



FX BRIEFLY

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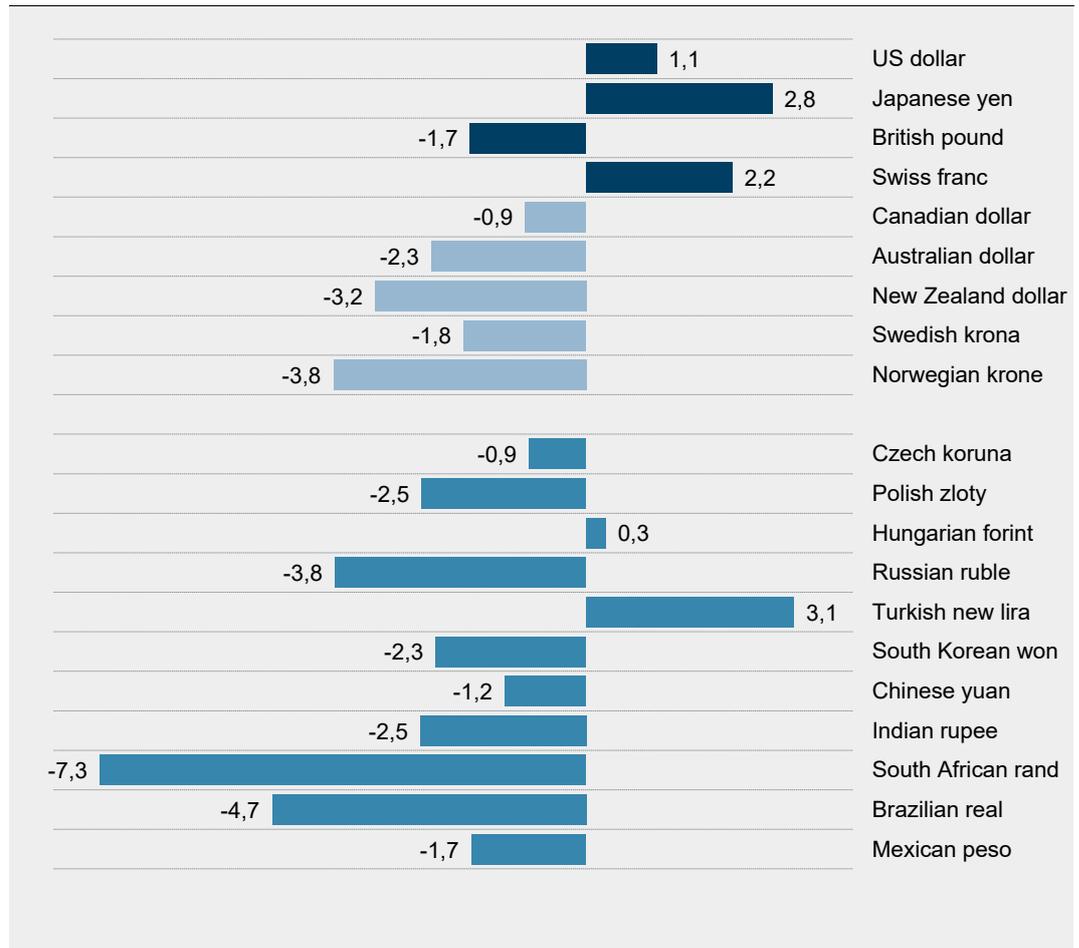
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- In this edition you will find brief analyses of the US dollar, Swiss franc, British pound, Japanese yen, Norwegian krone, and the Swedish krona, as well as the Australian dollar, the Canadian dollar, and the Chinese yuan.
- Safety is in demand in the foreign exchange market, with the Swiss franc and the Japanese yen appreciating significantly. The Scandinavian currencies and the currencies of commodity exporters have weakened, considerably so in some cases. In the emerging markets, the South African rand was the biggest loser, the Turkish lira gained.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 07/17 to 08/15/19)



■ 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 dollar so far defying declining yield advantage

