



FX BRIEFLY

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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

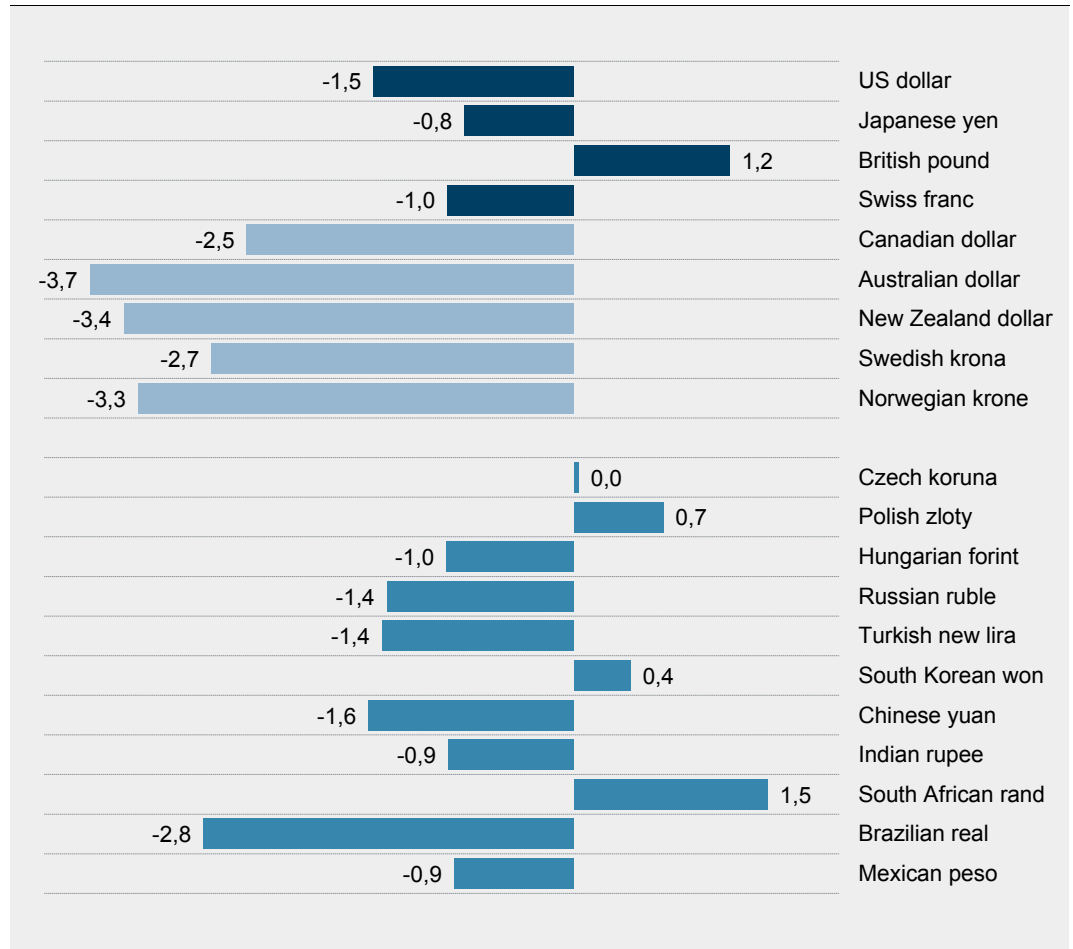
phone: +49 69/91 32-20 24

fax: +49 69/91 32-22 44

- The euro was able to advance in recent weeks. Commodity currencies and Scandinavian currencies weakened even more than the US dollar. The British pound posted a significant gain, and even the South African rand.
- 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.
- Helaba currency forecasts

Performance on a month-over-month basis

% vs. euro compared to the previous month (from 11/08 to 12/07/17)



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

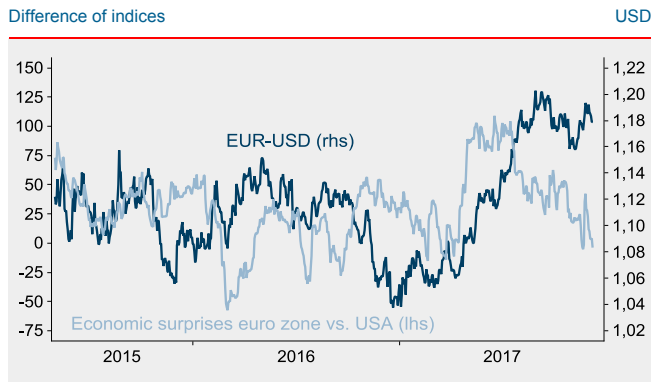
Sources: Bloomberg, Helaba Research

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US dollar, Swiss franc and British pound

