

# Citi Wealth Management

## FX Snapshot



Please note and carefully read the Important Disclosure on the last part

December 23, 2024

### Major Currencies Performance

CCY	Close	Weekly Change	1 month high	1 month low	1 month change	3 month high	3 month low	3 month change	52 week high	52 week low	Year-To-Date Change
USD	107.62	0.6%	108.41	105.71	0.9%	108.41	100.38	6.8%	108.54	100.16	6.2%
EUR/USD	1.0430	-0.7%	1.0586	1.0353	-1.1%	1.1180	1.0353	-6.6%	1.1214	1.0335	-5.5%
USD/JPY	156.31	1.7%	157.44	149.60	0.6%	157.44	142.21	8.7%	161.95	139.58	10.8%
GBP/USD	1.2570	-0.4%	1.2771	1.2502	-0.6%	1.3415	1.2502	-5.6%	1.3434	1.2300	-1.3%
USD/CAD	1.4359	0.9%	1.4447	1.3974	2.7%	1.4447	1.3431	5.8%	1.4467	1.3177	8.4%
AUD/USD	0.6251	-1.7%	0.6512	0.6218	-3.9%	0.6913	0.6218	-8.2%	0.6942	0.6199	-8.2%
NZD/USD	0.5652	-1.9%	0.5916	0.5624	-3.8%	0.6349	0.5624	-9.4%	0.6379	0.5608	-10.6%
USD/CHF	0.8931	0.0%	0.9011	0.8785	1.0%	0.9011	0.8406	5.1%	0.9224	0.8333	6.1%
USD/CNY	7.2954	0.3%	7.2958	7.2393	0.7%	7.2958	7.0109	3.5%	7.2994	7.0048	2.8%
USD/CNH	7.2924	0.2%	7.3249	7.2449	0.6%	7.3249	6.9730	3.6%	7.3269	6.9713	2.3%
GOLD	\$2,623	-1.0%	\$2,718	\$2,585	-1.0%	\$2,788	\$2,563	0.0%	\$2,790	\$1,984	27.1%

CCY	Last Trading Day Change				Technical levels				Citi Forecasts		
	Close	Day High	Day Low	Daily Change	Sup2	Sup1	Res1	Res2	0-3M	6-12M	LT
USD	107.62	108.54	107.59	-0.73%	104.80	105.42	108.54	109.29	108.24	105.98	102.93
EUR/USD	1.0430	1.0448	1.0343	0.65%	1.0223	1.0335	1.0630	1.0760	1.03	1.05	1.07
USD/JPY	156.31	157.93	155.96	-0.72%	148.70	149.08	158.61	161.33	152	142	130
GBP/USD	1.2570	1.2614	1.2476	0.54%	1.2300	1.2476	1.2811	1.3048	1.26	1.26	1.28
USD/CAD	1.4359	1.4436	1.4336	-0.27%	1.3823	1.3928	1.4559	1.4668	1.44	1.41	1.39
AUD/USD	0.6251	0.6274	0.6215	0.19%	0.6009	0.6170	0.6483	0.6527	0.63	0.63	0.68
NZD/USD	0.5652	0.5673	0.5613	0.37%	0.5565	0.5608	0.5850	0.5928	0.58	0.58	0.61
USD/CHF	0.8931	0.8992	0.8914	-0.62%	0.8555	0.8796	0.9050	0.9148	0.89	0.87	0.88
USD/CNY	7.2954	7.2994	7.2934	0.13%	--	--	--	--	7.70	7.50	6.90
USD/CNH	7.2924	7.3140	7.2906	-0.23%	7.1475	7.2209	7.3250	7.3441	--	--	--
GOLD	\$2,623	\$2,632	\$2,590	1.11%	\$2,484	\$2,537	\$2,790	\$2,800	\$2,800	\$3,000	--

Source: Bloomberg L.P., as of Dec 20, 2024  
(cut off time is NY Time 5:00pm); Citi  
Analysts (forecasts as of Dec 8, 2024)

**\*INVESTMENT PRODUCTS: NOT A BANK DEPOSIT. NOT GOVERNMENT INSURED. NO BANK GUARANTEE. MAY LOSE VALUE**

# Citi Wealth Management Investment & FX Insight



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## JPY Outlook: Fund and capital flows changing

