



AUTHOR

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

EDITOR

Claudia Windt

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

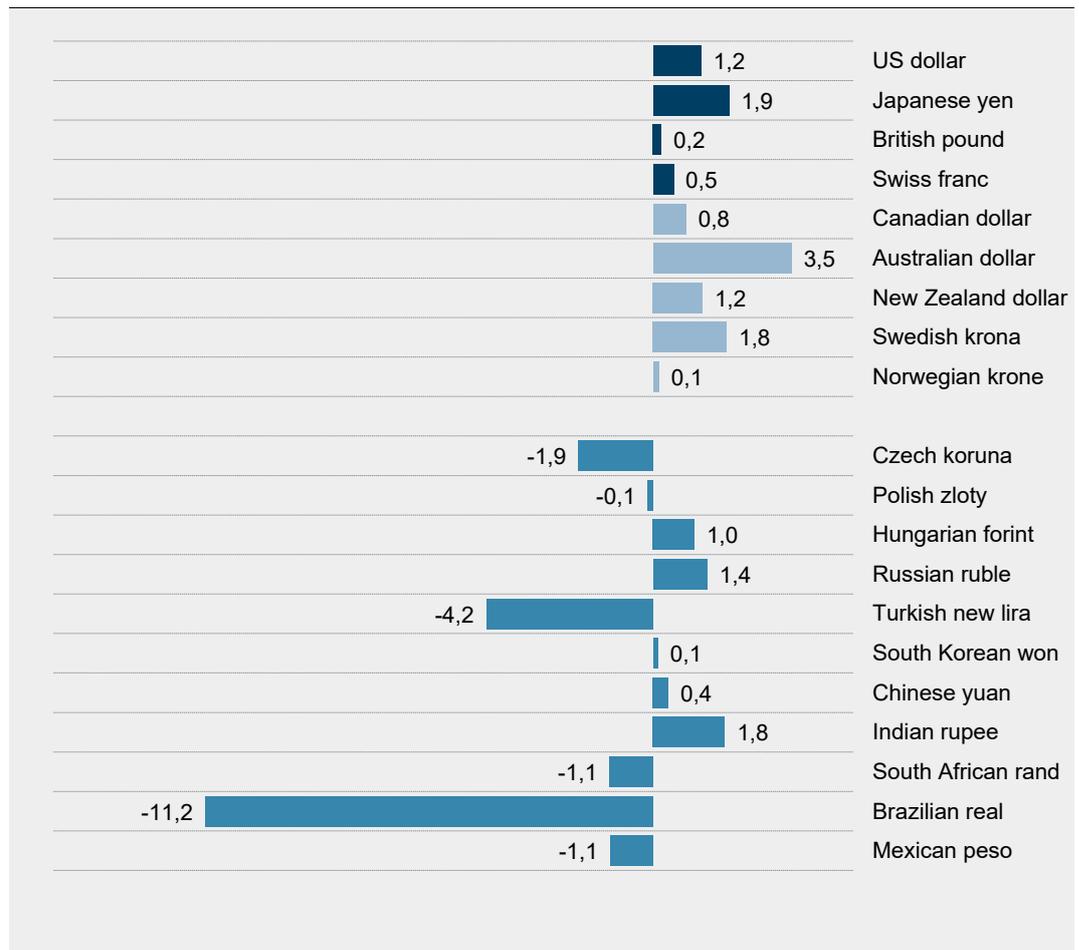
phone: +49 69/91 32-20 24

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 Swedish krona, as well as the Australian dollar, the Canadian dollar, and the Chinese yuan.
- The euro was trading a little weaker against many currencies. Both the cyclical Australian dollar as well as the safe-haven Japanese yen appreciated noticeably. By contrast, a few emerging market currencies, such as the Turkish lira and especially the Brazilian real, depreciated strongly.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 04/10 to 05/11/20)



