



FX BRIEFLY

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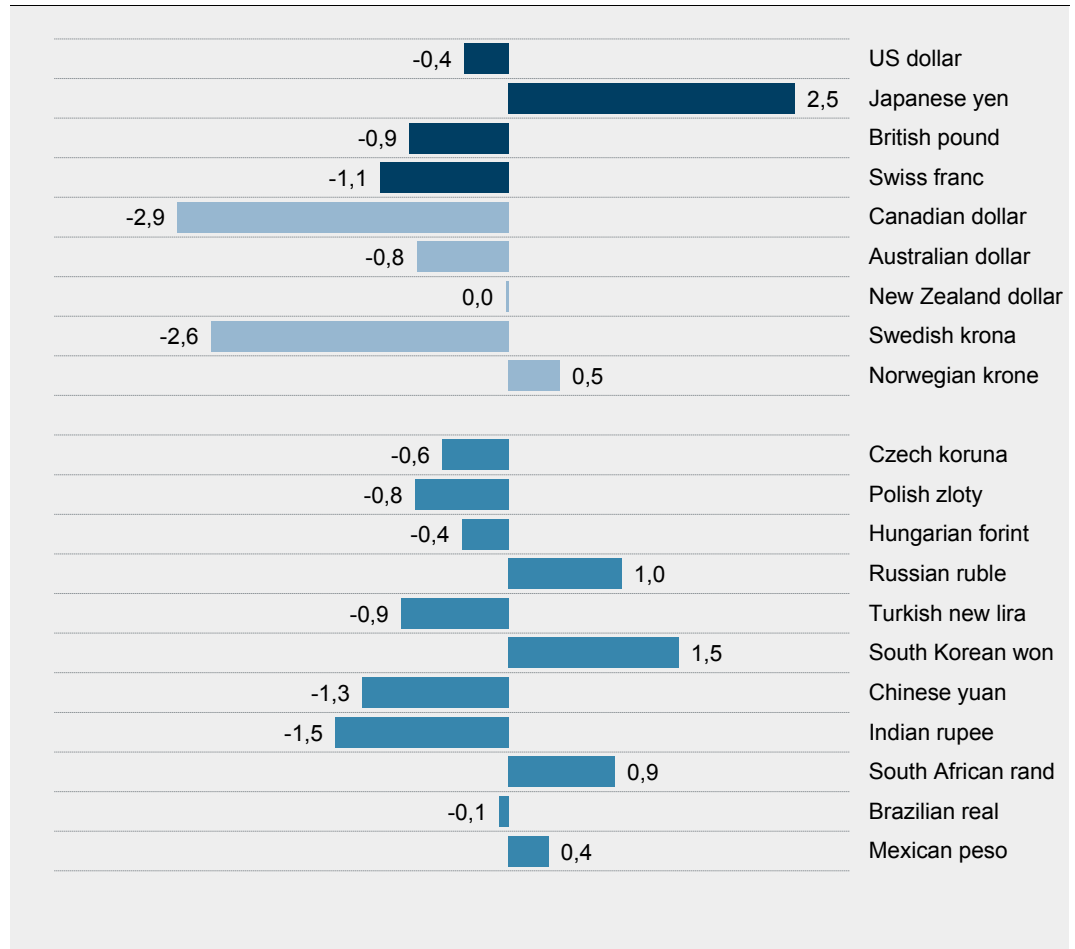
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- The Japanese yen benefitted as the clear winner from the political uncertainties, while the Canadian dollar came under pressure from those same uncertainties. The Swedish krona also depreciated noticeably.
- In this edition you will find brief analyses 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 02/07 to 03/08/18)



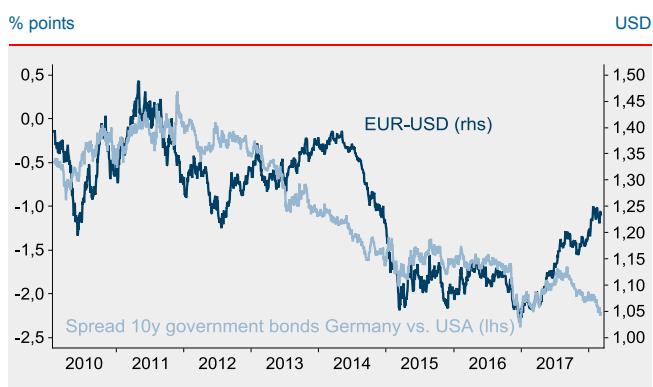
■ Core currencies ■ Rest of G10 ■ Currencies of emerging countries

