

# EXCHANGE RATE FORECASTS

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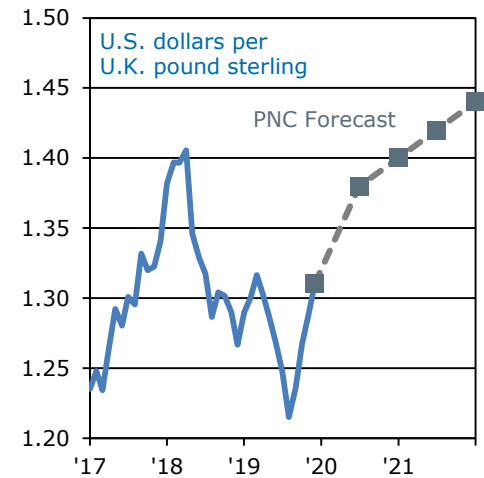
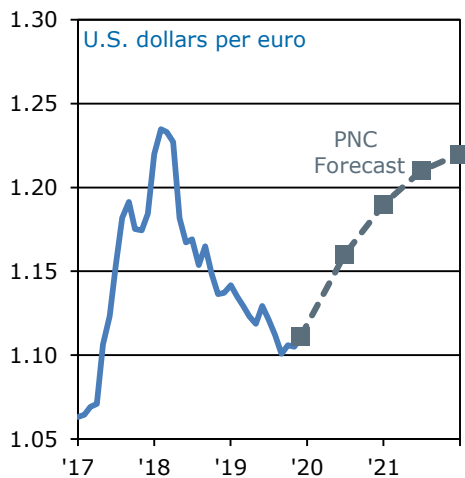
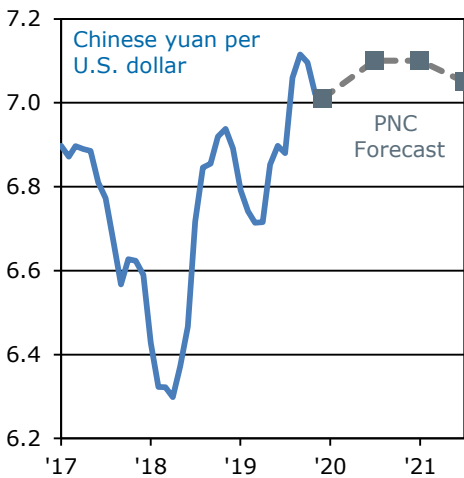
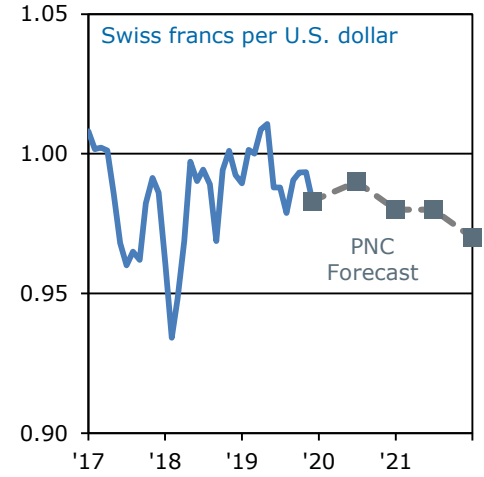
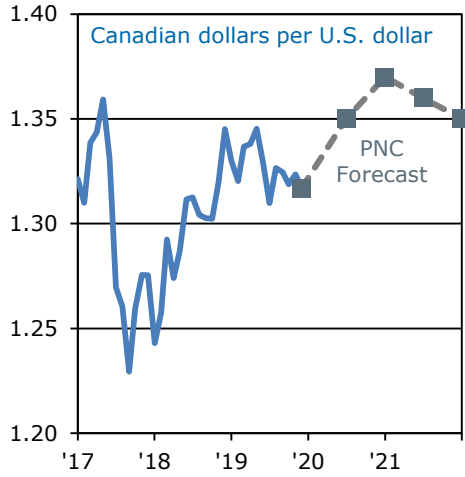
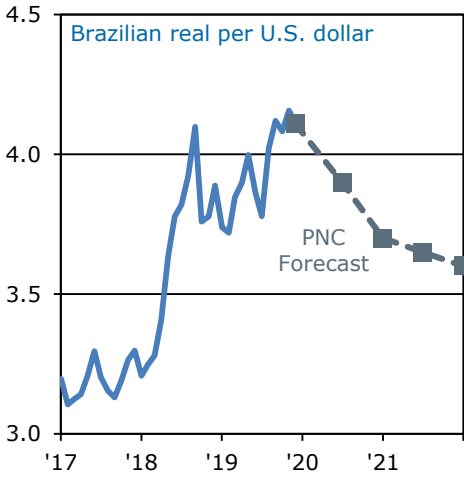
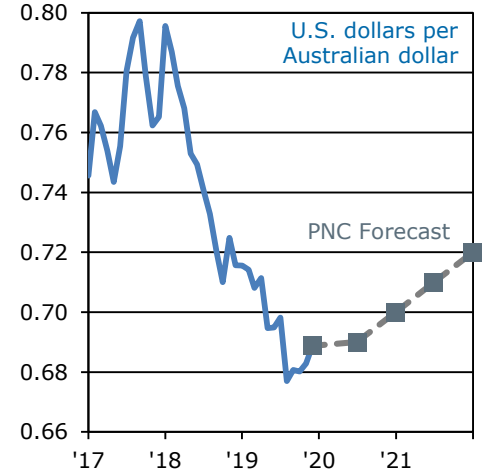
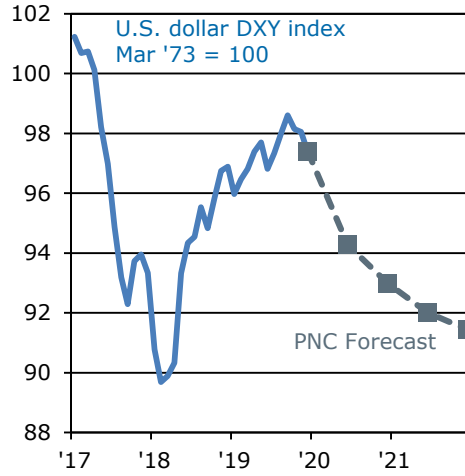
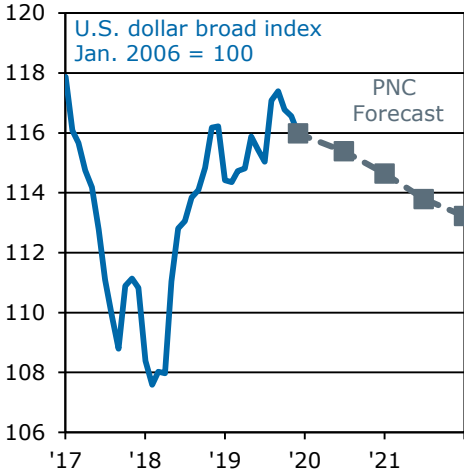
## DOLLAR TO DEPRECIATE AS US GROWTH SLOWS AND FOREIGN ECONOMIES STABILIZE

