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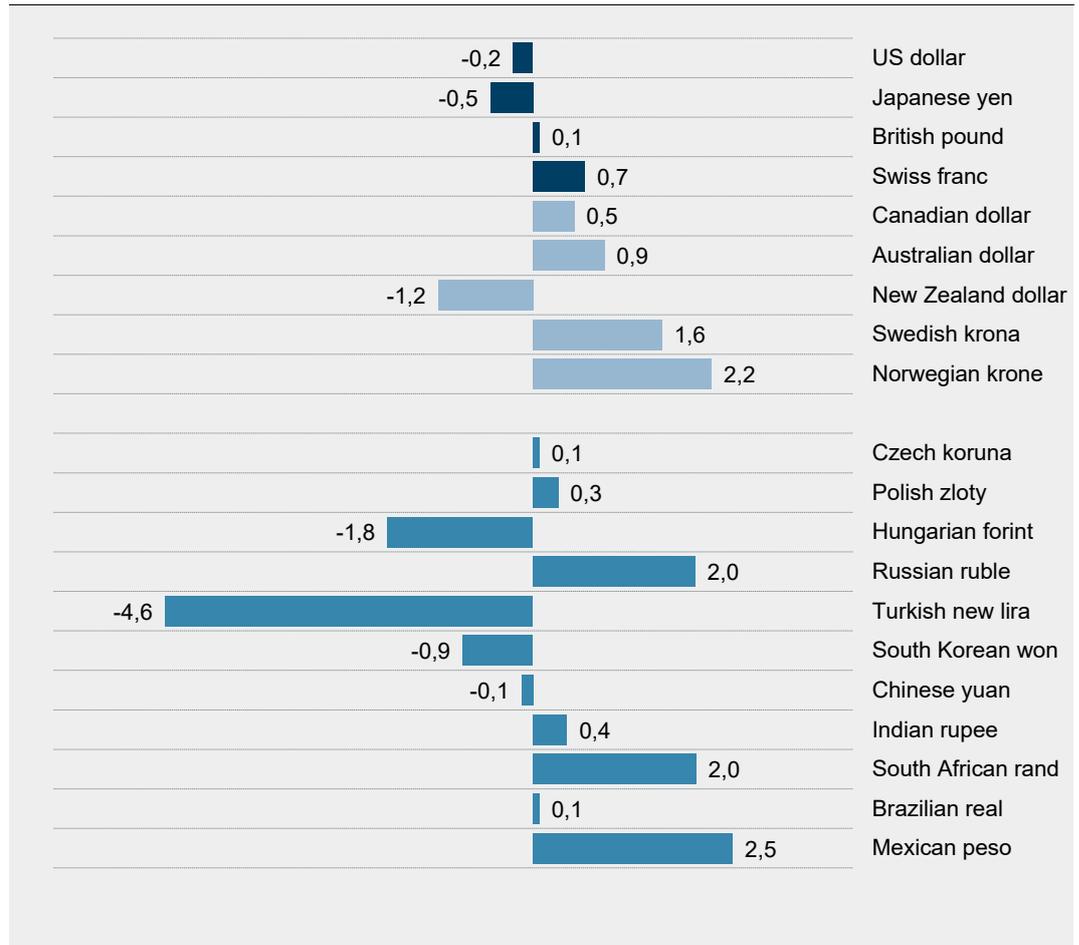
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- In this edition you will find brief analyses of the US dollar, Swiss franc, British pound, Japanese yen, Norwegian krone, and the Swedish krona, as well as the Australian dollar, the Canadian dollar, and the Chinese yuan.
- After some ups and downs, the major currencies traded little changed on balance on a month-over-month basis. Winners were the Swedish krona and the Norwegian krone. The picture in the emerging countries was mixed, with the Turkish lira coming under pressure.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 03/08 to 04/08/19)



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

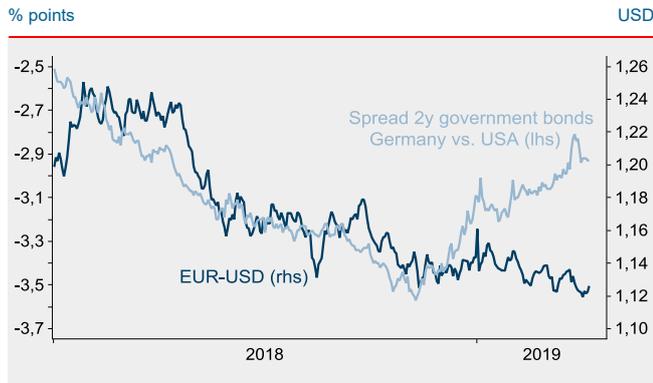
Sources: Bloomberg, Helaba Research

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US dollar, Swiss franc and British pound

