



FX BRIEFLY

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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

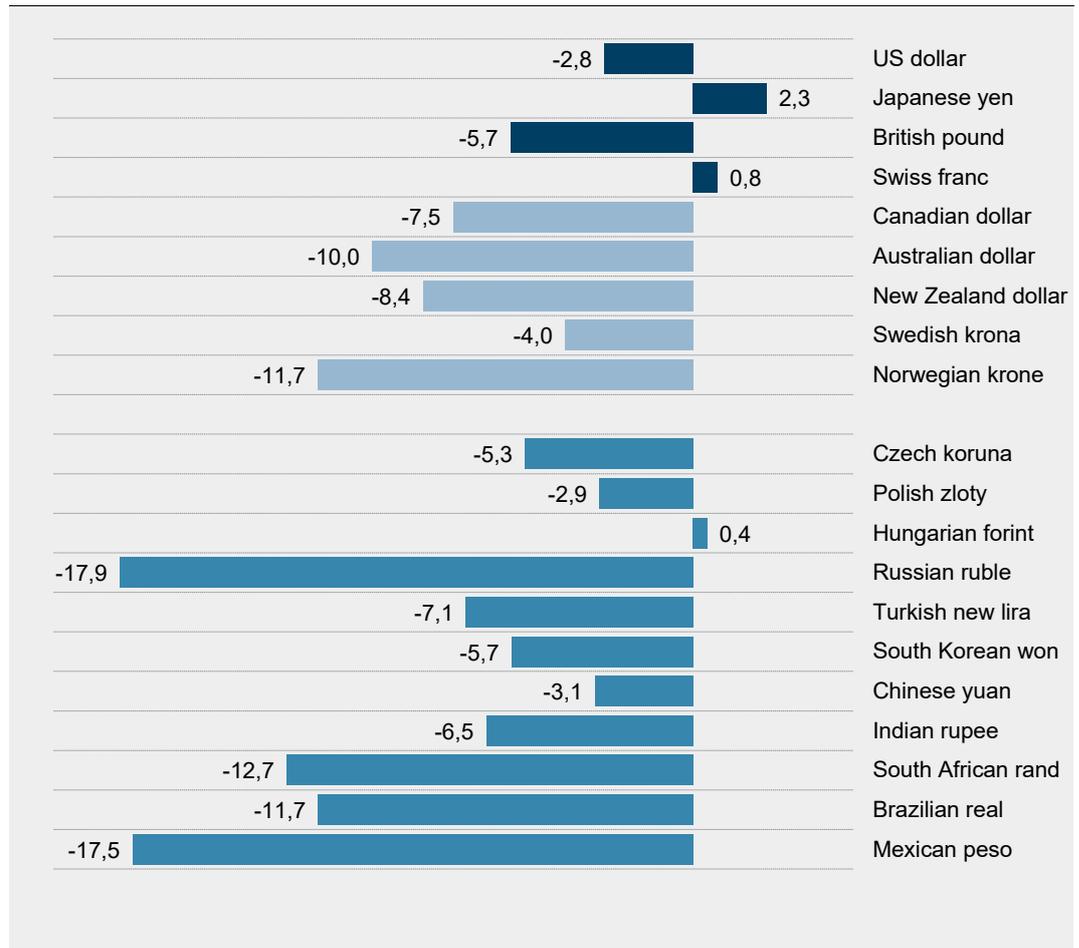
phone: +49 69/91 32-20 24

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.
- Thanks to the Coronavirus, volatility has returned to the currency market. Safe havens like the Japanese yen and the Swiss franc have been in demand. Even the euro gained ground against the US dollar on balance. By contrast, commodity currencies collapsed. Especially the crude oil currencies from Norway, Russia, and Mexico took a beating.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 02/12 to 03/12/20)



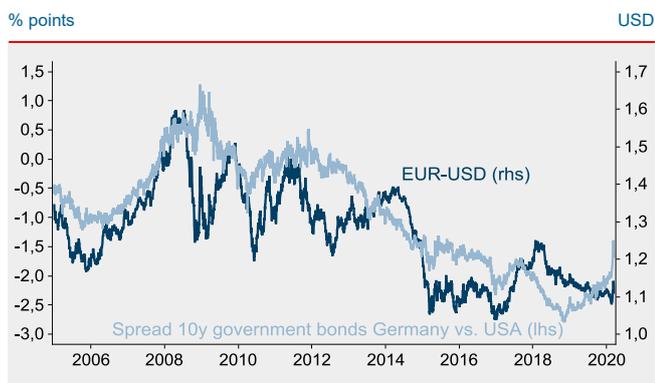
■ Core currencies ■ Rest of G10 ■ Currencies of emerging countries