Sources: Bloomberg, Helaba Research

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US dollar, Swiss franc and British pound

US yield advantage keeps growing



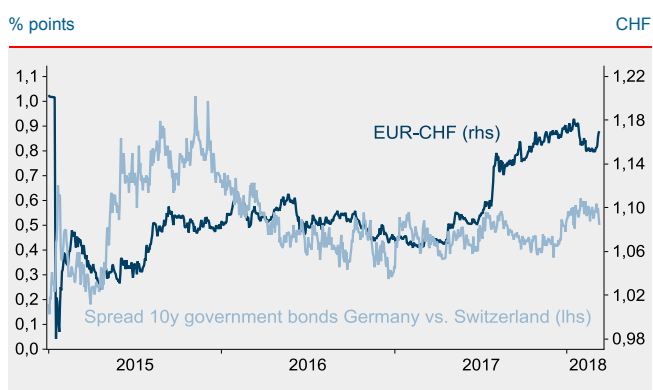
Sources: Macrobond, Helaba Research

USD

Trend: appreciation

Recently the euro-dollar exchange rate fluctuated more strongly, though on balance it is virtually unchanged at around 1.23. The US trade restrictions and the growing budget deficit weighed on the US dollar. However, monetary policy continues to argue clearly in favour of the Greenback. While the ECB confirmed its cautious policy, the Fed continued its interest rate hikes. After all, the US economy is proving robust and inflation is slowly picking up. The US yield advantage expanded once again. As a result, the euro-dollar rate should decline at times to as low as 1.15.

Swiss yield disadvantage remains small



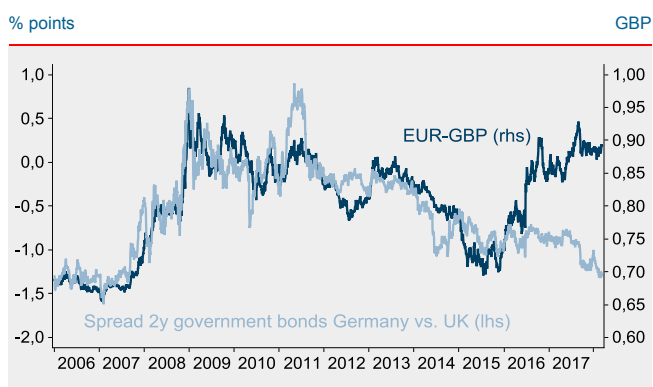
Sources: Macrobond, Helaba Research

CHF

Trend: sideways

The Swiss franc has lost its temporary gains, and the euro-franc rate is trading around 1.17. The Franc benefitted briefly from the heightened nervousness in the financial markets. Growth in Switzerland improved. Inflation declined marginally, monetary policy remains expansionary. While the Swiss currency remains highly valued from a long-term perspective, its yield disadvantage barely changed on balance and is at a rather low level. The euro-franc rate will presumably hover around the level of 1.15.

British yield advantage irrelevant since Brexit vote



Sources: Macrobond, Helaba Research

GBP

Trend: sideways

The British pound depreciated slightly against the euro and the US dollar, the euro-pound exchange rate is trading around 0.89. The most recent British economic data has been mixed. Inflation is likely to have passed its peak. The Bank of England gave signals for interest rate hikes, the yield advantage against the euro grew. Still, additional interest rate moves are not yet a sure thing. Moreover, political uncertainties about Brexit are currently dominant, negotiations have bogged down most recently. The euro-pound rate should continue to move in the range of 0.85-0.90.