USD



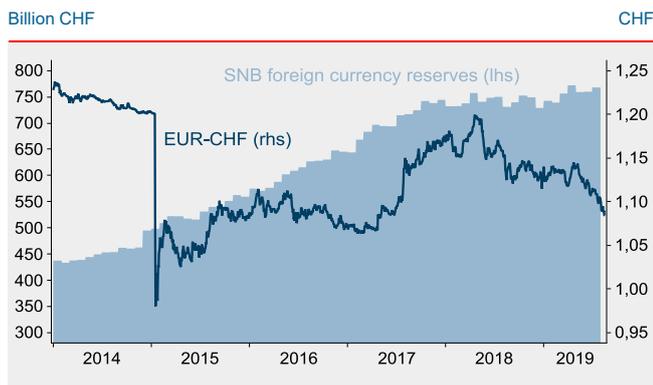
Sources: Macrobond, Helaba Research

Trend: slight depreciation

The euro-dollar exchange rate slipped to a new low for the year, but recovered to 1.11. The ECB held out more expansionary measures such as interest rate cuts and bond purchases. Economic data from the euro zone was quite disappointing. The Fed will also lower the key interest rate, in absolute terms even more than the ECB. The US yield advantage is thus declining. Valuation indicators and Trump's protectionist agenda also argue against the US dollar. As a result of the ECB's policy, we expect for the time being that the euro-dollar rate will rise only to 1.15.

### Franc strength – will the SNB intervene now?

CHF



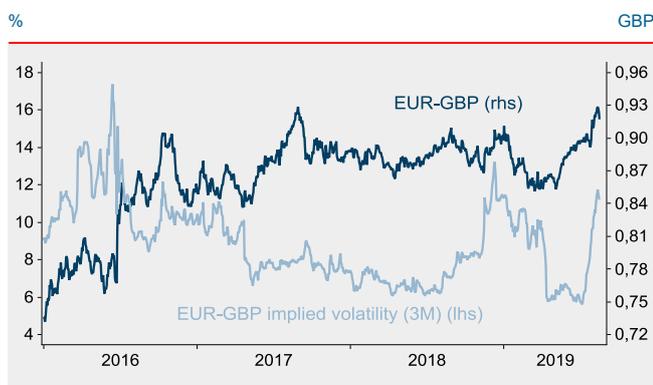
Sources: Macrobond, Helaba Research

Trend: sideways

The Swiss franc gained significantly, and the euro-franc exchange rate fell below 1.09. Due to increasing nervousness on the financial markets, this safe investment haven was in demand. In addition, the prospect of an expansive ECB policy weighed on the euro: however, Swiss bond yields fell even more sharply. The SNB is under pressure. It could intervene in the currency market – rising sight deposits are an indication of this – or lower the key interest rate. The SNB should be successful in the medium term and the euro-franc exchange rate should stabilise at 1.10.

### Brexit fears weigh on the pound

GBP



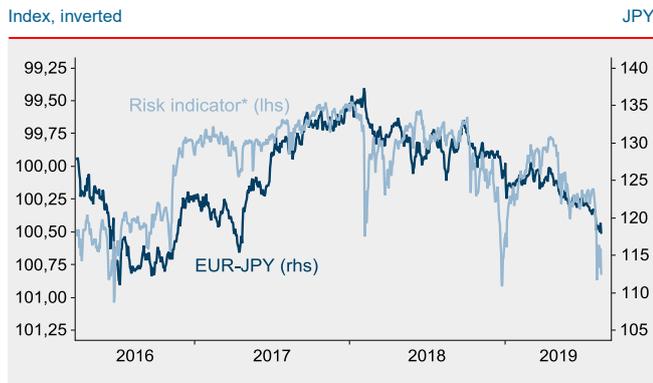
Sources: Macrobond, Helaba Research

Trend: appreciation

The decline of the British pound accelerated. The dollar-pound rate fell to 1.20 and the euro-pound exchange rate rose temporarily above 0.93. Boris Johnson's hard line is fuelling fears of a chaotic Brexit. Parliament announced its opposition, and Johnson should have no interest in economic and political chaos, in any case. The withdrawal from the EU could drag on further, despite statements to the contrary. The undervalued pound should recover, and the euro-pound rate will presumably fall to 0.85. An orderly Brexit would help the pound even more.

