



AUTHOR

Christian Apelt, CFA
 phone: +49 69/91 32-47 26
 research@helaba.de

EDITOR

Dr. Stefan Mitropoulos

PUBLISHER:

Dr. Gertrud R. Traud
 Chief Economist/ Head of
 Research

Helaba

Landesbank

Hessen-Thüringen

MAIN TOWER

Neue Mainzer Str. 52-58

60311 Frankfurt am Main

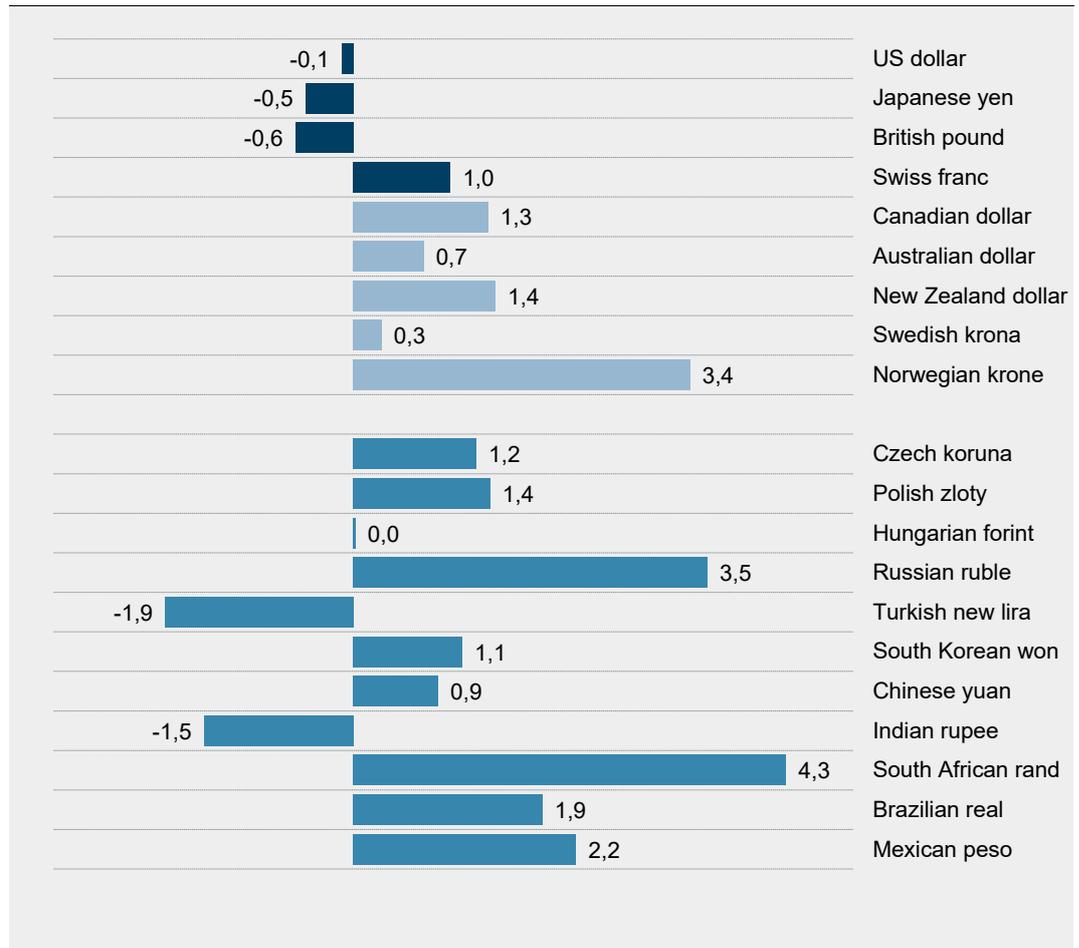
phone: +49 69/91 32-20 24

fax: +49 69/91 32-22 44

- 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 Norwegian krone appreciated noticeably, and the Canadian dollar and the New Zealand dollar also gained ground. In the emerging countries, as well, commodity currencies like the Russian ruble and the South African rand also moved up, while the Turkish lira weakened.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 12/10/19 to 08/01/20)



