



FX BRIEFLY

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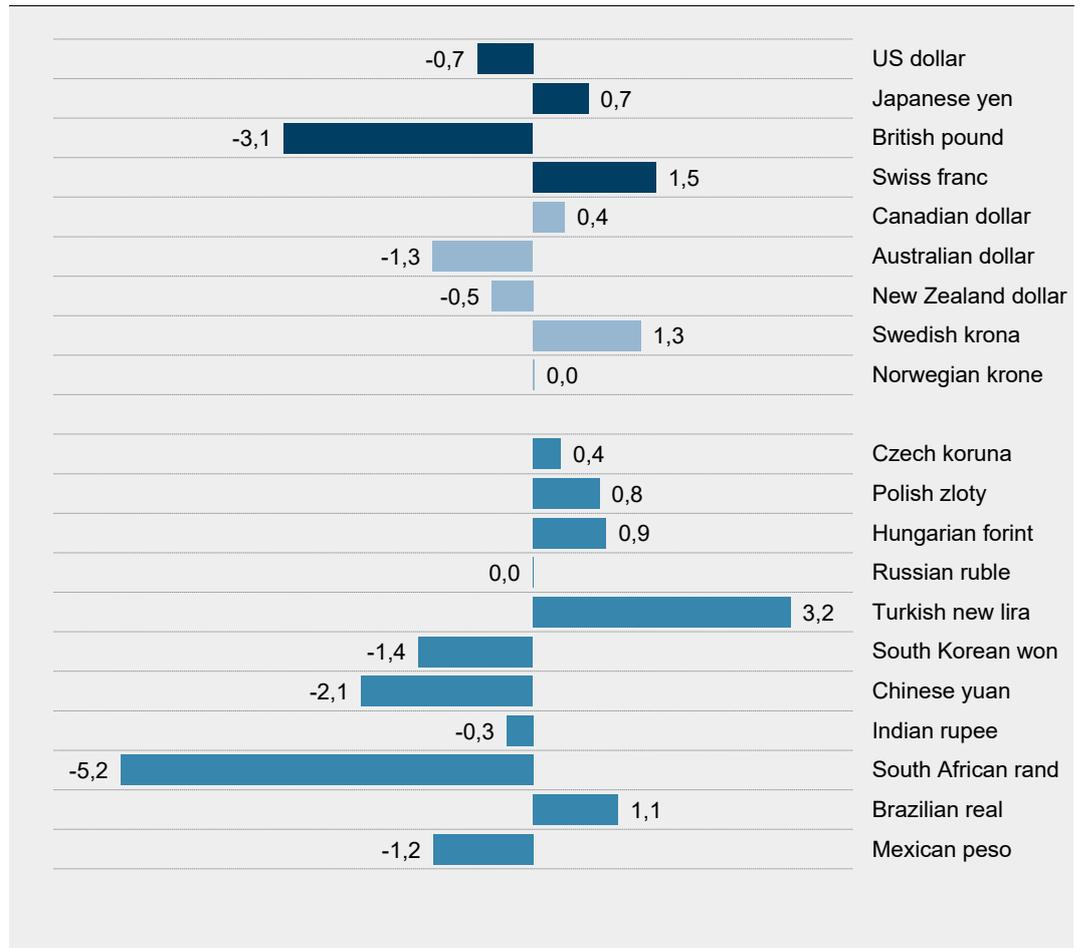
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- In this edition you will find brief analyses of the US dollar, Swiss franc, British pound, Japanese yen, Norwegian krone, and the Swedish krona, as well as the Australian dollar, the Canadian dollar, and the Chinese yuan.
- The US dollar came under a little pressure recently. The British pound lost even more ground. By contrast, safe investment havens like the yen and the franc were in demand. The currencies of emerging markets showed a mixed picture, with the South African rand depreciating noticeably.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 05/10 to 06/10/19)



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

Sources: Bloomberg, Helaba Research

This publication was very carefully researched and prepared. However, it contains analyses and forecasts regarding current and future market conditions that are for informational purposes only. The data is based on sources that we consider reliable, though we cannot assume any responsibility for the sources being accurate, complete, and up-to-date. All statements in this publication are for informational purposes. They must not be taken as an offer or recommendation for investment decisions.

