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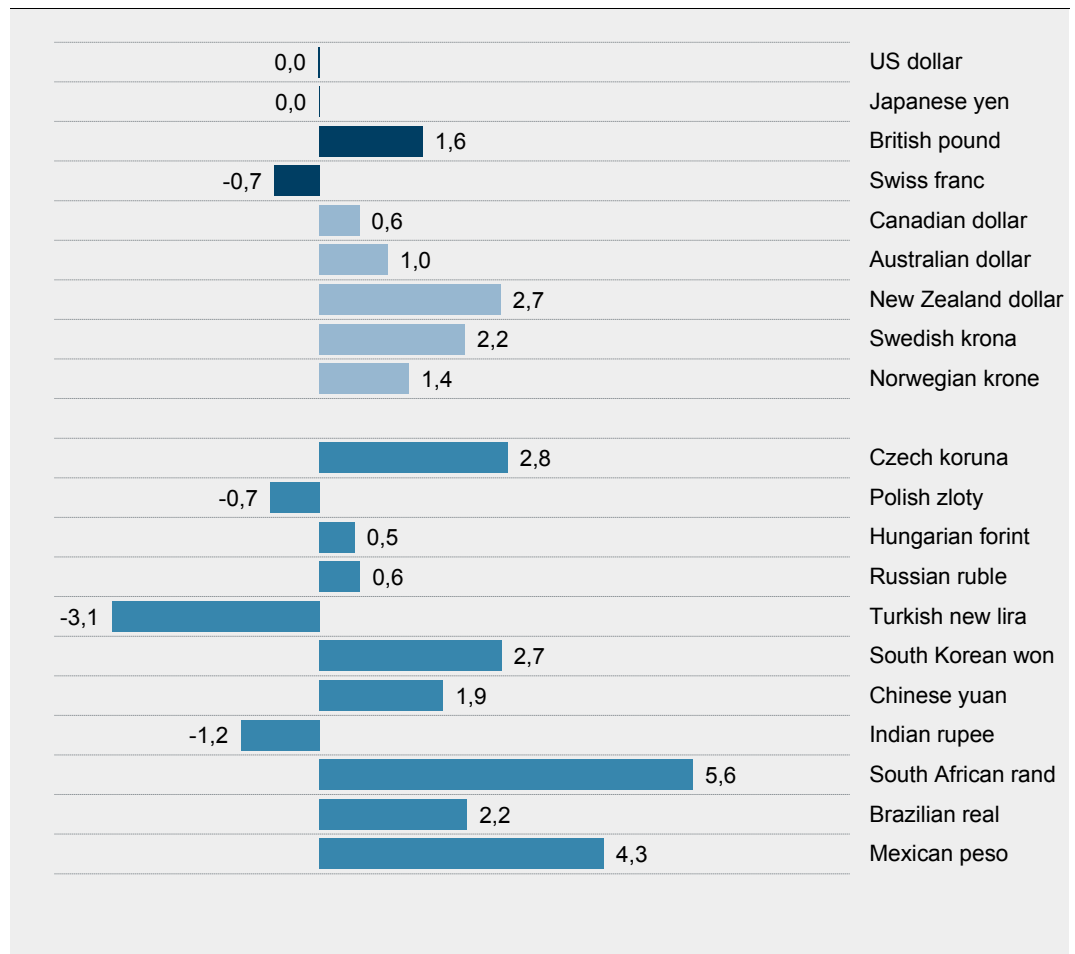
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- In this edition you will find brief analyses of the US dollar, Swiss franc, British pound, Japanese yen, Norwegian krone, and Swedish krona, as well as the Australian dollar, the Canadian dollar, and the Chinese yuan.
- While the euro-dollar exchange rate fluctuated without a clear direction, the British pound increased noticeably. The Scandinavian currencies also appreciated. In the emerging markets, gains predominated, especially for the South African rand. The Turkish lira, however, continued to weaken.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 10/12 to 11/10/20)



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

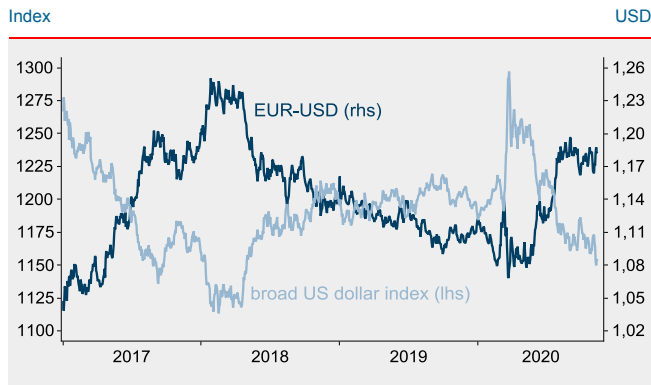
Sources: Bloomberg, Helaba Research

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US dollar, Swiss franc and British pound

