



## FX BRIEFLY

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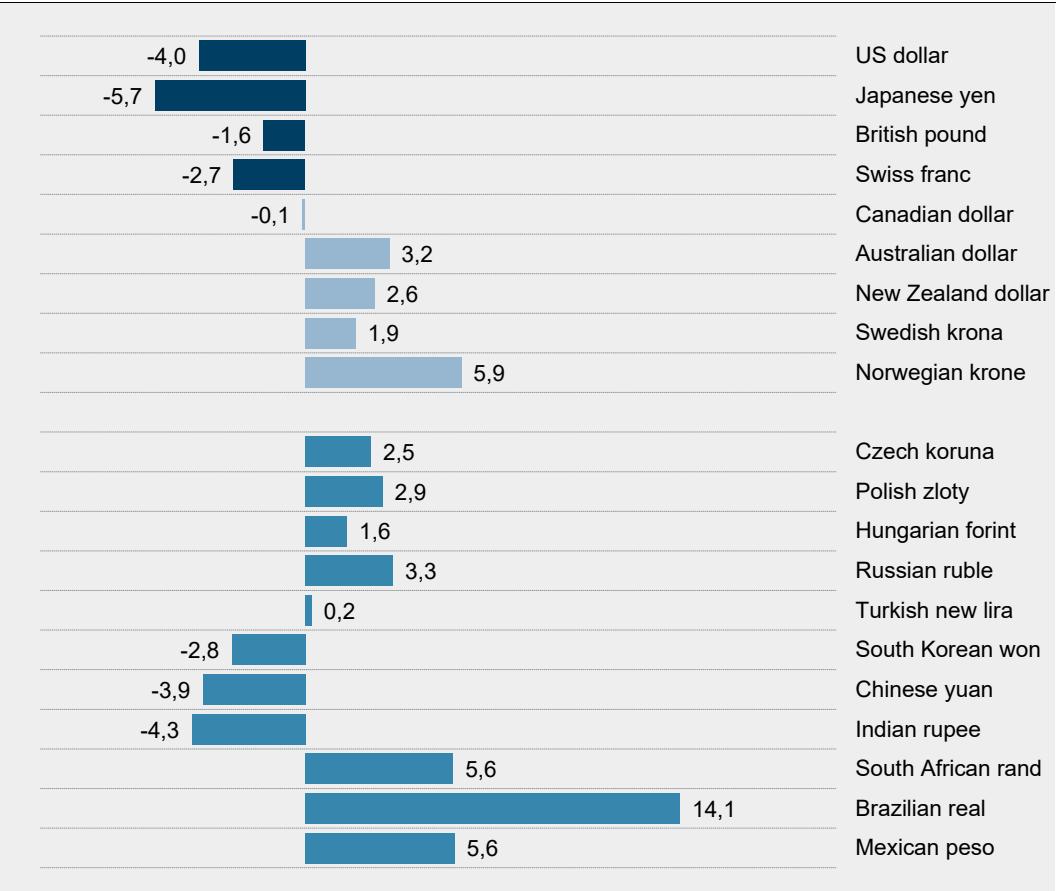
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- In this edition you will find brief analyses of the US dollar, Swiss franc, British pound, Japanese yen, Norwegian krone, and Swedish krona, as well as the Australian dollar, the Canadian dollar, and the Chinese yuan.
- The US dollar depreciated strongly, and the Japanese yen lost even more ground. The Norwegian krone posted large gains. Most emerging market currencies advanced, above all the Brazilian real.
- Helaba currency forecasts

## Performance on a month-over-month basis

% vs. euro compared to the previous month (from 05/08 to 06/08/20)



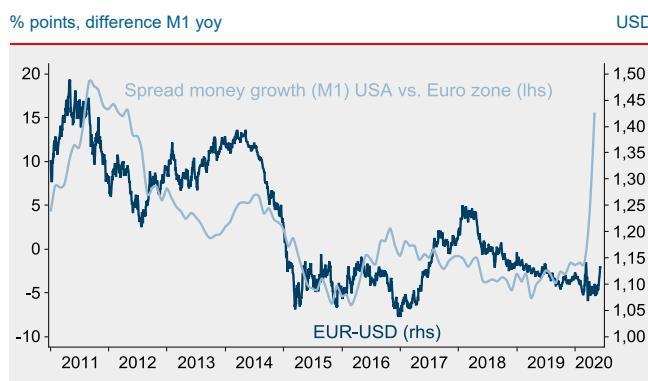
■ Core currencies ■ Rest of G10 ■ Currencies of emerging countries