US dollar, Swiss franc and British pound

US yield advantage shrinking noticeably

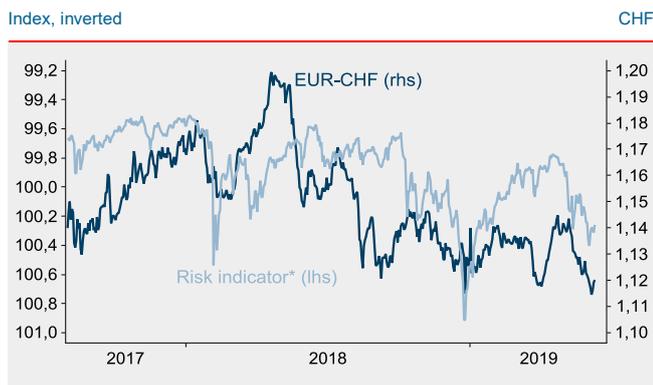


USD

Trend: depreciation

The euro-dollar exchange rate has recovered from its lows and rose above 1.13. While the ECB confirmed its expansive course, but did not extend it, the Fed is likely to lower key interest rates in the second half of the year. The US yield advantage shrank and will probably continue to decline. Higher risk aversion due to the trade conflict and the EU budget conflict with Italy are still dampening the euro. But the economic momentum, valuation indicators and US twin deficits also speak for the euro. The euro-dollar exchange rate should rise to 1.20 by the end of 2019.

Uncertainty supports the franc

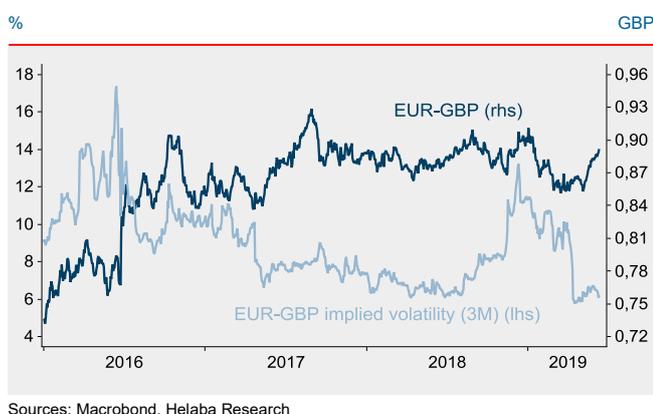


CHF

Trend: sideways

The Swiss franc gained noticeably, the euro-franc exchange rate fell below 1.12. The risk propensity on the financial markets declined recently, and this safe investment haven was in demand. In the coming months, the risk appetite is likely to rise – at the expense of the Swiss franc – if political uncertainties diminish. A SNB interest rate hike is a long way off, even if growth has improved. A stronger euro against the US dollar would also show against the franc. The euro-franc exchange rate is likely to fluctuate around 1.15 in the future.

“No Deal” fears weigh on the pound



GBP

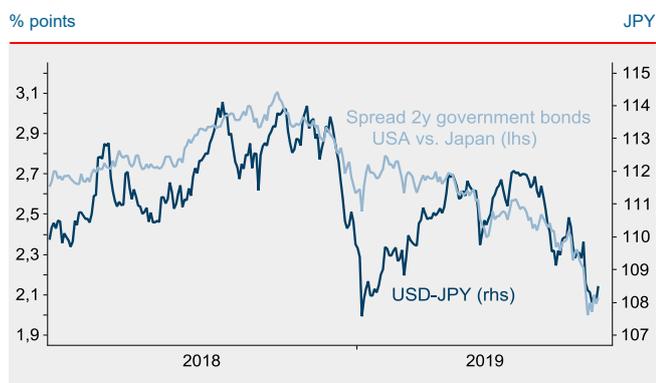
Trend: appreciation

The British pound recently fell noticeably, and the euro-pound exchange rate rose to 0.89. Theresa May announced her resignation. Her successor in the Conservative Party is expected to be a Brexit supporter. The concerns about a "no deal" Brexit are nevertheless exaggerated. But new elections as a result of the political standstill also hold uncertainties. The Brexit drama is likely to drag on. Only an orderly solution would clearly benefit the undervalued pound. For the time being, the euro-pound exchange rate is likely to fall only to 0.85.

