Forex News | Major Markets | US-Dollar, Yen, Swiss Franc 26. June 2019



Forex News

US dollar, Japanese yen, Swiss franc

Analysts:
Rainer Singer
rainer.singer@erstegroup.com

Gerald Walek, CFA gerald.walek@erstegroup.com

USD: Uncertain environment speaks for dollar

Representatives of both the ECB and the US Fed have recently emphasized the risks to the economy and thus fueled market expectations for monetary easing. However, the Fed's statements had more weight for the markets and the dollar weakened somewhat. All in all, however, the market remains directionless. We prefer the dollar in the coming months. The high expectations of the markets for interest rate cuts in the US are likely to be disappointed, as the economic outlook should improve. Our expectation is based largely on the assumption that the trade conflict with China will ease, although the outcome of this situation is admittedly uncertain. In the autumn, the focus should then be on Brexit, where we do not expect a negotiated solution, which speaks in favor of the dollar. Only when the situation has calmed down should the euro be able to slowly appreciate towards the end of the year.

JPY: Yen stable against the euro

In June, the yen fluctuated against the euro in a stable range between 121 and 123. At its meeting at the end of June, the Japanese central bank made no changes to its loose monetary policy orientation in order to raise inflation towards 2% as soon as possible. Nevertheless, Japan's inflation remained at around 0.8% y/y in May. Over the past 2 years, Japan's inflation averaged around +0.8%, well below that of the euro zone (+1.6%). From a fundamental point of view, this has favoured the firming pressure of the yen. The consensus on Bloomberg expects the euro to gain somewhat against the yen to 124 in Q4 2019.

CHF: firming pressure continues

Persistently weak leading indicators and the ongoing trade dispute between the USA and China have favoured the continued strengthening of the Swiss franc against the euro. At its last meeting, the SNB replaced the target range for the 3-month Libor with the SNB key interest rate because the future of the Libor is no longer secure. The SNB key interest rate was set at -0.75%, which means that the "degree of expansion" of the monetary policy orientation remains unchanged. Due to the recent political developments in the United Kingdom, we expect a hard brexit at the end of October. This should increase the firming pressure of the Swiss franc in Q4 2019. We therefore expect the EURCHF exchange rate to reach a level of around 1.10 at the end of Q3 2019. Should further geopolitical crises worsen acutely (trade dispute, Iran), the franc could, as recently happened, quickly strengthen against the euro at any time.

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

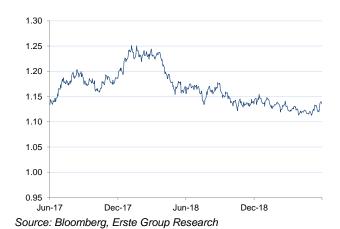
Rainer Singer (Senior Economist EZ, USA) Gerald Walek, CFA (Economist EZ) Margarita Grushanina (Economist AT)

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

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Currency overview

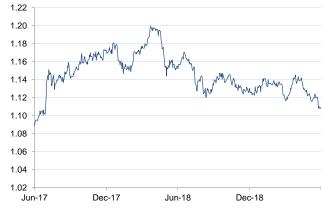
EUR/USD - last two years



EUR/JPY - last two years



EUR/CHF - last two years

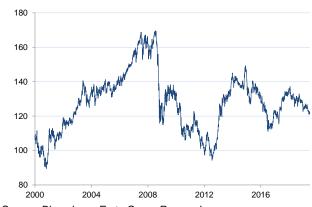


Source: Bloomberg, Erste Group Research

EUR/USD - since 2000

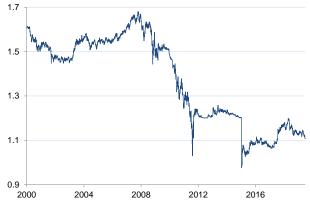


EUR/JPY - since 2000



Source: Bloomberg, Erste Group Research

EUR/CHF - since 2000



Source: Bloomberg, Erste Group Research

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Exchange rate forecasts¹

Currency	current	Sep.19	Dec.19	Mar.20	Jun.20
EURUSD	1.14	1.10	1.13	1.15	1.18
EURCHF	1.11	1.10	1.11	1.12	1.13
EURJPY	current	Sep.19	Dec.19	Mar.20	Jun.20
Bloomberg Survey		122.0	124.0	125.0	125.0
Spot/Forward	122.3	122.4	122.5	122.5	122.5

Source: Bloomberg, Erste Group Research

Interest rate forecasts

	current	Sep.19	Dec.19	Mar.20	Jun.20
3M Euribor	-0.34	-0.30	-0.30	-0.30	-0.30
3M Libor US	2.33	2.70	2.70	2.70	2.70
3M Libor CH	-0.73	-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.