Economy once again supporting the US dollar

USD



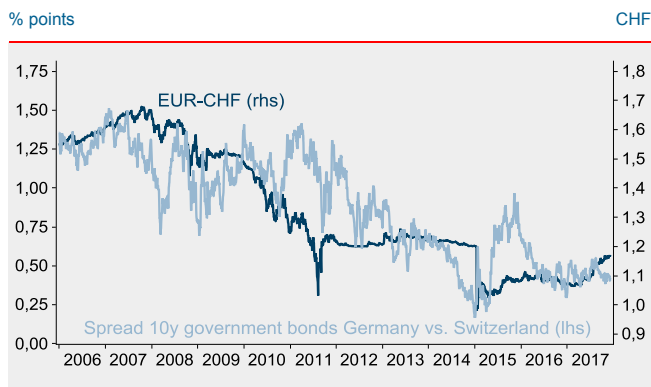
Sources: Macrobond, Helaba Research

Trend: appreciation

The euro-dollar rate declined on balance and was trading most recently around 1.18. Robust growth numbers helped the euro, even if the ECB is not holding out the prospect of a rate hike. In the US, the economic indicators are increasingly persuasive, also relative to the euro zone. Moreover, the likelihood of a tax reform can provide a boost to the Greenback. The Fed will now continue its rate hikes and will take several additional steps in 2018. The yield differences argue in favour of a dollar appreciation, and the euro-dollar rate should drop at times in the direction of 1.10.

Franc weakness not confirmed by yield differences

CHF



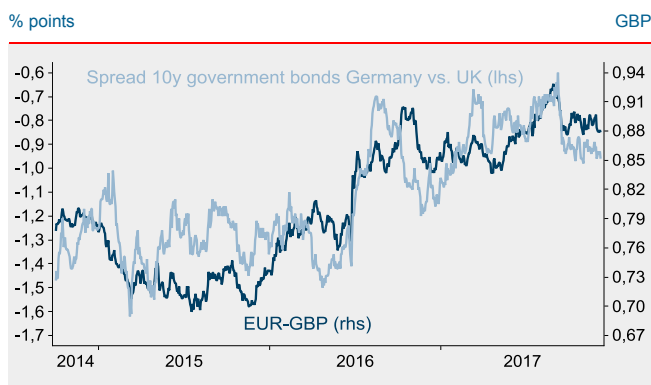
Sources: Macrobond, Helaba Research

Trend: sideways

The euro-franc exchange rate is trading slightly higher at right around 1.17. In spite of reduced bond purchases, the ECB is fundamentally retaining an expansionary course. The Swiss central bank will therefore continue its expansionary policy. And this even though the Swiss economy is improving markedly. Even inflation is clearly in positive terrain. While the Swiss interest rate disadvantage is comparatively low, the franc is still expensive on the basis of long-term valuation indicators. The euro-franc exchange rate should settle at the new balance of around 1.15.

Pound with continued yield advantage

GBP



Sources: Macrobond, Helaba Research

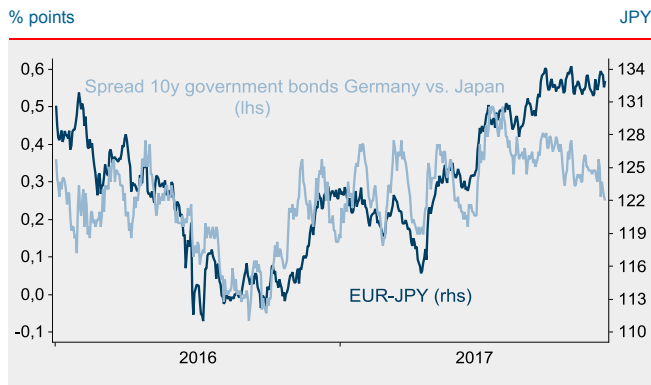
Trend: appreciation

The euro-pound rate sank to 0.87. Negotiations over the Brexit are currently setting the tone. In spite of domestic differences a first agreement with the EU was reached from what the pound benefited. The British economy is still proving quite solid. Inflation remained elevated, though it should pull back in 2018. After the first rate hike, the Bank of England is hardly holding out the prospect of further moves. Since the pound is supported by yield advantage and the favourable valuation, apart from successes in the Brexit negotiations, the euro-pound rate should drop down to 0.85.

