



FX market

Monthly review

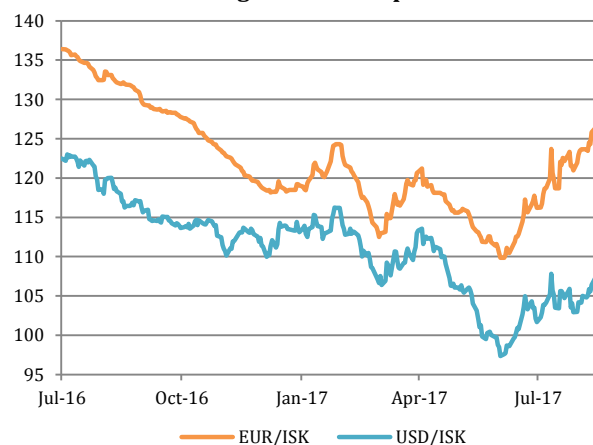
23 August 2017

- The exchange rate of the Icelandic *króna* (ISK) has been quite unstable in the past 2 months or so. The ISK has depreciated against major trading partner currencies since early June when the euro temporarily dipped below ISK 110 and the USD below ISK 100.
- At end of day 22 August, the EUR cost ISK 124.8, up by 13.6% since the beginning of June. The USD has gone up by 8.9% during the same period.
- There are indications that the balance of trade in goods and services in June and July of this year was similar to the same period last year. The weakening of the ISK must thus be traced to other sources. Turnover on the FX market in June and July was only half of turnover in the same months of 2016. Turnover on the market has contracted markedly since the requirement that foreign currency be repatriated was lifted.
- The CBI has mostly stayed on the side lines during this depreciation phase and last intervened by selling EUR 9 m (ISK 1.1 bn) on 11 July. CBI has stated its intentions to reduce exchange rate fluctuations and, in comparison to its high level of activity earlier this year during the appreciation phase, the CBI's behaviour can best be characterised as inconsistent.
- Turnover in the FX market in July was ISK 39.8 bn (EUR329 m) which is similar to average turnover in the three months before. The CBI's share in total turnover was 3% and has not been lower since June 2013.

	22.8.2017	MTD	YTD	3M	12M
EUR	124.8	2.3%	4.8%	11.5%	-5.4%
USD	106.0	3.0%	-6.2%	6.6%	-8.9%
GBP	136.0	-0.1%	-2.4%	5.1%	-11.1%
DKK	16.8	2.3%	4.8%	11.6%	-5.3%
SEK	13.4	2.4%	2.4%	12.3%	-5.4%
NOK	13.1	2.6%	5.5%	14.4%	-5.8%
CHF	109.5	2.8%	-1.3%	7.1%	-9.5%
JPY	0.97	3.6%	0.0%	8.2%	-16.6%

Source: Thomson Reuter Eikon

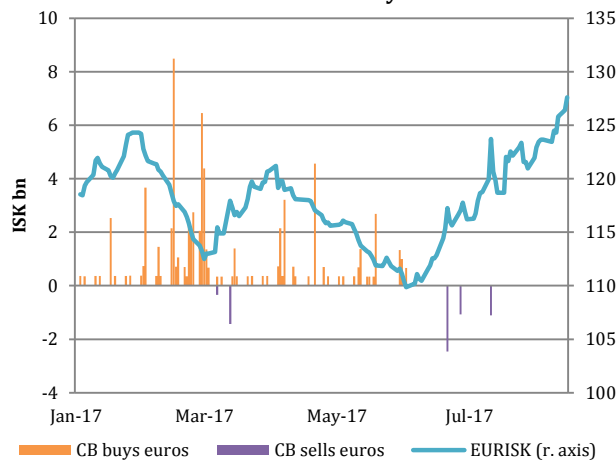
Exchange rate developments



Last date 22 August 2017

Source: Thomson Reuters Eikon

Market intervention by the CBI



Last date 15 Aug:

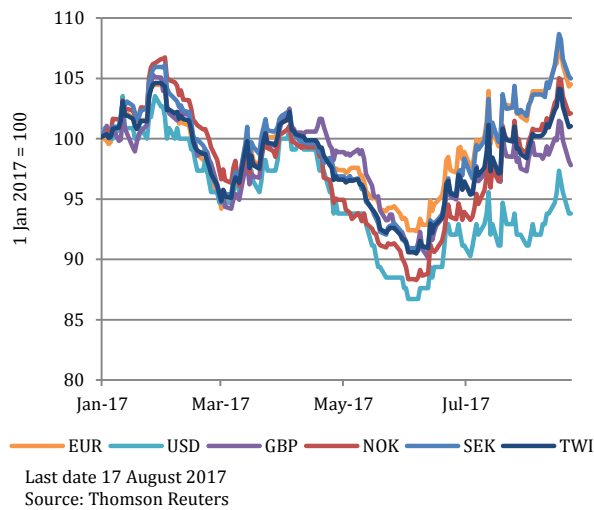
Source: Central Bank of Iceland

Magnús Stefánsson

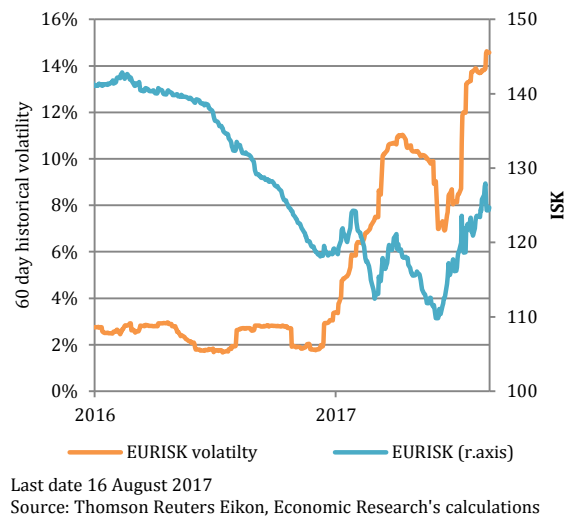
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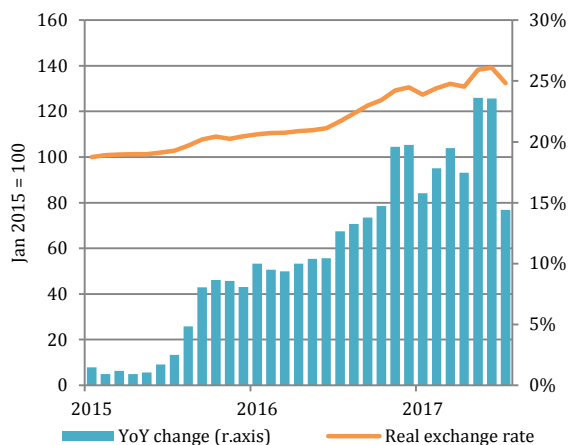
Year to date, the ISK has depreciated against the EUR and the SEK while gaining against the USD.



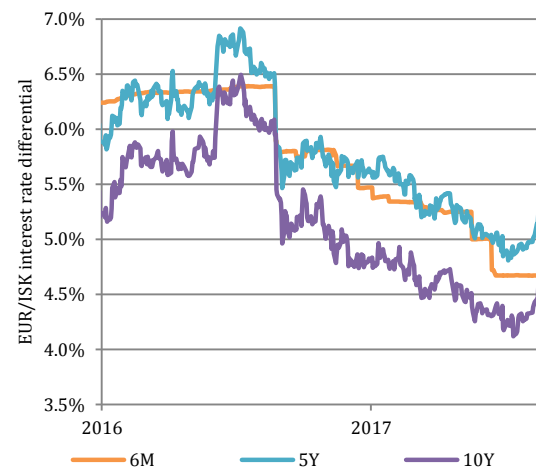
The ISK exchange rate has been unstable in the past months.



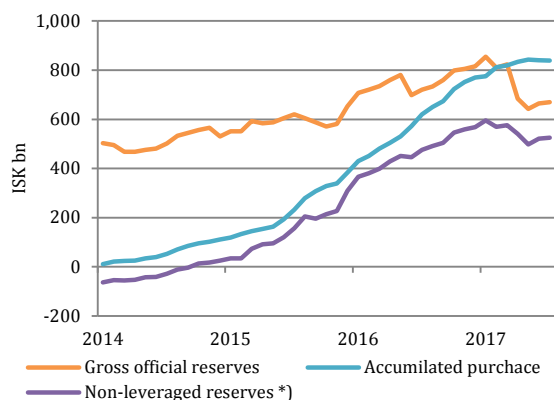
The real exchange rate fell by 4.8% on average between months in July. The 12M increase is 14.8%.



