



FINANCIAL MARKET FORECASTS

July 12, 2018

Interest rates (% , end of quarter,)

	Actual						Forecast						Actual		Forecast	
	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	2016	2017	2018	2019
Canada																
Overnight	0.50	0.50	1.00	1.00	1.25	1.25	1.50	1.75	2.00	2.25	2.25	2.25	0.50	1.00	1.75	2.25
Three-month	0.52	0.71	1.00	1.06	1.10	1.26	1.40	1.65	1.90	2.15	2.15	2.15	0.46	1.06	1.65	2.15
Two-year	0.75	1.10	1.52	1.69	1.78	1.91	2.10	2.30	2.45	2.45	2.40	2.35	0.75	1.69	2.30	2.35
Five-year	1.12	1.40	1.75	1.87	1.97	2.07	2.25	2.45	2.55	2.65	2.70	2.70	1.12	1.87	2.45	2.70
10-year	1.62	1.76	2.10	2.04	2.09	2.17	2.35	2.60	2.70	2.80	2.90	2.95	1.71	2.04	2.60	2.95
30-year	2.30	2.14	2.47	2.27	2.23	2.20	2.45	2.70	2.80	2.90	3.00	3.00	2.31	2.27	2.70	3.00
Yield curve (10s-2s)	87	66	58	35	31	26	25	30	25	35	50	60	96	35	30	60
United States																
Fed funds*	1.00	1.25	1.25	1.50	1.75	2.00	2.25	2.50	2.75	3.00	3.25	3.50	0.75	1.50	2.50	3.50
Three-month	0.76	1.03	1.06	1.39	1.73	1.93	2.15	2.35	2.65	2.90	3.15	3.35	0.51	1.39	2.35	3.35
Two-year	1.27	1.38	1.47	1.89	2.27	2.52	2.65	2.80	3.00	3.25	3.40	3.55	1.20	1.89	2.80	3.55
Five-year	1.93	1.89	1.92	2.20	2.56	2.73	2.95	3.10	3.25	3.45	3.55	3.65	1.93	2.20	3.10	3.65
10-year	2.40	2.31	2.33	2.40	2.74	2.85	3.15	3.30	3.45	3.60	3.70	3.75	2.45	2.40	3.30	3.75
30-year	3.02	2.84	2.86	2.74	2.97	2.98	3.35	3.50	3.65	3.75	3.80	3.85	3.06	2.74	3.50	3.85
Yield curve (10s-2s)	113	93	86	51	47	33	50	50	45	35	30	20	125	51	50	20
Yield spreads																
Three-month T-bills	-0.24	-0.32	-0.06	-0.33	-0.63	-0.67	-0.75	-0.70	-0.75	-0.75	-1.00	-1.20	-0.05	-0.33	-0.70	-1.20
Two-year	-0.52	-0.28	0.05	-0.20	-0.49	-0.61	-0.55	-0.50	-0.55	-0.80	-1.00	-1.20	-0.45	-0.20	-0.50	-1.20
Five-year	-0.81	-0.49	-0.17	-0.33	-0.59	-0.66	-0.70	-0.65	-0.70	-0.80	-0.85	-0.95	-0.81	-0.33	-0.65	-0.95
10-year	-0.78	-0.55	-0.23	-0.36	-0.65	-0.68	-0.80	-0.70	-0.75	-0.80	-0.80	-0.80	-0.74	-0.36	-0.70	-0.80
30-year	-0.72	-0.70	-0.39	-0.47	-0.74	-0.78	-0.90	-0.80	-0.85	-0.85	-0.80	-0.85	-0.75	-0.47	-0.80	-0.85

Note: Interest Rates are end of period rates. * Top of 25 basis point range

Exchange rates (end of quarter,)

	Actual						Forecast						Actual		Forecast	
	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	2016	2017	2018	2019
AUD/USD	0.76	0.77	0.78	0.78	0.77	0.74	0.73	0.70	0.71	0.72	0.73	0.73	0.72	0.78	0.70	0.73
USD/CAD	1.33	1.30	1.25	1.26	1.29	1.31	1.30	1.28	1.26	1.26	1.27	1.28	1.34	1.26	1.28	1.28
EUR/USD	1.07	1.14	1.18	1.20	1.23	1.17	1.16	1.12	1.14	1.16	1.18	1.20	1.05	1.20	1.12	1.20
USD/JPY	111.4	112.4	112.5	112.7	106.3	110.8	112.0	115.0	117.0	119.0	122.0	125.0	117.0	112.7	115.0	125.0
NZD/USD	0.70	0.73	0.72	0.71	0.72	0.68	0.69	0.70	0.70	0.71	0.72	0.72	0.69	0.71	0.70	0.72
USD/CHF	1.00	0.96	0.97	0.97	0.95	0.99	1.02	1.09	1.08	1.07	1.06	1.05	1.02	0.97	1.09	1.05
GBP/USD	1.26	1.30	1.34	1.35	1.40	1.32	1.27	1.20	1.23	1.25	1.27	1.29	1.24	1.35	1.20	1.29

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.