

# **Forex News**

US-Dollar, Japanese Yen, Swiss Franc

Analysts: Rainer Singer rainer.singer@erstegroup.com

Gerald Walek, CFA gerald.walek@erstegroup.com

### EUR/USD: How long will the bandwidth hold?

Over the past few weeks, the EURUSD has been trading at the lower end of the range that has existed since autumn of last year and dropped temporarily below the 1.13 mark. The volatility measured over a month has fallen further, but such levels were historically never sustainable. The question is in which direction the EURUSD will break out. We expect the coming economic data in both the Eurozone and US to refute the current economic pessimism in the markets. However, this should happen sooner in the US than in the Eurozone. The reason is that the Eurozone is still affected by uncertainty about the outcome of Brexit and the economic slowdown in China. These negative effects will subside, but this could take a few months. Until then, the economic outlook, and thus the interest rate outlook for the US, will be better, which suggests that there is still some potential for the dollar.

### EUR/JPY: yen should continue weakening

Global sentiment has improved somewhat in recent weeks. In the trade conflict, there has been a rapprochement between the US and China and there could be a time lag for Brexit. The resulting increase in risk appetite has already led to a slight weakening of the yen against the euro. If this global 'thaw' continues, we expect the yen's weakness against the euro to continue in the coming weeks. The consensus on Bloomberg expects the euro to remain stable against the yen at 126 in 2Q19. However, should the environment cloud over again, the yen could quickly strengthen against the euro.

### EUR/CHF: global 'thaw' weakens franc

Based on an increasingly friendly market environment, the Swiss franc weakened against the euro during the last weeks up to a trading level of around 1.14. In this environment, we expect the gradual weakening of the Swiss franc against the euro to continue in the coming weeks. At the SNB's forthcoming monetary policy assessment (March 21), we do not expect any changes in the direction of monetary policy. By the end of 2Q19, we foresee the Swiss franc to weaken slightly against the euro to a level of around 1.15. However, should geopolitical crises worsen acutely (trade dispute, hard Brexit, poor economic data from Italy), the franc could quickly strengthen against the euro at any time.

Major Markets & Credit Research Gudrun Egger, CEFA (Head)

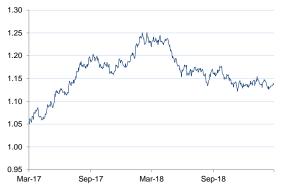
Rainer Singer (Senior Economist EZ, USA) Gerald Walek, CFA (Economist EZ) Margarita Grushanina (Economist AT)

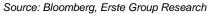
Note: Past performance is not necessarily indicative of future results.

Forex News | Major Markets | US-Dollar, Yen, Swiss Franc 28. February 2019

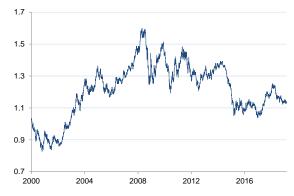
## **Currency overview**

#### EUR/USD - last two years



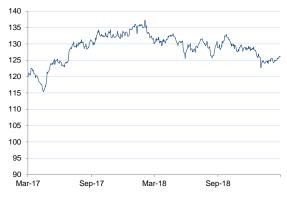


#### EUR/USD - since 2000





#### EUR/JPY - last two years



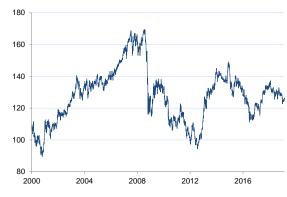
Source: Bloomberg, Erste Group Research

#### EUR/CHF - last two years



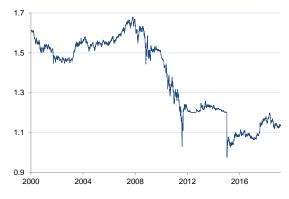


#### EUR/JPY - since 2000



Source: Bloomberg, Erste Group Research

#### EUR/CHF - since 2000



Source: Bloomberg, Erste Group Research

Forex News | Major Markets | US-Dollar, Yen, Swiss Franc 28. February 2019

## **Exchange rate forecasts**<sup>1</sup>

Currency	current	Mar.19	Jun.19	Sep.19	Dec.19
EURUSD	1.14	1.11	1.12	1.14	1.16
EURCHF	1.13	1.14 ↑	1.15 1	1.16	↑ 1.16 ↑
EURJPY	current	Mar.19	Jun.19	Sep.19	Dec.19
Bloomberg Survey		125.0	126.0	127.50	128.50
Spot/Forward	126.2	126.2	126.3	126.31	126.32