Japanese yen, Norwegian krone and Swedish krona

Yen remains favourable from a long-term perspective

JPY

Index



Sources: Macrobond, Helaba Research

Trend: appreciation against the euro

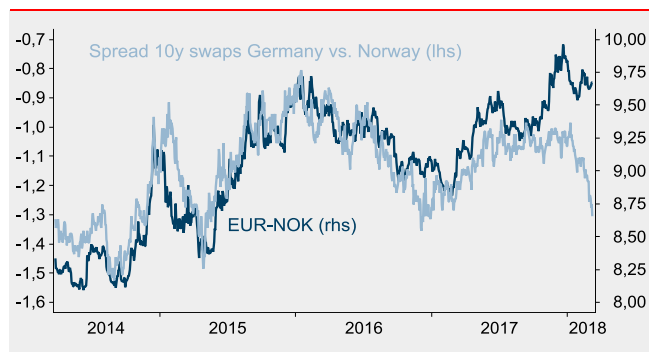
The Japanese yen was most recently the big winner. Despite a certain easing in the financial markets, it was in demand as a safe investment haven. This even though the interest rate difference moved against the yen – at least vis-à-vis the US dollar. The BoJ rather tended to curb speculations about a change of course. However, the yen remains favourably valued from a long-term perspective. Short-term, however, it has likely exhausted its potential against the US dollar. The yen should appreciate against the euro, especially since Japan's yield disadvantage is only small here.

Norway's yield advantage expanded noticeably

NOK

% points

NOK



Sources: Macrobond, Helaba Research

Trend: appreciation

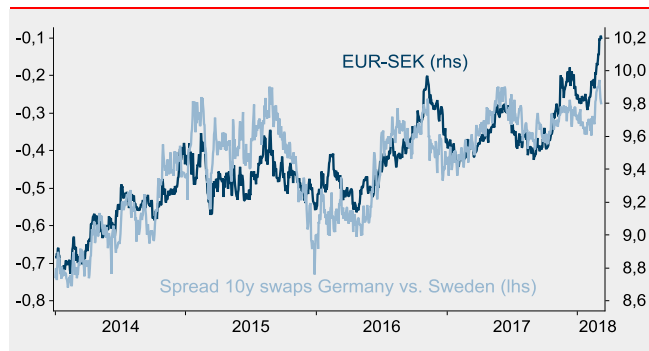
The Norwegian krone appreciated slightly against the euro, the euro-krona rate is trading below 9.7. After all, oil prices barely changed. The most recent economic indicators showed a rather mixed picture, though fundamentally growth improved. Inflation has come off its bottom. Norway's central bank cut its inflation goal, which means that interest rate hikes are moving closer. The interest rate turnaround is likely to happen still in 2018. Thanks to the pronounced Norwegian yield advantage, the euro-krona rate should decline noticeably.

Euro-krona exchange rate overshoots

SEK

% points

SEK



Sources: Macrobond, Helaba Research

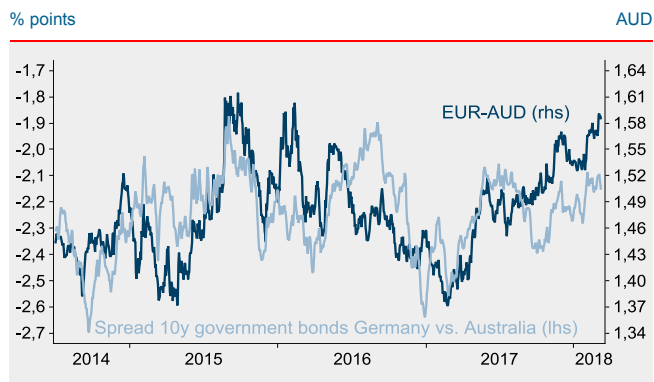
Trend: appreciation

The Swedish krona slipped and the euro-krona exchange rate rose to an 8-year high of 10.2. Ingves, the head of the central bank, indicated only a cautious change in monetary policy. But at its last session, the Riksbank did hold out the prospect of interest rate hikes still in 2018. The Swedish yield advantage shrank only slightly. Growth in Sweden is robust overall. Inflation declined a little. Still, the Riksbank will initiate the change of course well before the ECB. The euro-krona exchange rate will decline noticeably, even if later than expected.

