*Investment Research*

Danske Bank

# *FX Forecast Update*
# *Mind the Scandi-differences*


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# *Forecast review part I*

- **EUR/NOK.** Once again, the NOK got off to a strong start to the year, as year-end underperformance was followed by year-start over performance amid investors returning to the market and global risk appetite rebounding. Going forward, we pencil in a stronger NOK based primarily on three factors: (1) relative growth and relative rates, (2) tighter structural liquidity and (3) a further stabilisation in global risk appetite and a higher oil price. We leave our NOK forecasts unchanged at 9.60, 9.50, 9.40 and 9.30 in 1M, 3M, 6M and 12M, respectively.

- **EUR/SEK.** The December rate hike has not had the positive effect we envisaged, which is probably due to the board's dovish communication coupled with weaker Swedish macro data. In addition, we see the SEK being used as a funding currency in carry trades. As long as this continues, the EUR/SEK uptrend is your friend. That said, a lot of macro negativity has been priced in as forecasters have already revised their growth forecasts to sub-trend and the pricing of the Riksbank is very cautious, especially versus the ECB. Hence, we feel that the recent, and to us unexpectedly aggressive, rally has gone a bit too far. On balance, we raise our forecast profile to 10.40 (10.20) in 1M, 10.40 (10.10) in 3M and 10.20 (10.00) in 6M and 12M. Taking into account the recent overshooting, the forecast reflects a relatively neutral view on the SEK, where a break of 10.00 is still far off, in our view.

- **EUR/DKK** peaked in December and early January and has since headed lower. As equity markets recover, DKK will see support from a rebalancing of FX hedges by domestic investors. At the same time, low front-end rates due to the high net position will slow the pace of DKK appreciation. We forecast EUR/DKK at 7.4620 in 1M, 7.4580 in 3M and 7.4550 in 6-12M.

- **EUR/USD.** Carry momentum for USD is fading on the back of the Fed's soft rhetoric and even if another rate hike or two is in the cards, we do not think this will be a major source of dollar support. We have for some time argued that the next big move in EUR/USD will be higher as monetary policy divergence fades and the cross is undervalued. While a Fed that is now effectively on hold has been the first stage, we think the next trigger for a continued rebound will be a US-China trade deal. Whether the ECB will fuel a third stage in this rebound remains an open question, but a first hike looms as a key EUR-supportive factor. For now, 1.15 should act as an attractor for the cross. We have left our forecast profile unchanged and thus continue to see EUR/USD at 1.15 in 1M, 1.17 in 3M, 1.20 in 6M, and 1.25 in 12M.

- **EUR/GBP.** Our EUR/GBP FX forecast is based on our main scenario that UK Prime Minister Theresa May's Brexit plan will be approved by parliament eventually. We expect this to pave the way for a significant decline in EUR/GBP. We target 0.84 in 3M and 0.83 in 6-12M. However, it is a close call, and we would like to emphasise that the key risk to our bullish GBP view is if Brexit clarifications are dragged out – even beyond 30 March if Article 50 is extended – and that GBP appreciation would consequently be much more moderate and materialise later than our forecast (main scenario) implies.

- **USD/JPY.** 2019 does not seem to be particularly USD positive following the more dovish tone from the Fed recently. We are, however, vigilant to recent disinflationary red flags in Japan. Overall, we keep our USD/JPY forecasts unchanged at 110 in 1-6M and 112 in 12M.

- **EUR/CHF.** We expect risk sentiment to improve during the course of H1, led by a trade deal and a 'decent' Brexit, which should, all else being equal, support EUR/CHF. The SNB will remain reluctant to change its communication in light of the stubbornly subdued inflationary pressure and a still-somewhat-distant first hike from the ECB. However, in the absence of new political risks, policy 'normalisation' in Europe should allow EUR/CHF to continue the move back towards 1.20. We see the cross at 1.14 in 1M, 1.15 (1.14) in 3M, 1.18 (1.16) in 6M and 1.20 in 12M.

- **AUD, NZD, CAD.** The three commodity currencies have traded fairly in tandem over the past month with AUD losing out a little more on the back of the Reserve Bank of Australia's message that the central bank now sees the likelihood of hikes and cuts as evenly balanced. Going forward, developments in China including an eventual trade deal with the US will be key for both risk appetite and commodities. In light of our constructive view, we remain modestly positive on all three. We stick to our view of two hikes in Canada and unchanged policy rates in New Zealand and Australia over the next 12M. According to our PPP model, CAD is undervalued whereas AUD and NZD are trading close to fair value (versus USD). We leave our forecast profiles unchanged.

- **USD/CNY.** We see risks in both directions. A US-China trade deal in Q2 and a Chinese recovery could lead to more strengthening of the CNY than we expect. On the other hand, if the US and China fail to reach a trade deal, the CNY is headed for more weakness. We have revised our forecast for USD/CNY slightly lower to 6.6 in 12M from 6.7 previously. A trade deal with the US and a trough in growth in H1 would give some tailwind to the CNY. A weaker USD would also work in favour of a lower USD/CNY. We see USD/CNY at 6.75 in 1M, 6.70 in 3M, 6.65 in 6M and 6.60 in 12M.

- **USD/RUB** has seen relief as US Congress seems too preoccupied with domestic issues to push through the anti-Russian 'bill from hell' sanctions. In addition, the US has revoked sanctions against aluminium giant Rusal. However, if pressure on US President Donald Trump increases, he is likely to introduce the second stage of anti-Russian sanctions linked to the Sergei Skripal case. Due to further strengthening in the current account surplus, we revise our forecast profile and expect slightly lower levels in the USD/RUB: 67.40 in 1M (previously 69.10), 70.00 in 3M (previously at 72.00), 71.50 in 6M (previously 73.80) and 72.00 in 12M (previously 75.10).

- **EUR/PLN.** The EUR/PLN continues to trade in the 4.28-4.33 range, which has been broadly observed since October 2018. We see headwinds from the global side for the next month, but then see a modest recovery in the global economy, which should aid the zloty together with the still solid performance of the domestic Polish economy, boosted by slightly expansionary fiscal policy. As a result, we keep our forecasts relatively unchanged for EUR/PLN at 4.29 in 1M, 4.27 in 3M, 4.20 in 6M and 4.18 in 12M.

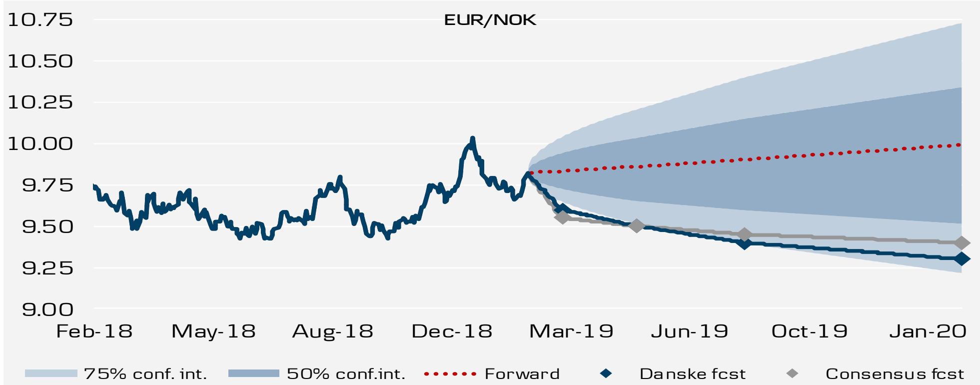
- **USD/TRY.** We raise our TRY medium- and long-term outlook slightly due to the currency stabilisation and more flexible Fed. However, large FX debt redemptions by the Turkish private sector and rate cuts will weigh on the currency in 2019. Thus, we continue to remain bearish on TRY long term and forecast USD/TRY at 5.40 in 1M, 5.55 in 3M, 5.70 in 6M (previously 6.00) and 6.00 in 12M (previously 6.25).

- **Oil.** April will be important for the oil market, when the current waivers on Iranian sanctions are to expire. OPEC+ is also set to review its deal to cut production. We expect oil prices to recover over the course of 2019. We forecast Brent to average USD65/bbl in Q1, rising to USD80/bbl in Q4 19. OPEC+ cuts, a recovery in global growth and a weaker USD will be the main factors underpinning a higher oil price.