Source: Bloomberg, Erste Group Research

## Interest rate forecasts

	current	Mar.19	Jun.19	Sep.19	Dec.19
3M Euribor	-0.31	-0.30	-0.30	-0.30	-0.30
3M Libor US	2.63	2.70	2.90	3.20	3.40
3M Libor CH	-0.72	-0.75	-0.75	-0.75	-0.75

Source: Bloomberg, Erste Group Research

In case of changes to our forecasts compared to the previous issue, arrows show the direction of the change.

<sup>&</sup>lt;sup>1</sup> By regulations we are obliged to issue the following statement: Forecasts are no reliable indicator of future performance.

Forex News | Major Markets | US-Dollar, Yen, Swiss Franc 28. February 2019

### Contacts **Group Research**

#### Head of Group Research Friedrich Mostböck, CEFA Major Markets & Credit Research Head: Gudrun Egger, CEFA Ralf Burchert, CEFA (Agency Analyst) Hans Engel (Senior Analyst Global Equities) Margarita Grushanina (Economist AT, Quant Analyst) Peter Kaufmann, CFA (Corporate Bonds) Heiko Langer (Covered Bonds/Financials) Stephan Lingnau (Global Equities) Carmen Riefler-Kowarsch (Covered Bonds/Financials) Rainer Singer (Senior Economist Euro, US) Bernadett Povazsai-Römhild, CEFA (Corporate Bonds) Elena Statelov, CIIA (Corporate Bonds) Gerald Walek, CFA (Economist Euro, CHF) Macro/Fixed Income Research CEE

Head CEE: Juraj Kotian (Macro/FI) Zoltan Arokszallasi, CFA (Fixed income) Katarzyna Rzentarzewska (Fixed income) Malgorzata Krzywicka (Fixed income) **CEE Equity Research** 

### Head: Henning Eßkuchen

Daniel Lion, CIIA (Technology, Ind. Goods&Services) Michael Marschallinger Christoph Schultes, MBA, CIIA (Real Estate) Vera Sutedja, CFA, MBA (Telecom, Steel) Thomas Unger, CFA (Banks, Insurance) Vladimira Urbankova, MBA (Pharma) Martina Valenta, MBA **Editor Research CEE** Brett Aarons

#### **Research Croatia/Serbia**

Head: Mladen Dodig (Equity) Head: Alen Kovac (Fixed income) Anto Augustinovic (Equity) Mate Jelić (Fixed income) Magdalena Dolenec (Equity) Ivana Rogic (Fixed income) Davor Spoljar, CFA (Equity)

#### **Research Czech Republic** Head: David Navratil (Fixed income)

Head: Petr Bartek (Equity) Jiri Polansky (Fixed income) Michal Skorepa (Fixed income) Jan Sumbera (Equity) Jan Žemlička (Fixed income)

#### **Research Hungary** Head: József Miró (Equity) András Nagy (Equity)

Orsolya Nyeste (Fixed income) Zsombor Varga (Fixed income) Tamás Pletser, CFA (Oil&Gas)

#### **Research Poland**

Director of Research: Tomasz Duda (Equity) Cezary Bernatek (Equity) Konrad Grygo (Equity) Mateusz Krupa (Equity) Michal Pilch (Equity) Emil Poplawski (Equity)

#### **Research Romania** Head: Horia Braun-Erdei

Caius Rapanu (Equity) Eugen Sinca (Fixed income) Dorina Ilasco (Fixed Income)