Political risks to the global outlook receded in December 2019 with the Phase One US-China trade deal, a decisive British election that ruled out a no-deal Brexit, and the House of Representatives' vote to enact the USMCA. Other global macroeconomic trends in the fourth quarter of 2019 were broadly in line with PNC's prior forecasts. In the US, a strong household sector and a revival in residential construction after contraction in 2018 and the first half of 2019 are fueling continued economic expansion despite a mild contraction in the industrial sector. These trends will persist in 2020 and cause the Fed to hold the federal funds target unchanged at a range of 1.50 to 1.75 percent through year-end 2020. After the ECB cut its negative deposit rate to -0.5 percent in September 2019, from -0.4 percent, and restarted quantitative easing, PNC forecasts their monetary policy stance to be unchanged through year-end 2020. PNC also forecasts unchanged monetary policy in Japan, where fiscal stimulus is offsetting the drag from the October 2019 value-added tax hike. The Bank of England will also be sidelined in 2020: The Tory-led government looks set to complete the UK's official withdrawal from the EU in January, but the deadline to subsequently negotiate the UK-EU trade deal still could weigh on business confidence. Emerging market central banks, including those of China, Brazil, Mexico, and India, cut policy interest rates in the fourth quarter of 2019 as the Fed's mid-cycle adjustment and relatively low oil prices kept global liquidity abundant and inflation subdued. Chinese PMI surveys stabilized in late-2019 but activity indicators remained historically weak; PNC expects real GDP growth to slow through mid-2020, then recover as trade policy uncertainty abates and credit growth picks up, with real GDP growth stabilizing at around 6 percent. In Brazil, the pension reform passed in 2019 is improving perceptions of the country's sovereign creditworthiness, creating room for record-low interest rates and supporting private investment and consumption. Mexico will benefit from more trade policy certainty in 2020 after USMCA ratification; Mexican infrastructure spending will recover if Pemex's new oilfield enters production quickly. India's economy slowed sharply in 2019 but growth should recover by mid-2020. This edition of exchange rate forecasts adds coverage of the Swiss franc, Norwegian krone, and Swedish krona.