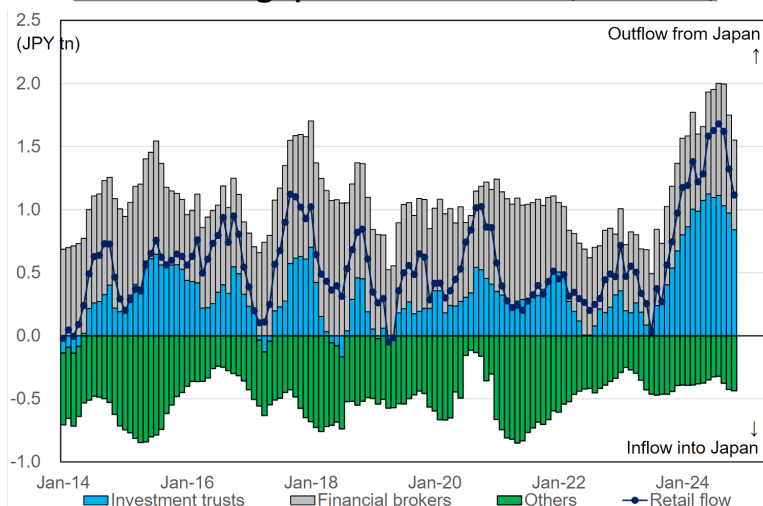
- Outward FDI levels remain high, while there are now signs that inward FDI (investments by overseas entities into Japan), which had been sluggish for a long time, is starting to increase. Large M&A deals (both inbound and outbound) are being announced, and in 2025 the supply/demand associated with these deals could have a greater effect on the USDJPY rate than the fundamentals.

In addition to the aforementioned changes in the environment surrounding the yen carry trade (mainly the risk of corrections to positions accumulated in the past and to distorted hedging operations), there are new changes in investment trends that also merit attention.

### 1. Overseas investment by Japanese individual investors through NISA and the like

Following the introduction of the new NISA in January, overseas investment by individual investors via NISA-certified investment trusts has increased sharply. However, such investment started peaking in Q2, and the overall retail flow, as can be confirmed by the balance of payments (BoP) statistics, has been slowing more sharply in recent months.

### Outward foreign portfolio investment (retail flow)



# Citi Wealth Management Investment & FX Insight



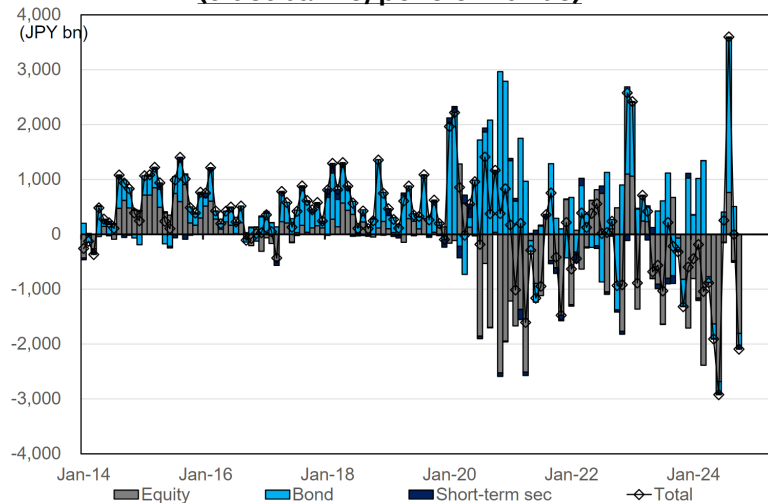
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## JPY Outlook: Fund and capital flows changing

### 2. Japanese pension funds

Domestic pension funds such as the GPIF are widely believed to be stepping up their rebalancing activities as a result of rising US stock prices and yen depreciation. Over the past several months there has been a notable volume of overseas asset sales.

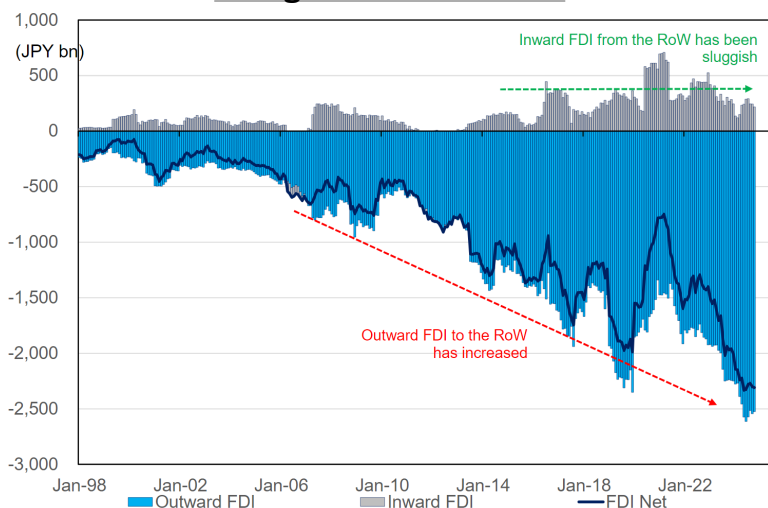
#### Outward foreign portfolio investment (trust banks/pension funds)



