

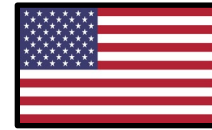
PNC Currency Review, May 2023

Prior Quarter

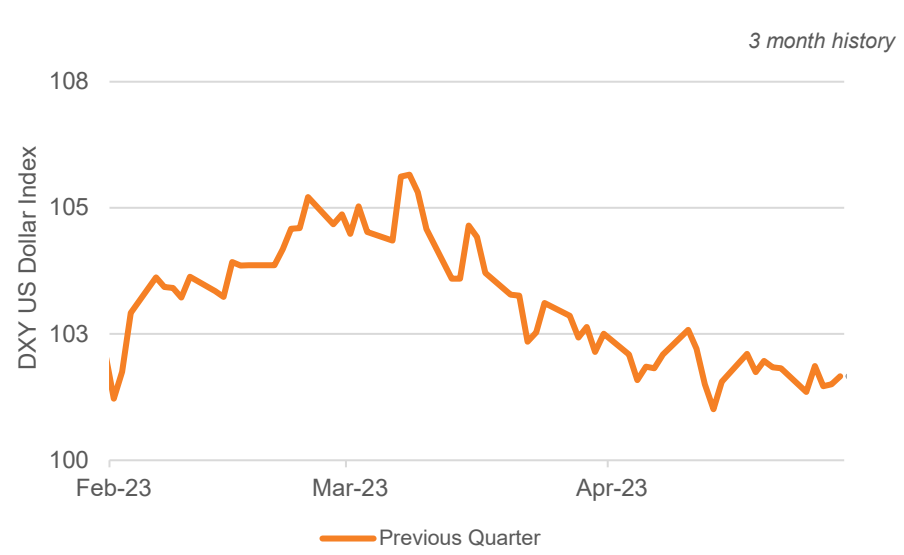
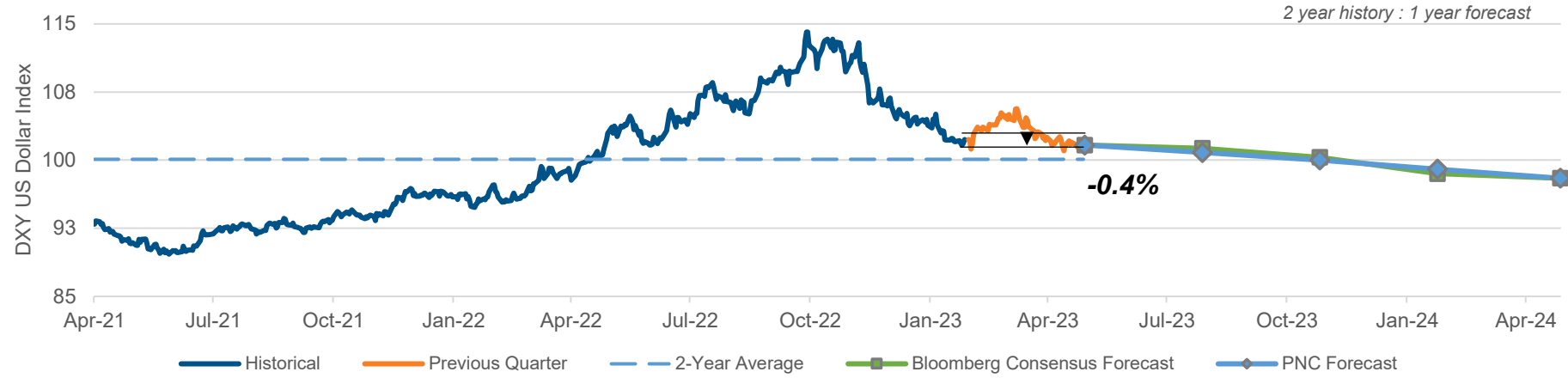
February 2023 – April 2023

Summary

DXY Major Currencies Dollar Index



The US dollar index fell 0.4% in the trailing quarter.