#### **Research Slovakia**

Head: Maria Valachyova, (Fixed income) Katarina Muchova (Fixed income)

## **Research Turkey**

Ender Kaynar (Equity) Umut Cebir (Equity)

#### Treasury – Erste Bank Vienna

	Treasury – Erste Bank Vienna	
	Group Markets Retail Sales	
+43 (0)5 0100 11902	Head: Christian Reiss	+43 (0)5 0100 84012
	Markets Retail Sales AT	
+43 (0)5 0100 11909	Head: Markus Kaller	+43 (0)5 0100 84239
+43 (0)5 0100 16314 +43 (0)5 0100 19835	Group Markets Execution	
+43 (0)5 0100 11957	Head: Kurt Gerhold	+43 (0)5 0100 84232
+43 (0)5 0100 11183	Retail & Sparkassen Sales	40 (0) 5 0400 00044
+43 (0)5 0100 85509	Head: Uwe Kolar	+43 (0)5 0100 83214
+43 (0)5 0100 16574 +43 (0)5 0100 19632	Corporate Treasury Product Distribution AT	. 40 (0) 5 0400 04440
+43 (0)5 0100 17331	Head: Christian Skopek	+43 (0)5 0100 84146
+43 (0)5 0100 17203	Fixed Income Institutional Sales	
+43 (0)5 0100 19641	Group Securities Markets	
+43 (0)5 0100 16360	Head: Harald Müller	+43 (0)5 0100 84890
+43 (0)5 0100 17357	Institutional Distribution non CEE	
+43 (0)5 0100 18781	Head: Jaromir Malak	+43 (0)5 0100 84254
+43 (0)5 0100 17356	Karin Rattay Christian Kienesberger	+43 (0)5 0100 84118 +43 (0)5 0100 84323
+43 (0)5 0100 17338	Bernd Bollhof	+49 (0)30 8105800 5525
	Rene Klasen	+49 (0)30 8105800 5521
+43 (0)5 0100 19634	Christopher Lampe-Traupe	+49 (0)30 8105800-5507
+43 (0)5 0100 17420 +43 (0)5 0100 17906	Charles-Henry La Coste de Fontenilles Bernd Thaler	+43 (0)5 0100 84115 +43 (0)5 0100 84119
+43 (0)5 0100 11523	Bank Distribution	
+43 (0)5 0100 11905	Head: Marc Friebertshäuser	+49 (0)711 810400 5540
+43 (0)5 0100 17344	Sven Kienzle	+49 (0)711 810400 5541
+43 (0)5 0100 17343 +43 (0)5 0100 11913	Michael Schmotz	+43 (0)5 0100 85542
	Ulrich Inhofner Klaus Vosseler	+43 (0)5 0100 85544 +49 (0)711 810400 5560
+420 956 711 014	Andreas Goll	+49 (0)711 810400 5561
	Mathias Gindele	+49 (0)711 810400 5562
+381 11 22 09178	Institutional Distribution CEE	
+385 72 37 1383 +385 72 37 2833	Head: Jaromir Malak	+43 (0)5 0100 84254
+385 72 37 1443	Institutional Distribution PL and CIS	
+385 72 37 1407	Pawel Kielek	+48 22 538 6223
+385 72 37 2419	Michal Jarmakowicz	+43 50100 85611
+385 72 37 2825	Institutional Distribution Slovakia	. 404 0 4000 5040
+420 956 765 439	Head: Sarlota Sipulova Monika Smelikova	+421 2 4862 5619 +421 2 4862 5629
+420 956 765 227	Institutional Distribution Czech Republic	
+420 956 765 192	Head: Ondrej Cech	+420 2 2499 5577
+420 956 765 172	Milan Bartos	+420 2 2499 5562
+420 956 765 218 +420 956 765 456	Barbara Suvadova	+420 2 2499 5590
1 120 000 100 100	Institutional Asset Management Czech Republic	
+361 235 5131	Head: Petr Holecek Martin Perina	+420 956 765 453 +420 956 765 106
+361 235 5132		
+361 268 4428	Petr Valenta	
+361 373 2830 +361 235 5135	Petr Valenta David Petracek	+420 956 765 140 +420 956 765 809
		+420 956 765 140
+301 233 3133	David Petracek Blanca Weinerova Institutional Distribution Croatia	+420 956 765 140 +420 956 765 809 +420 956 765 317
	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439
+48 22 330 6253 +48 22 538 6256	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251 +48 22 330 6255	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary Head: Peter Csizmadia Attila Hollo	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary Head: Peter Csizmadia	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638 +36 1 237 8211
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251 +48 22 330 6255	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary Head: Peter Csizmadia Attila Hollo Gabor Balint Institutional Distribution Romania and Bulgaria	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638 +361 237 8211 +361 237 8209 +361 237 8205
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251 +48 22 330 6255 +48 22 330 6252 +40 3735 10424 +40 3735 10441	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary Head: Peter Csizmadia Attila Hollo Gabor Balint Institutional Distribution Romania and Bulgaria Head: Ciprian Mitu	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638 +36 1 237 8211 +36 1 237 8209 +36 1 237 8205 +43 (0)50100 85612
