28 November 2019, 13:00 GMT

FX Compass

Note: There will be no FX Compass in December. The next edition will be published in late January 2020.

G10		
Main Themes		**4**
FX Overview		**5**
USD	**Slipping in 2020**	**6**
EUR	**Finding a floor**	**7**
GBP	**About to move, but in which direction?**	**8**
JPY	**A less risky outlook?**	**9**
CNY	**Vulnerable, but should find support**	**10**
CHF	**Still risk dependent into 2020**	**11**
CAD	**A steady BoC should offer support**	**12**
AUD	**Trade fears and rate cuts but (probably) no QE**	**13**
NZD	**Too optimistic?**	**14**
SEK	**Forcing through (another) December hike?**	**15**
NOK	**New lows, but it's not personal**	**16**
LatAm		
Main Themes		**17**
BRL	**Buckle up**	**18**
MXN	**Faring well under pressures from the South**	**19**
CLP	**Coming to grips with the new reality**	**20**
ARS	**Central bank starts to pile up FX reserves**	**21**
CEE		
Main Themes		**22**
PLN	**Weaker in November, stronger in December?**	**23**
CZK	**Holding its gains**	**24**
HUF	**Gradual weakening**	**24**
RUB	**Outperformer**	**25**

Stuart Bennett
Head G-10 FX Strategy
stuart.bennett@santanderCIB.co.uk
Banco Santander, S.A. London Branch
(+44) 33114 80134

Michael Flisher
G-10 FX Strategy
michael.flisher@santanderCIB.co.uk
Banco Santander, S.A. London Branch
(+44) 33114 80232

Jankiel Santos
Economist – Brazil
jankiel.santos@santander.com.br
Banco Santander Brazil S.A.
(+55) 11 3012 5726

Guillermo Aboumrad
Economist – Mexico
gjaboumrad@santander.com.mx
Banco Santander Mexico, S.A.
(+52) 55 5257 8170

Juan Pablo Cabrera
Chief Rates & FX Strategist, Chile
jcabrera@santander.cl
Banco Santander Chile S.A.
(+56) 22 320 3778

Juan Miguel Arranz
Chief Rates & FX Strategist, Argentina
jarranz@santanderrio.com.ar
Banco Santander Río S.A.
(+54) 11 4341 1065

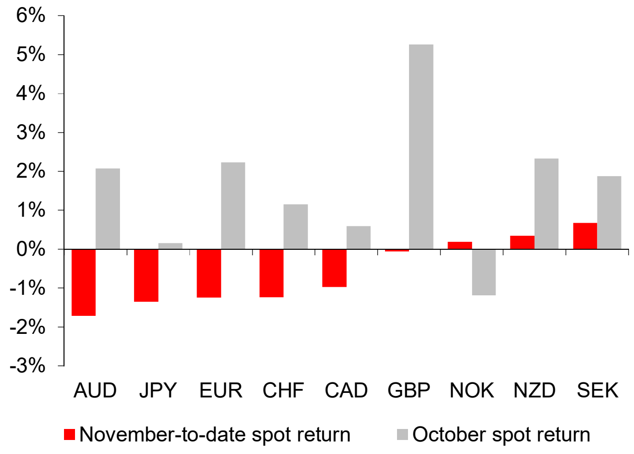
Marcin Sulewski, CFA
CEE Economist
marcin.sulewski@santander.pl
Santander Bank Polska S.A.
(+48) 22 534 1884

Wojciech Mazurkiewicz
CEE Economist
wojciech.mazurkiewicz@santander.pl
Santander Bank Polska S.A.
(+48) 22 534 1886

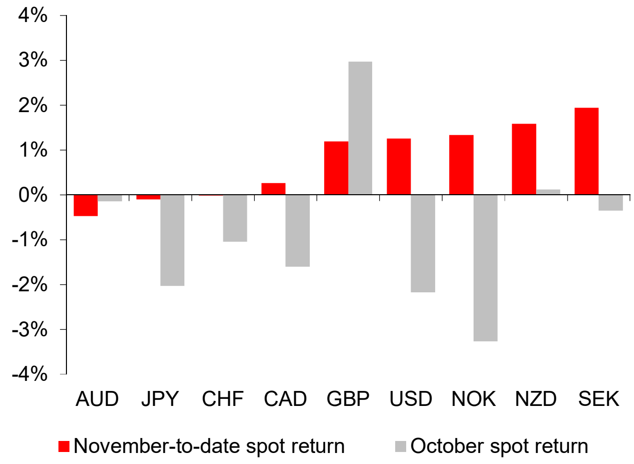
Santander Interest Rate & FX Strategy in Bloomberg: SRFS <GO>

FX Spot Returns

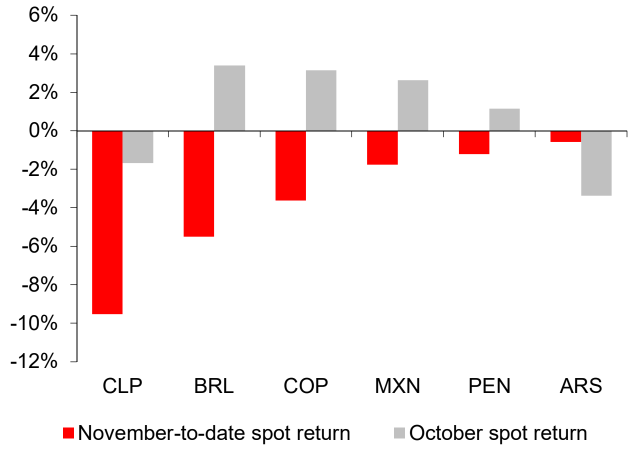
G10 spot returns vs. USD



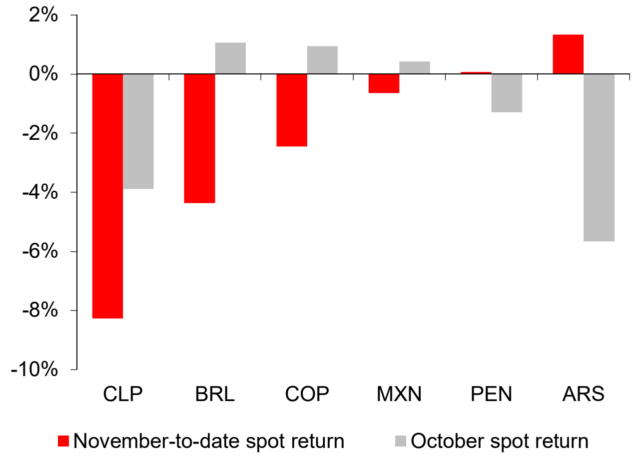
G10 spot returns vs. EUR



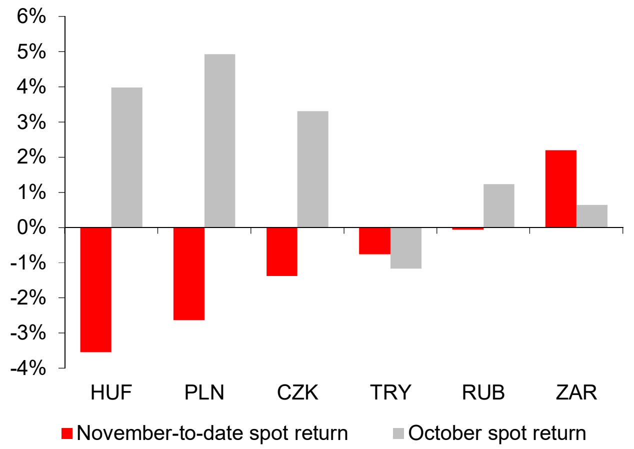
LatAm spot returns vs. USD



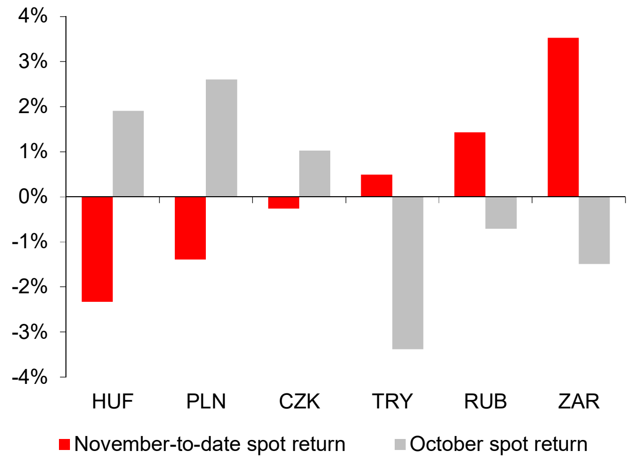
LatAm spot returns vs. EUR



CEEMA vs. USD



CEEMA vs. EUR



Source: Bloomberg, Santander. Note: Data current as at 28-November-19 at 11:30 GMT

FX Forecasts

G10 FX Forecasts	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21
EUR-USD	1.14	1.15	1.16	1.18	1.18	1.19
GBP-USD	1.26	1.26	1.27	1.28	1.32	1.33
GBP-EUR	1.11	1.10	1.09	1.08	1.12	1.12
EUR-GBP	0.90	0.91	0.91	0.92	0.89	0.89
USD-JPY	111	112	113	114	114	115
EUR-JPY	127	129	131	135	135	137
USD-CNY	6.90	6.85	6.80	6.85	6.75	6.70
EUR-CHF	1.12	1.13	1.13	1.15	1.15	1.16
USD-CHF	0.98	0.98	0.97	0.97	0.97	0.97
EUR-SEK	10.6	10.5	10.4	10.3	10.2	10.0
EUR-NOK	9.9	9.8	9.7	9.6	9.5	9.4
USD-CAD	1.28	1.27	1.25	1.25	1.25	1.25
AUD-USD	0.68	0.69	0.70	0.72	0.73	0.73
NZD-USD	0.64	0.65	0.66	0.68	0.69	0.69

LatAm FX Forecasts	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21
USD-BRL	4.1	4.1	4.1	4.0	4.0	4.0
USD-MXN	19.8	20.1	20.3	20.5	20.6	20.6
USD-CLP	780	800	780	760	760	760
USD-ARS	74	81	88	97	102	106
EUR-BRL	4.7	4.7	4.7	4.7	4.7	4.8
EUR-MXN	22.6	23.1	23.5	24.2	24.3	24.5
EUR-CLP	889	920	905	897	897	904
EUR-ARS	84	93	103	115	120	127

CEE FX Forecasts	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21
EUR-PLN	4.30	4.30	4.30	4.30	4.25	4.25
EUR-CZK	25.4	25.2	24.9	25.0	25.0	24.9
EUR-HUF	340	345	345	350	350	355
USD-RUB	67	70	70	70	70	68
EUR-RUB	76	81	81	83	83	81

Sources: Santander

G10 FX: Main Themes

Currency	3M view	12M view	Main Themes
USD	⇨	↘	• The USD remains firm, but has scope to soften in 2020. Some of the factors behind the USD's strength – low risk appetite, robust growth and interest rates - persist, but provide less justification for further appreciation.
EUR	↗	↗	• The ECB remains dovish, but we expect no more easing measures. The worst may be over as far as the economy is concerned and a pick-up in risk appetite in 2020 could help the economy and the EUR.
GBP	⇨	↗	• Sterling remains vulnerable to political uncertainty, but the outlook should be clearer by mid-December. UK fundamentals remain on the soft side, but we do not believe the BoE will cut rates, implying some pound support.
JPY	↘	↘	• We have revised our yen view lower, assuming that the recent pick-up in risk appetite continues into 2020. Further, underperforming GDP growth and CPI imply that the BoJ should remain dovish.
CNY	⇨	↘	• US-China trade tensions have eased slightly, but the CNY should remain vulnerable amid domestic economic concerns. However, policymakers appear more willing to support growth, which should help the CNY.
CHF	⇨	↘	• The SNB still views the CHF as highly valued and with CPI slowing may have to act to contain any renewed franc strength. However, a weaker CHF may also require a pick-up in risk appetite.
CAD	⇨	↗	• We see scope for the CAD to remain firm. We do not expect the BoC to cut rates, Canadian economic data are improving, oil prices have stabilised and less trade tension in 2020 should also help.
AUD	⇨	↗	• Weak domestic data and an additional RBA rate cut are negatives for the AUD in the months ahead. However, progress on US-China trade discussions is potentially an important positive for the currency.
NZD	⇨	↗	• An unchanged rate decision in November was NZD positive, but the currency remains restrained by weak domestic data, the risk of further rate cuts in early 2020, and uncertainty over a US-China trade deal.
SEK	⇨	↗	• The Riksbank is set to hike rates in December, despite the weak economic data. Global trade fears have weighed on the SEK in 2019, but further progress on Brexit, or US-China trade talks, should help it strengthen.
NOK	↗	↗	• An apparent end to the Norges Bank's tightening cycle removes the main argument for a stronger NOK. With the Bank now foreseeably on hold, the NOK is likely to pay more attention to global risk sentiment and oil prices.

⬆ Bullish ↗ Mildly Bullish ⇨ Neutral ↘ Mildly Bearish ⬇ Bearish

Source: Santander

G10 FX Overview

Stuart Bennett
stuart.bennett@santanderCIB.co.uk
(+44) 33114 80134

Michael Flisher
michael.flisher@santanderCIB.co.uk
(+44) 33114 80232

The USD remains firm, but has scope to soften in 2020. Some factors behind the USD's strength – low risk appetite, robust growth and interest rates - persist, but provide less justification for further appreciation.

We still favour mild euro appreciation in 2020. But our forecast pick-up in EUR/USD owes more to expectations that dollar appreciation will run out of steam. The worst may be over for the Eurozone economy, implying no new reason to sell the euro on fundamental grounds. Further, we do not expect the ECB to ease its monetary policy again, and the prospect of a US-China trade deal should support risk appetite, reduce USD demand and help the EUR.

The pound has been the best performing G10 currency so far in Q4-19, but ongoing political uncertainty and a sluggish economic outlook could limit further upside pressure on sterling. Sterling is likely to remain very vulnerable to swings in either direction over the next couple of weeks, as the immediate focus is on the UK general election on 12 December. The result of this vote should determine how the pound ends 2019 and starts 2020.

We are revising down our yen view for 2020. The primary driver for the JPY in 2019 has remained global risk. Trade uncertainty will likely remain a key factor over the coming months, but our forecasts assume more positive sentiment towards US-Chinese trade talks.

The US-China trade talks have been, and are likely to remain, a key driver of USD/CNY. Hence, in the near term, progress on an 'initial' trade agreement is crucial to the renminbi. If a deal is agreed, USD/CNY should slip back below the 7 level; if not, and negotiations break down, the September high could loom back into view very quickly.

The SNB still views the CHF as highly valued and with CPI slowing may have to act to contain any renewed franc strength. However, a weaker CHF may also require a pick-up in risk appetite.

We see scope for the CAD to remain firm. We do not expect the BoC to cut rates, Canadian economic data are improving, oil prices have stabilised and less trade tension in 2020 should also help.

We are positive on both the AUD and NZD in 2020 as a whole, but there are still significant short-term risks to the downside for both currencies if the long expected US-China trade deal does not materialise. The prospect of rate cuts from both central banks in early 2020 should keep AUD/USD and NZD/USD upside restricted. However, with speculators already holding large net short AUD and NZD positions, scope for further downside may be reliant on an increased prospect of additional easing measures if either central bank reaches their lower bound on rates.

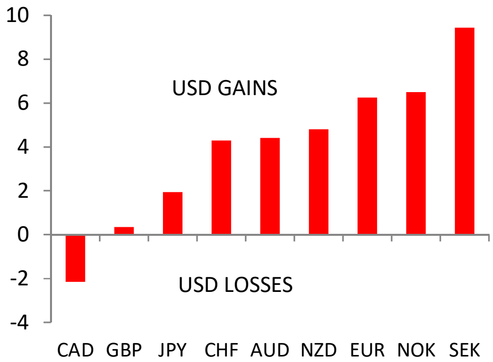
In the short term, the SEK is likely to focus on the December Riksbank meeting (and probable rate hike). However, with no additional tightening of policy expected in 2020, further SEK gains are likely to be reliant on progress on a US-China trade deal prompting a pick-up in global risk sentiment.

EUR/NOK has been on a clear upwards trend since the start of 2013, with the NOK weakening by almost 30% over this time, and EUR/NOK touching an all-time high in October this year. We are cautiously positive on the NOK in 2020 though, as although the Norges Bank is unlikely to hike rates, the domestic situation is stable.

USD – Slipping in 2020

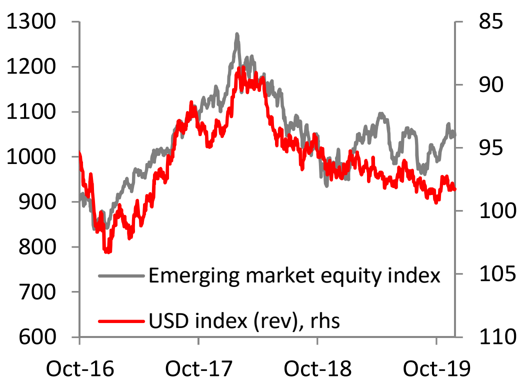
Stuart Bennett
stuart.bennett@santanderCIB.co.uk
(+44) 33114 80134

Chart 1: Total dollar carry-adjusted gains or losses vs. G10 peers since the start of January 2019



Source: Bloomberg, Santander As of 28 November 2019

Chart 2: US fundamentals may become less USD positive, and better US-China trade relations and a pick-up in risk sentiment/equities should reduce the need for the dollar as a safe haven



Source: Bloomberg, MSCI, Santander

The USD remains firm, but has scope to soften in 2020. Some of the factors behind the USD's strength – low risk appetite, robust growth and interest rates - persist, but provide less justification for further appreciation.