# EUR/NOK – still lower

- **Growth.** The past months have shown the rather unique position that the Norwegian economy is in: while global growth has eased, Norwegian growth has accelerated. The key factor for the difference lies in the petroleum sector, as lower break-even oil prices have improved the profitability of the industry. This was also evident in the Q4 GDP data as the mainland expanded by 0.9% q/q. Going forward, we expect growth to remain above trend, driven primarily by private consumption, building and construction, business investments and, last but not least, oil investments. Core inflation is set to move higher in the coming months before falling back to 2.0% in H2. While house prices have been flat for several quarters, the past two releases have shown a rising tendency.
- **Monetary policy.** At the January monetary policy meeting, Norges Bank left the sight deposit rate unchanged at 0.75% while reiterating that the outlook for policy rates was roughly unchanged since the last monetary policy report from December. In other words, the central bank confirmed that markets should expect a rate hike in March. We continue to expect two hikes this year but, importantly, we see the balance of risk skewed towards three hikes – not like the market pricing's bias towards one.
- **Flows.** Foreign banks (proxy for speculative flows) returned to net buying NOK at the beginning of the year. Overall, however, we still do not think positioning is stretched NOK-long.
- **Valuation.** From a long-term perspective, the NOK seems fundamentally undervalued. Our PPP model has 8.85 as 'fair'.
- **Risks.** The biggest risk factor for our forecast is broad-based USD strength and/or a global risk-off event, which would weigh on the NOK directly and indirectly via the oil price (like end of 2018). In addition, the risk that we underestimate the impact of a Chinese slowdown is relevant, as commodity FX in recent years has traded in a remarkably synchronised manner, with turning points coinciding with the Chinese cycle. The latter could be connected to an escalating global trade war.

**Forecast: 9.60 (1M), 9.50 (3M), 9.40 (6M), 9.30 (12M)**




| EUR/NOK | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Forecast (pct'ile) | 9.60 (7%) | 9.50 (11%) | 9.40 (12%) | 9.30 (15%) |
| Fwd. / Consensus | 9.83 / 9.55 | 9.86 / 9.50 | 9.90 / 9.45 | 9.99 / 9.40 |
| 50% confidence int. | 9.72 / 9.93 | 9.65 / 10.03 | 9.60 / 10.15 | 9.51 / 10.34 |
| 75% confidence int. | 9.65 / 10.02 | 9.51 / 10.20 | 9.39 / 10.40 | 9.22 / 10.73 |

*Source: Danske Bank*

**Conclusion.** Once again, the NOK got off to a strong start to the year, as year-end underperformance has been followed by year-start over performance amid investors returning to the market and global risk appetite rebounding.

Going forward, we pencil in a stronger NOK based primarily on three factors: (1) relative growth and relative rates, (2) tighter structural liquidity and (3) a further stabilisation in global risk appetite and a higher oil price.

We leave our NOK forecasts unchanged at 9.60, 9.50, 9.40 and 9.30 in 1, 3, 6 and 12M, respectively.

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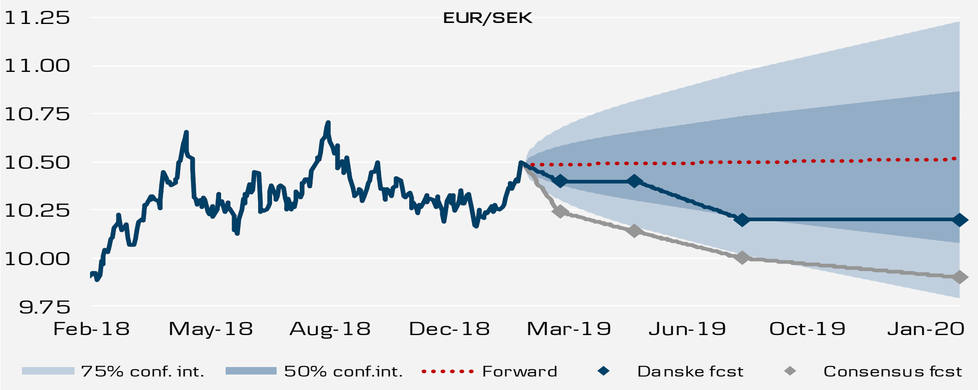
# EUR/SEK – darkest before the dawn?

- **Growth.** As evident by recent data, Swedish GDP growth is decelerating, and points towards a weak Q4 as well (due 28 February). Numerous revisions to global and Swedish growth assessments across the board have dampened rate hike expectations further in G10 economies and put more pressure on the SEK. As a result, the macro surprise index for Sweden is at depressed levels, suggesting a lot of negativity is priced in already and that a rebound could soon be in the making. We still see 2019 GDP growth at 1.4%, noting that sub-trend growth forecasts are now very much the consensus.
- **Monetary policy.** Following the December hike, the Riksbank's communication has been fairly balanced. Reading between the lines, it seems that the board has become more forward looking and thus more concerned with growth than before. With this in mind, the apparent slowdown comes at an unfortunate time for the Riksbank's hiking ambitions. Coupled with a less upbeat view on inflation, particularly core inflation, we doubt that the Riksbank will hike during 2019.
- **Flows.** Commercial demand for SEK is held back by ultra-low rates in Sweden. The significant rate gap versus the US makes it less attractive for Swedish investors, e.g. pension funds, to raise their hedge ratios. Foreign demand for Swedish debt remains muted.
- **Valuation.** The Riksbank is the main reason for the trend depreciation of the krona. That said, it could partly be explained by 'long-term' fundamentals, e.g. shrinking external balances and deteriorating productivity growth. We deem the SEK to be undervalued.
- **Risks.** The SEK is acting increasingly as a funding currency in carry trades, bolstered by the current low-volatility environment. It is possible that carry will remain an underlying SEK headwind for some time. However, these trades might quickly go into reverse if volatility spikes, promoting corrections in EUR/SEK.

**Forecast: 10.40 (1M), 10.40 (3M), 10.20 (6M), 10.20 (12M)**




| EUR/SEK | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Forecast (pct'ile) | 10.40 (30%) | 10.40 (38%) | 10.20 (23%) | 10.20 (32%) |
| Fwd. / Consensus | 10.49 / 10.24 | 10.49 / 10.14 | 10.50 / 10.00 | 10.51 / 9.90 |
| 50% confidence int. | 10.38 / 10.59 | 10.30 / 10.66 | 10.21 / 10.74 | 10.08 / 10.87 |
| 75% confidence int. | 10.30 / 10.68 | 10.16 / 10.82 | 10.02 / 10.97 | 9.79 / 11.23 |

*Source: Danske Bank*

- **Conclusion.** The December rate hike has not had the positive effect we envisaged, which is probably due to the board's dovish communication coupled with weaker Swedish macro data. In addition, we see the SEK being used as a funding currency in carry trades. As long as this continues, the EUR/SEK uptrend is your friend. That said, a lot of macro negativity has been priced in as forecasters have already revised their growth forecasts to sub-trend and pricing of the Riksbank is very cautious, especially versus the ECB. Hence, we feel that the recent, and to us unexpectedly aggressive, rally has gone a bit too far. On balance, we raise our forecast profile to 10.40 (10.20) in 1M, 10.40 (10.10) in 3M and 10.20 (10.00) in 6M and 12M. Taking into account the recent overshooting, the forecast reflects a relatively neutral view on the SEK, where a break of 10.00 is still far off, in our view.

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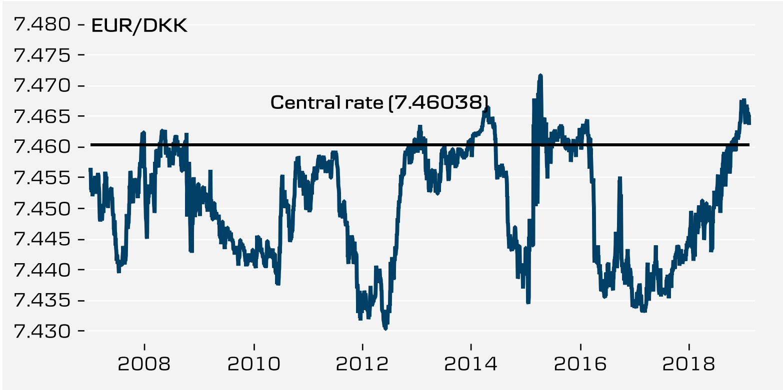
# *EUR/DKK – lower on higher equity markets*

- **FX.** EUR/DKK traded close to 7.4680 in early January, which forced Danmarks Nationalbank (DN) to continue to sell FX reserves. However, FX intervention in January amounted to a modest DKK2bn, down from DKK12bn in December. Since then, DKK has strengthened vis-à-vis EUR to a level around 7.4630. We attribute this to the recovery in global equity markets. We forecast EUR/DKK at 7.4620 in 1M, 7.4580 in 3M and 7.4550 in 6-12M. In Q1, the Swedish Riksbank will sell the equivalent of 0.5bn EUR/DKK as part of a change in currency composition of its FX reserve.
- **Rates and forwards.** We expect DN to keep the rate of interest on certificates of deposit unchanged at -0.65% until December, where we forecast it will mirror a 20bp ECB hike. A very high net position has pushed down T/N fixing and front-end EUR/DKK FX forwards.
- **Flows.** The Danish current account surplus remains large, but has moderated somewhat from the elevated level seen in past years. It still creates fundamental support for DKK. A high savings rate and low investment activity will maintain this situation in coming years. Denmark has significant exposure to the US, as around a third of the surplus is earned there. Near term, we will keep an eye on annual dividend flows from end-March to early-April (DKK negative) and bond flows around April's mortgage bond auction (EUR/DKK FX forwards to the left).
- **Liquidity.** The net position rose to around DKK240bn at the beginning of January, about the highest since 2015. Government purchases of mortgage bonds issued to fund social housing for DKK12bn in January, funded by a draw on its deposits, was a factor in easing liquidity. We expect a high net position in coming months. For example, pension tax payments will be small this year and thus will not weigh on liquidity as it normally does.

