The 2024 IGM G10 FX Outlook

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2024 offers no guarantees either

First, a look back

We concluded 2023's Outlook with 'the USD could be in relative demand, as there is still a lot to like in the big Dollar in an uncertain world' as we fought against many firms' expectations of a broad USD selloff this year.

See table above, the USD has been mostly a winner, most acutely vs the still in NIRP YEN and the NOK, which was undone by relative domestic economic weakness and the worrying EZ growth outlook.

DXY USD has been a light +0.6% winner, up for the third straight year albeit at a reduced pace.

GBP/USD has been a semi-surprise winner, buoyed in H1 in particular by overall firmer than expected UK data results and ultimately pricing out the likelihood of a recession which has not taken place. Cable though is well off those mid-year 1.3141-42 highs on fresh concerns over the UK economic outlook!

The CHF has been consistently strong, buoyed by some positive carry (CHF/JPY), some positive Swiss growth, a most trusted/neutral haven in an ever increasingly precarious world and likely most importantly large buying by the SNB in order to keep the Franc strong in the Bank's battle against inflation (which it seems to have won!).

Base Case

Similar to the issues we encounter in our monthly FX Forecasts updates, if we're to follow the crowd and relegate the USD to an outsize loser, we need to be confident that there are genuine alternatives.

We have identified AUD as one of the potential winners, but even that looks dependent on a soft US landing and relatively risk on trade as well as genuine recovery out of China. Possible, but no guarantees.

So, similar to 2023 and the USD looks to have peaked at the 2022 and perhaps this year's tops of 114.78 and 107.35, but losses look like they will stay relatively contained also.

Who is going to challenge US exceptionalism? The more pertinent question could in fact be if the US falls into recession at some point in 2024, which G10 nation is going show the economic resilience to avoid such a trap?

Who is the *yield differentials* winner? Maybe, the YEN, but a maybe at best.

A long USD market will go into 2024 seen as overvalued by many. Can the likes of the YEN, NOK bounce back?

The USD

BIAS IS NEUTRAL

Expected DXY USD Index trading range is 95.00 – 112.50

Perhaps it's due to the outsize weakness in the DXY USD Index in Q4 so far, but yet again we are greeted by a plethora of 'USD weakness in 2024' outlooks from all directions.

Talk about déjà vu all over again.

The main USD driver in Q4 and of the apparent 'coming' weakness is expected to be the Fed, as the market prices in the most aggressive cuts of all G10 central banks in 2024.

However, Q4 USD losses have also likely been driven by the equity rally on improved risk sentiment, narrower US rate differentials, softer energy prices and increased (not runaway) hopes on continued China economic recovery.

Though it remains difficult to shut our ears/close our eyes to such pessimistic views on the Dollar, we are once again going to exercise some caution.