■ 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

More expansionary fed policy bears risks for the dollar

USD



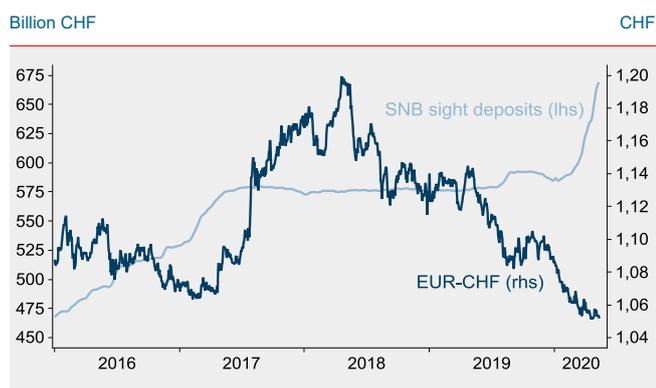
Sources: Macrobond, Helaba Research

Trend: depreciation

On balance, the US dollar has gained slightly; the euro-dollar rate is trading just above 1.08. The calming of the financial markets hardly hurt the safe-haven dollar. Over the short term, there will still be uncertainties worldwide and especially in the Euro zone. However, the shrunken US yield advantage and the strongly rising Fed total assets argue against the US dollar over the medium term, as does the enormous "twin deficit". Moreover, the dollar is clearly overvalued. In the wake of a further decline in risk aversion, the euro-dollar rate should rise in the direction of 1.20.

SNB is controlling the euro-franc exchange rate

CHF



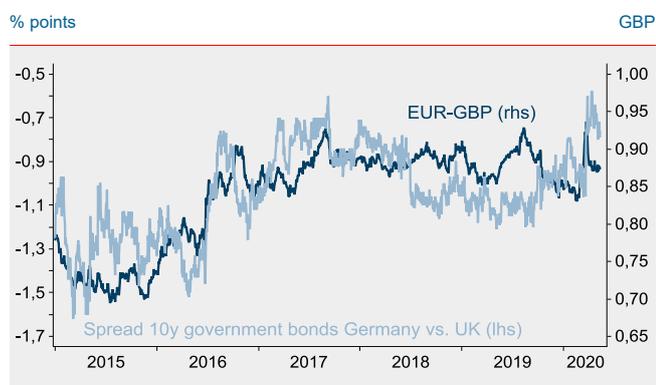
Sources: Macrobond, Helaba Research

Trend: slight depreciation

The euro-franc rate stands little changed at 1.05. The safe investment haven from Switzerland has recently been hardly correlated with risk aversion and has not suffered from the easing. The Swiss central bank is intervening more strongly in the currency market and is thus able to control the exchange rate well. The SNB's sight deposits are climbing noticeably, but the official reserves are not, because of the valuation losses. An even more noticeable market calming would presumably weigh on the franc, after all. Over the medium term, the euro-franc rate should rise to 1.10.

Smaller yield advantage could weigh on the pound

GBP



Sources: Macrobond, Helaba Research

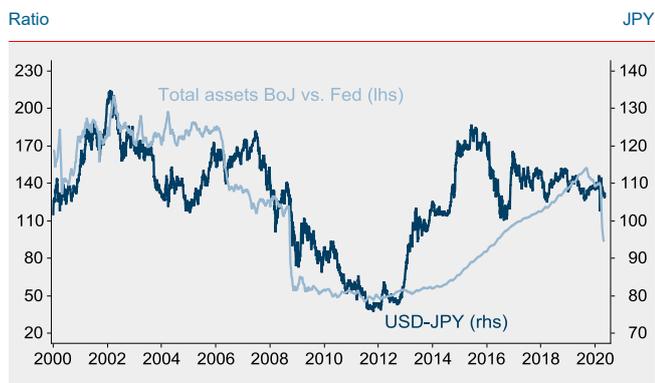
Trend: sideways

The British pound was without any clear direction. The euro-pound exchange rate hovers around 0.88. The major market turbulences have ended. The British economy is collapsing sharply, and the "shutdown" is being lifted only hesitantly. Although the central bank will not lower the key rate any further, it will probably expand its bond purchases. The lower yield advantage could weigh on the pound, as the uncertain negotiations over the future relationship with the EU. The pound is likely to drop against the euro in the short term, but should appreciate in an improved environment.

