

Forex News

US dollar, Japanese yen, Swiss franc

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USD: Dollar has passed its peak

Since it became possible to avert a hard Brexit, the risks for the Eurozone economy have diminished. In addition, the trade war between the US and China, which the Eurozone is suffering from, is likely to lead to a partial agreement. Accordingly, we are adjusting our forecasts and expect the dollar to have already peaked and not at the end of the year, as previously assumed. Following the recent interest rate decision in the US, there is now no interest rate fantasy on either side of the Atlantic for the foreseeable future. However, the Eurozone economy has more potential to benefit from the improved environment than the US economy. Together with the current high valuation of the US dollar, this suggests that the euro should slowly strengthen.

JPY: Yen weakness could continue

The yen weakened against the euro to the level of 121 in October. At its meeting at the end of October, the Bank of Japan (BoJ) reacted to the difficult environment. On the one hand, it held out the prospect of further rate cuts if necessary and has also strengthened its forward guidance (rates on the current level or lower as long as necessary). Currently, however, there are increasing signs of a positive trend reversal in the global economy (e.g. a significant rise in German export expectations in October). In this environment, the weakness of the yen against the Euro could continue. The consensus on Bloomberg, however, expects a firmer yen at 117 in 4Q19.

CHF: Global environment favors the Euro

The euro-franc exchange rate weakened further in October to the level of 1.105. Although the ECB announced substantial easing of monetary policy on September 12, the SNB did not adjust its monetary policy stance at its meeting on September 19. The recent postponement of Brexit and first positive signs of a brightening of the global economy are currently contributing to the weakness of the Swiss franc. In this environment, there is increasing likelihood of a further weakening of the Swiss franc against the euro in the coming quarters. We have therefore raised our forecasts for the EURCHF exchange rate. However, should geopolitical crises escalate acutely (trade dispute, Italy, Brexit), the franc could quickly strengthen against the euro at any time, as recently occurred.

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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.19	Mar.20	Jun.20	Sep.20
EURUSD	1.12	1.13 ↑	1.15 ↑	1.15	1.15
EURCHF	1.10	1.12 ↑	1.13 ↑	1.14 ↑	1.15 ↑
EURJPY	current	Dec.19	Mar.20	Jun.20	Sep.20
Bloomberg Survey		117.0	118.0	119.0	120.0
Spot/Forward	121.1	121.3	121.4	121.4	121.4

Source: Market data provider, Erste Group Research

Interest rate forecasts

	current	Dec.19	Mar.20	Jun.20	Sep.20
3M Euribor	-0.40	-0.40 ↑	-0.40 ↑	-0.40 ↑	-0.40 ↑
3M Libor US	1.93	1.90 ↑	1.90 ↑	1.90 ↑	1.90 ↑
3M Libor CH	-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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