### 3. Foreign direct investment (FDI)

Outward FDI levels remain high, while there are now signs that inward FDI (investments by overseas entities into Japan), which had been sluggish for a long time, is starting to increase. Large M&A deals (both inbound and outbound) are being announced, and in 2025 the supply/demand associated with these deals could have a greater effect on the USDJPY rate than the fundamentals.

#### Foreign direct investment



# Citi Wealth Management Investment & FX Insight



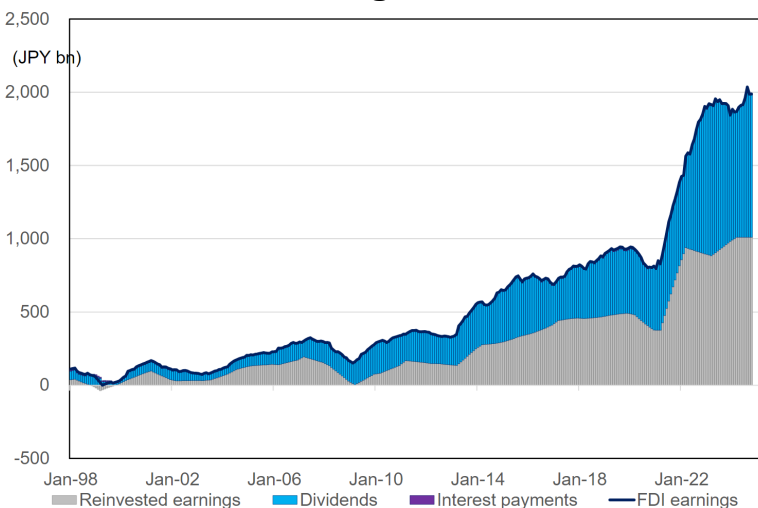
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## JPY Outlook: Fund and capital flows changing

### 4. Repatriation of overseas earnings to Japan

Over the past ten years Japanese companies that expanded their overseas operations have seen their earnings structures get stronger, and the BoP statistics show a major rise in FDI income. While this is part of the income balance, repatriation of overseas earnings is increasing among Japanese companies that have begun to focus on shareholder returns.

### FDI earnings (outward)

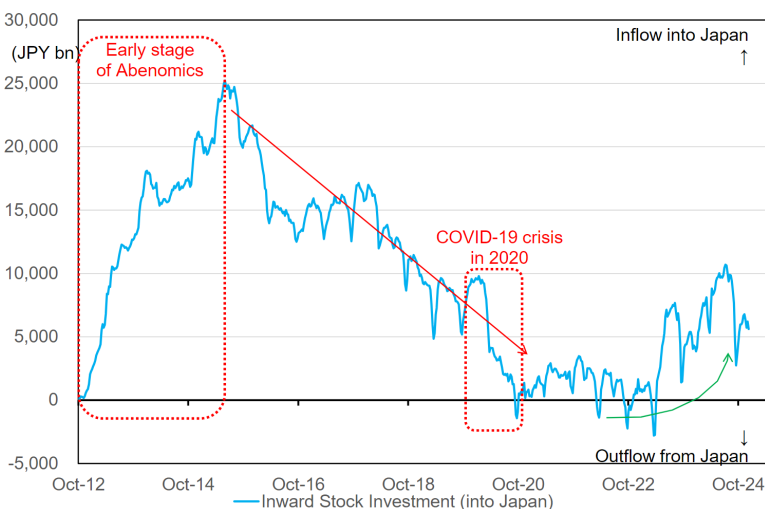


Source: Citi Analysts, MoF, BoJ, as of Dec 18, 2024. Note: Twelve-month average.

### 5. Investment in Japanese stocks by overseas investors

Starting in the mid-2010s overseas investors reduced their investments in Japanese stocks, but there are signs that they have begun to resume investment in recent years. JPY depreciation, which damages USD-denominated performance, has been one reason some overseas investors still hesitate to invest in Japanese stocks.