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

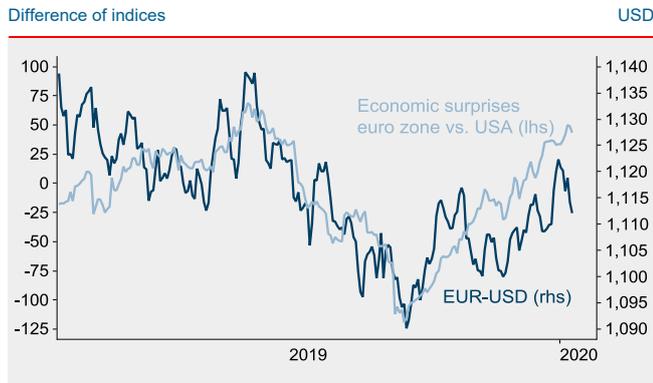
Sources: Bloomberg, Helaba Research

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

Economic momentum in favour of the euro

USD

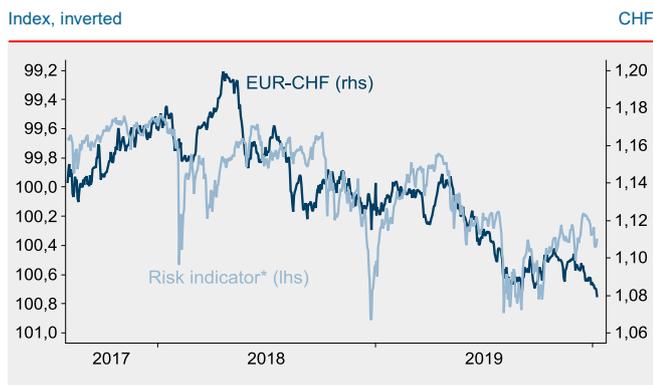


Trend: depreciation

On balance, the euro-dollar exchange rate changed little, climbing only temporarily above 1.12. The US-Iran conflict had little effect, and the euro is currently benefiting from a rising risk aversion. The economic momentum has moved in favour of the euro. The US yield advantage also shrank. The Fed will probably maintain its key rate, but it expands its balance sheet substantially. In addition, valuation, the "twin deficits" and the protectionist stance also argue against the US currency. The euro-dollar exchange rate should rise noticeably.

Franc a bit too strong measured against risk aversion

CHF

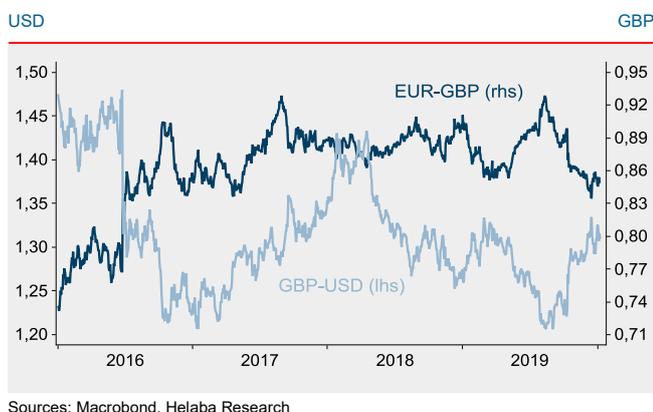


Trend: sideways

The Swiss franc appreciated visibly, with the euro-franc exchange rate falling to 1.08. While the previously declining risk aversion did not weigh on the franc, the safe Swiss investment haven benefited from the US-Iran conflict. The interest rate differentials against the euro hardly changed. Swiss economic data brightened, and inflation rose above the zero mark. However, the SNB is maintaining its monetary policy. Over the long term, the franc is clearly overvalued. However, the euro-franc exchange rate will presumably continue to fluctuate around 1.10.

Calm after the storm

GBP

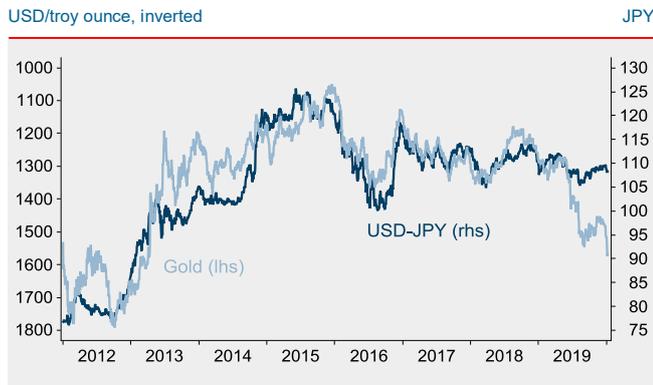


Trend: sideways

The pound sterling weakened slightly. The euro-pound exchange rate stands around 0.85. The euphoria that followed the Conservatives' election victory has eased again. Prime Minister Johnson is likely to bring his Brexit deal through parliament, but the negotiations over the future relationship are causing uncertainty. For the time being, the euro-pound exchange rate should tread water. The undervalued pound will probably appreciate noticeably against the euro only if the EU negotiations make good progress or the British economy picks up momentum.

