

Forex News

US dollar, Japanese yen, Swiss franc

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USD: No basis for further strengthening

In mid-October, the EURUSD reached almost 1.15, its lowest level since the summer of 2020. A countermovement then brought the euro to over USD 1.16. However, the EURUSD remained outside the trading range that had held since around summer 2020. The technical picture thus shows risks for a firmer dollar. Nevertheless, we expect the sideways trend to continue in the end. Monetary policy support should be slowly scaled back on both sides of the Atlantic, which means a reduction in securities purchases by the respective central banks. The US will end its securities purchases much earlier, but this should not surprise anyone. Moreover, the interest rate markets are already pricing in rising US interest rates from the end of next year, which we do not expect. Further dollar-positive surprises seem even less likely to us and thus we see no basis for continued dollar firming.

JPY: Sideways movement expected

After the recent phase of strength (triggered by the threatened insolvency of Evergrande), the yen has again weakened significantly against the euro since the beginning of October. Due to Japan's heavy dependence on imported fossil fuels (covering 88% of primary energy demand, according to the IEA), the yen has come under pressure from the sharp rise in fossil fuel prices against the euro. In addition, the Bank of Japan is sticking to its strongly expansionary monetary policy, which is putting additional pressure on the yen. At the current exchange rate level, however, we expect sideways movement for the time being. In the event of setbacks in the fight against the pandemic or other geopolitical risks, the yen could temporarily strengthen against the euro at any time.

CHF: Global uncertainty strengthens the franc

In recent trading weeks, uncertainty on the global financial markets has increased due to several factors (including the threat of Evergrande's insolvency and the historically strong rise in energy prices). This led to a strengthening of the franc against the euro to an exchange rate level of 1.07. Due to the rise in energy prices, global inflation concerns have resurrected, making the franc, with its comparatively low inflation level, more attractive as an investment target. However, the real yield level also plays a key role in this context from an investor's perspective. We nevertheless expect a gradual easing on the energy markets in the medium term, which should cause the Swiss franc to again somewhat weaken against the euro. In the event of an escalation of geopolitical risks, the franc could strengthen abruptly 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	Dec.21	Mar.22	Jun.22	Sep.22
EURUSD	1.16	1.18 ↓	1.18 ↓	1.18 ↓	1.18
EURCHF	1.07	1.09 ↓	1.10 ↓	1.11 ↓	1.12

EURJPY	current	Dec.21	Mar.22	Jun.22	Sep.22
Bloomberg Survey		130.0	130.0 ↑	131.0 ↑	131.0
Spot/Forward	132.7	131.8 ↑	132.0 ↑	132.1 ↑	132.2

Source: Market data provider, Erste Group Research

Interest rate forecasts

	current	Dec.21	Mar.22	Jun.22	Sep.22
3M Euribor	-0.55	-0.54	-0.54	-0.54	-0.54
3M Libor US	0.13	0.15	0.15	0.15	0.15
SARON	-0.72	-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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