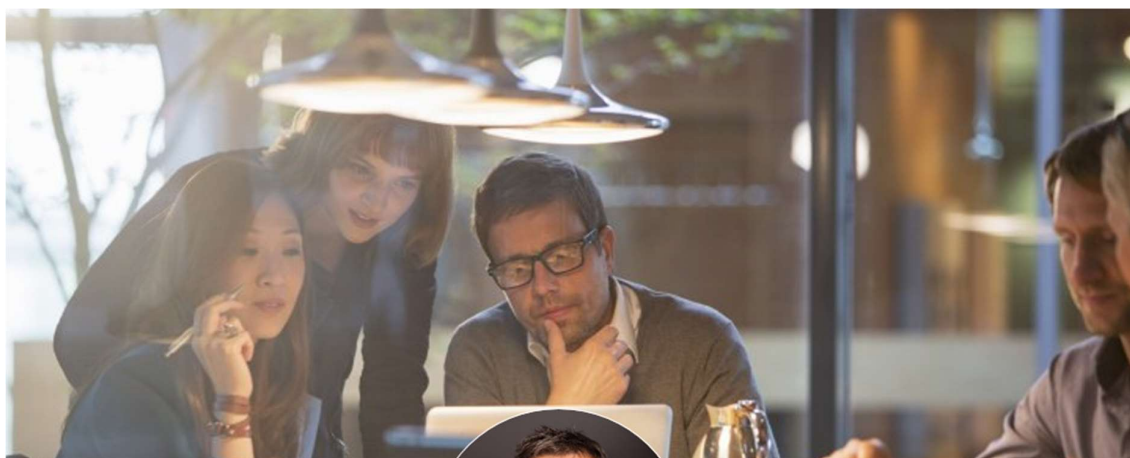


## FOCUS FOREX

November 18<sup>th</sup>, 2020



**Guy ERTZ**  
Chief Investment Advisor

### In a word:

While October has been marked by the return of covid in Europe, markets experienced a major rebound in the first two weeks of November. The election of Joe Biden strongly fueled the renewed appetite for risky assets and weighed on the dollar. Market optimism increased further after the pharmaceutical companies such as Pfizer/BionTech and Moderna announced an effective vaccine. Safe haven currencies suffered while commodity currencies benefited from the spectacular rebound in commodities, especially in oil prices.

Rapid improvement in market sentiment led to a sharp drop in the volatility, which benefited the euro. The US dollar index depreciated particularly after the US elections, which greatly benefited the EURUSD, now hovering between 1.18 and 1.19 (value of 1 euro), the highest range seen this year. On the other hand, safe-haven currencies, the Japanese yen and the Swiss franc, experienced a strong negative movement after the announcement of the pharmaceutical companies. On the Brexit side, we did not see a major breakthrough. The UK and the EU are sticking to their positions, and progress is still expected on the two key issues, before the UK would officially leave the EU on December 31. Commodity currencies benefited from both market optimism and Chinese economic indicators still pointing to an economic recovery. The AUD and NZD now show a positive performance against the USD in 2020. The rebound was also seen on the NOK, which benefited from a sharp increase in Brent prices. The SEK continues to be very resilient thanks to a favorable monetary policy and an economy that avoids lockdown.



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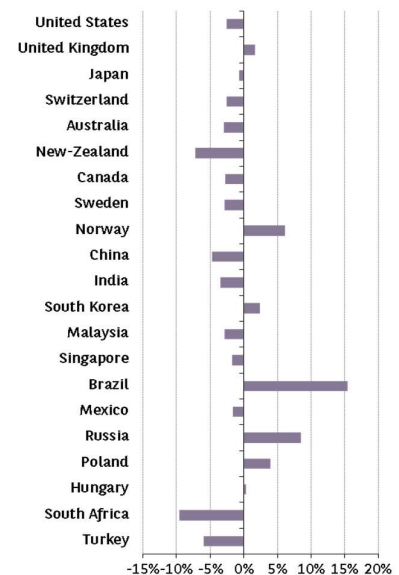
After the recent rally of the euro, we still believe in a slight correction to 1.16 short-term in a context where uncertainties are likely to remain high over the coming weeks. Over the next 12 months, we continue to see the EURUSD at 1.22. We keep our EURCHF 12-month target at 1.11 as we continue to see a CHF depreciation medium-term, alongside the global economic recovery. We keep our targets unchanged for the yen. We keep our view of a stronger JPY 12 months (102). We also left our EURGBP targets unchanged. We also keep our appreciation scenario for the NOK while we think that the SEK should go back to weaker levels (10.50). We do not see further room for appreciation for commodity currencies after the strong rally.

