

TRENDS AND FORECASTS MAIN INTERNATIONAL CURRENCIES

In the first few months of 2018, the **euro – dollar exchange rate** has risen to record levels, reaching 1.25 USD/EUR in February (the highest level ever over the last three years) followed by a slight fall in early March (1.23 USD/EUR the cross in the first week).

According to analysts, the retracement below USD 1.25/EUR in recent days would be affected only in part by recent European political uncertainties (elections in Italy, negotiations for the government in Germany) and weak indications on inflation in the Eurozone. Signs coming from the US appear to be more relevant, where the new Fed governor, Powell, said he was in favor of a monetary policy marked by gradual increases in interest rates. Despite the recent recovery of the dollar, many analysts believe, however, that the greenback will return to decline due to lower US growth compared to other major global economies and concerns about Trump's tax policy, with long-term forecasts that even see the change touch 1.45 USD/EUR within two years.

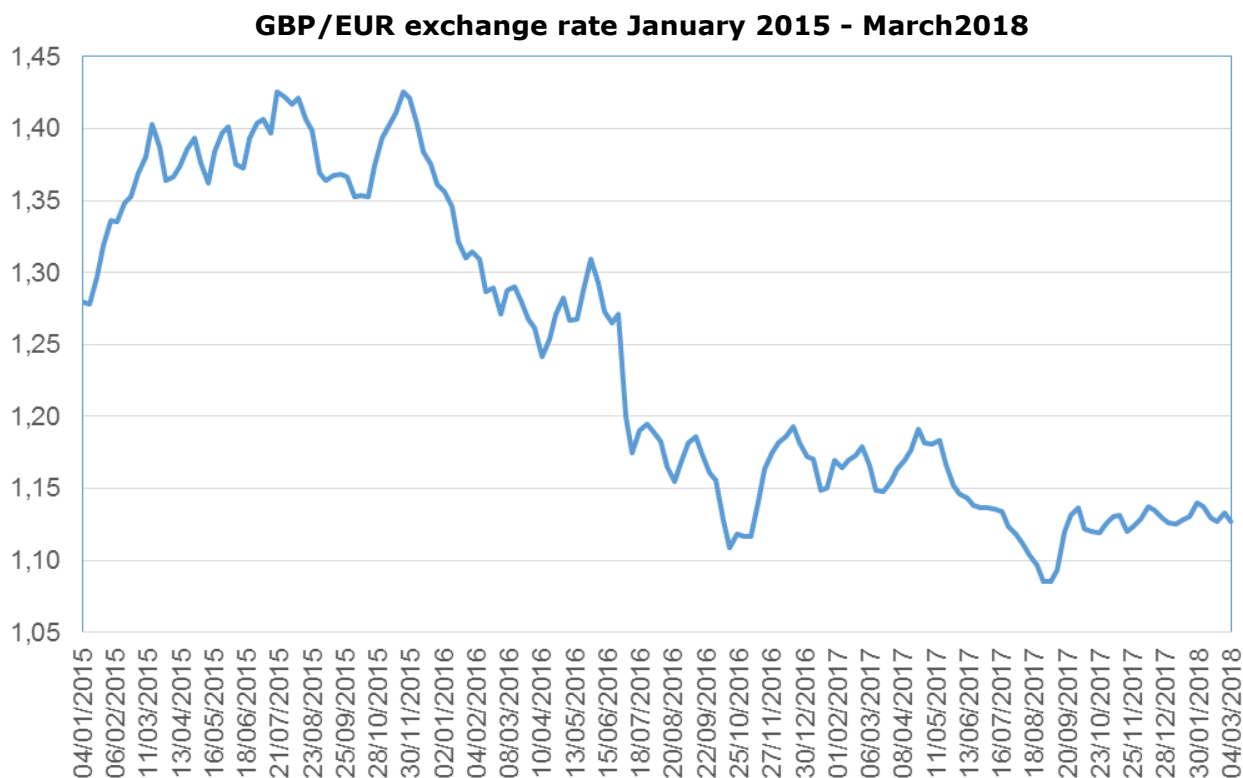
Expectations for the medium to long term are moving within a more modest horizon, with three-month forecasts giving the euro stable at current levels at 1.23 dollars.