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

### Expansionary US monetary policy weighs on dollar



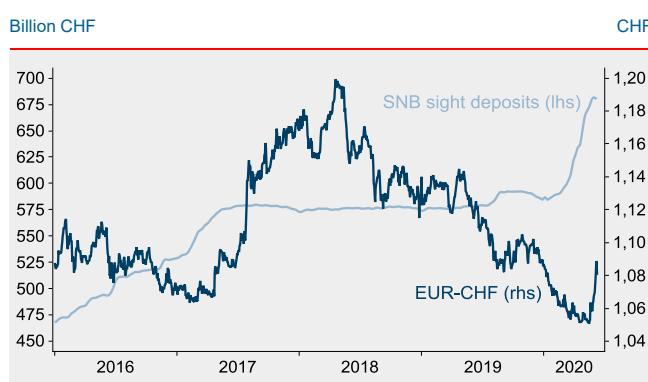
Sources: Macrobond, Helaba Research

USD

#### Trend: depreciation

The US dollar depreciated significantly, the euro-dollar rate climbed temporarily above 1.13. The safe-haven currency from the US suffered from an increasing risk appetite. The euro was also supported by hopes of large aid packages from the EU. In addition, the very aggressive US monetary policy is weighing on the dollar, which is reflected in shrinking interest rate differentials, a rising Fed balance sheet total, and rapid growth in the money supply. Although short-term setbacks are possible, over the medium term the euro-dollar rate should continue to rise in the direction of 1.20.

### Franc successfully stabilized?



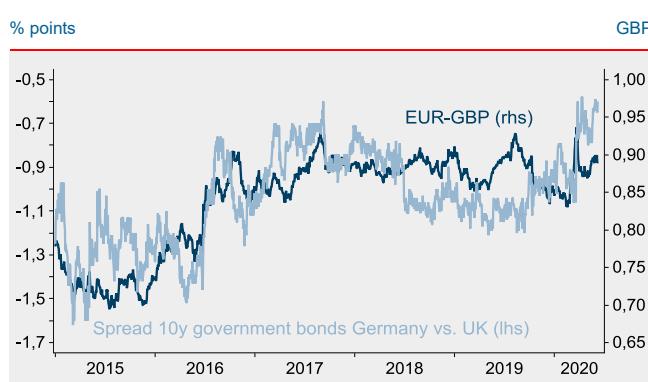
Sources: Macrobond, Helaba Research

CHF

#### Trend: sideways

The Swiss franc came under pressure as risk aversion declined, and the euro-franc exchange rate jumped above 1.08. Presumably, the Swiss Central Bank had to intervene less in the currency market, having previously limited the appreciation of the franc with massive interventions. Over the short term, the Swiss currency could recover, since the countermovement was too strong in view of the risks that still exist. However, the franc is overvalued. Over the medium term, the euro-franc exchange rate should rise to 1.10 with a further calming.

### Lower yield advantage weighs on the pound



Sources: Macrobond, Helaba Research

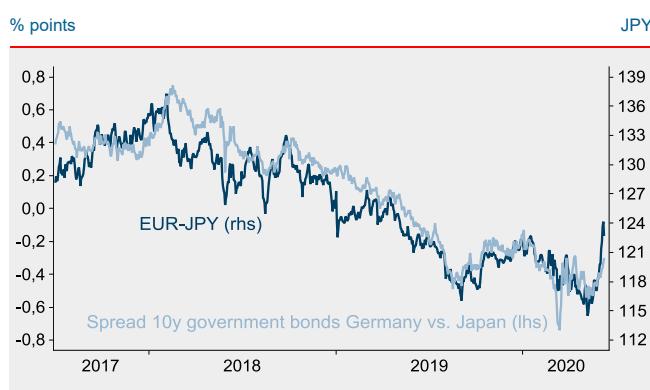
GBP

#### Trend: sideways

The British pound depreciated against the euro. The euro-pound rate is trading around 0.89. The British economy is suffering severely from the "shutdown". The Bank of England is even considering negative rates, but is more likely to expand bond purchases. The lower yield advantage is weighing on the pound. The faltering negotiations over the future relationship with the EU bear risks. In the short term, the pound is threatened with losses. In the medium term, the currency is likely to appreciate in the course of an economic recovery and with a clarified EU relationship.