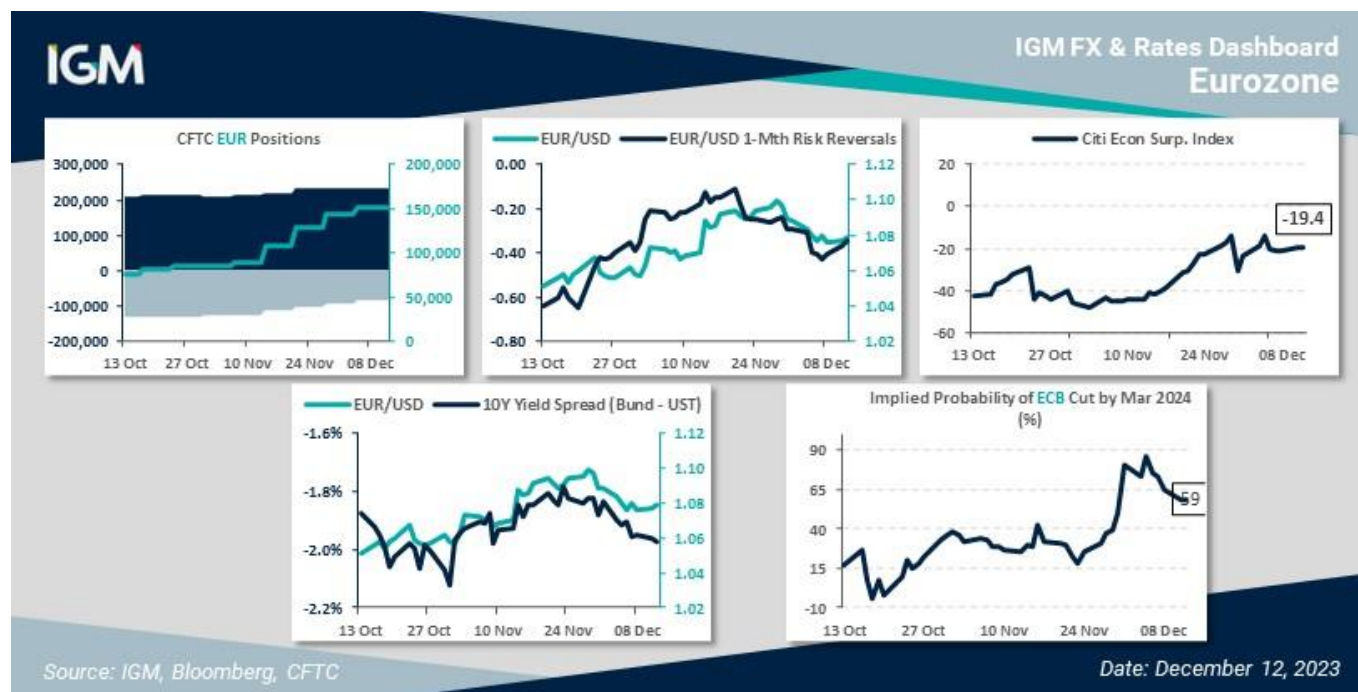
US inflation (particularly core) remains sticky (so the Fed could yet be higher for longer); fiscal policy is relatively expansionary, US exceptionalism is consistent as growth abroad stays weak amid the possibility still of a US soft landing.

It is up to the EU and the RofW to catch-up and overtake the States to garner some independent gains. USD bears have cited US services as a possible trigger. A further deterioration would indicate weaker domestic demand and potential recoupling with the rest of the world.

Several Fed rate cuts seem realistic in 2024, perhaps as many as three. Doves expect the easing cycle to start in Q2 (June favourite); non-doves see later.

RISK – Late 2024, but there is a US election, scheduled for November 5. It could be a Biden vs Trump repeat. And, some firms are already betting that a President Trump 2 term could mean trade wars, tariffs and USD support.

The EUR



BIAS IS BEARISH

Expected EUR/USD trading range is 1.0200 - 1.1100

We had predicted a relatively bullish 2023 for the EUR – mainly citing the hawkish path of the ECB – and while the road has certainly been a choppy one, EUR/USD looks on course to close around 2.8% higher on the year.

Indeed, we never really got much below the early-January lows of 1.0484 (a 2023 base was set at 1.0448 early-October), with a peak of 1.1276 hit mid-July.

Around 1.0800 now, EUR fortunes for 2024 now look rather bleak amid rapidly falling EZ inflation and a potential about-turn for ECB policy.

To this, we cite EZ CPI which fell to just 2.4% y/y in November from 5.4% in August, now closer to the ECB's 2% target than at any-point since mid-2021.The data cements an on-hold outcome for 2023's final meeting (December 14) and has spurred suggestions the ECB could start cutting rates as soon as March (18bps of cuts priced).

Lagarde has recently pushed back on such a prediction, saying no move should be expected "in the next couple of quarters", though prompting some (including Stournaras) to translate this as "in the beginning of Q3 2024, we might."

Should inflation continue to head towards the ECB's 2% target through 1Q 2024, so a more reasonable month to start easing policy, we suspect, might be June.

Such an outlook is arguably in line with what some policymakers have indicated – Stournaras has suggested that the first cut could come in the middle of 2024, a usually hawkish Schnabel cited a “remarkable” inflation slowdown,” while Vujcic has admitted that if the ECB’s projection proves correct in 2024 and 2025, then it’s “quite certain that there will be a cut in interest rates.”

