



Market Outlook CEE - focus

Beat Merkli

Country Director Switzerland

Zurich, 12. September 2019

20th anniversary of the Chamber of Commerce Switzerland –
Central Europe (SEC)

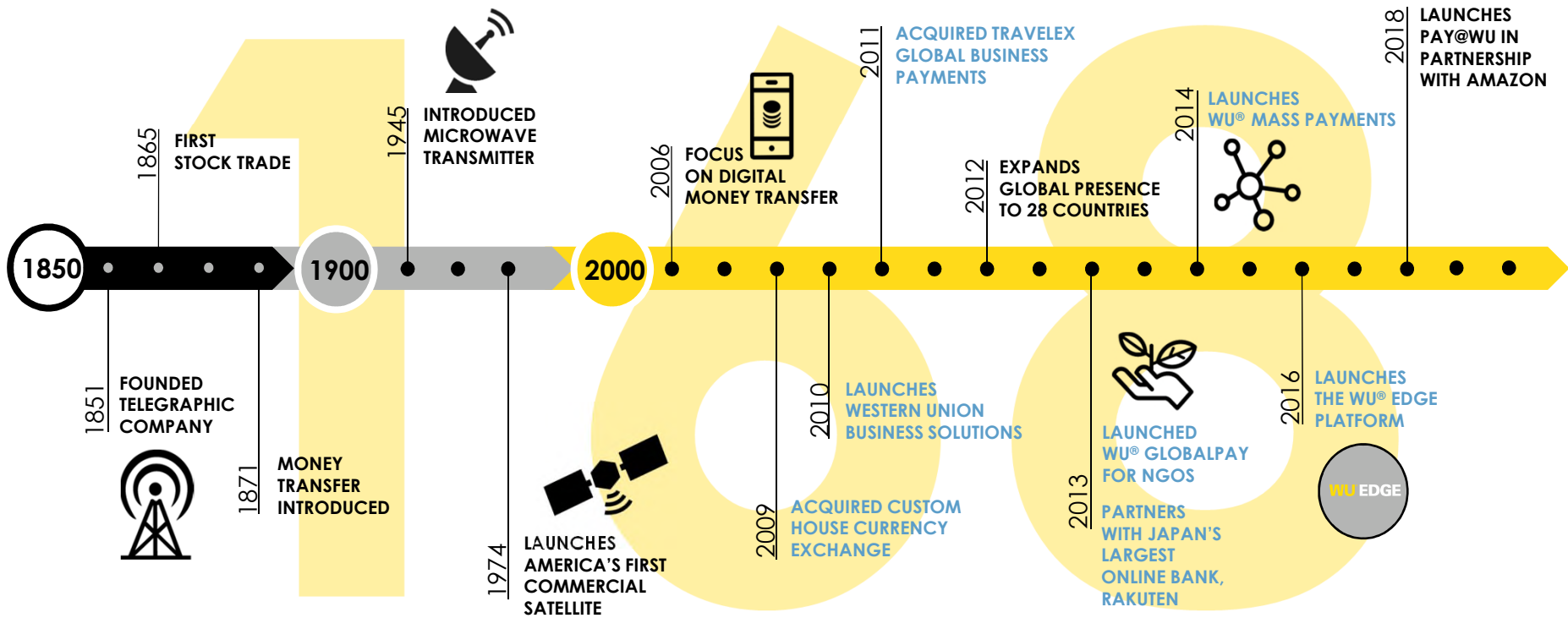
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*All figures from April 2019

