

FX Outlook

Where Next For the USD?

Q3 2014

Shaun Osborne
Chief FX Strategist

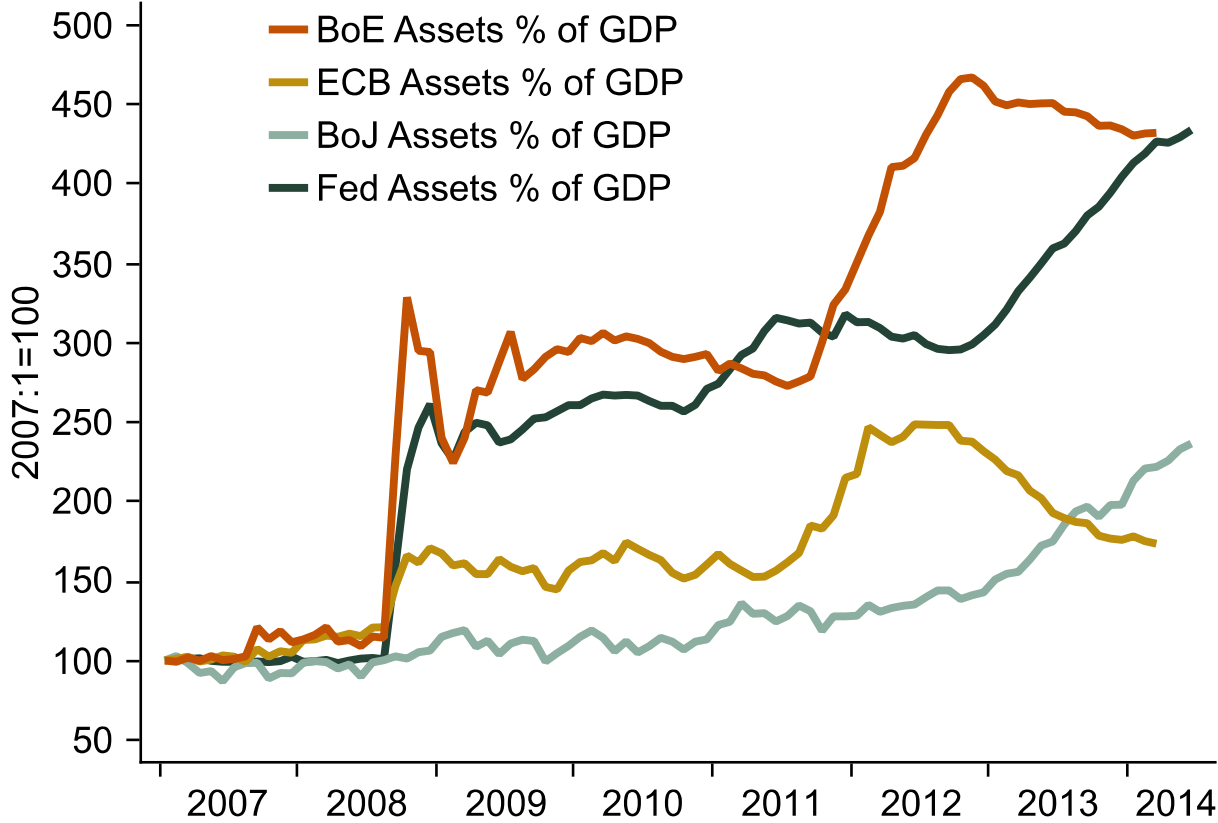


Securities

Where Deals Get Done.

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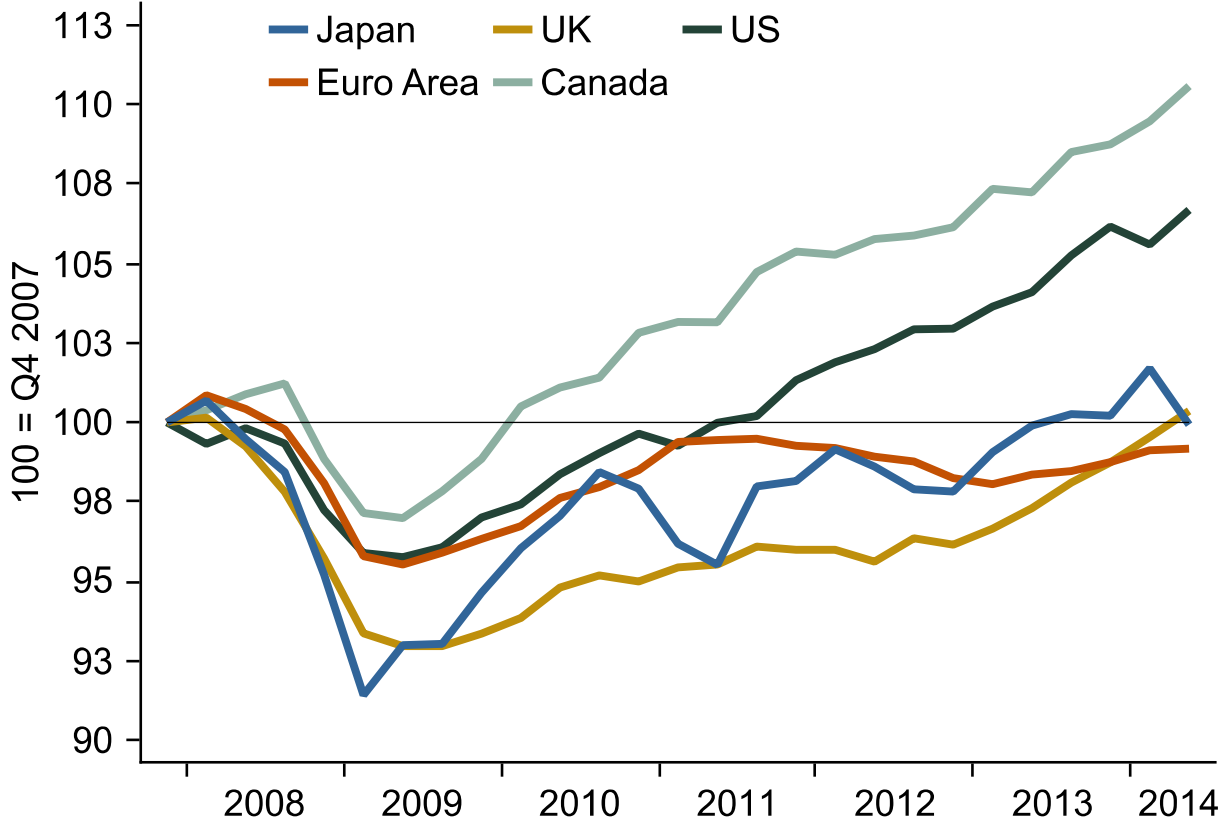
Fed's Balance Sheet Likely to Remain Elevated During Rate Hikes



Source: Macrobond, TD Securities

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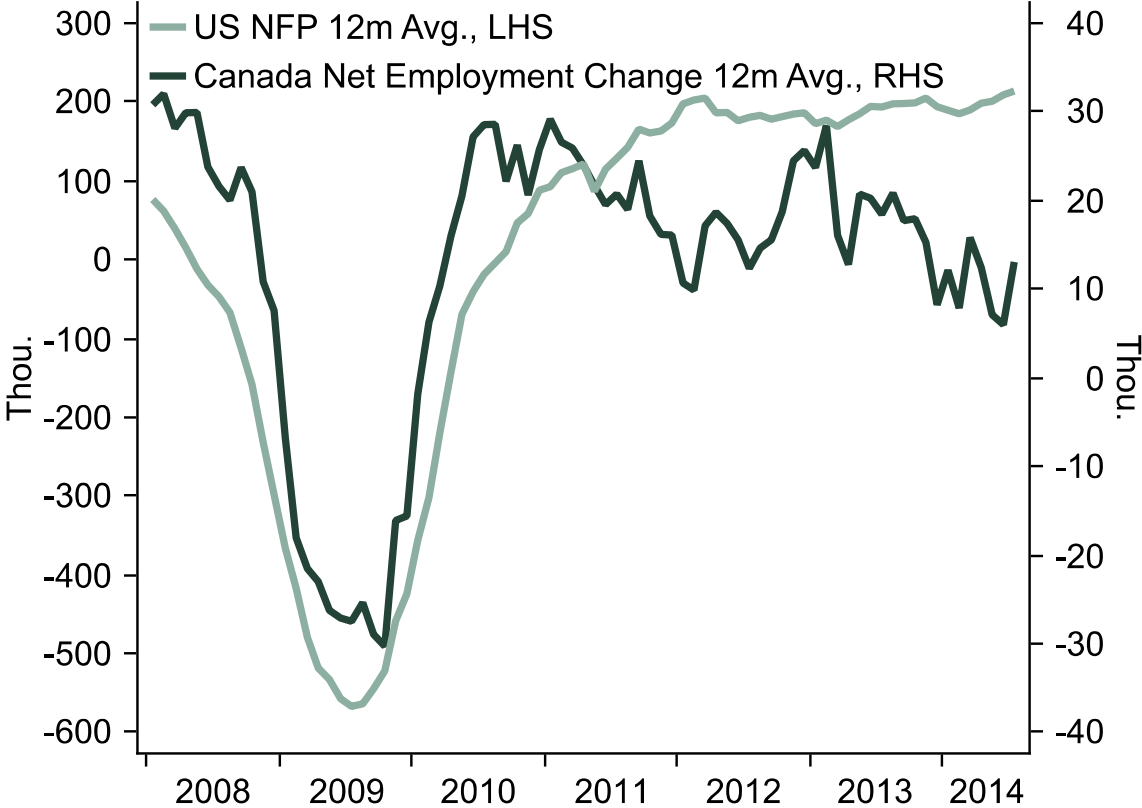
Large Sections of the Global Economy are Still Recovering



