

TRENDS AND FORECASTS MAIN INTERNATIONAL CURRENCIES

Even at the end of the year the **dollar kept on strengthening over the euro**, reaching a 1.13 USD/EUR exchange rate at the beginning of December. The exchange variation since January 2018 highlights a strengthening equal to 5% for the greenback, although the annual average suffers the records hit by the EU currency at the beginning of the year. This dynamic is related to the different economic growth trends between the areas. The US show a most elevated growing performance and a positive 2019 outlook compared to the EU, which looks overall positive, but with an expected slowdown and some uncertainties head. The trend of the countries with a high public debt and their financial situation is crucial, since they have consequences on the evaluation of the next monetary policies moves. Still not a bright view on the *Quantitative Easing* destiny. Short after last ECB meeting, Mario Draghi declared the *QE* would be over in January as predicted, although it could start again if necessary. Interests rates won't be risen till the end of Summer 2019.

In this scenario, the main analysts expect a USD/EUR exchange rate equal to 1.15 over both a one-month and a three-months forecasts, which will basically set on the same average levels reached over the last three months, quite below the average 2018 USD/EUR exchange rate.

USD/EUR exchange rate January 2016 - December 2018



Minimum variations for the **GPB/EUR exchange rate**, which currently shows the pound equal to 1.11 euro, by recording a further slight weakening trend since the beginning of the year, compared to 2017 average. The quotation is now setting on the minimum levels ever reached, with a record depreciation (second only after the Turkish Lira), which throws the Pound back to the 2008-2009 period. Brexit negotiations pose difficulties in a quite tough

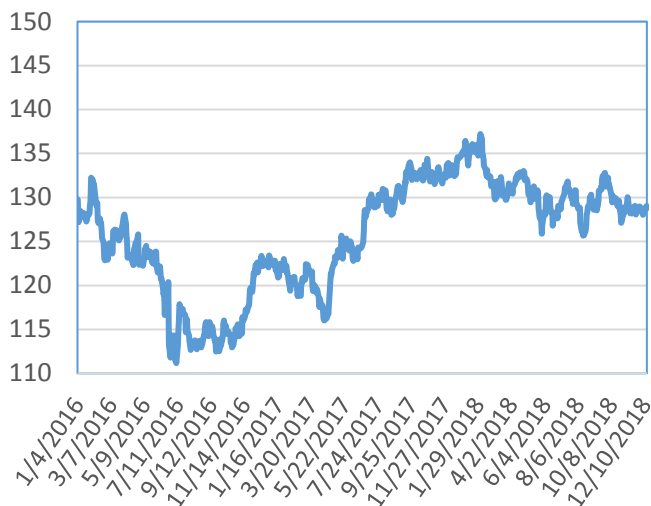
moment for the May Government: the widespread uncertainty and many rumors on the different possible solutions on how to exit the European Union Market are pushing the sterling down more and more. Consequently, analysts' forecasts keep pessimistic, with some of them open to the possibility of a 1 to 1 exchange range between GBP/EUR in the medium term.

GBP/EUR exchange rate January 2016 - December 2018

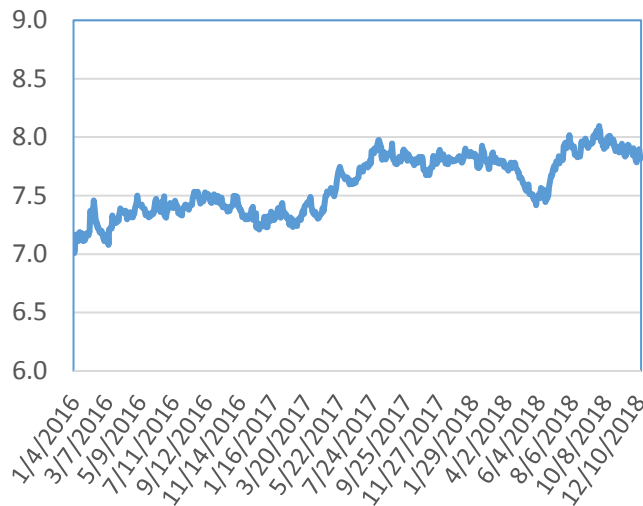


The recovery of the **yen** over the **euro** keeps on also in the last months of the year, rising by 4.6% from the beginning of 2018: the current exchange rate is now 129 yen per 1 euro. Both the above-mentioned European economy conditions and the Bank of Japan monetary policy, which should keep expansive at least till the it won't have reached the 2% inflation target, have influences on this dynamic. Therefore, analysts forecast to 128 and to 127 exchange rates over one-month and e three-months respectively. **Yuan** devaluation in Spring has been partially recovered in the recent months. Analysts expect the exchange rate to go down further due to the commercial tensions between the US and China, which have already negatively affected the manufacturing sector of the Asian colossus.

EUR/YEN exchange rate 2016–2018



EUR/YUAN exchange rate 2016–2018



Source: UNIC – Italian Tanneries elaboration on Bank of Italy, Fx Week data