**Performances (in %) against EUR  
(Performance as of November 17)**

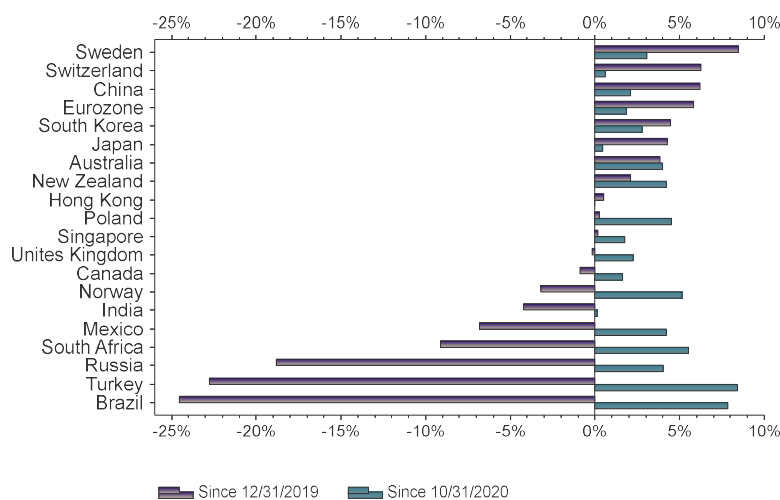


Source: Refinitiv Datastream

**12 month forecasts (in %) against EUR**

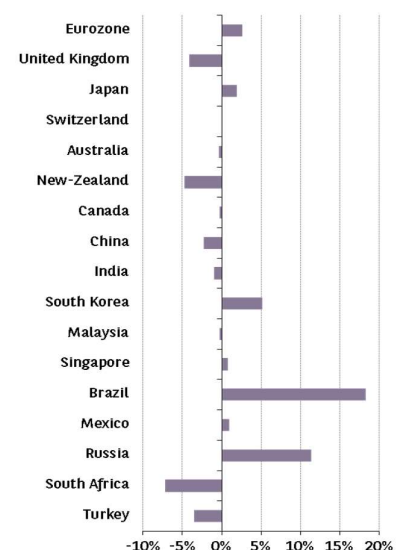


**Performances (in %) against USD  
(Performance as of November 17)**



Source: Refinitiv Datastream

**12 month forecasts (in %) against USD**



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## Forecasts against the Euro