**Forecast: 7.4620 (1M), 7.4580 (3M), 7.4550 (6M), 7.4550 (12M)**




*Source: Danske Bank*

- **Conclusion.** EUR/DKK peaked in December and early January and has headed lower since. As equity markets recover, DKK will see support from the rebalancing of FX hedges by domestic investors. At the same time, low front-end rates due to the high net position will slow the pace of DKK appreciation. We forecast EUR/DKK at 7.4620 in 1M, 7.4580 in 3M and 7.4550 in 6-12M.

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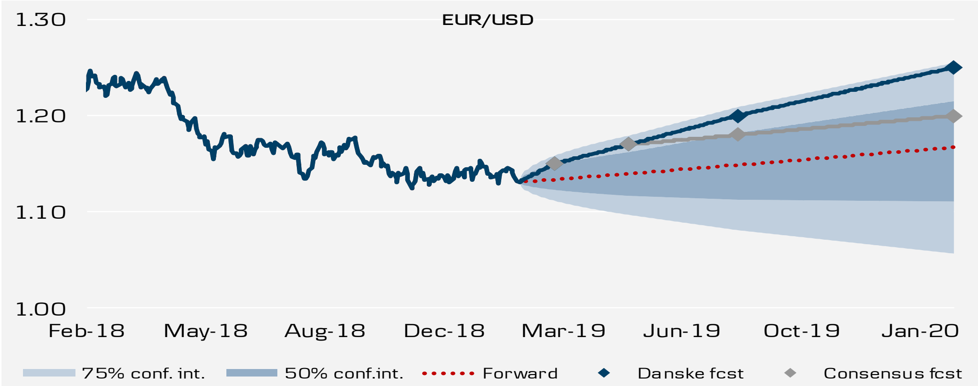
# *EUR/USD – spring trade deal set to trigger next level shift higher*

- **Growth.** The US has suffered less from the global loss of growth momentum that gained traction towards the end of 2018. Furthermore, US data has started to surprise on the upside recently, hinting that a trough may be in sight as Trump's fiscal boost and a supportive Fed help. The eurozone continues to suffer – not least from the weakness in China – and a trade deal will be key in turning sentiment. A lot of negativity is priced in already, which could pave the way for positive surprises in 2019.
- **Monetary policy.** The Fed has continued the stream of soft comments along with the elimination of forward guidance on rates at the February meeting. We still look for two more hikes this year. This compares with rather dovish market expectations as the Fed has been extensively repriced, with close to a full 25bp cut now priced in by end-2020. The ECB also remains in a wait-and-see position and is unlikely to commit to a first hike this year. Indeed, on inflation, the ECB remains more hopeful than outright confident, which will keep rates dormant at least until the end of this year, when a first 20bp hike could be seen. However, we stress that risks are for a further postponement of this.
- **Flows.** The eurozone continues to maintain a large current-account surplus while the US has a significant deficit, but as history suggests, this can be sustained for prolonged periods, notably for a world reserve currency like USD. More importantly for now, the large eurozone capital outflows that ECB arguably spurred on, by introducing negative rates and QE are now reversing and could become a supportive factor for EUR as the ECB takes rates towards zero again.
- **Valuation.** USD remains generally overvalued on most valuation measures and our MEVA and PPP estimates for EUR/USD are in the 1.20s, suggesting the direction of gravity should be higher medium term.
- **Risks.** If the eurozone outlook continues to deteriorate, the ECB will have to postpone the first hike further. This could happen in the absence of a trade deal near term and/or a no-deal Brexit.

**Forecast: 1.15 (1M), 1.17 (3M), 1.20 (6M), 1.25 (12M)**




| EUR/USD | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Forecast (pct'ile) | 1.15 (81%) | 1.17 (81%) | 1.20 (84%) | 1.25 (86%) |
| Fwd. / Consensus | 1.13 / 1.15 | 1.14 / 1.17 | 1.15 / 1.18 | 1.17 / 1.20 |
| 50% confidence int. | 1.12 / 1.15 | 1.12 / 1.16 | 1.11 / 1.18 | 1.11 / 1.22 |
| 75% confidence int. | 1.11 / 1.16 | 1.10 / 1.18 | 1.08 / 1.21 | 1.06 / 1.25 |

*Source: Danske Bank*

**Conclusion.** Carry momentum for USD is fading on the back of Fed's soft rhetoric, and even if another rate hike or two may be in the cards, we do not think this will be a major source of dollar support. We have for long been arguing that the next big move in EUR/USD is higher as monetary-policy divergence fades and the cross is undervalued. While a Fed that is now effectively on hold has been the first stage, we think the next trigger for a continued rebound will be a US-China trade deal: this should benefit the open and China-dependent eurozone economy (EUR positive). Whether the ECB will fuel a third stage in this rebound remains an open question, but a first hike looms as a key EUR-supportive factor. For now, 1.15 should act as an attractor for the cross.

We have left our forecast profile unchanged and continue to see EUR/USD at 1.15 in 1M, 1.17 in 3M, 1.20 in 6M and 1.25 in 12M.

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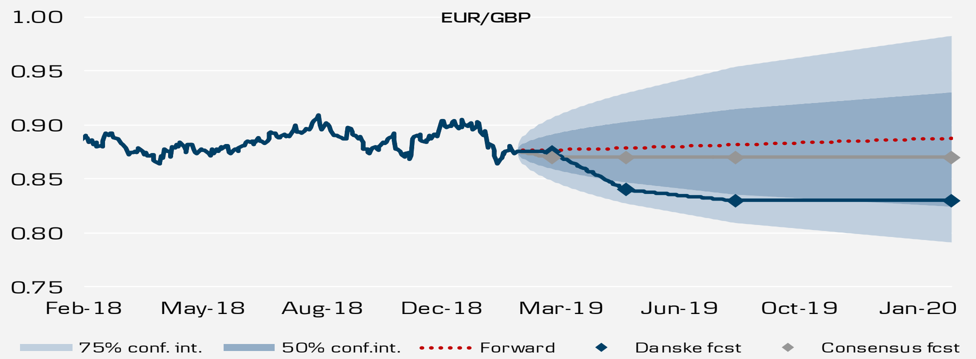
# EUR/GBP – in the hands of Brexit as deadline approaches

- **Growth.** The growth picture has become weaker, as Brexit uncertainties are weighing on investments and as global growth has slowed. The UK Service PMI declined in January to the 50.1 – the lowest level since June 2016, when business optimism plummeted after the Brexit vote. The economy is likely to have expanded 0.3% q/q in Q4 and monthly data implies that growth could cool further in Q1. We forecast GDP growth of 1.3% in 2018, 1.6% in 2019 and 1.5% in 2020 but stress that Brexit remains a big source of uncertainty.
- **Monetary policy.** As expected, the Bank of England (BoE) voted unanimously to keep the Bank Rate at 0.75% in February. Despite recognising that growth has slowed, the bank maintains its hiking bias. We still expect the BoE to hike in November 2019, while the market is pricing in the next hike for June 2021. In case of a no-deal Brexit (which is not our base case), we expect the BoE to ease monetary policy.
- **Flows.** The UK runs a current account deficit, notably against EU countries, which is a fundamental supporting factor for EUR/GBP. However, a continued recovery in foreign investor appetite for UK assets supports the case for a stronger GBP over the medium term.
- **Valuation.** GBP remains fundamentally undervalued: our G10 MEVA model puts EUR/GBP at 0.78 (our Brexit-corrected MEVA estimate for the cross is around 0.83), while our PPP estimate is 0.76.
- **Risks.** Brexit remains the key driver for GBP and uncertainty will keep GBP undervalued and volatile. PM Theresa May and the EU27 will meet again in late February and the next 'meaningful vote' has been postponed. On 14 February, the UK House of Commons is due to vote on the statement from PM Theresa May. See *Brexit Monitor: May has two and half weeks to renegotiate the backstop*, 29 January 2019.

**Forecast: 0.875 (1M), 0.84 (3M), 0.83 (6M), 0.83 (12M)**




| EUR/GBP | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Forecast (pct'ile) | 0.88 (49%) | 0.84 (20%) | 0.83 (21%) | 0.83 (27%) |
| Fwd. / Consensus | 0.88 / 0.87 | 0.88 / 0.87 | 0.88 / 0.87 | 0.89 / 0.87 |
| 50% confidence int. | 0.86 / 0.89 | 0.85 / 0.90 | 0.84 / 0.91 | 0.82 / 0.93 |
| 75% confidence int. | 0.85 / 0.90 | 0.83 / 0.93 | 0.81 / 0.95 | 0.79 / 0.98 |

*Source: Danske Bank*

- **Conclusion.** Our EUR/GBP FX forecast is based on our main scenario that May's Brexit plan will eventually be approved by parliament. We expect this to pave the way for a significant decline in EUR/GBP. We target 0.84 in 3M, and 0.83 in 6-12M. However, it is a close call, and the key risk to our bullish GBP view is that Brexit clarifications are dragged out – even beyond 30 March if Article 50 is extended – and that the GBP appreciation would consequently be much more moderate and materialise later than our forecast (main scenario) implies. In the near term, we expect EUR/GBP to remain in the 0.86-0.89 range, targeting 0.8750 in 1M. We maintain the view that it will require a further reduction in the no-deal Brexit risk for EUR/GBP to test and eventually break below 0.86, while appetite for GBP is likely to deteriorate as 26 February approaches without any sign of an agreement between the EU and the UK.

