

# G10 FX Weekly

## Fed trigger for USD?

Group Economics  
Macro & Financial Markets Research

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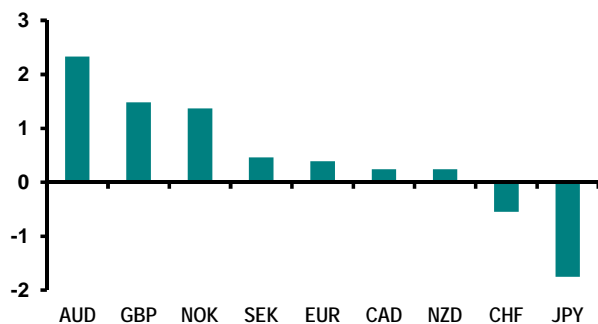
- **Safe haven currencies have moved lower...**
- **...while commodity currencies have recovered**
- **EUR/USD is stuck in a range for now, but US data and the FOMC meeting will likely change that**
- **We expect EUR/USD to reach parity reflecting monetary policy divergence in constructive markets**

### Safe haven currencies lower...

This week safe haven currencies, the Japanese yen and the Swiss franc, have underperformed. There are several reasons for this. For a start, financial markets have calmed down somewhat reflected by lower 10y US Treasury and Bund yield. In addition, commodity prices have stabilised and equity markets have edged higher. Meanwhile, equity market volatility (VIX) has declined somewhat though it remains high. Moreover, domestic developments have put the yen under downward pressure. Japanese Prime Minister Abe pledged to follow through with a corporate tax-cut to support domestic investment. As a result, Japanese stocks rallied sharply (+7%) after the announcement and the yen dropped.

### Performance

In %, with US dollar as basis



Source: Bloomberg, ABN AMRO Group Economics

### ...while commodity currencies recover

Commodity currencies have recovered this week. A stabilisation in commodity prices has helped. In addition, a general improvement in investor sentiment was also supportive. Furthermore, better-than-expected Australian employment data have improved expectations about the economy and markets scaled back their view of the likelihood of a rate cut by the Reserve Bank of Australia. We are still of the view that the RBA will cut later this year. We expect the Australian dollar to remain under pressure versus the US dollar. Our targets for the end of 2015 and 2016 are 0.70 and

0.64 respectively. The New Zealand dollar gave back most of its gains this week after the Reserve Bank of New Zealand cut rates by 25bp to 2.75% and sounded more dovish. The Bank of Canada left monetary policy unchanged this week and sounded relatively optimistic. It stated that the economy is supported by strong household spending and strong exports to the US. It also noted that headline inflation was close to the bottom of its range and that core has been slightly above its target range. All-in-all, it is now less likely that the Bank of Canada will reduce interest rates in the coming months.

### EUR/USD lacks direction for the moment

Last week, the US dollar gained after the strong US employment report. However, this week, movements in EUR/USD have been erratic. There has been an absence of market-moving economic data. Next week, retail sales, CPI and housing start will likely give more direction in EUR/USD. Moreover, investors seem reluctant to choose a direction ahead of FOMC meeting on 16 and 17 September (Wednesday and Thursday). Usually, the decision will be communicated on Wednesday. This time around it will be on Thursday. We expect the Fed to signal a rate hike this year, most likely in December. We expect EUR/USD to reach parity on the back of monetary policy divergence in constructive financial markets.

### ABN AMRO major currency forecasts

	10-Sep	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
EUR/USD	1.1193	1.10	1.00	1.00	1.05	1.05	1.10
USD/JPY	121.00	123	128	130	135	135	135
EUR/JPY	135.44	135	128	130	142	142	149
GBP/USD	1.5383	1.55	1.49	1.49	1.52	1.50	1.49
EUR/GBP	0.7277	0.71	0.67	0.67	0.69	0.70	0.74
USD/CHF	0.9770	0.99	1.10	1.10	1.07	1.09	1.05
EUR/CHF	1.0937	1.09	1.10	1.10	1.12	1.14	1.15
AUD/USD	0.7079	0.72	0.70	0.69	0.67	0.65	0.64
NZD/USD	0.6315	0.65	0.63	0.62	0.60	0.59	0.58
USD/CAD	1.3206	1.34	1.36	1.38	1.41	1.43	1.45
EUR/SEK	9.4158	9.50	9.50	9.50	9.50	9.50	9.50
EUR/NOK	9.1736	9.25	9.00	8.50	8.25	8.00	8.00
EUR/DKK	7.4609	7.46	7.46	7.46	7.46	7.46	7.46

Source: ABN AMRO Group Economics

Find out more about Group Economics at: <https://insights.abnamro.nl/en/>

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