

Forex News

US dollar, Japanese yen, Swiss franc

Analysts:

Rainer Singer

rainer.singer@erstegroup.com

Gerald Walek, CFA

gerald.walek@erstegroup.com

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

At the FOMC meeting on June 16 participants pushed forward expectations for interest rate hikes in the US, 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.

Major Markets & Credit Research

Gudrun Egger, CEFA (Head)

Rainer Singer (Senior Economist EZ, USA)

Gerald Walek, CFA (Economist EZ)

Margarita Grushanina (Economist AT)

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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Contacts

Group Research

Head of Group Research
Friedrich Mostböck, CEFA +43 (0)5 0100 11902

CEE Macro/Fixed Income Research
Head: Juraj Kotian (Macro/FI) +43 (0)5 0100 17357
Katarzyna Rzentarzewska (Fixed income) +43 (0)5 0100 17356
Malgorzata Krzywicka (Fixed income, Poland) +43 (0)5 0100 17338

Croatia/Serbia
Alen Kovac (Head) +385 72 37 1383
Mate Jelić +385 72 37 1443
Ivana Rogic +385 72 37 2419

Czech Republic
David Navratil (Head) +420 956 765 439
Jiri Polansky +420 956 765 192
Michal Skorepa +420 956 765 172
Nicole Gawlasova +420 956 765 456

Hungary
Orsolya Nyeste +361 268 4428

Romania
Ciprian Dascalu (Head) +40 3735 10108
Eugen Sinca +40 3735 10435
Dorina Ilasco +40 3735 10436
Iulian George Misu +40 758484043

Slovakia
Maria Valachyova (Head) +421 2 4862 4185
Katarina Muchova +421 2 4862 4762

Major Markets & Credit Research
Head: Gudrun Egger, CEFA +43 (0)5 0100 11909
Ralf Burchert, CEFA (Sub-Sovereigns & Agencies) +43 (0)5 0100 16314
Hans Engel (Global Equities) +43 (0)5 0100 19835
Margarita Grushanina (Austria, Quant Analyst) +43 (0)5 0100 11957
Peter Kaufmann, CFA (Corporate Bonds) +43 (0)5 0100 11183
Heiko Langer (Financials & Covered Bonds) +43 (0)5 0100 85509
Stephan Lingnau (Global Equities) +43 (0)5 0100 16574
Carmen Riefler-Kowarsch (Financials & Covered Bonds) +43 (0)5 0100 19632
Rainer Singer (Euro, US) +43 (0)5 0100 17331
Bernadett Povazsai-Römhild, CEFA (Corporate Bonds) +43 (0)5 0100 17203
Elena Statelov, CIIA (Corporate Bonds) +43 (0)5 0100 19641
Gerald Walek, CFA (Euro, CHF) +43 (0)5 0100 16360

CEE Equity Research
Head: Henning Eßkuchen +43 (0)5 0100 19634
Daniel Lion, CIIA (Technology, Ind. Goods&Services) +43 (0)5 0100 17420
Michael Marschallinger, CFA +43 (0)5 0100 17906
Nora Nagy (Telecom) +43 (0)5 0100 17416
Christoph Schultes, MBA, CIIA (Real Estate) +43 (0)5 0100 11523
Thomas Unger, CFA (Banks, Insurance) +43 (0)5 0100 17344
Vladimira Urbankova, MBA (Pharma) +43 (0)5 0100 17343
Martina Valenta, MBA +43 (0)5 0100 11913

Croatia/Serbia
Mladen Dodig (Head) +381 11 22 09178
Anto Augustinovic +385 72 37 2833
Magdalena Dolenc +385 72 37 1407
Davor Spoljar, CFA +385 72 37 2825

Czech Republic
Petr Bartek (Head) +420 956 765 227
Marek Dongres +420 956 765 218
Jan Safranek +420 956 765 218

Hungary
József Miró (Head) +361 235 5131
András Nagy +361 235 5132
Tamás Pletser, CFA +361 235 5135

Poland
Tomasz Duda (Head) +48 22 330 6253
Cezary Bernatek +48 22 538 6256
Konrad Grygo +48 22 330 6254
Emil Poplawski +48 22 330 6252
Marcin Gornik +48 22 330 6251

Romania
Caius Rapanu +40 3735 10441

Group Markets

Head of Group Markets
Oswald Huber +43 (0)5 0100 84901

Group Markets Retail and Agency Business
Head: Christian Reiss +43 (0)5 0100 84012