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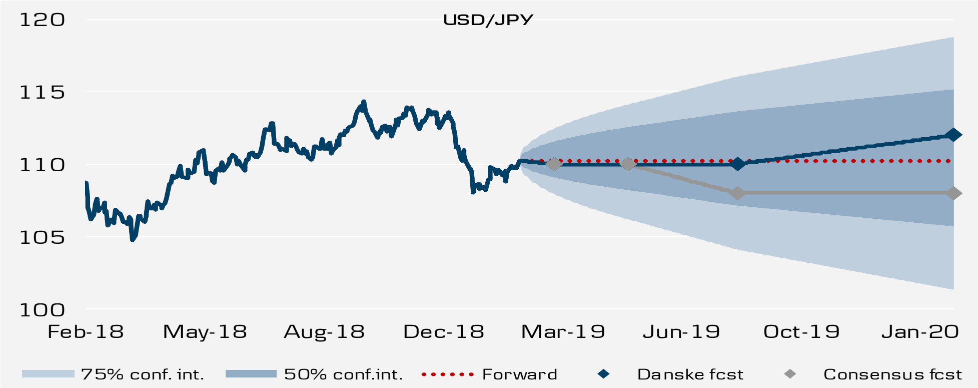
# USD/JPY – falling back as risky assets recover

- **Inflation and monetary policy.** The acceleration in Japanese money supply growth and CPI inflation seen in 2016 and 2017 faded last year. This has also started to carry over to nominal GDP growth. In particular, we think it is important to monitor the slowing growth of the Japanese monetary base, which seems to be at the centre of the development outlined above. The Bank of Japan (BoJ) continues to emphasise its willingness to keep monetary policy accommodative and we do not expect any changes before the end of 2019 at the earliest. However, its actions are starting to look contradictory as slowing monetary growth will not bring BoJ closer to its inflation aim, in our view. It could furthermore start to become a JPY positive.
- **Terms of trade.** Higher oil and metal prices this year are weighing on Japan's terms of trade and thus JPY. As risk sentiment recovers and a trade deal looms, commodity prices are likely to move higher.
- **Flows.** Japan continues to be a significant capital exporter via its large current account surplus of close to 4% of GDP, which is depressing Japanese real interest rates further. Japanese investors have started buying US assets again following more or less constant outflows the year before.
- **Money market.** Growth in JPY excess liquidity slowed down in 2018 and with the BoJ on hold, it is unlikely to pick up again in the short term. For Japanese investors and USD/JPY, USD money market conditions remain more important still. The JPYUSD XCCY basis has started widening again.
- **Valuation.** PPP is around 80, while our MEVA model suggests 104 is 'fundamentally' justified.
- **Positioning.** Investors were stretched short positioned in JPY and stretched long positioned in USD/JPY before surge in JPY towards the end of last year. We are still missing updated positioning data for 2019.

**Forecast: 110 (1M), 110 (3M), 110 (6M), 112 (12M)**




| USD/JPY | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Forecast (pct'ile) | 110.00 (40%) | 110.00 (43%) | 110.00 (44%) | 112.00 (57%) |
| Fwd. / Consensus | 110.26 / 110.00 | 110.25 / 110.00 | 110.24 / 108.00 | 110.23 / 108.00 |
| 50% confidence int. | 109.20 / 111.49 | 108.21 / 112.58 | 107.15 / 113.66 | 105.71 / 115.19 |
| 75% confidence int. | 108.15 / 112.24 | 106.20 / 114.13 | 104.12 / 116.05 | 101.34 / 118.79 |

*Source: Danske Bank*

- **Risks.** A recovery in risky assets has weighed some on JPY on a broader basis. A renewed setback in risk sentiment would support JPY. Another risk to bear in mind is the potential for oil prices to overshoot if, e.g. sentiment around Iran sanctions deteriorate when temporary waivers expire in April. That in turn would be JPY negative.
- **Conclusion.** 2019 does not look to be particularly USD positive following the recent more dovish tone from the Fed. We are, however, vigilant to recent disinflationary red flags in Japan. Overall, we keep our USD/JPY forecast unchanged at 110 in 1-6M and 112 in 12M.

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# EUR/CHF – SNB waiting for Godot?

- **Growth.** Data out of Switzerland continues to deteriorate with the KOF leading indicator in particular weakening sharply. Unemployment remains low, yet inflation is largely absent, with core CPI at 0.3% in December. Swiss GDP fell back to 2.2% y/y in Q3 but a US-China trade deal – as we look for during H1 – could help to stabilise the eurozone growth outlook and Swiss activity with it.

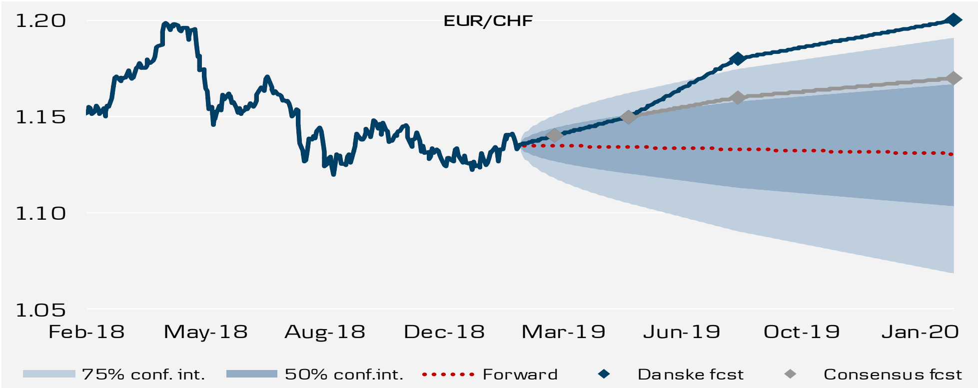
- **Monetary policy.** The SNB has been on hold at -0.75% on key policy rates since January 2015 and we believe this is unlikely to change any time soon. At the December meeting, the SNB, as widely expected, kept both policy rates unchanged at -0.75%. The central bank also maintained the wording that the franc is 'highly valued' and reserved its right to intervene to curb CHF strength. We think the SNB will stay focused on the franc as it awaits policy 'normalisation' elsewhere; it is likely to require a drop in EUR/CHF towards 1.10 for intervention to come into play. The SNB still eagerly awaits ECB policy 'normalisation' to bring EUR strength. At present, the SNB is essentially priced to shadow the ECB on rate hikes over the next few years, i.e. with a first hike around New Year 2019/20 but with less than one other hike priced in the year thereafter. This seems largely 'fair', in our view.

- **Flows.** IMM positioning data (not published since mid-December due to the US government shutdown) suggest that even in the face of souring risk sentiment, speculators added CHF shorts ahead of the New Year.

- **Valuation.** Both our G10 MEVA and PPP models suggest the cross should move higher over the medium to long term with fundamental estimates in the mid-1.20s.

- **Risks.** While CHF at times showed good resilience to rising Italian debt concerns during 2018, renewed focus/worries over Italian fiscal sustainability and/or a no-deal Brexit could fuel CHF strength considering the lack of SNB policy tools to go firmly against it.

**Forecast: 1.14 (1M), 1.15 (3M), 1.18 (6M), 1.20 (12M)**




| EUR/CHF | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Forecast (pct'ile) | 1.14 (62%) | 1.15 (73%) | 1.18 (89%) | 1.20 (90%) |
| Fwd. / Consensus | 1.13 / 1.14 | 1.13 / 1.15 | 1.13 / 1.16 | 1.13 / 1.17 |
| 50% confidence int. | 1.13 / 1.14 | 1.12 / 1.15 | 1.11 / 1.16 | 1.10 / 1.17 |
| 75% confidence int. | 1.12 / 1.15 | 1.11 / 1.16 | 1.09 / 1.17 | 1.07 / 1.19 |

*Source: Danske Bank*

- **Conclusion.** EUR/CHF was under pressure during the autumn on souring risk sentiment until a bit after New Year but has since been on a steady uptrend. We expect risk sentiment to improve during the course of H1 led by a trade deal and a 'decent' Brexit, which should, all else being equal, support EUR/CHF. The SNB will remain reluctant to change its communication in light of the stubbornly subdued inflationary pressure and a still-somewhat-distant first hike from the ECB. However, in the absence of new political risks, policy 'normalisation' in Europe should allow EUR/CHF to continue a move back towards 1.20.