US yield advantage shrinks, euro not profiting yet

USD



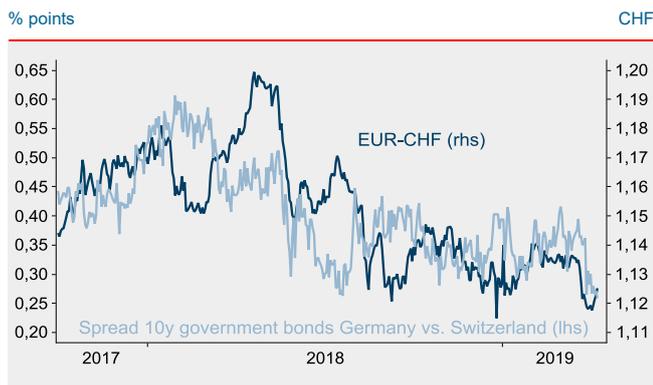
Sources: Macrobond, Helaba Research

Trend: depreciation

After ups and downs, the euro-dollar rate has barely changed and now stands at more than 1.12. The Fed did not hold out the prospect of a rate hike in 2019, after the ECB had previously postponed its interest rate turnaround. The US yield advantage continued to decline overall. In the course of the year, the US economy will probably lose some of its momentum. In the euro zone, on the other hand, growth is likely to strengthen again, so that yield differentials should move in favour of the euro. As political risks in Europe diminish, the euro-dollar rate should rise significantly.

Swiss yield disadvantage smaller for now

CHF



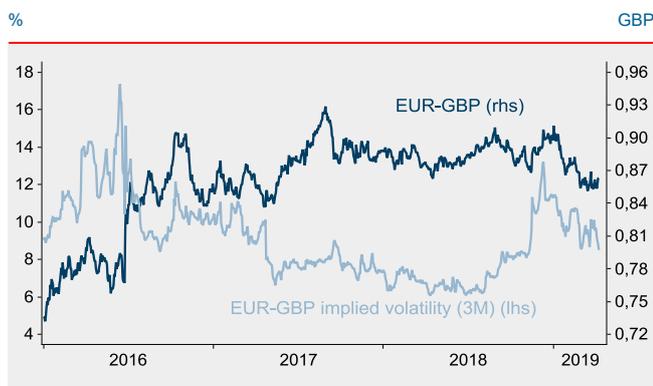
Sources: Macrobond, Helaba Research

Trend: sideways

The Swiss franc gained slightly against the euro, the euro-franc rate slipped below 1.13, at times even below 1.12. This even though safe investment havens were only temporarily in demand, and on balance risk aversion in the financial markets declined. In the absence of any prospect of an ECB interest rate turnaround, the interest rate advantage of the euro declined. The SNB reduced its inflation forecast, it will not raise interest rates and will at most intervene against its own currency. A diminishing nervousness should weigh on the franc, and the euro-franc rate should rise again.

Pound sterling: no panic!

GBP



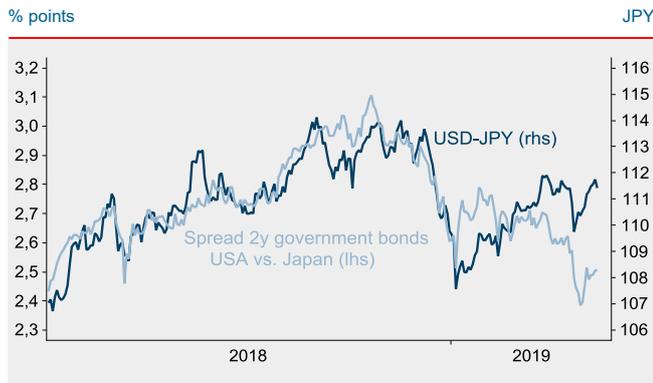
Sources: Macrobond, Helaba Research

Trend: appreciation

The Brexit drama is coming thick and fast, but the pound is reacting rather apathetically: the euro-pound rate is around 0.86. PM May failed a third time in Parliament with her deal and is talking to the opposition. The EU will probably extend again the deadline for Britain to leave, which has already been postponed to 12 April. If it does not, there is a danger of a chaotic Brexit that would hit the pound hard. Ultimately, an orderly withdrawal remains the most likely scenario, which would benefit the pound. The euro-pound rate should fall below 0.85, especially since the pound is undervalued.

