

TRENDS AND FORECASTS MAIN INTERNATIONAL CURRENCIES

The first half of 2019 recorded a gradual weakening of the **euro dollar exchange rate** much to the advantage of the US currency. After the picks reached in 2018 (around 1.24 USD/EUR), the European currency depreciated gradually, till values that currently fluctuate between 1.11 and 1.10 US \$ per euro. The good performance of the American economy, supported by domestic consumption, despite a reduction in business investment and a slowdown in manufacturing production, supported the trend. On the other hand, the geo-political instability and the weak EU economic overview contributed to the weakness of the euro. The FED's less aggressive monetary policy approach is also crucial, as after the reduction in interest rates on last July, it seems to exclude further cuts at least until mid-2020, thus guaranteeing a strong dollar also next year. On the contrary, the strategy of the ECB, which could adopt another quantitative easing program to purchase government bonds, might contribute to a deflationary effect on the EU currency (it is even assumed a descent of the euro to 1.03 US \$). The main financial analysts however exclude a prolongation of the depreciation of the EU currency in the coming weeks and seem to converge on a US \$ 1.12/€ exchange rate forecast at 1 and 3 months.

USD/EUR exchange rate January 2017 – August 2019



Turnaround for the **GPB/EUR exchange rate**, which has observed a gradual decline of the British currency in recent months and is currently traded at € 1.11. Moreover, under the premiership of the new Prime Minister, the quotations of a "hard Brexit" have risen considerably. This situation could influence the downward pressure of the pound also in the coming months. Even, the unexpected slowdown in the British economy (-0.2% in the second quarter of 2019) favored the uncertainty of the pound.

Coming months' forecasts are cautious. Analysts agree on a substantial stability of the exchange rate (1.11 GBP/EUR at three months).

GBP/EUR exchange rate January 2017 – August 2019

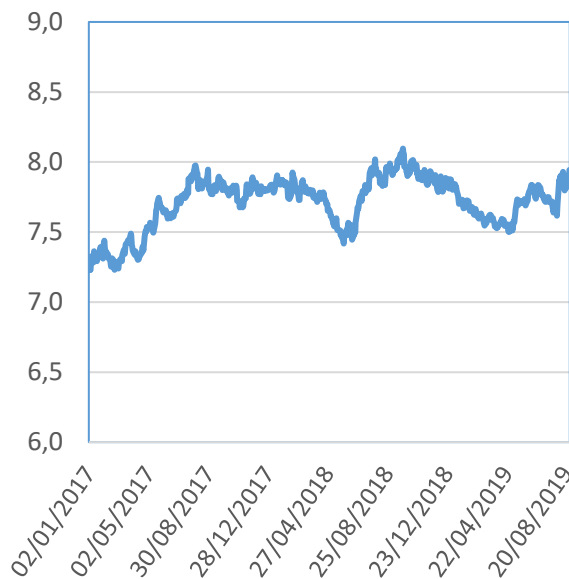


The **yen continues to appreciate against the euro**, which has lost 6% against the Japanese currency since the beginning of the year. Yen's trend against both the euro and the dollar remains bullish since analysts expect a further strengthening of the Japanese currency at 3 months (119 yen for 1 euro). Over the last few months, the **yuan** has been declining sharply, by reaching the lowest level in the last few weeks compared to the previous eleven months. This trend mainly reflects the commercial tensions between the US and China, which seem to move away any hypothesis of an agreement between the countries.

EUR/YEN exchange rate 2017–2019



EUR/YUAN exchange rate 2017–2019



Source: UNIC – Italian Tanners' Association elaboration on Bank of Italy, Fx Week