



FX Market

Monthly Overview

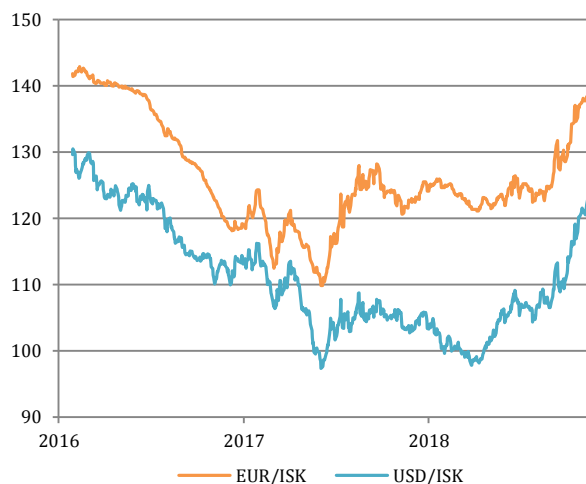
28 November 2018

- The króna has continued to weaken throughout November. At the end of day 27 November the euro stood at 141.5 and had risen by 2.8% MtD. The US dollar stood at 125.3, and had risen by 3.0 MtD.
- The Central Bank of Iceland has once intervened in the currency market in November, selling 6 million euro on the 14th. This is the third intervention by the CBI since the ISK began to weaken at the beginning of September.
- Domestic residents' deposits in currency accounts increased by ISK 8.5bn in October. Adjusted for the changes in exchange rate, these deposits have increased by ISK 75.6bn YtD.
- The short-term interest rate differential with the euro rose after the policy rate hike in early November. There was no change on the longer end.
- The real exchange rate dropped (the króna weakened) by 4.5% between months in October and is 6.9% lower than a year ago.

	27.11.2018	MTD	YTD	1M	3M	12M
TWI	186.2	2.8%	15.2%	3.2%	15.0%	16.4%
EUR	141.5	2.8%	14.0%	3.1%	13.7%	15.4%
USD	125.3	3.0%	21.1%	4.2%	17.6%	21.6%
GBP	159.7	2.9%	14.4%	3.5%	16.3%	16.4%
DKK	18.9	2.8%	13.7%	3.0%	13.6%	15.1%
NOK	14.6	1.0%	15.6%	1.1%	13.7%	15.2%
SEK	13.8	3.7%	9.1%	4.4%	17.3%	10.9%
CHF	125.4	4.0%	18.1%	3.9%	15.3%	19.5%
JPY	1.10	2.2%	19.9%	2.4%	14.7%	18.7%

Source: Thomson Reuter Eikon

Exchange rate developments

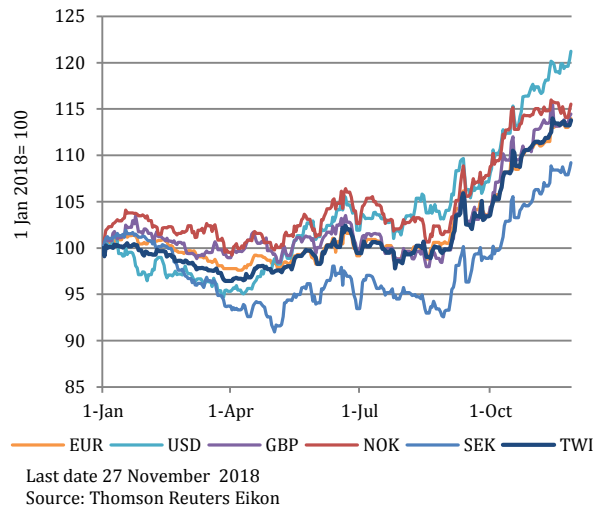


Last date 27 November 2018

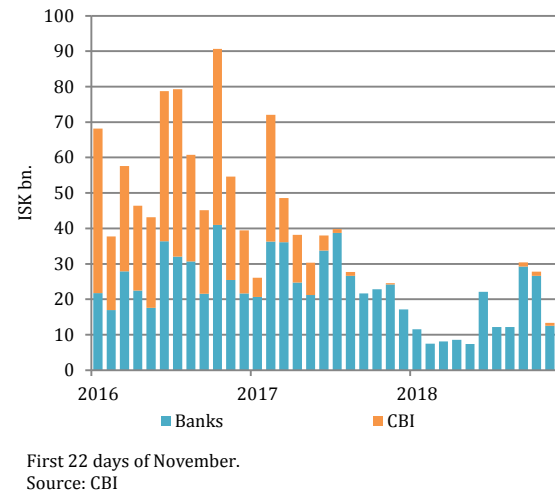
Source: Thomson Reuters Eikon



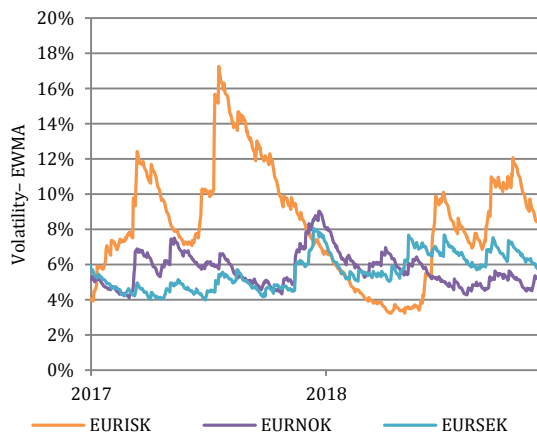
Since the beginning of the year, the króna has weakened against all main trading partner currencies.