¹ By regulations we are obliged to issue the following statement: Forecasts are no reliable indicator of future performance.

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Contacts

Group Research

Group Research			
Head of Group Research		Treasury – Erste Bank Vienna	
Friedrich Mostböck, CEFA	+43 (0)5 0100 11902	Group Markets Retail Sales	
OFF ManualFired Income Bassanah		Head: Christian Reiss	+43 (0)5 0100 84012
CEE Macro/Fixed Income Research Head: Juraj Kotian (Macro/FI)	+43 (0)5 0100 17357		. (-/
Zoltan Arokszallasi, CFA (Fixed income)	+43 (0)5 0100 17337	Markets Retail Sales AT	
Katarzyna Rzentarzewska (Fixed income, Poland)	+43 (0)5 0100 17356	Head: Markus Kaller	+43 (0)5 0100 84239
Malgorzata Krzywicka (Fixed income)	+43 (0)5 0100 17338	Crown Marketa Evenution	
Croatia/Serbia		Group Markets Execution Head: Kurt Gerhold	+43 (0)5 0100 84232
Alen Kovac (Head)	+385 72 37 1383	ricad. Nutr Gernold	143 (0)3 0100 04232
Mate Jelić	+385 72 37 1443	Retail & Sparkassen Sales	
Ivana Rogic	+385 72 37 2419	Head: Uwe Kolar	+43 (0)5 0100 83214
Czech Republic		Cornerate Transcript Bradust Distribution AT	
David Navratil (Head)	+420 956 765 439	Corporate Treasury Product Distribution AT Head: Christian Skopek	+43 (0)5 0100 84146
Jiri Polansky	+420 956 765 192	rieau. Omistian Okopek	743 (0)3 0100 04140
Michal Skorepa	+420 956 765 172	Fixed Income Institutional Sales	
Hungary Orsolya Nyeste	+361 268 4428		
Zsombor Varga	+361 373 2830	Institutional Distribution non CEE	
•	1301 373 2030	Head: Jaromir Malak	+43 (0)5 0100 84254
Romania Horia Braun-Erdei (Head)	+40 3735 10424	Karin Rattay	+43 (0)5 0100 84118
Eugen Sinca	+40 3735 10424	Christian Kienesberger Bernd Bollhof	+43 (0)5 0100 84323 +49 (0)30 8105800 5525
Dorina Ilasco	+40 3735 10436	Rene Klasen	+49 (0)30 8105800 5521
Slovakia		Christopher Lampe-Traupe	+49 (0)30 8105800-5507
Maria Valachyova (Head)	+421 2 4862 4185	Charles-Henry La Coste de Fontenilles	+43 (0)5 0100 84115
Katarina Muchova	+421 2 4862 4762	Bernd Thaler	+43 (0)5 0100 84119
		Bank Distribution	
Major Markets & Credit Research	. 40 (0)5 0400 44000	Head: Marc Friebertshäuser	+49 (0)711 810400 5540
Head: Gudrun Egger, CEFA Ralf Burchert, CEFA (Agencies)	+43 (0)5 0100 11909 +43 (0)5 0100 16314	Sven Kienzle	+49 (0)711 810400 5541
Hans Engel (Global Equities)	+43 (0)5 0100 10314	Michael Schmotz	+43 (0)5 0100 85542
Margarita Grushanina (Austria, Quant Analyst)	+43 (0)5 0100 11957	Ulrich Inhofner	+43 (0)5 0100 85544
Peter Kaufmann, CFA (Corporate Bonds)	+43 (0)5 0100 11183	Klaus Vosseler	+49 (0)711 810400 5560
Heiko Langer (Covered Bonds/Financials)	+43 (0)5 0100 85509	Andreas Goll Mathias Gindele	+49 (0)711 810400 5561 +49 (0)711 810400 5562
Stephan Lingnau (Global Equities) Carmen Riefler-Kowarsch (Covered Bonds/Financials)	+43 (0)5 0100 16574 +43 (0)5 0100 19632	Matrido Ciridolo	140 (0)111 010400 0002
