



AUTHOR

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

EDITOR

Susanne Eulenkamp

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

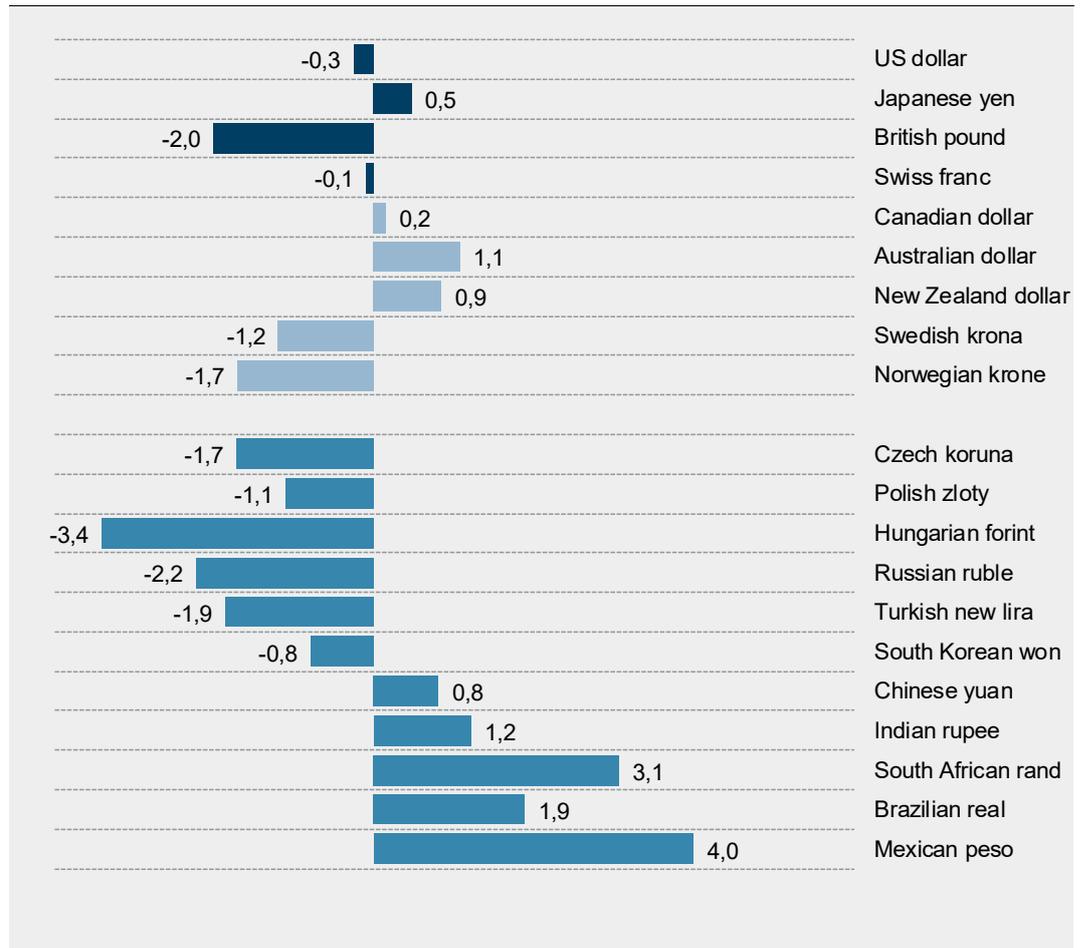
phone: +49 69/91 32-20 24

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 US dollar weakened again following a temporary recovery. The British pound slid more clearly into the minus, and the Scandinavian currencies also lost ground. Many commodity currencies strengthened, especially the South African rand and the Mexican peso. However, the Russian ruble and the Turkish lira depreciated.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 08/12 to 09/10/20)



