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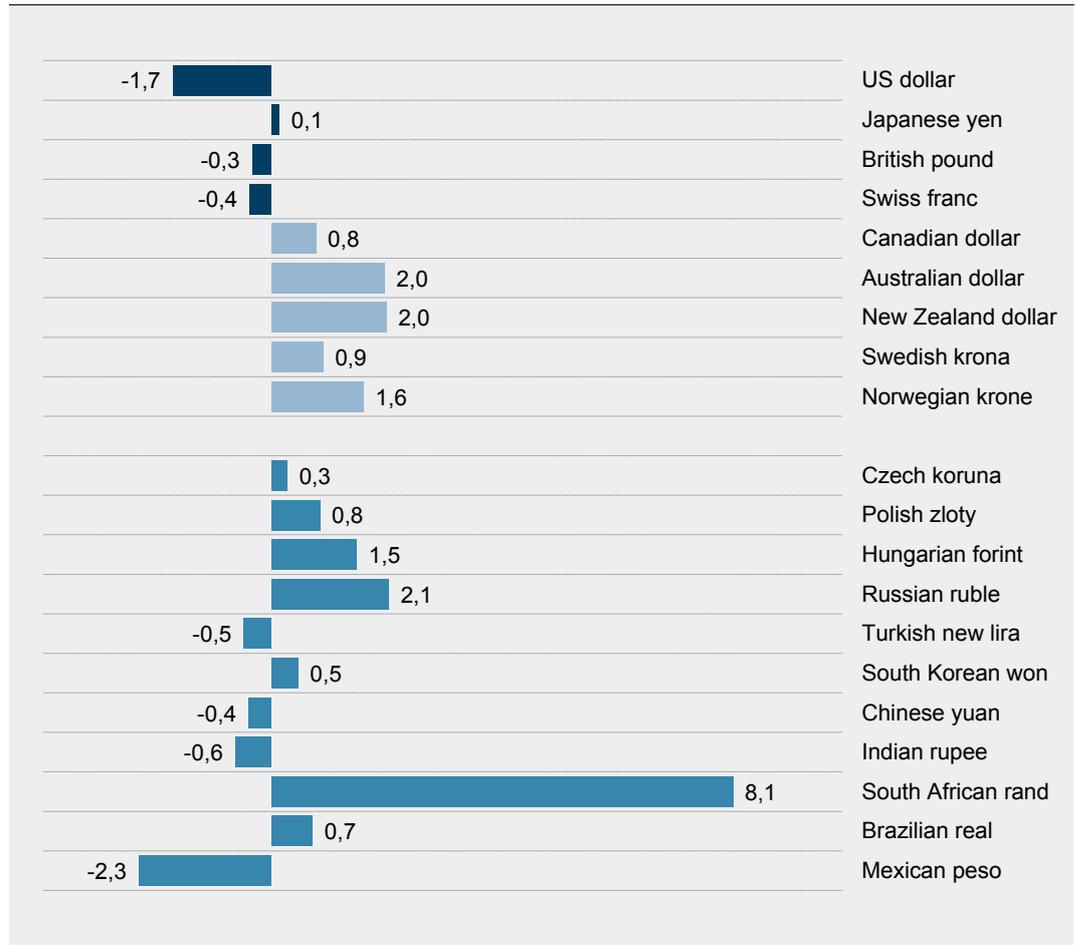
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- The US dollar weakened on a broad front. Both commodity currencies and the Scandinavian currencies were among the winners. By far the biggest gain was posted by the South African rand, while the Mexican peso was the biggest loser.
- In this edition 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 12/12/17 to 01/10/18)