Source: Macrobond, TD Securities

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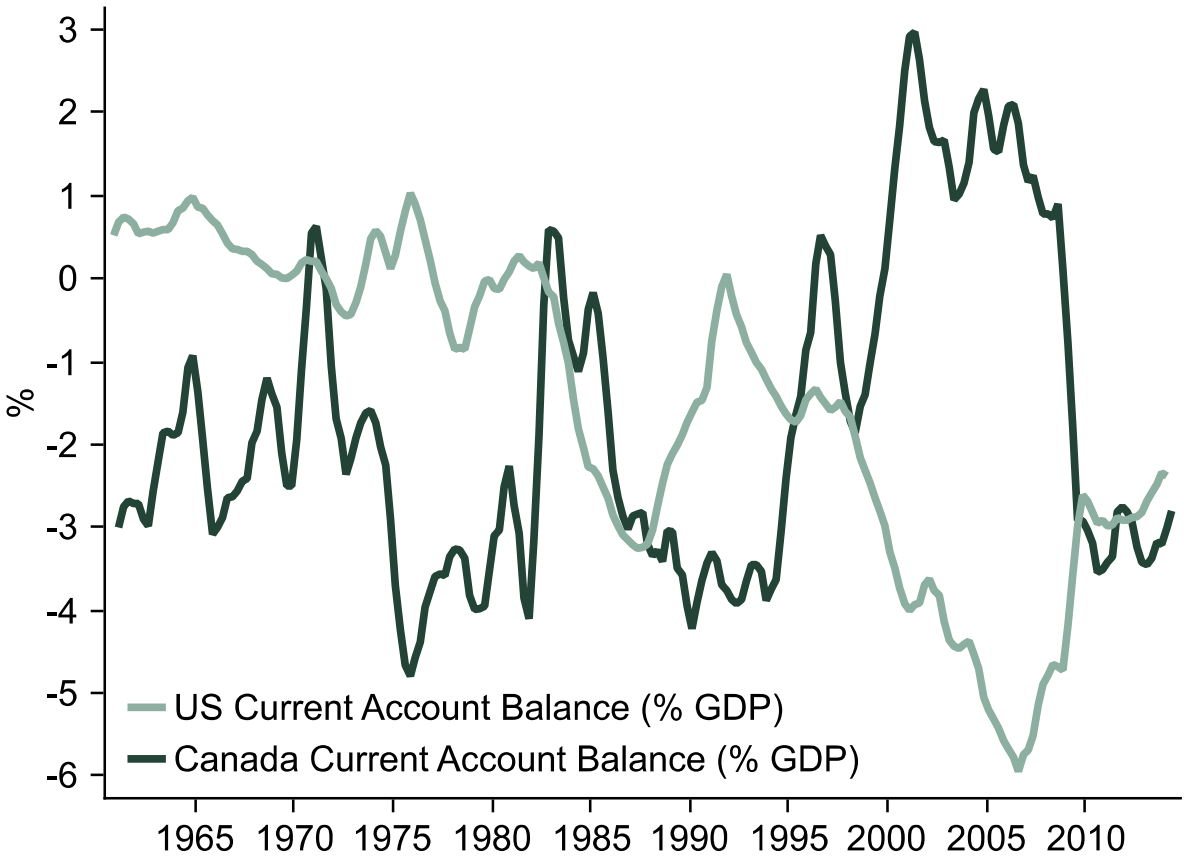
US Jobs Rebound Leaves Canada Behind



Source: Macrobond, TD Securities

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US C/A Deficit Shrinks Relative to Canada

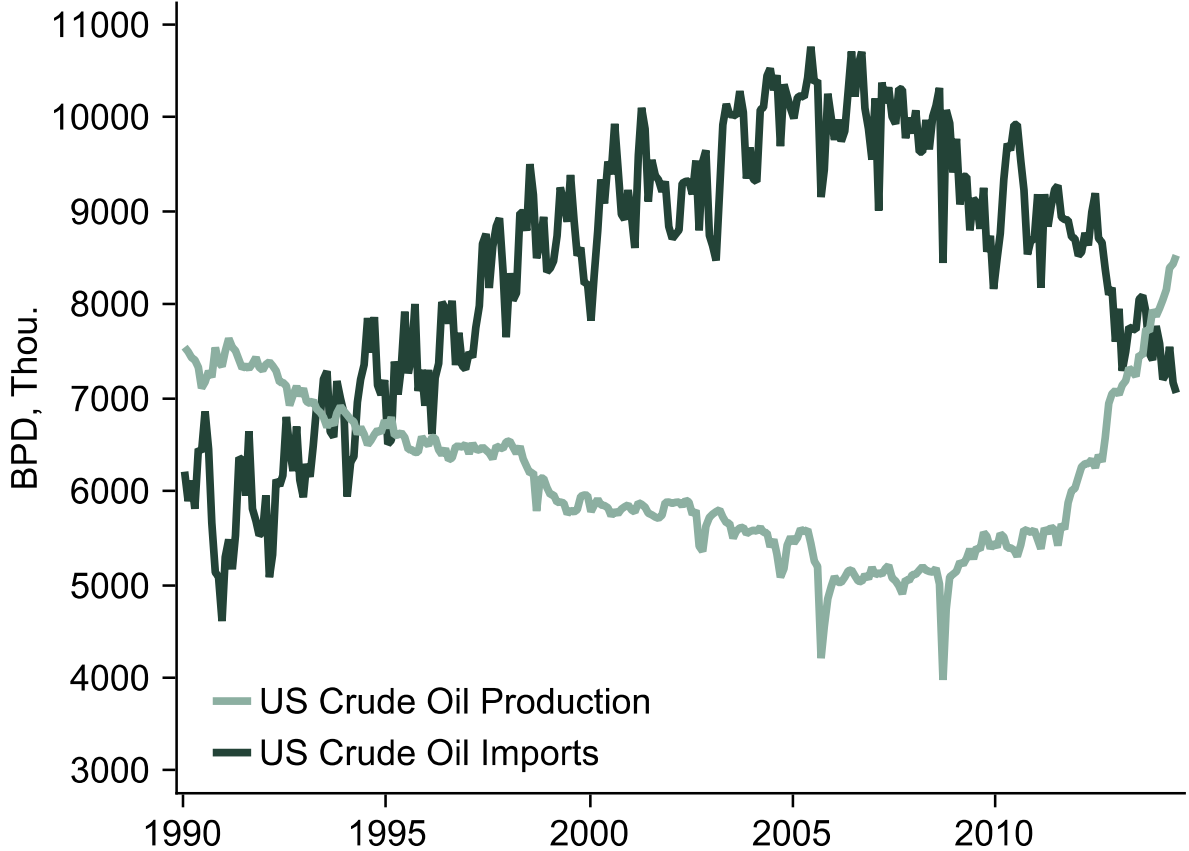


Source: Macrobond, TD Securities



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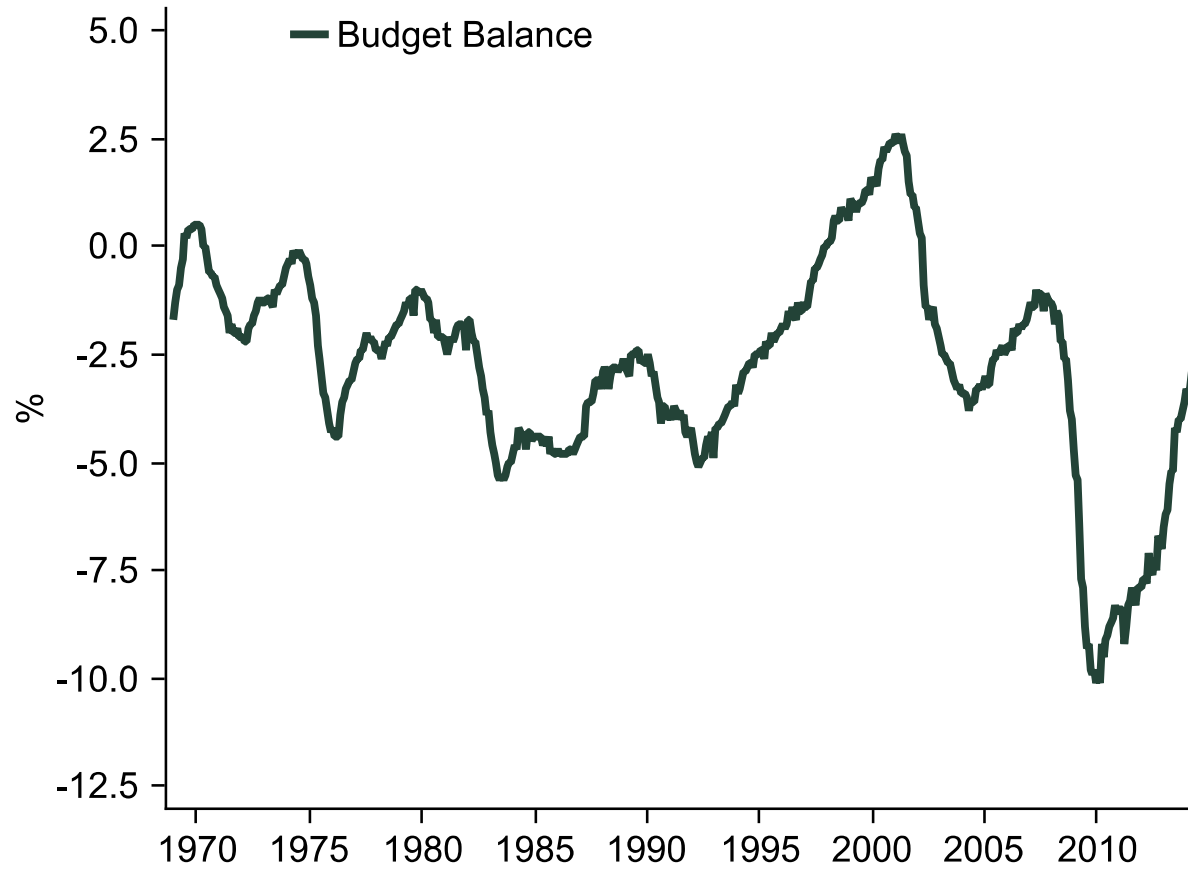
Higher Domestic US Crude Oil Production



