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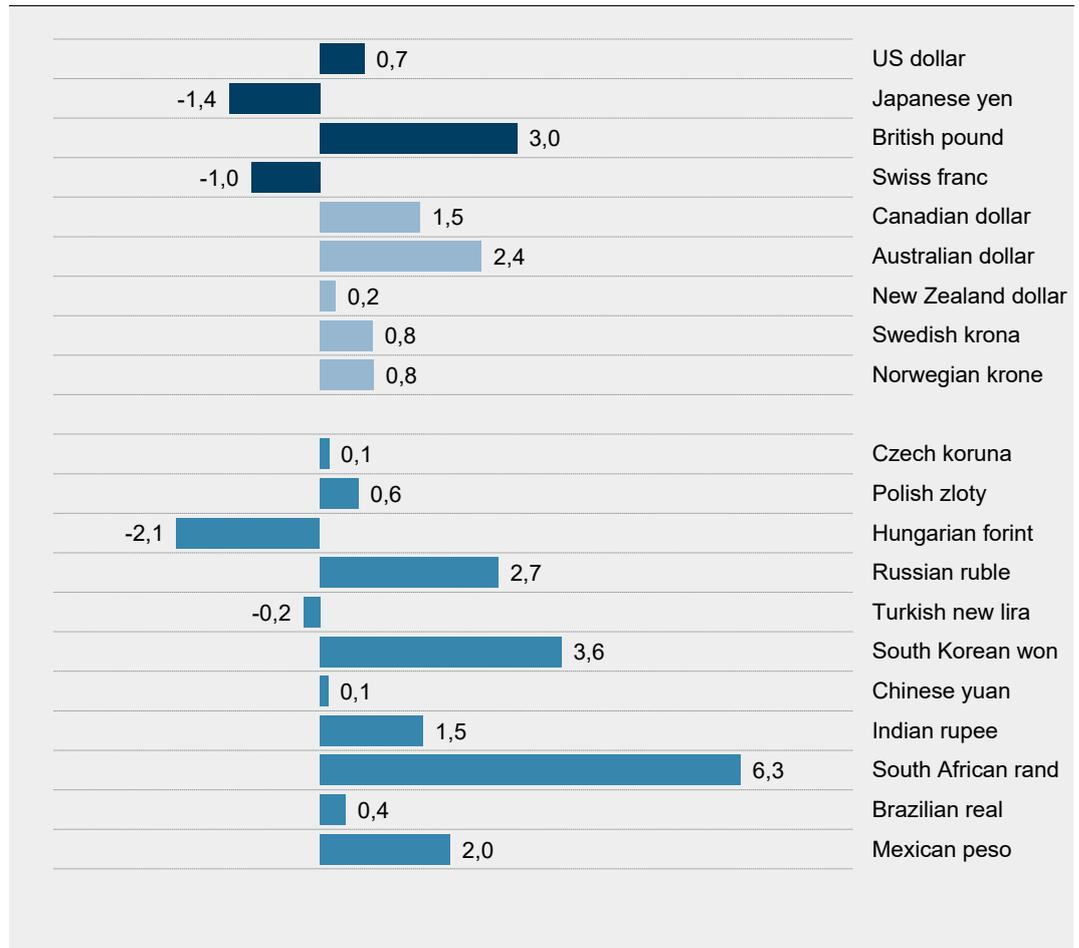
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- In this edition you will find brief analyses of the US dollar, Swiss franc, British pound, Japanese yen, Norwegian krone, and the Swedish krona, as well as the Australian dollar, the Canadian dollar, and the Chinese yuan.
- The euro was generally under pressure, not only against the US dollar. Safe havens like the Swiss franc and the Japanese yen were even less in demand. The British pound recovered significantly thanks to waning Brexit fears. In emerging countries, the South African rand, in particular, appreciated noticeably.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 08/14 to 09/12/19)



■ 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 shrinks despite more expansionary ECB

USD



Trend: depreciation

The euro-dollar rate fell, temporarily even to as low as 1.09. The ECB lowered the deposit rate and announced – due to the weaker economy – a bond purchase program with no specific time limit. However, the ECB has thus largely used up its ammunition. On the other hand, pressure on the US Federal Reserve is increasing, not least from President Trump. The Fed is likely to cut the key interest rate at least twice more, which will shrink the US yield advantage. Over the medium term, the euro-dollar rate should rise, also because of Trump's protectionism and debt policy.