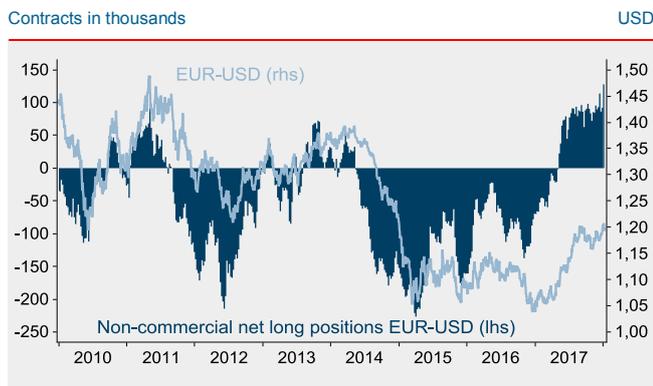
■ Core currencies ■ Rest of G10 ■ Currencies of emerging countries

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

### Large bets on the euro as contraindicator



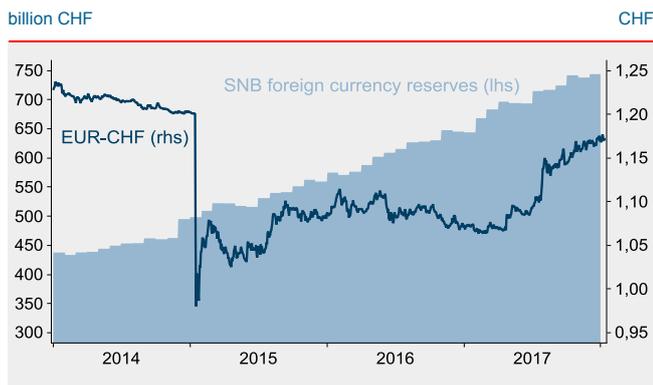
Sources: Macrobond, Helaba Research

### USD

#### Trend: appreciation

The US dollar came under pressure at the turn of the year and the euro-dollar rate rose at times to almost 1.21. Speculations about a change of course by the ECB helped the euro, but the central bank is holding steady for now. The Fed, on the other hand, raised its key rate, and further steps are to be expected in 2018. The US yield advantage remained on a high level. The economy showed itself to be robust, and tax reform was enacted. Large bets on the euro counsel caution. The euro-dollar rate could drop temporarily to as low as 1.10, even if valuation factors support the euro.

### SNB reserves favoured by depreciation



Sources: Macrobond, Helaba Research

### CHF

#### Trend: sideways

The euro-franc exchange rate rose slightly and is trading above 1.17. This was helped by a growing penchant for risk. Moreover, the Swiss yield advantage grew, though the interest rate difference is quite small. The economic mood in Switzerland remains optimistic. Inflation is clearly in positive territory. Still, the Swiss National Bank is continuing its expansionary policy. Its currency reserves grew more as a result of valuation effects. From a long-term perspective, the franc is expensive. The euro-franc rate should settle at a new equilibrium of around 1.15.

### Pound sterling remains undervalued



\* PPP adjusted for the mean deviation of 11.0 %;  
Sources: Macrobond, Helaba Research

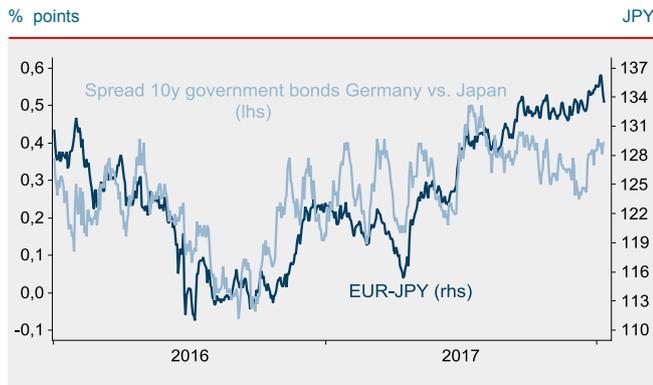
### GBP

#### Trend: appreciation

The British pound declined marginally and the euro-pound rate rose above 0.88. In spite of the first important agreements in the Brexit negotiations, the political situation in the UK remains fragile. But the British economy is still proving quite solid. Inflation rose slightly, though it should pull back in 2018. The BoE is likely to hold back for the time being. The interest rate advantage and the favourable valuation support the pound. Should there be progress in the upcoming Brexit talks about the future relationship, the euro-pound exchange rate is likely to drop to as low as 0.85.