Source: Macrobond, TD Securities

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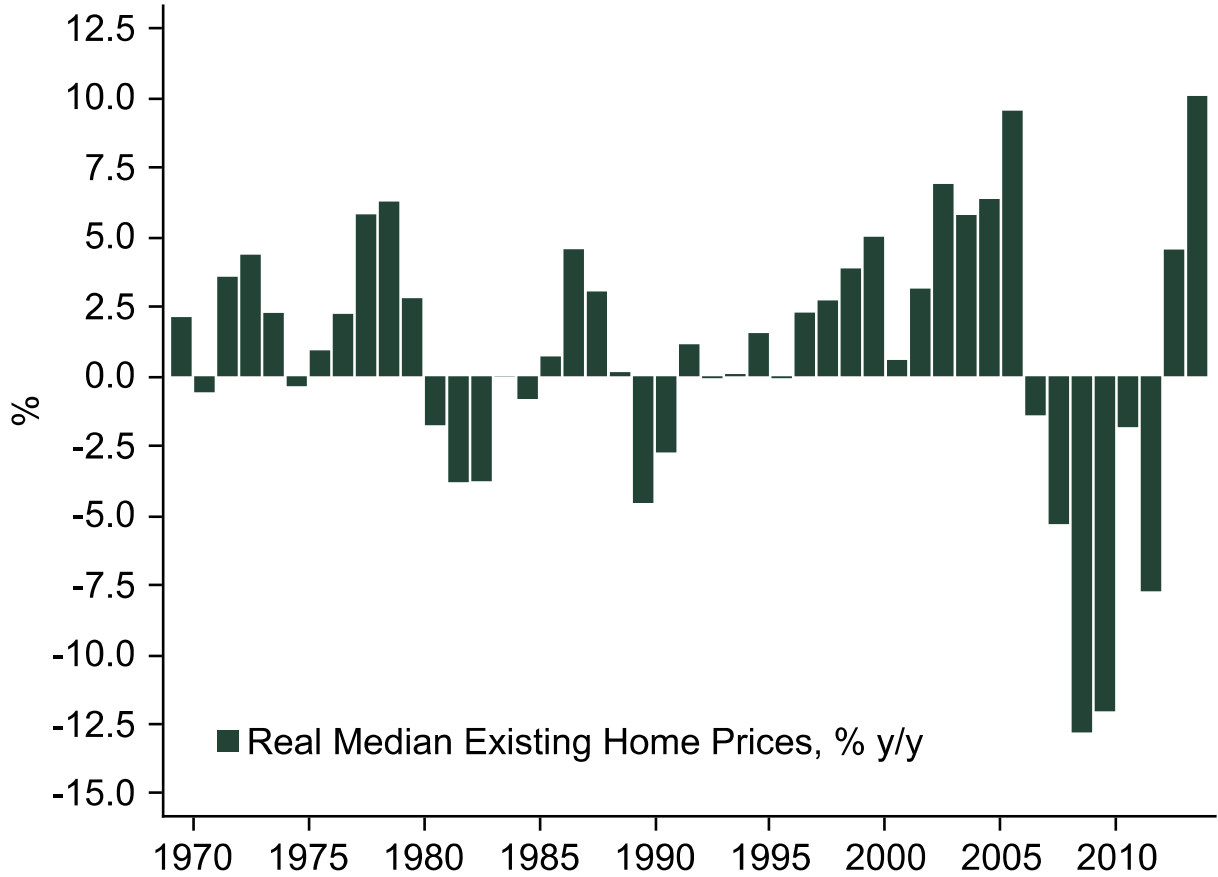
US Federal Budget Balance (%/GDP)



Source: Macrobond, TD Securities

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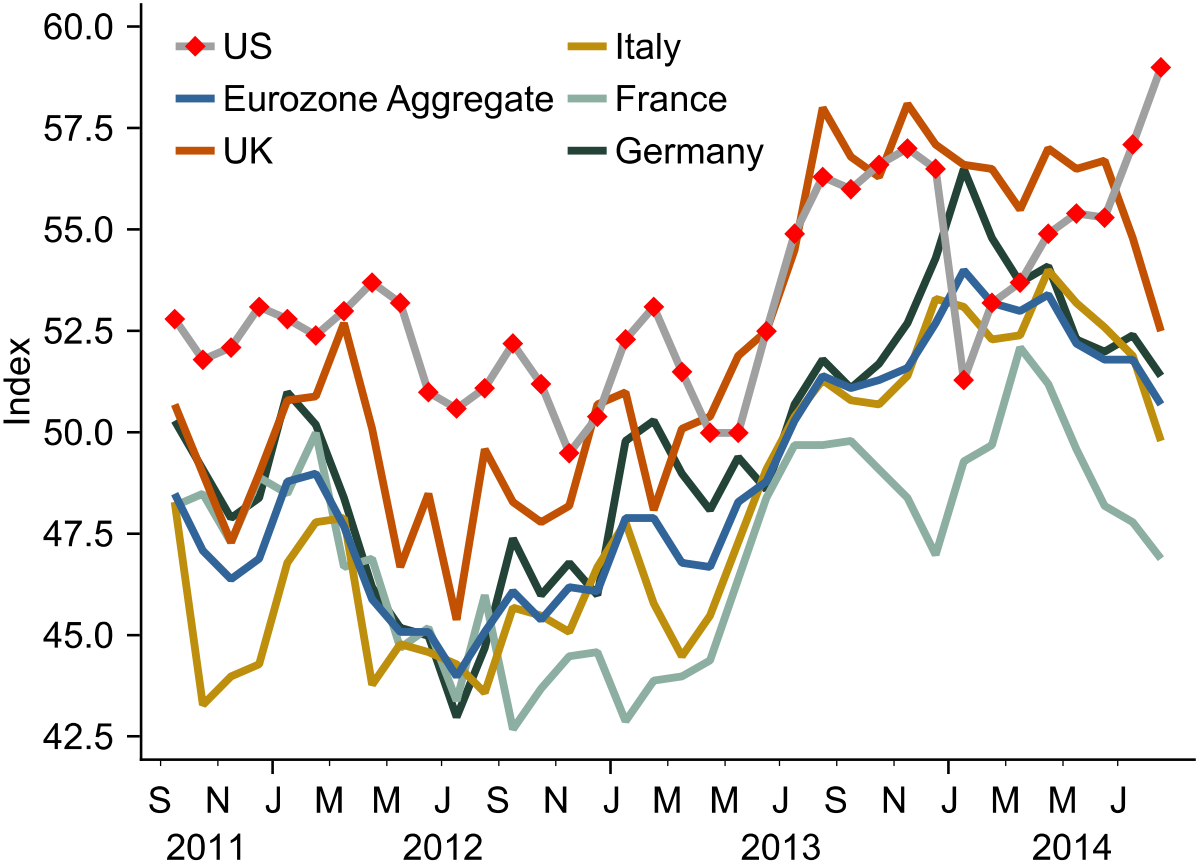
US House Prices Recover