Japanese yen, Norwegian krone and Swedish krona

Slide in yield helps the yen

JPY



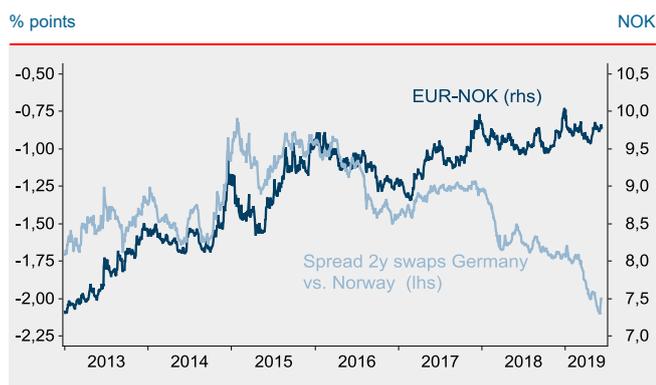
Sources: Macrobond, Helaba Research

Trend: depreciation against the euro

The Japanese yen appreciated against the euro and especially against the US dollar. Higher risk aversion in the financial markets helped the yen. In addition, the US yield advantage declined in view of the coming Fed interest rate cuts. Growth in Japan was a positive surprise, but the economic outlook is still subdued. Monetary policy remains expansionary due to low inflation. Interest rate differentials could still support the yen against the US dollar. However, the euro-yen exchange rate should rise somewhat if the risk appetite increases again.

Yield advantage of the krone remains enormous

NOK



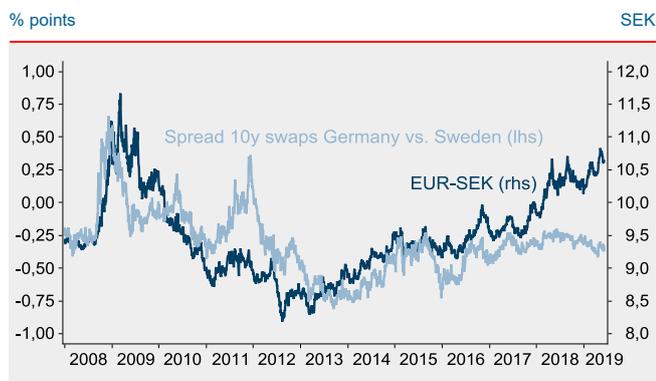
Sources: Macrobond, Helaba Research

Trend: appreciation

The Norwegian krone has changed little, with the euro-krone exchange rate fluctuating around 9.8. Although the price of crude oil has fallen, the price level continues to support the krone. The Norwegian economy recently gained momentum again. Inflation has risen, so that Norges Bank is holding out the prospect of further interest rate hikes against the trend. The Norwegian yield advantage over the euro declined somewhat in view of the global slide in yields. Nevertheless, the interest rate advantage clearly speaks for Norway's currency. The euro-krone rate should fall significantly.

Sweden's yield advantage speaks for the krona

SEK



Sources: Macrobond, Helaba Research

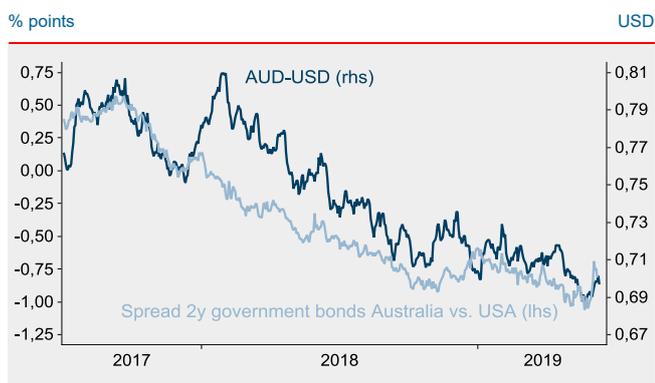
Trend: appreciation

The Swedish krona recovered and the euro-krona exchange rate fell to 10.6. Swedish growth surprised positively. Most economic indicators have recently improved. Inflation is around 2%. The Riksbank postponed an interest rate hike. Due to the difficult international environment, the central bank could delay interest rate hikes further. Nevertheless, the yield differentials continue to argue for a clear appreciation of the krona. The euro-krona exchange rate should fall noticeably, especially if global uncertainties ease.

Australian dollar, Canadian dollar and Chinese yuan

Trend reversal of the "Aussie" against the US dollar?