Rainer Singer (Euro, US)	+43 (0)5 0100 17331	Institutional Distribution CEE	
Bernadett Povazsai-Römhild, CEFA (Corporate Bonds)		Head: Jaromir Malak	+43 (0)5 0100 84254
Elena Statelov, CIIA (Corporate Bonds)	+43 (0)5 0100 19641	Institutional Distribution DL and CIC	
Gerald Walek, CFA (Euro, CHF)	+43 (0)5 0100 16360	Institutional Distribution PL and CIS Pawel Kielek	+48 22 538 6223
CEE Equity Research		Michal Jarmakowicz	+43 50100 85611
Head: Henning Eßkuchen	+43 (0)5 0100 19634		
Daniel Lion, CIIA (Technology, Ind. Goods&Services)	+43 (0)5 0100 17420	Institutional Distribution Slovakia	
Michael Marschallinger, CFA	+43 (0)5 0100 17906	Head: Sarlota Sipulova	+421 2 4862 5619
Christoph Schultes, MBA, CIIA (Real Estate)	+43 (0)5 0100 11523	Monika Smelikova	+421 2 4862 5629
Thomas Unger, CFA (Banks, Insurance) Vladimira Urbankova, MBA (Pharma)	+43 (0)5 0100 17344 +43 (0)5 0100 17343	Institutional Distribution Czech Republic	
Martina Valenta, MBA	+43 (0)5 0100 17343	Head: Ondrej Cech	+420 2 2499 5577
Croatia/Serbia	(4)4 4 1 4 1 4 1 4 1 4 1 4 1 4 1 4 1 4 1	Milan Bartos	+420 2 2499 5562
Mladen Dodig (Head)	+381 11 22 09178	Barbara Suvadova	+420 2 2499 5590
Anto Augustinovic	+385 72 37 2833	Institutional Asset Management Czech Republic	
Magdalena Dolenec	+385 72 37 1407	Head: Petr Holecek	+420 956 765 453
Davor Spoljar, CFA	+385 72 37 2825	Martin Perina	+420 956 765 106
Czech Republic		Petr Valenta	+420 956 765 140
Petr Bartek (Head)	+420 956 765 227	David Petracek	+420 956 765 809
Marek Dongres	+420 956 765 218	Blanca Weinerova	+420 956 765 317
Jan Safranek	+420 956 765 218	Institutional Distribution Croatia	
Hungary	.004.005.5404	Head: Antun Buric	+385 (0)7237 2439
József Miró (Head) András Nagy	+361 235 5131 +361 235 5132	Zvonimir Tukač	+385 (0)7237 1787
Tamás Pletser, CFA	+361 235 5135	Natalija Zujic	+385 (0)7237 1638
Poland		Institutional Distribution Hungary	
Tomasz Duda (Head)	+48 22 330 6253	Head: Peter Csizmadia	+36 1 237 8211
Cezary Bernatek	+48 22 538 6256	Attila Hollo	+36 1 237 8209
Konrad Grygo	+48 22 330 6254	Gabor Balint	+36 1 237 8205
Mateusz Krupa, CFA	+48 22 330 6251	The first of the second	
Michal Pilch Emil Poplawski	+48 22 330 6255	Institutional Distribution Romania and Bulgaria Head: Ciprian Mitu	+43 (0)50100 85612
•	+48 22 330 6252	Crisitan Adascalita	+40 373 516 531
Romania	140 2725 40444		
Caius Rapanu	+40 3735 10441	Group Institutional Equity Sales	
Turkey	.00.0400400445	Head: Brigitte Zeitlberger-Schmid	+43 (0)50100 83123
Umut Cebir Berke Gümüs	+90 2129120445 +90 2129120445	Werner Fürst Josef Kerekes	+43 (0)50100 83121 +43 (0)50100 83125
Some Garrian	. 30 2 120 120 770	Cormac Lyden	+43 (0)50100 83125
			. (-,
		Business Support	
		Bettina Mahoric	+43 (0)50100 86441

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Published by:

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