### BASELINE EXCHANGE RATE FORECASTS, FIRST QUARTER OF 2020

		Actual, month-avg	Dec-17	Dec-18	Jun-19	Dec-19	PNC Forecast, month-end	Jun-20	Dec-20	Jun-21	Dec-21
<b>Australian dollar</b>	USD per AUD		0.77	0.72	0.69	0.69		0.69	0.70	0.71	0.72
<b>Brazilian real</b>	BRL per USD		3.30	3.89	3.86	4.11		3.90	3.70	3.65	3.60
<b>Canadian dollar</b>	CAD per USD		1.28	1.35	1.33	1.32		1.35	1.37	1.36	1.35
<b>Swiss franc</b>	CHF per USD		0.99	0.99	0.99	0.98		0.99	0.98	0.98	0.97
<b>Chinese yuan</b>	CNY per USD		6.59	6.89	6.90	7.01		7.10	7.10	7.05	7.00
<b>Euro</b>	USD per EUR		1.18	1.14	1.13	1.11		1.16	1.19	1.21	1.22
<b>UK pound sterling</b>	USD per GBP		1.34	1.27	1.27	1.31		1.38	1.40	1.42	1.45
<b>Indian rupee</b>	INR per USD		64.2	70.6	69.5	71.2		74.0	72.0	72.0	73.0
<b>Japanese yen</b>	JPY per USD		112.9	112.2	108.1	109.1		108.0	110.0	112.0	114.0
<b>Korean won</b>	KRW per USD		1,085	1,122	1,174	1,174		1,156	1,155	1,154	1,151
<b>Mexican peso</b>	MXN per USD		19.2	20.1	19.3	19.1		19.1	18.8	18.6	18.5
<b>Norwegian krone</b>	NOK per USD		8.31	8.64	8.63	9.02		8.9	8.8	8.7	8.7
<b>New Zealand dollar</b>	USD per NZD		0.70	0.68	0.66	0.66		0.66	0.67	0.68	0.69
<b>Swedish krona</b>	SEK per USD		8.38	9.04	9.41	9.43		9.3	9.2	9.1	9.0
<b>Broad dollar index</b>	Jan '06 = 100		110.8	116.2	115.4	116.0		115.4	114.6	113.8	113.2
<b>DXY dollar index</b>	Mar '73 = 100		93.3	96.9	96.8	97.4		94.3	93.0	92.0	91.4