Source: Macrobond, TD Securities

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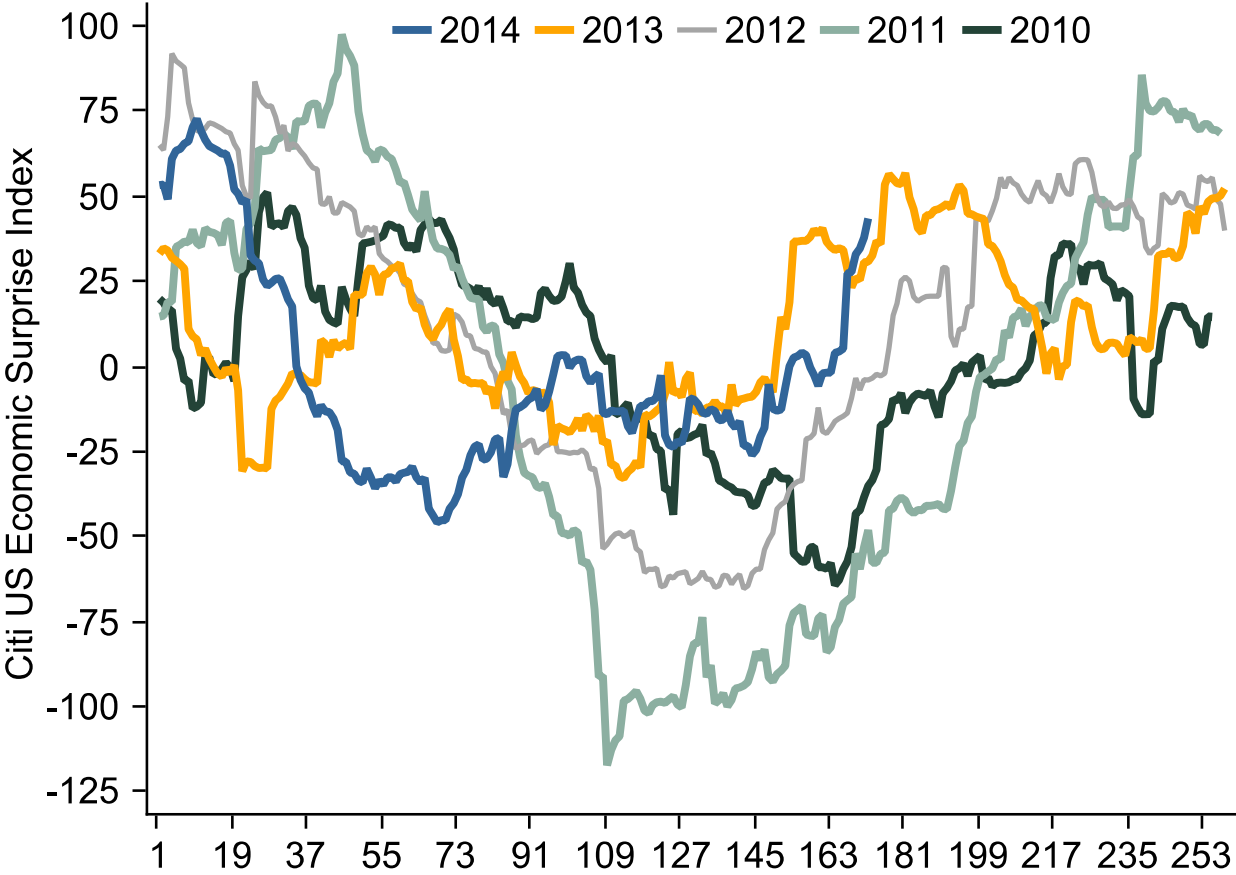
US Manufacturing Grows, Europe Slows



Source: Macrobond, TD Securities

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US Data Seasonal "Soft Patch" Turning?

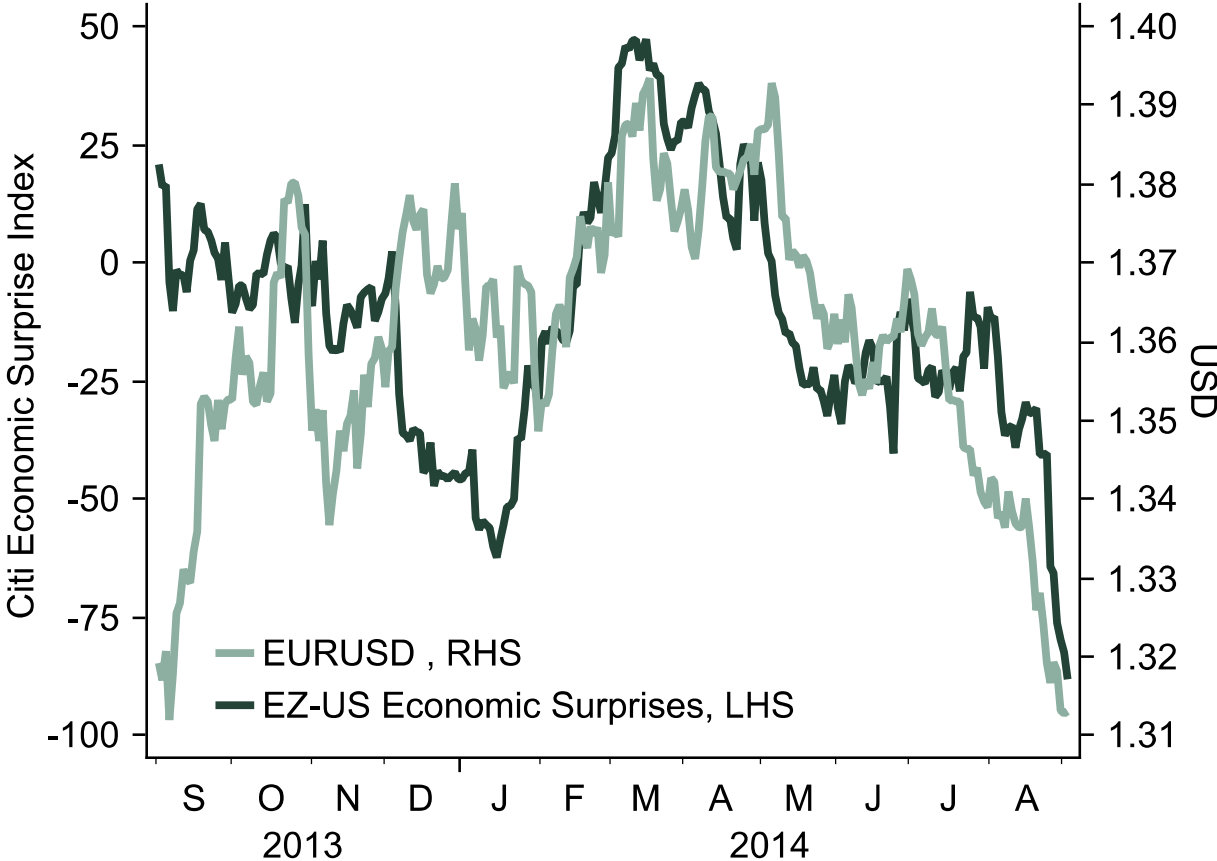


Source: Macrobond, TD Securities



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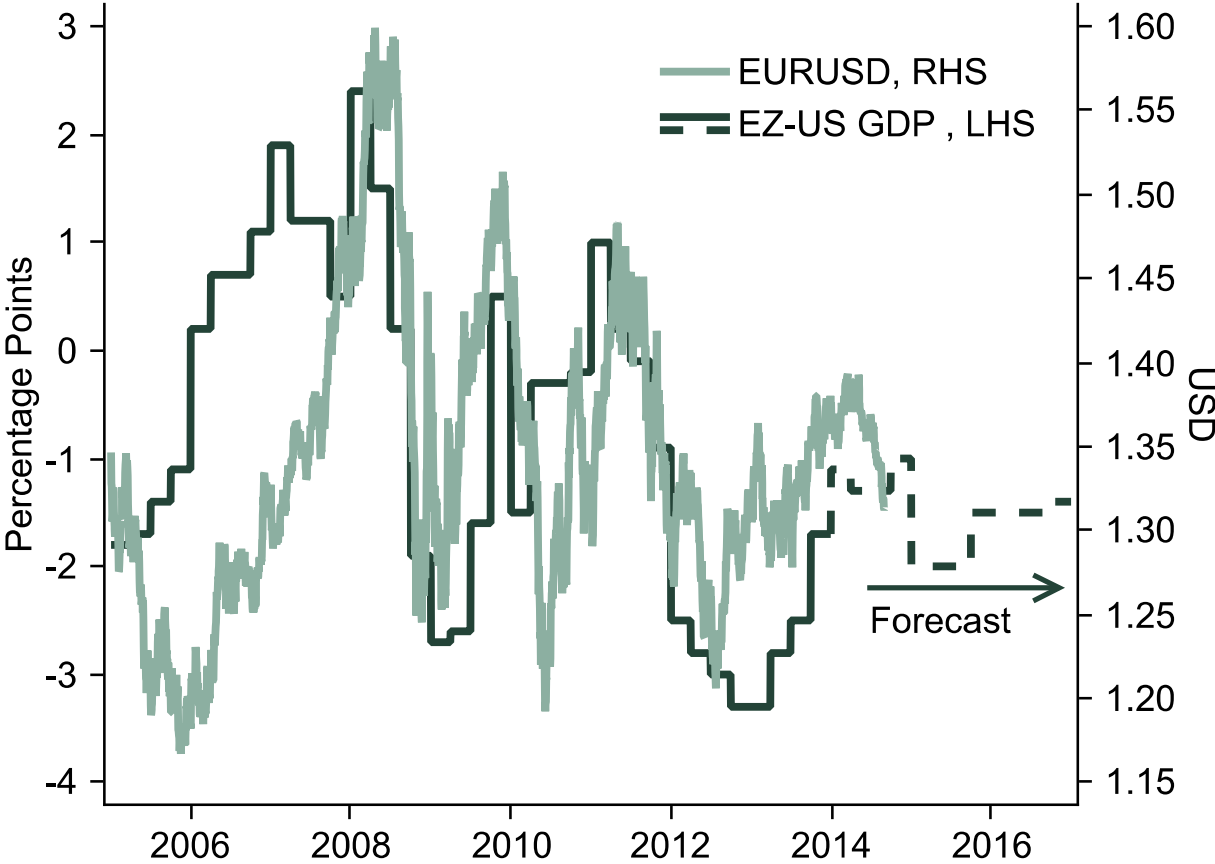
Relative Economic Surprises Are USD-Supportive