	Country	Spot 11/18/2020	Target three months (vs. EUR)				Target twelve months (vs. EUR)				
			Trend	Low	Mid	High	Trend	Low	Mid	High	
	United States	EUR / USD	1.19	Positive	1.13	1.16	1.19	Negative	1.19	1.22	1.23
	United Kingdom	EUR / GBP	0.89	Neutral	0.87	0.90	0.93	Neutral	0.85	0.88	0.89
	Japan	EUR / JPY	124	Neutral	123	123	123	Neutral	124	124	124
	Switzerland	EUR / CHF	1.08	Neutral	1.05	1.08	1.11	Negative	1.08	1.11	1.12
	Australia	EUR / AUD	1.62	Positive	1.56	1.59	1.62	Negative	1.65	1.67	1.68
	New-Zealand	EUR / NZD	1.72	Negative	1.73	1.76	1.78	Negative	1.82	1.85	1.86
	Canada	EUR / CAD	1.55	Positive	1.49	1.52	1.55	Negative	1.57	1.60	1.61
	Sweden	EUR / SEK	10.20	Negative	10.47	10.50	10.53	Negative	10.47	10.50	10.51
	Norway	EUR / NOK	10.72	Neutral	10.67	10.70	10.73	Positive	10.07	10.10	10.11
Asia	China	EUR / CNY	7.78	Neutral	7.86	7.89	7.91	Negative	8.15	8.17	8.18
	India	EUR / INR	88.3	Neutral	86.97	87.0	87.03	Negative	91	91.50	91.51
	South Korea	EUR / KRW	1312	Neutral	1334	1334	1334.03	Positive	1280.97	1281	1281.01
	Malaysia	EUR / MYR	4.86	Neutral	4.79	4.81	4.84	Negative	5	5.00	5.01
	Singapore	EUR / SGD	1.59	Neutral	1.56	1.59	1.62	Neutral	1.60	1.62	1.63
Latam	Brazil	EUR / BRL	6.34	Positive	6.12	6.15	6.17	Positive	5	5.49	5.50
	Mexico	EUR / MXN	23.99	Negative	26.07	26.1	26.13	Neutral	24.37	24.40	24.41
EMEA	Russia	EUR / RUB	90.0	Positive	88.13	88.2	88.19	Positive	83	83	82.97
	Poland	EUR / PLN	4.47	Neutral	4.37	4.40	4.43	Positive	4.27	4.30	4.31
	Hungary	EUR / HUF	361	Positive	350	350	350.03	Neutral	360	360	360.01
	South Africa	EUR / ZAR	18.20	Negative	20.27	20.3	20.33	Negative	20.10	20.13	20.14
	Turkey	EUR / TRY	9.18	Negative	9	9.51	9.54	Negative	10	9.76	9.77
	Euro Index		105.64	Neutral	105.13	105.15	105.18	Neutral	106.65	106.67	106.68

Source: Datastream – BNP Paribas Wealth Management

## Forecasts against the US Dollar

	Country	Spot 11/18/2020	Target three months (vs. USD)				Target twelve months (vs. USD)				
			Trend	Low	Mid	High	Trend	Low	Mid	High	
	Eurozone	EUR / USD	1.19	Negative	1.13	1.16	1.19	Positive	1.19	1.22	1.25
	United Kingdom	GBP / USD	1.33	Negative	1.23	1.29	1.34	Positive	1.36	1.39	1.41
	Japan	USD / JPY	104	Negative	105	106	107	Neutral	101	102	103
	Switzerland	USD / CHF	0.91	Negative	0.91	0.93	0.95	Neutral	0.89	0.91	0.93
	Australia	AUD / USD	0.73	Neutral	0.71	0.73	0.75	Neutral	0.71	0.73	0.75
	New-Zealand	NZD / USD	0.69	Negative	0.65	0.66	0.67	Negative	0.65	0.66	0.67
	Canada	USD / CAD	1.31	Neutral	1.29	1.31	1.33	Neutral	1.29	1.31	1.33
Asia	China	USD / CNY	6.55	Negative	6.62	6.80	6.98	Negative	6.52	6.70	6.88
	India	USD / INR	74.3	Neutral	74.1	75.0	75.9	Neutral	74.1	75.0	75.9
	South Korea	USD / KRW	1104	Negative	1121	1150	1179	Positive	1021	1050	1079
	Malaysia	USD / MYR	4.09	Neutral	4.08	4.15	4.22	Neutral	4.03	4.10	4.17
	Singapore	USD / SGD	1.34	Negative	1.35	1.37	1.39	Neutral	1.31	1.33	1.35
Latam	Brazil	USD / BRL	5.32	Neutral	5.11	5.30	5.49	Positive	4.31	4.50	4.69
	Mexico	USD / MXN	20.18	Negative	21.9	22.5	23.1	Neutral	19.4	20.0	20.6
EMEA	Russia	USD / RUB	75.7	Neutral	72.8	76.0	79.2	Positive	64.8	68.0	71.2
	South Africa	USD / ZAR	15.3	Negative	17.1	17.5	17.9	Negative	16.1	16.5	16.9
	Turkey	USD / TRY	7.72	Negative	7.70	8.20	8.70	Negative	7.50	8.00	8.50
	USD Index	DX	92.29	Positive	92.6	94.4	96.3	Negative	88.3	90.2	92.1