## Japanese yen, Norwegian krone and Swedish krona

### Safe haven yen in strong demand



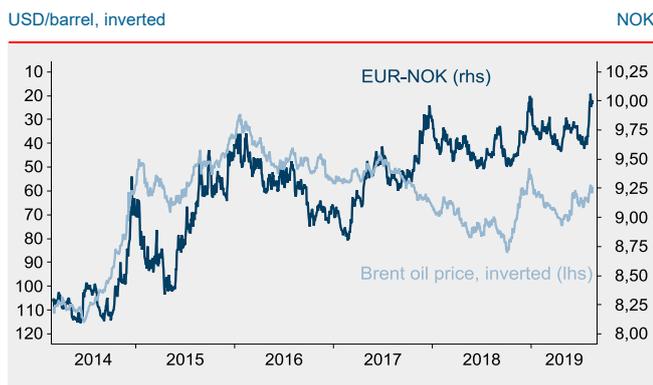
\* calculated from VIX, High-Yield Spreads, Gold-Copper Ratio  
Sources: Macrobond, Helaba Research

**JPY**

### Trend: slight depreciation against the euro

The Japanese yen appreciated significantly against the euro and US dollar as risk aversion surged. Interest rate differentials moved in favour of the yen. The more expansive monetary policies of the Fed and the ECB should help the yen, especially since Japan's central bank is unlikely to act to the same extent. Growth in Japan has even been a positive surprise recently. But risk aversion should ease again over the medium term, at the latest. The euro-yen exchange rate should then rise somewhat, while the dollar-yen exchange rate will tend to tread water.

### Oil price weakness explains krone decline only in part



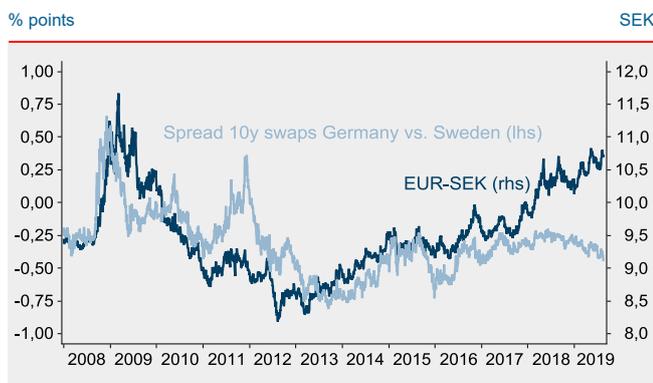
Sources: Macrobond, Helaba Research

**NOK**

### Trend: appreciation

The Norwegian krone came under significant pressure, and the euro-krone exchange rate climbed above 10.0. Oil prices fell in view of the global economic uncertainties, but that explains the weakness of the krone only in part. Norway's yield advantage over the euro remains extremely high. The Norwegian central bank will probably postpone further interest rate hikes for the time being due to the difficult environment, but will basically maintain its course. Inflation has risen and the economy is solid. The euro-krone rate is likely to fall significantly, albeit less than expected.