Source: Macrobond, TD Securities

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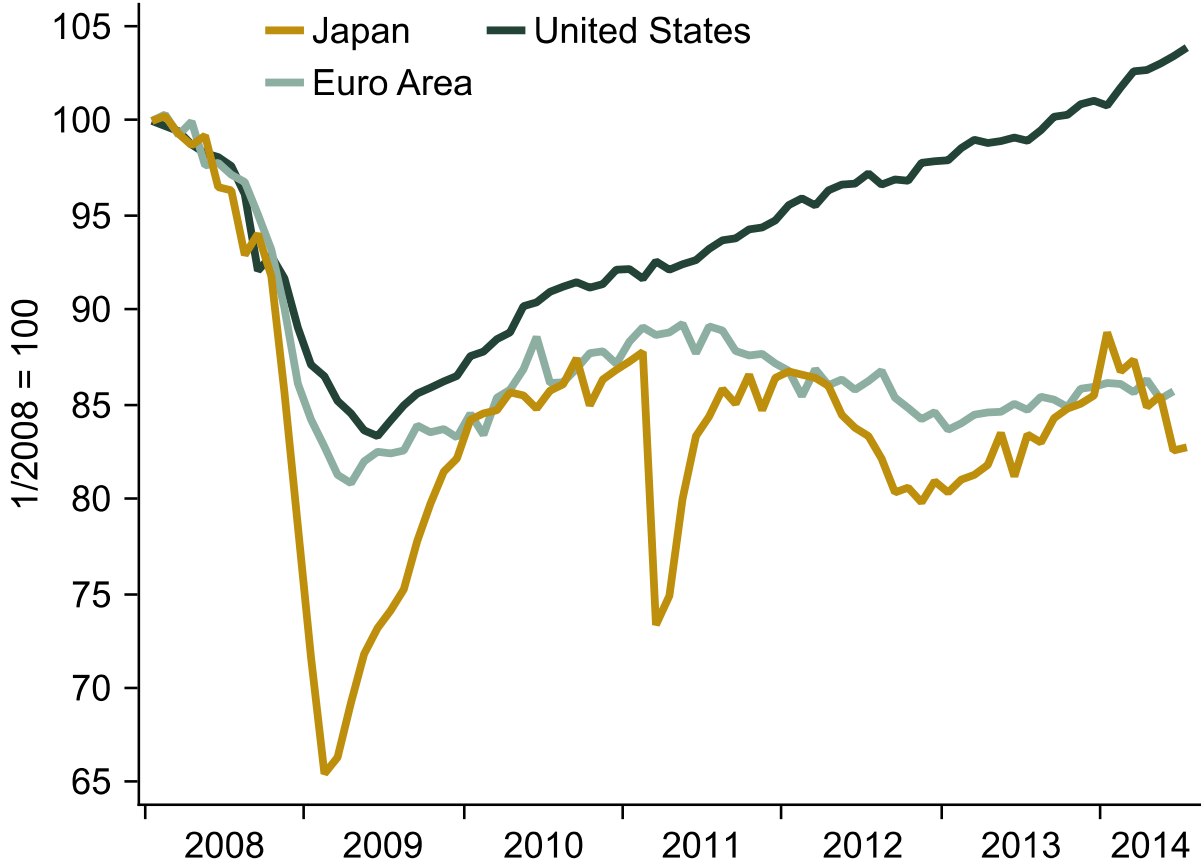
US Growth Premium Will Support USD



Source: Macrobond, TD Securities

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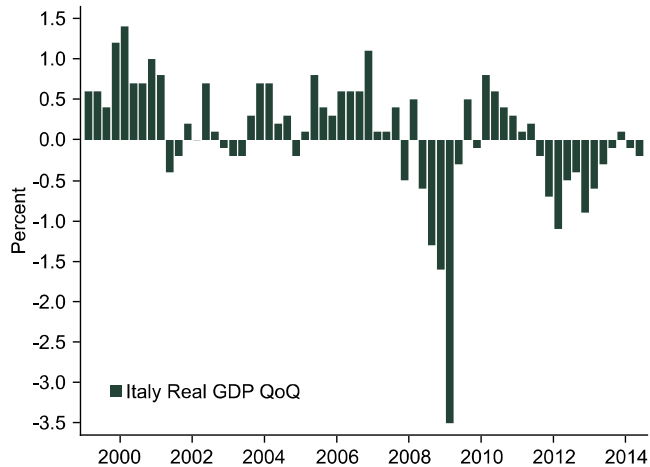
Industrial Production Trends Since 2008



Source: Macrobond, TD Securities

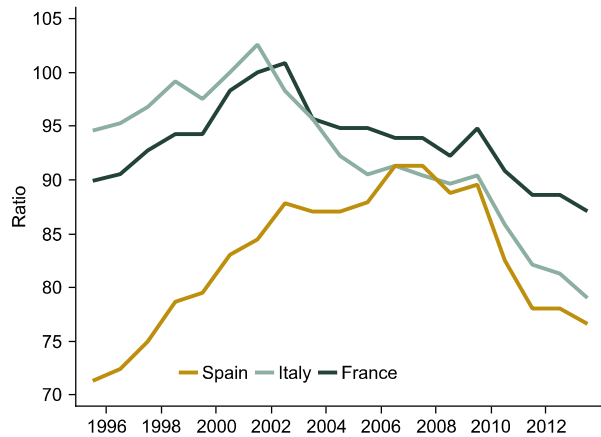
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Italy - In and Out of Recession