## Japanese yen, Norwegian krone and Swedish krona

### Yield disadvantage of the yen has risen only slightly



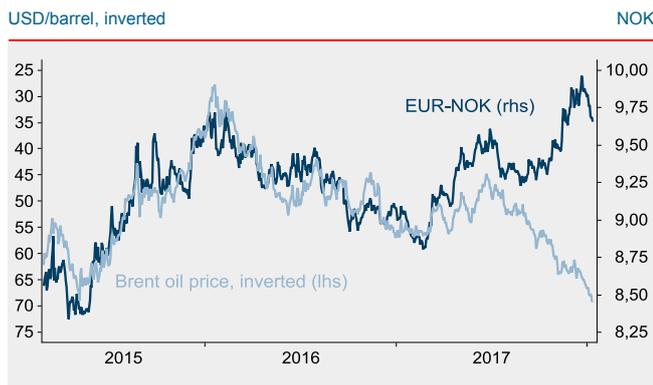
Sources: Macrobond, Helaba Research

**JPY**

### Trend: appreciation

The Japanese yen gained against the US dollar and is trading virtually unchanged against the euro. And this even though the yield differences moved to the disadvantage of the yen. The BoJ corrected its purchasing modalities, which prompted speculations about a change of course. That helped the yen, since the currency is undervalued and investors are positioned too one-sidedly. For now the central bank is maintaining its policy, in spite of higher inflation. Over the medium term, however, the yen should appreciate against the US dollar and especially against the euro.

### Norwegian krone with tailwind from oil price



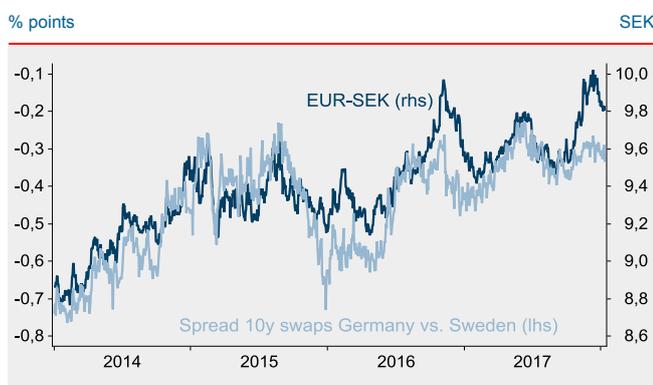
Sources: Macrobond, Helaba Research

**NOK**

### Trend: appreciation

The Norwegian krone recovered from its slide. The euro-krone rate climbed peaked at 10.0, but then fell back below 9.7. Tailwind came from the oil price, which moved up sharply. Moreover, Norway's central bank indicated a change of course on interest rates at the end of 2018. Economic indicators were most recently solid, and inflation has come off its bottom. Positive economic impulses are likely to come from the oil price. Norway's yield advantage should in fact increase further. The euro-krone rate will presumably decline markedly, also thanks to the favourable valuation.

### Euro-krona exchange rate has corrected



Sources: Macrobond, Helaba Research

**SEK**

### Trend: appreciation

The Swedish krona appreciated and the euro-krona rate fell to 9.8. Sweden's central bank ended its bond-buying program, though it does not expect interest rate hikes before the end of 2018. However, the economy in Sweden is proving very robust. Inflation picked up again. As a result, the Riksbank could accelerate its change of course on monetary policy over the course of the year. As a result, interest rate differences should move in favour of the krona, especially since they argue for that currency, as it is. The euro-krona rate will presumably decline markedly.