Previous Quarter Recap

- The DXY index rose in February after stronger-than-expected U.S. economic data releases.
- The DXY index weakened in March and April as the U.S economy lost momentum and debt ceiling tensions increased.
- The FOMC raised the fed funds rate by 25 basis points to a range of 5.00% to 5.25% as expected at its May 2-3 meeting and suggested that further rate hikes could be coming.

Currency Outlook

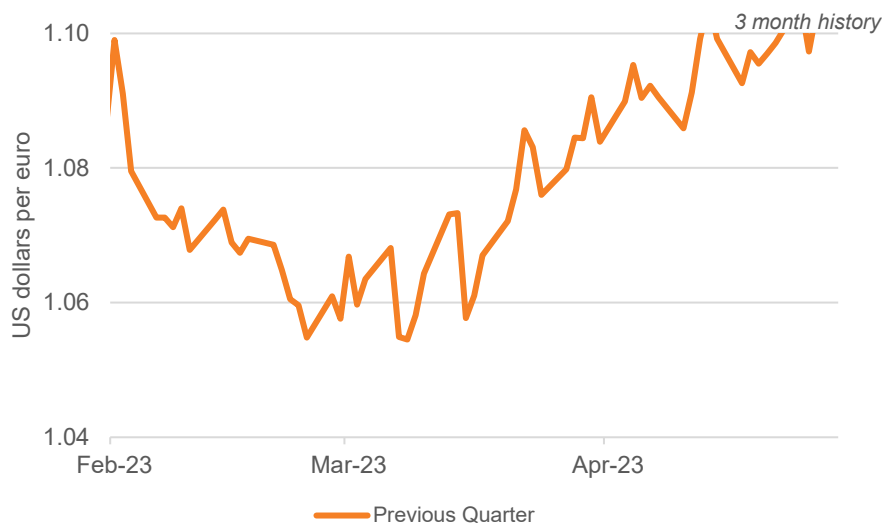
- PNC and the consensus both anticipate the U.S. dollar to depreciate slightly over the forecast horizon
- If inflation surprises to the upside and the Fed raises the fed funds rate higher than expected, the dollar could be stronger than forecasted.

Currency Update

Euro



The euro appreciated 1.4% in the trailing quarter.



Previous Quarter Recap

- An improved eurozone economic outlook contributed to the euro's strength in the prior quarter.
- Disappointing economic data (weak first-quarter GDP growth) and tighter lending conditions suggest that the ECB will be cautious in raising its policy rates going forward.
- The ECB raised its three main policy rates by 25 basis points at its May 4 meeting.

Currency Outlook

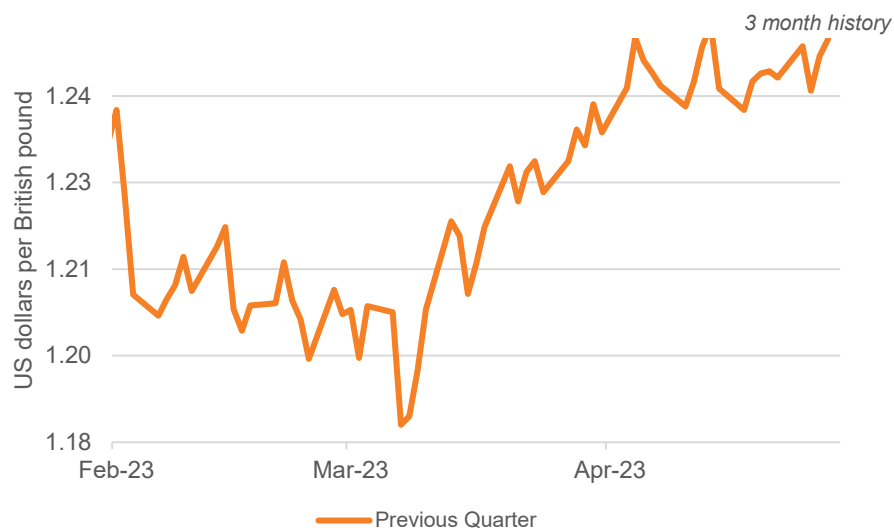
- PNC expects the euro to be stable over the next year while the consensus expectation is for a slight increase.
- If inflation surprises to the upside, the ECB will raise its policy rate higher than expected, which will increase demand for the euro.