Japanese yen, Norwegian krone and Swedish krona

Bank of Japan less aggressive than the Fed

JPY



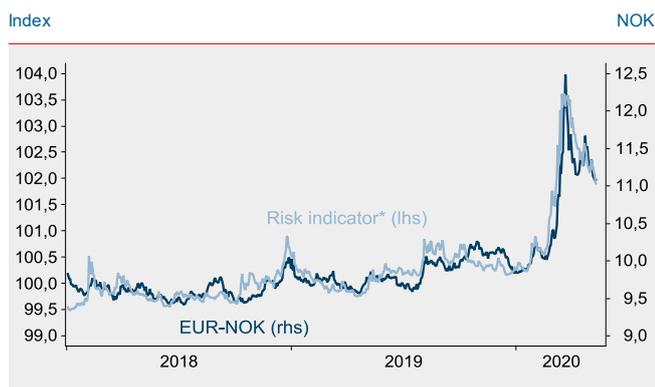
Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Japanese yen appreciated against the US dollar and the euro. The waning risk aversion did not burden the safe haven from Japan. In Japan, too, the economy is suffering a sharp downturn. Fiscal policy reacted again. Although the Bank of Japan has expanded its purchases of securities, it has by no means done so in a way comparable to the Fed. Moreover, the yield differentials argue for a lower dollar-yen rate. Yield spreads and the exchange rate are currently more in line vis-à-vis the euro. In the course of a global economic recovery, the euro-yen rate should rise again.

Waning nervousness helped Norwegian krone

NOK



* calculated from VIX, High-Yield Spreads, Gold-Copper Ratio

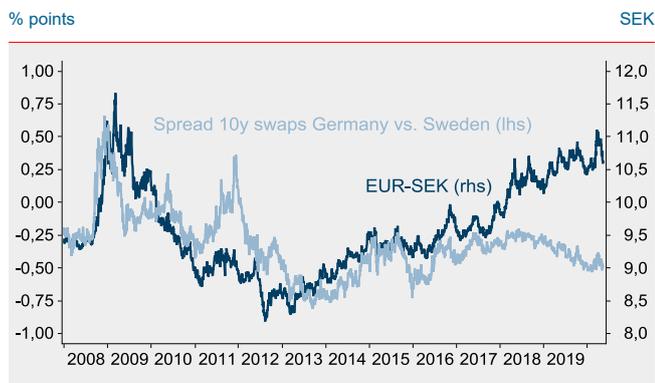
Sources: Macrobond, Helaba Research

Trend: slight appreciation

The Norwegian krone appreciated slightly against the euro. After the turbulences in the previous month, the situation has calmed down in general and for the Norwegian krone. The Norwegian economy is slumping. In a surprise move, the central bank lowered its key interest rate to 0.0 %, but negative rates are unlikely. The yield advantage of the krone has shrunk noticeably. The crude oil price seems to be stabilising after another setback. In a friendlier environment in the second half of the year, the krone should receive more tailwind, even though risks still exist over the short term.

Stable yield advantage supports the Swedish krona

SEK



Sources: Macrobond, Helaba Research

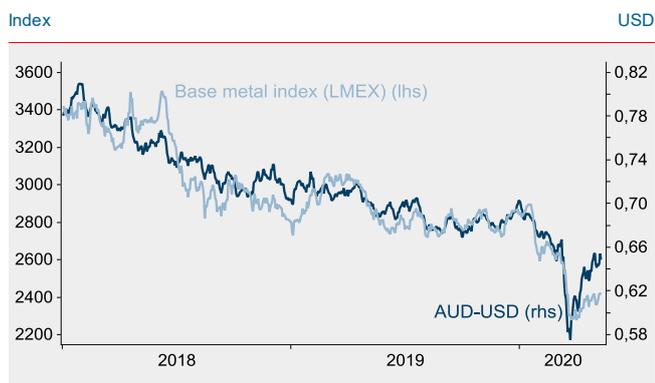
Trend: sideways

The Swedish krona was most recently among the winners. The euro-krona exchange rate fell to 10.6. The Swedish economy will suffer a deep recession despite the somewhat different policy measures to contain the corona pandemic. The Riksbank maintained its key interest rate. While it does not rule out negative interest rates, the focus is on bond purchases. The Swedish yield advantage over the euro remained high. In the short term, the krona could give back some of its gains. Toward the end of the year, the euro-krona exchange rate should trade around 10.5.

Australian dollar, Canadian dollar and Chinese yuan

Metals prices counsel caution for the “Aussie”