Japanese yen, Norwegian krone and Swedish krona

Lower yield disadvantage supports yen vs. US dollar



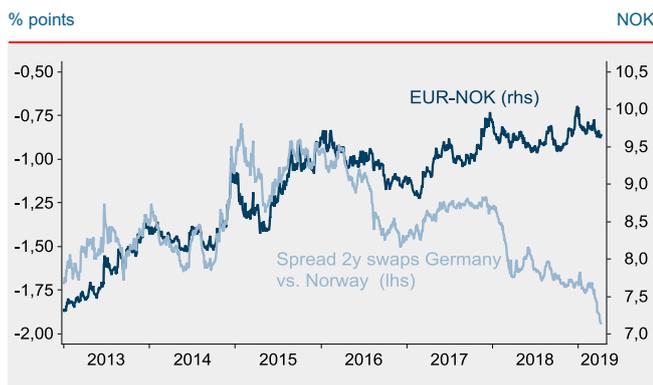
Sources: Macrobond, Helaba Research

JPY

Trend: sideways against the euro

The Japanese yen has hardly changed against the euro and the US dollar. The yen benefitted only briefly from new nervousness in the financial markets; overall, the risk aversion declined recently. Despite higher growth, the overall economic outlook in Japan is subdued. The BoJ will also not act because of low inflation. While the yen should appreciate against the US dollar due to the lower interest rate disadvantage, it could weaken somewhat against the euro, especially if the risk appetite continues to increase.

Do interest rate differences no longer matter?



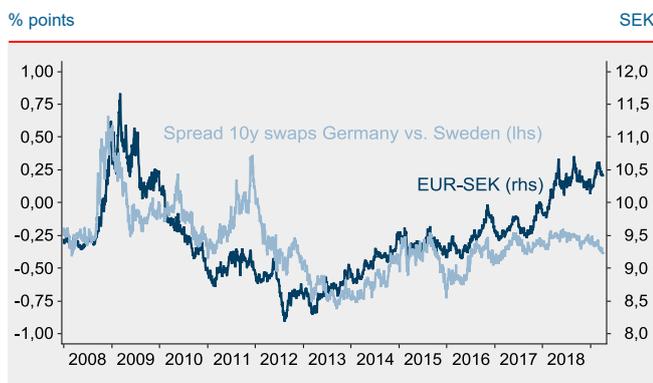
Sources: Macrobond, Helaba Research

NOK

Trend: appreciation

The Norwegian krone gained, the euro-krone rate fell close to its low of 9.6 for the year. Against the international trend, the Norwegian Central Bank raised its key interest rate to 1.0 %. It also indicated further steps. The Norwegian yield advantage over the euro climbed to long-term highs. Growth is solid, inflation picked up. In addition, the price of crude oil rose. Measured against the development of interest rates and oil prices, the appreciation of the krone was too moderate; in the long term, the currency is undervalued. The euro-krone rate should still fall significantly going forward.

Yield advantage of the Swedish krona grew again



Sources: Macrobond, Helaba Research

SEK

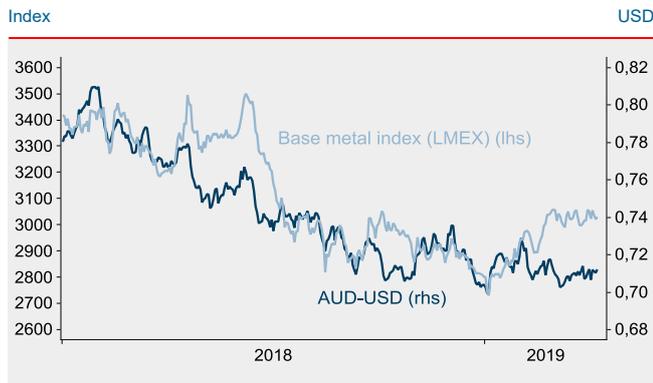
Trend: appreciation

The Swedish krona recovered and the euro-krone rate fell to 10.4. Nevertheless, the Swedish currency has been the weakest in the industrialized countries since the beginning of 2019. Sweden's growth is losing momentum overall, but is at a solid level. Inflation has recently fallen marginally. The central bank is holding out the prospect of another rate hike in 2019. Despite the international environment, Swedish monetary policy should continue to normalize. The interest rate differentials point to a massive appreciation of the krona. The euro-krone rate should weaken noticeably.

