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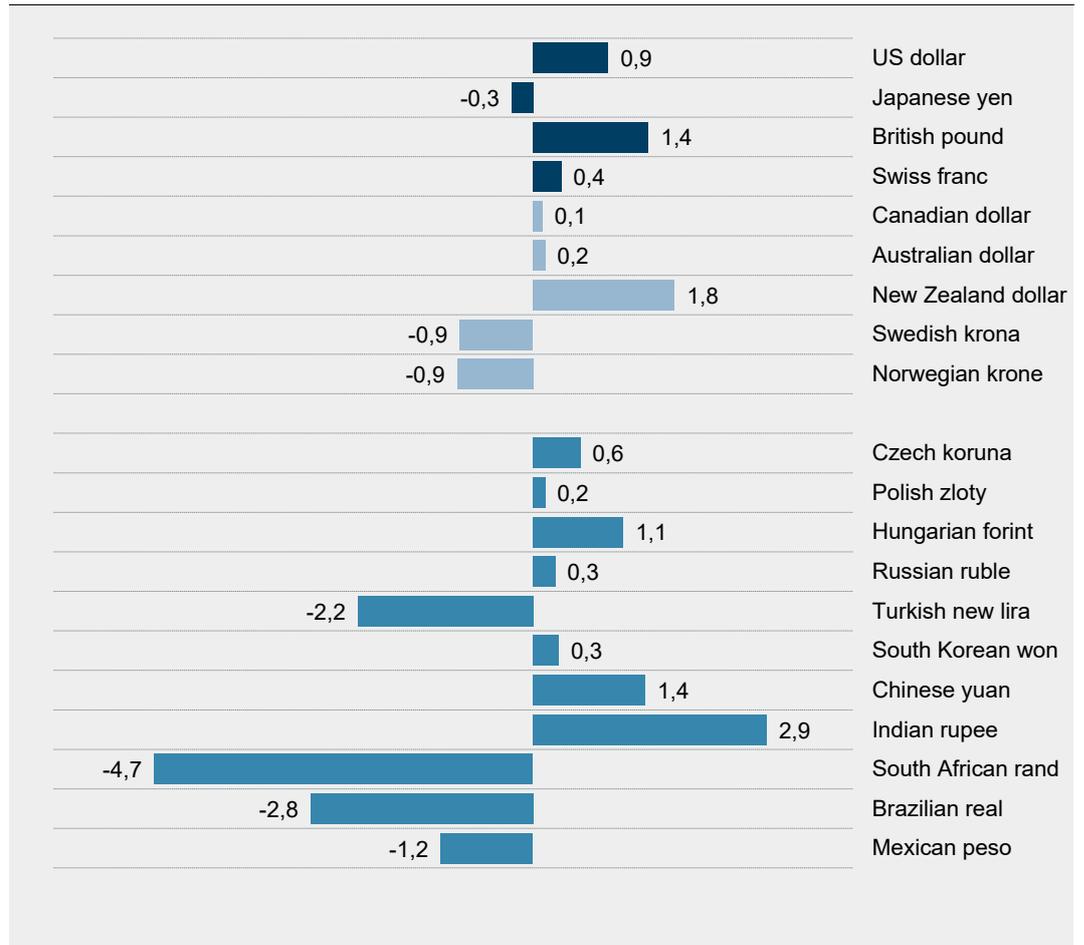
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- In this edition you will find brief analyses of the US dollar, Swiss franc, British pound, Japanese yen, Norwegian krone, and the Swedish krona, as well as the Australian dollar, the Canadian dollar, and the Chinese yuan.
- The euro lost ground against the US dollar and especially against the British pound. The Scandinavian currencies tended to be weak. A few emerging market currencies, like the South African rand, declined noticeably.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 02/07 to 03/08/19)



■ Core currencies ■ Rest of G10 ■ Currencies of emerging countries

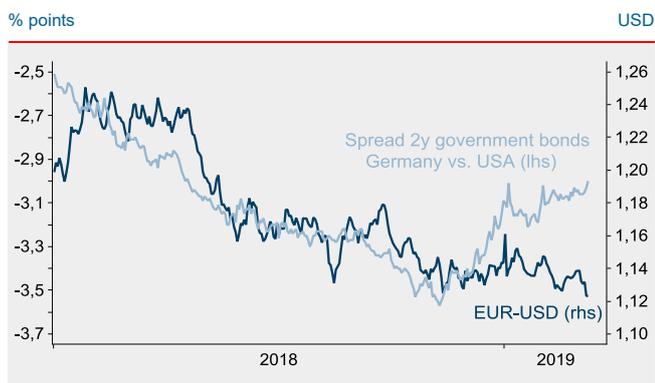
Sources: Bloomberg, Helaba Research

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US dollar, Swiss franc and British pound