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

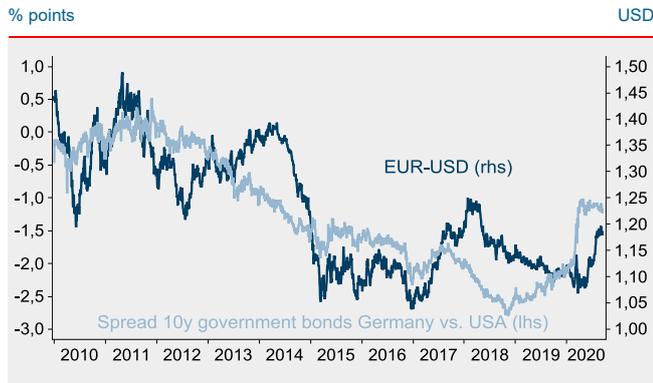
Sources: Bloomberg, Helaba Research

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

US yield advantage remains capped

USD



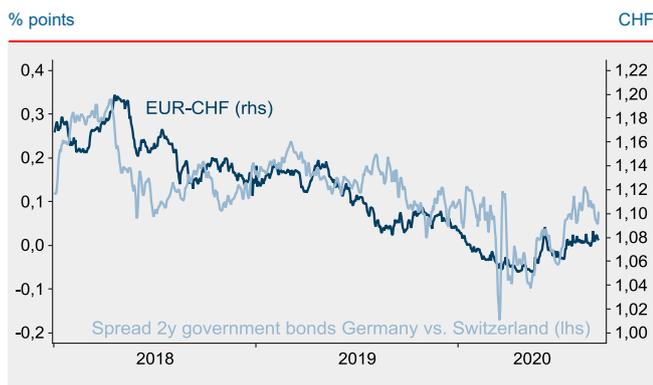
Sources: Macrobond, Helaba Research

Trend: sideways

The US dollar initially stabilized. But then the euro-dollar exchange rate rose up to 1.19. ECB President Lagarde was surprisingly relaxed about the rise of the euro. Based on its new strategy, the Fed will continue its zero interest rate policy for some time to come. Accordingly, the US yield advantage remains depressed. The US growth advantage over the euro zone in 2020 is likely to be reversed next year. In addition, the presidential elections in the fall are unsettling. However, the euro-dollar exchange rate should only rise to 1.20, as some things have already been anticipated.

Franc with yield disadvantage

CHF



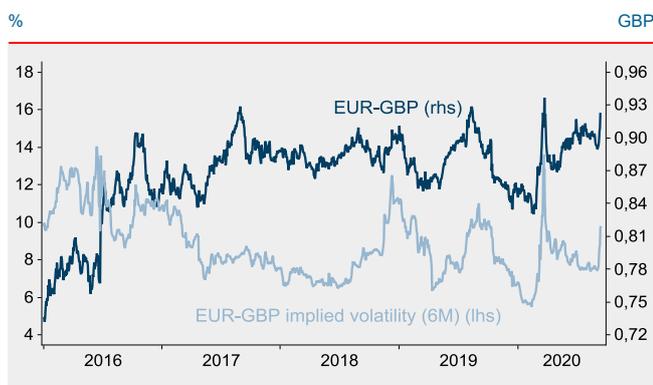
Sources: Macrobond, Helaba Research

Trend: slight depreciation

The Swiss franc showed little change. The euro-franc exchange rate stands around 1.08. A slightly higher risk aversion on the financial markets did little to help the safe investment haven. The Swiss central bank likely intervened hardly at all in the currency market. Yield differentials have recently moved slightly in favour of the franc, but they do not fundamentally support it. Although the correlation of the euro-franc exchange rate with the euro-dollar rate is less pronounced, it still holds potential for appreciation. By the end of 2020, the euro should climb to 1.10 francs.

Brexit nervousness elevated, but not yet like 2018/19

GBP



Sources: Macrobond, Helaba Research

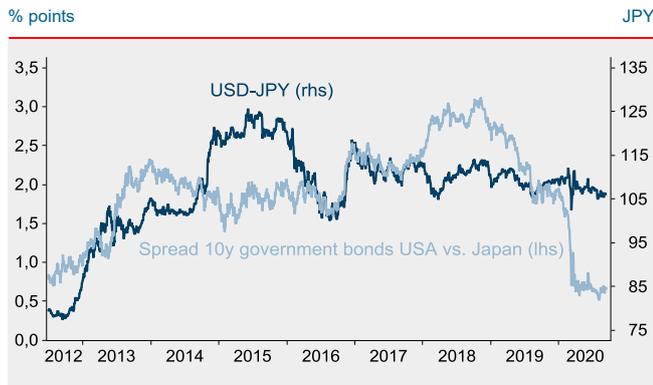
Trend: appreciation

The British pound weakened significantly. The euro-pound exchange rate jumped to 0.92. Brexit worries are back. Negotiations on the future relationship with the EU continue to stall, especially since the British government seems to be heading for confrontation. Nevertheless, an agreement is still the more realistic scenario, which would give the pound a significant boost. The British economy is recovering noticeably from the dramatic crash. The Bank of England can therefore wait and see. With further economic momentum and an EU deal, the pound should appreciate strongly.