Japanese yen, Norwegian krone and Swedish krona

Will the yen follow the higher gold price?



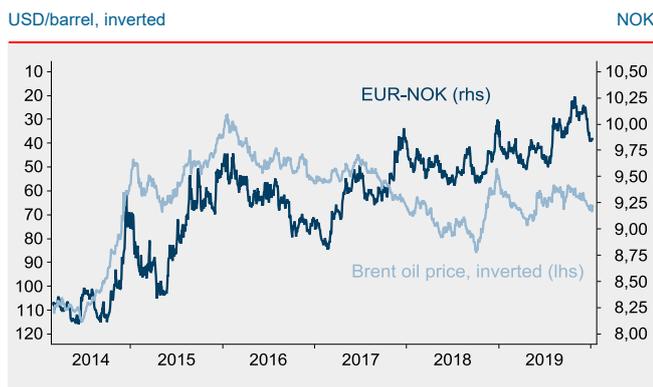
Sources: Macrobond, Helaba Research

JPY

Trend: slight depreciation against the euro

The Japanese yen changed little against the euro and US dollar. On balance, risk aversion hardly rose in spite of the Iran conflict, even though the price of gold – unlike the yen – climbed significantly. Japan's yield disadvantage against the US dollar declined slightly again. After the anticipatory effects ahead of the VAT hike, Japan faces the risk of weaker growth. However, it is fiscal policy, not monetary policy, that reacts to this. As a result, the dollar-yen exchange rate should decline. By contrast, the euro-yen rate could rise in a more euro-friendly environment.

Krone reacts to tailwind from oil price



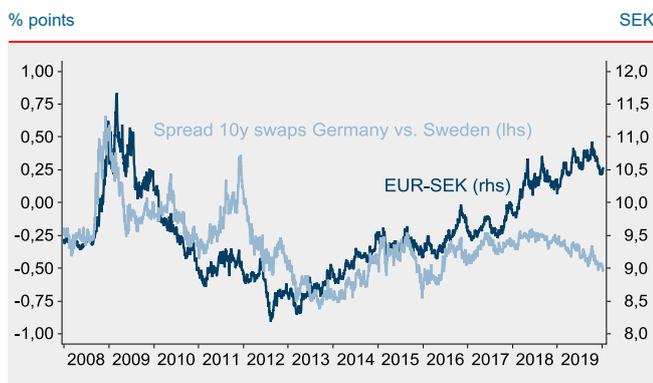
Sources: Macrobond, Helaba Research

NOK

Trend: slight appreciation

The badly battered Norwegian krone recovered noticeably most recently. The euro-krone rate dropped well below the 10.0 mark. Norway's currency received a tailwind from a higher crude oil price. The economic data also turned out somewhat friendlier. Although the Norwegian central bank will pause for now, it kept the door open for further interest rate hikes in 2020. The yield advantage of the krone against the euro remained pronounced. On the basis of many indicators, the krone is noticeably undervalued. The euro-krone rate should continue to decline in the course of 2020.

Swedish yield advantage even bigger



Sources: Macrobond, Helaba Research

SEK

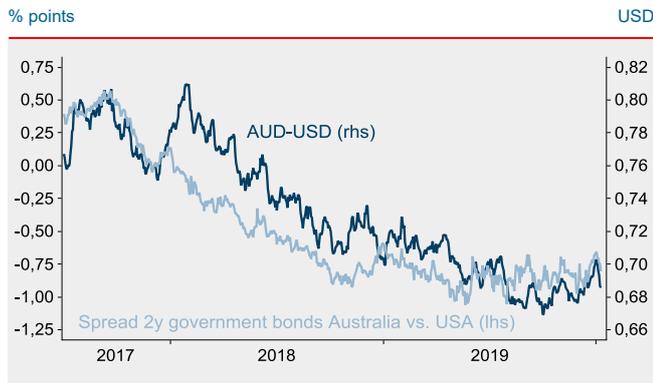
Trend: slight appreciation

The Swedish krona made marginal gains, the euro-krona exchange rate is quoted around 10.5. Sweden's central bank ended the phase of negative interest rates and raised its key rate to 0.0 %. However, it did not hold out the prospect of further rate changes. The economic indicators were mixed. Inflation picked up somewhat. Even without additional interest rate hikes, the high Swedish yield advantage against the euro points to an appreciation of the krona. Over the long term, the Swedish currency is undervalued. The euro-krona rate should decline in the direction of 10.0.