## Australian dollar, Canadian dollar and Chinese yuan

### Commodity prices give the “Aussie” a boost

AUD



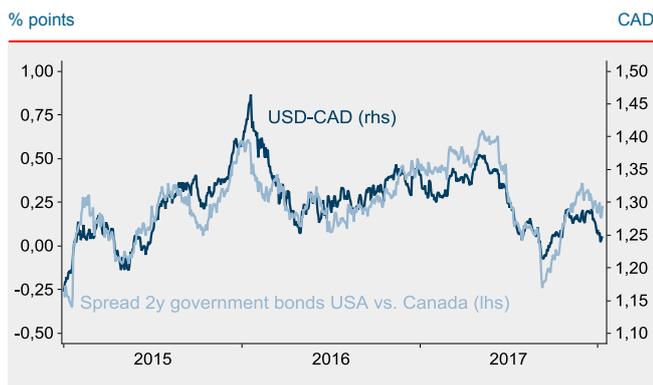
Sources: Macrobond, Helaba Research

### Trend: appreciation against the euro

The Australian dollar gained against the euro and even more strongly against the US dollar. Commodity prices are climbing on a broad front and gave the “Aussie” a boost. Overall growth in Australia is quite robust. As inflation remains moderate, the central bank is showing little willingness to change course on interest rates. The “Aussie” should advance against the euro thanks to the clear interest rate advantage. However, Australia’s currency faces a temporary weakness against the US dollar given the yield disadvantage and the metal prices that will soon soften.

### “Loonie” appreciation overblown

CAD



Sources: Macrobond, Helaba Research

### Trend: sideways against the euro

The Canadian dollar rose against the euro and especially against the US dollar. Rising oil prices strengthened the “Loonie”. Growth in Canada is very solid overall; the unemployment rate is at a record low. Inflation rose most recently. The Bank of Canada is likely to enact further interest rate hikes. However, relative to the interest rate differences, the “Loonie” has appreciated too much against the US dollar, which is why a countermovement should be expected. Against the euro, Canada’s currency should trend sideways over the medium term.

### Dollar-yuan as a mirror image of euro-dollar rate

CNY



Sources: Macrobond, Helaba Research

### Trend: sideways against the euro

The Chinese yuan appreciated against the US dollar and stagnated against the euro. The dollar-yuan exchange rate is trading around 6.5. China’s exchange rate policy is changing slightly, as market forces are given more leeway. China’s currency reserves rose as a result of valuation effects. However, the economic dynamism should slowly diminish. Given general dollar strength, China’s currency should pull back against the Greenback. At that time, the yuan will presumably move sideways against the euro.

## Helaba Currency Forecasts

	Performance			Forecast horizon at end ...			
	year to date	1 month	current*	Q1/2018	Q2/2018	Q3/2018	Q4/2018
<b>vs. Euro</b>	(vs. Euro, %)						
US dollar	0,5	-1,7	1,19	1,10	1,15	1,15	1,20
Japanese yen	1,6	0,1	133	127	125	125	128
British pound	0,4	-0,3	0,88	0,85	0,90	0,90	0,85
Swiss franc	0,1	-0,4	1,17	1,12	1,15	1,17	1,15
Canadian dollar	0,7	0,8	1,50	1,44	1,50	1,47	1,51
Australian dollar	0,9	2,0	1,52	1,47	1,49	1,47	1,50
Swedish krona	0,4	0,9	9,80	9,50	9,40	9,20	9,00
Norwegian krone	2,1	1,6	9,65	9,10	9,00	8,90	8,80
Chinese yuan	0,0	-0,4	7,80	7,48	7,88	7,88	8,16
<b>vs. US-Dollar</b>	(vs. USD, %)						
Japanese yen	1,1	1,9	111	115	109	109	107
Swiss franc	-0,4	1,4	0,98	1,02	1,00	1,02	0,96
Canadian dollar	0,2	2,5	1,25	1,31	1,30	1,28	1,26
Swedish krona	-0,2	2,7	8,20	8,64	8,17	8,00	7,50
Norwegian krone	1,6	3,4	8,07	8,27	7,83	7,74	7,33
Chinese yuan	0,0	1,7	6,51	6,80	6,85	6,85	6,80
<b>US-Dollar vs. ...</b>	(vs. USD, %)						
British pound	0,0	1,4	1,35	1,29	1,28	1,28	1,41
Australian dollar	0,4	3,8	0,78	0,75	0,77	0,78	0,80

\*10.01.2018

Sources: Bloomberg, Helaba Research ■