As we edge toward 2020, it is worth putting the dollar's performance in 2018 and 2019 into context. The dollar index has broadly maintained an upward trajectory since April 2018. The currency has been supported by robust fundamentals, positive interest rates, low risk appetite and a lack of attractive alternatives. The USD was the best performing developed market currency in 2018 as a whole.

However, those gains slowed in 2019 and were a little more mixed. First, the focus on low risk appetite and the demand for safe havens meant that the yen has performed well. Second, the cheap pound, weakened since the 2016 EU referendum, perked up. Third, year-to-date, the CAD has marginally outperformed its neighbour.

Two of the three main drivers of USD gains since 2018, interest rates and activity, should offer some support in 2020, but their dynamics may not imply additional dollar gains. Meanwhile, the other key driver, low risk appetite, may improve, suggesting some downside pressure on the dollar.

The US economy is expected to remain firm and outperform its peers. We expect GDP growth next year at 1.9%, down from 2.3% this year and 2.9% in 2018. So, the forecast should imply fewer upside surprises to the economy to boost the USD.

Admittedly, faster growth than its peers should offer some lingering support to the currency. But with the USD already firm and the forecasts suggesting that the scale of that outperformance will narrow, it might not be enough to prompt even more dollar gains.

Low global risk appetite in 2019, which has boosted demand for the USD in its perceived role as a safe haven, should improve in 2020, if the US-Chinese trade negotiations have a positive outcome. However, we remain concerned about the risk that an FX market used to giving the USD the benefit of the doubt, still views it as the most attractive currency despite less need for safe-haven assets.

For example, a US-China trade deal should imply upside risks to global growth. We think this should help all G10 economies, fuelling a bid for their currencies, perhaps as policymakers become less dovish. But it will also imply a better US fundamental outlook, and perhaps revisions to the 2020 forecasts, which might again fuel a dollar bid, despite the fact that it is already strong.

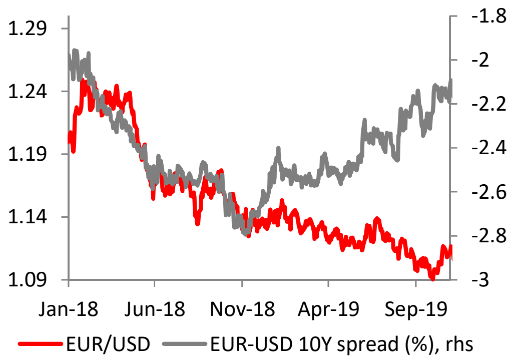
The fundamental/trade risks prevalent in 2019 did encourage the Fed to cut US rates three times. This did not have the negative effect on the USD that we expected, but may have at least prevented even stronger gains.

Fed Chair Powell recently warned that the current policy looks right, despite risks. Hence, US rates are expected to stay around their current levels. But we expect other banks, particularly the ECB, to keep their policy on hold too. The positive yield offered by the US could remain attractive, but we forecast steady spreads between the US and EUR, which as with growth and risk removes another of the factors that we believe, pulled the USD up in 2018 and 2019, and should favour a downward correction in 2020.

EUR – Finding a floor

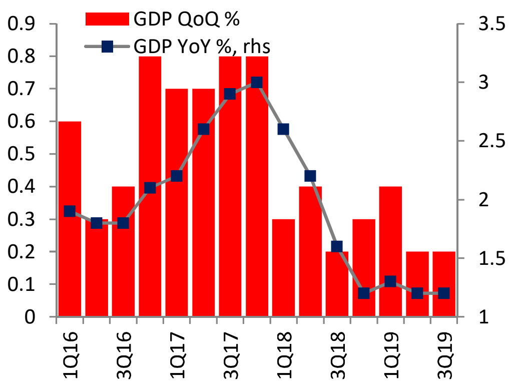
Stuart Bennett
stuart.bennett@santanderCIB.co.uk
(+44) 33114 80134

Chart 3: Eurozone interest rates are set to remain low, but we expect no more cuts from the ECB, which could place a floor under the currency



Source: Bloomberg, Santander *As at 28 November 2019

Chart 4: Eurozone growth set to remain sluggish, but deterioration might be required to pull the euro lower



Source: Bloomberg, Santander

We still favour mild euro appreciation in 2020. But our forecast pick-up in EUR/USD owes more to expectations that dollar appreciation will run out of steam. The worst may be over for the Eurozone economy, implying no new reason to sell the euro on fundamental grounds. Further, we do not expect the ECB to ease its monetary policy again. Plus, the prospect of a US-China trade deal should support risk appetite, reduce USD demand and help the EUR.

We retain the view that the weakness in the euro has been largely due to three factors: 1) change in risk appetite, whether focussed on specific Eurozone risk or more widely US-China trade tensions, boosting demand for the dollar as a safe haven; 2) slow and deteriorating Eurozone GDP growth and activity; and 3) low Eurozone interest rates and the prospect of further monetary easing.

Risk appetite looks set to be less dollar positive in 2020. There is always likely to be something for the FX market to get worried about, but the main focus in 2019, US-China trade tensions, may become less of a threat in 2020. At the time of writing, comments from both the US and Chinese sides suggest that an initial trade agreement may be forthcoming over the next few weeks.

The phase 2 trade talks may throw out their own uncertainty, but the precedent of an agreement at the initial level might imply less worry and less need for the market to buy the USD as a safe asset. Thus, this should be EUR/USD positive, both directly in terms of its impact on risk and indirectly, as a better trade backdrop, helping Europe's growth outlook, and in particular German manufacturing.

Hence, whilst Eurozone growth is expected to remain sluggish, much of this softness may already be priced into the euro, and the economy might not show additional deterioration, which in the past has encouraged further selling of the EUR. We expect the Eurozone to grow by 1.2% in both 2019 and 2020 and by 1.4% in 2021.

So, key to the EUR resilience, which we expect in 2020, is that these forecasts are not revised lower. Currently, the signs are reassuring. First, the US-China trade story might be more positive for growth. Second, recent data suggest that the economy may have bottomed out, albeit at a low level. The composite Eurozone PMI survey held above the 50 level in November, suggesting growth in the economy, while the German IFO index rose in November. Hence, we think the economy will grow at 0.2% QoQ in Q4-19, unchanged from Q3.

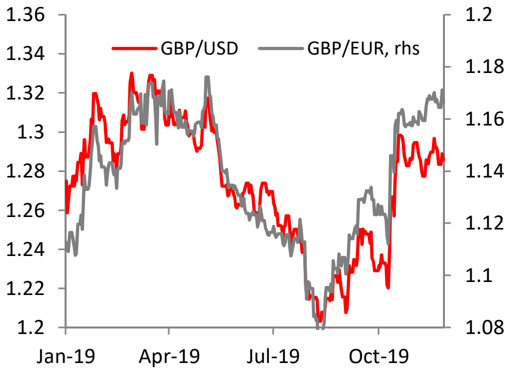
Slow growth also implies limited upside risks to inflation. We expect CPI at 1.2% in 2019 and 1.3% in 2020 and 2021. So, after the significant easing that was made in September, we expect the ECB to keep its policy unchanged next year. Hence, we do not expect additional monetary stimulus, which led the EUR to dip in 2018 and 2019, to be repeated in 2020.

Indeed, if the economy does deteriorate, support may come in the form of fiscal, not monetary, easing. Some ECB members have already suggested that monetary policy might be reaching its limits. The region's position has improved over the last few years, with the budget deficit forecast to be around 1% and debt down to about 85% of GDP in 2019. Fiscal support may face political hurdles, but we think it would be viewed as EUR positive.

GBP – About to move, but in which direction?

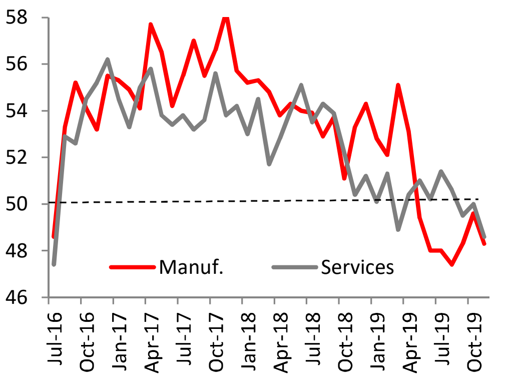
Stuart Bennett
stuart.bennett@santanderCIB.co.uk
(+44) 33114 80134

Chart 5: Sterling has had a good Q4-19. The December general election is likely to determine whether this is maintained and continues into 2020



Source: Bloomberg, Santander

Chart 6: Disappointing UK PMIs for November reaffirm a sluggish growth outlook amid ongoing global headwinds



Source: Bloomberg, Santander

Sterling is likely to remain very vulnerable to swings in either direction over the next couple of weeks. The main focus will stay on politics. The pound has been the best performing G10 currency so far in Q4-19, but ongoing political uncertainty and a sluggish economic outlook could limit further upside pressure on sterling.

The immediate focus is on the UK general election on 12 December. The result of this vote should determine how the pound ends 2019 and starts 2020. The FX market is focussing on two scenarios: 1) the Conservative party maintaining power with a majority; and 2) an indecisive result implying a 'hung parliament'.

Either outcome could precipitate overly dramatic moves in the pound, which we suspect may unwind/reverse during 2020. The FX market tends to dislike uncertainty above all else, hence it is unsurprising that the prospect of a majority government has been looked upon favourably by the market, for the certainty it might provide.

Consequently, it seems probable that the pound will appreciate under the first scenario. If correct, we suspect that GBP/USD could reach 1.34, with EUR/GBP at 0.84. A bigger advance might be prevented by the view that even a majority government does not remove all political uncertainty, and a reluctance of fast money accounts to bid the pound even higher after a strong Q4 gains.

The second scenario seems to offer more uncertainty to the FX market and a handy excuse to cash in the gains already seen in Q4. Given the closeness of the holidays, thin liquidity and the risk that negotiations to form a new government might spill over into the new year could prompt sharp FX moves. GBP/USD might slump swiftly towards 1.24, pulling EUR/GBP up to 0.92.

However, the scope for movement in either direction should be affected by the gains that sterling has already made and the recent unwinding of short pound positions. The IMM data on speculative positioning is traditionally a very good indicator for GBP/USD. Data for the last two years currently suggest that GBP/USD is correctly valued given the current positioning.

At the start of August, the speculative net short GBP/USD position was close to a record high. This has been reduced over recent months, but the pace of that unwinding has slowed lately and the overall position is still net short. A clear election outcome might encourage a further reduction of those positions against the pound. But with the economic outlook in 2020 likely to remain very uncertain, we question whether speculators would rush to bet strongly in favour of the pound. However, if the net position turned neutral by the start of 2020, this would still be in line with GBP/USD at 1.34.

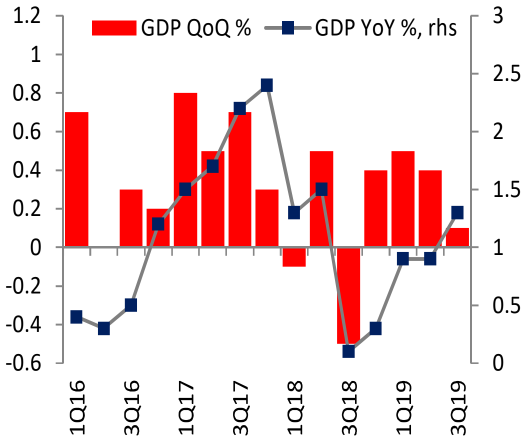
Further, the prospect that, given global headwinds, the UK economic outlook may remain sluggish, almost regardless of political events, could prevent the pound from posting excessive gains in H1-20. Indeed, the recent snap PMI data for November was much softer than expected, with the composite index dropping to 48.5 from 50. The consensus expects GDP growth at 1.1% in 2020, compared to 1.2% in 2019. Further, although we do not expect the Bank of England to cut rates in 2020, the market disagrees and is pricing in a strong chance of a sterling-unfriendly rate cut by the end of 2020.

JPY – A less risky outlook?

Stuart Bennett
stuart.bennett@santanderCIB.co.uk
(+44) 33114 80134

We are revising down our yen view for 2020. The primary driver for the JPY in 2019 has remained global risk. Whilst it is likely that trade uncertainty will remain a factor over the coming months, our forecasts assume more positive sentiment towards US-Chinese trade talks. However, despite this, Japanese growth should remain sluggish, with inflation very low. Hence, whilst we are not sure that the BoJ can easily loosen policy further, it should remain dovish as other central banks, perhaps including the Fed and ECB, keep policy on hold.

Chart 7: Japan's fundamental outlook should remain a yen negative factor in 2020



Source: Bloomberg, Santander

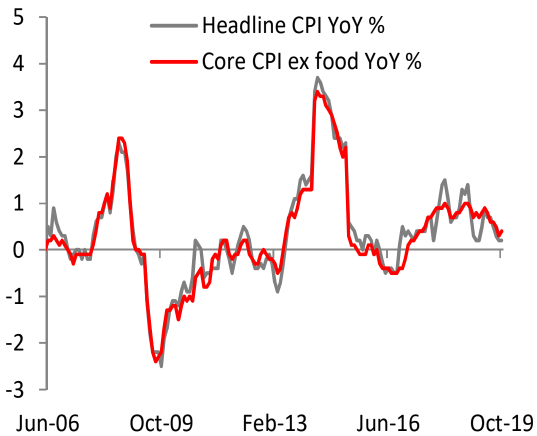
The yen has been the worst performing developed market currency so far in Q4-19. The key reason for this underperformance has been a perceived pick-up in risk appetite that has reduced demand for the yen as a safe haven. The risk backdrop, whether focussed on US-China tensions, Brexit, or other factors, is expected to remain changeable, but the prospect of a US-China trade deal should keep the yen under pressure. Hence, we now think USD/JPY will end H1-20 at 112 rather than 103 and end the year at 114 compared to 109.

Indeed, the yen has tended to move in line with traditional risk indicators. For example, year-to-date, its correlation with the gold price has been around 0.75. However, the currency still seems a little expensive given other risk indicators, such as equities, which also might imply scope for the yen to weaken in 2020.

Speculative positioning may help explain some of the yen's strength in relation to the rise in equities. The IMM speculative positioning data show that fast money accounts started to favour yen strength between August and October, when the market was panicking about the impact of trade tensions on growth.

But since mid-October speculators have again turned negative on the yen. However, crucially, this net short position is relatively low and well off of the 2019 high. The reluctance to sell the yen more aggressively may be down to ongoing nerves about global growth, but the IMM data suggest that there is ample room for greater yen negative positioning, even if risk appetite simply remains steady.

Chart 8: Low inflation should keep the BoJ clinging to its loose policy for longer than its peers



Source: Bloomberg, Santander

The BoJ's rhetoric with regard to GDP growth remains relatively upbeat, with policymakers still eyeing a moderate recovery, albeit with the risks skewed to the downside, predominantly due to slower overseas growth. However, the Bank's forecasts still envisage Japanese GDP underperforming its peers. The Bank recently revised down its GDP forecasts and expects growth of 0.6% in fiscal year 2019 (year ending April 2020), 0.7% in FY 2020 and 1% in FY 2021.The recent increase in the sales tax is likely to distort spending patterns into Q1-20, but support is still seen coming from fiscal measures and spending related to next year's Tokyo Olympics.

The inflation outlook was also cut, with CPI excluding fresh food seen at 0.7% in FY 2019, 1.1% in FY 2020 and 1.5% in FY 2021. The combination of slower growth and low inflation implies that the BoJ will retain a very dovish stance throughout 2020. At the October meeting, the Bank kept its policy rate at -0.1% and retained the 0% JGB target. Governor Kuroda has warned that he is willing to ease further if risks rise. However, we doubt that there is much scope for additional BoJ easing, but the Bank may still be helped, and the yen weakened as other banks; including the ECB and Fed, adopt a more neutral stance, perhaps shying away from offering more stimulus.

CNY – Vulnerable, but should find support

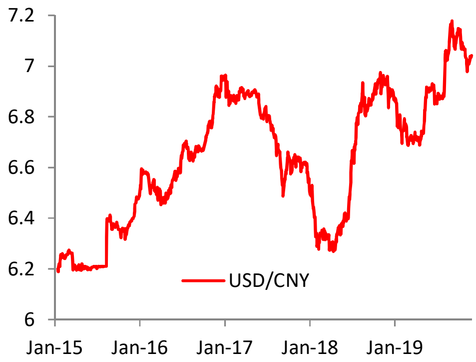
Stuart Bennett
stuart.bennett@santanderCIB.co.uk
(+44) 33114 80134

The CNY appears likely to remain vulnerable in 2020 to a combination of swings in global risk appetite, focussing significantly on US-China trade negotiations, as well as concerns over the pace of China's economic growth. However, assuming that the US and China can sign a trade deal over the next few months, a more relaxed market should allow USD/CNY to slide back below 7.