Broad dollar index slid to cyclical low

USD



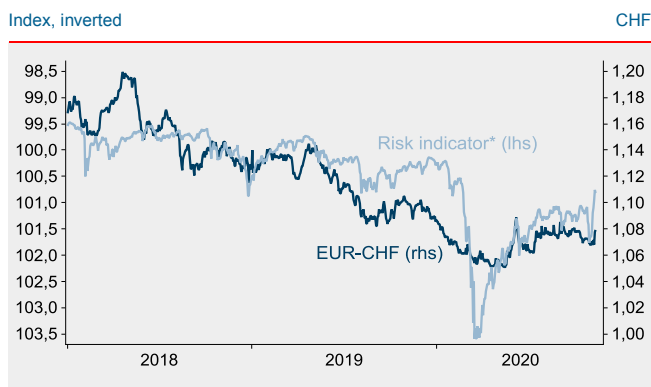
Sources: Macrobond, Helaba Research

Trend: slight depreciation

The US dollar index slipped to a multi-year low, but the euro-dollar rate remained unchanged on balance at 1.18. The high number of new Covid-19 infections in Europe and new lockdowns weighed on the euro, while Biden's election victory as US president tended to weigh on the dollar. Although the recession is less deep in the USA, Fed policy will remain very expansionary for longer. Despite the recent rise, the US yield advantage does not point to a stronger dollar. Especially the strong money growth coupled with high budget deficits counsels caution. The euro-dollar rate should rise to 1.20.

Higher penchant for risk weighs on the franc

CHF



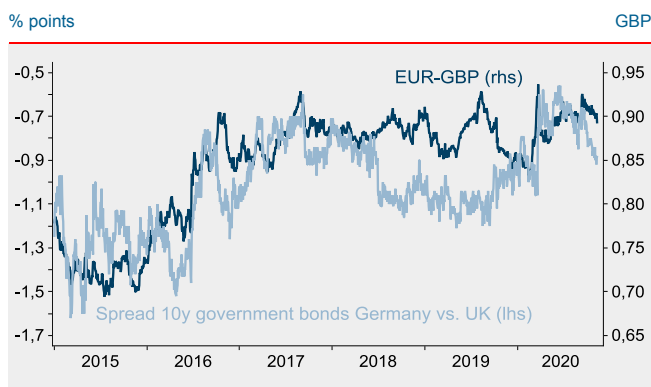
* calculated from VIX, High-Yield Spreads, Gold-Copper Ratio
Sources: Macrobond, Helaba Research

Trend: slight depreciation

The Swiss franc lost some ground. Initially, the safe investment haven benefited from the growing uncertainties caused by the Corona pandemic. With the hope of a vaccine, risk aversion fell, and the euro-franc exchange rate rose to 1.08. The Swiss central bank – judging from its sight deposits – tended to hold back on currency market interventions. In addition, a generally stronger euro is usually also evident against the Swiss currency. Together with the higher risk appetite, the euro-franc exchange rate should therefore climb to 1.10.

Rising British yields supports the pound

GBP



Sources: Macrobond, Helaba Research

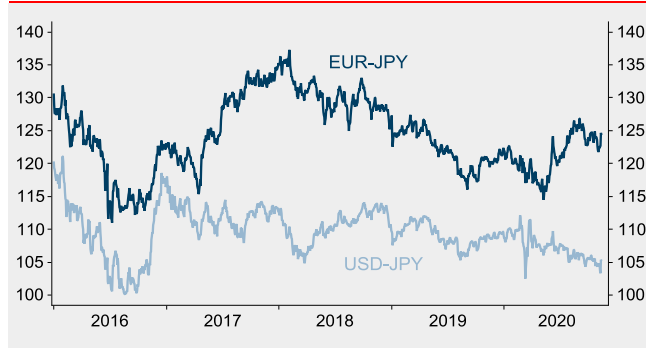
Trend: appreciation

The British pound appreciated. However, a breakthrough in the UK's negotiations with the EU is still pending. Despite some theatrics, hopes of an agreement have grown, though a treaty is by no means a certainty. The Bank of England increased its purchasing programme. It did not feed speculations about interest rate cuts. The recent robust growth was dampened by the new lockdown. However, the hopes for vaccines dispelled the worries. With a post-Brexit deal and easing Covid-19 problems, the pound should continue to appreciate.