USD/EUR exchange rate January 2015 – March 2018



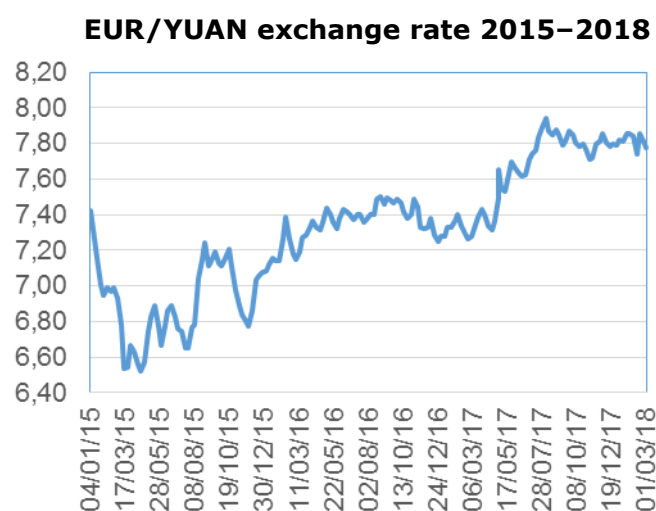
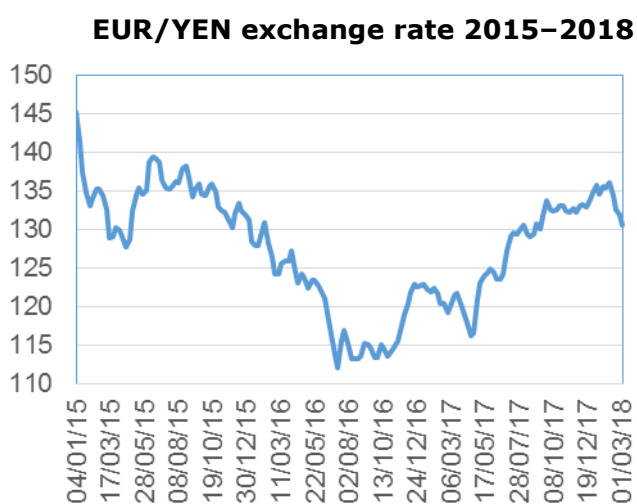
In the **euro – sterling exchange rate**, it is worth pointing out that the braking effect of Brexit seems to have been offset by the positive consequences of the global economic situation on the British economy, so much so that the Bank of England has revised upwards the estimates of GDP growth (+1.8% in 2018 and 2019) and announced increases in interest rates in order to keep inflationary pressures under control (first retouch in May or August, with others to follow).

The rates could rise to 1.25% by the end of the year, thus leaving space for a recovery of the pound against the euro in 2018, after the depreciation already observed in the last months of 2017 (-4% comparison with the beginning of the year). Analysts' estimates for the next few weeks are stable on current exchange rates, with three-month forecasts giving EUR/GBP at 1.13 euros per pound.



The conclusion of 2017 and the beginning of the current year have shown an upward trend in the exchange rate between the euro and the **yen**, which has been interrupted since mid-February, when the EU currency has fallen below 130 EUR/YEN for the first time in six months. Bullish trend on the yen instead for the dollar in recent weeks.

At the beginning of the New Year, the Chinese central bank took advantage of the weakness of the dollar, strengthening the **yuan** by 0.4% against the greenback, pushing the renminbi to the highest level since September 2017. On the contrary, the trend of the yuan against the euro looks fluctuating.



Source: UNIC - Italian Tanners' Association elaboration on Bank of Italy, Oanda, Fx Week data