The US-China trade talks have been, and are likely to remain, a key driver of USD/CNY. The pair slid from a high at close to 7.20 in early September as the FX market has become a little more optimistic that some form of trade agreement can be signed.

Hence, in the near term, into Q1-20, progress on an 'initial' trade agreement is crucial to the renminbi. If a deal is agreed, USD/CNY should slip back below the 7 level; if not, and negotiations break down, the September high could loom back into view very quickly.

Chart 9: USD/CNY remains firm, amid US-China trade talks, but is off of the September 2019 highs



Source: Bloomberg, Santander

However, even assuming that the CNY is boosted by an initial trade agreement in the coming weeks, uncertainty about the next stage of talks and the impact on the Chinese economy should, in our opinion, prevent USD/CNY posting significant losses, with the summer 2019 low around 6.90 now seen offering some support at the start of 2020.

A better global trade backdrop should assuage some concerns that the market holds about the Chinese economic outlook, and its effect on the renminbi, but not all. Policymakers are still expected to have to spend much of 2020 walking a tightrope between shoring up activity and containing financial risks and a high debt burden.

Indeed, recent economic data have highlighted the threat to growth in 2020. Aggregate financing data for October indicated that credit growth is slowing, with a rise of only CNY619bn compared to CNY2332bn in September. Industrial profits contracted 9.9% YoY in October, in line with the warning from soft PPI data, -1.6% YoY. In addition, industrial output and retail sales were weaker than expected in October.

Chart 10: Chinese stimulus measures in 2020 may be needed to keep growth above 6% and support the CNY

Source: Bloomberg, Santander

Admittedly, the October PMIs were a little more mixed. Even though exports and imports contracted by 0.9% YoY and 6.4% YoY, respectively, the data was still not as weak as expected. It is feasible that sentiment was helped by signs that the US and China were closing in on a trade deal, which in turn highlights how sensitive the data and the CNY are to a 'positive' outcome from the trade talks.

The ongoing threat to growth has prompted a response from policymakers. On 5 November, the medium-term lending facility was cut 5bp, the already announced reduction in bank reserve requirements started in November and on 17 November the main seven-day reverse repo rate was cut to 2.50% from 2.55%, the first reduction since 2015.

The change in interest rates appears small, but symbolically may be of greater importance to the CNY. In our opinion, it suggests that despite total debt of around 258% of GDP in in the first eight months of 2019, and CPI at 3.8% YoY, the PBoC is prioritising supporting growth. Such support, be it fiscal or monetary, should be viewed as CNY positive, and may occur even if successful trade talks remove some of China's economic risks, supporting the outlook for a more robust renminbi and lower USD/CNY in 2020.

CHF – Still risk dependent into 2020

Stuart Bennett
stuart.bennett@santanderCIB.co.uk
(+44) 33114 80134

The Swiss franc should weaken over the coming months. The CHF remains 'highly valued' and should be vulnerable to a downside correction. However, whether such weakness materialises will depend on external factors, in particular whether risk appetite continues to improve and if the EUR is able to strengthen. Either way, the combination of a strong currency and very low inflation should imply that the SNB will continue to run a very loose monetary policy throughout 2020.

The Swiss National Bank continues to highlight that it believes the CHF is 'highly valued', and hence negative interest rates (the policy rate is -0.75%) remain necessary. This stance is unlikely to change in 2020. Indeed, the question remains whether the SNB will add to its stimulus measures and cut rates even further.

The Swiss KOF Institute has already suggested that the Bank could cut rates again. SNB President Jordan also warned that he sees further room to cut rates. We are less convinced, and doubt that further stimulus would be successful in weakening the currency.

The CHF has strengthened even as the Swiss policy rate has been held at the most negative in all developed market economies. We suspect that another cut would not make a lasting difference, particularly if other central banks also maintain unchanged their dovish policies in 2020.

Similarly, the Bank is likely to reiterate throughout 2020 that it retains the right to intervene to weaken the franc. But, as with the low policy rate, the intervention threat has not prevented CHF gains.

That said, even if its ultra-loose policy has not weakened the CHF, it may at least have placed a psychological floor under the currency, preventing even bigger gains. Further, with the economy slowing and inflation set to remain very low, the SNB will have little alternative than to keep a dovish bias.

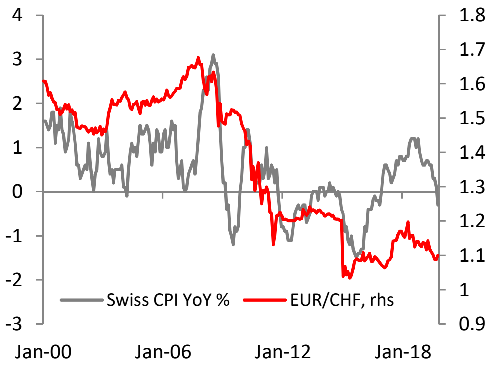
The SNB expects the Swiss economy to grow just 0.5-1% in 2019. Inflation is forecast to average 0.4% this year, 0.2% in 2020 and 0.6% in 2021. Nevertheless, in fundamental terms, support for the CHF should continue to stem from Switzerland's massive current account surplus, +10% of GDP.

Indeed, the SNB's policy has seemed powerless to prevent the franc strengthening in 2019, as it has once again, and despite negative domestic interest rates, been viewed by the market as a safe haven currency. Hence, the CHF has been boosted by low global risk appetite often focussing on US-China trade tensions and Brexit.

Consequently, the CHF has, in 2019, been strongly correlated with the yen, also viewed as a safe-haven currency, and demanded at times of low risk appetite. The correlation between the CHF and JPY has been 0.83 so far in 2019. Thus, even if the SNB maintains its loose monetary policy, an improvement in risk appetite is likely to be required for the franc to weaken in 2020.

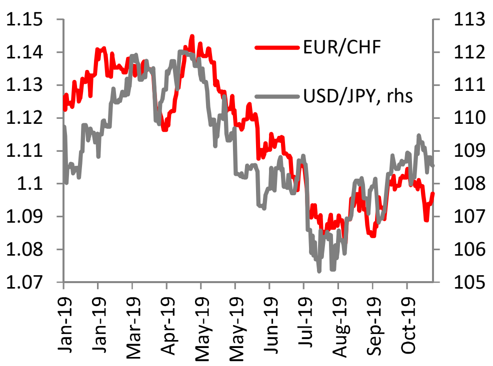
In this regard, 2020 may offer some relief to the SNB and imply a softer CHF. The US-China trade talks still appear to be advancing in a positive direction, with the market still assuming that an initial trade agreement could be signed. Plus, after the UK general election the outlook for Brexit may also become clearer.

Chart 11: Swiss CPI indicates deflation again, implying that the SNB will have to stay dovish



Source: Bloomberg, Santander

Chart 12: The SNB may remain a 'price taker' as far as the CHF is concerned in 2020, with a pick-up in risk appetite required to weaken the franc



Source: Bloomberg, Santander

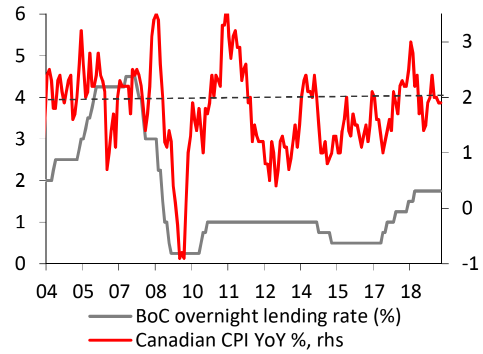
CAD – A steady BoC should offer support

Stuart Bennett
stuart.bennett@santanderCIB.co.uk
(+44) 33114 80134

We retain a positive view on the CAD as we move towards 2020. Global economic risks will remain a threat to the currency, but the domestic economic outlook remains supportive and in our opinion suggests that the Bank of Canada will not have to cut interest rates throughout next year.

Year-to-date (as at 28 November), the CAD remains the best performing developed market currency in carry-adjusted terms, outstripping the yen, CHF and USD. Admittedly, the CAD's gains have been more subdued against the US dollar, with the USD/CAD the main FX focus, given the close economic links between the US and Canada. However, the combination of 1) a robust domestic economy; 2) steady monetary policy; and 3) a firm oil price, has supported the CAD in 2019. We suspect that these factors will continue to offer support in 2020.

Chart 13: Canadian economic indicators suggest, to us, that the BoC will not have to cut interest rates in 2020

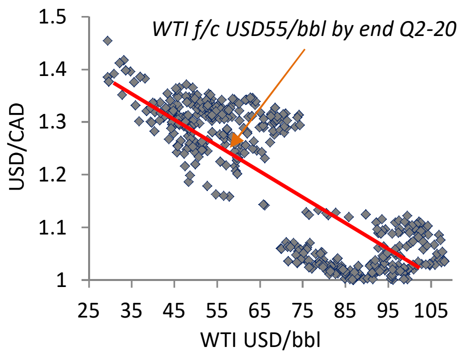


Source: Bloomberg, Santander

The Canadian economy has performed relatively robustly. The Bank of Canada recently revised up its 2019 GDP forecast to 1.5% from 1.3%. The Bank expects the economy to grow at close to potential in 2020 and 2021, at 1.7% and 1.8%, respectively. In addition, headline inflation, which is currently around the Bank's target at 2% YoY, is expected to remain around this level through 2020.

Policymakers are likely to remain concerned that the economy will be 'tested' by global trade conflicts, having a negative impact on risk appetite. However, there still appears to be a good chance that the US and China will be able to strike an initial trade agreement, offsetting some of those concerns. Further, the concerns that the BoC had about the risk posed to the economy by the oil sector, housing market and consumer spending appear to have diminished, with the latter helped by unemployment close to its all-time low.

Chart 14: USD/CAD versus WTI over the last 10 years – the oil outlook suggests some support for the CAD in H1-20



Source: Bloomberg, Santander

Given the domestic economic outlook, we do not expect the BoC to cut interest rates in 2020. Indeed, the Bank has kept its policy unchanged in 2019. Further, whilst deterioration in global trade sentiment would probably put BoC rate cuts back on the agenda, its impact on the CAD would be softened by the likelihood that other banks, including the Fed, might also have to ease policy further.

The next Bank of Canada policy announcement will take place on 4 December. The interest rate market is pricing in virtually no chance of a cut at that meeting. However, it is indicating around a 50% chance of a rate cut by the July meeting. Both the domestic and global economic outlook should allow for this probability to fall in 2020, providing some new-year support for the currency.

As a commodity currency, the oil price should also remain a key driver of the CAD. However, we highlight that the link between USD/CAD and the oil price (WTI) has been relatively inconsistent recently, with a correlation of just -0.4 over the past six months. Hence, in the short term, changes in the oil price in 2020 cannot be guaranteed to have a significant impact on the CAD.

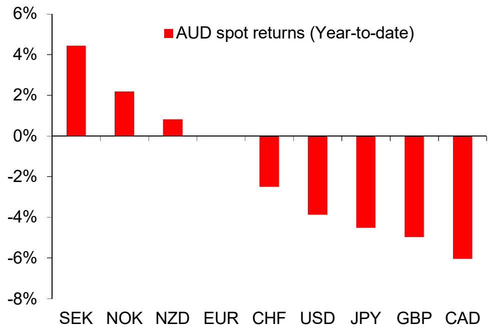
That said, the longer term (10-year) link between USD/CAD and WTI remains strong, with a correlation of -0.8. The longer-term analysis suggests that USD/CAD is overvalued, perhaps in line with general USD overvaluation that we have tended to highlight, and will remain on the expensive side in relation to oil, even if, in line with the consensus view, WTI slips to USD55/bbl at the end of H1-20.

AUD – Trade fears and rate cuts but (probably) no QE

Michael Flisher
michael.flisher@santanderCIB.co.uk
(+44) 33114 80232

We are positive on the AUD in 2020 as a whole, but there are still significant short-term risks to the downside if the long expected US-China trade deal does not materialise. Slower global growth, rising domestic unemployment and below-target CPI are already putting pressure on the RBA to ease monetary policy further. We expect no change in policy in December, but see the prospect of cuts in early 2020 keeping AUD/USD close to 0.68 in Q1-20, before then rising a little to 0.72 in Q4-20.

Chart 15: The AUD has struggled in 2019, but managed to record gains against other "risk currencies"



Source: Bloomberg, Santander

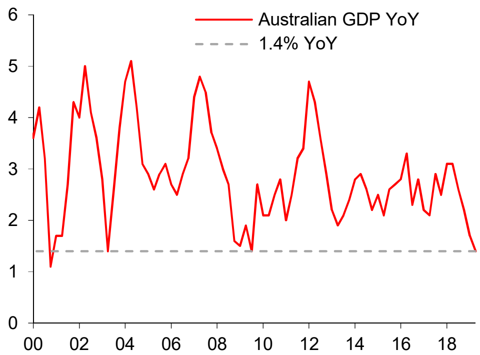
The AUD has weakened in 2019, with trade fears pulling AUD/USD down almost 4% year-to-date. However, the currency has managed to outperform the other "risk currencies" this year, including the NZD, NOK and SEK.

In the months ahead, the AUD is likely to continue taking its direction from the global trade backdrop. Escalating US-China trade tensions have negatively affected global growth, putting pressure on central banks to loosen monetary policy, and weighing on the risk currencies in particular. A further escalation of these trade tensions would likely prove a drag on the AUD.

However, for weeks now, "phase one" of a US-China trade deal has been speculated. As yet, nothing definitive has materialised and if the US and China fail to strike even a basic deal in 2019 it would be bad for risk sentiment, and an AUD negative in Q1-20.

Conversely, though, if the US and China do reach an initial deal, it should boost risk sentiment, as it would imply a de-escalation of trade tensions between the world's two largest economies. Such a move should reduce the need, and therefore likelihood, of further rate cuts from the world's central banks in 2020.

Chart 16: GDP growth in Australia has fallen to a multi-year low in 2019



Source: Bloomberg, Santander

The RBA kept rates on hold, at 0.75%, in November, and is likely to stay put again in early December. But the door is firmly open to additional rate cuts early next year, with the market already pricing in around a 65% chance of a February cut.

RBA Governor Lowe has suggested that the effective "lower bound" rate in Australia is 0.25%. This implies scope for two more 25bp rate cuts before needing to turn to unconventional monetary policy, although he also suggests it is unlikely to get to that point.

QE has already been touted for a while in Australia, and Governor Lowe accepted that this becomes an option when (if) the cash rate hits 0.25%. However, due to its small sovereign debt market, if the Bank goes down this route, a wide pool of securities may need to be covered from the beginning.

Before we get to that stage though, developments in the US-China trade situation over the next few months will be essential. Also, Australia's domestic data will be important. The RBA suggested that "gradual progress" on its goal stopped a rate cut in November, but while CPI rose to 1.7% YoY in Q3-19, this is the fifth consecutive quarter below the Bank's 2-3% target range.

Meanwhile, the worst month of employment growth since 2016 saw the unemployment rate edge up to 5.3%, its highest level since H1-18. At the same time, GDP growth is at a 10-year low, as consumer spending is weak, and capital investment has fallen over the past three quarters. Soft data in the coming months is therefore also a risk to the AUD.

NZD – Too optimistic?

Michael Flisher
michael.flisher@santanderCIB.co.uk
(+44) 33114 80232

We are neutral on the NZD in early 2020, but positive on the currency heading into the second half of the year. Global trade fears, and RBNZ easing, are clear risks to the NZD in the short term. However, after significant NZD selling in 2019, and a large net short NZD position, scope for further weakness should be limited. The global risk backdrop will be essential in guiding the NZD in 2020, with the focus remaining on a US-China trade deal. We have lowered our near-term NZD/USD forecast profile slightly, and see the pair holding at 0.64 in Q1-20 (0.67 previously) but rising to 0.68 in Q4-20.

The NZD has softened in 2019. Indeed, NZD/USD is down by around 4% since the start of the year, when it sat close to 0.67. This move is largely in line with the other "risk" currencies, which have come under pressure in 2019 on account of global trade fears and slower global growth.

The NZD did firm a little in November, as the RBNZ surprised most of the market by keeping the cash rate on hold, at 1.00%. The market had been fully pricing in a rate cut just a few weeks ahead of the decision, and continued to price in a 75% chance of a rate cut immediately beforehand.

However, as we discussed in RBNZ rate cut in November is no longer a done deal, published 8 November, both the data and risk backdrop could have been used to justify either a rate cut or a "no change" decision. RBNZ Governor Orr suggested it was not the Bank's intention to surprise the market, but that the lower exchange rate is adding stimulus, and the Bank still expected the economy to recover over 2020.

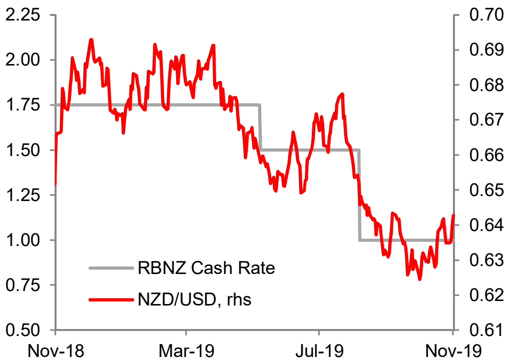
We think the RBNZ may be too optimistic on domestic growth. The Bank assumes annual growth will not dip below 2% over the coming quarters, but GDP has been on a downtrend over the past three years, and is currently at a 5-year low, at 2.1%. Further, CPI has lagged the Bank's 2% target in all but one quarter over the past eight years, and the Bank's forecasts do not see CPI consistently above 2% until 2021. Plus, 2Y ahead inflation expectations fell to a 3-year low in Q4-19, at 1.8%.