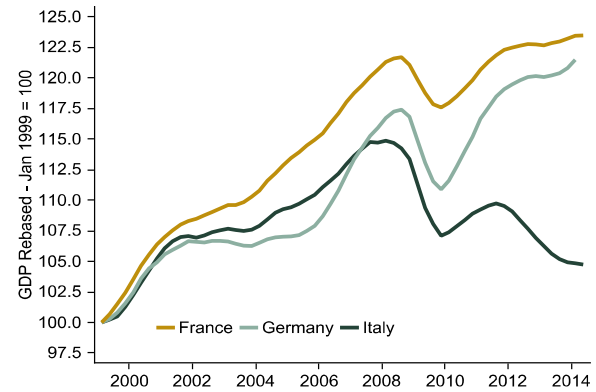
Source: Macrobond, TD Securities

Per Capita GDP vs Germany



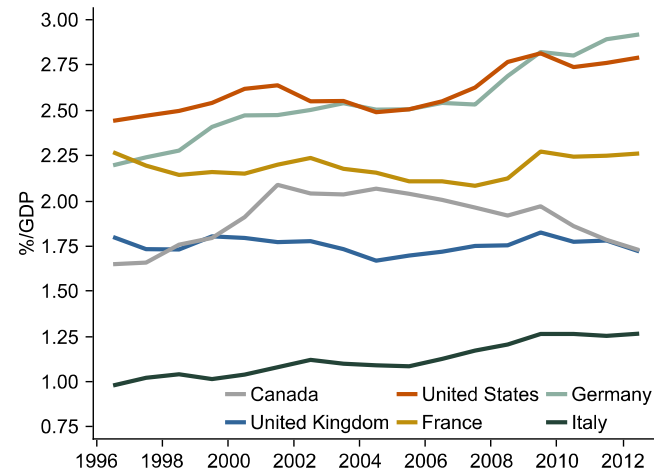
Source: Macrobond, TD Securities

Italian GDP - Back to 2000's Level



Source: Macrobond, TD Securities

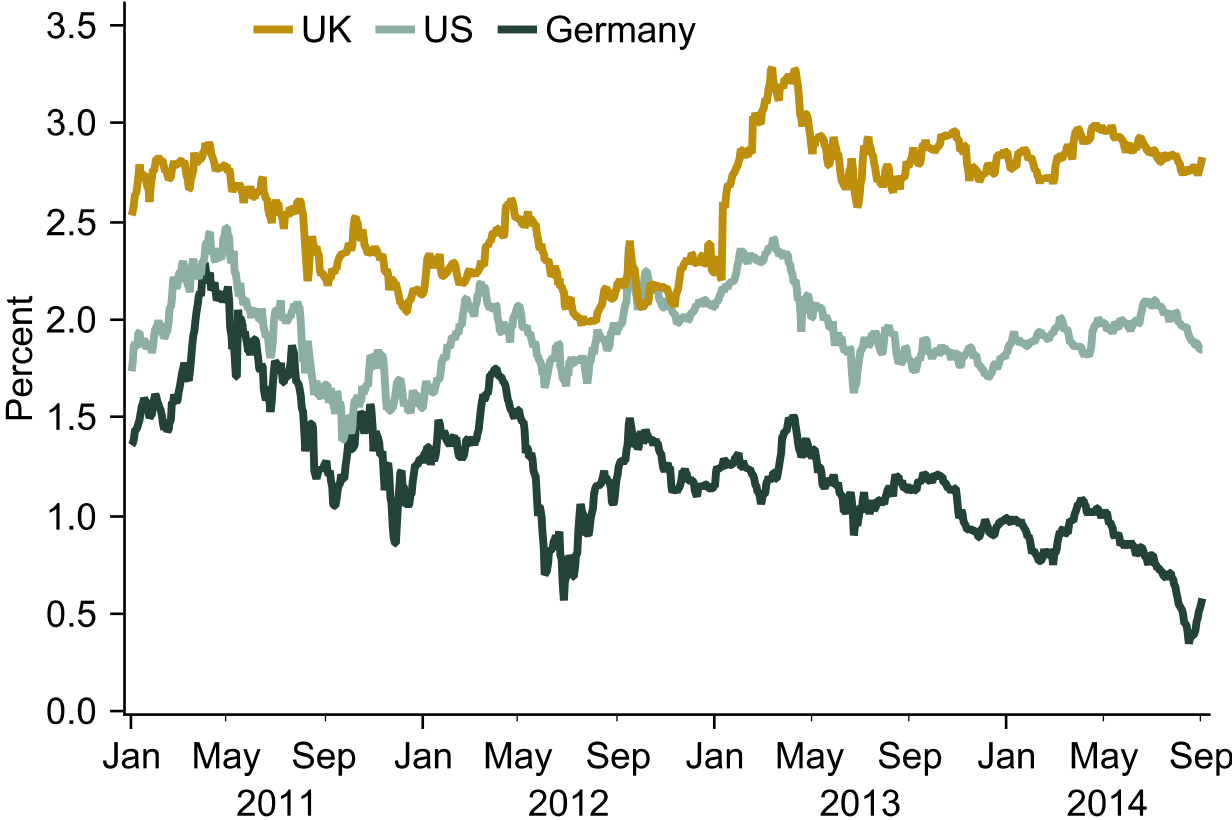
Italy Lags in R&D, Infrastructure and Tech Spending



Source: Macrobond, TD Securities

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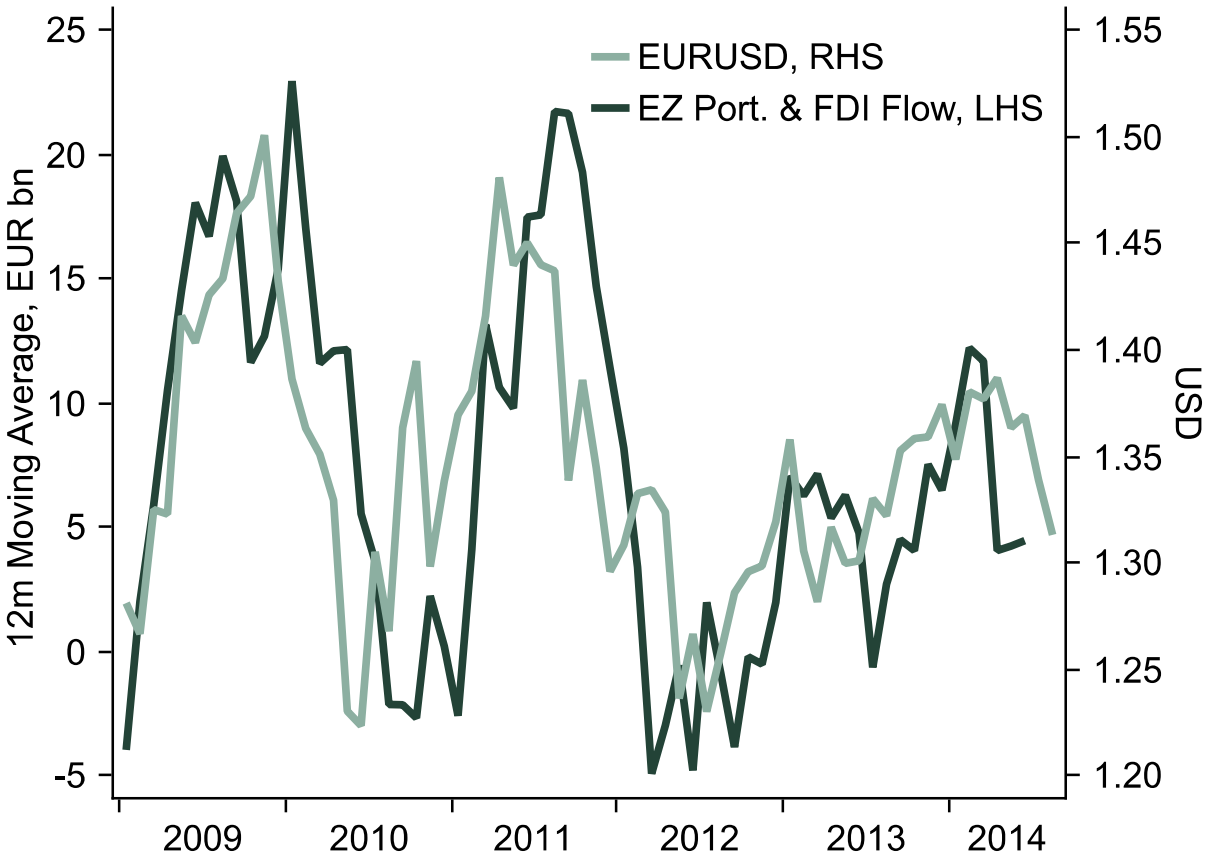
5-year Breakevens Reflect Sliding EZ Inflation Expectations



Source: Macrobond, TD Securities

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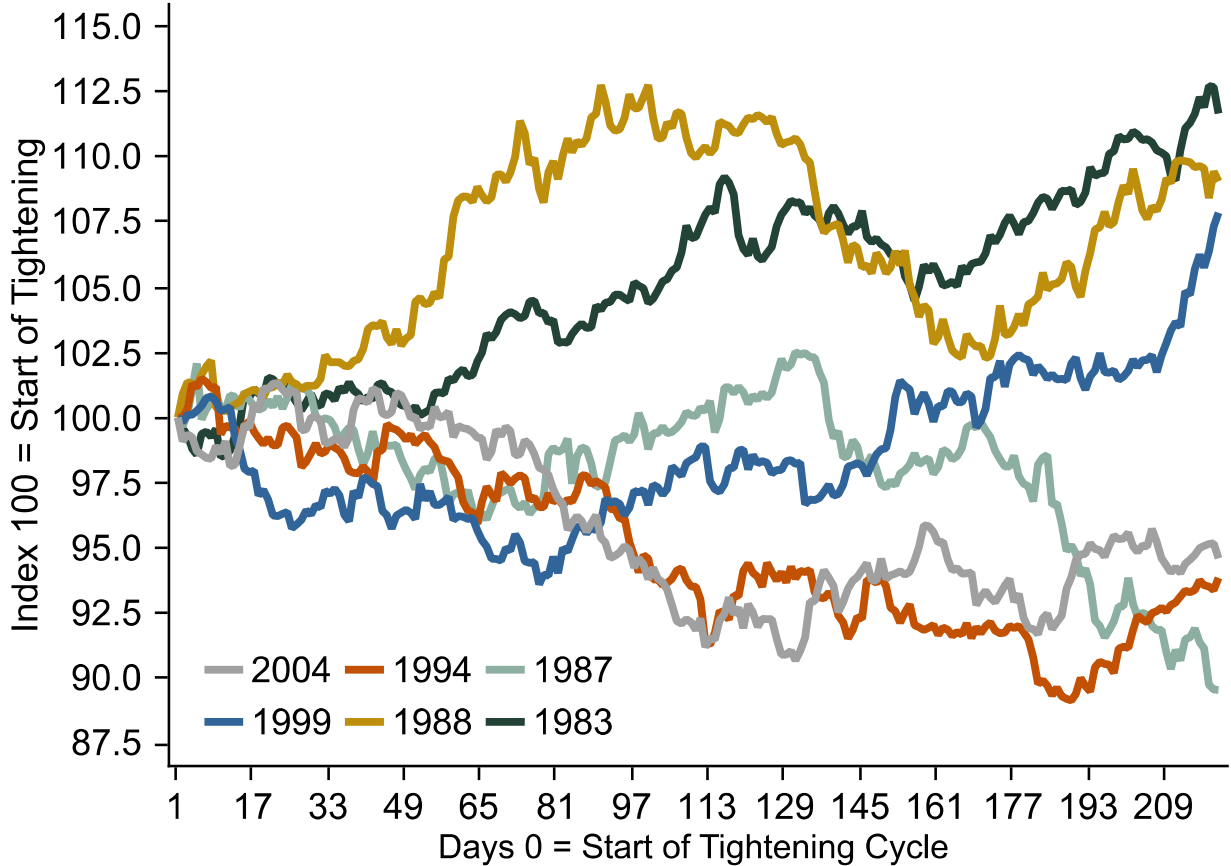
EZ Portfolio Inflows Have Softened