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251 +48 22 330 6255 +48 22 330 6255 +48 22 330 6252 +40 3735 10424 +40 3735 10435	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary Head: Peter Csizmadia Attila Hollo Gabor Balint Institutional Distribution Romania and Bulgaria Head: Ciprian Mitu Crisitan Adascalita	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638 +361 237 8211 +361 237 8209 +361 237 8205
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251 +48 22 330 6255 +48 22 330 6252 +40 3735 10424 +40 3735 10441	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary Head: Peter Csizmadia Attila Hollo Gabor Balint Institutional Distribution Romania and Bulgaria Head: Ciprian Mitu Crisitan Adascalita Group Institutional Equity Sales	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638 +36 1 237 8211 +36 1 237 8209 +36 1 237 8205 +43 (0)50100 85612 +40 373 516 531
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251 +48 22 330 6255 +48 22 330 6255 +48 22 330 6252 +40 3735 10424 +40 3735 10435 +40 3735 10436	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary Head: Peter Csizmadia Attila Hollo Gabor Balint Institutional Distribution Romania and Bulgaria Head: Ciprian Mitu Crisitan Adascalita	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638 +36 1 237 8211 +36 1 237 8209 +36 1 237 8205 +43 (0)50100 85612
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251 +48 22 330 6255 +48 22 330 6255 +48 22 330 6252 +40 3735 10424 +40 3735 10435	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary Head: Peter Csizmadia Attila Hollo Gabor Balint Institutional Distribution Romania and Bulgaria Head: Ciprian Mitu Crisitan Adascalita Group Institutional Equity Sales Head: Brigitte Zeitlberger-Schmid Werner Fürst Josef Kerekes	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638 +36 1 237 8211 +36 1 237 8209 +36 1 237 8205 +43 (0)50100 85612 +43 (0)50100 83123 +43 (0)50100 83123 +43 (0)50100 83123 +43 (0)50100 83123
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251 +48 22 330 6255 +48 22 330 6255 +48 22 330 6252 +40 3735 10424 +40 3735 10435 +40 3735 10436 +421 2 4862 4185	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary Head: Peter Csizmadia Attila Hollo Gabor Balint Institutional Distribution Romania and Bulgaria Head: Ciprian Mitu Cristan Adascalita Group Institutional Equity Sales Head: Brigite Zeitlberger-Schmid Wermer Fürst Josef Kerekes Cormac Lyden	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638 +36 1 237 8211 +36 1 237 8209 +36 1 237 8205 +43 (0)50100 85612 +40 373 516 531 +43 (0)50100 83123 +43 (0)50100 83123
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251 +48 22 330 6255 +48 22 330 6255 +48 22 330 6252 +40 3735 10424 +40 3735 10435 +40 3735 10436 +421 2 4862 4185	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary Head: Peter Csizmadia Attila Hollo Gabor Balint Institutional Distribution Romania and Bulgaria Head: Ciprian Mitu Crisitan Adascalita Group Institutional Equity Sales Head: Brigite Zeitlberger-Schmid Werner Fürst Josef Kerekes Cormac Lyden Business Support	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638 +36 1 237 8211 +36 1 237 8209 +36 1 237 8205 +43 (0)50100 85612 +43 (0)50100 83123 +43 (0)50100 83123 +43 (0)50100 83125 +43 (0)50100 83125 +43 (0)50100 83125
+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251 +48 22 330 6255 +48 22 330 6252 +40 3735 10424 +40 3735 10424 +40 3735 10435 +40 3735 10436 +421 2 4862 4185 +421 2 4862 4762	David Petracek Blanca Weinerova Institutional Distribution Croatia Head: Antun Buric Zvonimir Tukač Natalija Zujic Institutional Distribution Hungary Head: Peter Csizmadia Attila Hollo Gabor Balint Institutional Distribution Romania and Bulgaria Head: Ciprian Mitu Cristan Adascalita Group Institutional Equity Sales Head: Brigitte Zeitlberger-Schmid Wermer Fürst Josef Kerekes Cormac Lyden	+420 956 765 140 +420 956 765 809 +420 956 765 317 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638 +36 1 237 8211 +36 1 237 8209 +36 1 237 8205 +43 (0)50100 85612 +43 (0)50100 83123 +43 (0)50100 83123 +43 (0)50100 83123 +43 (0)50100 83123

