

# Forex News

US dollar, Japanese yen, Swiss franc

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## USD: No sustained trend visible

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The EURUSD is currently extremely volatile. While the euro was able to make significant gains for the time being due to the sharply reduced interest rate differential between the US and the Eurozone, a strong counter-movement followed, which allowed the dollar to reach multi-year highs. The most likely reason for this was a shortage of dollar funding, as was also indicated by the actions taken by central banks. In the meantime, the euro has been able to gain some ground again. In the short term, the EURUSD is very difficult to assess. For the time being, we expect further gains for the dollar. However, we expect a reversal of this movement and a stronger euro in the foreseeable future. So, all in all, we expect a broad sideways movement ahead. The reason for this is that, in the current outlook, there are no clear arguments for either currency.

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## JPY: volatile sideways movement

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After a short-term slump, the euro-yen exchange rate will end March largely unchanged. Against the backdrop of the COVID-19 pandemic, the Bank of Japan has expanded its monetary policy measures (increased purchases of government bonds as well as equity and real estate ETFs, zero interest rate loans to banks). The COVID-19 pandemic has greatly increased the downside risks to the global economy. In this environment, firming pressure in favor of the yen could increase in the short term. We assume that the euro will only be able to strengthen slightly against the yen once the COVID-19 epidemic in Europe has subsided.

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## CHF: franc benefits from rising uncertainty

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The SNB has stepped up its interventions in the foreign exchange market, as the financial markets are under pressure from the spread of the coronavirus. For the outlook of the EURCHF exchange rate, the crucial question is whether the Eurozone member states will find a common solution to the coronavirus crisis. The Pandemic Emergency Purchase Program (PEPP) announced by the ECB is a step towards a common solution. Nevertheless, there is a risk that some players in the financial markets could call into question the cohesion of the Eurozone, which could further increase the firming pressure of the franc. We expect the economic situation to normalize during the second half of the year. Based on this assumption, the franc should weaken slightly against the euro in the coming months. If geopolitical crises come to an acute head (Iran, Italy, COVID-19), the CHF could continue to strengthen strongly against the euro, as has recently happened.

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

## Currency overview

**EUR/USD – last two years**



Source: Market data provider, Erste Group Research

**EUR/USD – since 2000**



Source: Market data provider, Erste Group Research

**EUR/JPY – last two years**



Source: Market data provider, Erste Group Research

**EUR/JPY – since 2000**



Source: Market data provider, Erste Group Research

**EUR/CHF – last two years**



Source: Market data provider, Erste Group Research

**EUR/CHF – since 2000**



Source: Market data provider, Erste Group Research

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

Currency	current	Jun.20	Sep.20	Dec.20	Mar.21
EURUSD	1.10	1.08	↓ 1.12	↓ 1.15	1.15
EURCHF	1.06	1.07	1.08	1.09	1.10
EURJPY	current	Jun.20	Sep.20	Dec.20	Mar.21
Bloomberg Survey		119.0	120.0	120.0	119.0
Spot/Forward	120.7	120.5	120.5	120.4	120.4

Source: Market data provider, Erste Group Research

## Interest rate forecasts

	current	Jun.20	Sep.20	Dec.20	Mar.21
3M Euribor	-0.35	-0.50	↓ -0.50	↓ -0.50	↓ -0.50
3M Libor US	1.23	0.40	↓ 0.40	↓ 0.60	↓ 0.80
3M SAR CH	-0.75	-0.75	-0.75	-0.75	-0.75

Source: Market data provider, Erste Group Research

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

<sup>1</sup> 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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26. March 2020

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**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**

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