Markets are currently pricing in some 150bps worth of ECB rate cuts through end-2024.

Economic prospects, meanwhile, don’t look set to improve anytime soon after the EZ economy fell 0.1% q/q in Q3, and the ECB is certainly at risk of holding a too-optimistic view of the near-term growth and inflation outlook.

At the same time, while FED is also expected to start its easing cycle next year, the USD is nonetheless likely to gain the upper hand in terms of economic prospects and yield advantage, while a bleak geopolitical picture suggests safe-haven flow will prove a key support over the coming year.

Furthermore, when the market talks on the Fed cutting interest rates, it anticipates it will be first, and in size, heavily pressuring US yields and the USD (October/November). But the more dovish the market gets, the less the USD impact will be. Also, core US inflation remains sticky and so, while USD positioning is far from overstretched, any early-2024 narrative of sending the USD lower may well be blind to its medium-term prospects.

RISK - An unexpected revival for inflation in H2 would shelve any ECB easing prospects for the foreseeable future and provide the EUR with a potentially substantial yield advantage over its counterparts.

The YEN

BIAS IS NEUTRAL

Expected USD/YEN trading range is 129.50 – 151.50.

USD/YEN looks capped below 150.00 after BOJ governor Ueda latterly admitted it will become even more challenging from year-end/heading into 2024 to manage policy (though he also added inflation data is well above the BOJ’s target of 2.0%, but inflationary trend is yet to be anchored above the level).

Ueda followed BOJ D-G Himino who signaled the BOJ is inching closer to ending the world's last NIRP. While he reiterated a standard pledge to continue with monetary easing until the BOJ achieves its goal of sustainable inflation with wage increases, he also lay out a hypothesis on what might happen if indeed rates go positive.

Himino indicated a first rate hike since 2007 might not be as harmful as feared - households could benefit from improved net income; corporate sector impact would likely be limited and the financial system is resilient enough to cope with that transition.

Since, bets have been raised Japan could end YCC *and* NIRP this month in the 'live' BOJ MPM. If not then, certainly in H1 2024. Japanese yields have been spiking and in a very long market, larger USD/YEN drops are widely touted.

Japan final Q3 GDP was revised softer at -2.9% annualised q/q, but C/A and cash earnings improvements suggest a rebound in growth this quarter though policy wise we had previously been waiting on the Spring's wage talks as possible trigger for something more hawkish from the BOJ.

RISK - The YEN has not attracted sustained natural demand for some years. Is potentially ending YCC/NIRP enough to turn it around? Say if Japan rates rise to +0.1% or +0.25% at a maximum is that sufficient to attract the return of the international investor (probably not unless US yields tumble), its safe haven status etc?

The BOJ is historically cautious. *If* the global prices outlook continues its downward trajectory and some G10 central banks begin their rate cutting cycles, will Ueda and co have the 'balls' to move in the other direction?

NB And on our December 11 deadline, 'sources' say BOJ officials see little need to rush into exiting NIRP this month as they are yet to see enough evidence of wage growth that would support sustainable inflation. Shock!!

For the very most part, we see 130.00 – 150.00 holding in 2024.

The GBP

BIAS IS NEUTRAL-TO-BEARISH

Expected GBP/USD trading range is 1.1750 – 1.3500.

Something to keep an eye on through 2024 will be the recently (albeit temporarily) breached 4.00% mark in the UK 10-year yield, a first time since May 22. A sustained break south could well prove a relative (broad?) weight ahead.

GBP is set to continue to trade at a discount to historical averages in 2024 on a combination of unhelpful weak growth and relatively high inflation.

However, lower yields and rate cuts look the main direction of travel for much of the G10 in 2024. There is expected UK growth underperformance; services inflation is slowing from 7.4% y/y highs in May and wage growth has seemingly topped out. The BOE went earlier than the Fed hiking wise, could they do the same on the way down? We think between one and three BOE rate cuts in 2023, which seems to be less than growing (overdone?) market consensus.

