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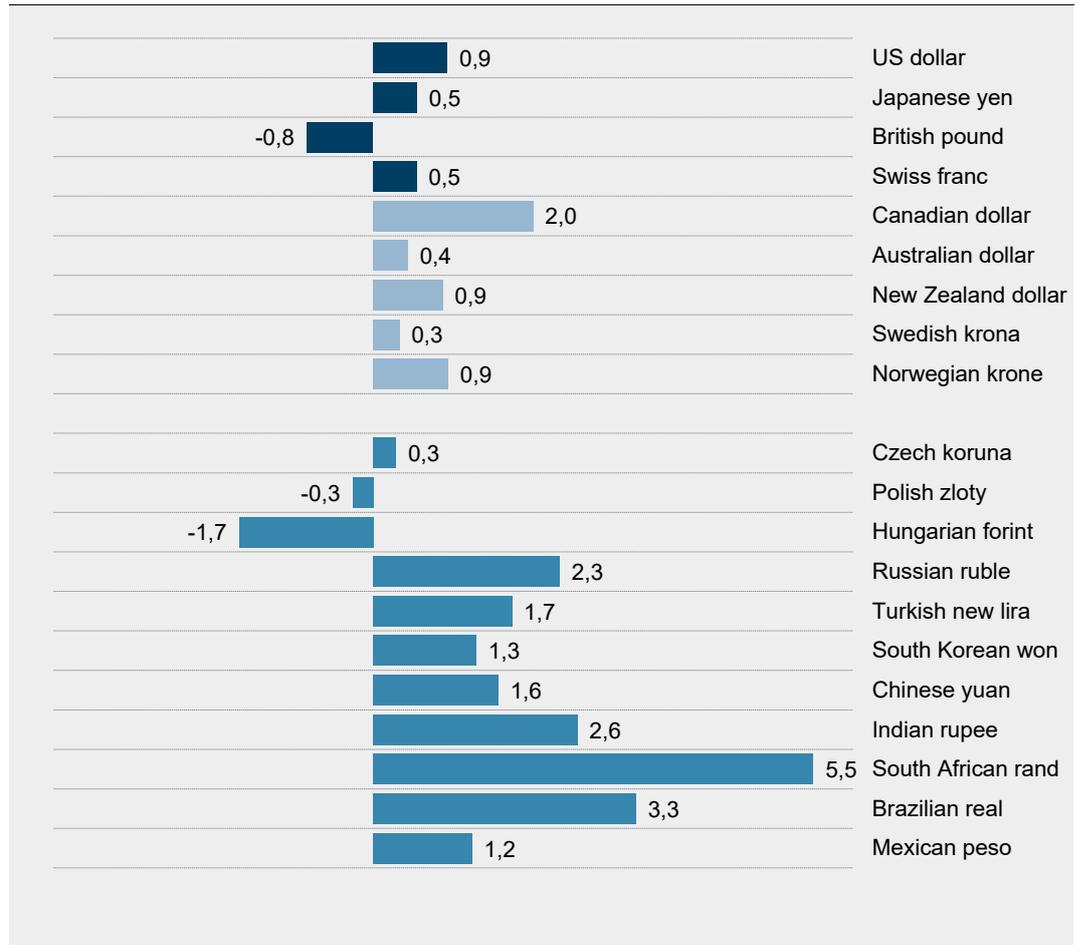
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- In this edition you will find brief analyses of the US dollar, Swiss franc, British pound, Japanese yen, Norwegian krone, and the Swedish krona, as well as the Australian dollar, the Canadian dollar, and the Chinese yuan.
- The euro weakened most recently. The British pound lost even more ground. Among the winners was above all the Canadian dollar. And the emerging market currencies even appreciated on a broad front, especially so the South African rand.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 06/10 to 07/09/19)



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

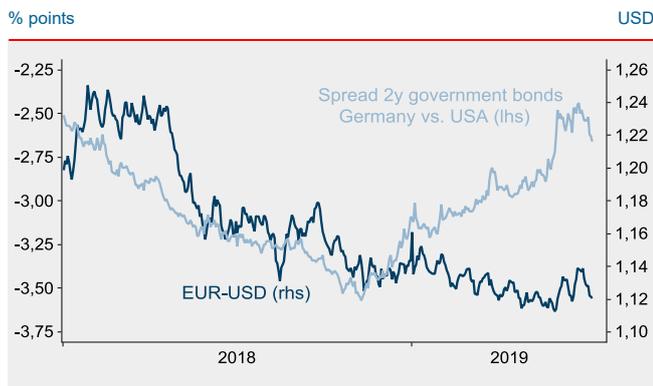
Sources: Bloomberg, Helaba Research

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## US dollar, Swiss franc and British pound

