

Forex News

US dollar, Japanese yen, Swiss franc

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USD: hard Brexit speaks in dollar's favor

With the further escalation of the trade war between the US and China in August and a British government that has set its course for a hard Brexit, market concerns have generally increased. So far, the EURUSD has reacted relatively cautiously to these developments and remained within a range. In our view, the markets are not yet fully prepared for a hard Brexit. This means that, with further steps in this direction, which we expect, the euro should come under further pressure. We leave our forecast for the EURUSD at 1.10 at the end of the year unchanged. In the hot phase of Brexit during the coming weeks, however, this mark could be undercut. The only thing that would speak in favor of the euro would be an orderly withdrawal of the United Kingdom from the EU, which is unlikely at present.

JPY: Yen continues to firm

The yen strengthened against the euro to a level of 117 in August. At its meeting at the end of July, the Japanese central bank announced further monetary easing if a further deterioration in the global economy were to jeopardize the price stability target. Japan's inflation stabilized in July at +0.6% y/y. Over the past two years, Japan's inflation averaged around +0.8%, well below that of the Eurozone (+1.6%). From a fundamental point of view, this has supported the yen vs. the euro. In order for the yen to weaken against the euro, the outlook for the global economy has to brighten. After the recent escalation of the trade war, however, this seems rather unlikely in the short term. The consensus on Bloomberg expects the euro to strengthen against the yen to 119 in 4Q19.

CHF: Firming pressure continues

Triggered by speculation about a possible easing of monetary policy by the ECB, the franc recently strengthened against the euro to a level of 1.085. In addition, persistently weak leading indicators further strengthened the franc. Now that we expect the ECB to substantially ease its monetary policy on September 12, it is possible that the SNB could also ease its own monetary policy stance in response at its meeting on September 19. Given the political developments in the United Kingdom, we expect a hard Brexit at the end of October. This should further increase firming pressure on the Swiss franc, especially at the end of October. Should further geopolitical crises escalate acutely (trade dispute, Italy), the franc could, as recently happened, quickly strengthen against the euro at any time.

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

Currency overview

EUR/USD – last two years



Source: Bloomberg, Erste Group Research

EUR/USD – since 2000



Source: Bloomberg, Erste Group Research

EUR/JPY – last two years



Source: Bloomberg, Erste Group Research

EUR/JPY – since 2000



Source: Bloomberg, Erste Group Research

EUR/CHF – last two years



Source: Bloomberg, Erste Group Research

EUR/CHF – since 2000



Source: Bloomberg, Erste Group Research

Exchange rate forecasts¹

Currency	current	Sep.19	Dec.19	Mar.20	Jun.20
EURUSD	1.11	1.10	1.10	1.12	1.15
EURCHF	1.09	1.08	1.09	1.10	1.11
EURJPY	current	Sep.19	Dec.19	Mar.20	Jun.20
Bloomberg Survey		118.0	119.0	119.0	121.0
Spot/Forward	117.6	117.6	117.6	117.7	117.7

Source: Bloomberg, Erste Group Research

Interest rate forecasts

	current	Sep.19	Dec.19	Mar.20	Jun.20
3M Euribor	-0.42	-0.40	-0.50	-0.50	-0.50
3M Libor US	2.12	2.20 ↓	2.20 ↓	2.20 ↓	2.20 ↓
3M Libor CH	-0.85	-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.

Erste Group Research

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