### Stable yield advantage of the krona



Sources: Macrobond, Helaba Research

**SEK**

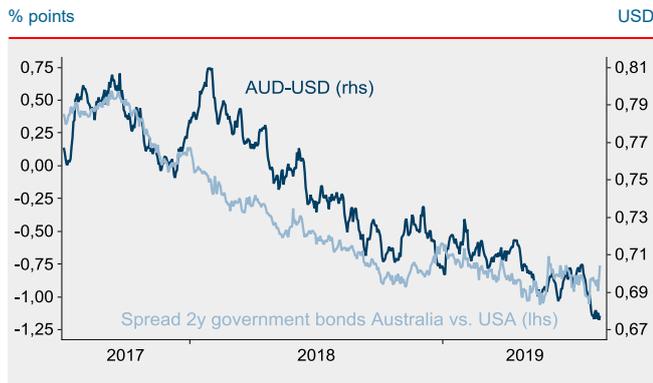
### Trend: appreciation

The Swedish krona weakened perceptibly, with the euro-krone exchange rate rising to 10.7. The Swedish economy shrank marginally in the second quarter. Fundamentally, however, growth is still intact, but less dynamic. Inflation is just under 2%. The Riksbank is likely to postpone an interest rate hike; interest rate cuts are not yet on the horizon. Sweden's big yield advantage over the euro speaks for a clear appreciation of the krona. With global uncertainties easing, the euro-krona exchange rate is likely to weaken, albeit less than previously expected.

## Australian dollar, Canadian dollar and Chinese yuan

### “Aussie“ declined despite stable interest rate spread

AUD



Sources: Macrobond, Helaba Research

Trend: sideways against the euro

The Australian dollar lost ground against the US dollar and the euro. The global economic uncertainties and the US-Chinese trade conflict weighed on the "Aussie". Commodity prices also fell. Growth in Australia is stabilizing at a low level, while inflation has picked up marginally. Nevertheless, the interest rate cuts by the Reserve Bank are probably not yet over. However, interest rate differentials and commodity prices are already pointing to the "Aussie" bottoming out against the US dollar. The Australian Dollar is likely to move barely against the Euro.

### Yield differences support the “Loonie”

CAD



Sources: Macrobond, Helaba Research

Trend: sideways against the euro

The Canadian dollar depreciated slightly against the euro and a little more against the US dollar. The falling price of crude oil weighed on the Loonie. The Canadian economy is generally solid, inflation has risen. Nevertheless, in view of the shaky environment, a rate cut by the Bank of Canada cannot be ruled out. However, the yield differences moved in favour of the "Loonie". As a result, it could gain some ground against the US dollar again. The Canadian dollar should move more or less sideways against the euro.

### Dollar-yuan rate jumps to 11-year high

CNY



Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The dollar-yuan exchange rate surged above the 7.0 mark, causing the world to feel uneasy. China was probably reacting to new US punitive tariffs and signalling to Trump that it could let the yuan depreciate. Fundamentally, however, China is also interested in a rather stable exchange rate. As long as the US-Chinese trade conflict does not escalate, the devaluation should be limited, especially as the interest rate differentials even point to a slight appreciation of the yuan. The yuan is likely to depreciate slightly 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	3,2	1,1	1,11	1,15	1,15	1,15	1,20
Japanese yen	6,8	2,8	118	123	122	122	125
British pound	-2,2	-1,7	0,92	0,90	0,85	0,85	0,85
Swiss franc	3,8	2,2	1,08	1,10	1,10	1,10	1,10
Canadian dollar	5,7	-0,9	1,48	1,52	1,51	1,50	1,54
Australian dollar	-0,8	-2,3	1,64	1,67	1,64	1,64	1,67
Swedish krona	-5,2	-1,8	10,71	10,50	10,30	10,20	10,00
Norwegian krone	-1,2	-3,8	10,02	9,80	9,60	9,50	9,40
Chinese yuan	0,7	-1,2	7,81	8,05	8,17	8,05	8,28
<b>vs. US-Dollar</b>	(vs. USD, %)						
Japanese yen	3,4	1,7	106	107	106	106	104
Swiss franc	0,6	1,1	0,98	0,96	0,96	0,96	0,92
Canadian dollar	2,4	-1,9	1,33	1,32	1,31	1,30	1,28
Swedish krona	-8,2	-2,9	9,64	9,13	8,96	8,87	8,33
Norwegian krone	-4,2	-4,8	9,02	8,52	8,35	8,26	7,83
Chinese yuan	-2,2	-2,3	7,03	7,00	7,10	7,00	6,90
<b>US-Dollar vs. ...</b>	(vs. USD, %)						
British pound	-5,2	-2,8	1,21	1,28	1,35	1,35	1,41
Australian dollar	-3,9	-3,4	0,68	0,69	0,70	0,70	0,72

\*15.08.2019

Sources: Bloomberg, Helaba Research ■