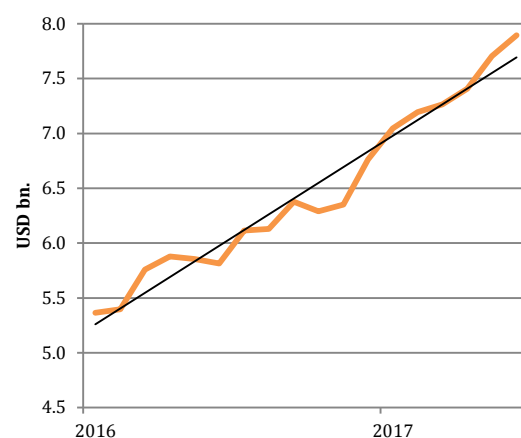
The short-term EUR interest rate has remained unchanged since the CBI cut policy rates in mid-June.



The foreign currency reserve (in ISK) has increased somewhat since the end of May, mostly due to exchange rate changes.

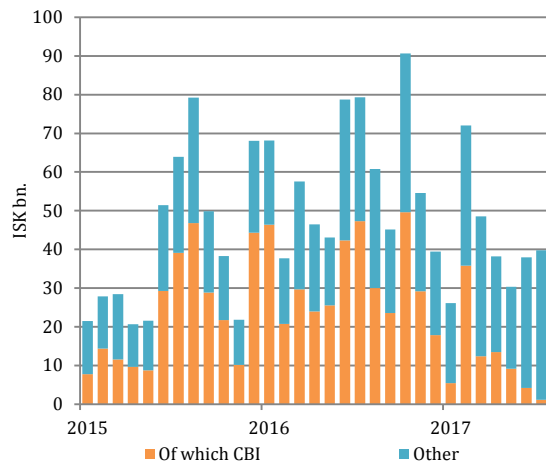


The foreign assets of Icelandic pension funds increased by USD 190 m (ISK 19.3 bn) in June.

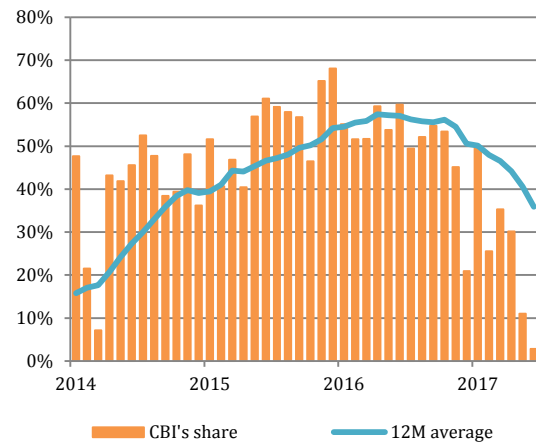




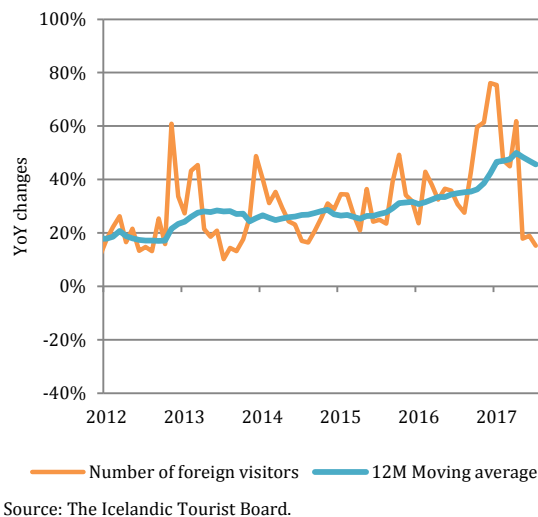
Turnover in the FX market in July was ISK 40 bn, which is similar to past months yet only half of turnover during the same period last year.



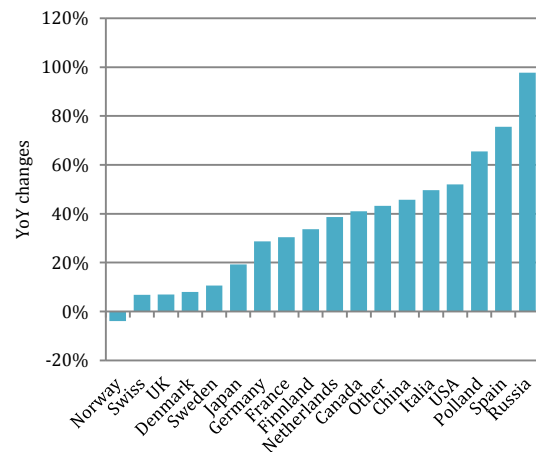
The CBI has reduced its activity on the market drastically and represented a mere 3% of July's action.



