



FX

JPY and CNY trends

- The USD has weakened in recent days, due to declining expectations of a Fed rate hike over the next few months. As a result, most Asian currencies have strengthened against the USD, notably the JPY, KRW, MYR and TWD.
- The JPY has steadily strengthened to around 100JPY:1USD in recent weeks following Bank of Japan reluctance so far to embark on more quantitative easing measures.
- However, a stronger JPY, along with lacklustre growth and persistently negative inflation, may prompt the Japanese central bank to pursue a more aggressive monetary policy in the coming months.
- Meanwhile, CNY/USD has been steadily retracing from its July peak of 6.70, and is hovering at around 6.63 levels. The daily CNY fixing has also been driven down by USD weakness. China authorities have been managing the CNY against a basket of currencies
- Despite this, the CNY is one of the notable under-performers among Asian currencies, along with the SGD. The CNY's real effective exchange rate – which measures it against a trade-weighted basket of currencies –has been steadily falling since February 2016. We expect further weakness, given the risk of slower growth, potential capital outflows and further policy easing.

FX
 A strengthening JPY
 contrasts with a weaker
 CNY in 2016.

— Focus of the Week

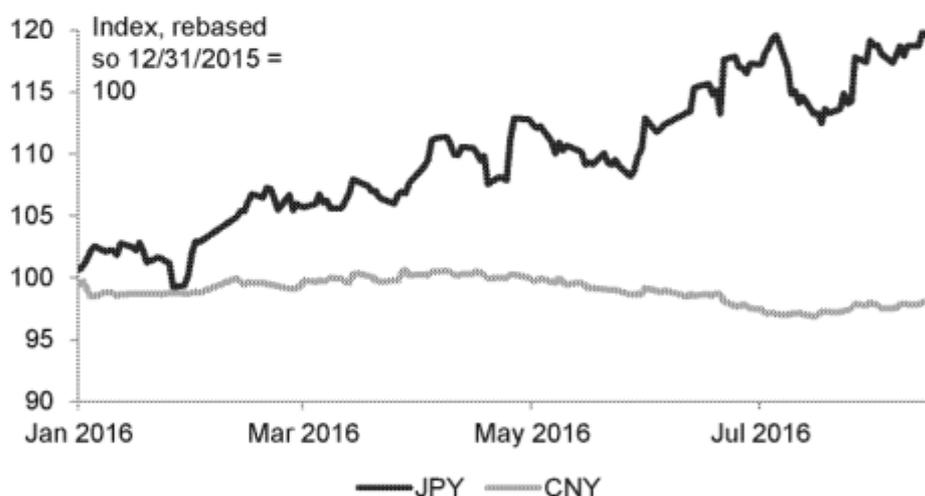


Figure 4: JPY/USD and CNY/USD trends compared in 2016
 Source: Bloomberg Finance L.P., Deutsche Bank Wealth Management.
 Data as of August 9, 2016.

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No assurance can be given that any forecast or target can be achieved. Forecasts are based on assumptions, estimates, opinions and hypothetical models which may prove to be incorrect. Past performance is not indicative of future returns. Investments come with risk. The value of an investment can fall as well as rise and you might not get back the amount originally invested at any point in time. Your capital may be at risk.

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