Forex News | Major Markets | US-Dollar, Yen, Swiss Franc 28. February 2019

## **Disclaimer**

This publication was prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively as other information pursuant to the Circular of the Austrian Financial Market Authority regarding information including marketing communication pursuant to the Austrian Securities Supervision Act. This publication serves interested investors as additional source of information and provides general information, information about product features or macroeconomic information without emphasizing product selling marketing statements. This publication does not constitute marketing communication pursuant to Art. 36 (2) Austrian Securities Supervision Act as no direct buying incentives were included in this publication, which is of information character. This publication does not constitute investment research pursuant to § 36 (1) Austrian Securities Supervision Act. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to the prohibition on dealing ahead of the dissemination of investment research. The information only serves as non-binding and additional information and is based on the level of knowledge of the person in charge of drawing up the information on the respective date of its preparation. The content of the publication can be changed at any time without notice. This publication does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any securities, and neither this publication nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a security or financial product in a trading strategy. Information provided in this publication are based on publicly available sources which Erste Group considers as reliable, however, without verifying any such information by independent third persons. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-todateness, completeness and correctness of the content of this publication. Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers of other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this publication. Any opinion, estimate or projection expressed in this publication reflects the current judgment of the author(s) on the date of publication of this document and do not necessarily reflect the opinions of Erste Group. They are subject to change without prior notice. Erste Group has no obligation to update, modify or amend this publication or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The past performance of securities or financial instruments is not indicative for future results. No assurance can be given that any financial instrument or issuer described herein would yield favorable investment results or that particular price levels may be reached. Forecasts in this publication are based on assumptions which are supported by objective data. However, the used forecasts are not indicative for future performance of securities or financial instrument. Erste Group, its affiliates, principals or employees may have a long or short position or may transact in the financial instrument(s) referred to herein or may trade in such financial instruments with other customers on a principal basis. Erste Group may act as a market maker in the financial instruments or companies discussed herein and may also perform or seek to perform investment services for those companies. Erste Group may act upon or use the information or conclusion contained in this publication before it is distributed to other persons. This publication is subject to the copyright of Erste Group and may not be copied, distributed or partially or in total provided or transmitted to unauthorized recipients. By accepting this publication, a recipient hereof agrees to be bound by the foregoing limitations.

Copyright: 2019 Erste Group Bank AG. All rights reserved.

#### Published by:

Erste Group Bank AG Group Research 1100 Vienna, Austria, Am Belvedere 1 Head Office: Wien Commercial Register No: FN 33209m Commercial Court of Vienna

Erste Group Homepage: <u>www.erstegroup.com</u>