The next RBNZ rate decision is not until February 2020, and that should allow time to see the impact on data of the Bank's 75bp of cuts this year, as well as how the global risk backdrop develops. However, if domestic data fail to match the RBNZ's upbeat forecasts, it would mean further cuts are likely to come in 2020.

The RBNZ has limited scope to ease policy further though, as like the RBA it does not favour negative rates. While we do not expect unconventional tools to be used in the short term, the Bank plans to outline the other tools at its disposal in early 2020.

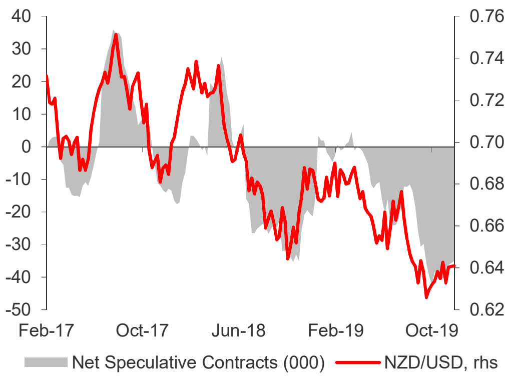
Earlier in November, New Zealand updated its free trade deal with China. When signed in early 2020, this should reduce tariffs and boost NZ-China trade. While this should be positive for the domestic economy, if a US-China "phase 1" trade deal has still not been reached, the NZD is likely to remain restricted, as this would keep up the pressure on the RBNZ to loosen policy further.

Chart 17: The NZD has weakened over the past year as the cash rate has been cut



Source: Bloomberg, Santander

Chart 18: Even if the RBNZ cuts rates again, speculators are unlikely to significantly add to a net-short NZD position which reached an all-time high in October



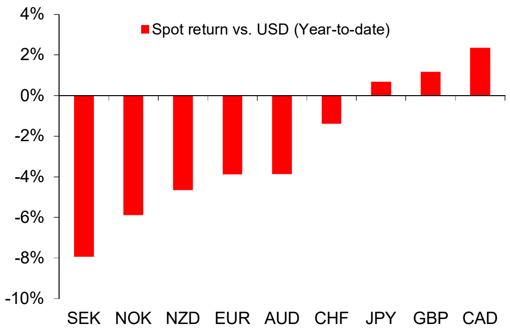
Source: CFTC, Bloomberg, Santander

SEK – Forcing through (another) December hike?

Michael Flisher
michael.flisher@santanderCIB.co.uk
(+44) 33114 80232

We retain a cautiously positive stance on the SEK over the coming year. We see EUR/SEK sitting close to 10.6 in Q1-20 and dropping to 10.3 by Q4-20. In the short term, the SEK is likely to focus on the December Riksbank meeting (and probable rate hike). However, with no additional tightening of policy expected in 2020, further SEK gains are likely to be reliant on progress on a US-China trade deal prompting a pick-up in global risk sentiment.

Chart 19: The SEK is still the big developed market currency underperformer in 2019



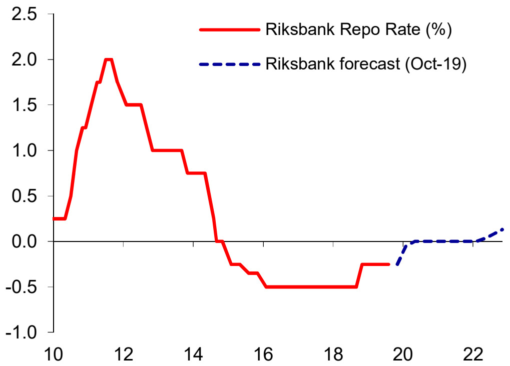
Source: Bloomberg, Santander

The SEK is the biggest underperformer among the developed market currencies in 2019 (Chart 19). Indeed, the SEK is still down some 8% year-to-date against the USD. The currency is also down almost 4% against the EUR, with EUR/SEK holding in a 10.6-11.0 range over the past four months.

The main SEK-specific focus between now and the end of the year should be the Riksbank meeting, on Thursday, 19 December. The market is only partially positioned for a rate hike, but Governor Ingves seemed pretty clear in the Bank's October meeting that the Executive Board expects to hike rates by 25bp in December.

One board member is not convinced by the move, with Deputy Governor Per Jansson having 'considerable difficulty' with the idea of hiking rates at the turn of the year. In addition, it is still unclear how Anna Breman, who joins the Riksbank's Executive Board in December, will vote in her first meeting. However, the other four members have suggested value in moving away from negative rates.

Chart 20: The Riksbank is preparing to force through another December rate hike, but expects no further hikes until 2022



Source: Bloomberg, Santander

In our view, the current backdrop does not support a rate hike. Indeed, Swedish data are soft, with confidence surveys downbeat, and the latest manufacturing and services PMIs both coming in below the 50 mark (indicating contraction). Perhaps more importantly, while inflation rose slightly in October, with annual CPIF climbing to 1.5% (from 1.3%), these numbers are still well below the Riksbank's 2% target.

However, this rate hike is not so much about the fundamentals, in our view, but the Riksbank Executive Board's desire to no longer have a negative repo rate. The situation is similar to December 2018 in that sense, when the Riksbank had been waiting for the data to force it to hike rates, but then went for a hike anyway.

The Bank argues that there is no longer the need for negative rates, as Sweden is heading towards a more normal economic situation. As a concept, this is fair, but if the Riksbank does again hike against the data, then it suggests there is likely to be a "prolonged period of unchanged rates" after this rate hike.

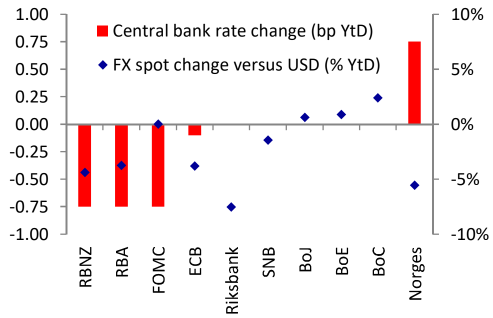
Indeed, as the Riksbank's latest forecasts show in Chart 20, the Bank does not expect to hike rates again in either 2020 or 2021, and this may mean the SEK needs to look elsewhere for support.

With the US-China frictions weighing on global trade, sentiment, and growth, the other main SEK focus in the coming months is likely to be external. Risk sentiment and global trade fears have been a big negative for the SEK both in 2018 and 2019. A further escalation of US-China trade tariffs could restrict the SEK once again in 2020, but if there is a deal, and global risk sentiment does begin to pick up next year, then the SEK should be one of the big winners.

NOKÔÇ»ÔÇô New lows, but itÔÇÖs not personal

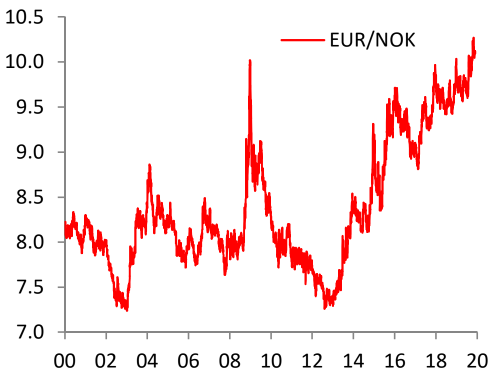
Michael Flisher
michael.flisher@santanderCIB.co.uk
(+44) 33114 80232

Chart 21: The NOK has had a tough 2019, despite being the only G10 currency central bank to hike rates



Source: Bloomberg, Santander

Chart 22: EUR/NOK has been on an uptrend since 2013, and touched an all-time high in October, at 10.3132



Source: Bloomberg, Santander.

We are cautiously positive on the NOK in 2020. While this may not sound like a bold call given that EUR/NOK reached an all-time high in October, it is not an easy call either, as EUR/NOK has been on a clear upwards trend since the start of 2013, with the NOK weakening by almost 30% over this time. We forecast EUR/NOK falling to 9.9 in Q1-20 and 9.6 by Q4-20, but with the domestic situation already stable and the Norges Bank unlikely to hike rates, at least in H1-20, the NOK may need to see a pick-up in the global risk backdrop in order to strengthen.

2019 has been a bad year for the NOK. Indeed, the currency has weakened against all of the other G10 currencies year-to-date, aside from the SEK. The NOK is down 6% against the USD this year, while it has fallen by 2% against the EUR. The NOKÔÇÖs weakness has actually been so significant that EUR/NOK hit an all-time high in October, at 10.3132.

Despite this extreme NOK weakness, we would argue that it has relatively little to do with the NOK. Indeed, there are various NOK-specific factors that would imply a stronger, not weaker, currency.

- **Interest rates:** The Norges Bank has hiked rates by 75bp in 2019. No other G10 currency central bank has lifted rates over this same period, with the FOMC, RBA and RBNZ each cutting rates by 75bp, while the ECB trimmed rates by 10bp and restarted its QE programme (Chart 21).
- **Domestic data:** The domestic backdrop in Norway is not perfect, but is no worse than its developed market peers. Growth data have slipped overall, but mainland growth (excluding oil activities) is close to its post-crisis highs. Meanwhile, core CPI has spent the whole of 2019 above the BankÔÇÖs 2% target.
- **Government finances:** NorwayÔÇÖs fiscal position is as solid as anywhere, with a dual budget and current account surplus, very low debt (<40% of GDP), and a sovereign wealth fund that recently surpassed NOK10trn (c.USD1trn) for the first time in its history. This is equivalent to USD200k per person and offers the country protection in a downturn.

Given the above factors, it is surprising that the NOK is so weak. Indeed, the currencyÔÇÖs depreciation seems to be more down to international than domestic factors. Oil prices are still relatively low, and given the importance of this sector, are not exactly helping the NOK. However, the correlation between the NOK and the oil price has broken down in recent months.

The main reason for the NOKÔÇÖs weakness, and consequently the main potential support for the NOK in 2020 is the global risk backdrop, in our view. Slower global trade, growth, and loose monetary policy have drawn the FX market to safe havens like the USD and JPY, and away from the ÔÇ£commodityÔÇØ and ÔÇ£ScandiÔÇØ currencies. Given the extent of the NOKÔÇÖs decline this year though, the currency should be one of the first to benefit from any rebound in global risk sentiment in 2020, particularly if the US and China reach a trade deal in the coming months.

LatAm FX: Main Themes

Currency	3M view	12M view	Main Themes
BRL	↗	↑	• Frustration regarding expectations of a potentially massive capital inflow due to the transfer of oil rights triggered some correction of previous FX strengthening. • Combined with fears of contamination from jitters in neighbouring countries and the negative surprise regarding its external sector data, there has been significant pressure on the BRL. • Without any particular progress on the reform agenda to offset that pressure, the Brazilian central bank was forced to intervene in the FX spot market.
MXN	→	↘	• In the month of November, the MXN has depreciated less than other LatAm currencies. • Mexico has ample reason to have a weaker currency and a lower policy rate. • The majority of the Banxico's board believes, in our view, that lower rates cannot do much for economic growth but that a weaker MXN could jeopardise the achievement of the inflation target.
CLP	↓	→	• The USDCLP remains the main outlet of idiosyncratic risk within local assets, as intraday volatility reaches new highs. • Pension fund migrations have been a significant driver behind strong USD demand, as dollarization and a shift away from the local oriented funds become a key element behind the depreciation of the CLP. • We now estimate the idiosyncratic component of the CLP at 100-105 pesos, a significant spike from our previous report and certainly up from the 10-15 pesos seen just before the riots.
ARS	→	↓	• After tightening FX controls on 28 October, the CB was able to acquire US$1.9bn through daily FX interventions. • We estimate that the Fernandez government will be able to buy no less than US$6bn from the FX market in 2020. • Regarding the FX policy, we believe the most likely scenario aimed at keeping the competitiveness of the dollar quotation in real terms would be a daily crawling peg led by the central bank from January 2020.

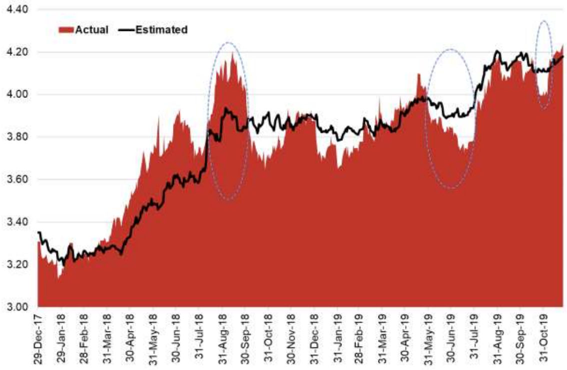
↑ Bullish ↗ Mildly Bullish → Neutral ↘ Mildly Bearish ↓ Bearish

Source: Santander.

BRL – Buckle up

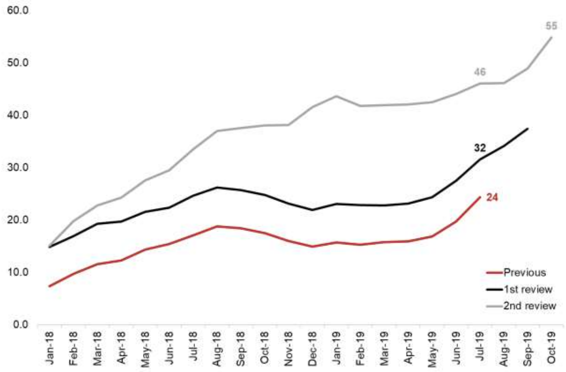
Jankiel Santos
jankiel.santos@santander.com.br
(+55) 11 3012 5726

Chart 23: USD/BRL dynamics: internal factors vs. external influences



Source: Bloomberg, Santander

Chart 24: Brazilian current account deficit – US$ billion, 12M-to-date



Source: Banco Central do Brasil.

In the top chart on the left, we illustrate our assessment of how internal issues and external influences have affected Brazil's FX rate dynamics. The black line indicates what the FX rate would be considering just external variables (i.e. commodity prices, US Treasury yields and the behaviour of other currencies vis-à-vis the USD), whereas the red area indicates its actual performance. Thus, whenever the red area is above the black line, domestic factors are adding pressure to external influences and the other way round when the black line is above the red area. For example, while uncertainties related to the presidential race pushed the red area above the black line between late July 2018 and September 2018, the prospects for the approval of the pension reform in the lower house seemed to help the BRL run at a stronger level than international conditions would indicate between late May 2019 and late July 2019. The dotted circle to the far right shows the impact that market participants expected the auction to transfer oil rights would have on the FX rate. The frustration of such expectations triggered a BRL correction that brought it immediately back to hover around the USD/BRL4.10 level, which was compatible with the circumstances of international variables. Since then, we have witnessed a less favourable flow of political news both here and abroad, which has pushed the BRL to weaker levels.

Additionally, the Brazilian Central Bank (BCB) reviewed data on the balance of payments, which indicated a higher current account deficit than previously thought. It was the second time this year that the BCB has adjusted its figures, and on both occasions, there were substantial changes in the numbers. For example, the US$24 billion deficit in 12M-to-date terms previously observed in July 2019 turned into a US$32 billion shortfall after the first review and then into a US$46 billion deficit after the second one. The volume of net direct investments has also gone through the same review process, although in the opposite direction, reaching a lower level than previously imagined. Hence, although still enough to finance the current account deficit, the volume of spare resources has diminished and the speed at which the current account deficit has deteriorated lately has made market participants wary. What should we expect from now on?

We expect structural factors to continue exerting pressure on the BRL for a while, including weak global economic growth that otherwise could have substantially boosted Brazilian exports, and lower appetite from international investors due to a less favourable risk-adjusted yield backdrop. Further, we believe that only structural changes could curb that pressure, suggesting that efforts toward advancing the reform agenda will be crucial, especially those that could improve the outlook on the fiscal front. Otherwise, a weaker currency and less room for lower interest rates should persist for some time to come. As we do not rule out some progress in the reform agenda the short to medium term, we maintain our forecast of USD/BRL4.00 for December 2020 but acknowledge that the road towards that level is likely to be bumpy.

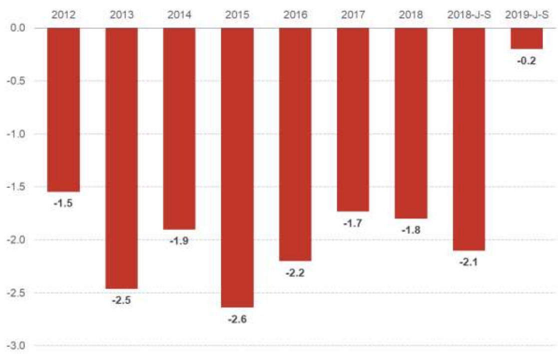
MXN – Faring well under pressures from the South

Guillermo Aboumrad
gjaboumrad@santander.com.mx
(+52) 55 5257 8170

Chart 25: Gross Domestic Product (QoQ %)

Source: INEGI and Santander.

