



YOUR CURRENCY OUTLOOK FOR 2017

DECEMBER 2016

THE BLACKWELL ADVANTAGE

BLACKWELL GLOBAL

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USD



US DOLLAR

The US dollar has been the 'go to' currency for strength throughout 2016. Despite the shock of Donald Trump's presidential election victory in November, the fundamentals suggest it's likely to be the same story during 2017. This is down to the likely increase in interest rates at December 2016's FOMC meeting. What's more, Trump's economic policies are seen to be inflationary by investors - meaning future interest rate hikes are a possibility to curb rising inflation. However, difficult trade negotiations around TTP and NAFTA could cause weakness in the US dollar.

WHAT TO WATCH

- December 13-14 2016 FOMC meeting
- Trump's trade deal policy decisions



GBP



GREAT BRITISH POUND

Following the UK's decision to leave the European Union after its referendum in June 2016, the pound dropped to 30 year lows against the US dollar. The markets clearly wanted a 'Remain' victory. However, the UK economy has proven surprisingly resilient following Brexit. Despite this, 2017 will be a year of significant volatility for both the UK economy and the pound. The triggering of Article 50 - the legal process of leaving the EU - will spark a period of uncertainty around trade deals in particular. The triggering of Article 50 is anticipated to happen in March 2017, pending approval from MPs in the House of Commons.

WHAT TO WATCH

- Supreme Court Ruling on MPs' right to be consulted
- Triggering of Article 50 (expected in March)



EUR



EURO

The growth of palpable right-wing populism across Europe and the US is forcing the European Union to look at how it operates. In fact, the ECB cited political uncertainty across the globe as the bloc's most significant risk to financial stability. Brexit negotiations with the UK will be under the microscope, as nationalist movements in France, Holland and Italy continue to gather momentum. The French presidential election in April 2017 will be interesting to watch, as will the performance of Front National (France's anti-EU party). All-in-all, 2017 has more questions than answers for the European Union.

WHAT TO WATCH

- Triggering of Article 50 (expected in March)
- French presidential election (April)



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JAPANESE YEN

The Bank of Japan priority is to hit its inflation target of 2% following a programme of quantitative easing. At its most recent November meeting, the BOJ opted to leave its current reserve interest rate at -0.10%, while also revising its inflation forecasts downwards until 2019. This means the Japanese yen will remain a fundamentally 'weak' currency in the months ahead. However, with political uncertainty unfolding across the globe, traders can expect JPY to act as a safe haven during times of volatility.

WHAT TO WATCH

- Next BOJ decision on December 19 2016



SWISS FRANC

Switzerland is currently enjoying one of the best unemployment rates in the world. In October, national unemployment was at 3.3%. This metric, along with steady GDP means the Swiss franc is a relatively stable currency. No adjustments in interest rates are expected in the near future. The Swiss franc will continue to be a safe haven currency during 2017 - especially when one considers the current political volatility across the globe.

WHAT TO WATCH

- Safe haven movements during market volatility to CHF



CANADIAN DOLLAR

Monetary policy from the Bank of Canada is expected to remain unchanged in the months ahead, as core inflation is now at 1.7% and within its target range (1-3%). One factor which will have an impact on the strength of the Canadian dollar is the price of WTI Crude Oil. In November 2016, OPEC struck a deal which stated that it would cut its production by 1.2 million barrels per day. This in turn caused the cost per barrel for Crude Oil to rally and test the \$50 level. As the Canadian economy is heavily reliant on oil production, CAD will generally follow the price of crude oil.

WHAT TO WATCH

- The price of WTI Crude Oil



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