Japanese yen, Norwegian krone and Swedish krona

“Abenomics” global – low yen yield disadvantage

JPY



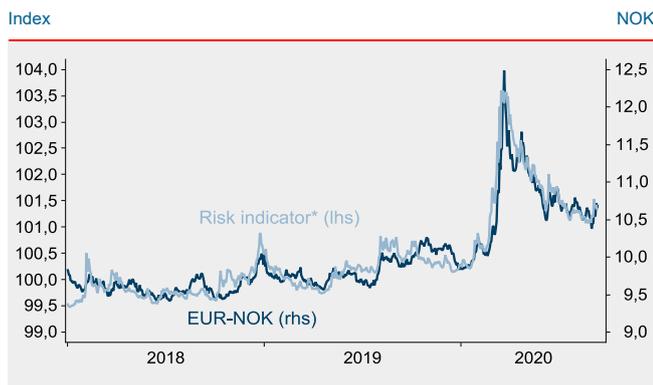
Sources: Macrobond, Helaba Research

Trend: sideways

The Japanese yen hardly changed against the euro and US dollar. Japan's long-standing Prime Minister Abe is stepping down. During his term of office, the yen was deliberately weakened and at times lost almost 40 %. The presumed successor Suga is likely to continue the policy more or less. In the meantime, "Abenomics" are being all but practiced also in the USA and Europe. Therefore, the only small yield differences vis-à-vis the US and the euro zone alone speak for the yen, especially against the US dollar. But the euro-yen exchange rate should tend sideways in the medium term.

Only short-term damper for the Norwegian krone

NOK



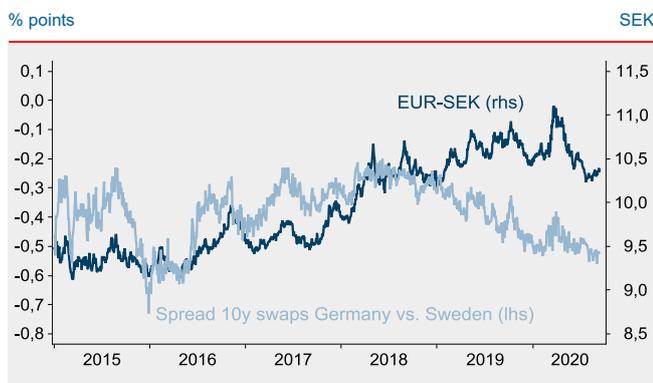
* calculated from VIX, High-Yield Spreads, Gold-Copper Ratio
Sources: Macrobond, Helaba Research

Trend: appreciation

The Norwegian krone recently weakened, as the euro-krone exchange rate rose above 10.7. The Norwegian currency received headwind from a decreasing risk appetite. The price of crude oil also fell. The economic slump was less severe in Norway than in many other countries. Core inflation is at a very high level. The central bank will continue its zero interest rate policy for the time being. However, the Norges Bank will probably raise its key interest rate well ahead of other central banks. The Norwegian yield advantage would increase in the run-up. The euro-krone exchange rate should therefore fall.

Stable yield advantage supports the Swedish krona

SEK



Sources: Macrobond, Helaba Research

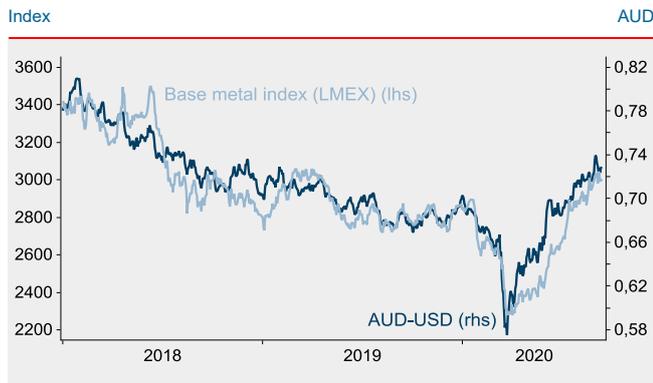
Trend: sideways

The Swedish krona depreciated somewhat. The euro-krona rate is above 10.3. Sweden's GDP decline of 8.3 % qoq in the second quarter was not much milder than in the euro zone. At least the number of new Covid-19 infections has remained low recently. However, Sweden's economy depends heavily on exports. The central bank will maintain its key rate and is more likely to expand its bond purchases. The Swedish yield advantage against the euro has proved stable, but it will hardly increase due to the lack of prospects for rate hikes. The euro-krona rate is likely to decline only marginally.