Australian dollar, Canadian dollar and Chinese yuan

Fundamental environment for "Aussie" stable

AUD



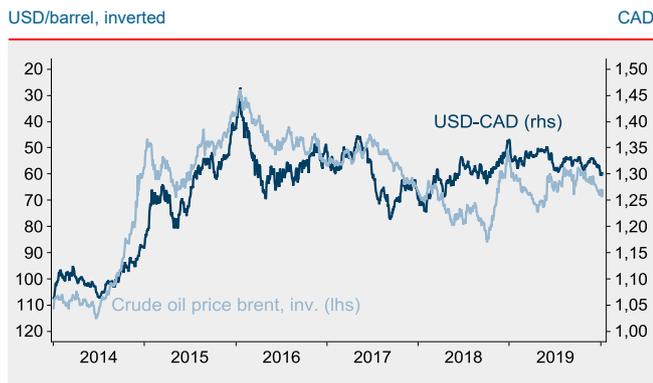
Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Australian dollar gave back its at times significant gains against the euro and the US dollar. The bushfires currently raging in Australia are weighing on the "Aussie". On the one hand, growth is likely to suffer, and on the other hand, political consequences are possible. In other respects, however, the environment for the "Aussie" is stable: both economic data as well as metal prices and interest rate differentials have hardly deteriorated from an Australian perspective. As a result, the "Aussie" should gain somewhat again against the US dollar and weaken slightly against the euro.

Crude oil price supports the "Loonie"

CAD



Sources: Macrobond, Helaba Research

Trend: depreciation against the euro

The Canadian dollar gained against the euro and US dollar. Positive impulses came from the higher price of crude oil. In economic terms, negative surprises predominated. However, inflation is higher. The Bank of Canada will probably remain in its waiting position. The yield differentials against the US point to a stronger "Loonie," which means that it will presumably appreciate slightly against the US dollar. With respect to the euro, the interest rate differentials moved somewhat against the Canadian currency, so that the "Loonie" will probably lose ground here.

Interest rate advantage helps yuan against US dollar

CNY



Sources: Macrobond, Helaba Research

Trend: depreciation against the euro

The Chinese yuan appreciated against the euro and US dollar. The dollar-yuan exchange rate fell below 7.0. The US-Chinese trade agreement "phase one" appears secure. It's a different question how stable such a "ceasefire" is. At least the growth numbers improved. The interest rate differentials point to a stronger yuan. The dollar-yuan exchange rate could decline even further in the course of 2020, but temporary setbacks are not unlikely. The yuan will presumably depreciate against the euro.

Helaba Currency Forecasts

	Performance			Forecast horizon at end ...			
	year to date	1 month	current*	Q1/2020	Q2/2020	Q3/2020	Q4/2020
vs. Euro (vs. Euro, %)							
US dollar	1,0	-0,1	1,11	1,15	1,20	1,20	1,25
Japanese yen	0,5	-0,5	121	122	125	125	127
British pound	-0,2	-0,6	0,85	0,85	0,85	0,80	0,80
Swiss franc	0,4	1,0	1,08	1,10	1,10	1,15	1,15
Canadian dollar	0,6	1,3	1,45	1,50	1,54	1,54	1,58
Australian dollar	-1,3	0,7	1,62	1,64	1,67	1,67	1,69
Swedish krona	-0,1	0,3	10,51	10,40	10,30	10,20	10,10
Norwegian krone	0,0	3,4	9,85	9,90	9,70	9,60	9,50
Chinese yuan	1,1	0,9	7,73	8,05	8,28	8,28	8,50
vs. US-Dollar (vs. USD, %)							
Japanese yen	-0,5	-0,4	109	106	104	104	102
Swiss franc	-0,7	1,1	0,97	0,96	0,92	0,96	0,92
Canadian dollar	-0,4	1,5	1,30	1,30	1,28	1,28	1,26
Swedish krona	-1,0	0,4	9,46	9,04	8,58	8,50	8,08
Norwegian krone	-0,9	3,5	8,87	8,61	8,08	8,00	7,60
Chinese yuan	0,3	1,3	6,95	7,00	6,90	6,90	6,80
US-Dollar vs. ... (vs. USD, %)							
British pound	-1,2	-0,4	1,31	1,35	1,41	1,50	1,56
Australian dollar	-2,2	0,8	0,69	0,70	0,72	0,72	0,74

*08.01.2020

Sources: Bloomberg, Helaba Research ■