US yield advantage declines in spite of ECB

USD



Sources: Macrobond, Helaba Research

Trend: depreciation

The euro-dollar exchange rate fell temporarily below 1.12. Economic uncertainties in the euro zone persist, and the ECB postponed its interest rate turnaround. In the US, economic momentum is gradually waning. The Fed has become hesitant. Irrespective of a further step, the US Federal Reserve is likely to end its rate hike in 2019. The US yield advantage is likely to decline further, especially if the economy in the euro zone begins to recover. US trade and budget deficits speak against the Greenback. The euro-dollar rate should rise significantly in the medium term.

High propensity for risk a burden for the franc

CHF



* calculated from VIX, high-yield spreads, gold-copper ratio

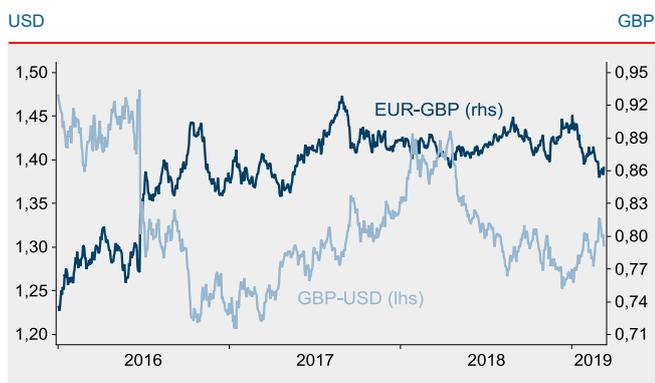
Sources: Macrobond, Helaba Research

Trend: depreciation

The Swiss franc gained somewhat against the euro, and the euro-franc exchange rate is just over 1.13. The risk appetite has recently declined, but it tends to argue fundamentally against safe haven investments. The nervousness in the financial markets should ease noticeably in the course of the year. The Swiss economy grew only moderately in the final quarter of 2018, inflation was low. The Swiss central bank is far from a turnaround on interest rates. Even an ECB turnaround on interest rates in the more distant future could be sufficient for the euro-franc rate to rise to 1.20.

Pfund sterling at ease in spite of Brexit

GBP



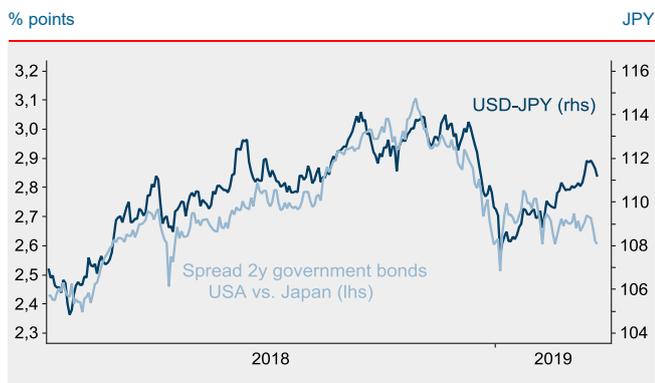
Sources: Macrobond, Helaba Research

Trend: appreciation

The pound continued to appreciate, the euro-pound rate fell temporarily below 0.86. An end to the Brexit drama is not in sight, but there are signs of an extension of the deadline. So far there is no majority in parliament for Prime Minister May's deal or an alternative. However, the increasing pressure to reach an agreement should boost the parties' willingness to compromise – at least during the extended deadline. Ultimately, an orderly Brexit is the most likely outcome. Despite temporary risks of a setback, the pound is likely to rise and the euro-pound rate should fall below 0.85.