Chart 26: Current account (% GDP)



Source: Banco de Mexico and Santander.

In the month of November, the MXN has depreciated only 1.6%, vs. the Chilean peso's depreciation of 8.4%, followed by BRL and the Colombian peso, with depreciations of 5.8% and 3.5%, respectively. In our view, much of the difference has to do with Mexico's still-tight monetary policy in contrast to the rest of Latin America, making the carry trade still attractive. Mexico has ample reason to have a weaker currency and a lower policy rate, but the still-high policy rate, at 7.5%, is preventing MXN from going lower, in our view.

On 25 November, INEGI released the final report for 3Q GDP, with revisions to previous quarters showing that the economy is in a technical recession, with negative growth rates from 4Q18 to 2Q19. In addition, INEGI lowered its forecast for the 3Q GDP growth rate to 0.0% q/q from 0.1%. The Mexican economy is essentially stagnant, in our view, and we expect economic weakness to continue into 2020.

On the same date, Banxico released the balance of payments report for 3Q, with a surprising surplus in the current account balance. For the first nine months of 2019, the current account deficit represented 0.2% of GDP, a significant correction from last year's deficit of 2.1% of GDP. Clearly, aggregate demand is decelerating faster than GDP. So, currently we have tight monetary policy, tight fiscal policy, and a substantial correction in the CA deficit, with very weak prospects for economic growth next year.

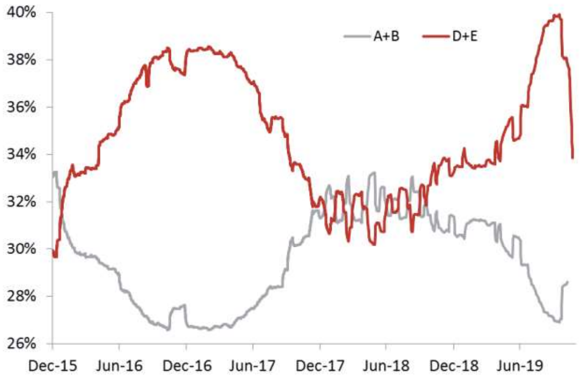
A positive catalyst both for the MXN and for fostering investments and economic growth would be approval of the USMCA, which seems to be facing several hurdles in the US Congress at the moment. NAFTA continues to work well, but the only way to end the uncertainty of a possible withdrawal of the US from NAFTA would be the approval of USMCA. Said uncertainty has put a damper on investment ever since 2016, when Donald Trump as candidate began threatening to withdraw from the agreement if he won the presidency. Another catalyst for private investment could come from an improved relationship between AMLO and the private sector, which started off on the wrong foot. We are cautiously optimistic following the announcement on 26 November of several commitments between both parties regarding infrastructure projects.

There is considerable debate among Banxico's board members as to whether relaxing monetary policy can do much for economic growth, and also about whether the resulting depreciation of MXN will have a pass-through effect on inflation. The board is clearly divided, as we can see from the recent voting, and in our view, the majority believes that lower rates cannot do much for economic growth but that a weaker MXN could jeopardise the achievement of the inflation target, which is the central bank's only mandate. With the recent addition of pressures on the MXN from South America to the balance of risks as seen by Banxico, we think the majority of the board will continue to vote for a gradual pace of rate cuts, and thus MXN should continue to fare well in the coming months.

CLP – Coming to grips with the new reality

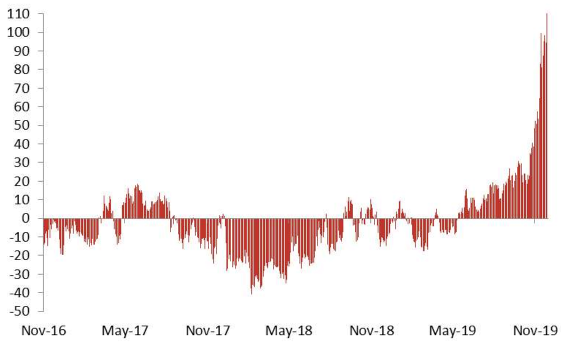
Juan Pablo Cabrera
jcabrera@santander.cl
(+56) 22 320 3778

Chart 27: AFP inter-fund migration: Risky vs. conservative



A+B are risky, equity-biased funds (foreign assets of approx. 80%). D+E are conservative, fixed income-biased funds (foreign assets of approx. 5%). Calculated net of price effect. As of 21 November 2019. Source: SP, Santander

Chart 28:
Alpha CLP – Market vs. PCA metrics



PCA refers to Principal Component Analysis. Database includes 30 variables besides USDCLP, including 20 major currencies in DM & EM, and another 10 relevant indexes (copper, IPSA, etc.).

Neither the agreement between the government and opposition regarding the enactment of a new constitution, nor the social participation that will start with the referendum in April 2020, has been enough to restore full public order, with the obvious outlet for local risk still being the CLP. At the time of writing, the USDCLP continues to hover comfortably above 800, a level that will surely ring a bell within the BCCh board, but one that has not yet forced any action yet, with only verbal and liquidity interventions having been undertaken so far.

To a large extent, most of this pressure on the CLP can be attributed to the massive USD demand from local pension funds. It is a move that is entirely understandable, not only from the portfolios managers' point of view, but more importantly the pensioners that tend to migrate following the performance of the funds. To understand the dynamics behind this massive USD demand, it is prudent first to explain how it originated. Prior to the social outburst, ultra-low local rates and limited upside for the IPSA generated huge outperformance of the more conservative (local fixed income oriented) D+E funds over the more risky (equity-based) A+B funds. From a historical perspective, such a move meant that the weight of pensioners in the conservative D+E fund was 4.0% of total AUM above its four-year average, and as a consequence, A+B funds lost participation while dollarizing significantly.

In the aftermath of the social unrest, the market started to price in idiosyncratic risk across all local assets, which negatively affected the performance of the more conservative funds. In a swift turn of events, the risky and more dollarized A+B funds now look like a more natural safe haven, while the D+E funds continue to absorb all the local shock. Since the riots started on 18 October up to 21 November, and as per our estimations, D+E funds have accumulated outflows of US$9.6bn. This constitutes a hefty 4.5% of the entire pension fund system, and is part of the reason why we have seen such strong USD demand from that segment, as inflows into the more equity-based funds will generate higher foreign asset demand.

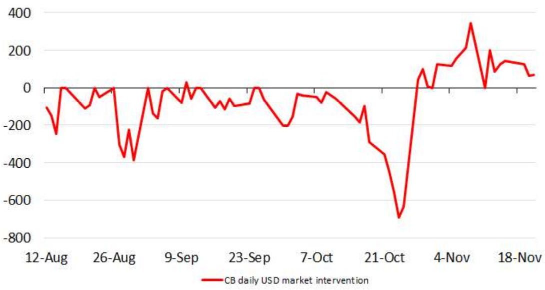
Regarding economic events, Q3 2019 GDP growth came out at 3.0% y/y, a positive but nevertheless anecdotal fact at this stage. We expect economic activity to suffer over the next couple of IMACEC prints, with all eyes set on the industrial production figures coming in late November, numbers that could shed some light on the magnitude of the shock to the economy.

In the current scenario of high volatility across local markets, the CLP still looks to be in a tough spot. As per our valuation metrics, the idiosyncratic component of the USDCLP rate now stands at 100-105 pesos, from 10-15 pesos just before the riots. This situation will probably persist in medium term: FX in Chile will be less externally driven, although the USD trend globally certainly does not help, while local stories will continue to play a more relevant role, with the local bias still negative for the CLP.

ARS – Central bank starts to pile up FX reserves

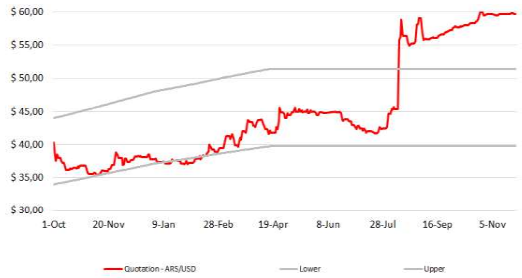
Juan Arranz*
jarranz@santanderrio.com.ar
(+54) 11 4341 1065

Chart 29: Central bank daily FX intervention



In millions of dollars.
Source: BCRA and Santander.

Chart 30: Daily dollar quotation



ARS/USD
Source: central bank and Santander.

The day after the 27 October general elections, the governor of Argentina's central bank, Guido Sandleris, significantly tightened FX controls by reducing the limit of monthly USD purchases by individuals from US$10,000 to US$250. This was the most significant measure among the series of restrictions imposed.

Individuals and corporates in the Siopel market have also reduced their demand for USDs since November. This move can also be attributed to the lack of ARS owing to the squeeze in the monetary base over the last 12 months.

Reduced greenback demand has translated into excess hard currency supply. In order to avoid ARS appreciation, the monetary authority intervened in the market through indirect central bank purchases. Through the government-owned Banco de la Nación, the central bank has been able to accumulate total FX reserves of US$1.9 billion in the last 17 sessions leading up to 21 November.

This positive response surprised market analysts, who had been projecting zero central bank purchases until the new administration takes office on 10 December.

The monetary authority's encouraging performance has helped break the downward trend of gross FX reserves, which have finally stabilised at ~US$43.5 billion — sharply below the US$66.4 billion recorded the week before the 11 August primary elections.

The Republic has kept interest payments on the sovereign USD debt current in November despite the government facing nil voluntary market financing, as well as the suspension of the IMF's US$5.4 billion disbursement.

We presume that the incoming administration of Alberto Fernandez, who will take office two weeks from now, will maintain FX controls throughout 2020. Under such a scenario, we believe that the authorities might be able to acquire at least 30% (or US$3 billion) of the 2020 trade surplus in net terms, from an estimated trade surplus of ~US$20 billion, according to Santander.

While we acknowledge the intense debate over what type of FX controls the new administration will keep in place, we now believe a dual FX market is less probable than we would have assumed two months ago.

With respect to how the USD rate could avoid losing competitiveness given the persistent inflation rate of ~50% annually, we believe that the new authorities are likely to use a crawling peg in the months to come.

CEE FX: Main Themes

Currency	3M view	12M view	Main Themes
PLN	Neutral	Neutral	• We have left our EUR/PLN forecasts unchanged, but the turn of the year could bring some game-changing events that could affect our 2020 estimates. Should the outcome of these events prove to be unfavourable, next year EUR/PLN is likely to hover around the middle of the 4.25-4.35 range. However, if these risk factors ease, the exchange rate might try to break through the lower end of this range.
CZK	Neutral	Mildly Bullish	• We remain positive on the CZK for 2020E, as the gradual improvement in the Euro zone economy should help Czech GDP growth to reaccelerate, leading to a restart of the rate-hike cycle.
HUF	Neutral	Mildly Bearish	• We maintain our forecasts and still expect EUR/HUF to underperform its CEE peers and to move up at a moderate pace.
RUB	Neutral	Mildly Bearish	• The fixed income rally in local rates seems to be exhausted as the CBR is nearing the end of its cutting cycle and this, among others, leads us to maintain our forecasts for a weaker rouble.

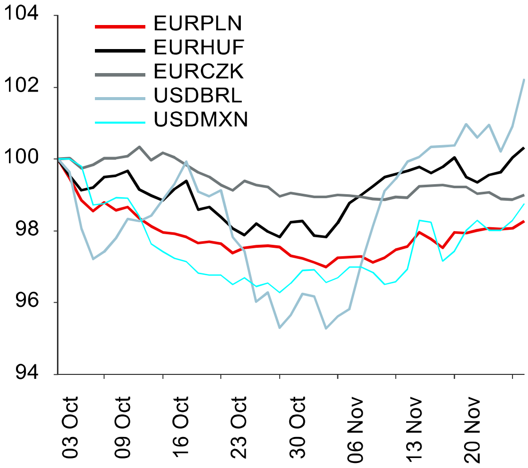
Bullish Mildly Bullish Neutral Mildly Bearish Bearish

Source: Santander Bank Polska S.A.

PLN – Weaker in November, stronger in December?

Marcin Sulewski, CFA
marcin.sulewski@santander.pl
(+48) 22 534 18 84

Chart 31. EM currencies (October 1 = 100)



Source: Refinitiv Datastream, Santander Bank Polska

We have left our EUR/PLN forecasts unchanged, but the turn of the year could bring some game-changing events (results of US-China trade talks and UK parliamentary elections) that could affect our 2020 estimates. In the event of unfavourable outcomes, next year EUR/PLN is likely to hover around the middle of the 4.25-4.35 range. However, if these risk factors ease, the exchange rate might try to break through the lower end of the above-mentioned range.

In late October, the PLN continued to strengthen amid a positive global market mood, and EUR/PLN touched 4.25, its lowest since July. However, at the start of November, the market started to take profits on the notable PLN appreciation recorded in the previous month. This was accompanied by a temporary moderation of the global market mood.

Back in October, five of the major EM currencies gained vs the euro and 16 vs the dollar, with the zloty being the strongest of them. Until now in November, only five of the currencies that gained against the dollar in October have not weakened (two are stable, and three are even stronger). Versus the euro, only one of the currencies that gained in October extended its gains (the Czech koruna). It would seem that in November the market favours currencies that underperformed in October.

EUR/PLN has been on the rise since the start of November, after the sharp drop in October, and we do not expect the zloty to recover – at least not by the end of the month. This correction, however, could be a good starting point for December, which has historically been rather positive for the zloty. In the last 20 years, EUR/PLN has risen in the final month of the year only five times, the last time being in 2014.

Aside from profit taking after a notable appreciation in October, the lack of room for a stronger PLN in the very short run could also be due to the effect of recent Polish macro data.

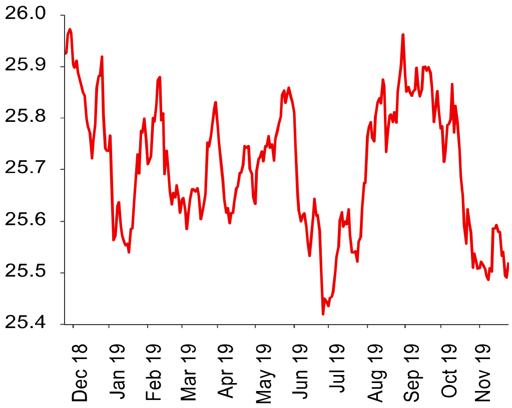
According to the flash estimate, in 3Q19 the pace of Polish GDP growth slowed to 3.9% y/y vs 4.6% y/y in 2Q19 (revised from 4.5%), slightly more than expected. The data are basically in line with the broad weakening observed in high-frequency data, and we expect a further slowdown. Our forecast for 2020 is currently 3.5% y/y. We will be fine-tuning our forecasts once we get the detailed breakdown on November 29. We expect the release to show strong private consumption and weakening investment growth. The latter could continue into 2020, weighing on the headline figure. Also, the first monthly data for 4Q19 showed more weakness, suggesting that the economic slowdown could be deeper than we initially thought.

At the same time, we expect inflation to resume its uptrend at year-end, rising to at least 3% at the turn of 2019/20. The CPI's reacceleration is unlikely to attract much attention from the central bank. This, together with weakening economic growth, could be negative for the zloty in the short term.

CZK – Holding its gains

Marcin Sulewski, CFA
marcin.sulewski@santander.pl
(+48) 22 534 18 84

Chart 32. EUR/CZK



Source: Refinitiv Datastream, Santander Bank Polska

The CZK has managed to keep its gains recorded in October and in quarter-to-date terms, making it the 2nd strongest of the main EM currencies so far (only behind the PLN). We remain positive on the CZK for 2020E, as the gradual improvement of the Euro zone economy should help Czech GDP growth to reaccelerate, leading to a restart of the rate-hike cycle.

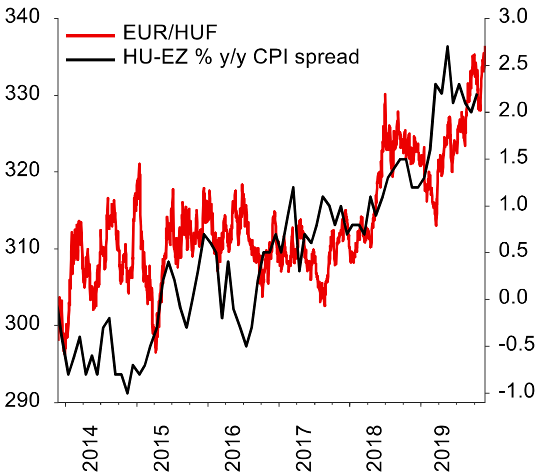
According to the flash estimate, in 3Q19 the pace of Czech GDP growth slowed to 2.5% y/y from 2.8% y/y in 2Q19 (more than the 2.8% y/y expected). According to the stat office, net exports contributed positively to headline growth. Early this month, the Czech central bank cut its GDP growth forecast for 2020 to 2.4% from the 2.9% expected back in August. The quarterly path for the next year assumes a quite notable acceleration, from 2.2% y/y in 1Q20 to 2.7% y/y in 4Q20, mainly thanks to faster growth in investments and a higher positive contribution of net exports. The market consensus for 2020 GDP growth is 2.3%.