Source: Datastream – BNP Paribas Wealth Management





## USD ANALYSIS >> TARGET 12M VS EUR: 1.22

The worsening of the sanitary situation in Europe forced governments to take tougher measures and new lockdowns pulled the EURUSD below 1.17 (value of 1 euro) end-October. This month, the spike in optimism following the vaccine announcements showed how markets can shrug off heavy downside risks as the second wave of covid is still threatening the economic recovery. Mid-November the euro was back close to 1.19. We keep thinking that the dollar should remain strong short-term as uncertainty will persist. **We maintain our view of a correction of the EURUSD around 1.16 (value for 1 euro).** Our long term scenario remains unchanged. The Fed's shift to targeting an average inflation over time allowing periods of overshoot is likely to support inflation expectations, even as Fed purchases and forward guidance continue to cap nominal yields. The resulting decline in real yields is supportive for risk sentiment and consistent with continued depreciation in the USD. The real yield differential with German bonds should remain narrow. The current account deficit has widened sharply, and this is a further negative driver for the USD. Moreover, the expected improvement of the market sentiment alongside the global growth recovery and the rebound of global trade should favour risk-assets at the expense of the US dollar next year. **Under these assumptions, we continue to see a weaker dollar over the next 12 months as we expect the EURUSD trading at 1.22.**

### PERFORMANCES<sup>1</sup>

vs EUR

YTD -5,49

MTD -1,80

## GBP ANALYSIS >> TARGET 12M VS EUR: 0.88

After a 6-month low has been hit in September, the **British pound** remained surprisingly steady in October. While Brexit negotiations did not progress and the stalemate still remains on two key obstacles, fisheries rights and level playing field, markets keep being optimistic and did not seem to price an exit without agreement and could expect lingering negotiations. The sanitary situation strongly worsened as daily infection exceeded 31k cases on November 2, a record high. As in the rest of Europe, restrictive measures intensified, weighing on the economic recovery which had been expected to keep going over the last quarter of the year, after a strong rebound of more than 15% in Q3. On the monetary front, the Bank of England has not ruled out negative rates but left them unchanged at a record low. As broadly expected, the BoE increased the QE by GBP 150bn to GBP 875bn. More recently, the UK and EU missed the informal deadline of November 15 to strike a deal, the EU Summit on November 19 could speed up negotiations. Several advisors of the Prime Minister from the Leave campaign party have been sidelined. **We keep our 3-month target at 0.90 unchanged** as we believe that the currency will remain resilient even though the GBP path should be choppy short-term. **We keep our 12-month target at 0.88 (value for 1 euro).**

### PERFORMANCES<sup>1</sup>

vs USD

YTD -0,16

MTD 2,26

vs EUR

YTD -5,39

MTD 0,58

<sup>1</sup> Performance YTD as of 17.11.2020  
Performance MTD as of 17.11.2020





### CHF ANALYSIS >> TARGET 12M VS EUR: 1.11

After a slight progress registered last month, the **Swiss franc** lost ground in November declining by -1.1% so far. The safe haven currency dropped -0.8% against the euro on November 9, following Pfizer's covid vaccine found to be 90% effective. The pair broke above 1.08 (value of 1 euro), a 5-week low. Although the sanitary situation worsened in Europe as majors countries imposed a second national lockdown and indicators struggle to show signs of improvement, market optimism continue to be fueled by major breakthroughs on the vaccine front. We think that worrying covid situation in Europe should cap gains of the euro against the franc short-term. **We see the EURCHF remaining quite stable around 1.08.**