Japanese yen, Norwegian krone and Swedish krona

Yen with only small yield disadvantage

JPY



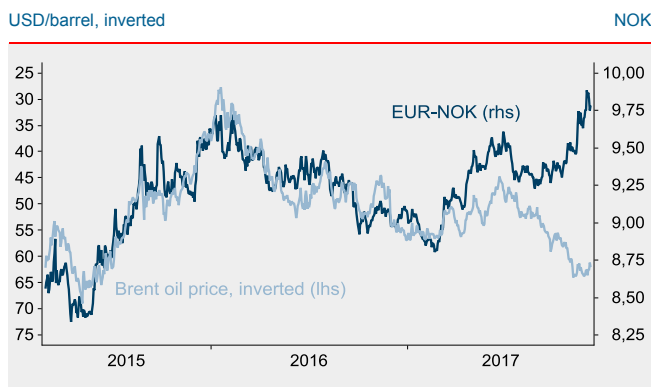
Sources: Macrobond, Helaba Research

Trend: appreciation

The Japanese yen moved up against the US dollar, though it traded a bit weaker against the euro. The interest rate difference against the euro moved in favour of the Japanese currency. Japan's growth slowed marginally, but it remains on a solid course. Inflation declined. The Bank of Japan will continue its expansionary monetary policy for now, even if speculations about higher interest rates have emerged. Valuation indicators argue for a stronger yen against the US dollar and especially against the euro.

“This time is different” for the Norwegian krone?

NOK



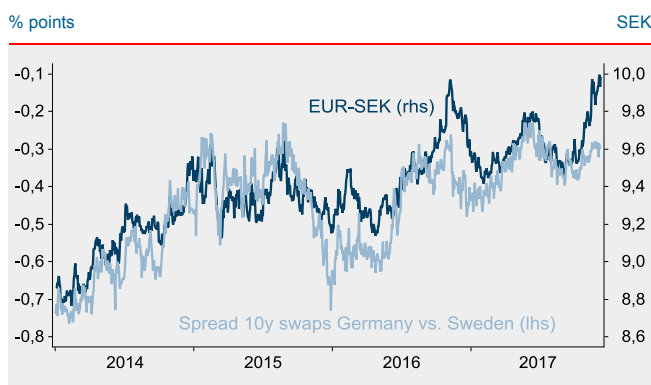
Sources: Macrobond, Helaba Research

Trend: appreciation

The Norwegian krone depreciated again, and the euro-krone rate rose temporarily to its highest level since the end of 2008 and traded most recently above 9.7. Although the oil price pulled back slightly, the economic indicators have most likely overcome their brief dry spell. Inflation is stabilizing. Norway's central bank will take a wait-and-see stance for now. Thanks to positive economic impulses from the oil price, a turnaround on interest rates should come in 2018. Norway's yield advantage will then increase. Even due to the favourable valuation, the euro-krone rate should decline.

Euro-krone exchange rate overshoots

SEK



Sources: Macrobond, Helaba Research

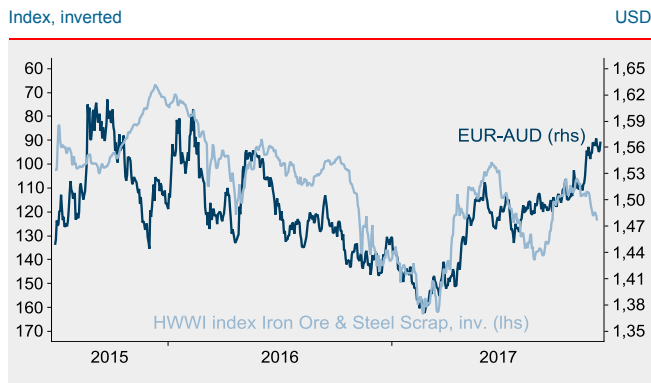
Trend: appreciation

The Swedish krone pulled back noticeably, and the euro-krone exchange rate is trading close to the yearly high of 10.0. Inflation in Sweden declined unexpectedly clearly. The economy, however, is proving robust overall. While the central bank will retain its expansionary course for now, it is likely to initiate the change of course on monetary policy in the coming year. Yield differences should thus trend in favour of the krone, especially since the most recent rise in the exchange rate is not reflected there. The euro-krone rate should decline noticeably over the medium term.