Currency Update

Great British Pound



Pound sterling appreciated 2.0% in the trailing quarter.



Previous Quarter Recap

- The U.K. economy avoided a recession in the final months of 2022 as GDP grew slightly in the fourth quarter.
- Resilient economic data from the prior quarter point to the BoE continuing its hiking cycle at its next meeting on May 11.
- The BoE raised the Bank Rate by 25 basis points to 4.25% as expected at its March meeting.

Currency Outlook

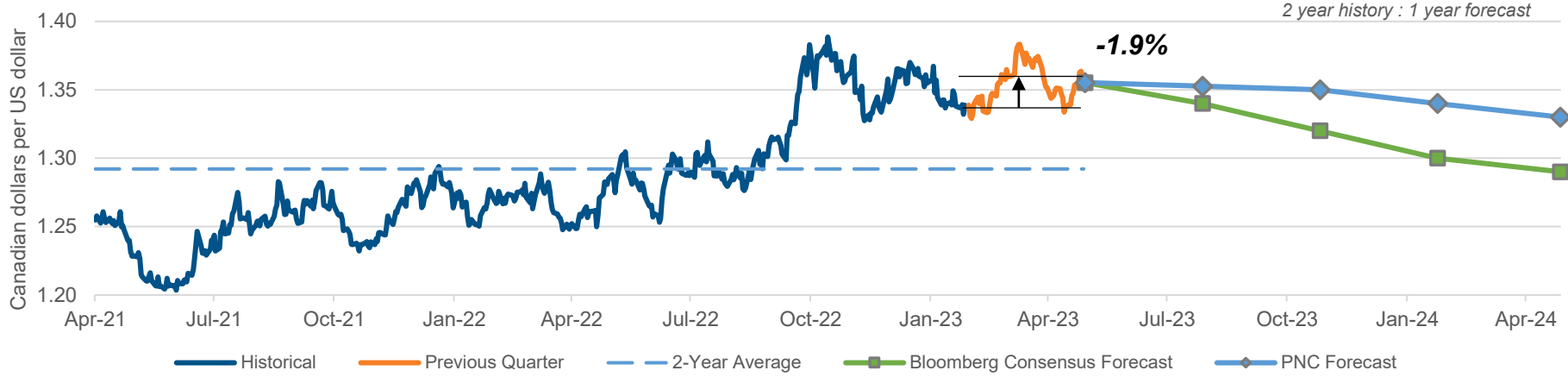
- PNC and the consensus expect the pound sterling to be relatively stable over the forecast horizon.
- Persistent inflation could lead to the BoE raising the Bank Rate higher than expected; the pound sterling would be stronger than our forecast in this scenario.

Currency Update

Canadian Dollar



The Canadian dollar weakened 1.9% in the previous quarter.



Previous Quarter Recap

- The BoC kept its policy rate unchanged at its March meeting.
- The Canadian dollar lost ground in the prior quarter as recession risks rose in the U.S. (Canada's largest trading partner) and the global economy weakened.
- The BoC kept its policy rate unchanged as expected at its meeting on April 12.

Currency Outlook

- PNC and the consensus both expect an appreciation of the Canadian dollar over the forecast horizon.
- If Canada's economy tips into recession or if inflation persists in the U.S., the Canadian dollar would likely be weaker than forecasted.