Source: Macrobond, TD Securities

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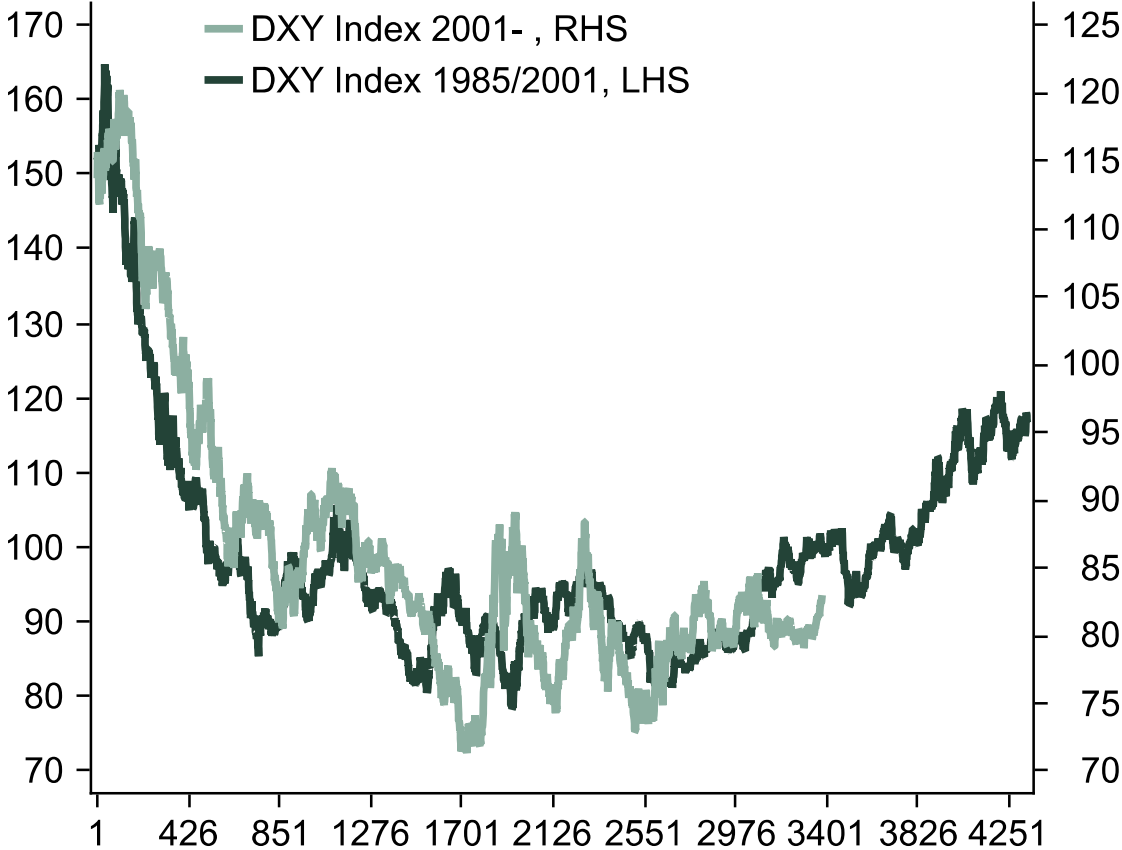
DXY Mostly Firmer on Fed Tightening Cycles



Source: Macrobond, TD Securities

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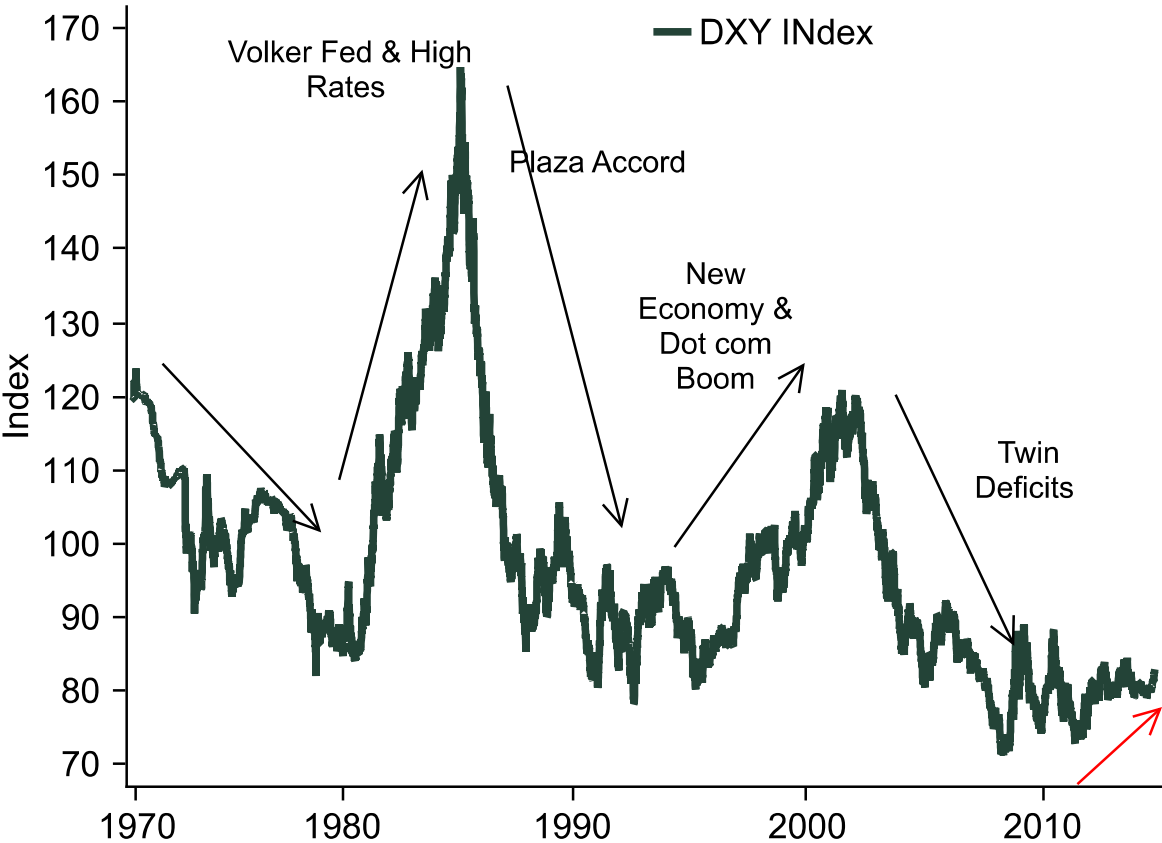
USD Bull/Bear Cycles Looking Similar



Source: Macrobond, TD Securities

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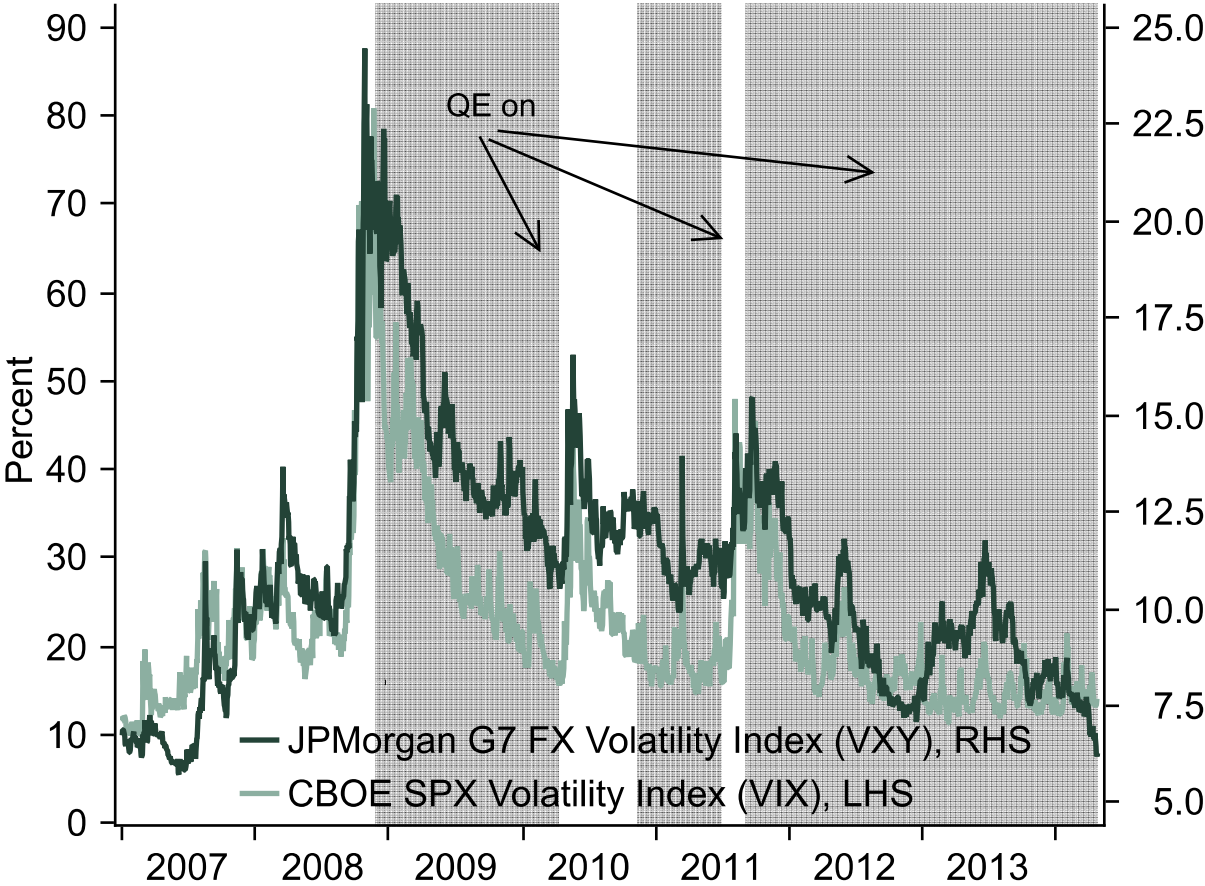
DXY Bull/Bear Phases Last Between 7-8 Years