Waning uncertainties weigh on the franc

CHF

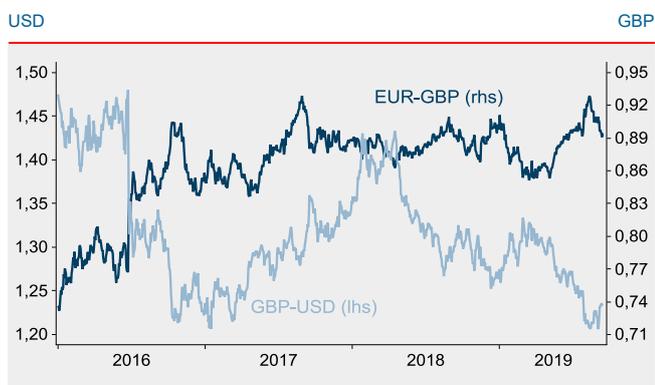


Trend: sideways

The Swiss franc fell slightly, the euro-franc exchange rate is just under 1.10. The general nervousness in the financial markets eased, and the safe investment haven was less in demand. It is also possible that the SNB intervened. The more expansionary ECB policy hardly weighed on the euro any more, especially since the yield advantage over Switzerland continues to exist. The SNB could also lower the key interest rate or intervene on the currency market. In the end, the SNB should be successful and the euro-franc exchange rate should stabilise at 1.10.

A breather for the pound

GBP

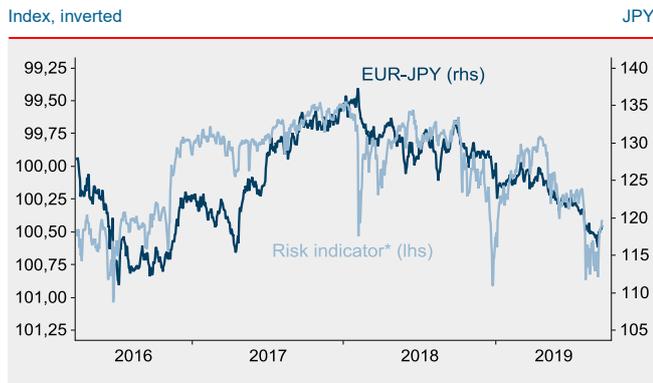


Trend: appreciation

Events surrounding the Brexit drama came thick and fast, but now it appears that a disorderly withdrawal from the EU at the end of October can be avoided. The pound recovered significantly against the euro and the US dollar, having previously hit multi-year lows. There are no signs of a fundamental solution to the Brexit dilemma, and new elections would not necessarily help. The withdrawal from the EU could drag on. The pound is undervalued and the British economy is not collapsing. The euro-pound exchange rate should fall to 0.85 if political uncertainties diminish.