## Japanese yen, Norwegian krone and Swedish krona

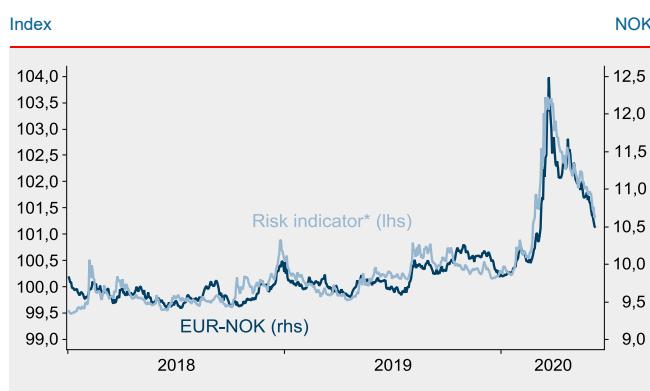
### Euro-yen exchange rate with robust increase



Sources: Macrobond, Helaba Research

The Japanese yen depreciated sharply, especially against the euro. With the growing risk appetite, the safe investment haven yen was no longer in demand. However, the interest rate differences against the US dollar and the euro hardly moved against the yen. The Japanese economy does not seem to have collapsed quite as much. The Bank of Japan reacted comparatively moderately with its purchases of securities. The yen should appreciate against the dollar and, over the short term, against the euro. But the gains against the euro will probably evaporate by the end of 2020.

### Furious comeback of the Norwegian krone

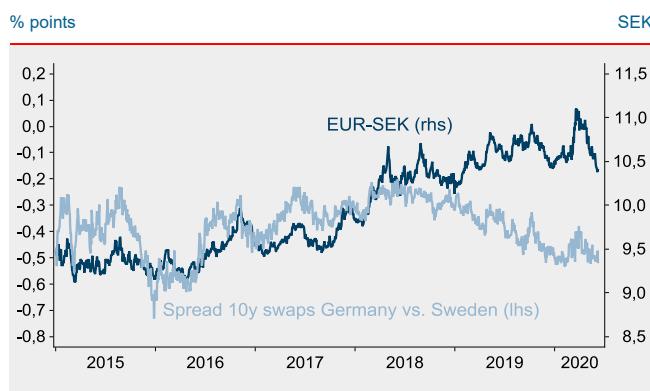


\* calculated from aus VIX, High-Yield Spreads, Gold-Copper Ratio

Sources: Macrobond, Helaba Research

The Norwegian krone appreciated significantly against the euro. The krone was thus able to largely make up for its collapse in March. The currency was helped by a rising risk appetite and a higher crude oil price. However, the Norwegian economy is also suffering from the pandemic. With the cut in the key interest rate to 0.0 %, the yield advantage of the krone has shrunk noticeably. Measured by the oil price or the yield spreads, the krone's race to catch up was rather too rapid. As a result, the euro-krone rate should take a breather and move sideways until the end of the year.

### Solid yield advantage supports Swedish krona

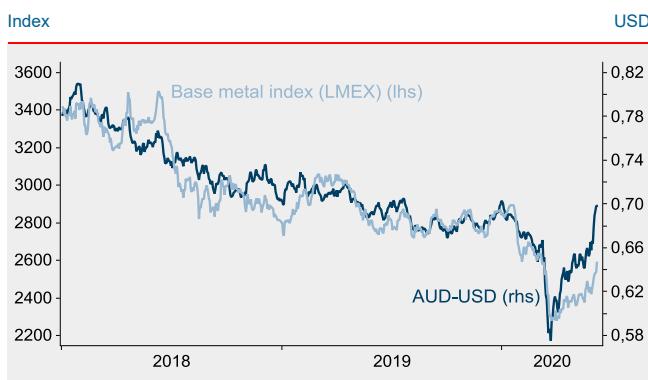


Sources: Macrobond, Helaba Research

The Swedish krona continued its appreciation, the euro-krona exchange rate dropped to 10.4. Although Sweden pursued a different path to containing the corona pandemic, its economy is suffering a recession, albeit not as deep as in the euro zone. Monetary policy remains expansionary, with the focus on bond purchases rather than negative interest rates. The Swedish yield advantage over the euro remained high. For now, the krona will take a deep breath after the gains. Towards the end of the year, the euro-krona exchange rate should fall in the direction of 10.2.