  We have left our longer-term EUR/CHF profile unchanged but raised our near-term outlook slightly as risk sentiment now looks somewhat less fragile. We see the cross at 1.14 in 1M, 1.15 (1.14) in 3M, 1.18 (1.16) in 6M and 1.20 in 12M.

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Danske Bank

# USD/CNY – further decline on trade deal and China recovery in 2019

- **Growth.** Chinese growth dropped to 6.4% y/y in Q4 18 from 6.5% y/y in Q3. PMI manufacturing also dropped to weak levels at end-2018. However, we now see tentative signs of a trough in Q1. Metal price inflation is normally a good indicator for Chinese activity and it has increased recently. We believe the drag from the trade war and previous credit tightening is at its maximum in Q1 and will gradually lift during 2019. We believe it will pave the way for a gradual improvement in growth. It is partly based on our expectation that the US and China will reach a trade deal in Q2 (75% probability).

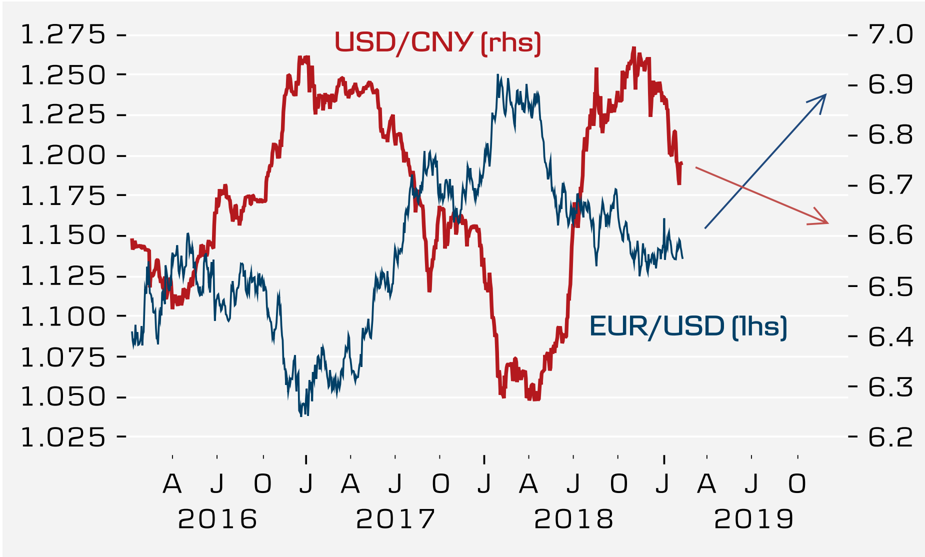
- **Monetary policy.** Chinese money markets rates and bond yields have fallen sharply as monetary policy has been eased over the past year. We look for another reduction in the reserve requirement ratio in Q2. After that, we expect monetary policy to step to the side line as the economy recovers gradually as past stimulus kicks in.

- **FX policy**. CNY continues to be a managed peg against a basket of currencies. The People's Bank of China (PBoC) is allowing the market to play a bigger role but is also intervening to avoid too rapid movements, which could cause instability. We believe that China will commit to stopping further CNY weakness versus USD as part of a trade deal with the US. Apart from relative rates, the overall development in the USD is a key driver for USD/CNY. Our call for a weaker USD in 12M will work in favour of a lower USD/CNY (chart).

- **Flows.** After signs of moderate outflows in H2 18, the flows have calmed down again. FX reserves for December increased slightly.

- **Valuation.** The CNY is still close to fair valuation.

**Forecast: 6.75 (1M), 6.70 (3M), 6.65 (6M), 6.60 (12M)**




*Source: Danske Bank*

- **Risks:** We see risks in both directions. A US-China trade deal in Q2 and a Chinese recovery could lead to more strengthening of the CNY than we expect. On the other hand, if the US and China fail to reach a trade deal, the CNY is headed for more weakness.

- **Conclusion.** We have revised our forecast for USD/CNY slightly lower to 6.6 in 12M from 6.70. A trade deal with the US and a trough in growth in H1 would give some tailwind to the CNY. A weaker USD would also work in favour of a lower USD/CNY.

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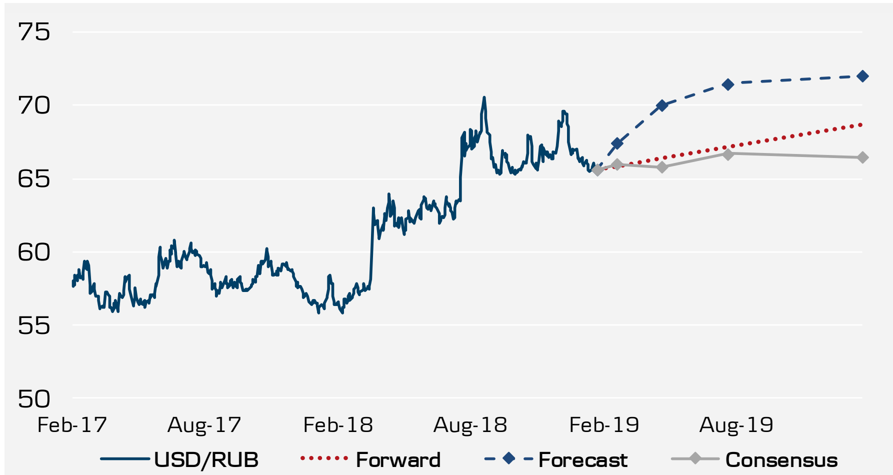
# USD/RUB – the US Senate forgets the RUB, but for a period only

- **Growth.** Russia's statistical service Rosstat has broadly surprised analysts and economists by revising 2018 construction data and reporting a sudden acceleration in the economy in 2018. According to the recent data, 2018 GDP expanded 2.3% y/y versus 1.6% y/y growth a year earlier.
- **Monetary policy.** Russia's central bank (CBR) kept the key rate unchanged at 7.75% in February 2018 as we expected along with Bloomberg consensus. That was a 'no drama' decision. The CBR was lucky to face a softened Fed and the US Congress revoking anti-Russian sanctions. A reverse in risk sentiment could still trigger a hike in March 2019. Inflation continues to accelerate due to a low base effect, a VAT hike and the fuel price surge. In January 2019, consumer prices rose 5.0% y/y versus 4.3% y/y a month earlier.
- **Flows.** Pressure on the RUB from the sell-off in OFZs has eased, but non-residents continue to exit their positions ahead of possible US sanctions and geopolitical uncertainty. The current risk-on sentiment has encouraged inflows into Russian assets, but that could change quickly.
- **Valuation.** The RUB refuses to follow the oil price closely. While the Brent 30-day average climbed 8% over the past 30 days, as of 7 February 2019, RUB/USD had gained just 2.4% over the same period, driven mostly by improved risk sentiment and the US Congress being silent on anti-Russian sanctions.

**Forecast: 67.40 (1M), 70.00 (3M), 71.50 (6M), 72.00 (12M)**




| USD/RUB | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Forecast | 67.40 | 70.00 | 71.50 | 72.00 |
| Fwd./Consesus | 65.85 / 65.97 | 66.37 / 65.81 | 67.14 / 66.69 | 68.68 / 66.44 |

*Source: Danske Bank*

- **Risks.** Geopolitical risks remain the major driver in the future. If no further anti-Russian sanctions are introduced in H1 19, the RUB could see support.
- **Conclusion.** RUB has seen relief as the US Congress is too preoccupied with domestic issues to push through the anti-Russian 'bill from hell' sanctions. In addition, the US revoked sanctions against aluminium giant Rusal. However, if pressure on US President Donald Trump increases, he is likely to introduce the second stage of anti-Russian sanctions linked to the Sergei Skripal case.

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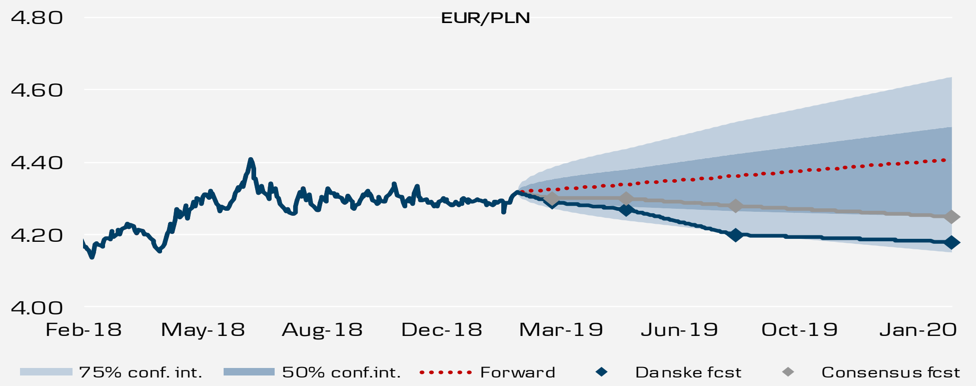
# EUR/PLN – still solid economic growth

- **Economic developments.** The Polish economy has shown weakening momentum recently. However, after falling for an extended period, PMI manufacturing rebounded to 48.2 in January from 47.6 in December. The uptick was larger than expected. The reading could point to a stabilisation in the PMI and the loss of momentum in the economy, but it is too early to tell. Furthermore, real GDP growth was 5.1% in 2018, which is impressive in our parts of the world, especially as inflation remains very low. The slightly stronger number for 2018 also suggests that GDP growth in Q4 was decent despite weakening soft indicators. Retails sales were relatively weak in December, as wage growth also appears to be abating. Construction activity is showing signs of weakening momentum, growing 'only' 12.1% in December. Overall, we see real GDP growth slowing to 3.7% in 2019, down from the estimated 5.1% in 2018.

