

Forex News

US dollar, Japanese yen, Swiss franc

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USD: Firmer for now, sideways in medium term

The EURUSD reacted sharply to the outcome of the latest meeting of the FOMC, the US Federal Reserve's monetary policy-making body. The monetary policy stance was left essentially unchanged. However, there were changes in the forecasts of the meeting participants, which are polled quarterly. According to this latest survey, a majority of respondents now expect a 0.5% higher policy rate by the end of 2023. Three months ago, the majority had assumed no rate hike by then. We see this advance in interest rate expectations and the resulting strengthening of the dollar as consistent with macroeconomic developments. In the short term, the market will probably test how much potential the dollar still has, which argues for further gains. In the medium term, we maintain our view that a EURUSD move just below 1.2 is the most likely scenario for the coming months.

JPY: Countermovement expected

After the FOMC meeting participants pushed forward expectations for interest rate hikes in the US to June 16, there was increased volatility in the financial markets. This environment triggered a strengthening of the yen against the euro. As soon as the situation has calmed down somewhat, we expect a countermovement in the coming weeks. From a fundamental perspective, the euro should also benefit from the ongoing dynamic recovery of the economy after the end of the restrictive measures. In case of setbacks in the fight against the pandemic or other geopolitical risks, the yen could temporarily strengthen against the euro at any time.

CHF: Franc should weaken

The franc strengthened to a level of 1.09 against the euro in June. A strong rise in inflation in the Eurozone and especially in the US strengthened the franc. We assume that the rise in inflation in both currency areas should be temporary. In this environment, we expect the franc to weaken again against the euro. However, concerns about higher global inflation rates over a longer period of time pose a risk to our forecast. This is because, in phases with globally rising inflation expectations, the franc, with its comparatively significantly lower inflation rates, is an attractive investment target to reduce expected losses in the purchasing power of capital. If political risks come to a head within the EU or at the global level, the franc could also strengthen strongly 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.21	Dec.21	Mar.22	Jun.22
EURUSD	1.19	1.18	1.20	1.20	1.22
EURCHF	1.09	1.13	1.14	1.15	1.15

EURJPY	current	Sep.21	Dec.21	Mar.22	Jun.22
Bloomberg Survey		134.0 ↑	133.0 ↑	132.0 ↑	132.0
Spot/Forward	131.7	131.6 ↑	131.6 ↑	131.6 ↑	131.6

Source: Market data provider, Erste Group Research

Interest rate forecasts

	current	Sep.21	Dec.21	Mar.22	Jun.22
3M Euribor	-0.54	-0.54	-0.54	-0.54	-0.54
3M Libor US	0.13	0.20	0.20	0.20	0.20
SARON	-0.76	-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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