Australian dollar, Canadian dollar and Chinese yuan

Iron ore prices support the “Aussie“

AUD



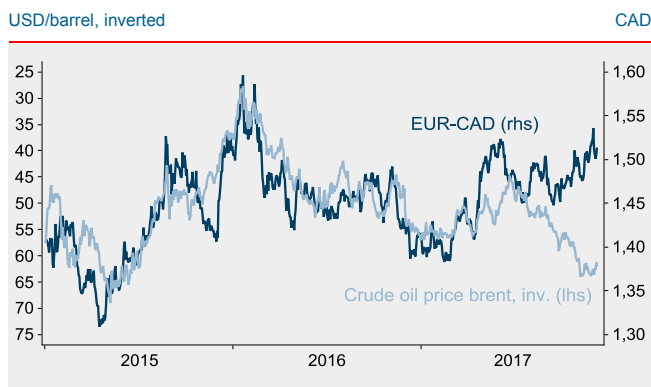
Sources: Macrobond, Helaba Research

Trend: appreciation against the euro

The Australian dollar lost against the US dollar and even more so against the euro. Prices for industrial metals declined, though those for iron ore recovered. Even if a few economic indicators were a little disappointing most recently, Australia’s growth overall is quite robust. Inflation remains very moderate, which means that the central bank is showing very little willingness to carry out a turnaround on interest rates. Unlike against the US dollar, Australia’s currency has a clear interest rate advantage against the euro, which means that the “Aussie” should gain against the euro.

Oil price offers “Loonie“ appreciation potential

CAD



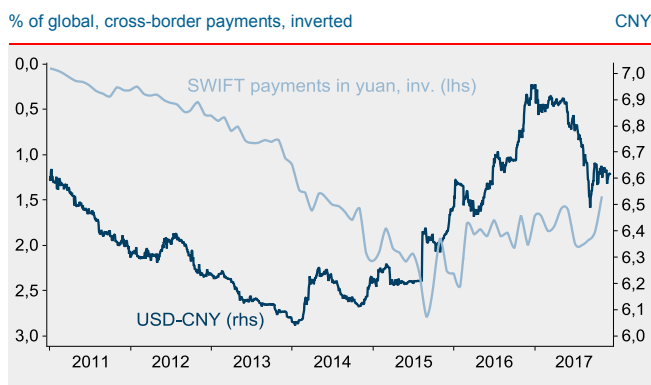
Sources: Macrobond, Helaba Research

Trend: slight appreciation against the euro

The Canadian dollar depreciated slightly against the US dollar and markedly against the euro. The tailwind from the oil price weakened. While growth in Canada is very solid, it lost momentum. The overheated housing market is cooling off a little. The Bank of Canada is likely to take its time with further rate hikes, especially since inflation is very moderate. As a result, the “Loonie” should pull back slightly against the US dollar. By contrast, the Canadian currency should appreciate temporarily against the euro, especially because of the monetary policy.

Importance of the yuan already easing again

CNY



Sources: Macrobond, Helaba Research

Trend: slight appreciation against the euro

The Chinese yuan stagnated against the US dollar, though it lost against the euro. The dollar-yuan exchange rate is trading around 6.6. China’s currency reserves rose marginally. Although growth rates are still high, the dynamism is gradually easing. According to Swift data, the international importance of the yuan is waning. In case of a general dollar strength, China’s currency should pull back against the Greenback – for the simple reason, alone, to keep the weighted yuan exchange rate stable. The yuan will presumably be able to appreciate a little against the euro.

Helaba Currency Forecasts

	Performance			Forecast horizon at end ...			
	year to date	1 month	current*	Q4/2017	Q1/2018	Q2/2018	Q3/2018
vs. Euro	(vs. Euro, %)						
US dollar	-10,7	-1,5	1,18	1,15	1,10	1,15	1,15
Japanese yen	-7,6	-0,8	133	130	127	125	125
British pound	-2,3	1,2	0,87	0,85	0,85	0,90	0,90
Swiss franc	-8,4	-1,0	1,17	1,15	1,12	1,15	1,17
Canadian dollar	-6,6	-2,5	1,51	1,48	1,44	1,50	1,47
Australian dollar	-6,9	-3,7	1,57	1,51	1,47	1,49	1,47
Swedish krona	-4,2	-2,7	9,99	9,70	9,50	9,40	9,20
Norwegian krone	-7,2	-3,3	9,79	9,40	9,10	9,00	8,90
Chinese yuan	-6,0	-1,6	7,80	7,71	7,48	7,88	7,88
vs. US-Dollar	(vs. USD, %)						
Japanese yen	3,4	0,7	113	113	115	109	109
Swiss franc	2,5	0,6	0,99	1,00	1,02	1,00	1,02
Canadian dollar	4,6	-1,0	1,29	1,29	1,31	1,30	1,28
Swedish krona	7,3	-1,2	8,49	8,43	8,64	8,17	8,00
Norwegian krone	3,9	-1,8	8,32	8,17	8,27	7,83	7,74
Chinese yuan	4,9	0,1	6,62	6,70	6,80	6,85	6,85
US-Dollar vs. ...	(vs. USD, %)						
British pound	9,2	2,7	1,35	1,35	1,29	1,28	1,28
Australian dollar	4,2	-2,2	0,75	0,76	0,75	0,77	0,78

*07.12.2017

Sources: Bloomberg, Helaba Research ■