Japanese yen, Norwegian krone and Swedish krona

Yen less in demand as a safe haven



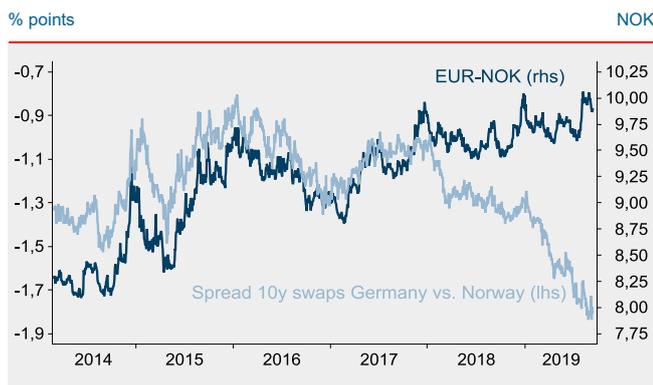
* calculated from VIX, High-Yield Spreads, Gold-Copper Ratio
Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Japanese yen depreciated against the euro and US dollar as risk aversion declined. Interest rate differentials against the US dollar and the euro moved at the expense of the Japanese currency. The more expansionary monetary policy of the Fed and the ECB is supporting the yen, especially as Japan's central bank is unlikely to act to the same extent. Japan's economic indicators have been surprisingly positive recently. A diminishing risk aversion should help above all the euro-yen exchange rate, while the dollar-yen rate will decline somewhat due to the Fed's policy.

JPY

Yield advantage of the krone out of line



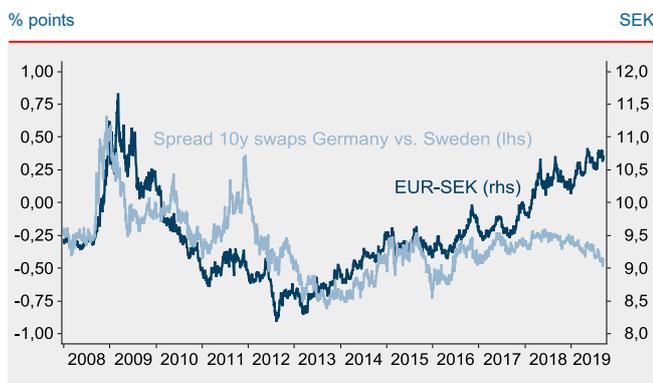
Sources: Macrobond, Helaba Research

Trend: appreciation

The Norwegian krone recovered. The euro-krone exchange rate fell temporarily below 9.90. In view of the difficult global environment, the Norwegian central bank put a question mark to the announced interest rate hike. Inflation also fell slightly. The economy recently improved again. The higher price of crude oil provided positive impulses. Even without further interest rate hikes, Norway's yield advantage over the euro is very large and has grown. Norges Bank tends more to raise interest rates than to lower them. The euro-krone exchange rate is likely to fall.

NOK

Yield advantage of the krona expands further



Sources: Macrobond, Helaba Research

Trend: appreciation

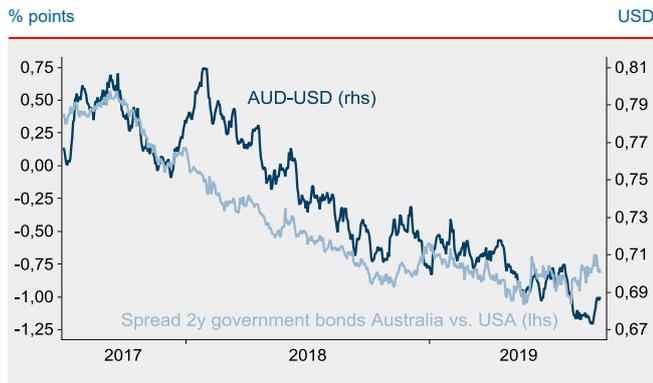
The Swedish krona appreciated slightly and the euro-krona exchange rate stood below 10.7. Lower risk aversion helped the krona. Despite the still solid growth, negative economic surprises are accumulating. Since inflation also fell somewhat, the Swedish central bank is likely to delay interest rate hikes for the time being, but interest rate cuts are probably not on the table. Sweden's big yield advantage over the euro remains and clearly speaks in favour of an appreciation of the krona. The euro-krona exchange rate should decline noticeably in the medium term.

