quarter has pointed to business and consumer uneasiness over President Trump's international trade measures.

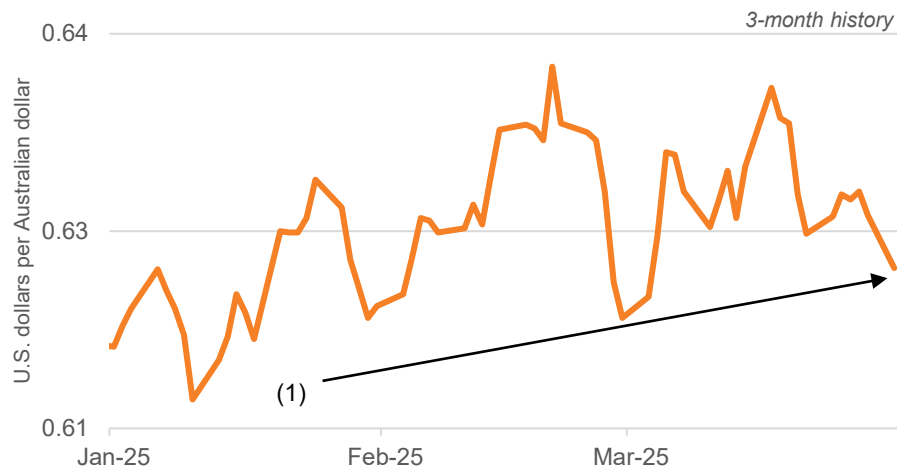
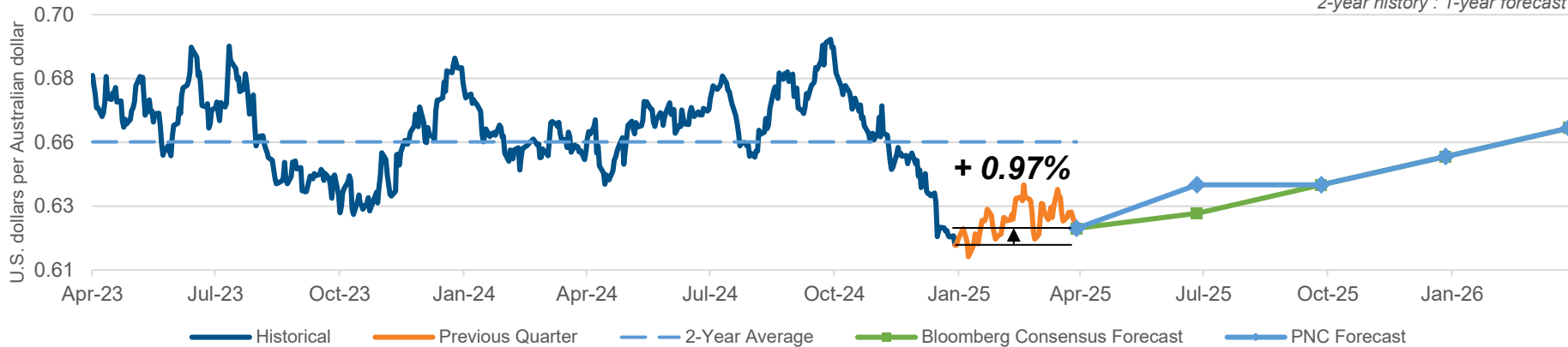
Currency Update

Australian Dollar



The Australian dollar strengthened 0.97% in the last quarter.

2-year history : 1-year forecast



(1) Under the environment of frequent trade frictions between the US and other sovereign economies, the Australian dollar experienced volatility and strengthened about 1% in the past quarter.

Previous Quarter Recap

- The Reserve Bank of Australia kept the cash rate target at 4.1% on March 31 after cutting it for the first time since late 2020 in February.
- The trimmed-mean CPI grew 2.4% year-over-year in February. This is down from December and January, and remained within the RBA's consumer inflation target range of 2% to 3% for a third straight month in February.
- Australia's factory activity expanded at a faster pace in March, with Manufacturing PMI up to the highest level since late 2022.