Currency Update

Mexican Peso

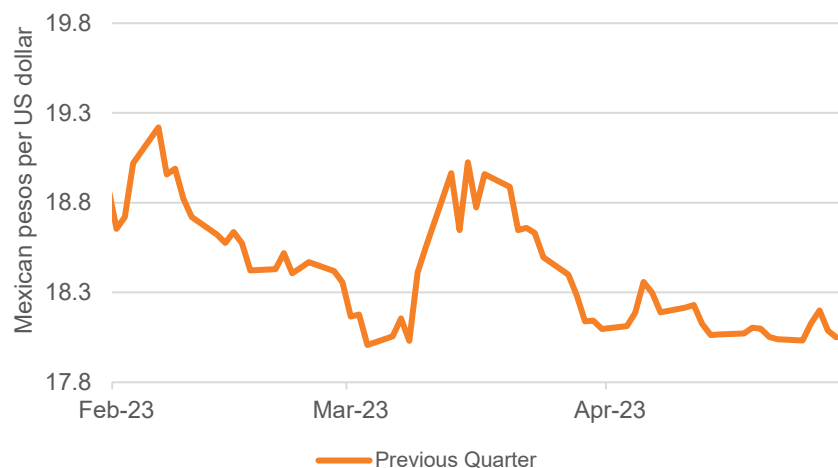


The Mexican peso strengthened 4.5% in the trailing quarter.

2 year history : 1 year forecast



3 month history



Previous Quarter Recap

- Better-than-expected U.S. economic data and increased interest rates and remittances drove the peso's strength last quarter.
- The Bank of Mexico raised its benchmark interest rate by 25 basis points to a record high of 11.25% on March 30.
- A gradual shift in global supply chains from China and the increase in nearshoring for U.S. firms are positives for the peso.

Currency Outlook

- PNC and the consensus both forecast for the peso to depreciate over the horizon.
- A global recession and larger-than-expected interest-rate hikes by the Fed would likely lead to a weaker peso that forecasted.

Currency Update

Japanese Yen



The Japanese yen depreciated 4.8% in the previous quarter.



Previous Quarter Recap

- The yen slumped against the dollar in the prior quarter as the BoJ continued its accommodative policies while the Federal Reserve continued its hiking cycle.
- China's economy reopening contributed to yen's strength early in the prior quarter.
- The BoJ downgraded its GDP forecast for 2023 at its meeting on April 28.

Currency Outlook

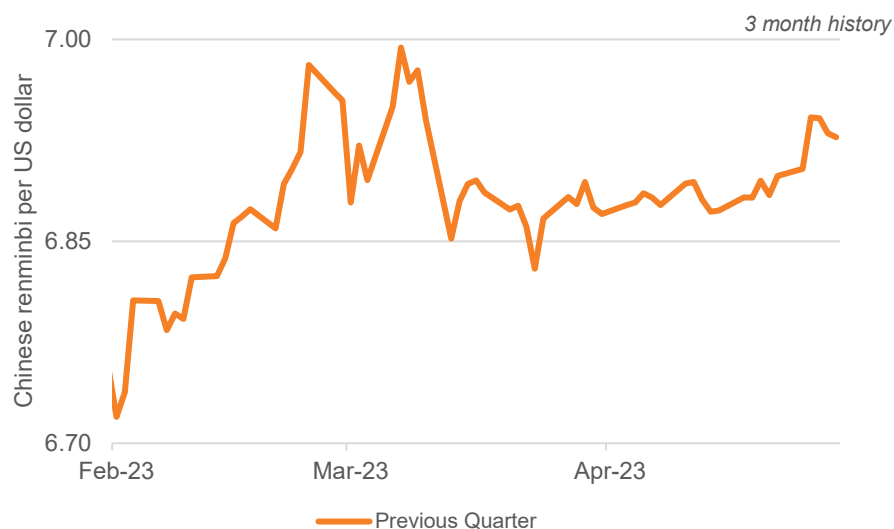
- Both PNC and the consensus expect the yen to appreciate over the forecast horizon.
- If the Fed cuts rates earlier than markets are currently pricing, the yen would likely be stronger than forecasted.