### Inward foreign portfolio investment (equities)



Source: Citi Analysts, MoF, Bloomberg, as of Dec 18, 2024. Note: Cumulative since October 2012.

# Citi Wealth Management Investment & FX Insight



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## **JPY Outlook: Fund and capital flows changing**

However, if the JPY stops weakening and starts to gradually recover as Citi Analysts expect, real money investors (long-term investors) should start to focus their investing on Japanese companies where earnings structures have improved, as discussed earlier. Most of these investments will probably not be currency-hedged, so they should help to both increase Japanese share prices and strengthen the JPY.

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### Important Economic Data (Dec 23, 2024 – Dec 27, 2024)

Source: Bloomberg L.P.  
(K = Thousand, M = Million, B = Billion)

Time		Event	Period	Actual	Survey	Prior
<b>Monday</b>						
12/23/24 15:00	UK	GDP YoY	3Q	--	--	1.00%
12/23/24 21:30	CA	GDP YoY	Oct	--	--	1.60%
12/23/24 23:00	US	Conf. Board Consumer Confidence	Dec	--	--	111.7
<b>Tuesday</b>						
12/24/24 08:30	AU	RBA Minutes of Dec. Policy Meeting	Dec			
12/24/24 21:30	US	Durable Goods Orders	Nov	--	--	0.30%
12/24/24 21:30	US	Durables Ex Transportation	Nov	--	--	0.20%
12/24/24 23:00	US	New Home Sales MoM	Nov	--	--	-17.30%
<b>Thursday</b>						
12/26/24 21:30	US	Initial Jobless Claims	Dec	--	--	--
<b>Friday</b>						
12/27/24 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Dec	--	--	2.20%
12/27/24 21:30	US	Advance Goods Trade Balance	Nov	--	--	-\$99.1b

### Interest Rate forecasts %

	Current (12/23/2024)	Q4	2025 Q1	2025 Q2
*USD	4.50	4.50	4.00	3.50
EUR	3.00	3.00	2.50	2.00
GBP	4.75	4.75	4.50	4.00
CHF	0.50	0.50	0.50	0.25
*JPY	0.25	0.25	0.50	0.75
AUD	4.35	4.35	4.35	4.10
NZD	4.25	4.25	3.75	3.25
CAD	3.25	3.25	2.75	2.25

Source: forecasts are from Citi Analysts

\* USD and JPY interest rate - upper bound



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Higher Credit Risk – Unrated or non investment grade Debt Securities generally have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. There is greater risk of non-payment of interest and loss of principal. Many issuers of these Debt Securities have experienced substantial difficulties in servicing their debt obligations, which has led to default and restructurings. The issuers of these Debt Securities generally have to pay a higher rate of interest than investment grade Debt Securities.

Higher Liquidity and Secondary Market Risk – The markets in which unrated or non investment grade Debt Securities are traded are generally more limited than those in which investment grade Debt Securities are traded. This lack of liquidity may make it more difficult to resell these Debt Securities and obtain market quotations.

Downgrade Risk – Downgrades in the credit rating of unrated or non investment grade Debt Securities by rating agencies are generally accompanied by declines in the market value of these Debt Securities. In some circumstances, investors in the unrated or non investment grade Debt Securities market may anticipate such downgrades as a result of these credits being placed on "credit watch" by rating agencies, causing volatility and speculation of further credit deterioration.

Higher Vulnerability to economic cycles – During economic downturns, unrated or non investment grade Debt Securities are typically more susceptible to price volatility and fall more in value than investment grade Debt Securities as i) investors may reevaluate holdings in lower-quality bonds in favor of investment-grade corporate Debt Securities; ii) investors become more risk averse; and iii) default risk rises. This is often referred to a "flight to quality".

Event Risk – This includes any of a variety of events that can adversely affect the issuer of unrated or non investment grade Debt Securities, and therefore the issuer's ability to meet debt service obligations to repay principal and interest to Debt Securities holders. Event risk may pertain to the issuer specifically, the industry or business sector of the issuer, or generally upon the overall economy. It could have a direct or indirect impact on the issuer and their outstanding debts.

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CNH exchange rates and CNY exchange rates are currently quoted in different markets with different exchange rates, whereby their exchange rate movements may not be in the same direction or magnitude. Therefore, the CNH exchange rate may be different from the CNY exchange rate.