The UK's C/A deficit stays a concern, increasingly financed by portfolio flows, less stable than foreign direct investment and it is this factor that could work to prevent more meaningful gains vs EUR much beyond 0.8500.

RISK 1 – A 2024 election is possible. Since June 23 2016 and that fateful Brexit vote day, politics has proved a weight. We doubt heavy favourites the Labour Party and a new government would sufficiently turn things round. Ahead, could the Conservative Party roll one last throw of the dice with some potentially positive fiscal support?

RISK 2 – As the UK's standing in the world wanes, GBP has become a far more risk sensitive currency in the 2000s. Some investors will focus on the global risk backdrop. Even a US soft landing might not able to inspire a lasting 1.30-plus return given the murky domestic outlook.

The CHF

BIAS IS NEUTRAL-TO-BULLISH

Expected EUR/CHF trading range is 0.9100 – 1.0100.

This time last year we were emphasizing just how much had changed in the previous twelve months for the Swiss National Bank, as they had finally exited their NIRP and had switched from intervening to prevent too much Franc strength, to actively seeking a stronger currency in order to counter imported inflation.

We would say that it has been a pretty successful 2023 for the SNB, with core inflation having been below the central bank's 2% target for seven months in a row now, while the headline rate slowed to 1.4% in Nov, its lowest level since October 2021. These are levels that must be the envy of pretty much all the other major central banks.

The SNB have raised rates by another 75bps in 2023, with a 50bps hike in March and a 25bps move in June, but the central bank surprised markets in September by keeping rates at 1.75% instead of raising rates by another 25bps which was forecast.

At the time, SNB President Jordan stated that the central bank could afford to take a break from their round of rate hikes and stressed that in the current environment their focus was on selling foreign currency.

The move showed that the SNB had eschewed a potentially damaging rate hike, in order to focus on keeping the Franc strong to help dampen down inflation.

As we head into the last few weeks of the year, the Franc stands proud atop the G10 currency performance table for 2023, over 1% above the next best performer, the Pound.

In a year where we have seen sharp rises in interest rates from many of the major global central banks, it is interesting to see that one of the countries with the lowest terminal interest rate and fewest rate hikes, has a currency that has performed so well.

The Franc has clearly benefitted from some safe haven flows over the year, due to global growth concerns amid the surge in long-term interest rates and the extremely disturbing events in Israel/Gaza, but the main factor behind the Franc strength is the SNB's preference to use currency intervention to keep the Franc strong, rather than the less precise tool of rate hikes.

The SNB do see a short-term rise in inflation due to higher electricity prices and rents in the next few months and like any good central bank at the moment, they continue to warn that if inflation does not behave itself then they would have no qualms about coming back to interest rate rises.

Until the SNB displays a satisfaction with inflation developments, we would expect the central bank to keep emphasizing their determination to keep the Franc strong and act accordingly.

While the SNB has failed to keep pace with the ECB during this tightening cycle, history suggests that Jordan and Co will match the moves on the way down.

Meanwhile, the Swiss economic performance has been largely disappointing in 2023, with negative growth in Q2, while the manufacturing PMIs and the KoF survey reads slumped in Q3 and are yet to muster much of a recovery.

RISK – For us the main driver of the Franc next year, is how long the SNB decides it wants to keep the currency supported for, but geo-political issues are always likely to be a factor and the Ukraine/Russia conflict rumbles on, while there is the new tensions on the Middle East to monitor as well.

The CAD

BIAS IS NEUTRAL-TO-BEARISH

Expected USD/CAD trading range is 1.3100 – 1.4100.

The CAD is remarkably unchanged vs the USD and is a mid-ranker in the G10 FX performance table for 2023. The strong correlation between the two currencies is well known, but this sort of compatibility is incredible.

The Loonie did record a 2.5% appreciation against the Usd in the first half of 2023, but the waning interest rate expectations both in the US and Canada in recent months has seen the Canadian unit hand back those gains.

Now, there is over 100bps worth of easing by the Bank of Canada implied next year by the Canadian OIS curve, while US futures show that Fed expectations are not far behind.