Currency Outlook

- PNC and the consensus both anticipate the Australian dollar will strengthen over the forecast horizon.
- The Australian dollar could be stronger than PNC's forecast if the Fed cuts sooner than expected in 2025.

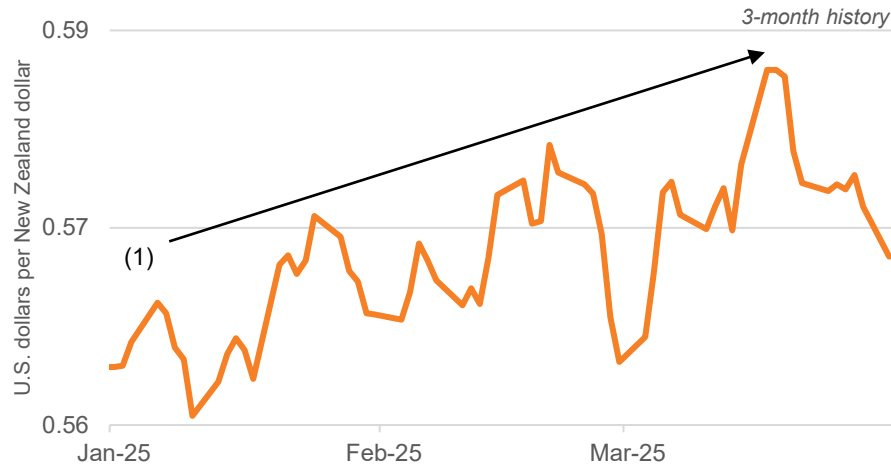
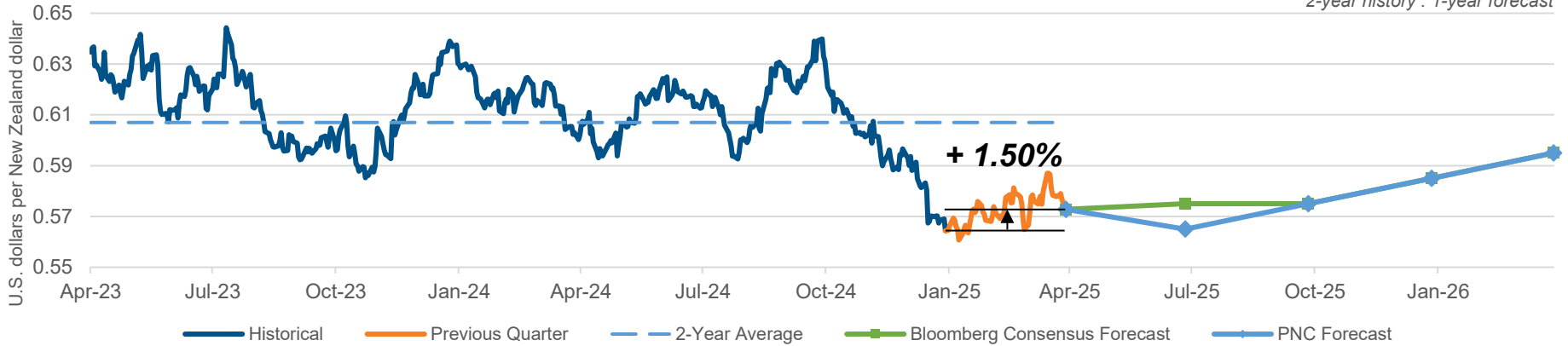
Currency Update

New Zealand Dollar



The New Zealand dollar strengthened 1.50% in the last quarter.