- **Monetary policy.** Despite strong growth in the Polish economy over many years, inflation pressure continues to remain remarkably muted. December headline inflation was 1.1% (down from 1.3% in November), driven by falling energy prices, while core inflation declined further to 0.6% in December. At the most recent policy meeting on 6 February, the monetary policy committee (MPC) of the central bank of Poland appeared more concerned about the global environment, while maintaining a fairly dovish tone on the lack of any rate hikes at least through to 2020. However, they did not mention the use of unorthodox monetary policy measures. The market has almost completely priced out a rate hike over the next two years, which we see as slightly on the dovish side.

- **Risks.** Balanced for EUR/PLN in the near term: upside risks for the cross include a further deterioration in global risk sentiment and a disorderly Brexit, while downside risks include an improvement in risk sentiment, a further rebound in the EUR and strong economic releases in Poland.

**Forecast: 4.29 (1M), 4.27 (3M), 4.20 (6M), 4.18 (12M)**




| EUR/PLN | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Forecast (pct'ile) | 4.29 (24%) | 4.27 (22%) | 4.20 (11%) | 4.18 (14%) |
| Fwd. / Consensus | 4.32 / 4.30 | 4.34 / 4.30 | 4.36 / 4.28 | 4.41 / 4.25 |
| 50% confidence int. | 4.29 / 4.35 | 4.28 / 4.38 | 4.26 / 4.42 | 4.25 / 4.50 |
| 75% confidence int. | 4.27 / 4.38 | 4.24 / 4.44 | 4.20 / 4.51 | 4.15 / 4.64 |

*Source: Danske Bank*

- **Conclusion.** The EUR/PLN continues to trade in the 4.28-4.33 range, although trading in the lower part recently. However, this week the combination of renewed anxiety regarding US-China trade talks and a still dovish NBP caused a slight weakening of the PLN. We see headwinds from the global side for the next month, but then see a modest recovery in the global economy, which should aid the zloty together with the still solid performance of the domestic Polish economy, boosted by slightly expansionary fiscal policy. As a result, we keep our forecasts relatively unchanged for EUR/PLN at 4.29 in 1M, 4.27 in 3M, and 4.20 in 6M and 4.18 in 12M.

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# USD/TRY – the central bank saves the lira

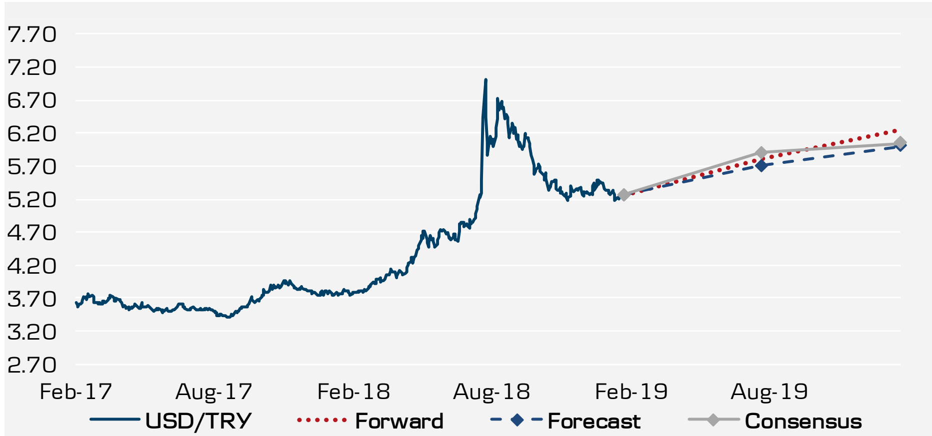
- **Growth.** Turkish GDP growth slowed sharply to 1.6% y/y in Q3 18 from 5.3% y/y (revised up) a quarter earlier. In Q3 18, adjusted q/q GDP shrank 1.1% versus Q2 18. The construction sector was among the biggest losers, while growth in services expanded. Manufacturing PMI index stays deeply below 50.0. Given our expectations of a quarter-to-quarter GDP contraction in Q4 18, Turkey is likely to have faced a technical recession. We expect 2019 GDP growth to reach 1.1% y/y and 2020 GDP to expand 2.1% y/y.

- **Monetary policy.** Turkey's central bank (TCMB) kept the one-week repo rate at 24.00% in January 2019, sending a hawkish message to the markets that it will stand beyond the decrease in inflation, not hurrying to cut rates and asserting its independence. There was a risk that the TCMB could become more dovish ahead of the local elections in March 2019. We still expect a cut later in H1 19, as inflation pressure is easing.

- **Valuation.** Recent net flows into Turkish bonds and stocks have been positive as a softening US Fed has improved sentiment. According to technical analysis (Relative Strength Index), the USD/TRY continues near 'the fair value' where it returned after the significant hike in September 2018.

- **Risks.** Major downside risks to our TRY forecasts include a surprise monetary easing ahead of local elections held in March 2019, the Fed becoming more hawkish and a geopolitical confrontation in Syria.

**Forecast: 5.40 (1M), 5.55 (3M), 5.70 (6M) and 6.00 (12M)**




| USD/TRY | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Forecast | 5.40 | 5.55 | 5.70 | 6.00 |
| Fwd./Consesus | 5.35 / 5.50 | 5.54 / 5.60 | 5.80 / 5.90 | 6.26 / 6.05 |

*Source: Danske Bank*

- **Conclusion.** We raise our TRY medium- and long-term outlook slightly due to the currency stabilisation and more flexible Fed. However, large FX debt redemptions by Turkish private sector and rate cuts will weigh on the TRY in 2019. Thus, we continue to remain bearish on the currency in the long term and forecast USD/TRY at the following levels: 5.40 in 1M, 5.55 in 3M, 5.70 in 6M (previously 6.00) and 6.00 in 12M (previously 6.25).

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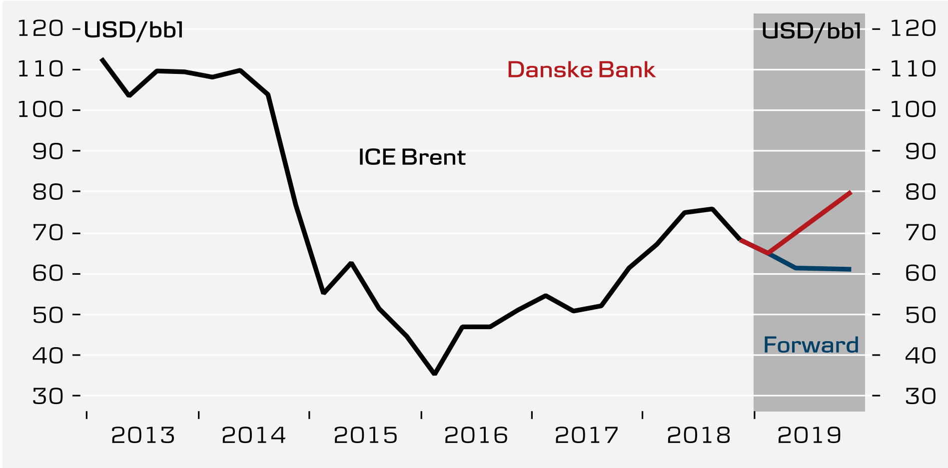
# Oil – slowly grinding higher

- **Macro.** In our view, the main reason for the tough ending to the year for the oil market was the deterioration in global risk sentiment. While macroeconomic key figures are likely to stay weak through Q1, we think that the more dovish tones from the Federal Reserve and the high likelihood of a trade deal over the coming months should underpin oil demand over the medium term. In addition, OPEC+ output cuts are feeding through to markets from the beginning of the year. Overall, this should help keep the oil market fairly balanced.
- **Forward curve.** The Brent crude oil market forward curve has returned to a narrow backwardation this year following the rally in spot prices. Backwardation should widen has spot prices rise further this year in accordance with our forecast.
- **Positioning.** Speculative long positioning in the oil market was reduced towards the end of 2018, which brought positioning closer to neutral territory. Updated positioning data for 2019 is still pending.
- **Risks.** April will be important for the oil market as this is when current waivers on Iran sanctions are due to expire. OPEC+ is also set to review its deal to cut production. If waivers are not extended further, it will lead to a large decline in Iran production and we are likely to see OPEC+ adjust output cuts accordingly to mitigate this effect. Hence, over the medium term, it should not have that big an impact on oil prices. In the short term, uncertainty could haunt the oil market and lead to higher volatility.