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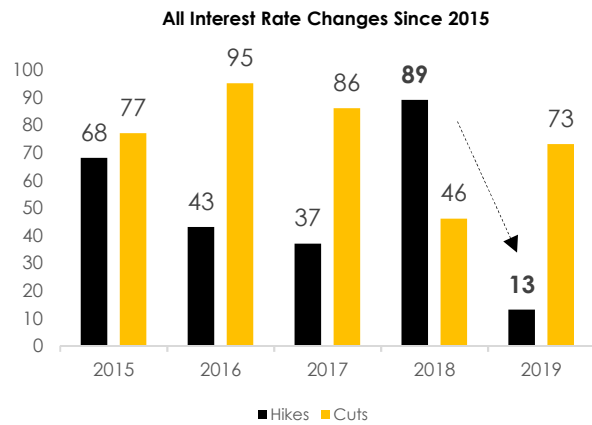
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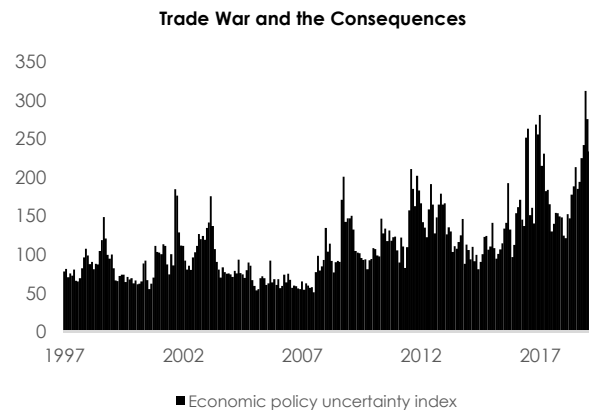
Market Outlook – Political Dominance over the Economy



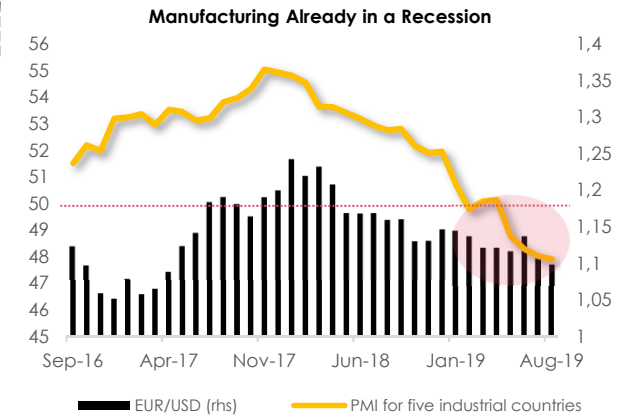
Global Easing Cycle has begun



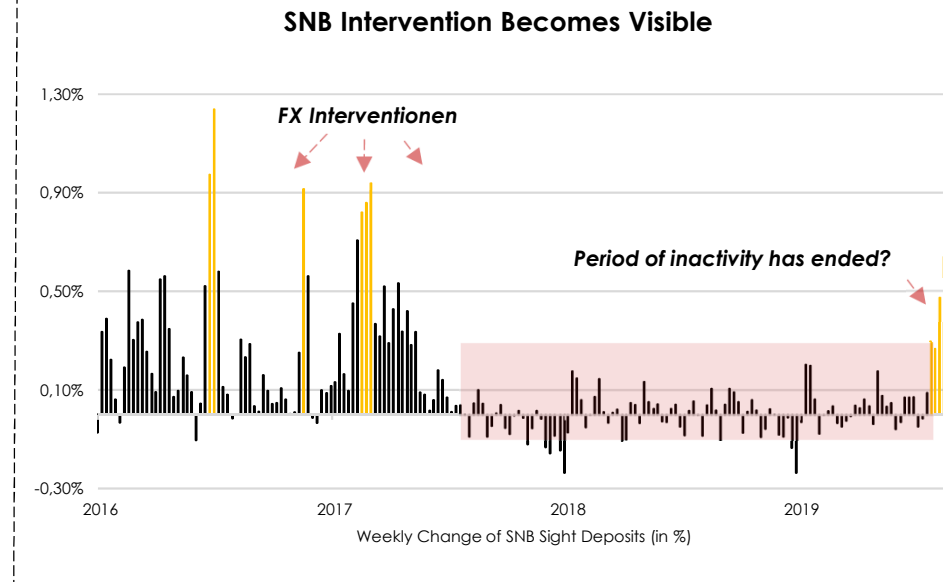
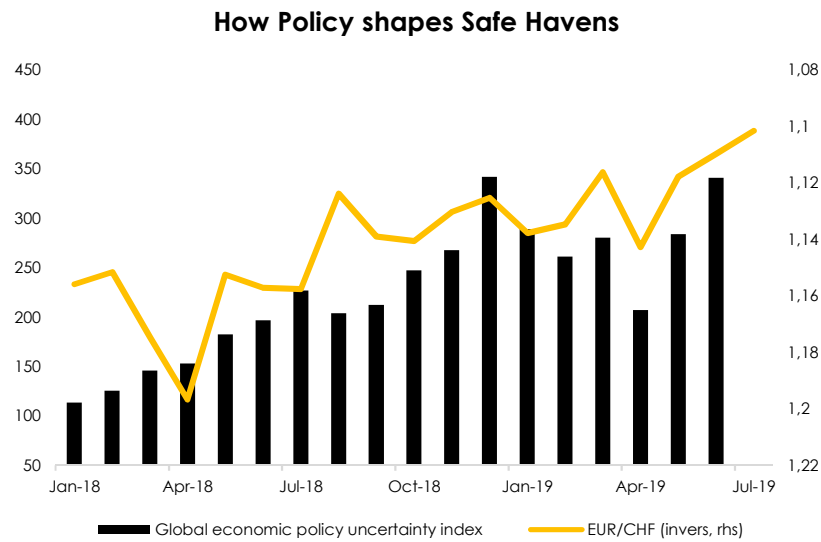
Global Political Uncertainty