SEK

Australian dollar, Canadian dollar and Chinese yuan

“Aussie“ recovers – interest rate spread lend support

AUD



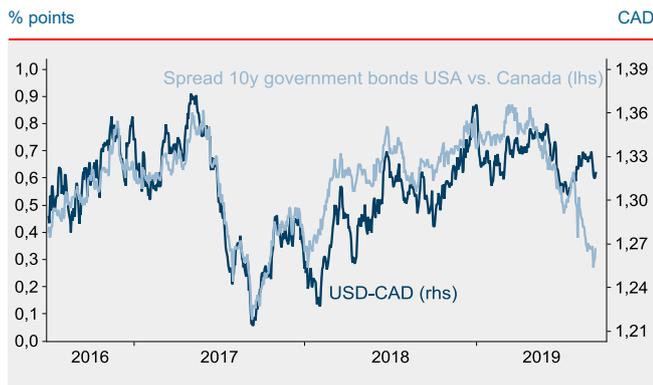
Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Australian dollar appreciated significantly against the US dollar and the euro. A slight easing in the US-Chinese trade conflict and less global economic uncertainty helped the "Aussie". Prices for industrial metals rose somewhat. Australia's central bank did not act, but left the door open to further rate cuts. Growth and inflation are very moderate. The interest rate disadvantage vis-à-vis the USA will probably stabilise, as will the "Aussie" vis-à-vis the US dollar. The Australian dollar should weaken slightly against the euro.

Yield spreads argue clearly in favour of 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 "Loonie" received a tailwind from higher oil prices. The Canadian economy is doing quite well and inflation has risen. Against the international trend, the Bank of Canada has not – so far – tended to lower interest rates. The yield differences moved clearly in favour of the "Loonie", although it is likely to appreciate only slightly against the US dollar. The Canadian dollar could lose a little against the euro.

Dollar-yuan exchange rate calming down

CNY



Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The dollar-yuan exchange rate rose almost to 7.20, but then fell back below 7.10. Friendlier tones in the trade conflict helped China's currency. The only marginal increase in foreign exchange reserves argues against a larger market intervention in August. In principle, however, the yuan exchange rate would be an instrument in the trade conflict. If there is no further escalation, the dollar-yuan rate will probably tread water for the time being, especially as interest rate differentials 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
vs. Euro (vs. Euro, %)							
US dollar	3,6	0,7	1,11	1,15	1,15	1,15	1,20
Japanese yen	5,2	-1,4	120	123	122	122	125
British pound	0,2	3,0	0,90	0,90	0,85	0,85	0,85
Swiss franc	2,7	-1,0	1,10	1,10	1,10	1,10	1,10
Canadian dollar	7,0	1,5	1,46	1,52	1,51	1,50	1,54
Australian dollar	0,9	2,4	1,61	1,67	1,64	1,64	1,67
Swedish krona	-4,6	0,8	10,65	10,50	10,30	10,20	10,00
Norwegian krone	-0,2	0,8	9,93	9,80	9,60	9,50	9,40
Chinese yuan	0,6	0,1	7,82	8,05	8,17	8,05	8,28
vs. US-Dollar (vs. USD, %)							
Japanese yen	1,5	-2,0	108	107	106	106	104
Swiss franc	-0,8	-1,7	0,99	0,96	0,96	0,96	0,92
Canadian dollar	3,2	0,8	1,32	1,32	1,31	1,30	1,28
Swedish krona	-8,0	0,1	9,62	9,13	8,96	8,87	8,33
Norwegian krone	-3,7	0,1	8,97	8,52	8,35	8,26	7,83
Chinese yuan	-2,8	-0,8	7,08	7,00	7,10	7,00	6,90
US-Dollar vs. ... (vs. USD, %)							
British pound	-3,3	2,3	1,23	1,28	1,35	1,35	1,41
Australian dollar	-2,6	1,7	0,69	0,69	0,70	0,70	0,72

*12.09.2019

Sources: Bloomberg, Helaba Research ■