Currency Update

Chinese Renminbi



The renminbi weakened 2.5% in the last quarter.



Previous Quarter Recap

- The renminbi weakened in the prior quarter as inflation, high interest rates and increased geopolitical tensions weighed on global trade.
- China's leader Xi Jinping held talks with Brazil's president Lula da Silva in the prior quarter in an effort to deepen trade ties between the two countries.
- Factory activity unexpectedly contracted in April as a weak global economy continues to weigh on China's industrial sector.

Currency Outlook

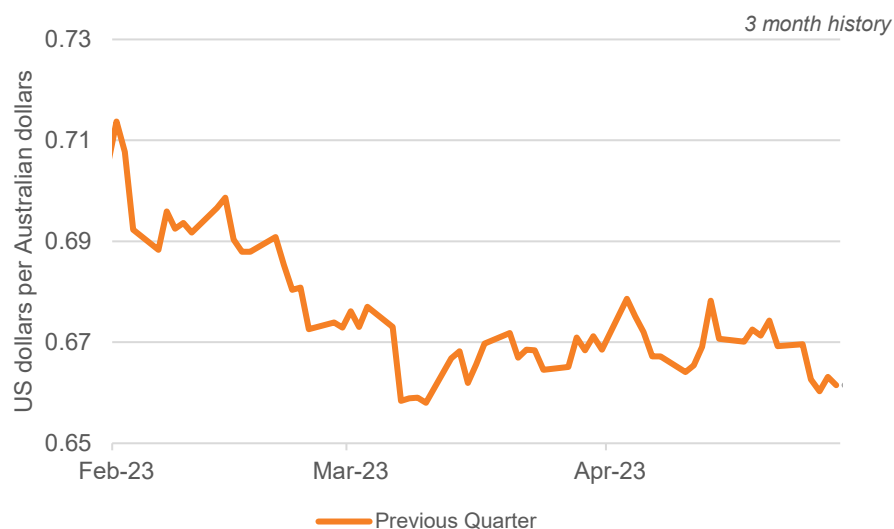
- PNC and the consensus both expect the renminbi to appreciate over the forecast horizon.
- If the Fed cuts rates earlier than markets are currently pricing, the renminbi could be stronger than our forecast.

Currency Update

Australian Dollar



The Australian dollar weakened 6.2% in the last quarter.



Previous Quarter Recap

- The Australian dollar slumped in the prior quarter as global recession risks increased and China's factory activity contracted.
- The RBA unexpectedly raised its cash target rate by 25 basis points to 3.85% at its meeting on May 2.
- The RBA signaled further monetary policy tightening at its meeting on May 2.