Fears of Recession intensify

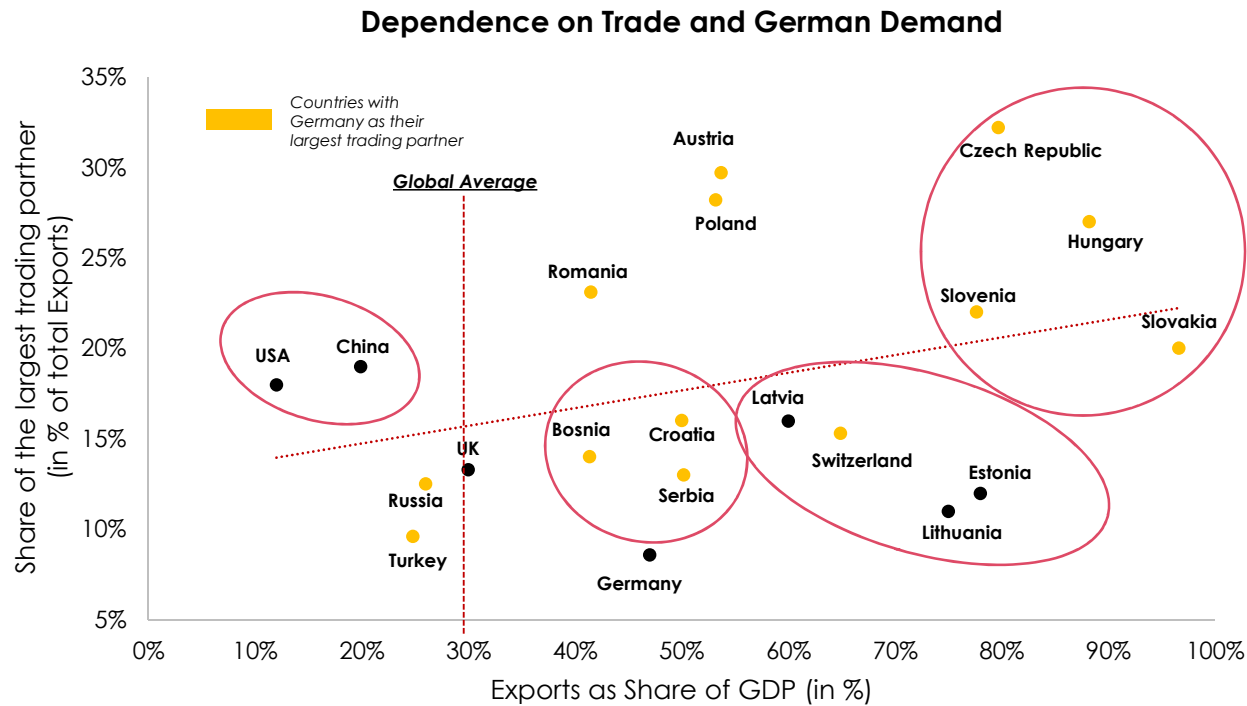


Swiss Franc – Risk Aversion and Geopolitics



Quelle: Thomson Reuters, World Bank, Policyuncertainty.com, cbrates.com Western Union Business Solutions

Some are Better Prepared Than Others – CEE and Trade



6 Key Take-aways

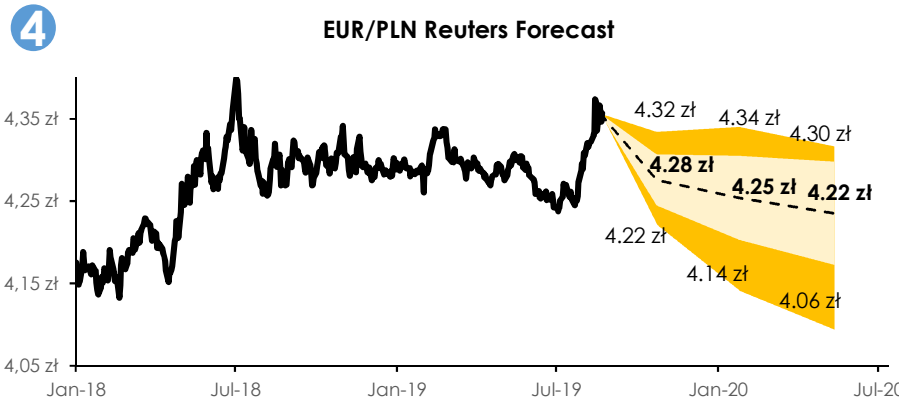
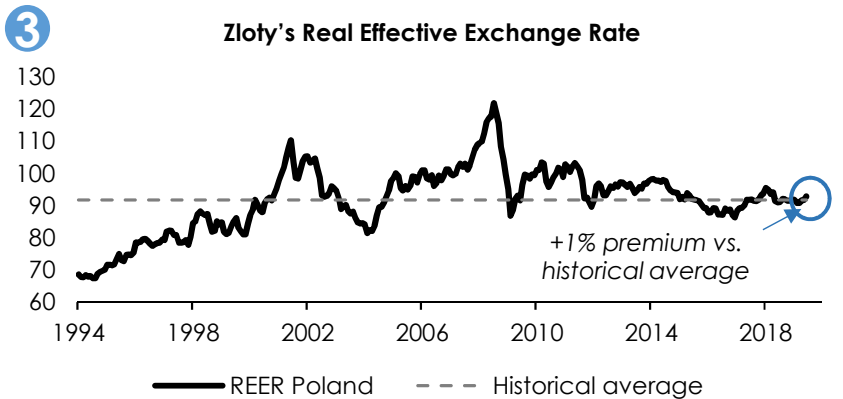
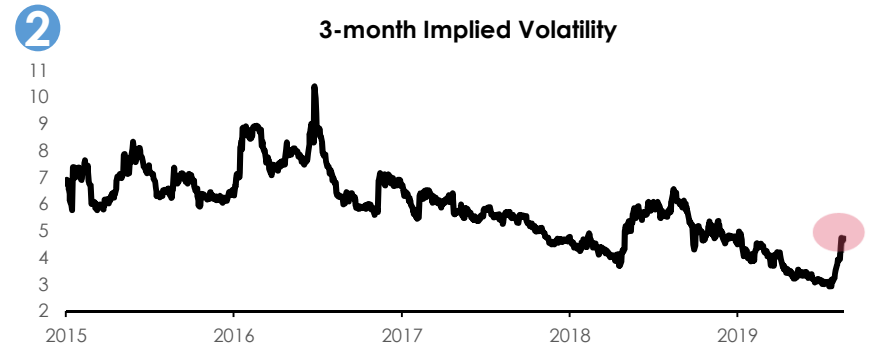
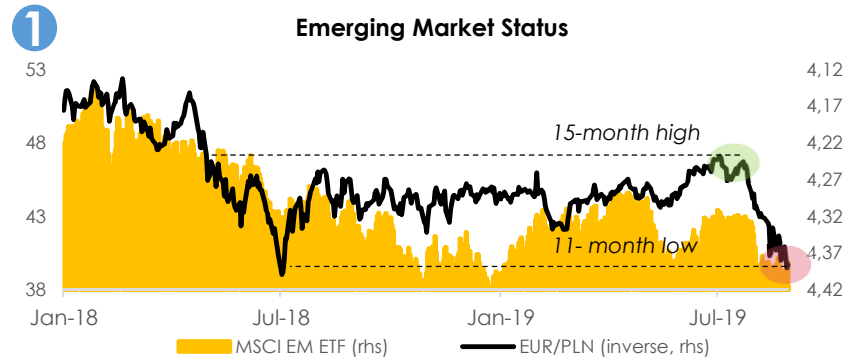
- The European economy is strongly based on German demand.
- On average, smaller countries are more dependent on global trade.
- Central Europe is one of the most open and trade-dependent regions in the world, mostly dependent on Germany
- Eastern Europe / Baltic States is dependent on trade, but not on Germany.
- Balkan Region is dependent on Germany but to a lower extent
- The large population makes countries like the US and China less dependent on the foreign market.