2-year history : 1-year forecast



Previous Quarter Recap

- Real GDP expanded in Q4 after falling in the prior two quarters. Real GDP fell 1.1% from a year ago but the contraction narrowed from Q3.
- New Zealand's trade deficit without seasonal adjustment has narrowed over the past year. In February 2025, goods exports increased, and goods imports fell, reversing the trade deficit in January into a trade surplus on the month.
- The Manufacturing PMI in February rose to 53.9, its highest level in over two years. This is above its long-run average and indicates a faster expansion in factory output for the month.

Currency Outlook

- PNC and the consensus both expect the New Zealand dollar to strengthen over the forecast horizon.
- If the Fed cuts its policy rate more than anticipated, the New Zealand dollar could be stronger than forecasted.

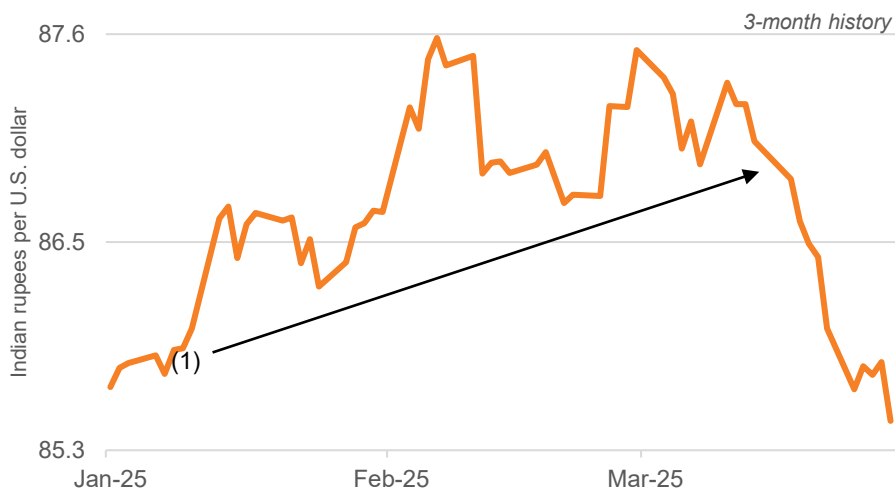
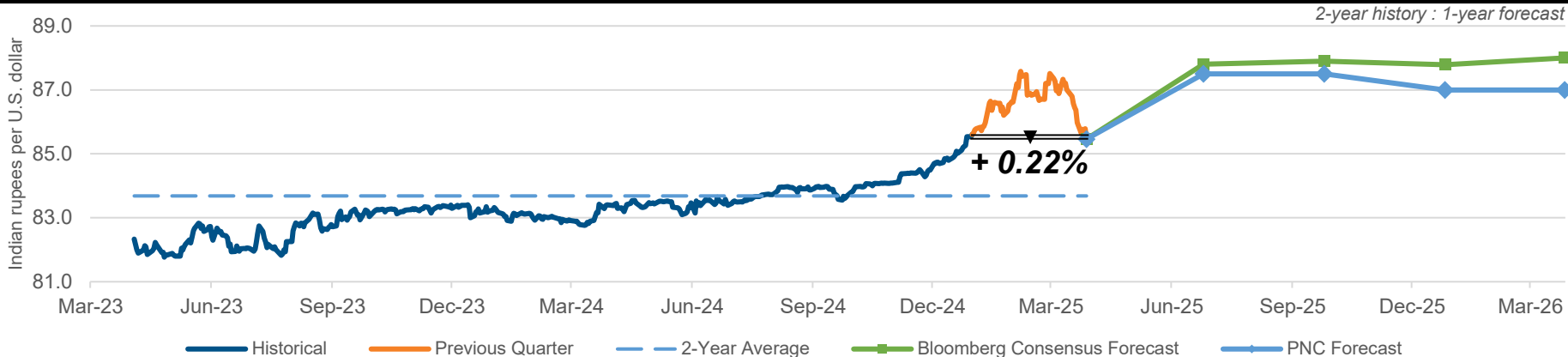
(1) Broad US dollar weakness stemming from weaker US economic data and a worsening trade relationship between US and other sovereign economies favored the New Zealand dollar.