Currency Outlook

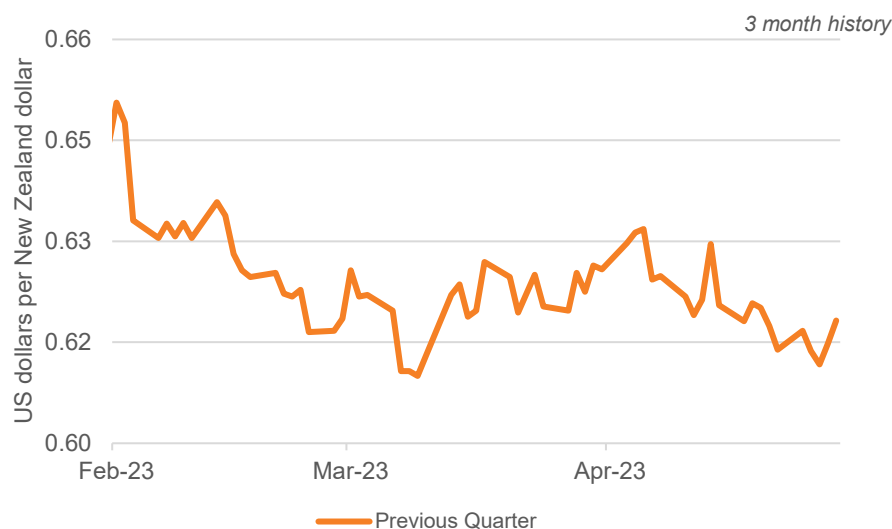
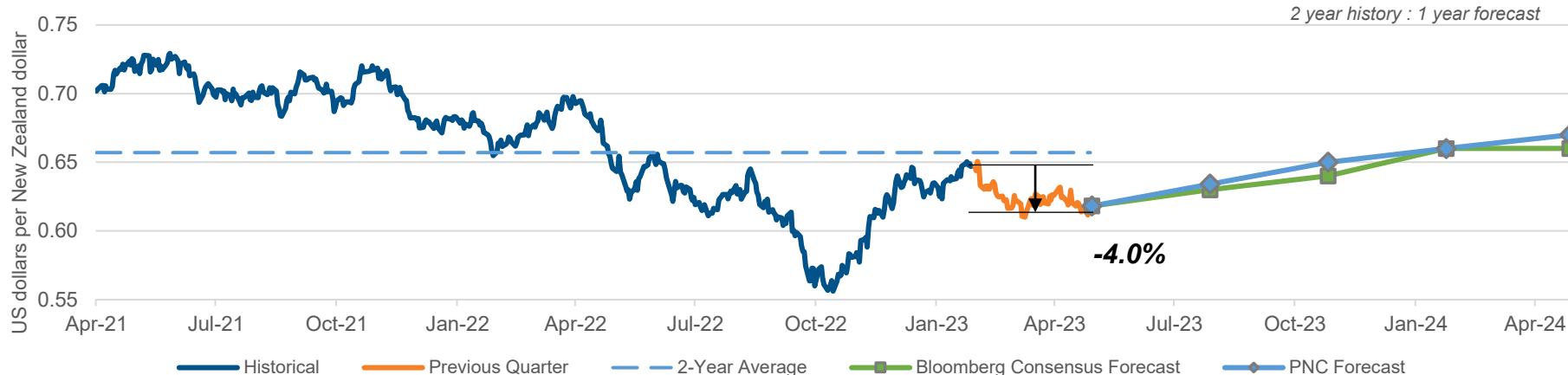
- PNC and the consensus both anticipate the Australian dollar to strengthen over the forecast horizon.
- If the Fed cuts rates earlier than markets are currently pricing, the Australian dollar could be stronger than our forecast.

Currency Update

New Zealand Dollar



The New Zealand dollar depreciated 4.0% last quarter.



Previous Quarter Recap

- The New Zealand dollar weakened in the prior quarter as inflation and higher interest rates weighed on global trade.
- Inflation fell to 6.7% in the prior quarter but it remains well above the central bank's 2% objective.
- The RBNZ raised its official cash rate by 50 basis points to 5.25% at its meeting on April 4.

Currency Outlook

- PNC and the consensus expect the New Zealand dollar to appreciate over the forecast horizon.
- If the Fed raises the fed funds rate higher than market expectations, the New Zealand dollar would likely be weaker than forecasted.

Currency Update

Indian Rupee



The Indian rupee weakened 0.1% in the past quarter.



Previous Quarter Recap

- India's economy is expanding in the first half of 2023 and China's reopening is a boost to the economic outlook.
- Inflation in March fell to 5.7%, within the Reserve Bank of India's 2%-6% tolerance range.
- The RBI kept its policy rate unchanged at its meeting on April 6.

Currency Outlook

- PNC and the consensus both expect the rupee to strengthen slightly over the forecast horizon.
- If the Fed cuts the fed funds rate earlier than markets are currently pricing, the rupee would likely be stronger than anticipated.

The information contained herein ("Information") was produced by an employee of PNC Bank, National Association's ("PNC Bank") foreign exchange and derivative products group. Such Information is not a "research report" nor is it intended to constitute a "research report" (as defined by applicable regulations). The Information is of general market, economic, and political conditions or statistical summaries of financial data and is not an analysis of the price or market for any product or transaction.