Source: Macrobond, TD Securities

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Fed QE Regimes Depress Vol

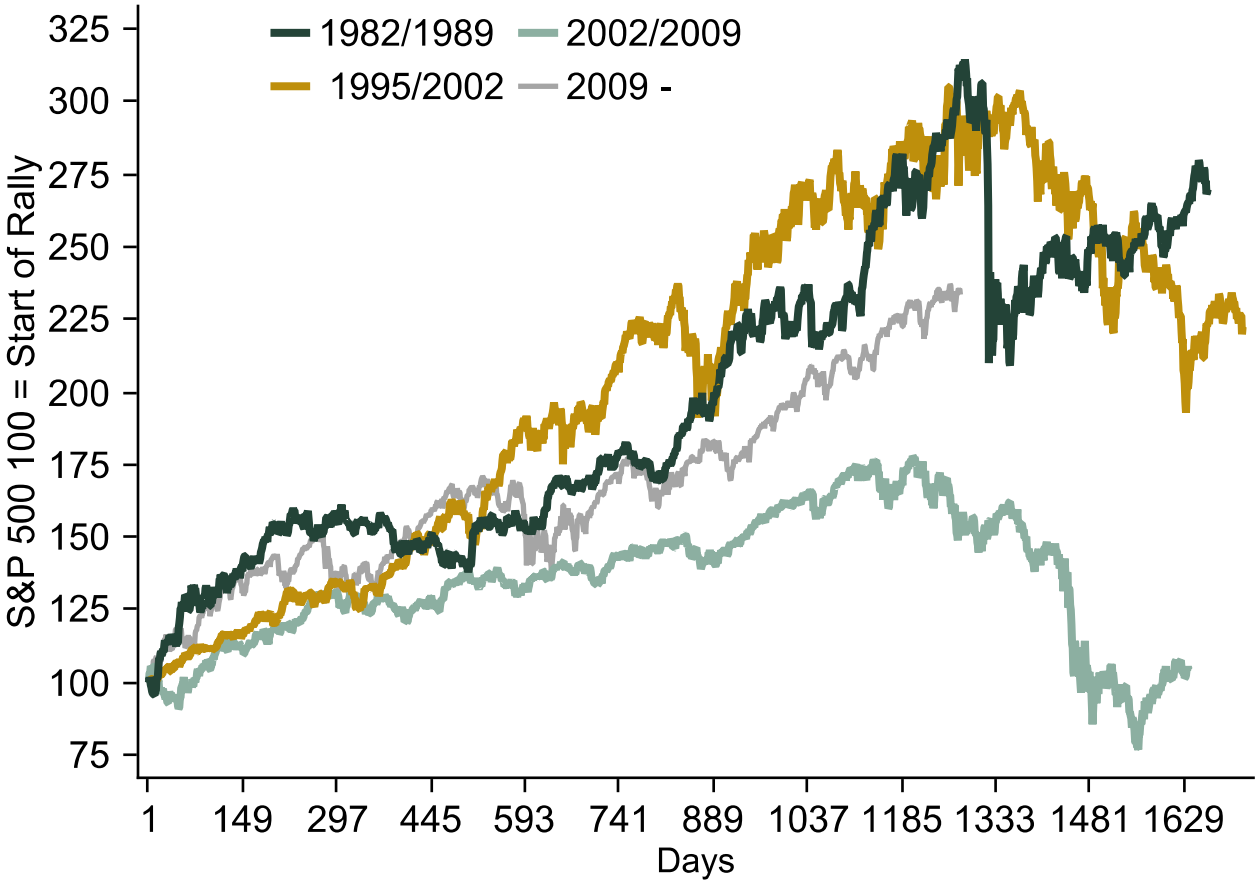


Source: Macrobond, TD Securities



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Equity Bull Run Looks Long in the Tooth?

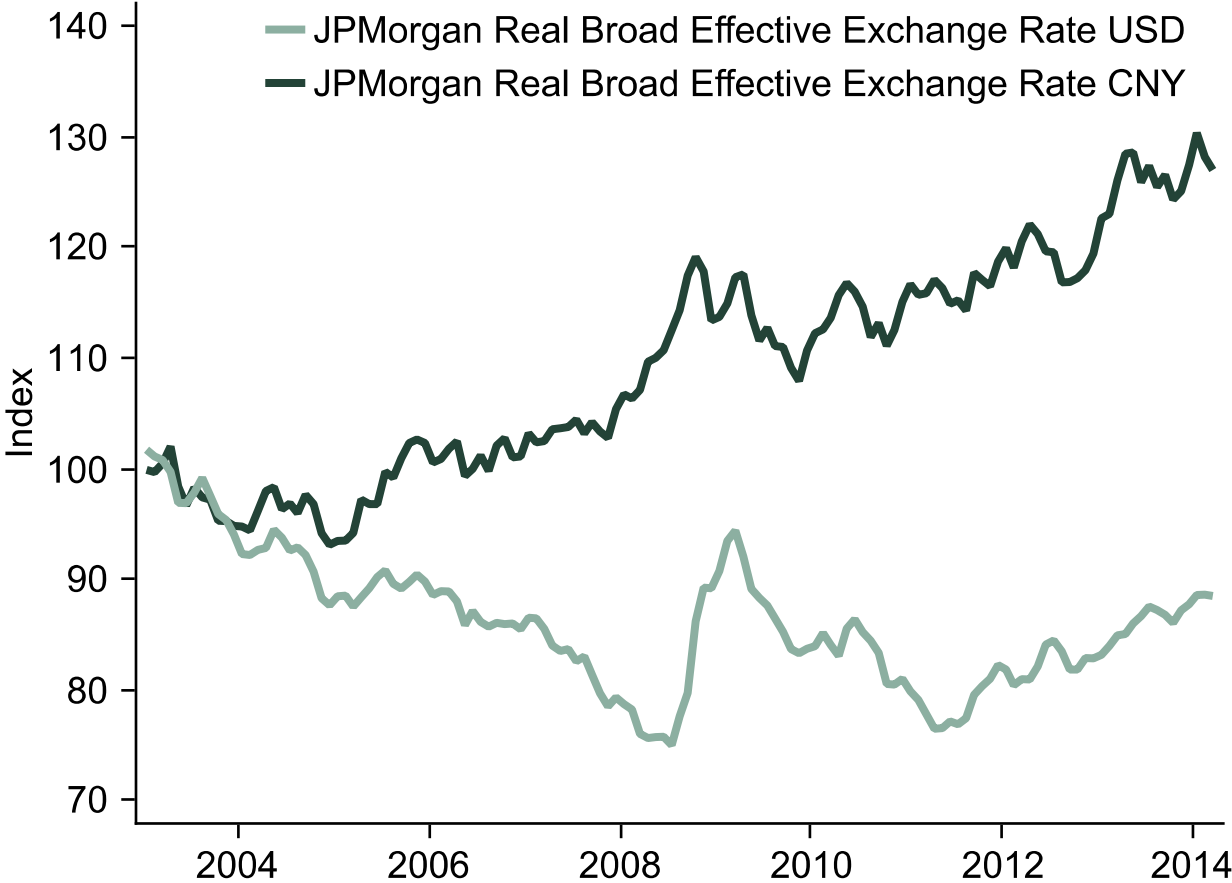


Source: Macrobond, TD Securities



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Real Effective CNY Has Appreciated Strongly



Source: Macrobond, TD Securities



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Currency	Spot Price 4-Sep-14	2014		2015				2016			
		Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
USD/CAD	1.0866	1.11	1.12	1.15	1.14	1.11	1.11	1.09	1.05	1.11	1.11
USD/JPY	105.31	102	103	105	106	110	111	112	112	107	107
EUR/USD	1.2938	1.30	1.29	1.28	1.26	1.24	1.22	1.25	1.25	1.28	1.28
GBP/USD	1.6350	1.67	1.68	1.68	1.68	1.65	1.61	1.62	1.62	1.64	1.62
USD/CHF	0.9320	0.95	0.97	0.99	1.03	1.05	1.07	1.06	1.06	1.03	1.03
AUD/USD	0.9356	0.93	0.90	0.88	0.85	0.85	0.84	0.85	0.85	0.87	0.88
NZD/USD	0.8304	0.83	0.80	0.78	0.74	0.73	0.72	0.73	0.75	0.76	0.77
EUR/SEK	9.1488	9.20	9.25	9.30	9.25	9.15	9.05	9.05	9.05	9.05	9.05
EUR/NOK	8.1134	8.11	8.10	8.08	8.05	8.05	8.05	8.05	8.05	8.05	8.05