Australian dollar, Canadian dollar and Chinese yuan

Metals prices continue to support the “Aussie“

AUD



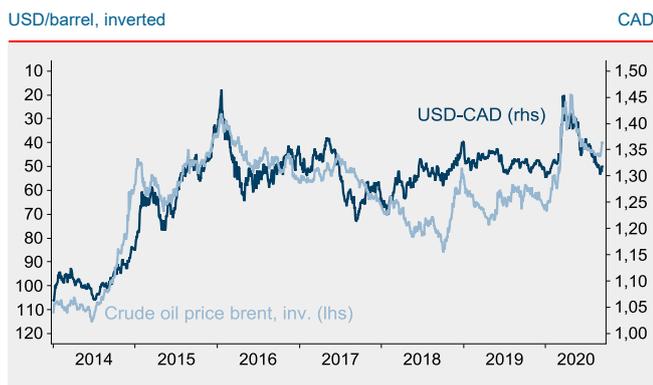
Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Australian dollar gained against the euro and the US dollar, at times even significantly. The "Aussie" profited from the rising metal prices in recent weeks. GDP in the second quarter shrank by 7% over the previous period – a dramatic decline for Australia, but not that severe compared to the rest of the world. The recovery is being damped by new restrictions. Monetary policy maintained its expansive course. Yield differentials against the US dollar tend to indicate a sideways movement. The interest rate spreads against the euro point to a slight depreciation of the "Aussie".

“Loonie“ so far ignoring oil price decline

CAD



Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Canadian dollar changed only slightly against the euro and the US dollar. And that even though the price of crude oil, the driver of the "Loonie" recovery, recently suffered a visible decline. In the short term, there is therefore a risk of a setback for the currency. By contrast, the yield differentials against the USA are supporting the "Loonie". The Bank of Canada will not take any new expansionary measures for the time being, especially since the Canadian economy is picking up speed again. However, the yield spreads against the euro argue for a somewhat weaker Canadian dollar.

Dollar weakness also against the yuan

CNY



Sources: Macrobond, Helaba Research

Trend: sideways

The Chinese yuan appreciated against the euro and the US dollar. The dollar-yuan rate is approaching the 6.80 mark. The disputes between the USA and China thus no longer weighed on the currency, especially since they have not worsened recently. China's economic recovery has made further progress compared to the rest of the world. The yield differentials clearly speak in favour of the yuan. The lower dollar-yuan exchange rate partly reflects the higher euro-dollar rate. The dollar-yuan rate is now unlikely to fall much further. The euro-yuan rate will presumably trend sideways.

Helaba Currency Forecasts

	Performance			Forecast horizon at end ...			
	year to date	1 month	current*	Q3/2020	Q4/2020	Q1/2021	Q2/2021
vs. Euro	vs. Euro, %						
US dollar	-5,1	-0,3	1,18	1,15	1,20	1,20	1,20
Japanese yen	-2,9	0,5	125	120	125	125	125
British pound	-8,3	-2,0	0,92	0,90	0,85	0,85	0,85
Swiss franc	0,9	-0,1	1,08	1,07	1,10	1,10	1,10
Canadian dollar	-6,5	0,2	1,56	1,55	1,60	1,58	1,58
Australian dollar	-1,9	1,1	1,63	1,67	1,69	1,69	1,69
Swedish krona	1,3	-1,2	10,37	10,30	10,20	10,20	10,20
Norwegian krone	-8,2	-1,7	10,72	10,40	10,20	10,20	10,00
Chinese yuan	-3,7	0,8	8,12	7,94	8,16	8,16	8,16
vs. US-Dollar	vs. USD, %						
Japanese yen	2,3	0,7	106	104	104	104	104
Swiss franc	6,1	0,2	0,91	0,93	0,92	0,92	0,92
Canadian dollar	-1,5	0,4	1,32	1,35	1,33	1,32	1,32
Swedish krona	6,7	-0,9	8,78	8,96	8,50	8,50	8,50
Norwegian krone	-3,2	-1,4	9,08	9,04	8,50	8,50	8,33
Chinese yuan	1,9	1,5	6,83	6,90	6,80	6,80	6,80
US-Dollar vs. ...	vs. USD, %						
British pound	-3,4	-1,8	1,28	1,28	1,41	1,41	1,41
Australian dollar	3,4	1,3	0,73	0,69	0,71	0,71	0,71

*10.09.2020

Sources: Bloomberg, Helaba Research ■