Markets Retail Sales AT
Head: Markus Kaller +43 (0)5 0100 84239

Group Markets Execution
Head: Kurt Gerhold +43 (0)5 0100 84232

Retail & Sparkassen Sales
Head: Uwe Kolar +43 (0)5 0100 83214

Corporate Treasury Product Distribution AT
Head: Christian Skopek +43 (0)5 0100 84146

Fixed Income Institutional Sales

Group Securities Markets
Head: Thomas Einramhof +43 (0)50100 84432

Institutional Distribution Core
Head: Jürgen Niemeier +49 (0)30 8105800 5503

Institutional Distribution DACH+
Head: Marc Friebertshäuser +49 (0)711 810400 5540
Bernd Bollhof +49 (0)30 8105800 5525
Andreas Goll +49 (0)711 810400 5561
Mathias Gindele +49 (0)711 810400 5562
Ulrich Inhofner +43 (0)5 0100 85544
Sven Kienzle +49 (0)711 810400 5541
Rene Klasen +49 (0)30 8105800 5521
Christopher Lampe-Traupe +49 (0)30 8105800 5523
Karin Rattay +43 (0)5 0100 84118
Michael Schmotz +43 (0)5 0100 85542
Klaus Vosseler +49 (0)711 810400 5560

Slovakia
Šarlota Šipulová +421 2 4862 5619
Monika Směliková +421 2 4862 5629

Institutional Distribution CEE & Insti AM CZ
Head: Antun Burić +385 (0)7237 2439
Jaromir Malak +43 (0)5 0100 84254

Czech Republic
Head: Ondrej Čech +420 2 2499 5577
Milan Bartoš +420 2 2499 5562

Institutional Asset Management Czech Republic
Head: Petr Holeček +420 956 765 453
Petra Maděrová +420 956 765 178
Martin Peřina +420 956 765 106
David Petráček +420 956 765 809
Blanca Weinerová +420 956 765 317
Petr Valenta +420 956 765 140

Croatia
Head: Antun Burić +385 (0)7237 2439
Zvonimir Tukač +385 (0)7237 1787
Natalija Zujic +385 (0)7237 1638

Hungary
Head: Peter Csizmadia +36 1 237 8211
Gábor Bálint +36 1 237 8205
Ádám Szónyi +36 1 237 8213

Romania and Bulgaria
Head: Ruxandra Lungu +40 373516562

Group Institutional Equity Sales
Head: Brigitte Zeitberger-Schmid +43 (0)50100 83123
Werner Fürst +43 (0)50100 83121
Josef Kerekes +43 (0)50100 83125
Cormac Lyden +43 (0)50100 83120

Czech Republic
Head: Michal Řízek +420 224 995 537
Jiří Fereš +420 224 995 554
Martin Havlan +420 224 995 551
Pavel Krabička +420 224 995 411

Poland
Head: Jacek Jakub Langer +48 22 538 62 65
Tomasz Galanciak +48 22 538 62 12
Przemyslaw Nowosad +48 22 538 62 66
Stepien Grzegorz +48 22 538 62 11
Wysocki Wojciech +48 22 538 62 17

Croatia
Damir Eror +385 (0)72 37 2836

Hungary
Nandori Levente +36 1 23 55 141
Krisztián Kandik +36 1 23 55 162
Balasz Zankay +36 1 23 55 156

Romania
Liviu Avram +40 3735 16569

Group Fixed Income Securities Markets
Head: Goran Hobljaj +43 (0)50100 84403

FISM Flow
Head: Aleksandar Doric +43 (0)5 0100 87487
Margit Hraschek +43 (0)5 0100 84117
Christian Kienesberger +43 (0)5 0100 84323
Ciprian Mitu +43 (0)5 0100 85612
Bernd Thaler +43 (0)5 0100 84119
Zsuzsanna Toth +36-1-237 8209

Poland:
Pawel Kielek +48 22 538 6223

Michal Jarmakowicz +43 50100 85611

Group Fixed Income Securities Trading
Head: Goran Hobljaj +43 (0)50100 84403

Group Equity Trading & Structuring
Head: Ronald Nemeč +43 (0)50100 83011

Business Support
Bettina Mahoric +43 (0)50100 86441

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Group Research
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Head Office: Wien
Commercial Register No: FN 33209m
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Erste Group Homepage: www.erstegroup.com