We will continue to focus on developments in Canada's housing market amid the looming wall of mortgage renewals. It is estimated around two-thirds of mortgages by value will be up for renewal over the next three years, shifting borrowers from the ultra-low rates of the COVID era to much higher. If we do not see significant BoC rate cuts next year, it is forecast these renewals will push the average monthly mortgage payment up by 15% in 2024, 30% by 2025 and 45% by end-2026. In aggregate all those extra interest payments would amount to a 20% reduction in the national disposable income by end-2026.

The BoC will be aware of these numbers and are expected to play a large factor in determining monetary policy next year.

The Canadian economy is closely tied to the performance of its neighbours to the south, so the fundamental picture will be worth monitoring, as the US economy is set to slow after a sparkling Q3.

Prior easing cycles show that the Fed and the BoC usually adopt concurrent strategies, but disinflation is expected to materialize more quickly in Canada.

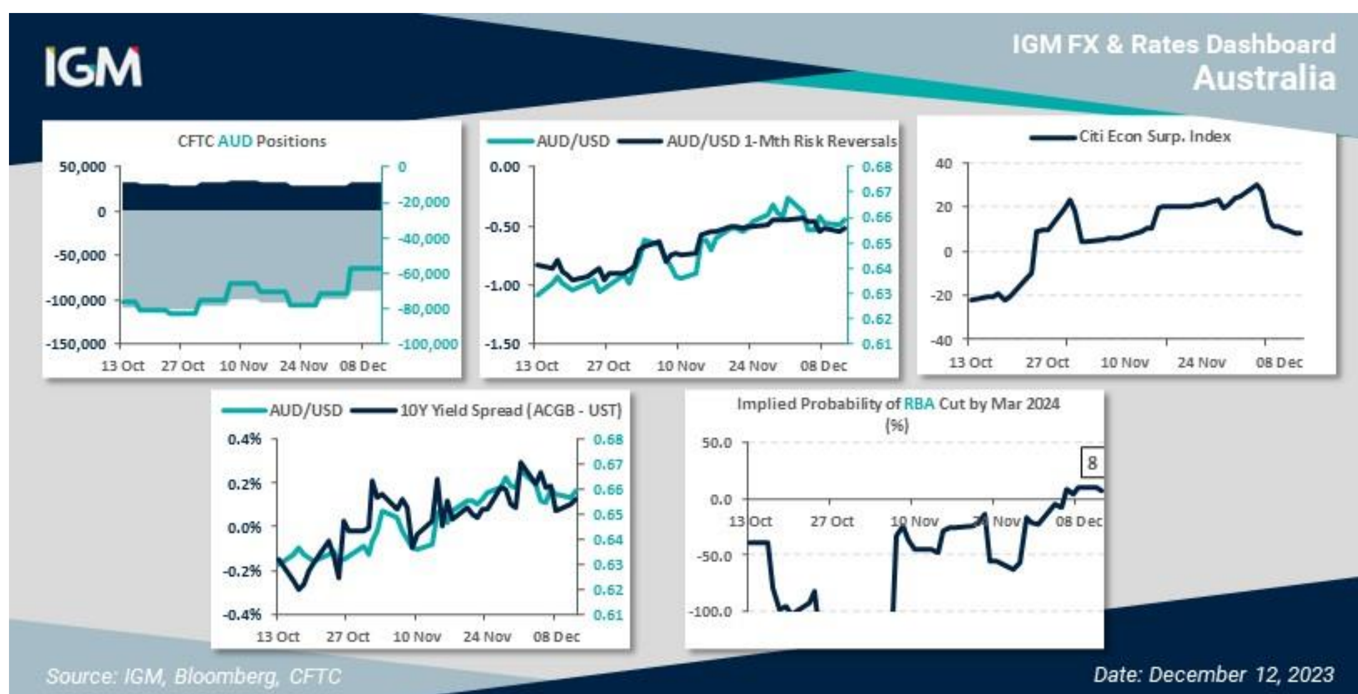
Remember another strong correlation for the Loonie, is the performance of global equity markets, but the recent bout of strength seen in those markets has not come to the Loonie's aid, probably because it has occurred at the same time as a notable sell-off in oil and commodity prices.