Source: Thomson Reuters, World Bank, Policyuncertainty.com, cbrates.com Western Union Business Solutions

Market Positioning | Zloty's Longer-term Valuations

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EUR/PLN – Zloty Recovery expected?



Source: Thomson Reuters, World Bank, Policyuncertainty.com, cbrates.com Western Union Business Solutions

Market Positioning | Franc's Longer-term Valuations

EUR/CHF – Potential for further downward slide?

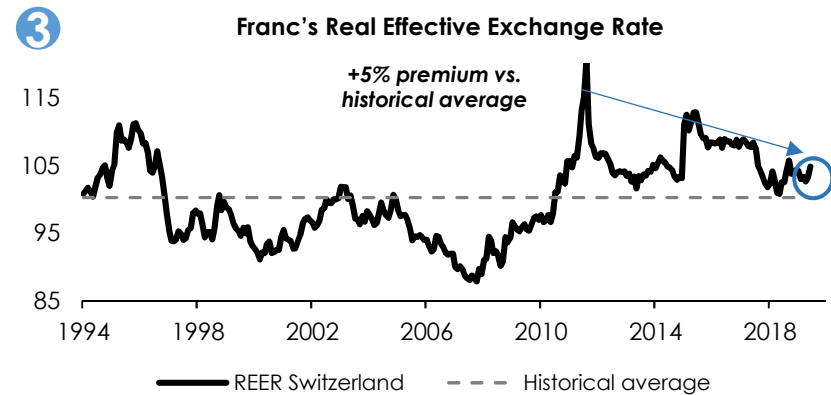
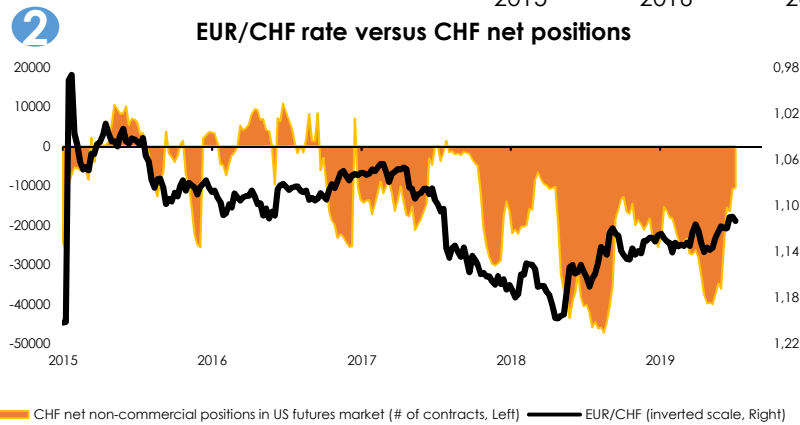
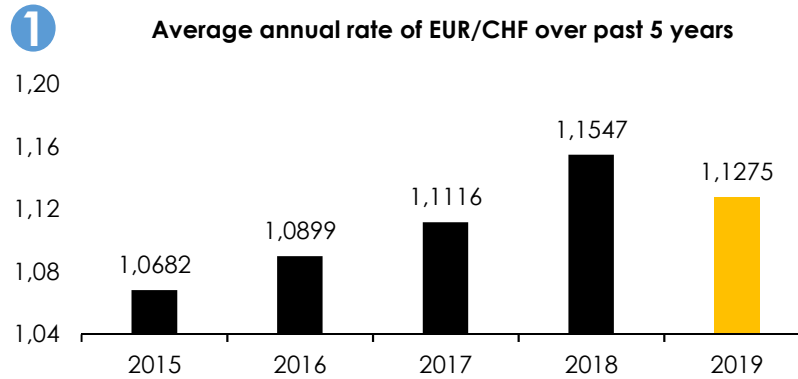