**Forecast: USD65/bbl (Q1), USD70/bbl (Q2), USD75/bbl (Q3), USD80/bbl (Q4)**




*Source: Danske Bank*

- **Conclusion.** We expect oil prices to recover over the course of 2019. We forecast Brent to average USD65/bbl in Q1 rising to USD80/bbl in Q4 19. OPEC+ cuts, a recovery in global growth and a weaker USD will be the main factors underpinning a higher oil price.

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Danske Bank FX forecasts vs EUR and USD

| | Forecast | | | | | Forecast vs forward outright, % | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Spot | +1m | +3m | +6m | +12m | +1m | +3m | +6m | +12m |
| **Exchange rates vs EUR** | | | | | | | | | |
| USD | 1.131 | 1.15 | 1.17 | 1.20 | 1.25 | 1.4 | 2.7 | 4.5 | 7.1 |
| JPY | 124.6 | 127 | 129 | 132 | 140 | 1.5 | 3.2 | 5.8 | 12.3 |
| GBP | 0.876 | 0.88 | 0.84 | 0.83 | 0.83 | -0.2 | -4.4 | -5.9 | -6.5 |
| CHF | 1.135 | 1.14 | 1.15 | 1.18 | 1.20 | 0.5 | 1.4 | 4.1 | 6.1 |
| | | | | | | | | | |
| DKK | 7.4637 | 7.4620 | 7.4580 | 7.4550 | 7.4550 | 0.0 | 0.0 | 0.0 | 0.1 |
| NOK | 9.82 | 9.60 | 9.50 | 9.40 | 9.30 | -2.3 | -3.6 | -5.0 | -6.9 |
| SEK | 10.49 | 10.40 | 10.40 | 10.20 | 10.20 | -0.8 | -0.9 | -2.8 | -3.0 |
| | | | | | | | | | |
| **Exchange rates vs USD** | | | | | | | | | |
| JPY | 110.2 | 110 | 110 | 110 | 112 | 0.0 | 0.6 | 1.3 | 4.8 |
| GBP | 1.29 | 1.31 | 1.39 | 1.45 | 1.51 | 1.7 | 7.4 | 11.0 | 14.6 |
| CHF | 1.00 | 0.99 | 0.98 | 0.98 | 0.96 | -1.0 | -1.2 | -0.3 | -0.9 |
| | | | | | | | | | |
| DKK | 6.60 | 6.49 | 6.37 | 6.21 | 5.96 | -1.4 | -2.6 | -4.3 | -6.6 |
| NOK | 8.68 | 8.35 | 8.12 | 7.83 | 7.44 | -3.7 | -6.1 | -9.1 | -13.1 |
| SEK | 9.27 | 9.04 | 8.89 | 8.50 | 8.16 | -2.2 | -3.4 | -7.0 | -9.4 |
| | | | | | | | | | |
| CAD | 1.33 | 1.32 | 1.30 | 1.27 | 1.25 | -0.5 | -1.8 | -3.9 | -5.1 |
| AUD | 0.71 | 0.71 | 0.72 | 0.73 | 0.74 | 0.3 | 1.6 | 2.9 | 4.0 |
| NZD | 0.67 | 0.67 | 0.68 | 0.68 | 0.70 | -0.7 | 0.6 | 0.5 | 3.1 |
| | | | | | | | | | |
| RUB | 65.59 | 67.40 | 70.00 | 71.50 | 72.00 | 2.4 | 5.5 | 6.5 | 4.9 |
| CNY | 6.79 | 6.75 | 6.70 | 6.65 | 6.60 | -0.6 | -1.3 | -1.9 | -2.6 |

*Note: GBP, AUD and NZD are denominated in local currency rather than USD*

*Source: Danske Bank*

Danske Bank FX forecasts vs DKK

| | Forecast | | | | | Forecast vs forward outright, % | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Spot | +1m | +3m | +6m | +12m | +1m | +3m | +6m | +12m |
| **Exchange rates vs DKK** | | | | | | | | | |
| EUR | 7.4637 | 7.4620 | 7.4580 | 7.4550 | 7.4550 | 0.0 | 0.0 | 0.0 | 0.1 |
| USD | 6.60 | 6.49 | 6.37 | 6.21 | 5.96 | -1.4 | -2.6 | -4.3 | -6.6 |
| JPY | 5.99 | 5.90 | 5.79 | 5.65 | 5.33 | -1.5 | -3.2 | -5.5 | -10.9 |
| GBP | 8.52 | 8.53 | 8.88 | 8.98 | 8.98 | 0.2 | 4.6 | 6.2 | 7.1 |
| CHF | 6.58 | 6.55 | 6.49 | 6.32 | 6.21 | -0.5 | -1.4 | -4.0 | -5.7 |
| | | | | | | | | | |
| NOK | 0.76 | 0.78 | 0.79 | 0.79 | 0.80 | 2.4 | 3.7 | 5.3 | 7.5 |
| SEK | 0.71 | 0.72 | 0.72 | 0.73 | 0.73 | 0.8 | 0.8 | 2.9 | 3.2 |
| | | | | | | | | | |
| CAD | 4.97 | 4.92 | 4.90 | 4.89 | 4.77 | -1.0 | -0.8 | -0.4 | -1.6 |
| AUD | 4.67 | 4.61 | 4.59 | 4.54 | 4.41 | -1.1 | -1.0 | -1.5 | -2.9 |
| NZD | 4.45 | 4.35 | 4.33 | 4.22 | 4.17 | -2.1 | -2.0 | -3.8 | -3.7 |
| | | | | | | | | | |
| PLN | 1.73 | 1.74 | 1.75 | 1.78 | 1.78 | 0.7 | 1.5 | 3.8 | 5.5 |
| CZK | 0.29 | 0.29 | 0.29 | 0.30 | 0.30 | 1.4 | 2.2 | 4.0 | 6.2 |
| HUF | 2.33 | 2.33 | 2.34 | 2.35 | 2.40 | -0.2 | 0.3 | 1.1 | 4.0 |
| RUB | 0.10 | 0.10 | 0.09 | 0.09 | 0.08 | -3.7 | -7.7 | -10.2 | -10.9 |
| | | | | | | | | | |
| CNY | 0.97 | 0.96 | 0.95 | 0.93 | 0.90 | -0.9 | -1.4 | -2.4 | -4.1 |

*Source: Danske Bank*

Danske Bank FX forecasts versus SEK

| | | Forecast | | | | Forecast vs forward outright, % | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Spot | +1m | +3m | +6m | +12m | +1m | +3m | +6m | +12m |
| **Exchange rates vs SEK** | | | | | | | | | |
| EUR | 10.49 | 10.40 | 10.40 | 10.20 | 10.20 | -0.8 | -0.9 | -2.8 | -3.0 |
| USD | 9.27 | 9.04 | 8.89 | 8.50 | 8.16 | -2.2 | -3.4 | -7.0 | -9.4 |
| JPY | 8.41 | 8.22 | 8.08 | 7.73 | 7.29 | -2.3 | -4.0 | -8.2 | -13.6 |
| GBP | 11.97 | 11.89 | 12.38 | 12.29 | 12.29 | -0.6 | 3.7 | 3.2 | 3.8 |
| CHF | 9.24 | 9.12 | 9.04 | 8.64 | 8.50 | -1.3 | -2.2 | -6.7 | -8.6 |
| | | | | | | | | | |
| NOK | 1.07 | 1.08 | 1.09 | 1.09 | 1.10 | 1.5 | 2.8 | 2.3 | 4.2 |
| DKK | 1.40 | 1.39 | 1.39 | 1.37 | 1.37 | -0.8 | -0.8 | -2.8 | -3.1 |
| | | | | | | | | | |
| CAD | 6.99 | 6.85 | 6.84 | 6.69 | 6.53 | -1.8 | -1.6 | -3.2 | -4.6 |
| AUD | 6.56 | 6.42 | 6.40 | 6.21 | 6.04 | -1.9 | -1.9 | -4.3 | -5.8 |
| NZD | 6.25 | 6.06 | 6.04 | 5.78 | 5.71 | -2.9 | -2.8 | -6.6 | -6.6 |
| | | | | | | | | | |
| PLN | 2.43 | 2.42 | 2.44 | 2.43 | 2.44 | -0.1 | 0.7 | 0.9 | 2.2 |
| CZK | 0.41 | 0.41 | 0.41 | 0.41 | 0.41 | 0.6 | 1.3 | 1.0 | 3.0 |
| HUF | 3.28 | 3.25 | 3.26 | 3.22 | 3.29 | -1.0 | -0.5 | -1.7 | 0.8 |
| RUB | 0.14 | 0.13 | 0.13 | 0.12 | 0.11 | -4.5 | -8.5 | -12.7 | -13.6 |
| | | | | | | | | | |
| CNY | 1.37 | 1.34 | 1.33 | 1.28 | 1.24 | -1.7 | -2.2 | -5.1 | -7.1 |