AUD



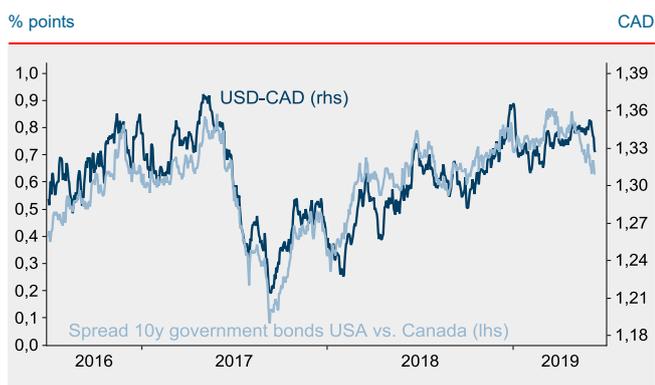
Sources: Macrobond, Helaba Research

Trend: sideways against the euro

The Australian dollar depreciated against the euro, but was able to make up losses against the US dollar. The US-Chinese trade conflict weighed on the "Aussie", especially as base metal prices fell. The Australian central bank lowered its key interest rate to 1.25 %. In view of moderate growth and declining inflation, the Reserve Bank will probably act again in 2019. Australia's interest rates rose relatively against the US dollar, so that the "Aussie" should appreciate. The Australian currency will probably move sideways against the euro.

Interest rates turn in favour of the "Loonie"

CAD



Sources: Macrobond, Helaba Research

Trend: sideways against the euro

The Canadian dollar has hardly changed against the euro and is somewhat stronger against the US dollar. The price of crude oil fell sharply. However, even the lower price level speaks for a stronger "Loonie". Economic indicators are surprisingly positive and growth is solid. The Canadian central bank is in a waiting position, and there are no signs of interest rate cuts. The yield disadvantage vis-à-vis the US dollar fell, so the "Loonie" is likely to strengthen somewhat. The Canadian dollar will probably tread water against the euro.

Interest rate differential points to yuan appreciation

CNY



Sources: Macrobond, Helaba Research

Trend: depreciation against the euro

The dollar-yuan exchange rate has settled at around 6.9. The intensifying US-Chinese trade conflict harbours risks for the yuan. However, China's desire for stability and Trump's threat of punitive tariffs argue against a deliberate devaluation strategy. A major deal would boost the yuan, but it is not in sight. The interest rate differentials are actually slightly in favour of the yuan. Therefore, the dollar-yuan exchange rate should fall a little after a sideways phase if the trade conflict does not escalate further. 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 | 1,4 | -0,7 | 1,13 | 1,15 | 1,15 | 1,20 | 1,20 |
| Japanese yen | 2,6 | 0,7 | 123 | 123 | 123 | 127 | 127 |
| British pound | 0,8 | -3,1 | 0,89 | 0,87 | 0,85 | 0,85 | 0,85 |
| Swiss franc | 0,5 | 1,5 | 1,12 | 1,12 | 1,15 | 1,15 | 1,15 |
| Canadian dollar | 4,2 | 0,4 | 1,50 | 1,52 | 1,51 | 1,55 | 1,54 |
| Australian dollar | 0,1 | -1,3 | 1,62 | 1,64 | 1,60 | 1,62 | 1,60 |
| Swedish krona | -4,7 | 1,3 | 10,65 | 10,50 | 10,30 | 10,00 | 9,80 |
| Norwegian krone | 1,2 | 0,0 | 9,79 | 9,60 | 9,40 | 9,10 | 9,00 |
| Chinese yuan | 0,3 | -2,1 | 7,84 | 7,94 | 7,94 | 8,16 | 8,16 |
| vs. US-Dollar | (vs. USD, %) | | | | | | |
| Japanese yen | 1,1 | 1,4 | 108 | 107 | 107 | 106 | 106 |
| Swiss franc | -0,8 | 2,2 | 0,99 | 0,97 | 1,00 | 0,96 | 0,96 |
| Canadian dollar | 2,8 | 1,1 | 1,33 | 1,32 | 1,31 | 1,29 | 1,28 |
| Swedish krona | -6,0 | 2,1 | 9,42 | 9,13 | 8,96 | 8,33 | 8,17 |
| Norwegian krone | -0,2 | 0,7 | 8,65 | 8,35 | 8,17 | 7,58 | 7,50 |
| Chinese yuan | -0,8 | -1,5 | 6,93 | 6,90 | 6,90 | 6,80 | 6,80 |
| US-Dollar vs. ... | (vs. USD, %) | | | | | | |
| British pound | -0,5 | -2,4 | 1,27 | 1,32 | 1,35 | 1,41 | 1,41 |
| Australian dollar | -1,2 | -0,6 | 0,70 | 0,70 | 0,72 | 0,74 | 0,75 |

*10.06.2019

Sources: Bloomberg, Helaba Research ■