Chart sources : BIS, CFTC, Reuters, Western Union Business Solutions

Global Summary | Key Risk Events & Themes

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The foreign exchange market is global, and is impacted not only by domestic factors. Looking across all regions, here's a summary of what we think are the 'top tier' global themes that will influence exchange rates as we head into 2020.

Market theme	Looser monetary policy	Trade/currency wars	Life after Brexit	Global economic slowdown	Political uncertainty
What does this mean?	Central banks cutting interest rates to safeguard from potential economic slowdown	Escalating US-China trade war could lead to a currency war	UK due to leave EU on October 31, but will it be a soft or hard exit?	Warning signals of an impending global recession are flashing red	Brexit, US elections, governance in Eurozone, tensions in Hong Kong and the Ormuz Strait
Why it matters	Looser monetary policy often leads to a weaker currency	"Competitive devaluation" could lead to greater volatility, a rise in protectionism/trade barriers	A hard exit means no transition period and likely economic disruption with barriers to trade	Economic downturn and heightened market volatility expected	Intensifying geopolitical risks to ramp up uncertainty and volatility
Key stats	<i>73 out of 86 interest rate changes in 2019 have been cuts</i>	<i>US has imposed tariffs (up to 25%) on \$250bn of Chinese goods</i>	<i>30% probability of a no-deal scenario*</i>	<i>German GDP shrank 0.1% q/q in Q2 - a technical recession looms</i>	<i>Global geopolitical and economic risk indexes near an all-time high**</i>
Currencies affected?	All global currencies such as GBP, EUR, USD, JPY	Multiple currencies at risk: China's renminbi hit 11-year low in 2019	GBP could swing 10% in either direction, dependent on Brexit outcome	Safe-havens (JPY, CHF) likely to appreciate. Cyclical (AUD, NZD), oil-related (CAD, NOK, RUB) and emerging currencies likely to depreciate	Safe-havens (JPY, CHF) likely to appreciate. Cyclical (AUD, NZD), oil-related (CAD, NOK, RUB) and emerging currencies likely to depreciate
Key dates	January-March 2020: World central banks release new economic forecasts	September 2019: Key US-Chinese officials talk in-person	October 31, 2019: Brexit deadline	November 14, 2019: Germany Q3 GDP results	November 03, 2020: US presidential elections

*Source: Oxford Economics **Source: BlackRock, Refinitiv

Summary – Conclusion

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- ❖ Markets and especially Currencies will remain **volatile and generally unpredictable**
- ❖ Even if planning is difficult, businesses should **plan for their FX needs ahead**
- ❖ Don't hedge everything – but do **hedge to protect your margins**
- ❖ Profit from our expertise, **AYRF 2020 starting in October 2019 or sign up for more**

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