## Australian dollar, Canadian dollar and Chinese yuan

### "Aussie" recovery overshoots



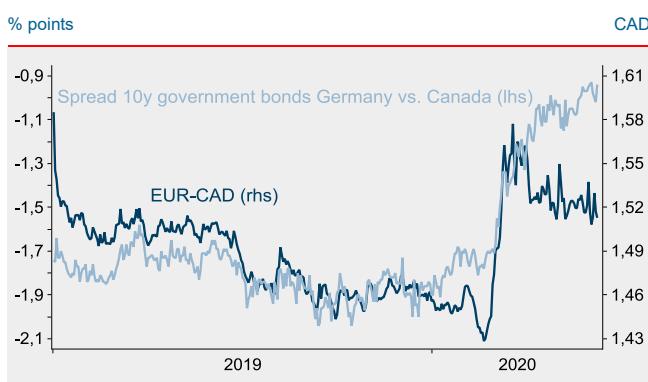
Sources: Macrobond, Helaba Research

**AUD**

### Trend: depreciation against the euro

The Australian dollar appreciated strongly, especially against the US currency, but also against the euro. Hopes for a global economic recovery drove the "Aussie", although Australia is suffering its first recession since 1991. Measured by commodity prices and general risk appetite, the appreciation is excessive. While the "Aussie" is likely to settle back at current levels against the US currency after a setback, there is a threat of depreciation against the euro, which is primarily indicated by the interest rate differentials.

### Smaller yield advantage of the "Loonie" over the euro



Sources: Macrobond, Helaba Research

**CAD**

### Trend: depreciation against the euro

The Canadian dollar appreciated significantly against the US dollar, but hardly against the euro. The growing risk appetite caused a rise in the price of crude oil, which boosted the "Loonie". However, the economy slumped sharply also in Canada. In addition to its own "shutdown", the country is suffering from dropping exports. The Bank of Canada did not follow up with expansionary measures. However, the yield differentials vis-à-vis the US argue for a stronger "Loonie". In comparison to the euro, the interest rate differentials signal a depreciation of the Canadian dollar.

### Will the dollar-yuan rate follow the euro-dollar rate?



Sources: Macrobond, Helaba Research

**CNY**

### Trend: slight depreciation against the euro

The Chinese yuan lost significantly against the euro, but gained marginally against the US dollar. The dollar-yuan rate is trading below 7.1. At times, the rate was close to the September high of just under 7.2. China's economy is gradually starting up again. The yield spreads speak for the yuan. Over the last few years, the dollar-yuan rate declined with a rising euro-dollar exchange rate. To be sure, the political tensions with the US bear risks. However, the dollar-yuan rate will presumably drop below 7.0. The yuan should depreciate marginally 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
<b>vs. Euro</b>	(vs. Euro, %)						
US dollar	-0,7	-4,0	1,13	1,10	1,15	1,20	1,20
Japanese yen	-0,6	-5,7	122	117	120	125	125
British pound	-4,7	-1,6	0,89	0,90	0,90	0,85	0,85
Swiss franc	0,4	-2,7	1,08	1,05	1,07	1,10	1,10
Canadian dollar	-3,6	-0,1	1,51	1,51	1,55	1,60	1,58
Australian dollar	-0,7	3,2	1,61	1,67	1,74	1,74	1,74
Swedish krona	1,1	1,9	10,39	10,50	10,40	10,20	10,20
Norwegian krone	-5,9	5,9	10,46	10,60	10,40	10,20	10,20
Chinese yuan	-2,2	-3,9	7,99	7,70	7,94	8,16	8,16
<b>vs. US-Dollar</b>	(vs. USD, %)						
Japanese yen	0,2	-1,6	108	106	104	104	104
Swiss franc	0,9	1,4	0,96	0,95	0,93	0,92	0,92
Canadian dollar	-2,9	4,1	1,34	1,37	1,35	1,33	1,32
Swedish krona	1,8	6,2	9,20	9,55	9,04	8,50	8,50
Norwegian krone	-5,1	10,4	9,26	9,64	9,04	8,50	8,50
Chinese yuan	-1,5	0,0	7,07	7,00	6,90	6,80	6,80
<b>US-Dollar vs. ...</b>	(vs. USD, %)						
British pound	-4,0	2,5	1,27	1,22	1,28	1,41	1,41
Australian dollar	0,0	7,5	0,70	0,66	0,66	0,69	0,69

\*08.06.2020

Sources: Bloomberg, Helaba Research ■