### US yield advantage continues to trend lower

USD



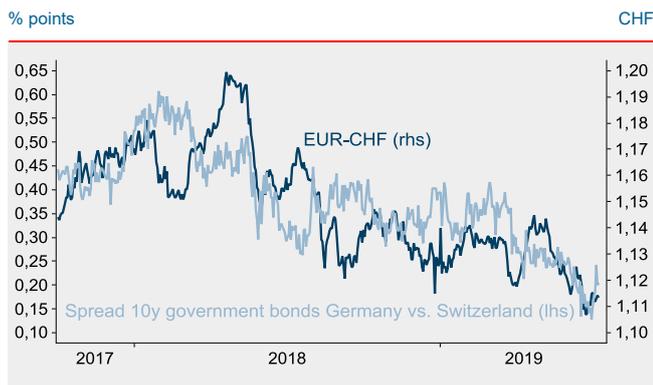
Sources: Macrobond, Helaba Research

Trend: depreciation

The euro-dollar rate jumped to 1.14 and then fell back to 1.12. The ECB signalled a more expansive monetary policy, as economic data from the euro zone recently disappointed. The US yield advantage increased somewhat. A slight improvement in US indicators will not prevent the Fed from lowering interest rates. Since the US Federal Reserve has more potential for interest rate cuts, the US yield advantage is likely to decline again. Valuation indicators and Trump's protectionist agenda also argue against the US dollar. The euro-dollar rate should rise towards 1.20 by year-end.

### Swiss interest rate disadvantage declined only briefly

CHF



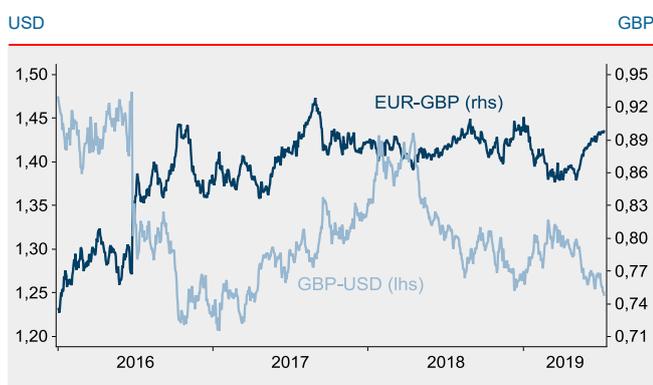
Sources: Macrobond, Helaba Research

Trend: slight depreciation

The Swiss franc rose slightly, the euro-franc exchange rate fell to 1.11. The prospect of more expansive ECB measures weighed on the euro, but its long-term yield advantage over the franc fell only temporarily. Risk aversion on the financial markets did not increase any further. It should decline markedly as political uncertainties ease – to the detriment of the safe haven that is the Swiss franc. A rise in the euro-dollar exchange rate is usually also reflected against the franc. The euro-franc exchange rate should climb towards 1.15 again.

### Brexit fears weigh on the pound

GBP



Sources: Macrobond, Helaba Research

Trend: appreciation

The slide of the pound sterling continued. The euro-pound exchange rate rose to 0.90, the pound-dollar exchange rate fell below 1.25. Recent economic data disappointed, but they are more like the counter-movement to the previous strength. In addition, concerns grew about an disorderly Brexit, as Boris Johnson is likely to become Prime Minister. However, the parliamentary majorities are unchanged and fears of a "no deal" Brexit are likely exaggerated. The Brexit will probably drag on. The undervalued pound should recover, the euro-pound exchange rate should fall to 0.85.