Japanese yen, Norwegian krone and Swedish krona

Smaller yield disadvantage supports yen vs US dollar



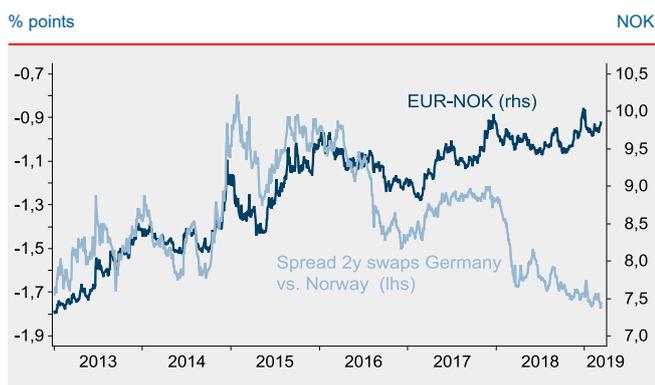
Sources: Macrobond, Helaba Research

JPY

Trend: sideways against the euro

The Japanese yen depreciated against the US dollar and traded almost unchanged against the euro. The risk attitude declined recently, which reduced the negative for the yen. Japan's growth improved, but overall economic data was mixed. Since inflation is also low, the central bank will not act. A higher risk attitude in the course of the year could damage the yen. Still, thanks to the low interest rate disadvantage, Japan's currency should nevertheless appreciate against the US dollar. The Yen will tend to move sideways against the Euro.

Norwegian yield advantage has actually grown



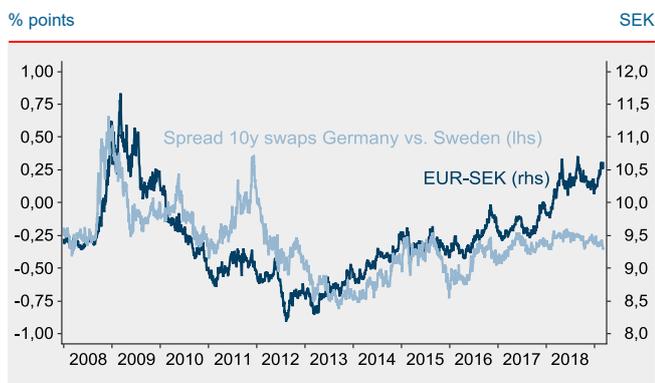
Sources: Macrobond, Helaba Research

NOK

Trend: appreciation

The Norwegian krone was among the losers, the euro-krone exchange rate climbed above 9.8. The hesitant ECB weighed on the krone rather than the euro. Norway's central bank may react to the ECB and postpone its interest rate hike. In Norway, however, growth is intact and inflation has risen. The price of crude oil has also risen slightly in recent weeks. The central bank should ultimately act. The yield advantage has already widened and points to a strong appreciation of the krone. The euro-krone exchange rate should fall clearly.

Yield advantage of Swedish krona widened further



Sources: Macrobond, Helaba Research

SEK

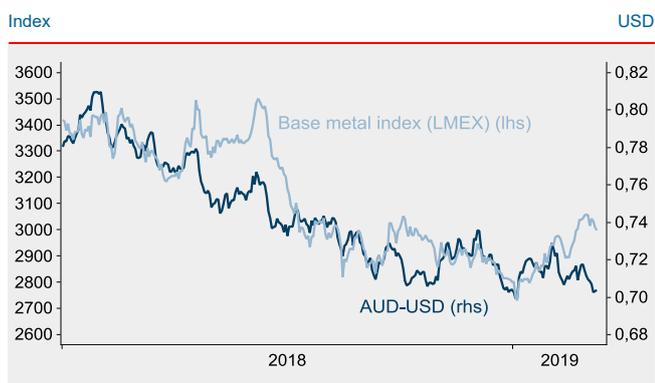
Trend: appreciation

The Swedish krona weakened once again. The euro-krona exchange rate is around 10.6. Sweden's growth was surprisingly strong, the previously lower leading indicators turned around. Inflation most recently fell marginally. In 2019, the central bank held out the prospect of a further interest rate hike. The economic picture points to a normalization of Swedish monetary policy. Even if the international environment still causes the Riksbank to hesitate, the interest rate spreads already point to a massive appreciation of the krona. The euro-krona rate should fall noticeably.

Australian dollar, Canadian dollar and Chinese yuan

Divergence between commodity prices and “Aussie”

AUD



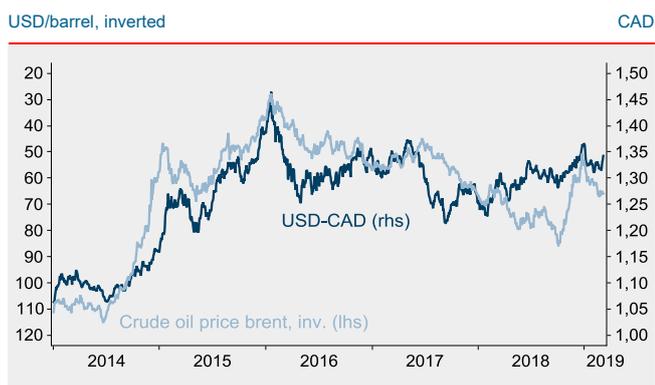
Sources: Macrobond, Helaba Research

Trend: sideways against the euro

The Australian dollar depreciated against the US dollar and traded little changed against the euro. Australian growth in the final quarter of 2018 was disappointing, other indicators stabilised. The central bank continued to advocate a wait-and-see approach. A rate cut being traded in the markets is by no means a certainty. Disputes with China are also weighing on the Aussie. Commodity prices, on the other hand, are providing a tailwind. The "Aussie" could appreciate against the US dollar. Australia's currency should move sideways against the euro.