After the last 25bp hike delivered in May, the next four sittings saw the Czech central bank leaving interest rates unchanged, with the main rate still at 2%. However, the decisions were not unanimous, and there were two/three supporters of monetary policy tightening. In the coming months, we think central bankers will continue to mull rate hikes, which could help EURCZK to stay at relatively low levels.

HUF – Gradual weakening

Wojciech Mazurkiewicz
wojciech.mazurkiewicz@santander.pl
(+48) 22 534 18 86

Chart 33. EUR/HUF and HU-EU % y/y CPI spread



Source: Refinitiv Datastream, Santander Bank Polska

The HUF was the third-worst performing EM currency in the last month, losing 2.8% vs the USD and 2.1% vs the EUR. This price move arose despite the Q3 GDP data, which surprised on the upside due to strong domestic demand (5.0% y/y vs 4.9% in Q2 and expectations of 4.4%), and positive surprises in industrial production in September (to 9.0% y/y from 2.7% vs 5.4% expected). As a result, the economists surveyed increased their 2019 GDP forecasts to 4.6% from 4.3%.

We maintain our forecasts and still expect EUR/HUF to underperform its EM peers and move up at a moderate pace.

Inflation has generally increased: October CPI to 2.9% y/y from 2.8% and core CPI to 4.0% y/y from 3.9%. The tax-adjusted CPI declined to 3.7% y/y from 3.4%. Also, producer prices gained, with September showing a 2.2% increase y/y vs 0.9% a month earlier.

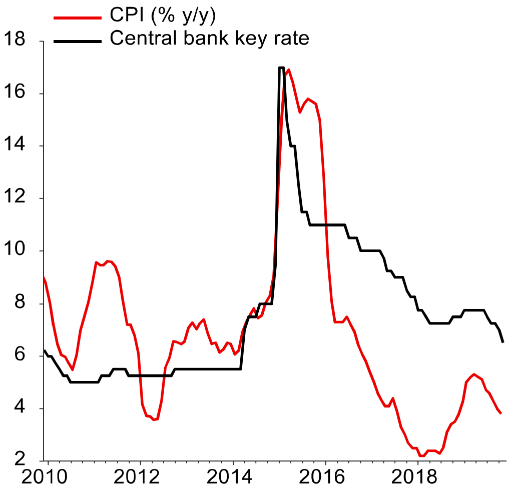
The NBH October minutes showed a unanimous willingness to maintain an accommodative stance as uncertainty on the external environment persisted. On November 19, the NBH left rates unchanged at 0.9%. The bank noted that domestic inflation is being supported by strong domestic demand and weakened by the external environment, but general inflation risks remain on the downside. The bank reiterated that CPI is the only anchor (not FX) but said it was time to rethink systems for measuring the CPI. The inflation targeting regime has been performing well so far, but the next review is due in 2020. Governor Matolcsy said the bank sees no overheating of the overall economy (except for construction), the economy remains balanced and the CPI is firmly within range.

The PM’s Chief of Staff Gulyas said that new measures to support the economy are expected in the spring of 2020 (without disclosing details).

RUB – Outperformer

Wojciech Mazurkiewicz
wojciech.mazurkiewicz@santander.pl
(+48) 22 534 18 86

Chart 34. Russia CBR rate and CPI



Source: Refinitiv Datastream, Santander Bank Polska

Over the course of the last month the RUB has traded relatively strongly vs other EM currencies, most of which weakened in the same period. One possible factor behind the performance was oil prices, which grew 2.3%. The RUB basket strengthened by 0.4% to 66.8, but because the dollar index increased by a similar amount (to 98.3), USD/RUB remained roughly stable at 63.9 in monthly terms. This does not mean, however, that USD/RUB was not moving in the meantime. It fell 0.7% lower on a day when the CBR cut rates by 50bp to 6.50%, and a week later it traded as low as 63.2 following the November services PMI, which surprised on the upside by 3pp. It also traded as weak as 64.5 and then retraced thanks to a weaker dollar. But despite the amplitude of the moves (c2%), realized volatility as such has been below the long-term average, leading to declines in implied volatilities: 1M to 6.9% from 7.8%, while 1Y to 10.0% from 10.5%. From a longer-term perspective, USD/RUB remains in a downtrend channel since July 2018, but having failed thrice to move to the lower half of the band again, it is likely to test the upper band next (at around 65.7). That technical situation, taken together with the fact that the fixed income rally in local rates seems to be exhausted now that the CBR is nearing the end of its cutting cycle, leads us to maintain our forecasts for the rouble, both for the long and short term.

On the macroeconomic front, the PMI data were pretty strong: the composite PMI increased to 53.3 from 51.4, thanks to the PMI services' jump to 55.8 from 52.8 and despite the manufacturing PMI remaining below 50. In Q3, GDP growth rebounded a bit, in line with expectations, to 1.7% y/y from 0.9% in Q2 (the CBR expects 2019 GDP to end up within a 0.8%-1.3% range), and industrial production for October rose 2.6% y/y, slower than a month ago at 3.0%. Both retail sales and real wages grew notably, the former to 1.6% y/y from 0.7% a month ago and the latter to 3.1% y/y from 2.4% in September.

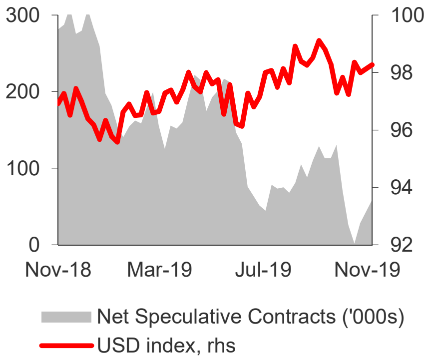
Both the PPI and CPI continued their declines. The PPI fell more than expected, to -4.9% y/y from -1.2%, and is currently at the lowest level since 2009. The CPI fell another 0.2pp to 3.8% y/y in October, from 4.0%. However, the latter should be seen in the context of household inflation expectations, which according to the CBR remain "unanchored" at 8.6%.

On October 25, the CBR cut rates by 50bp to 6.50%. In the words of Governor Nabiullina, Russia's monetary policy was moderately hard before the cut and is neutral ("entered neutral range of 6-7%") after the cut. There is room to cut rates further if needed. The FRA market prices in a 1x 25bp cut over the next 24 months. The bank lowered its inflation expectations for 2019 (from 4.0-4.5% to 3.2-3.7%) and 2020 (from 4.0% to 3.5-4.0%), noting that in 1Q20 inflation is likely to temporarily fall below 3%, only to rebound to 4% later in the year. The decent rally in local fixed income seems to be exhausted; the benchmark 10Y OFZ (local bond) seems to be topping in price (104.5) and bottoming in yield (6.40%), the RUB cross-currency swaps barely moved (2Y at 5.90%, 10Y at 5.55%), and only Russia's USD 7.5% 2030 z-sprd narrowed further to 95bp from 110bp.

G10 FX: IMM Speculative Positioning

Michael Flisher
michael.flisher@santanderCIB.co.uk
(+44) 33114 80232

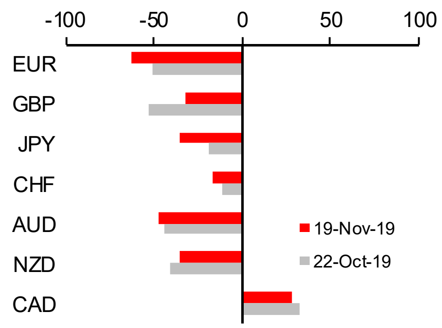
IMM commitment of traders report: USD composite position



- **Speculators are still positive the USD,** but the net long position has fallen throughout 2019, from over 300k contracts at the end of 2018, to just 2k contracts in early November. The position now sits at 59k contracts in the week ended 19 November.
- **The net short EUR position rose to 62k contracts in late November,** but this is barely changed since the start of the year, when speculators held a net short position of 58k contracts.
- **The GBP position is still net short, at c.30k contracts,** but less so than both the start of 2018 (56k contracts) and during this summer, when it peaked at over 100k contracts.
- **Speculators have become more upbeat on the CAD in 2019.** The current net long position (29k contracts), is a 74k turnaround from the net short position of 45k contracts in December 2018.
- **Speculators are far less negative on the JPY than a year ago.** The net short JPY position now stands at just 35k contracts, down from 99k contracts at the start of the year.
- **Speculators remain downbeat on both the AUD and NZD.** These net short positions stand at 47k and 35k, respectively, up since early 2019, as the risk of RBA and RBNZ rate cuts remains.

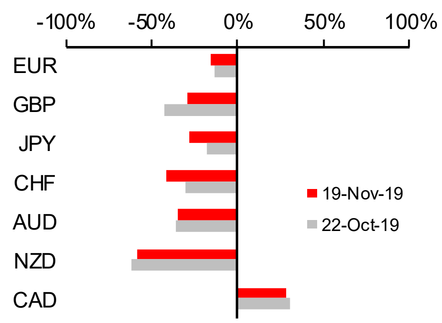
Net Speculative Contracts ('000s)*

	19-Nov-19	22-Oct-19	4w chg	YtD chg
USD***	59.3	70.8	-11.5	-248.7
EUR	-62.5	-51.1	-11.5	-4.0
GBP	-31.9	-52.4	20.5	24.6
JPY	-35.0	-18.2	-16.9	64.1
CHF	-16.2	-11.3	-4.9	7.1
AUD	-47.2	-44.0	-3.3	-16.0
NZD	-35.1	-40.1	5.0	-37.0
CAD	28.9	33.4	-4.5	73.6



Net Speculative Contracts as % of Open Interest**

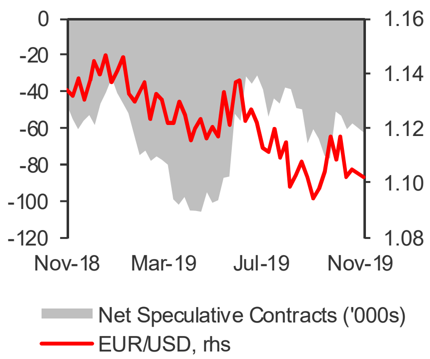
	19-Nov-19	22-Oct-19	4w chg	YtD chg
USD***	5%	6%	-1%	-26%
EUR	-16%	-13%	-3%	1%
GBP	-29%	-42%	13%	16%
JPY	-28%	-18%	-10%	32%
CHF	-41%	-30%	-11%	22%
AUD	-35%	-37%	2%	6%
NZD	-59%	-62%	4%	-64%
CAD	29%	31%	-2%	73%



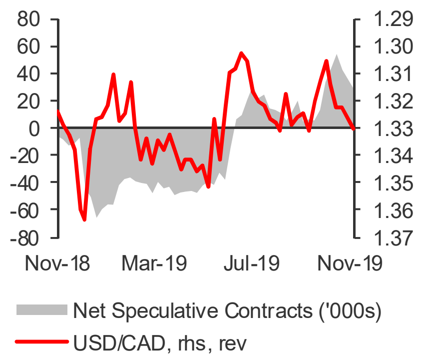
Sources: CFTC, Bloomberg, Santander. Note: *Net Speculative Contracts = Long non-commercial traders contracts minus short non-commercial traders contracts, **Open Interest = The total number of outstanding long and short futures contracts, ***USD composite index = USD composite index uses AUD, CAD, CHF, EUR, GBP, JPY, NZD and MXN IMM positioning to arrive at an aggregate USD position.

G10 FX: IMM Speculative Positioning

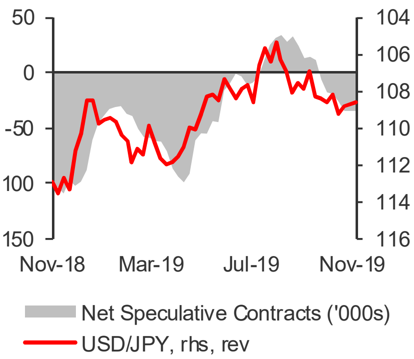
EUR/USD



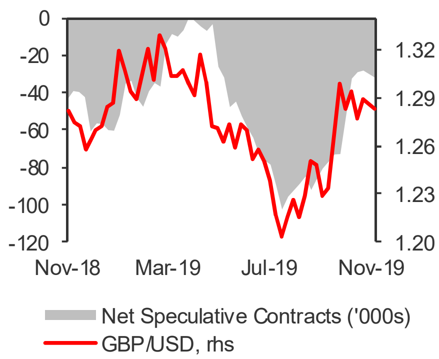
USD/CAD



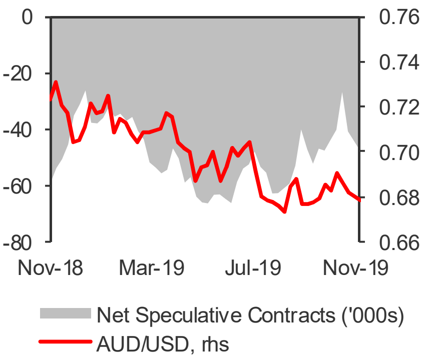
USD/JPY



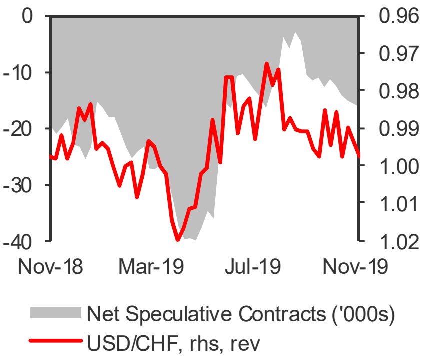
GBP/USD



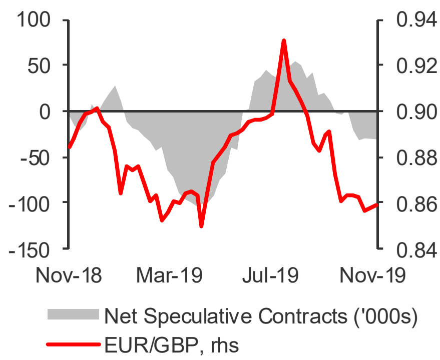
AUD/USD



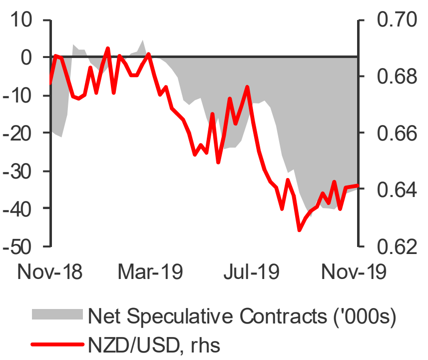
USD/CHF



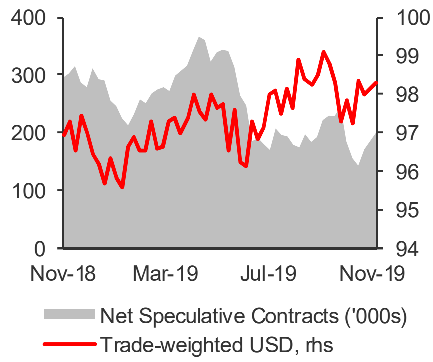
EUR/GBP



NZD/USD



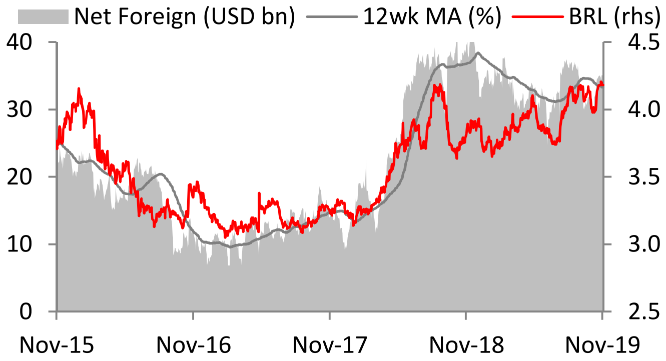
USD minus MXN



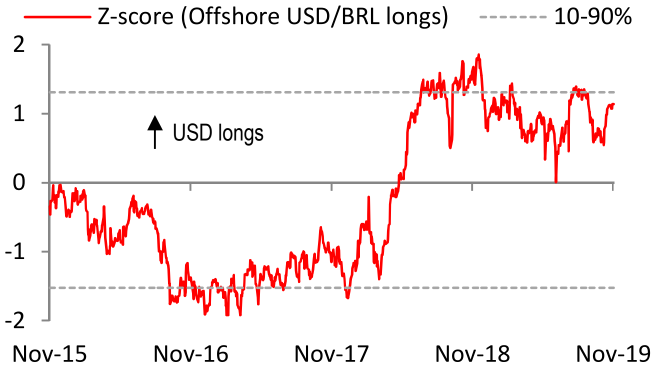
Sources: CFTC, Bloomberg and Santander. Note: IMM commitment of traders report

Latin America FX: Positioning indexes (Z-scores)

