

Global market news and insights from RBC Investor Services' Foreign Exchange Market Trading Desk

Where we stand

December saw a busy year end from Central Banks with a plethora of rate decisions. **Bank of Canada (BOC) was the most aggressive with their cut of 50 bps to a headline rate of 3.25%, both the FED and ECB cut 25 bps to 4.25-4.5% and 3% respectively, whilst the Bank of England (BoE) and Bank of Japan (BoJ) remained on hold at 4.75% and 0.25%.** Further cuts are priced in for January for the ECB but not for the Fed or the BoJ.

Broad based USD buying emerged throughout the month and into year-end as books were squared and rate differentials took shape. USD/CAD in particular stood out, with the pair rising from 1.40 to 1.4475, stopping just shy of 1.45. Sustained moves in EUR & GBP saw the currencies cede value to the greenback posting 2024 lows in the process of 1.0335 and 1.2475 respectively.

Global political tensions continued throughout December, heightened by terrorist activity in Germany and the US and a catastrophic plane crash in South Korea days after the impeachment of President Yoon.

On the horizon

Further **Central Bank rate cuts are expected in January** as data warrants further action to spark life into a global economy marred by political instability and change. Tensions remain high throughout the world on numerous fronts and 2025 starts with perhaps more questions than 2024 ended with. Volatility can be expected to follow through into markets to kick start the year in what could be a bumpy ride.

In Canada, **Finance Minister Chrystia Freeland quit** hours before the fall economic statement was set to be released. The economic statement revealed a **deficit of 61.9 billion** Canadian dollars which was 1.6% of GDP and significantly overshot the 40 billion promised by the Liberal party one year earlier. The sudden resignation of one of Justin Trudeau's closest allies who also served as Deputy Prime Minister resulted in calls for the PM to step down, which occurred on January 6.

Emerging markets

The **impeachment of President Yoon** along with the devastating Jeju Air crash at the end of December left the Korean Won toiling, setting a multi-year high of 1,487 in USD/KRW.








Continued expected uncertainty within the country could indeed see the psychological 1,500 level breached in an uncertain start to the year for the nation.

BRL capped the year with a 21% loss, rendering the BRL among the worst performing major currencies following the fiscal rout that roiled Brazilian financial markets and Real. The spending cut in November failed to materialize, falling short of investor demands and the country currently runs an annual budget gap of 10% which is an increase compared to Lula's first administration. **The Central Bank also stepped in during the month of December to intervene** and support the currency through nine spot auctions and five credit line auctions which contributed to a \$33.3 billion loss in reserves. Higher US rates drove down the value of US treasuries contributing to the loss in reserves as well.

HEADLINES

- BoC cut 50 bps again to 3.25%
- Fed cuts 25 bps to 4.25-4.5%
- ECB cuts 25 bps to 3%
- BoE and BoJ on hold
- USD buying across the board
- Political tensions globally heightened

KEY UPCOMING EVENTS

DATE	EVENT
JAN 10	 US unemployment
JAN 20	 Trump inauguration
JAN 24	 BoJ rate decision
JAN 29	 US rate decision
JAN 29	 BoC rate decision
JAN 30	 ECB rate decision
FEB 6	 UK rate decision



EDITOR

CONTRIBUTORS



Taylor Richardson
Head
FX Market Trading



James Laden
Associate Director
FX Trading



Joseph Lim
Associate Director
FX Trading



Simon Taylor
Associate Director
FX Trading



Matthew Lu
Analyst
FX Trading

For more information on global currency markets, please contact the [Market Services Team](#).

© Copyright Royal Bank of Canada 2025. RBC Investor Services™ is a global brand name operating primarily through the following companies: Royal Bank of Canada and RBC Investor Services Trust and their branches and affiliates. In the United Kingdom (UK), RBC Investor Services operates through RBC Investor Services Trust, UK Branch, authorized and regulated by the Office of the Superintendent of Financial Institutions of Canada. Authorized by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available on request. RBC Offshore Fund Managers Limited is regulated by the Guernsey Financial Services Commission in the conduct of investment business. Registered company number 8494. This document is provided for general information only and does not constitute financial, tax, legal or accounting advice, and should not be relied upon in that regard. RBC Investor Services makes no representation or warranty of any kind regarding the accuracy or completeness of any information contained or referred to in this document. To the full extent permitted by law, neither RBC Investor Services nor any of its affiliates or any other person accepts any liability whatsoever for any direct, indirect or consequential loss or damage arising from any use of the information contained herein by the recipient or any third party. Links to external websites are for convenience only. RBC Investor Services does not review, endorse, approve, control or accept any responsibility for the content of those sites. Linking to external websites is at your own risk. ® / ™ Trademarks of Royal Bank of Canada. Used under licence.