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

Sharp drop in US yield advantage due to the Fed



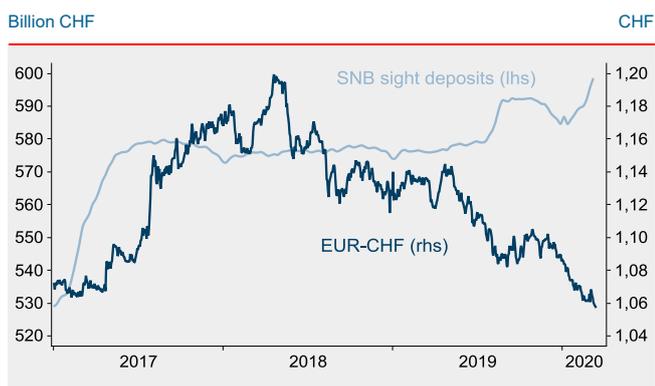
Sources: Macrobond, Helaba Research

USD

Trend: slight depreciation

The euro-dollar rate went on a rollercoaster ride. It rose from 1.08 to 1.15 and slid back down to 1.11. The coronavirus is currently raging above all in Europe, with Italy in particular causing concern. On the other hand, the US yield advantage declined sharply. The Fed cut its key rate by 0.5 % points and is likely to take further steps. By contrast, the ECB "only" expands its purchases. In the long term, valuation and the US "twin deficits" are also arguments against the dollar. Beyond short-term fluctuations, the euro-dollar rate should climb to 1.15 and higher.

Is the SNB curtailing the franc appreciation?



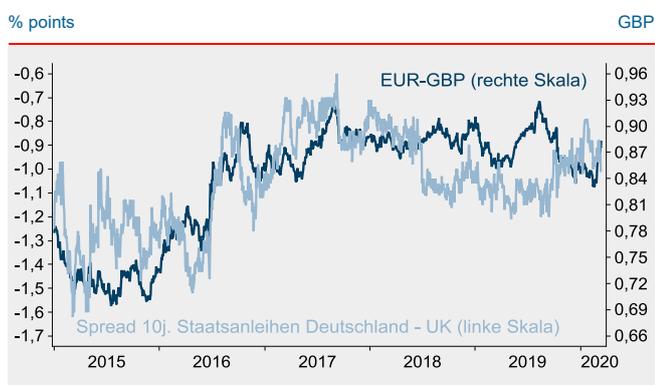
Sources: Macrobond, Helaba Research

CHF

Trend: slight depreciation

The panic in the financial markets helped the Swiss franc. The euro-franc exchange rate fell to 1.05. Measured against the massive increase in risk aversion, however, the decline in the exchange rate was modest. The SNB is possibly intervening. Although official reserves hardly rose at all, sight deposits of the SNB did. Yield differentials moved in favour of Switzerland. Interest rate cuts are not necessarily to be expected. As the situation eases and risk aversion declines, the euro-franc exchange rate should recover to 1.10 – less than previously posited.

Rate differences support the pound despite BoE cut



Sources: Macrobond, Helaba Research

GBP

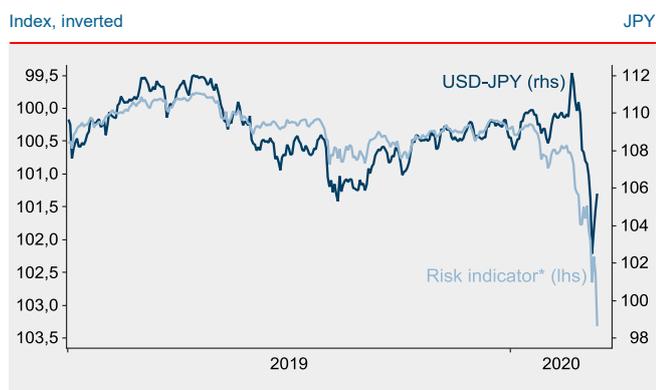
Trend: slight appreciation

The British pound fell significantly, and the euro-pound exchange rate jumped above 0.88. The Bank of England cut its key interest rate by an extraordinary 0.5% points to 0.25 %. Although the UK is still comparatively little affected by the coronavirus, the economy is likely to suffer considerably in the first half of the year, in spite of better data most recently. However, the interest rate differentials are supporting the pound. The upcoming Brexit negotiations hold uncertainties. With the negative factors easing in the course of the year, the pound should appreciate again somewhat.

