

Forex News

US dollar, Japanese yen, Swiss franc

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USD: Slow weakening ahead

After a rapid rise at the end of May, which caused the euro to climb to just under 1.14 dollars for a short time, the exchange rate has been hovering between 1.12 and 1.13. Reactions to economic data or the rising COVID-19 infections in the US have only been brief, if at all. We do not expect much to change in the coming months and expect the exchange rate to remain within a range. This is because the outlook for both economic areas will remain uncertain. In the medium term, we expect the euro to strengthen, as the dollar still seems to be highly valued on the basis of the interest rate differential. Should the COVID-19 crisis come to a head again, we would expect the dollar to temporarily strengthen.

JPY: Volatile sideways movement

The yen weakened slightly against the euro in volatile trading over the course of June. The continuous spread of COVID-19 in large parts of the world recently triggered uncertainty, from which the yen was able to profit. At its last meeting (June 15) the Japanese central bank confirmed that it will continue to implement its comprehensive support measures for the Japanese economy (negative interest rates and purchases of securities). Despite the spread of COVID-19, a gradual recovery of the global economy began in May, as quarantine measures were eased. In this environment, we expect the gradual weakening of the yen against the euro, which began in early May, to continue.

CHF: Slightly weaker franc expected

The EURCHF exchange rate ended June largely unchanged despite high volatility. We believe that, in the future, the COVID-19 infection in the Eurozone can be contained by local restriction measures. Thanks to this strategy, economic data in the Eurozone should continue to brighten in the coming months, as this should prevent the need for extensive quarantine measures for entire countries. In this environment, we would expect the ECB to maintain an unchanged monetary policy and thus the franc should gradually weaken against the euro. However, should there be significant setbacks in the infection figures in the Eurozone, then the CHF could again significantly strengthen against the euro, as happened when the pandemic broke out. In addition, if geopolitical crises worsen, the Swiss franc could also 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: 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 forecasts¹

Currency	current	Sep.20	Dec.20	Mar.21	Jun.21
EURUSD	1.13	1.12 ↑	1.15 ↑	1.16 ↑	1.18
EURCHF	1.06	1.08	1.09	1.10	1.12
EURJPY	current	Sep.20	Dec.20	Mar.21	Jun.21
Bloomberg Survey		121.0 ↑	121.0 ↑	121.5 ↑	123.0
Spot/Forward	121.6	121.7 ↑	121.7 ↑	121.8 ↑	121.8

Source: Market data provider, Erste Group Research

Interest rate forecasts

	current	Sep.20	Dec.20	Mar.21	Jun.21
3M Euribor	-0.44	-0.40	-0.40	-0.40	-0.40
3M Libor US	0.28	0.40	0.40	0.40	0.40
SARON	-0.68	-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.

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

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Forex News | Major Markets | US-Dollar, Yen, Swiss Franc

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