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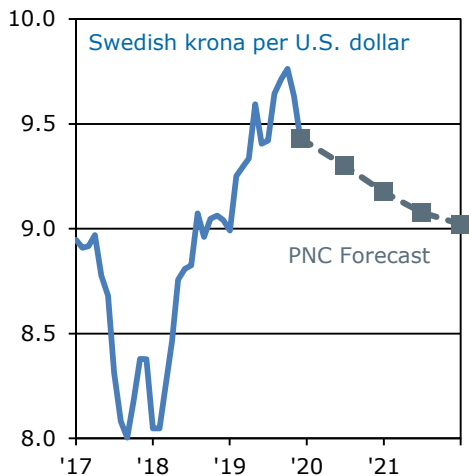
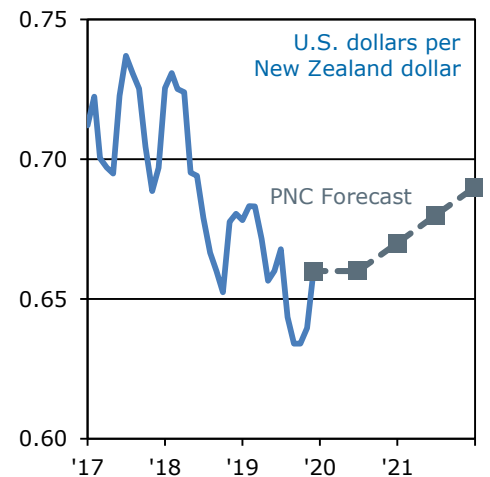
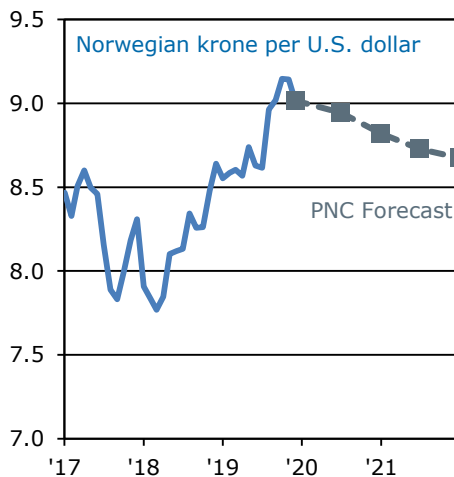
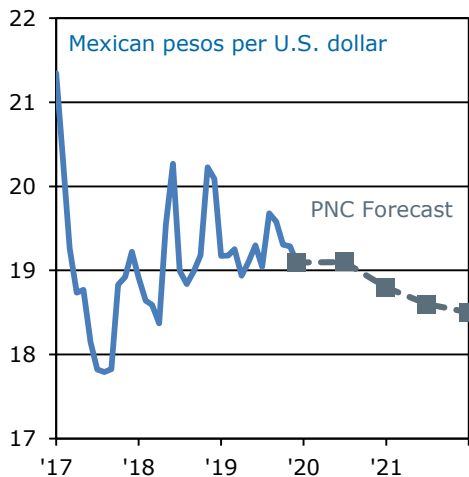
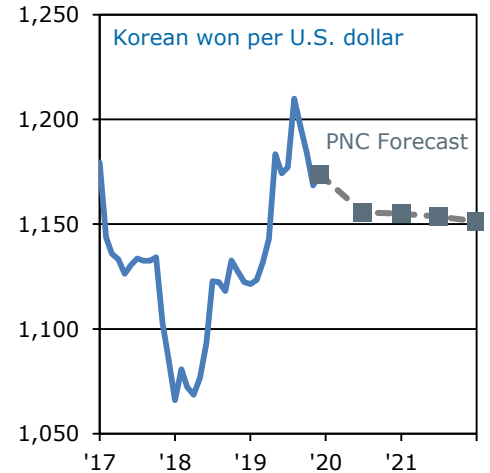
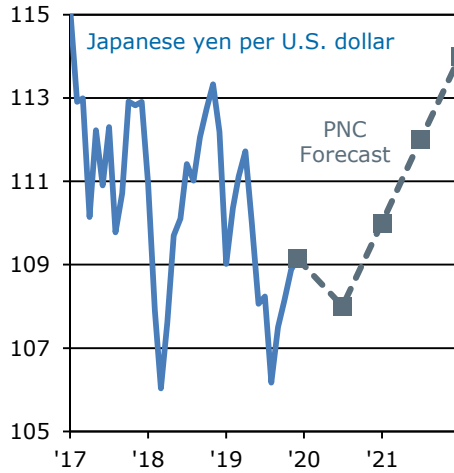
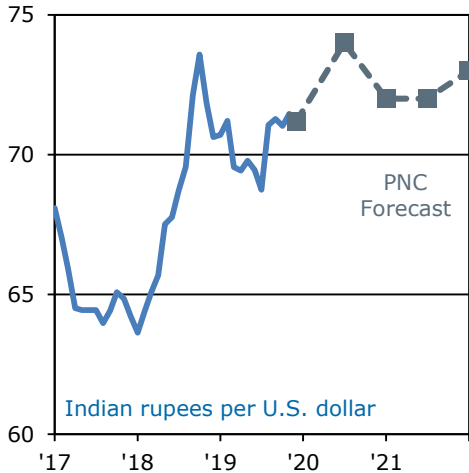


Table and chart sources: Bloomberg, The PNC Financial Services Group.

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