## Japanese yen, Norwegian krone and Swedish krona

### Euro-yen exchange rate suffering from uncertainty

**JPY**



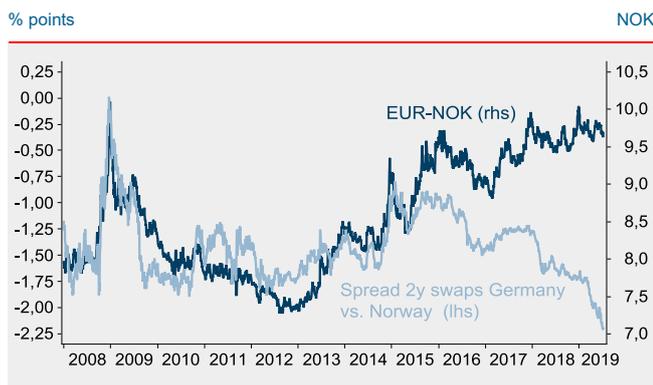
\* calculated from VIX, High-Yield Spreads, Gold-Copper Ratio  
Sources: Macrobond, Helaba Research

### Trend: depreciation against the euro

The Japanese yen appreciated against the euro and remained unchanged against the US dollar. Risk aversion hardly supported the safe haven yen any more. And the US yield advantage did not shrink any further. Nevertheless, the Fed's rate cuts can help the yen. In Japan, the economic data recently surprised rather positively. Monetary policy remains expansionary due to low inflation. Interest rate differentials could still support the yen against the US dollar. The euro-yen exchange rate, on the other hand, should rise somewhat if the risk appetite increases.

### Yield advantage of the krone at ten-year high

**NOK**



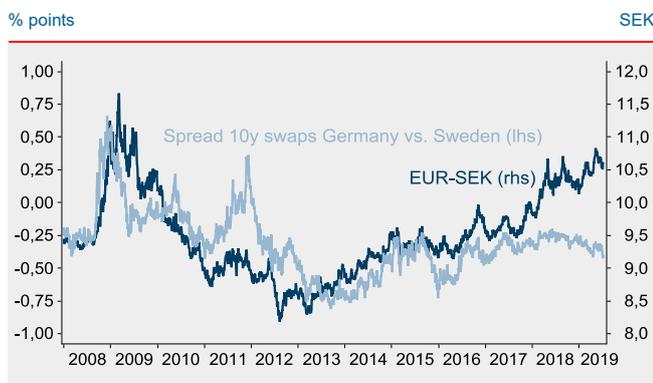
Sources: Macrobond, Helaba Research

### Trend: appreciation

The Norwegian Krone gained somewhat, the euro-krone exchange rate fell to 9.7. Norway's central bank again raised its key interest rate against the international trend to 1.25 %. It also indicated further steps. The economy is very solid and inflation is elevated. Norway's yield advantage over the euro marked a ten-year high. Few impulses came from the price of crude oil, although the price level continues to support the krone. The Norwegian yield advantage over the euro clearly speaks for Norway's currency. The euro-krone exchange rate should fall significantly.

### Sweden's yield advantage argues in favor of the krona

**SEK**



Sources: Macrobond, Helaba Research

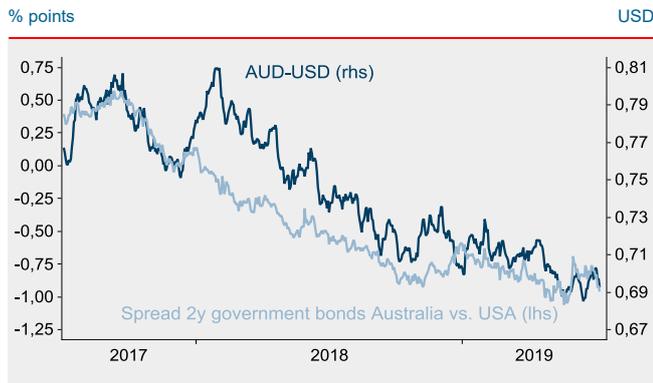
### Trend: appreciation

The Swedish krona was unable to defend its temporary gains, and the euro-krona exchange rate stood at 10.6. The Swedish economy remains solid. Inflation is around 2 %. Despite the difficult international environment, the Riksbank continues to hold out the prospect of an interest rate hike at the turn of the year. Sweden's yield advantage increased and already speaks for a clear appreciation of the krona. The euro-krona exchange rate is likely to fall noticeably, especially if global uncertainties ease more markedly.