This document and the Information it contains is intended for informational purposes only, and should not be construed as legal, accounting, tax, trading or other professional advice. You should consult with your own independent legal, accounting, tax and other professional advisors before taking any action based on this Information. Under no circumstances should this document or any Information contained herein be considered a recommendation or solicitation to buy or sell any products or services or a commitment to enter into any transaction. Eligibility for particular products or services is conditioned upon PNC Bank's subsequent formal agreement, which will be subject to internal approvals and binding transaction documents. The Information contained herein on exchange and interest rates, commodity prices and market indices are gathered from sources PNC Bank believes to be reliable and accurate at the time of publication. Therefore, PNC Bank makes no representations or warranties regarding the Information's accuracy, timeliness, or completeness. Further, all performance, returns, prices, or rates are for illustrative purposes only, are subject to firm quotes, may not be achievable or indicative of future performance, actual results will vary, and may be adversely affected by exchange rates, interest rates, commodity prices or other factors. Markets do and will change. Any Information, values, estimates, or opinions expressed or implied herein are subject to change without notice. Under no circumstances is PNC Bank liable for any lost profits, lost opportunities, or any indirect, consequential, incidental, special, punitive, or exemplary damages arising out of any use, reliance, or any opinion, estimate or Information contained herein or any omission therefrom. PNC Bank, its predecessors, and affiliated companies may serve, either currently or within the previous three years, as underwriter, placement agent, market maker, manager, initial purchaser, broker, or deal as principal in any security, derivative or other instruments mentioned in this document. Any such relationship may differ materially from transactions contemplated herein. In addition, PNC Bank, its affiliated companies, shareholders, directors, officers, or employees may at any time acquire, hold or dispose of positions similar or contrary to the positions contemplated herein (including hedging and trading positions) which may impact the performance of a product described in this document. Early termination of a foreign exchange or derivative transaction may require payment of a termination amount to or from PNC Bank depending on market rates or prices at the time of termination. The Information contained herein is confidential and may not be disclosed, duplicated, copied, disseminated or distributed by any means to any other person or entity without PNC Bank's prior written consent.

PNC is a registered service mark of The PNC Financial Services Group, Inc. ("PNC"). Foreign exchange and derivative products are obligations of PNC Bank, **Member FDIC** and a wholly owned subsidiary of PNC. Foreign exchange and derivative products are not bank deposits and are **not FDIC insured**, nor are they insured or guaranteed by PNC Bank or any of its subsidiaries or affiliates.

The information contained herein (“Information”) was produced by an employee of PNC Bank, National Association’s (“PNC Bank”) foreign exchange and derivative products group. Such Information is not a “research report” nor is it intended to constitute a “research report” (as defined by applicable regulations). The Information is of general market, economic, and political conditions or statistical summaries of financial data and is not an analysis of the price or market for any product or transaction. Under no circumstances should the Information be considered trading advice or a recommendation or solicitation to buy or sell any products or services or a commitment to enter into any transaction.

This document and the Information it contains is intended for informational purposes only, and should not be construed as legal, accounting, tax, trading or other professional advice. You should consult with your own independent advisors before taking any action based on the Information. The Information is gathered from sources PNC Bank believes to be reliable and accurate at the time of publication and are subject to change without notice. PNC Bank makes no representations or warranties regarding the Information’s accuracy, timeliness, or completeness. All performance, returns, prices or rates are for illustrative purposes only. Markets do and will change. Actual results will vary, and may be adversely affected by exchange rates, interest rates, commodity prices or other factors.

PNC is a registered service mark of The PNC Financial Services Group, Inc. (“PNC”). Foreign exchange and derivative products are obligations of PNC Bank, **Member FDIC** and a wholly owned subsidiary of PNC. Foreign exchange and derivative products are not bank deposits and are **not FDIC insured**, nor are they insured or guaranteed by PNC Bank or any of its subsidiaries or affiliates.