*Source: Danske Bank*

Danske Bank

Danske Bank FX forecasts versus NOK

| | | Forecast | | | | Forecast vs forward outright, % | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Spot | +1m | +3m | +6m | +12m | +1m | +3m | +6m | +12m |
| **Exchange rates vs NOK** | | | | | | | | | |
| EUR | 9.82 | 9.60 | 9.50 | 9.40 | 9.30 | -2.3 | -3.6 | -5.0 | -6.9 |
| USD | 8.68 | 8.35 | 8.12 | 7.83 | 7.44 | -3.7 | -6.1 | -9.1 | -13.1 |
| JPY | 7.88 | 7.59 | 7.38 | 7.12 | 6.64 | -3.7 | -6.6 | -10.3 | -17.0 |
| GBP | 11.20 | 10.97 | 11.31 | 11.33 | 11.20 | -2.1 | 0.9 | 0.9 | -0.4 |
| CHF | 8.65 | 8.42 | 8.26 | 7.97 | 7.75 | -2.8 | -4.9 | -8.8 | -12.3 |
| | | | | | | | | | |
| SEK | 0.94 | 0.92 | 0.91 | 0.92 | 0.91 | -1.5 | -2.8 | -2.3 | -4.0 |
| DKK | 1.32 | 1.29 | 1.27 | 1.26 | 1.25 | -2.3 | -3.6 | -5.0 | -6.9 |
| | | | | | | | | | |
| CAD | 6.54 | 6.32 | 6.25 | 6.17 | 5.95 | -3.2 | -4.3 | -5.4 | -8.4 |
| AUD | 6.14 | 5.93 | 5.85 | 5.72 | 5.51 | -3.4 | -4.6 | -6.5 | -9.6 |
| NZD | 5.85 | 5.59 | 5.52 | 5.33 | 5.21 | -4.4 | -5.5 | -8.7 | -10.4 |
| | | | | | | | | | |
| PLN | 2.27 | 2.24 | 2.22 | 2.24 | 2.22 | -1.6 | -2.1 | -1.4 | -1.8 |
| CZK | 0.38 | 0.38 | 0.37 | 0.37 | 0.38 | -0.9 | -1.5 | -1.2 | -1.1 |
| HUF | 3.07 | 3.00 | 2.98 | 2.97 | 3.00 | -2.5 | -3.3 | -3.9 | -3.2 |
| RUB | 0.13 | 0.12 | 0.12 | 0.11 | 0.10 | -5.9 | -11.0 | -14.7 | -17.1 |
| | | | | | | | | | |
| CNY | 1.28 | 1.24 | 1.21 | 1.18 | 1.13 | -3.1 | -4.9 | -7.3 | -10.8 |

*Source: Danske Bank*

## Danske Bank EMEA FX forecasts

| | | EUR | | USD | | DKK | | SEK | | NOK | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Danske | Forward | Danske | Forward | Danske | Forward | Danske | Forward | Danske | Forward |
| **PLN** | **11-Feb-19** | **4.32** | | **3.82** | | **173** | | **243** | | **227** | |
| | +1M | 4.29 | 4.32 | 3.73 | 3.81 | 174 | 173 | 242 | 243 | 224 | 227 |
| | +3M | 4.27 | 4.34 | 3.65 | 3.81 | 175 | 172 | 244 | 242 | 222 | 227 |
| | +6M | 4.20 | 4.36 | 3.50 | 3.80 | 178 | 171 | 243 | 241 | 224 | 227 |
| | +12M | 4.18 | 4.41 | 3.34 | 3.78 | 178 | 169 | 244 | 239 | 222 | 227 |
| **HUF** | **11-Feb-19** | **320** | | **283** | | **2.33** | | **3.28** | | **3.07** | |
| | +1M | 320 | 320 | 274 | 282 | 2.33 | 2.33 | 3.25 | 3.28 | 3.00 | 3.07 |
| | +3M | 319 | 320 | 273 | 281 | 2.34 | 2.33 | 3.26 | 3.28 | 2.98 | 3.08 |
| | +6M | 317 | 321 | 264 | 279 | 2.35 | 2.33 | 3.22 | 3.27 | 2.97 | 3.09 |
| | +12M | 310 | 322 | 248 | 276 | 2.40 | 2.31 | 3.29 | 3.26 | 3.00 | 3.10 |
| **CZK** | **11-Feb-19** | **25.8** | | **22.8** | | **28.9** | | **40.6** | | **38.0** | |
| | +1M | 25.5 | 25.9 | 22.2 | 22.8 | 29.3 | 28.8 | 40.8 | 40.5 | 37.6 | 38.0 |
| | +3M | 25.4 | 26.0 | 21.7 | 22.8 | 29.4 | 28.7 | 40.9 | 40.4 | 37.4 | 38.0 |
| | +6M | 25.1 | 26.1 | 20.9 | 22.7 | 29.7 | 28.6 | 40.6 | 40.2 | 37.5 | 37.9 |
| | +12M | 24.8 | 26.3 | 19.8 | 22.6 | 30.1 | 28.3 | 41.1 | 39.9 | 37.5 | 37.9 |
| **RUB** | **11-Feb-19** | **74.2** | | **65.6** | | **10.1** | | **14.1** | | **13.2** | |
| | +1M | 77.5 | 74.6 | 67.4 | 65.8 | 9.6 | 10.0 | 13.4 | 14.1 | 12.4 | 13.2 |
| | +3M | 81.9 | 75.6 | 70.0 | 66.4 | 9.1 | 9.9 | 12.7 | 13.9 | 11.6 | 13.0 |
| | +6M | 85.8 | 77.1 | 71.5 | 67.1 | 8.7 | 9.7 | 11.9 | 13.6 | 11.0 | 12.8 |
| | +12M | 90.0 | 80.1 | 72.0 | 68.7 | 8.3 | 9.3 | 11.3 | 13.1 | 10.3 | 12.5 |
| **TRY** | **11-Feb-19** | **5.96** | | **5.27** | | **125** | | **176** | | **165** | |
| | +1M | 6.21 | 6.07 | 5.40 | 5.35 | 120 | 123 | 167 | 173 | 155 | 162 |
| | +3M | 6.49 | 6.31 | 5.55 | 5.54 | 115 | 118 | 160 | 166 | 146 | 156 |
| | +6M | 6.84 | 6.67 | 5.70 | 5.81 | 109 | 112 | 149 | 157 | 137 | 148 |
| | +12M | 7.50 | 7.31 | 6.00 | 6.26 | 99 | 102 | 136 | 144 | 124 | 137 |
| **CNY** | **11-Feb-19** | **7.68** | | **6.79** | | **97** | | **137** | | **128** | |
| | +1M | 7.76 | 7.70 | 6.75 | 6.79 | 96 | 97 | 134 | 136 | 124 | 128 |
| | +3M | 7.84 | 7.73 | 6.70 | 6.79 | 95 | 96 | 133 | 136 | 121 | 127 |
| | +6M | 7.98 | 7.79 | 6.65 | 6.78 | 93 | 96 | 128 | 135 | 118 | 127 |
| | +12M | 8.25 | 7.90 | 6.60 | 6.77 | 90 | 94 | 124 | 133 | 113 | 126 |
| **ZAR** | **11-Feb-19** | **15.5** | | **13.7** | | **48.0** | | **67.5** | | **63.2** | |
| | +1M | 16.4 | 15.6 | 14.25 | 13.8 | 45.5 | 47.8 | 63.5 | 67.1 | 58.6 | 62.9 |
| | +3M | 17.6 | 15.8 | 15.00 | 13.9 | 42.5 | 47.2 | 59.3 | 66.3 | 54.1 | 62.3 |
| | +6M | 17.4 | 16.1 | 14.50 | 14.0 | 42.8 | 46.2 | 58.6 | 65.1 | 54.0 | 61.4 |
| | +12M | 17.8 | 16.8 | 14.25 | 14.4 | 41.9 | 44.4 | 57.3 | 62.7 | 52.2 | 59.6 |
| BRL | **11-Feb-19** | **4.23** | | **3.74** | | **176.5** | | **247.9** | | **232.1** | |
| | +1M | 4.53 | 4.25 | 3.94 | | 164.7 | 175.7 | 229.5 | 247.0 | 211.9 | 231.4 |
| | +3M | 4.27 | 4.29 | 3.65 | | 174.6 | 174.0 | 243.5 | 244.7 | 222.5 | 229.8 |
| | +6M | 4.26 | 4.35 | 3.55 | | 175.0 | 171.2 | 239.4 | 241.1 | 220.7 | 227.3 |
| | +12M | 4.13 | 4.49 | 3.30 | | 180.7 | 165.8 | 247.3 | 234.0 | 225.5 | 222.3 |

*Source: Danske Bank*

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