Currency Update

Indian Rupee



The Indian rupee strengthened 0.22% in the past quarter.



Previous Quarter Recap

- India's CPI inflation continued to slow in February 2025 and came in weaker than the consensus expected. Headline inflation fell to 3.6% on the month and is below the central bank's target of 4%.
- Manufacturing PMI in March rose to the highest level since mid-2024 and indicates a stronger expansion in factory activity. The solid PMI reading hints at strong growth in private sector output in early 2025 according to S&P Global.
- India's nominal trade deficit narrowed to a three-year low in February 2025.

Currency Outlook

- Both the consensus and PNC expect the rupee to depreciate and to trade roughly flat a year from now.
- If the US economy surprises to the downside, the rupee could be stronger than forecasted.

(1) Broad US dollar weakness stemming from weaker US economic data and a worsening trade relationship between US and other sovereign economies favored the rupee, but upcoming reciprocal tariffs could weigh on the rupee before new trade flows diverging from the US are established.

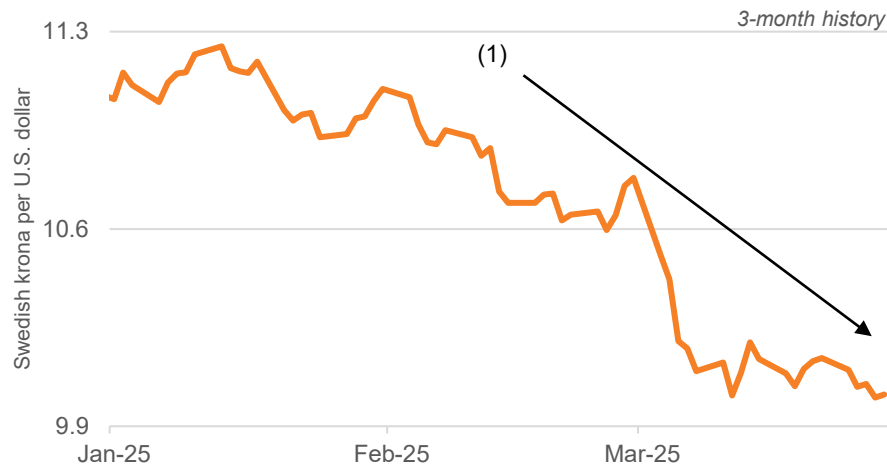
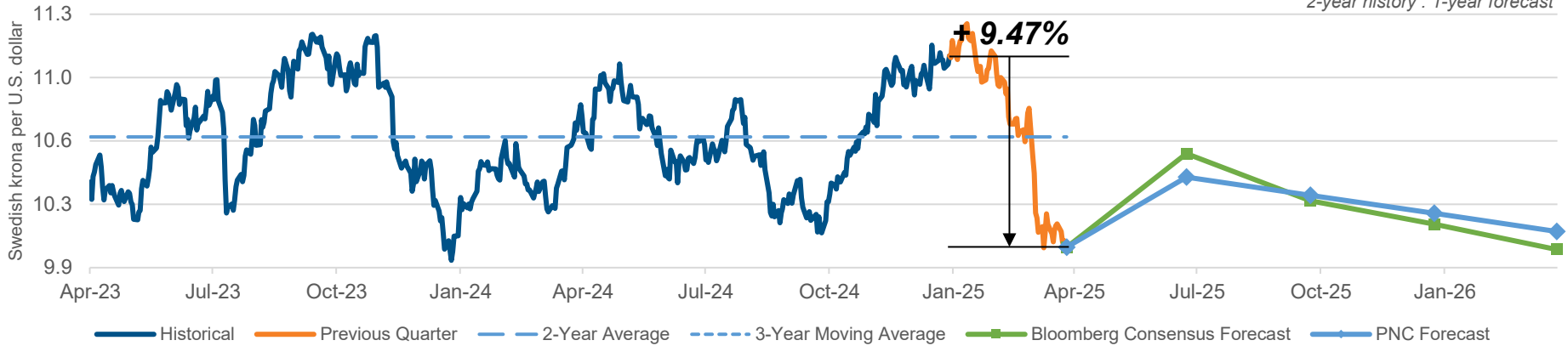
Currency Update

Swedish Krona



The Swedish krona strengthened 9.47% in the last quarter.