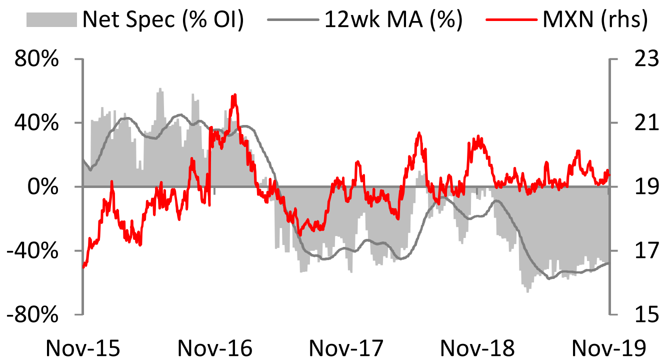
USD/BRL



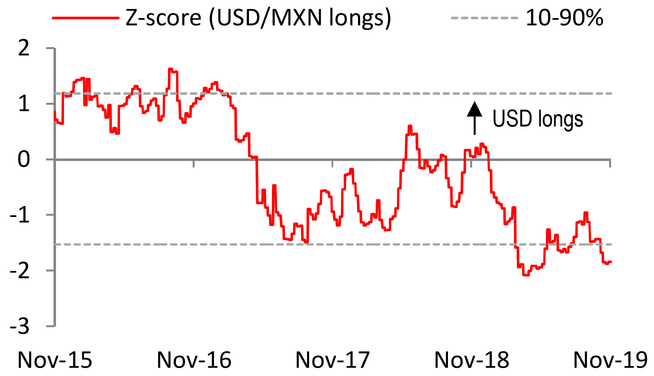
Z-score USD/BRL



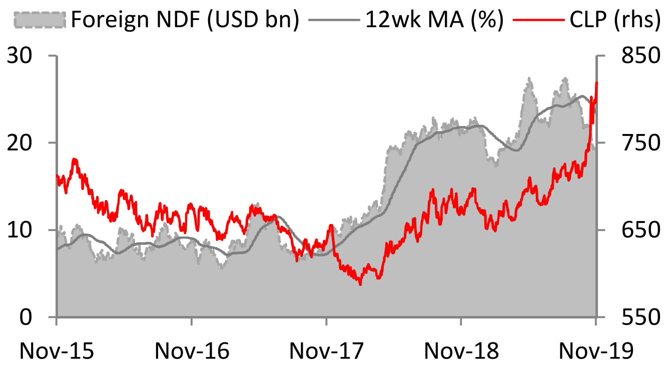
USD/MXN



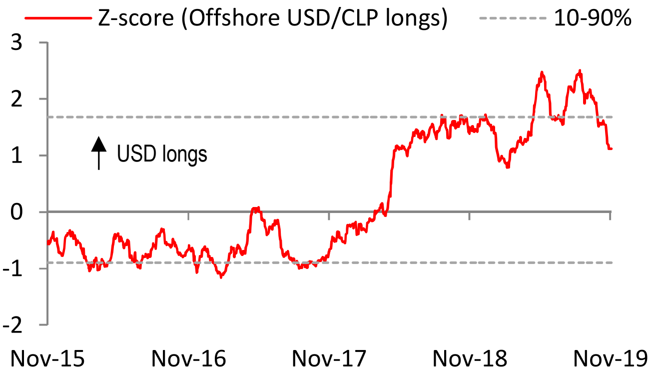
Z-score USD/MXN



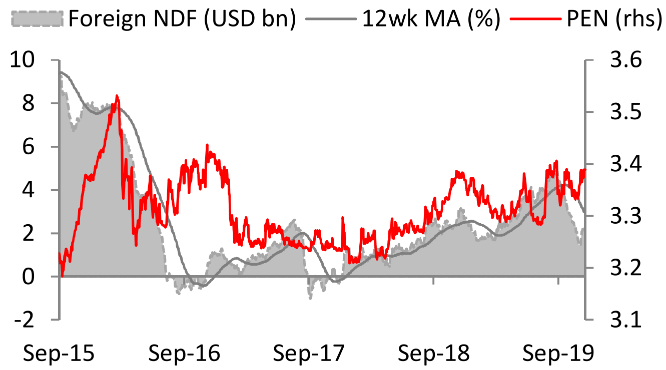
USD/CLP



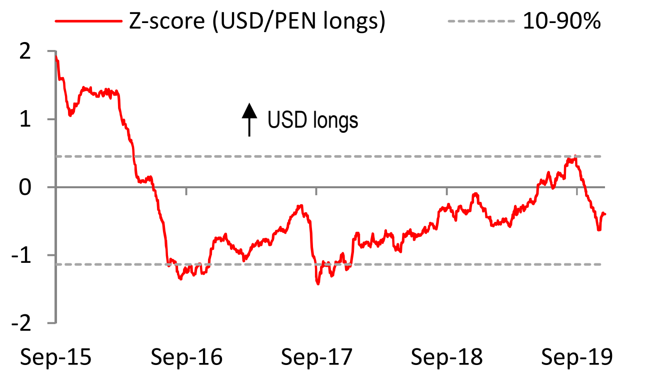
Z-score USD/CLP



USD/PEN



Z-score USD/PEN



Sources: BM&F, CFTC, BCCh, BCRP, Bloomberg and Santander.

Euro Interest Rate Forecasts

Government Bond yield Forecasts

Germany	Current	1Q20	2Q20	3Q20	4Q20
ECB Depo	-0.50	-0.50	-0.50	-0.50	-0.50
3m	-0.61	-0.60	-0.55	-0.55	-0.54
2y	-0.63	-0.60	-0.55	-0.50	-0.50
5y	-0.59	-0.55	-0.50	-0.45	-0.40
10y	-0.38	-0.30	-0.25	-0.20	-0.15
30y	0.14	0.25	0.30	0.30	0.35

Swap rate forecasts

Euro	Current	1Q20	2Q20	3Q20	4Q20
ECB Depo	-0.50	-0.50	-0.50	-0.50	-0.50
3m	-0.40	-0.40	-0.40	-0.40	-0.40
2y	-0.35	-0.35	-0.35	-0.30	-0.30
5y	-0.24	-0.20	-0.15	-0.15	-0.10
10y	0.04	0.10	0.15	0.15	0.20
30y	0.44	0.55	0.60	0.60	0.65

US Interest Rate Forecasts

Government Bond yield Forecasts

US	Current	1Q20	2Q20	3Q20	4Q20
FOMC *	1.75	1.75	1.75	1.75	1.75
3m	1.59	1.60	1.60	1.60	1.65
2y	1.63	1.65	1.65	1.70	1.75
5y	1.63	1.65	1.65	1.70	1.75
10y	1.77	1.95	2.00	2.05	2.05
30y	2.19	2.40	2.45	2.50	2.60

Swap rate forecasts

US	Current	1Q20	2Q20	3Q20	4Q20
FOMC *	1.75	1.75	1.75	1.75	1.75
3m	1.91	1.75	1.75	1.70	1.75
2y	1.63	1.60	1.60	1.60	1.65
5y	1.58	1.50	1.55	1.60	1.65
10y	1.69	1.85	1.90	1.95	1.95
30y	1.86	2.00	2.05	2.10	2.20

UK Interest Rate Forecasts

Government Bond yield Forecasts

UK	Current	1Q20	2Q20	3Q20	4Q20
MPC	0.75	0.75	0.75	0.75	0.75
3m	0.78	0.72	0.72	0.75	0.82
2y	0.51	0.50	0.60	0.65	0.70
5y	0.48	0.55	0.70	0.75	0.80
10y	0.68	0.85	0.95	1.00	1.10
30y	1.23	1.50	1.60	1.60	1.75

Swap rate forecasts

UK	Current	1Q20	2Q20	3Q20	4Q20
MPC	0.75	0.75	0.75	0.75	0.75
3m	0.79	0.80	0.80	0.83	0.90
2y	0.77	0.80	0.85	0.90	0.95
5y	0.79	0.85	0.95	1.00	1.05
10y	0.89	0.95	1.05	1.10	1.15
30y	1.00	1.10	1.20	1.20	1.45

G10 Central Bank Calendar

	Current Rate	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
FOMC (Upper)	1.75	-	Unch.	Unch.	-25bp	-	-25bp	-25bp	-	11	29	-	18
ECB (Depo)	-0.50	Unch.	-	Unch.	Unch.	-	-10bp*	Unch.	-	12	23	-	12
BoE	0.75	-	Unch.	Unch.	-	Unch.	Unch.	-	Unch.	19	30	-	26
BoJ	-0.10	Unch.	-	Unch.	Unch.	-	Unch.	Unch.	-	19	21	-	19
SNB	-0.75	-	-	Unch.	-	-	Unch.	-	-	12	-	-	19
BoC	1.75	Unch.	Unch.	-	Unch.	-	Unch.	Unch.	-	4	22	-	4
RBA	0.75	Unch.	Unch.	-25bp	-25bp	Unch.	Unch.	-25bp	Unch.	3	-	4	3
RBNZ	1.00	-	-25bp	Unch.	-	-50bp	Unch.	-	Unch.	-	-	12	25
Norges Bank	1.50	-	Unch.	+25bp	-	Unch.	+25bp	Unch.	-	19	23	-	19
Riksbank	-0.25	Unch.	-	-	Unch.	-	Unch.	Unch.	-	19	-	12	-

Source: Bloomberg, Santander. Note: Current levels as at 28-November-19. For meetings that have already taken place, decision identified as +/- in bp, or "unch" for no change. "-" denotes no meeting taking place that month *FOMC rate refers to upper bound rate. US, EZ and UK rates forecasts correct as at last I&E report (6-Nov-2019).

Brazil/Mexico Interest Rate forecasts

Brazil	Current	1Q20	2Q20	3Q20	4Q20
SELIC	5.00	4.00	4.00	4.00	4.00
NTNF Jan' 25s	6.61	5.95	6.06	6.18	6.31
NTNF Jan.' 29s	7.08	6.65	6.73	6.81	6.90

Mexico	Current	1Q20	2Q20	3Q20	4Q20
Banxico fondeo	7.50	6.75	6.50	6.50	6.50
Mbono Mar. '23s	6.74	6.80	6.70	6.70	6.60
MBono May. '29s	6.96	7.00	6.90	6.80	6.70

Chile/Argentina Interest Rate Forecasts

Chile	Current	1Q20	2Q20	3Q20	4Q20
BCCh TPM	1.75	1.75	1.75	1.75	1.75
BCP 5Y	2.84	2.85	2.90	2.95	3.00
BCP 10Y	3.15	3.30	3.40	3.50	3.60

Argentina	Current	1Q20	2Q20	3Q20	4Q20
LELIQ 7-day	63.00	51.00	47.00	43.00	39.00

LatAm Central Bank Calendar

	Current Rate	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Brazil	5.00	-	Unch.	Unch.	-50bp	-	-50bp	-50bp	-	11	-	5	18
Mexico	7.50	-	Unch.	Unch.	-	-25bp	-25bp	-	-25bp	19	*	*	*
Chile	1.75	-	Unch.	-50bp	Unch.	-	-50bp	-25bp	-	6	*	*	*
Colombia	4.25	Unch.	-	Unch.	Unch.	-	Unch.	Unch.	-	20	*	*	*
Argentina*	63.00	+578bp	-320bp	-804bp	-229bp	+2287bp	-489bp	-1037bp	~	~	~	~	~
Peru	2.25	Unch.	Unch.	Unch.	Unch.	-25bp	Unch.	Unch.	-25bp	12	*	*	*

CEE Interest Rate Forecasts

Poland	Current	1Q20	2Q20	3Q20	4Q20
Reference Rate	1.50	1.50	1.50	1.50	1.50
2y	1.33	1.45	1.50	1.50	1.50
10y	1.96	2.20	2.20	2.30	2.30

CEE	Current	1Q20	2Q20	3Q20	4Q20
Hungary	0.90	0.90	0.90	0.90	0.90
Czech Republic	2.00	2.25	2.50	2.50	2.75
Russia	6.50	6.50	6.25	6.25	6.25

CEE Central Bank Calendar

	Current Rate	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Poland	1.50	Unch.	Unch.	Unch.	Unch.	-	Unch.	Unch.	Unch.	4	8	5	4
Czech Republic	2.00	-	+25bp	Unch.	-	Unch.	Unch.	-	Unch.	19	-	6	26
Hungary	0.90	Unch.	Unch.	Unch.	Unch.	Unch.	Unch.	Unch.	Unch.	17	28	25	24
Russia	6.50	Unch.	-	-25bp	Unch.	-	-25bp	-50bp	-	13	-	7	20

Source: Bloomberg, Santander. Note: Current levels as at 28-November-19. For meetings that have already taken place, decision identified as +/- in bp, or "unch" for no change. "-" denotes no meeting taking place that month. *On 7 August 2018 = Argentina's monetary policy committee voted unanimously to change the key interest rate to 7-day Leliq rate, which the bank has been changing on a daily basis since the October 2018 (the decision was made fortnightly previously). *2020 meeting dates not yet released.

Forecasts and returns vs. forwards and consensus (% non-annualised)

	3M	6M	9M
EUR/USD	**1.14**	**1.15**	**1.16**
vs.forward	3.6	4.5	5.4
vs.consensus forecast	1.8	1.8	1.8
GBP/USD	**1.26**	**1.26**	**1.27**
vs.forward	-2.4	-2.4	-1.7
vs.consensus forecast	-3.1	-4.5	-4.5
EUR/GBP	**0.90**	**0.91**	**0.91**
vs.forward	6.2	7.1	7.2
vs.consensus forecast	6.4	6.1	6.2
USD/JPY	**111**	**112**	**113**
vs.forward	1.4	2.3	3.2
vs.consensus forecast	3.7	4.7	6.6
EUR/JPY	**127**	**129**	**131**
vs.forward	5.0	6.9	8.8
vs.consensus forecast	5.5	7.3	8.3
EUR/CHF	**1.12**	**1.13**	**1.13**
vs.forward	1.9	2.8	2.8
vs.consensus forecast	0.9	0.9	0.9
USD/CHF	**0.98**	**0.98**	**0.97**
vs.forward	-1.7	-1.7	-2.5
vs.consensus forecast	0.3	0.3	-0.6
EUR/SEK	**10.6**	**10.5**	**10.4**
vs.forward	0.4	-0.5	-1.5
vs.consensus forecast	-0.5	-1.4	-1.9
EUR/NOK	**9.9**	**9.8**	**9.7**
vs.forward	-2.1	-3.1	-4.1
vs.consensus forecast	-0.5	-0.5	-1.4
USD/CAD	**1.28**	**1.27**	**1.25**
vs.forward	-3.7	-4.4	-6.0
vs.consensus forecast	-3.0	-3.1	-3.8
AUD/USD	**0.68**	**0.69**	**0.70**
vs.forward	0.4	1.9	3.4
vs.consensus forecast	0.0	0.0	0.0
NZD/USD	**0.64**	**0.65**	**0.66**
vs.forward	-0.4	1.2	2.7
vs.consensus forecast	0.0	1.6	1.5

	3M	6M	9M
USD/BRL	**4.10**	**4.10**	**4.05**
vs.forward	-3.6	-3.6	-4.7
vs.consensus forecast	3.8	2.5	1.3
EUR/BRL	**4.67**	**4.72**	**4.70**
vs.forward	-0.1	0.8	0.4
vs.consensus forecast	5.7	4.3	3.0
USD/MXN	**19.8**	**20.1**	**20.3**
vs.forward	0.9	2.5	3.5
vs.consensus forecast	0.5	3.6	4.6
EUR/MXN	**22.6**	**23.1**	**23.5**
vs.forward	4.6	7.1	9.1
vs.consensus forecast	2.3	5.4	6.5
USD/CLP	**780**	**800**	**780**
vs.forward	-6.6	-4.2	-6.6
vs.consensus forecast	8.6	9.6	6.6
EUR/CLP	**889**	**920**	**905**
vs.forward	-3.3	0.1	-1.6
vs.consensus forecast	10.6	11.5	8.5
USD/ARS	**74**	**81**	**88**
vs.forward	22.9	34.9	48.0
vs.consensus forecast	30.1	15.2	22.7
EUR/ARS	**84**	**93**	**103**
vs.forward	27.4	41.0	56.0
vs.consensus forecast	32.4	17.3	24.8
EUR/PLN	**4.30**	**4.30**	**4.30**
vs.forward	-0.5	-0.5	-0.5
vs.consensus forecast	0.0	-0.2	0.5
EUR/CZK	**25.4**	**25.2**	**24.9**
vs.forward	-0.7	-1.4	-2.6
vs.consensus forecast	-1.6	-1.2	-2.4
EUR/HUF	**340**	**345**	**345**
vs.forward	1.1	2.6	2.6
vs.consensus forecast	4.6	3.8	4.4
EUR/RUB	**76**	**81**	**81**
vs.forward	8.3	14.1	15.1
vs.consensus forecast	4.0	9.8	9.4

Direct returns of long currency positions against the USD (or EUR), in %. Equivalent tenors for forwards. FX forecasts interpolated from end-of-quarter forecasts. Sources: Bloomberg and Santander.

G10 FX: Spot and forward rates

	EUR/USD	GBP/USD	USD/JPY	EUR/JPY	GBP/JPY	USD/CHF	EUR/CHF	GBP/CHF
Spot	1.101	1.295	109.45	120.52	141.71	0.999	1.100	1.294
1M	1.104	1.297	109.14	120.50	141.51	0.996	1.100	1.292
2M	1.106	1.298	108.97	120.52	141.41	0.994	1.099	1.290
3M	1.108	1.299	108.80	120.54	141.30	0.992	1.099	1.289
6M	1.114	1.302	108.22	120.59	140.90	0.986	1.098	1.283
9M	1.120	1.305	107.67	120.63	140.49	0.979	1.097	1.278
12M	1.126	1.308	107.14	120.67	140.09	0.974	1.096	1.273

ATMf vol.