While disinflation is expected to manifest itself in a more pronounced fashion in Canada, we think it is unlikely to happen quickly enough for a first rate cut in April, the current market expectation. We expect a first rate cut a meeting or so later, as the move from 3% inflation to 2% inflation proves to be tougher than expected.

Look for interest rate differentials to remain key and while we are slightly CAD bearish vs USD Dollar, we are more upbeat on the currency's performance vs the Euro bloc, as the EZ economy continues its struggles in H1 2024.

RISK – We suspect main risk would be a deviation from the current course of a US soft landing. If we get a harder landing, then Usd weakness would prove a template for CAD underperformance and equity market concerns.

The AUD



BIAS IS BULLISH

Expected AUD/USD trading range is 0.6280 - 0.7200

After peaking at 0.7158 in February and basing at 0.6270 in October, AUD/USD looks on course to end 2023 down just ~1.5% since the start of the year.

Another choppy 12 months can't be ruled out, though on balance, we suspect the Aussie's fortunes should finally develop for the better.

First up, policy divergences are glaringly obvious for Q1 2024, with markets hastily pricing in Fed cuts to start perhaps as early as March, certainly by May, while in contrast, the RBA cannot realistically shut the door on further possible tightening.

Indeed, while December's "hold" outcome was accompanied by a somewhat less-hawkish statement than many had been anticipating, local inflation has, in truth, receded only gradually and upside risks remain, while an improving global backdrop also promises to support AUD/USD next year.

The Reserve Bank is on-balance likely to maintain its cash rate at a 12-year high of 4.35% through the first three quarters of 2024, though Governor Bullock has stated whether further tightening is required to ensure that inflation returns to target in a reasonable timeframe will depend on the data and the evolving assessment of risk.

"Higher interest rates are working to establish a more sustainable balance between aggregate supply and demand in the economy," Bullock said, adding "Holding the cash rate steady will allow time to assess the impact of the increases in interest rates on demand, inflation and the labour market."

Australia's fourth quarter inflation data is now critical for the RBA. If it fails to cool down, then renewed pricing for a Q1 hike is likely. The RBA will also focus on services inflation before the February decision.

Further out, markets currently expect the first 25bp RBA rate cut to be implemented by September, but still, any RBA monetary easing will lag that of the Fed and, together, relative growth and monetary policy trends should be supportive of the AUD in 2024.

Momentum in the Australian economy looks to have slowed further in 4Q 2023, and while the outlook isn't especially buoyant for next year amid an uncertain Chinese outlook, the country should nonetheless avoid an outright decline in activity. That contrasts with the mild recession expected for the US.

PBOC support for the Yuan as well as resilient iron ore prices should both provide additional bullish drivers.

Note also, in February, the RBA will introduce a new system under which the rate statement will be signed by a MPC and Bullock will hold a post-meeting presser. RBA meetings will also be reduced to eight from 11 per year.

RISK - Geopolitical risk and safe-haven demand for USD could keep a lid on significant AUD/USD gains throughout the year, while failure for Chinese authorities to step up to the plate could prove dire for the Aussie.

The NZD

BIAS IS NEUTRAL

Expected NZD/USD trading range is 0.5500 – 0.6575.

The RBNZ is 525BPs into its tightening cycle begun in October 2021 and is highest-yielding G10 after the USD.

Comment from November’s fourth straight unchanged OCR suggests Orr and co are not in a rush to change bias.

The RBNZ latterly signaled there’s an increased risk it could hike again next year. 'Inflation remains too high. The Committee remains wary of ongoing inflationary pressures; interest rates will need to remain at a restrictive level for a sustained period of time.' New forecasts show a higher track for the OCR through 2024, implying a greater chance of an increase, and no reduction until mid-2025.

Also, a new National Party led coalition (reduced spending, inflationary tax cuts) has been advocating for a change of the RBNZ’s remit. The controversial dual mandate could go to focus solely on inflation targeting. That could mean a higher for longer OCR and a NZD positive.