Japanese yen, Norwegian krone and Swedish krona

Dollar-yen rate now suffering from the coronavirus

JPY



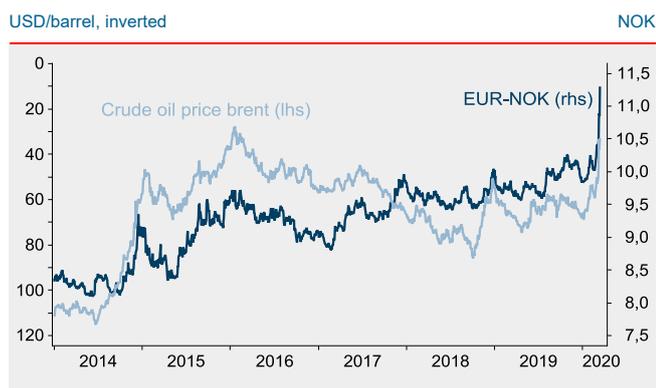
* calculated from VIX, High-Yield Spreads, Gold-Copper Ratio
Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Japanese yen was the big winner and gained against the euro and the US dollar. Unlike in the previous month, Japan's currency lived up to its role as a safe haven for investments. The economic situation in Japan itself is also very difficult. The Bank of Japan has little potential for more expansionary measures. The yield differentials will hardly move any further in favour of the yen, which limits the appreciation potential. The dollar-yen exchange rate should trend sideways, while the euro-yen exchange rate will presumably increase slightly over the medium term.

Oil price slump caused the krone to plummet

NOK



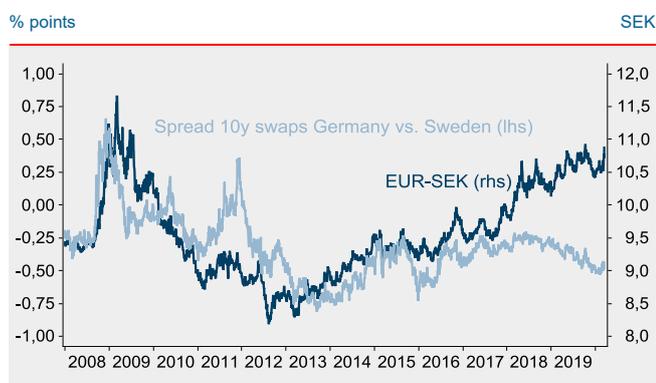
Sources: Macrobond, Helaba Research

Trend: appreciation

The Norwegian krone went into free fall. The euro-krone exchange rate rose above 11.0 for the first time, triggered by the dramatic fall in the price of crude oil as a result of the coronavirus pandemic and the price war. At the beginning of 2016, oil prices were similarly low, but the krone was significantly stronger. In view of the economic consequences of oil and coronavirus, the Norwegian central bank lowered its key rate, but the shrunken yield advantage of the krone remains pronounced. The euro-krone rate should fall with the recovery of oil prices, although less than previously assumed.

Yield advantage of the krona a protection in the storm

SEK



Sources: Macrobond, Helaba Research

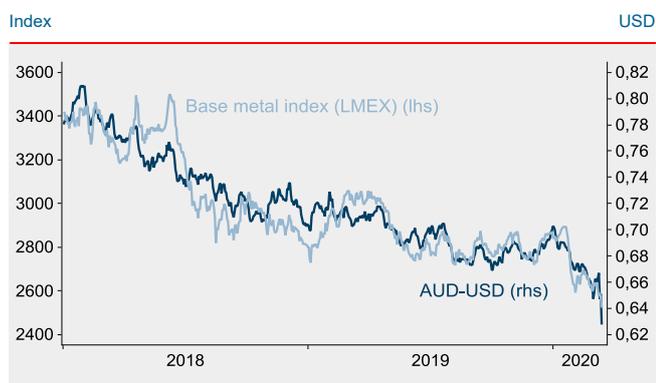
Trend: slight appreciation

The Swedish krona depreciated significantly. However, the euro-krone exchange rate did not enter entirely new territory above 10.8. In spite of more positive recent data, the Swedish economy will not be able to detach itself from the international weakness. Nevertheless, a return to negative interest rates by the central bank is not in sight. As a result, the high Swedish yield advantage against the euro remains almost unchanged. The krona will recover again in a calmer international environment. The euro-krona exchange rate could drop to 10.3 – higher than previously expected.