Canadian dollar supported by oil prices

CAD



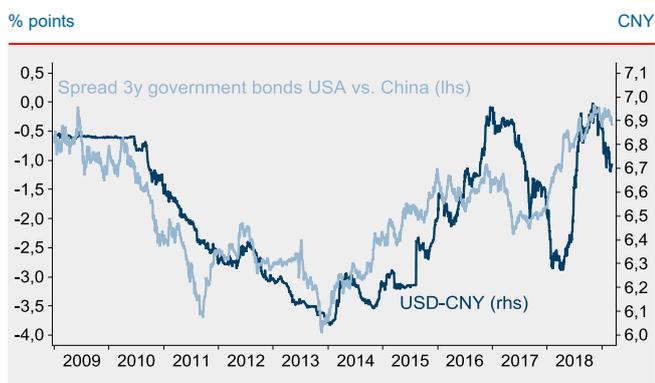
Sources: Macrobond, Helaba Research

Trend: sideways against the euro

The Canadian dollar traded almost unchanged against the euro and depreciated against the US dollar. Growth in Canada weakened, although the labour market remains very robust. The Canadian central bank reduced its economic expectations and put its cycle of interest rate hikes on hold for the time being. In a more favourable global environment, however, it could resume interest rate hikes. The price of crude oil supports Canada's currency. The "Loonie" will then presumably appreciate against the US dollar and remain stable against the euro.

Smaller yield advantage argues against the yuan

CNY



Sources: Macrobond, Helaba Research

Trend: depreciation against the euro

China's currency appreciated significantly against the euro and slightly against the US dollar. The dollar-yuan rate stands at 6.7. The US-China trade conflict seems to be easing – to the benefit of the yuan. Chinese growth is still a cause for concern, even though the government is taking stimulating measures – among other things, monetary policy is becoming more expansive. Yield spreads suggest a higher dollar-yuan rate in the short term. In the medium term, the exchange rate should be around 6.8. China's currency will presumably depreciate against the euro.

Helaba Currency Forecasts

	Performance			Forecast horizon at end ...			
	year to date	1 month	current*	Q1/2019	Q2/2019	Q3/2019	Q4/2019
vs. Euro (vs. Euro, %)							
US dollar	2,1	0,9	1,12	1,15	1,20	1,20	1,25
Japanese yen	0,8	-0,3	125	125	128	128	132
British pound	4,2	1,4	0,86	0,85	0,85	0,80	0,80
Swiss franc	-0,6	0,4	1,13	1,15	1,15	1,20	1,20
Canadian dollar	3,7	0,1	1,51	1,48	1,52	1,52	1,58
Australian dollar	2,0	0,2	1,59	1,55	1,60	1,58	1,58
Swedish krona	-4,2	-0,9	10,60	9,90	9,80	9,60	9,50
Norwegian krone	0,6	-0,9	9,84	9,30	9,10	8,90	8,80
Chinese yuan	4,2	1,4	7,55	8,05	8,28	8,28	8,50
vs. US-Dollar (vs. USD, %)							
Japanese yen	-1,3	-1,2	111	109	107	107	106
Swiss franc	-2,6	-0,6	1,01	1,00	0,96	1,00	0,96
Canadian dollar	1,6	-0,8	1,34	1,29	1,27	1,27	1,26
Swedish krona	-6,2	-1,8	9,43	8,61	8,17	8,00	7,60
Norwegian krone	-1,5	-2,0	8,77	8,09	7,58	7,42	7,04
Chinese yuan	2,3	0,4	6,72	7,00	6,90	6,90	6,80
US-Dollar vs. ... (vs. USD, %)							
British pound	2,0	0,5	1,30	1,35	1,41	1,50	1,56
Australian dollar	-0,1	-0,8	0,70	0,74	0,75	0,76	0,79

*08.03.2019

Sources: Bloomberg, Helaba Research ■