The RBNZ was second to hike (after the Norges Bank) in G10 land. It it is unlikely to be at the forefront of cutters. One or two cuts in H2 2024 looks realistic at this stage.

Elsewhere, we see mixed drivers everywhere and little choice but to oscillate 0.6000 for large parts of next year.

Yes, there’s high carry and strong and supportive inward migration, explaining much of the resilience in domestic demand. However, the ongoing weight of a widening NZ C/A deficit to 7.5% of GDP and relatively weak dairy prices does not bode well. Fonterra see moderate downside risks in milk prices next year and the recession threat could hover for much of the year.

RISK – NZD/USD stays highly sensitive to global risk demand and is at the mercy of US economic performance (soft landing?) and the Fed rate outlook and all things China. The latter could well be main driver, with performance vs the more sensitive AUD proxy significant also.

GDP has likely bottomed, but we think it will be another year of China wrestling with internal (local government debt, the property sector) and external challenges, not least its continued strained relationship with the US.

The NOK

BIAS IS BEARISH

Expected EUR/NOK trading range is 10.6750 – 13.0500.

2023 has been another volatile year for the KRONE, but unlike 2022, which saw EUR/NOK trade in a rollercoaster fashion, it has mostly been a year of weakness for the Norwegian unit. Eur/Nok surged above the 12.0000 level in May to hit a three year high, while USD/NOK made two separate forays above the 11.2500 level, one in May and the other in October, which were also the pair's highest levels since the Covid-19 inspired spike in March 2020.

At the moment the Krone is vying with the Japanese Yen for last place in the G10 table of FX performance for 2023.

The factor that has been the Krone's undoing this year has been the continued rise in global interest rates. Looking back at 2023's Outlook, the market was of the opinion that, for the majority of the world's central banks, the tightening cycle was near its peak, but that conclusion has proven very premature.

The Norges Bank ended 2022 with interest rates at 2.75%, which at the time was a thirteen year high, but now there is great debate over whether another rate hike will be delivered in December, which would take rates to 4.5%.

There are other parallels with late last year, with the latest Norges Bank Regional Survey pointing to no growth in Q4 2023 and a contraction in Q4, which is similar to the gloomy outlook presented in December 2022.

The survey and the lower wage growth forecasts than the Norges Bank expects, that were contained within the regional network survey, argue against a final rate hike, but the November CPI report, 4.8% y/y and a 5.8% y/y underlying, could be the determining factor.

We suspect that the weakness seen in the domestic economy and the worrying growth developments occurring in the Eurozone economy, will cause the Norges Bank to keep rates on hold, but the depreciation seen in the Krone in the fourth quarter could well be a major factor.

We have pencilled in just two Norges Bank rate cuts in for the year ahead, compared to the markets five, as we suspect that the slowdown in inflation will be slower than seen by its counterparts, due to the weakness in the Krone.

Looking into 2024, we expect the Krone to keep underperforming the G10 complex. We are most concerned about the headwinds that would occur due to the economic weakness expected in the Eurozone. Norway has a high exposure to EU trade and there is also a strong correlation between ECB first rate cuts and Krone weakness.

The wider market is certainly firmly on the side of a US soft landing, but if that theory does not transpire, the risk sensitive Krone will come under pressure.

RISK - Look for risk sentiment and oil prices to be major drivers again for the Norwegian unit, but it is hard to believe that we will not see a major market disruption, given the fine balancing act that major central banks must perform in their policy pathway between growth and inflation developments.

The SEK

BIAS IS NEUTRAL

Expected EUR/SEK trading range is 10.80 - 11.80

EUR/SEK started the year trading near 11.19, hitting 2023 lows of 10.9882 in February before surging to a 11.9954 peak in September as the Swedish economy fell to its knees and markets lost faith in the Riksbank's ability to shore up krona losses.

That was as bad as it got for the Sek however, with EUR/SEK since embarking on a fresh downturn (to reach ~11.20 in recent trade and leaving the pair virtually flat on the year) after the central bank took more forceful action, pledging, as of September 25th, to carry out FX sales for hedging purposes amid an expectation for the krona to stage a sharp rebound.