Near term, the bullish view on the euro is also supported by the outlook for lower peripheral spreads and the global economic recovery. The former has been a key driver of the EURCHF in recent months. The improvement of the risk sentiment combined with lower volatility expected next year should lower the attractiveness of safe haven currencies such as the franc and should support the euro. **We maintain our depreciation scenario of the franc against the euro and keep our 12-month target to 1.11.**

#### PERFORMANCES<sup>1</sup>

vs USD

YTD 6,22

MTD 0,61

vs EUR

YTD 0,52

MTD -1,27

### JPY ANALYSIS >> TARGET 12M VS EUR: 124 (USD/JPY: 102)

The **Japanese yen** followed a similar trend compared to the Swiss franc. After appreciating slightly in October against the dollar, the Japanese currency was much more volatile in November. While the week of the U.S. elections supported safe assets thanks to a declining dollar, the yen fell after Pfizer's announcement. After the strong market rebound mid-November, we believe that the development and distribution of a vaccine in the coming months is now priced by markets. Moderna's announcement on the efficacy of its vaccine had a much more moderate impact on equity markets. **We thus maintain our assumption of a USDJPY around 106 over the next three months.** On the monetary front, the central bank left its policy unchanged at the last meeting. It highlighted signs of recovery of the Japanese economy although the sanitary situation remains worrying. The Japanese strategy against the virus has shown positive results so far, avoiding a total lockdown. Near term, our bearish view on the USD will be the main catalyst of the USDJPY downward trend. **The anticipated weakness of the USD should drive the USDJPY to 102 over the next 12 months.**

#### PERFORMANCES<sup>1</sup>

vs USD

YTD 4,25

MTD 0,44

vs EUR

YTD -1,43

MTD -1,61

<sup>1</sup>Performance YTD as of 17.11.2020  
Performance MTD as of 17.11.2020





### NOK ANALYSIS >> TARGET 12M VS EUR: 10.10

After the acceleration of covid infections in Europe risk appetite fell and sent the **Norwegian krone** to a 6-month low at the end of October. The krone rebounded in November and is up 3.4% against the euro mid-month. The surge in market optimism and the sharp increase in oil prices supported the NOK. Moreover, economic releases showed signs of improvement. The unemployment rate continued to fall, the manufacturing survey highlighted again positive expectations in October and retail sales growth boded well for consumer spending. Despite an annual inflation rate above target, the central bank left interest rates unchanged at the November meeting. However, the Norwegian government imposed new restrictions measures that will weigh on the recovery and could reverse the decline in unemployment. In this context of lingering uncertainty, we do not see further appreciation potential short term. **We see the EURNOK around 10.70 over the next 3 months.** Over the coming year, we think the NOK could benefit from a supportive monetary policy as further easing seems unlikely. Besides, the expected improvement of risk sentiment next year alongside the economic recovery should be a positive driver for the NOK. **Our EURNOK target is 10.10 over the next 12 months.**

### PERFORMANCES<sup>1</sup>

vs USD  
YTD -3,19  
MTD 5,14  
vs EUR  
YTD -8,56  
MTD 3,02

### SEK ANALYSIS >> TARGET 12M VS EUR: 10.50

The **Swedish krone** advanced against the euro in October and kept rising this month. Market optimism and resilience of the monetary policy proved positive for the SEK which records now the strongest performance against the single currency since the beginning of the year. However, Sweden light-touch approach showed signs of weakness as the country is recording an increase in daily infection cases, hospitalizations and deaths since the beginning of the month while most of Europe experiences a new lockdown. The Swedish government announced a limit of public gathering in reaction to the worsening of the sanitary situation. The liberal approach to covid 19 could imply downside risks for the monetary policy and the domestic economy. While the central bank declared that further stimulus cannot be ruled out, this should be more through an extension of the QE program that a return to negative rates. However, this downside risk cannot be excluded. **We keep our 3-month target unchanged at 10.50. Over the next 12 months, the monetary downside risk should prevent the SEK from appreciating despite the improved environment and we keep the EURSEK target around 10.50.**