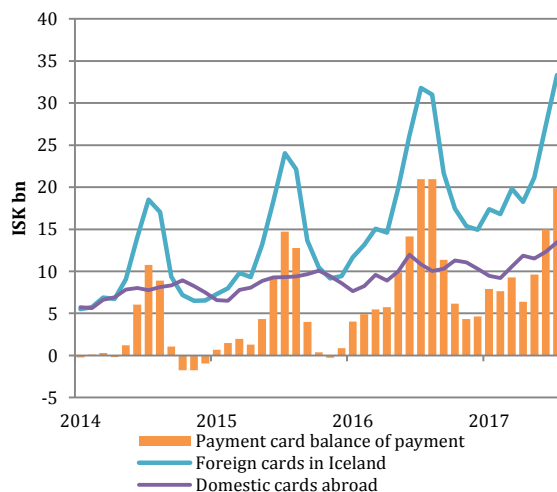
221,000 foreign travellers departed from the country in July, which is a 15% increase YoY.



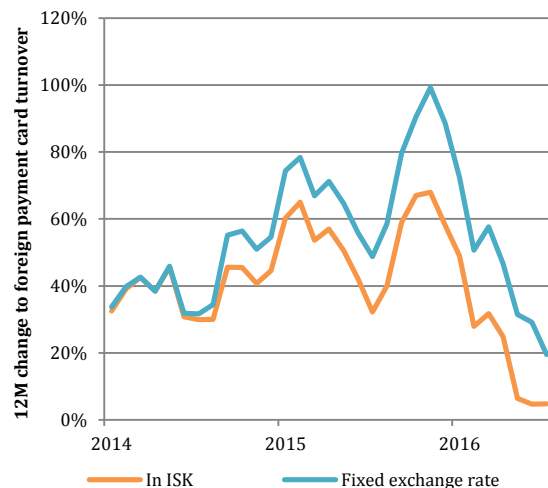
Travellers from Russia, Spain, Poland and the US account for the lion's share of the increase.



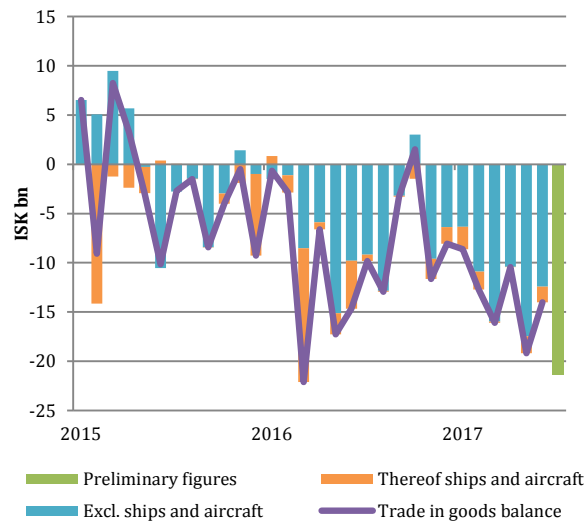
The payment card balance was positive by ISK 20 bn in July, which is similar to last year.



Foreign payment card turnover in July increased by 4.8% between years in ISK; by 19.5% measured at a fixed rate.

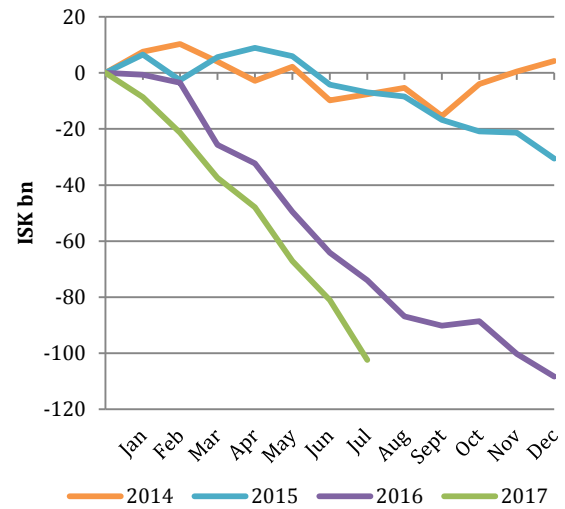


The trade balance has been negative since November of 2016.



Source: Statistics Iceland

The accumulated trade in goods deficit during the first seven months of the year is ISK 30 bn higher than last year.



Accumulated trade in goods balance of the year
Source: Statistics Iceland



The contents and form of this document were produced by employees of Landsbankinn Economic Research (hagfraedideild@landsbankinn.is) and are based on information available to the public when the analysis was compiled. Assessment of this information reflects the views of Economic Research's employees on the analysis date, which may change without notice.

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