Such hedging operations could run as long as the end of March, meaning that, while the Swedish economy is now in recession, the local currency should remain well supported into dips heading into the new year.

At the same time, yield differentials look set to keep EUR/SEK under water – for the first half of 2024 at least, as the ECB enjoys its successful fight against inflation to see markets eagerly price some 150bps of ECB cut next year, while in contrast, the Riksbank has left the door open for an early-2024 hike. The Riksbank has pledged to keep monetary policy contractionary for a relatively long period and stands prepared to raise rates further, perhaps at the start of 2024, should CPI prospects deteriorate.

Governor Thedeen has also cited the risk of more upside revisions to their inflation forecasts. The Riksbank's forward guidance indicates about a 40% probability of an early-2024 hike.

Note, the Riksbank will decide on whether to increase the pace of sales of government bonds at the late-Jan meeting. The first policy announcement of 2024 is due on February 1st, with about a 20% probability currently assigned to a hike.

Verbal propping of the Sek is also expected to continue in earnest. Policymakers see the currency as “unjustifiably weak” and have warned if it does not strengthen further, then monetary policy “may need to be tightened more than in the main scenario so that inflation reaches the target within a reasonable period of time."

Further ahead, the SEK could endure a downside correction during Q3 as inflation falls back to target and thoughts turn to potential rate cuts in Sweden.

The Riksbank’s latest forecasts show that the CPIF measure it targets will fall below 2% by next summer, and while Thedeen has said he won’t relax until underlying inflation declines in a sustained way, seeing CPIF at or below 2% will certainly increase pressure on the Riksbank to induce a dovish shift.

Risks to Sweden’s economic outlook may also start to resurface around the end of Q2. Sweden's economy is expected to contract by 0.7% overall this year and remain close to stagnant in 2024 (Bloomberg suggest 2024 will post a meagre annual gain of 0.2%). Such a bleak outlook also suggests unemployment is set to rise, though the hit to demand should help CPIF inflation head back towards the Riksbank's 2% target around the middle of next year.

Once headline inflation is contained and core price gains are on a receding trend, so speculation for the first-rate cuts in H2 2024 will start to emerge - which should in theory support a pick-up in activity heading into 2025.

In turn, any 2H SEK weakness endured could well be short-lived, and a buoyant recovery is certainly possible by year-end.

RISK - It looks to be another choppy year for the Krona. Downside risks could rapidly pick-up when the Rikbank’s hedging operations are complete in March. Unless the central bank announces additional measures to continue supporting the krona, then a sharp setback could ensue sooner than we think.

Summary

If expectations of US (and global) recession spike the USD could stay relatively bid vs a number of the G10s on increased risk aversion.

In that backdrop, we might look elsewhere and that ultimate haven **gold** and a potential lasting big break above Usd 2000/oz.

Gold could be sought after on reduced USD demand as well as lower global yields, speculator led demand and as a reserve diversification asset.

Much might depend on whether China can pick up the slack. This year’s exit from Beijing’s COVID-zero policy has proved insufficient to fully turn things round amid a beleaguered property sector and cautious external demand.

The admin response has been piecemeal in terms of monetary and fiscal support. The economy has all but bottomed, but recovery is inconsistent and growth momentum fragile.

The 2023 growth target of 5.0% was unambitious, but looks achievable.

Can 2024 bring better? Beijing will be fighting structural headwinds.

The 2020s have shown us that you cannot prepare for everything and some of the more obvious risks of potential recession, elections, house prices drops etc are overtaken by war/s, spiking energy prices and mass migration flows.

What could be the 2024 shock? The USD's share of global FX reserves is in decline and perhaps the BRICS will form even closer ties and expand the group in a meaningful and material way (Saudi Arabia etc?), begin the process of forming a currency/union and threaten the USD's dominance. Seriously, this time.

Keep an eye on AI too. Trotted out tentatively at times this year as a USD prop amid intermittent positive correlation with US stocks that use the emerging technology.

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