AUD



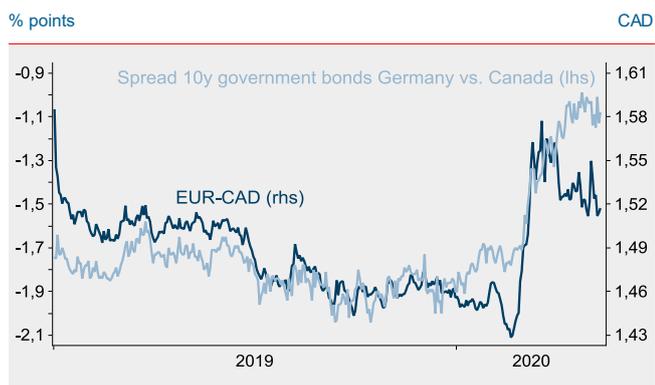
Sources: Macrobond, Helaba Research

Trend: depreciation against the euro

The Australian dollar appreciated against the US currency and especially against the euro. The further brightening of sentiment helped the "Aussie". The pandemic seems to have been contained in Australia at present. Nevertheless, the economy is slumping sharply. The upward move of the "Aussie" seems exaggerated relative to metals prices. The central bank is steering yields with bond purchases. The yield differentials support the "Aussie" against the US dollar in the medium term. However, the yield differentials against the euro argue for a depreciation of the Australian currency.

Shrunken yield advantage of the “Loonie” vs. the euro

CAD



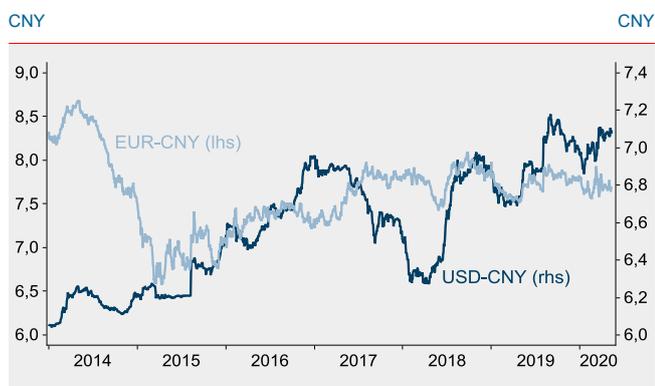
Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Canadian dollar was slightly firmer against the euro and hardly changed against the US dollar. The "Loonie" is coping quite well with the volatility of oil prices, especially since energy prices have recently stabilised. Nevertheless, a deep recession is unavoidable. The Bank of Canada expanded its bond purchases. However, the yield differentials vis-à-vis the US argue for a stronger "Loonie" over the medium term. The comparison against the euro is quite different: here the interest rate differentials signal that the Canadian dollar will presumably depreciate.

Dollar-yuan exchange rate slightly higher

CNY



Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Chinese yuan weakened marginally against the US dollar and appreciated slightly against the euro. The dollar-yuan exchange rate is quoted at just under 7.1. After the crash in the first quarter, China's economy is gradually being restarted. However, in spite of improved data and government support, normal capacity utilization is not yet apparent. Compared to the US, however, the economic outlook is more friendly. The dollar-yuan exchange rate should therefore drop below 7.0 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*	Q2/2020	Q3/2020	Q4/2020	Q1/2021
vs. Euro	(vs. Euro, %)						
US dollar	3,8	1,2	1,08	1,10	1,15	1,20	1,20
Japanese yen	4,6	1,9	116	117	120	125	125
British pound	-3,5	0,2	0,88	0,90	0,90	0,85	0,85
Swiss franc	3,2	0,5	1,05	1,05	1,07	1,10	1,10
Canadian dollar	-3,8	0,8	1,51	1,56	1,58	1,60	1,58
Australian dollar	-4,1	3,5	1,67	1,83	1,83	1,82	1,74
Swedish krona	-1,6	1,8	10,68	10,80	10,70	10,50	10,30
Norwegian krone	-11,7	0,1	11,14	11,20	10,80	10,50	10,20
Chinese yuan	1,9	0,4	7,67	7,70	7,94	8,16	8,16
vs. US-Dollar	(vs. USD, %)						
Japanese yen	0,9	0,8	108	106	104	104	104
Swiss franc	-0,7	-0,7	0,97	0,95	0,93	0,92	0,92
Canadian dollar	-7,3	-0,4	1,40	1,42	1,37	1,33	1,32
Swedish krona	-5,2	0,6	9,88	9,82	9,30	8,75	8,58
Norwegian krone	-14,8	-1,0	10,31	10,18	9,39	8,75	8,50
Chinese yuan	-1,9	-0,9	7,10	7,00	6,90	6,80	6,80
US-Dollar vs. ...	(vs. USD, %)						
British pound	-7,0	-1,0	1,23	1,22	1,28	1,41	1,41
Australian dollar	-7,6	2,2	0,65	0,60	0,63	0,66	0,69

*11.05.2020

Sources: Bloomberg, Helaba Research ■