vs USD  
YTD 8,47  
MTD 3,07  
vs EUR  
YTD 2,55  
MTD 1,19

<sup>1</sup> Performance YTD as of 17.11.2020  
Performance MTD as of 17.11.2020





#### AUD ANALYSIS >> TARGET 12M VS EUR: 1.67 (AUD/USD 0.73)

The Australian dollar bounced back in November benefiting from the movement in favor of high-risk currencies after losing ground last month. Intrinsic factors also played in favor of the Australian dollar. While restrictive measures intensified in Europe, Australia relaxed restrictive measures. Victoria, one of Australia's most affected states, recorded a 14th straight day without new covid case. Easing measures reflected on sentiment of the service sector which has shown progress as the service PMI picked up in October. The quarterly rise of retail trade over the Q3 highlighted the consumer confidence recovery. On the monetary side, the impact of the interest rate cut at the November meeting was largely priced by markets. In October, the central bank governor had already announced a possible rate cut to 0.1%, a historical low to continue supporting prices and employment. The RBA also launched an asset purchase program of AUD 100 bn but ruled out negative rates at this stage. The Chinese economic recovery also remains a key factor for the AUD via the positive impact on base metal prices. **We believe that most of these drivers have been priced by the market and we see the AUDUSD hovering around current levels, 0.73 over the next 3 and 12 months.**

#### PERFORMANCES<sup>1</sup>

vs USD

YTD 3,86

MTD 3,96

vs EUR

YTD -1,28

MTD 2,39

#### NZD ANALYSIS >> TARGET 12M VS EUR: 1.85 (NZD/USD 0.66)

The New Zealand dollar resisted well last month before strongly rallying in November. The kiwi has gained 3.4% so far in November. The positive trend has been spurred by the positive market sentiment fueled first by the outcome of US elections and a major breakthrough on a potential effective vaccine. Combined with strong economic releases in China, these factors fueled appetite for the NZD.

The central bank decision also supported the kiwi. While a rate cut was broadly expected, the RBNZ kept rates at 0.25% at its last meeting in November and left the QE unchanged. The central bank unveiled a new facility lending program for banks. It pointed to an economic rebound stronger than assumed in the previous official forecast. This lowers the risk of further rate cuts. The rise in unemployment expected by the central bank materialized and could constrain consumer spending. As for the AUD, we think that positive catalysts are largely priced by markets following the strong NZD rally. The kiwi is "overbought" according to our technical analysis tool. **We thus see a slight correction to our 3 and 12-month forecasts 0.66.**

#### PERFORMANCES<sup>1</sup>

vs USD

YTD 2,11

MTD 4,24

vs EUR

YTD -3,48

MTD 2,24

<sup>1</sup> Performance YTD as of 17.11.2020  
Performance MTD as of 17.11.2020





## CAD ANALYSIS >> TARGET 12M VS EUR: 1.60 (USD/CAD 1.31)

The Canadian dollar was quite volatile in October before rebounding in November. Indeed, the CAD was sensitive to fluctuations in the oil (WTI) prices which dropped to June levels at the end of October before recovering above \$40/b this month. Market optimism about the production of an effective vaccine by the end of 2020 has fueled hopes for a strong recovery in global demand and thus boosted oil prices. The elections in the U.S. were also viewed very positively by investors, fueling demand for risky assets at the expense of the US dollar. The impact on trade relations with Canada should be positive, while the arrival of Joe Biden in the White House could be seen as positive for the resumption of global trade. In addition, a likely agreement on a new US fiscal stimulus could prove to be supportive for the CAD.

On the domestic front, the covid situation seems more under control than in the US. The unemployment rate keeps decreasing steadily and we saw manufacturing sales rebounding in September for the first time since June. On the monetary front, the policy rate should remain unchanged until the inflation target is achieved. **We keep our 3 and 12-month targets at 1.31.**

### PERFORMANCES<sup>1</sup>

vs USD

YTD -0,89

MTD 1,64

vs EUR

YTD -6,40

MTD -0,13

<sup>1</sup> Performance YTD as of 17.11.2020  
Performance MTD as of 17.11.2020







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