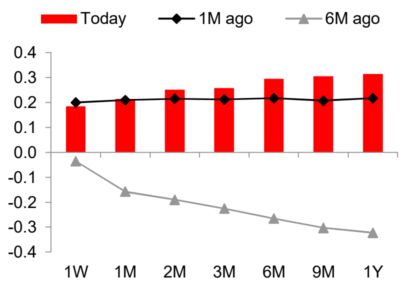
	EUR/USD	GBP/USD	USD/JPY	EUR/JPY	GBP/JPY	USD/CHF	EUR/CHF	GBP/CHF
1W	3.5%	7.5%	3.8%	4.3%	7.3%	4.1%	3.7%	7.4%
1M	3.9%	11.0%	4.4%	5.1%	11.7%	4.3%	3.8%	10.9%
2M	4.3%	9.9%	4.8%	5.3%	10.2%	4.6%	4.0%	9.9%
3M	4.4%	9.4%	5.2%	5.6%	9.8%	4.8%	4.1%	9.3%
6M	4.8%	8.5%	5.7%	6.2%	9.3%	5.2%	4.3%	8.5%
9M	5.1%	8.3%	6.1%	6.5%	9.2%	5.5%	4.5%	8.3%
12M	5.5%	8.4%	6.6%	6.9%	9.3%	5.9%	4.7%	8.2%

Implied/realized vol. ratio

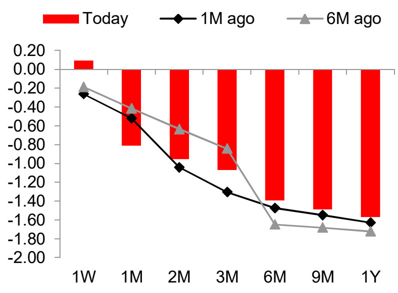
	EUR/USD	GBP/USD	USD/JPY	EUR/JPY	GBP/JPY	USD/CHF	EUR/CHF	GBP/CHF
1W	0.95	1.20	1.24	0.99	1.09	1.04	1.00	1.18
1M	1.00	1.99	1.02	1.01	1.84	0.93	0.95	1.82
2M	0.95	1.07	1.03	0.93	1.00	0.90	0.89	1.04
3M	0.90	1.06	1.03	0.90	0.98	0.88	0.87	1.00
6M	0.94	1.07	0.95	0.97	0.99	0.85	0.92	1.00
9M	1.01	1.03	1.05	1.02	0.98	0.98	1.01	0.98
12M	1.02	1.02	1.06	1.02	0.94	1.02	1.04	0.98

25-delta risk reversals

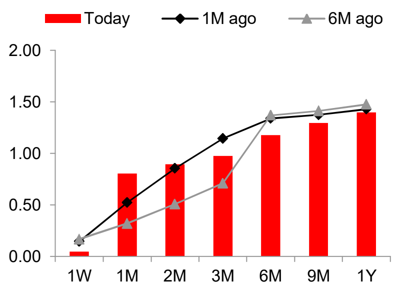
EUR/USD



GBP/USD



EUR/GBP



Sources: Bloomberg and Santander. As of 28-November-19

Latin America FX: Spot and forward rates

	USD/ARS	USD/BRL	USD/CLP	USD/COP	USD/MXN	USD/PEN
Spot	59.8	4.26	819	3509	19.6	3.38
1M	64.5	4.27	817	3515	19.6	3.39
2M	70.1	4.27	816	3521	19.7	3.39
3M	73.8	4.28	816	3526	19.8	3.40
6M	83.1	4.30	814	3546	20.1	3.41
9M	93.4	4.32	813	3568	20.4	3.42
12M	102.3	4.35	812	3591	20.6	3.43

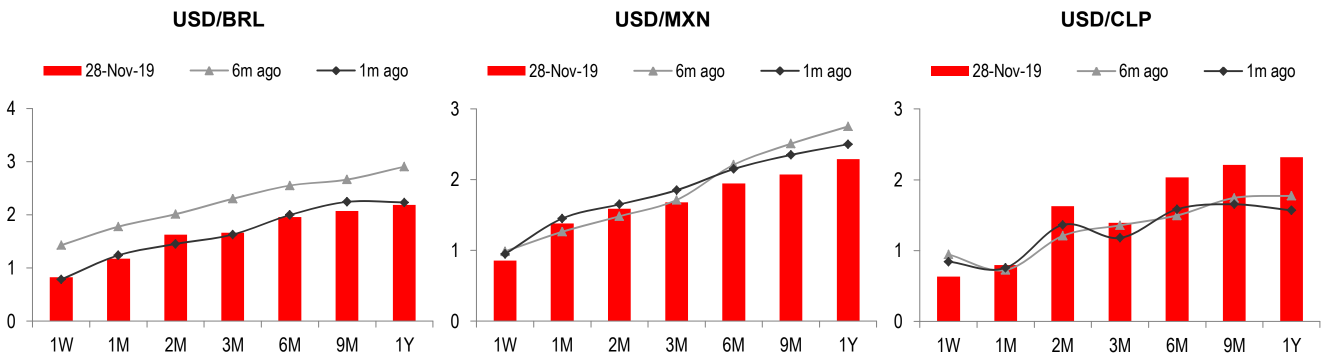
ATMf vol.

	USD/ARS	USD/BRL	USD/CLP	USD/COP	USD/MXN	USD/PEN
1W	6.33	12.20	17.25	11.68	7.47	4.10
1M	8.90	11.44	16.77	11.75	8.06	4.37
2M	11.85	11.77	15.36	11.52	8.65	4.63
3M	13.48	11.93	14.82	11.52	8.89	4.73
6M	16.83	12.19	13.63	11.52	9.60	5.05
9M	18.78	12.35	12.79	11.45	10.02	5.32
12M	19.95	12.47	12.40	11.43	10.51	5.47

Implied/realized vol. ratio

	USD/ARS	USD/BRL	USD/CLP	USD/COP	USD/MXN	USD/PEN
1W	2.31	1.16	1.30	0.91	0.90	1.08
1M	2.12	0.95	0.84	0.96	1.02	1.00
2M	1.78	1.04	1.00	1.12	1.23	0.94
3M	0.54	1.07	1.12	1.17	1.23	0.94
6M	0.39	1.01	1.20	1.07	1.02	1.04
9M	0.51	0.99	1.21	1.09	1.05	1.20
12M	0.61	0.99	1.21	1.13	1.08	1.28

25-delta risk reversals



Sources: Bloomberg and Santander. As of 28-November-19

IMPORTANT DISCLOSURES

ANALYST CERTIFICATION:

All of the views expressed in this report accurately reflect the personal views of the undersigned analyst(s) about any and all of the subject securities or issuers. In addition, the undersigned analyst(s) has not and will not receive any compensation, directly or indirectly, for providing a specific recommendation or view in this report: Stuart Bennett, Michael Flisher, Jankiel Santos, Guillermo Aboumrad, Juan Pablo Cabrera, Juan Arranz, Marcin Sulewski, Wojciech Mazurkiewicz

The analysts referenced in connection with the section for which he or she is responsible may have received or will receive compensation based upon, among other factors, the overall profitability of the Santander group, including profits derived from investment banking activities.

EXPLANATION OF THE RECOMMENDATION SYSTEM

RECOMMENDATIONS	
	Definition
Long / Buy	Appreciation of a given currency with an expected return of at least 5% in 3 months.
Short / Sell	Depreciation of a given currency with an expected return of at least 5% in 3 months.

NOTE: Given the recent volatility seen in the financial markets, the recommendation definitions are only indicative until further notice.

DEFINITIONS

***Net Speculative Contracts**	Long non-commercial traders contracts minus short non-commercial traders contracts.
****Open Interest**	The total number of outstanding long and short futures contracts. These data may not be the same as the IMM's total open interest data.
*****USD composite index**	USD composite index uses AUD, CAD, CHF, EUR, GBP, JPY, NZD and MXN IMM positioning to arrive at an aggregate USD position.

We generally review our FX recommendations monthly, in our regular FX Compass publication, and when market events/moves so warrant.

Comprehensive disclosures for all G-10 Rates, Macro & FX Strategy/research produced by Banco Santander, S.A. can be found on our website.

G10 Rates/FX Strategy

Antonio Villarroya	Head of Macro and Strategy Research	antvillarroya@gruposantander.com	+34 91 257 2244
Stuart Bennett	**Head G10 FX Strategy**	**stuart.bennett@santanderCIB.co.uk**	**+44 33114 80134**
Michael Flisher	**G10 FX Strategist**	**michael.flisher@santanderCIB.co.uk**	**+44 33114 80232**
Antonio Espasa	Chief Economist	aespasa@gruposantander.com	+34 91 289 3313
Laura Velasco	Economics	laura.velasco@gruposantander.com	+34 91 175 2289
Beatriz Tejero	Economics	beatriz.tejero@gruposantander.com	+34 91 257 2410
Stuart Green	UK Economics	stuart.green@santanderCIB.co.uk	+44 20 7756 6170
Adam Dent	UK Rates Strategy	adam.dent@santanderCIB.co.uk	+44 20 7756 6223
José María Fernández	Rates Strategy	josemariafernandezl@gruposantander.com	+34 91 257 2244
Cormac O'Connell	Rates Strategy	cormac.oconnell@gruposantander.com	+34 91 257 2244

Latin America Research – Strategy

Juan Pablo Cabrera	**Chief Rates & FX Strategist – Chile**	**jcabrera@santander.cl**	**+56 22 320 3778**
Juan Miguel Arranz	**Chief Rates & FX Strategist – Argentina**	**jarranz@santanderrio.com.ar**	**+54 11 4341 1065**

Latin America Research – Economics

Sergio Galván	Economist – Argentina	sgalvan@santanderrio.com.ar	+54 11 4341 1728
Jankiel Santos	**Economist – Brazil**	**jankiel.santos@santander.com.br**	**+55 11 3012 5726**
Guillermo Aboumrad	**Economist – Mexico**	**gjaboumrad@santander.com.mx**	**+52 55 5257 8170**
Marcela Bensión	Economist – Uruguay	mbension@santander.com.uy	+59 82 1747 5537

Central and Eastern Europe

Maciej Reluga	Head CEE Macro, Rates & FX Strategy	maciej.reluga@santander.pl	+48 22 534 1888
Piotr Bielski	CEE Economist	piotr.bielski@santander.pl	+48 22 534 1888
Marcin Sulewski	**CEE Economist**	**marcin.sulewski@santander.pl**	**+48 22 534 1884**
Wojciech Mazurkiewicz	**CEE Economist**	**wojciech.mazurkiewicz@santander.pl**	**+48 22 534 1886**

IMPORTANT DISCLOSURES

This report has been prepared by Banco Santander, S.A. and is provided for information purposes only. Banco Santander, S.A. is registered in Spain and is authorised and regulated by Banco de España, Spain.

This report is issued in the United States by Santander Investment Securities Inc. ("SIS"), in Spain by Banco Santander, S.A., under the supervision of the CNMV and in the United Kingdom by Banco Santander, S.A., London Branch ("Santander London"). SIS is registered in the United States and is a member of FINRA. Santander London is registered in the United Kingdom (with FRN 136261, Company No. FC004459 and Branch No. BR001085), and subject to limited regulation by the UK's Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA"). SIS, Banco Santander, S.A. and Santander London are members of Santander Group. A list of authorised legal entities within Santander Group is available upon request.

This material constitutes "investment research" for the purposes of the Markets in Financial Instruments Directive and as such contains an objective or independent explanation of the matters contained in the material. Any recommendations contained in this document must not be relied upon as investment advice based on the recipient's personal circumstances. The information and opinions contained in this report have been obtained from, or are based on, public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate, complete or up to date and it should not be relied upon as such. Neither the information nor forecast shall be taken as a representation for which Banco Santander, S.A., or any of its legal affiliates or any of their employees incur any responsibility. Furthermore, this report does not constitute a prospectus or other offering document or an offer or solicitation to buy or sell any of the currencies referred to in this report. Information and opinions contained in the report are published for the assistance of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient, are subject to change without notice and not intended to provide the sole basis of any evaluation of the instruments discussed herein.

This report may include forward looking statements about the objectives and strategies of members of Grupo Santander. Such forward looking statements are inherently subject to uncertainties beyond the control of the members of Grupo Santander including, but not limited to, economic and financial conditions globally, regulatory development, technological developments and competition. Any reference to past performance should not be taken as an indication of future performance.

This report is for the use of intended recipients only and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of Banco Santander, S.A.. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realised. Investors should note that the manner in which any strategies set out in this report are implemented may cause exposure to significant risk. Investors should carefully consider their ability to bear such risks through consultation with their legal, accounting and / or other advisors.

The material in this research report is general information intended for recipients who understand the risks associated with investment. It does not take into account whether an investment, course of action, or associated risks are suitable for the recipient. Furthermore, this document is intended to be used by market professionals (eligible counterparties and professional clients but not retail clients). Retail clients must not rely on this document.

To the fullest extent permitted by law, no Santander group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this report. All estimates and opinions included in this report are made as of the date of this report. Unless otherwise indicated in this report there is no intention to update this report.

Banco Santander, S.A. and its legal affiliates (trading as Santander and/or Santander Corporate & Investment Banking) may from time to time take positions in the currencies mentioned herein as principal or agent. Banco Santander, S.A. and its legal affiliates may have a financial interest in the currencies mentioned in this report, including a long or short position and/or options, futures or other derivative instruments based thereon, or vice versa.

Banco Santander, S.A. and/or a company in the Santander group is a market maker or a liquidity provider for EUR/GBP, EUR/JPY, EUR/PLN and EUR/USD.

ADDITIONAL INFORMATION

Banco Santander, S.A. or any of its affiliates, salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, Banco Santander, S.A. or any of its affiliates' trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

Investment research issued by Banco Santander, S.A. is prepared in accordance with the Santander group policies for managing conflicts of interest. In relation to the production of investment research, Banco Santander, S.A. and its affiliates have internal rules of conduct that contain, among other things, procedures to prevent conflicts of interest including Chinese Walls and, where appropriate, establishing specific restrictions on research activity. Information concerning the management of conflicts of interest and the internal rules of conduct are available on request from Banco Santander, S.A..

COUNTRY & REGION SPECIFIC DISCLOSURES

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by Banco Santander, S.A. Investment research issued by Banco Santander, S.A. has been prepared in accordance with Grupo Santander's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require that a firm establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only regarded as being provided to professional investors (or equivalent) in their home jurisdiction. **United States of America (US):** This report is being distributed in the US by Santander Investment Securities Inc. ("SIS"). Any US recipient of this report that would like to effect any transaction in any security or issuer discussed herein should do so with SIS, which accepts responsibility for the contents of this report. US recipients of this report should be advised that this research has been produced by a non-member affiliate of SIS and, therefore, as third-party research, not all disclosures required under FINRA Rule 2242 apply. **Hong Kong (HK):** This report is being distributed in Hong Kong by a subsidiary or affiliate of Banco Santander, S.A. Hong Kong Branch, a branch of Banco Santander, S.A. whose head office is in Spain. The 1% ownership disclosure satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for persons licensed by or registered with the Securities and Futures Commission, HK. Banco Santander, S.A. Hong Kong Branch is regulated as a Registered Institution by the Hong Kong Monetary Authority for the conduct of Advising and Dealing in Securities (Regulated Activity Type 4 and 1 respectively) under the Securities and Futures Ordinance. The recipient of this material must not distribute it to any third party without the prior written consent of Banco Santander, S.A. **China (CH):** This report is being distributed in China by a subsidiary or affiliate of Banco Santander, S.A. Shanghai Branch ("Santander Shanghai"). Santander Shanghai or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is greater than 1%, the specific holding is disclosed in the Important Disclosures section above.

For further country and region specific disclosures please refer to Banco Santander, S.A.

Local Offices

Madrid Tel: 34-91-257-2035 Fax: 34-91-257-0252	**Lisbon** Tel: 351-21-389-3400 Fax: 351-21-387 0175	**London** Tel: 44-870-607-6000 Fax: 44-20-7332-6909	**Milan** Tel: 39-02-8542-09810 Fax: 39-02-8606-71648
Brussels Tel: 32 2 286 5447 Fax: 32 2 230 6724	**Paris** Tel: 33 15353 7000 Fax: 33 15353 7060	**Frankfurt** Tel: 49 6959 67-6403 Fax: 49 6959 67-6407	**New York** Tel: 212-756-9160 Fax: 212-407-4540
Bogota Tel: 571-644-8008 Fax: 571-592-0638	**Buenos Aires** Tel: 54114-341-1052 Fax: 54114-341-1226	**Caracas** Tel: 582-401-4306 Fax: 582-401-4219	**Lima** Tel: 511-215-8133 Fax: 511-215-8161
Mexico DF Tel: 525-629-5040 Fax: 525-629-5846	**Santiago de Chile** Tel: 562-336-3300 Fax: 562-697-3869	**São Paulo** Tel: 5511-3012-5721 Fax: 5511-3012-7368	