Japanese yen, Norwegian krone and Swedish krona

Yen stable for now against the euro and US dollar

JPY



Sources: Macrobond, Helaba Research

JPY

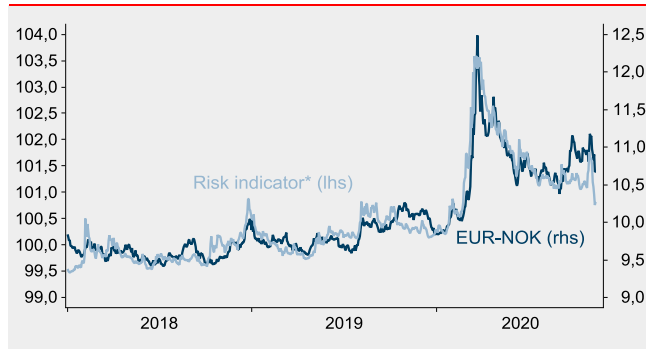
Trend: sideways

The Japanese yen hardly changed against the euro and the US dollar. However, the dollar-yen exchange rate briefly slipped to its lowest level since March after the US elections. But, the higher risk appetite weighed on the yen, especially since the interest rate differential moved against the yen. Valuation and structural factors like the current account balance are helping the Japanese currency. However, this applies less against the euro. In the coming months, the yen is likely to move sideways against the euro and the dollar.

Declining risk aversion helps the Norwegian krone

Index

NOK



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

NOK

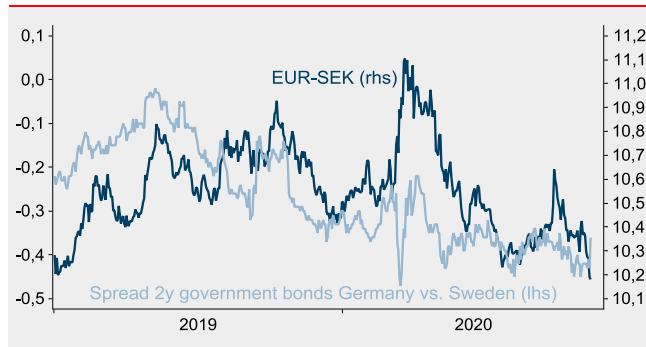
Trend: appreciation

The Norwegian krone appreciated despite a temporary weakness; the euro-krone exchange rate fell below 10.7. On balance, risk aversion declined. The price of crude oil was able to make up temporary losses. Although the Norwegian central bank indicated that interest rate hikes are not likely until 2022, the Norwegian yield advantage increased, which is likely to continue in 2021. The Norwegian economy continues to recover. Core inflation even rose slightly from a high level. The euro-krone exchange rate is likely to fall further, although probably more slowly than previously assumed.

Yield advantage provides less support for krona

% points

SEK



Sources: Macrobond, Helaba Research

SEK

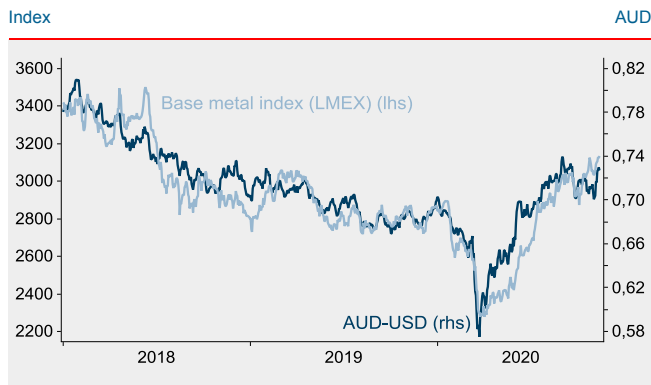
Trend: sideways

The Swedish krona appreciated noticeably, the euro-krona exchange rate slipped below 10.2. The higher risk appetite helped. The Swedish economy is recovering significantly, but rising new Covid-19 infections will weigh on growth even without a lockdown. The central bank will therefore maintain its zero key interest rate, and further bond purchases are possible. The Swedish yield advantage against the euro has hardly increased at all and is not expected to increase visibly until 2021. Sweden's currency could suffer a setback in the short term. The euro-krona rate is likely to fall slightly in 2021.