Australian dollar, Canadian dollar and Chinese yuan

Next blow for the "Aussie"

AUD



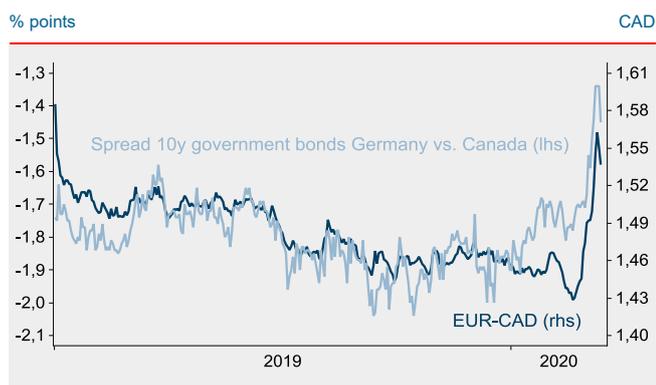
Sources: Macrobond, Helaba Research

Trend: slight appreciation

The Australian dollar lost massively against the euro and US dollar. Even if Australia is not directly affected that strongly by the coronavirus, the "Aussie" as a cyclical currency is suffering considerably. Commodity prices came under further pressure, and Australia's exports of coal and iron ore collapsed. Growth will therefore suffer. The central bank lowered its key rate and should take another step. Still, the yield disadvantage over the US shrank dramatically and points to a recovery of the "Aussie". Against the euro it should rise slightly.

Canada's rate advantage over the euro has shrunken

CAD



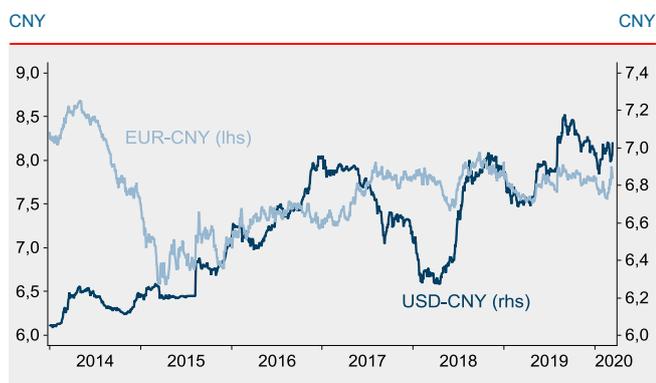
Sources: Macrobond, Helaba Research

Trend: sideways

The Canadian dollar depreciated sharply against the euro and US dollar. The collapse in crude oil prices weighed on the "Loonie". In addition, the Canadian central bank cut its key interest rate by 0.5 % points. The Bank of Canada should make another interest rate cut. Still, the yield differentials vis-à-vis the US argue for a stronger "Loonie" – especially if oil prices recover. Against the euro, the interest rate differential and the exchange rate are more in line, which is why the "Loonie" will presumably trend sideways here.

Yuan almost a haven of stability

CNY



Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Chinese yuan weakened visibly against the euro and slightly against the US dollar. The dollar-yuan exchange rate stands around 7.0, but the fluctuations are small by international standards. China's growth is suffering, but the spread of the coronavirus appears to be slowing there. China's government is stimulating the economy, so that growth will probably recover soon. The dollar-yuan exchange rate should therefore decline in the course of 2020. The yuan will presumably depreciate slightly 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	0,3	-2,8	1,12	1,15	1,15	1,15	1,20
Japanese yen	4,0	2,3	117	122	120	120	125
British pound	-4,9	-5,7	0,89	0,88	0,85	0,85	0,80
Swiss franc	2,8	0,8	1,06	1,05	1,07	1,10	1,10
Canadian dollar	-6,5	-7,5	1,56	1,58	1,55	1,53	1,57
Australian dollar	-11,0	-10,0	1,79	1,80	1,77	1,72	1,71
Swedish krona	-3,8	-4,0	10,91	10,80	10,60	10,50	10,30
Norwegian krone	-13,4	-11,7	11,37	11,20	10,80	10,50	10,30
Chinese yuan	-0,2	-3,1	7,83	8,05	7,94	7,94	8,16
vs. US-Dollar	(vs. USD, %)						
Japanese yen	3,8	5,2	105	106	104	104	104
Swiss franc	2,4	3,6	0,94	0,91	0,93	0,96	0,92
Canadian dollar	-6,7	-4,8	1,39	1,37	1,35	1,33	1,31
Swedish krona	-4,0	-1,2	9,75	9,39	9,22	9,13	8,58
Norwegian krone	-13,6	-9,2	10,17	9,74	9,39	9,13	8,58
Chinese yuan	-0,9	-0,8	7,03	7,00	6,90	6,90	6,80
US-Dollar vs. ...	(vs. USD, %)						
British pound	-5,2	-3,0	1,26	1,31	1,35	1,35	1,50
Australian dollar	-11,2	-7,4	0,62	0,64	0,65	0,67	0,70

*12.03.2020

Sources: Bloomberg, Helaba Research ■