Australian dollar, Canadian dollar and Chinese yuan

Commodity prices stabilize the "Aussie"

AUD



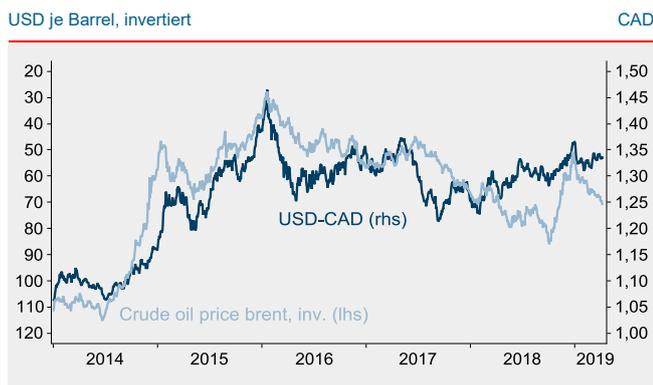
Sources: Macrobond, Helaba Research

Trend: sideways against the euro

The Australian dollar appreciated slightly against the US dollar and the euro. The Aussie was helped by growing hopes of a settlement in the US-Chinese trade dispute and more positive economic data from China. Base metal prices remained stable, and iron ore became more expensive, supporting the commodity currency. The speculations on interest rate cuts – due to the slowdown in growth – are probably somewhat exaggerated. The Aussie could therefore appreciate against the US dollar. Australia's currency should move sideways against the euro.

Crude oil prices argue in favour of the Canadian dollar

CAD



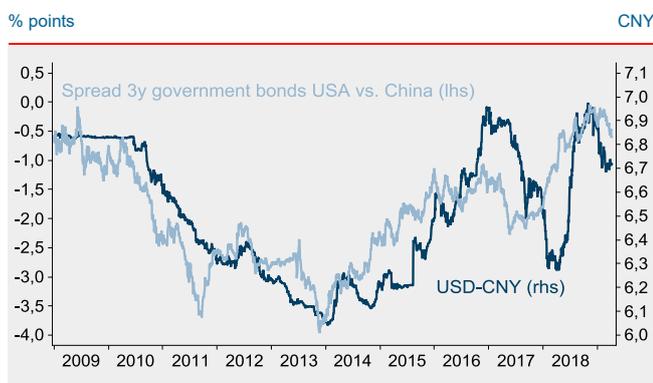
Sources: Macrobond, Helaba Research

Trend: sideways against the euro

The Canadian dollar hardly changed against the euro and the US dollar. Canada's currency thus barely benefited from the rising price of crude oil. The economic indicators were rather positive, and the slight slump has probably been overcome. Like the Fed, the Canadian central bank is in a waiting position. In a more favourable global environment, however, the BOC would resume interest rate hikes. With the tailwind from the price of crude oil, the Loonie should appreciate against the US dollar and remain stable against the euro.

Interest rate differences signal weaker yuan

CNY



Sources: Macrobond, Helaba Research

Trend: depreciation against the euro

After the fluctuations of the previous months, China's currency remained unchanged against the US dollar at 6.7. On balance, the yuan hardly moved against the euro. The US-Chinese trade conflict seems to be easing. Whether a possible deal would involve exchange rate alignment is doubtful. China's economic data showed the first rays of hope. Despite a correction, interest rate differentials suggest a higher dollar-yuan exchange rate. In the medium term, the exchange rate should be around 6.8. The yuan will probably depreciate against the euro.

Helaba Currency Forecasts

	Performance			Forecast horizon at end ...			
	year to date	1 month	current*	Q2/2019	Q3/2019	Q4/2019	Q1/2020
vs. Euro	(vs. Euro, %)						
US dollar	1,8	-0,2	1,13	1,20	1,20	1,25	1,25
Japanese yen	0,2	-0,5	126	128	128	132	132
British pound	4,3	0,1	0,86	0,85	0,80	0,80	0,80
Swiss franc	0,0	0,7	1,13	1,15	1,15	1,20	1,20
Canadian dollar	4,3	0,5	1,50	1,52	1,52	1,58	1,58
Australian dollar	2,9	0,9	1,58	1,60	1,58	1,58	1,56
Swedish krona	-2,7	1,6	10,43	9,80	9,60	9,50	9,50
Norwegian krone	2,9	2,2	9,63	9,10	8,90	8,80	8,80
Chinese yuan	4,0	-0,1	7,56	8,28	8,28	8,50	8,50
vs. US-Dollar	(vs. USD, %)						
Japanese yen	-1,6	-0,3	111	107	107	106	106
Swiss franc	-1,7	0,9	1,00	0,96	0,96	0,96	0,96
Canadian dollar	2,4	0,8	1,33	1,27	1,27	1,26	1,26
Swedish krona	-4,4	1,9	9,26	8,17	8,00	7,60	7,60
Norwegian krone	1,1	2,6	8,55	7,58	7,42	7,04	7,04
Chinese yuan	2,4	0,1	6,72	6,90	6,90	6,80	6,80
US-Dollar vs. ...	(vs. USD, %)						
British pound	2,4	0,4	1,31	1,41	1,50	1,56	1,56
Australian dollar	1,1	1,2	0,71	0,75	0,76	0,79	0,80

*08.04.2019

Sources: Bloomberg, Helaba Research ■