Australian dollar, Canadian dollar and Chinese yuan

"Aussie" profited from higher metals prices

AUD



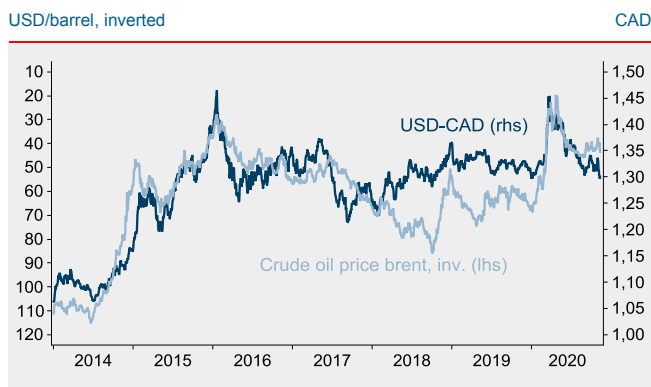
Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Australian dollar appreciated somewhat against the euro and the US dollar. This even though Australia's central bank lowered the key interest rate and the targeted three-year yield from 0.25 % to 0.1 %, although the economy is recovering and inflation is rising. Yield differentials moved against the "Aussie". The commodity currency was supported by higher metal prices, although the price of iron ore fell. The low yields should limit the potential of the Aussie. The currency is likely to depreciate slightly against the US dollar and especially against the euro.

"Loonie" more optimistic than the oil price

CAD



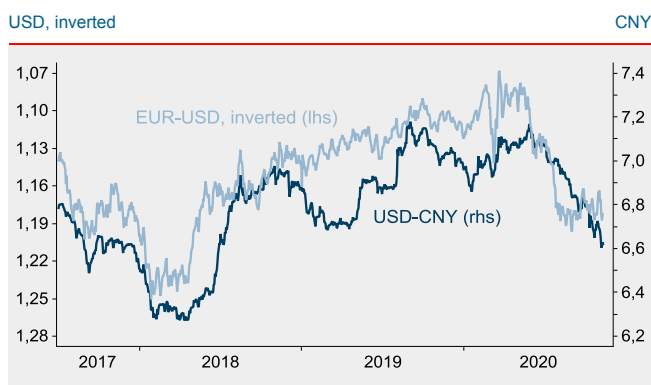
Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Canadian dollar gained against the euro and the US dollar. The "Loonie" received hardly any support from the crude oil price. The Canadian economy picked up strongly after the Corona collapse. The Bank of Canada (BoC) slightly reduced its bond purchases. Interest rate hikes are still a long way off, although the BoC could act as one of the first central banks. The yield differential supports the Loonie against the US dollar and is neutral against the euro. The Canadian dollar is likely to depreciate only marginally against the euro, less than previously assumed.

Yuan strength overblown in the short term

CNY



Sources: Macrobond, Helaba Research

Trend: slight depreciation against the euro

The Chinese yuan appreciated noticeably against the euro and the US dollar. The dollar-yuan exchange rate fell to 6.60. To what extent the US-Chinese conflict will be defused under President Biden is an open question. The recent surge of the yuan therefore seems somewhat exaggerated. In general, the Chinese economy is growing quite strongly. The associated yield advantage supports China's currency. The dollar-yuan exchange rate will probably initially fluctuate sideways, but at a lower level than previously expected. The euro-yuan exchange rate should rise slightly.

Helaba Currency Forecasts

	Performance			Forecast horizon at end ...			
	year to date	1 month	current*	Q4/2020	Q1/2021	Q2/2021	Q3/2021
vs. Euro	%						
US dollar	-5,1	0,0	1,18	1,20	1,20	1,20	1,25
Japanese yen	-2,1	0,0	124	125	125	125	128
British pound	-5,0	1,6	0,89	0,88	0,88	0,85	0,85
Swiss franc	0,4	-0,7	1,08	1,10	1,10	1,10	1,12
Canadian dollar	-5,4	0,6	1,54	1,57	1,56	1,56	1,60
Australian dollar	-1,5	1,0	1,62	1,69	1,69	1,69	1,74
Swedish krona	3,1	2,2	10,18	10,30	10,30	10,20	10,10
Norwegian krone	-7,6	1,4	10,65	10,60	10,40	10,30	10,20
Chinese yuan	-0,1	1,9	7,82	7,92	7,92	7,92	8,13
vs. US-Dollar	vs. USD, %						
Japanese yen	3,1	0,0	105	104	104	104	102
Swiss franc	5,6	-0,7	0,92	0,92	0,92	0,92	0,90
Canadian dollar	-0,3	0,6	1,30	1,31	1,30	1,30	1,28
Swedish krona	8,7	2,2	8,62	8,58	8,58	8,50	8,08
Norwegian krone	-2,5	1,4	9,01	8,83	8,67	8,58	8,16
Chinese yuan	5,2	2,0	6,62	6,60	6,60	6,60	6,50
US-Dollar vs. ...	vs. USD, %						
British pound	0,1	1,6	1,33	1,36	1,36	1,41	1,47
Australian dollar	3,7	1,0	0,73	0,71	0,71	0,71	0,72

*10.11.2020

Sources: Bloomberg, Helaba Research ■