

## Highlights

By Stéfane Marion and Kyle Dahms

- Trade uncertainty is weighing on the US dollar, which has already declined by 4% against a basket of 24 currencies since the end of January. The greenback's depreciation has been further driven by speculative flows, including a significant reduction in long-dollar positions. However, we believe the recent sell-off may be overdone, and safe-haven demand could provide support for the USD—at least until Washington clarifies its trade policy on April 1.
- The Canadian dollar remains highly volatile amid the persistent threat of US tariffs but has still managed to recover some ground against the USD since touching 1.48 in early February. The looming 25% tariffs on aluminum and steel, the potential 250% tariffs on dairy products, and China's newly announced high import levies on Canadian agricultural goods are all set to weigh on Canada's trade balance and broader economy. With these headwinds, the stage is set for further monetary easing by the Bank of Canada in the first half of 2025, likely leading to a weaker loonie.
- The euro staged its most aggressive one-week rebound against the U.S. dollar in 16 years at the start of March, surging 4.7 cents to nearly 1.09. This sharp appreciation propelled the currency past its 200-day moving average, reaching its highest level since November. The European currency found renewed strength on a German push for defence and infrastructure spending which could reach 1 trillion € in the coming years. Moreover, the USD dollar has been on a reversal as uncertainty surrounding trade policy has spooked investors. Despite a comparatively dovish European central bank and the lingering possibility of a U.S.-EU trade dispute set to unfold in April, speculators have essentially returned their short positions to neutral on the currency. While some of the recent appreciation is likely overdone considering a still ambiguous growth and geopolitical outlook, we expect the European currency to head towards a stronger footing in the second half of this year. That said, short-term volatility remains on the menu.
- The Japanese Yen reached its strongest level in 5 months against the USD in the first week of March. Strong wage growth and tenacious food inflation continue to fuel the ramp-up in monetary policy and the latter has likely been an element underpinning the currency's recent bout of strength. At the same time, JPY may be regaining its status as a safe haven currency, with rising uncertainty around U.S. trade policy adding to its appeal. Speculative positions on the Yen have surged to their longest net-long level on record, based on available data going back to 2006. While we anticipate the yen will maintain a stronger footing in the coming quarters, caution is warranted. Recent comments from Japan's Finance Minister on excessive currency market volatility, along with the potential for government intervention, could temper further gains.

### NBF Currency Outlook

Currency		Current	Forward Estimates			
		March 7, 2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025
<b>Canadian Dollar (new forecast)</b>	<i>(USD / CAD)</i>	<b>1.44</b>	<b>1.47</b>	<b>1.45</b>	<b>1.42</b>	<b>1.40</b>
<i>United States Dollar</i>	<i>(CAD / USD)</i>	<i>0.70</i>	<i>0.68</i>	<i>0.69</i>	<i>0.70</i>	<i>0.71</i>
Euro	<i>(EUR / USD)</i>	1.09	1.06	1.08	1.10	1.11
Japanese Yen	<i>(USD / JPY)</i>	147	149	146	144	142
Australian Dollar	<i>(AUD / USD)</i>	0.63	0.63	0.65	0.66	0.67
Pound Sterling	<i>(GBP / USD)</i>	1.29	1.26	1.28	1.30	1.31
Chinese Yuan	<i>(USD / CNY)</i>	7.24	7.27	7.25	7.22	7.20
Mexican Peso	<i>(USD / MXN)</i>	20.3	21.0	20.5	20.0	19.5
<b>Broad United States Dollar <sup>(1)</sup></b>		<b>125.2</b>	<b>127.8</b>	<b>125.8</b>	<b>123.8</b>	<b>122.3</b>

1) Federal Reserve Broad Index (26 currencies)

### Canadian Dollar Cross Currencies

Currency		Current	Forward Estimates			
		March 7, 2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Euro	<i>(EUR / CAD)</i>	1.56	1.56	1.57	1.56	1.55
Japanese Yen	<i>(CAD / JPY)</i>	103	101	101	101	101
Australian Dollar	<i>(AUD / CAD)</i>	0.91	0.93	0.94	0.94	0.94
Pound Sterling	<i>(GBP / CAD)</i>	1.86	1.85	1.86	1.85	1.83
Chinese Yuan	<i>(CAD / CNY)</i>	5.04	4.95	5.00	5.08	5.14
Mexican Peso	<i>(CAD / MXN)</i>	14.1	14.3	14.1	14.1	13.9



Regional Overview

Region	Currency	\$	USD FX	1M Prior	% Change	Current	Relative to UST	Current	Upcoming	
				USD FX	1-Month Performance	2Y Yield	2Y Spread	Policy Rate	Next MP Meeting	
Canada	Canadian Dollar	CAD	(USD/CAD)	1.44	1.43	0.55%	2.59	-140.8	3.00	2025-03-12
United States	United States Dollar	USD	-	-	-	4.00	-	4.50	2025-03-19	
Eurozone	Euro	EUR	(EUR/USD)	1.08	1.03	4.89%	2.25	-175.5	2.50	2025-04-17
Japan	Japanese Yen	JPY	(USD/JPY)	148	151	-2.23%	0.85	-315.1	0.50	2025-03-19
Australia	Australian Dollar	AUD	(AUD/USD)	0.63	0.63	0.49%	3.77	-23.1	4.10	2025-03-31
United Kingdom	Pound Sterling	GBP	(GBP/USD)	1.29	1.24	4.18%	4.20	20.1	4.50	2025-03-20
China	Chinese Yuan	CNY	(USD/CNY)	7.24	7.29	-0.70%	1.52	-247.8	3.10	2025-03-19
Mexico	Mexican Peso	MXN	(USD/MXN)	20.3	20.6	-1.50%	8.90	489.7	9.50	2025-03-27

Country	Central Bank	United States	Canada	Eurozone
		Federal Reserve		Bank of Canada
		European Central Bank		
Effective Policy Rate	3/10/2025	4.33 ▲ current level	3/10/2025	3.00 ▲ current level
Next meeting	3/19/2025	4.322 -0.008	3/12/2025	2.782 -0.218
Subsequent meeting	5/7/2025	4.217 -0.113	4/16/2025	2.643 -0.357
Subsequent meeting	6/18/2025	4.034 -0.296	6/4/2025	2.545 -0.455
Subsequent meeting	7/30/2025	3.915 -0.415	7/30/2025	2.463 -0.537
Subsequent meeting	9/17/2025	3.746 -0.584	9/17/2025	2.370 -0.630
Subsequent meeting	10/29/2025	3.651 -0.679	10/29/2025	2.316 -0.684
				3/10/2025
				2.50 ▲ current level
				2.292 -0.208
				2.124 -0.376
				2.075 -0.425
				1.997 -0.503
				1.988 -0.512
				1.952 -0.548

Country	Central Bank	Japan	United Kingdom	
		Bank of Japan		
			Bank of England	
Effective Policy Rate	3/10/2025	0.478 ▲ current level	3/10/2025	4.45 ▲ current level
Next meeting	3/19/2025	0.480 0.002	3/20/2025	4.445 -0.005
Subsequent meeting	5/1/2025	0.548 0.070	5/8/2025	4.256 -0.194
Subsequent meeting	6/17/2025	0.615 0.137	6/19/2025	4.191 -0.259
Subsequent meeting	7/31/2025	0.677 0.199	8/7/2025	4.053 -0.397
Subsequent meeting	9/19/2025	0.750 0.272	9/18/2025	4.007 -0.443
Subsequent meeting	10/30/2025	0.746 0.268	11/6/2025	3.912 -0.538

Appendix: Spot rates with their 200d MA





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