2-year history : 1-year forecast



Previous Quarter Recap

- The monthly GDP indicator contracted 0.5% in January, and its year-over-year growth slowed to 2%, down from 3.4% last month.
- Sweden's core year-over-year CPIF (the consumer price index with a fixed interest rate) inflation, total inflation excluding the energy component, was up to 3% in February. This is the second increase since December 2024.
- Swedish factory activity expanded at the fastest pace over the past four months ending March, with the manufacturing PMI up marginally to 53.6. However, total private sector output expanded slower due to a pull back from the private services sector.

Currency Outlook

- PNC and the consensus both expect the Swedish krona to depreciate first before strengthening again.
- If the Fed cuts the fed funds rate more than PNC expects, the krona could be stronger than projected.

(1) A cutting cycle close to an end in Sweden, weaker US economic data and a worsening trade relationship between US and other sovereign economies favored the Swedish krona rather than the US dollar.

PNC FX Rate Forecasts

Historic Rates vs. Forecasts

	Australia	Brazil	Canada	Switzerland	China	Eurozone	United Kingdom	India	Japan	Korea	Mexico	Norway	New Zealand	Sweden	U.S. Broad Dollar Index	DXY Dollar Index
	Australian \$ USD per AUD	Real BRL per USD	Canadian \$ CAD per USD	Swiss franc CHF per USD	Yuan CNY per USD	Euro USD per EUR	Pound Sterling USD per GBP	Rupee INR per USD	Yen JPY per USD	Won KRW per USD	Peso MXN per USD	Krone NOK per USD	Dollar USD per NZD	Krona SEK per USD	Jan '06 = 100	Mar '73 = 100
Actual (month-end)																
Jun-23	0.67	4.8	1.32	0.90	7.25	1.09	1.27	82	144.3	1318	17.1	10.7	0.61	10.8	119.7	102.9
Jun-24	0.67	5.6	1.37	0.90	7.27	1.07	1.26	83.4	160.9	1377	18.3	10.7	0.61	10.6	124.5	105.9
Sep-24	0.69	5.4	1.35	0.84	7.01	1.12	1.34	83.7	142.2	1390	19.7	10.5	0.63	10.1	121.4	100.4
Dec-24	0.62	6.2	1.44	0.90	7.3	1.04	1.26	85.5	156.8	1472	20.6	11.3	0.56	11	129	108.1
Mar-25	0.63	5.8	1.43	0.88	7.26	1.08	1.29	85.5	149.8	1469	20.4	10.5	0.57	10	126.5	104
PNC Forecast (month-end)																
Jun-25	0.64	5.9	1.45	0.88	7.30	1.06	1.27	87.5	150.0	1480	21.0	10.6	0.56	10.4	128.4	105.9
Sep-25	0.64	5.9	1.45	0.88	7.31	1.07	1.27	87.5	149.0	1470	21.0	10.5	0.57	10.3	128.1	105.1
Dec-25	0.65	6.0	1.44	0.88	7.32	1.08	1.28	87.0	148.0	1460	20.8	10.4	0.58	10.2	127.4	104.3
Mar-26	0.66	6.0	1.44	0.88	7.33	1.09	1.29	87.0	146.0	1450	20.6	10.3	0.59	10.1	126.7	103.3
Jun-26	0.67	6.0	1.43	0.88	7.34	1.1	1.3	87.0	144.0	1440	20.4	10.2	0.59	10.0	126.0	102.6

Source: PNC Economics, Bloomberg

Swap Dealer Activities Standard Disclaimer

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