## Australian dollar, Canadian dollar and Chinese yuan

### Bottom formation in interest rate spread vs US dollar

AUD



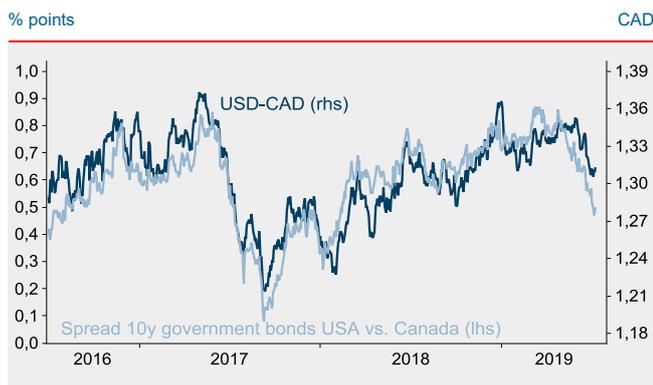
Sources: Macrobond, Helaba Research

Trend: sideways against the euro

The Australian dollar lost ground against the US dollar and was virtually unchanged against the euro. The US-Chinese trade conflict eased somewhat, but commodity prices hardly recovered. The Australian central bank lowered its key interest rate to 1.0 %. Growth is moderate and inflation is declining. For the time being, the Reserve Bank will probably wait and see. Australia's interest rates could rise relative to the USA, so that the "Aussie" should appreciate. Australia's currency will probably move sideways against the euro.

### Yield differentials support the "Loonie"

CAD



Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Canadian dollar appreciated against the US dollar and especially against the euro. The yield differences moved in favour of the "Loonie". Inflation in Canada rose and economic indicators were friendly. There is therefore little reason for the Bank of Canada to join the international trend towards interest rate cuts. The price of crude oil still lends a little support to the Canadian currency. The "Loonie" should gain some ground against the US dollar. The Canadian dollar will probably weaken slightly against the euro.

### Interest rate difference suggests yuan appreciation

CNY



Sources: Macrobond, Helaba Research

Trend: depreciation against the euro

China's currency gained marginally against the US dollar and slightly more against the euro. The dollar-yuan exchange rate fell just below 6.9, with the US-Chinese trade conflict temporarily easing. However, there are still risks. China's desire for stability and Trump's threat of punitive tariffs speak against a deliberate devaluation strategy. The interest rate differentials point to a slight appreciation of the yuan. Without an escalation of the trade conflict, the dollar-yuan exchange rate should fall slightly. The yuan will probably depreciate against the euro.

## Helaba Currency Forecasts

	Performance			Forecast horizon at end ...			
	year to date	1 month	current*	Q3/2019	Q4/2019	Q1/2020	Q2/2020
<b>vs. Euro</b>	(vs. Euro, %)						
US dollar	2,3	0,9	1,12	1,15	1,20	1,20	1,25
Japanese yen	3,1	0,5	122	123	127	127	130
British pound	0,0	-0,8	0,90	0,85	0,85	0,85	0,80
Swiss franc	1,1	0,5	1,11	1,15	1,15	1,15	1,20
Canadian dollar	6,3	2,0	1,47	1,51	1,55	1,54	1,60
Australian dollar	0,6	0,4	1,62	1,60	1,62	1,60	1,67
Swedish krona	-4,4	0,3	10,62	10,30	10,00	9,80	9,70
Norwegian krone	2,1	0,9	9,70	9,40	9,10	9,00	9,00
Chinese yuan	1,9	1,6	7,72	7,94	8,16	8,16	8,50
<b>vs. US-Dollar</b>	(vs. USD, %)						
Japanese yen	0,8	-0,4	109	107	106	106	104
Swiss franc	-1,2	-0,4	0,99	1,00	0,96	0,96	0,96
Canadian dollar	3,9	1,1	1,31	1,31	1,29	1,28	1,28
Swedish krona	-6,6	-0,6	9,47	8,96	8,33	8,17	7,76
Norwegian krone	-0,1	0,0	8,65	8,17	7,58	7,50	7,20
Chinese yuan	-0,1	0,6	6,89	6,90	6,80	6,80	6,80
<b>US-Dollar vs. ...</b>	(vs. USD, %)						
British pound	-2,3	-1,7	1,25	1,35	1,41	1,41	1,56
Australian dollar	-1,7	-0,5	0,69	0,72	0,74	0,75	0,75

\*09.07.2019

Sources: Bloomberg, Helaba Research ■