Australian dollar, Canadian dollar and Chinese yuan

“Aussie“ with continued yield advantage over the euro

AUD



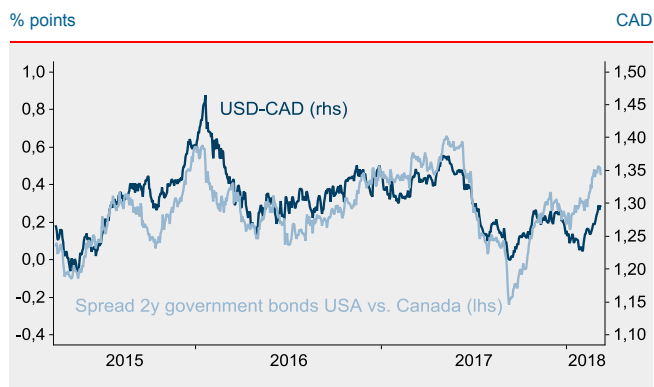
Sources: Macrobond, Helaba Research

Trend: appreciation against the euro

The Australian dollar lost a little ground against the euro and the US dollar. Commodity prices declined slightly. Australia’s growth slowed marginally. Given the moderate inflation, the central bank is still showing little readiness for a turn-around on interest rates for the time being. Still, Australia’s yield advantage over the euro is clear and could expand further. The “Aussie” should thus appreciate against the euro. Against the US dollar, Australia’s currency is likely to tread water.

Interest differences in the “Loonie” a better fit again

CAD



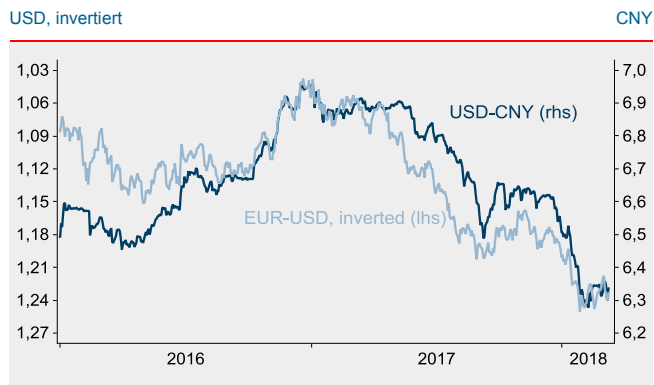
Sources: Macrobond, Helaba Research

Trend: appreciation against the euro

The Canadian dollar is among the first victims of US tariffs. And so the “Loonie” depreciated noticeably also against the US dollar, against the euro it did so in any case. Some recent Canadian economic data has also been disappointing. However, inflation is slowly trending upward. The Bank of Canada will thus continue its interest rate hikes. Interest rate differences are once again more aligned with the “Loonie” exchange rate against the US dollar, which means that the rate is likely to trend sideways. Canada’s currency should appreciate slightly against the euro.

Dollar-yuan strongly oriented toward euro-dollar rate

CNY



Sources: Macrobond, Helaba Research

Trend: appreciation against the euro

The Chinese yuan lost a little against the US dollar and the euro. So far the protectionist measures by the US have hardly had an effect on the exchange rate. In theory, China could respond to US tariffs also with yuan depreciation. At this time, Chinese policy tends to take its cue from stable, weighted exchange rates. If the euro-dollar exchange rate weakens noticeably, the yuan should depreciate in line with the US dollar. The Chinese currency will presumably advance 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
vs. Euro (vs. Euro, %)							
US dollar	-2,5	-0,4	1,23	1,20	1,15	1,15	1,20
Japanese yen	3,4	2,5	131	132	125	125	128
British pound	-0,4	-0,9	0,89	0,85	0,90	0,90	0,85
Swiss franc	-0,1	-1,1	1,17	1,12	1,15	1,17	1,15
Canadian dollar	-5,0	-2,9	1,59	1,54	1,50	1,47	1,51
Australian dollar	-2,7	-0,8	1,58	1,54	1,49	1,47	1,50
Swedish krona	-3,4	-2,6	10,18	9,90	9,70	9,50	9,20
Norwegian krone	2,0	0,5	9,65	9,10	9,00	8,90	8,80
Chinese yuan	-0,4	-1,3	7,83	7,68	7,48	7,48	7,68
vs. US-Dollar (vs. USD, %)							
Japanese yen	6,1	2,9	106	110	109	109	107
Swiss franc	2,4	-0,8	0,95	0,93	1,00	1,02	0,96
Canadian dollar	-2,5	-2,5	1,29	1,28	1,30	1,28	1,26
Swedish krona	-1,0	-2,2	8,27	8,25	8,43	8,26	7,67
Norwegian krone	4,6	0,8	7,84	7,58	7,83	7,74	7,33
Chinese yuan	2,6	-1,0	6,34	6,40	6,50	6,50	6,40
US-Dollar vs. ... (vs. USD, %)							
British pound	2,2	-0,5	1,38	1,41	1,28	1,28	1,41
Australian dollar	-0,3	-0,4	0,78	0,78	0,77	0,78	0,80

*08.03.2018

Sources: Bloomberg, Helaba Research ■