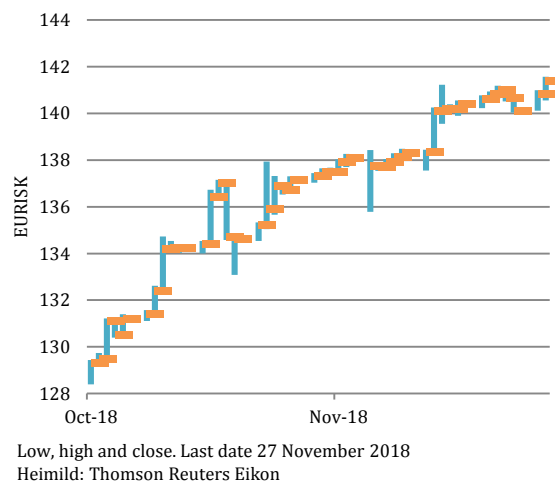
The turnover in October was similar to September. As of November the turnover has been less than in September.



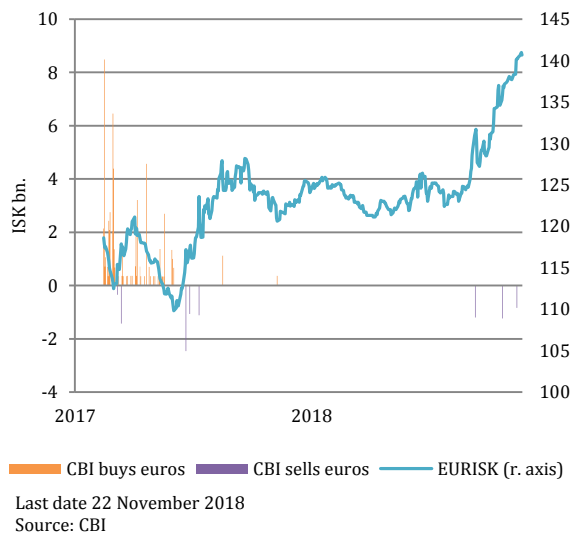
EUR/ISK exchange rate volatility has decreased.



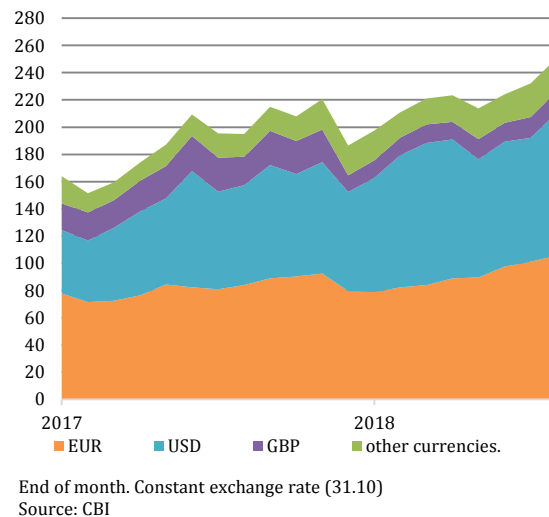
The decrease is despite quite large intraday movements of the EUR/ISK cross



The CBI has intervened three times YtD. The last intervention was 14 November when the CBI sold EUR 6m.

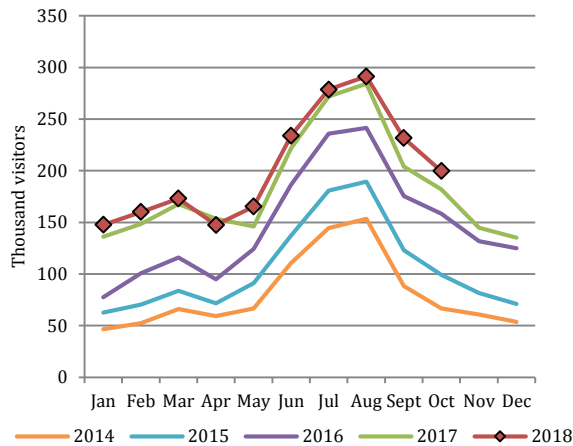


Domestic residents' deposits in currency accounts increased by ISK 8.5bn in October and have increased by ISK 75.6bn YtD.



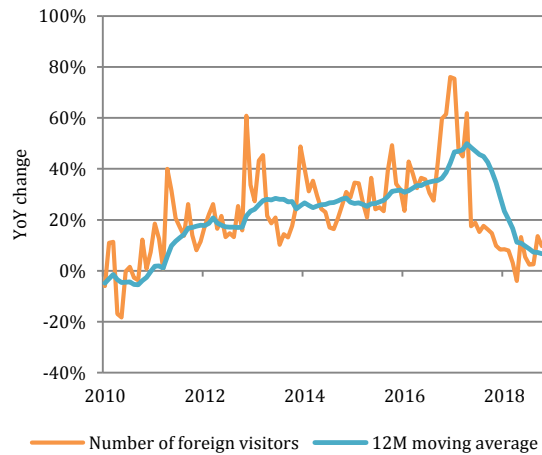


Some 200,000 foreign visitors travelled through Keflavík international airport in October.



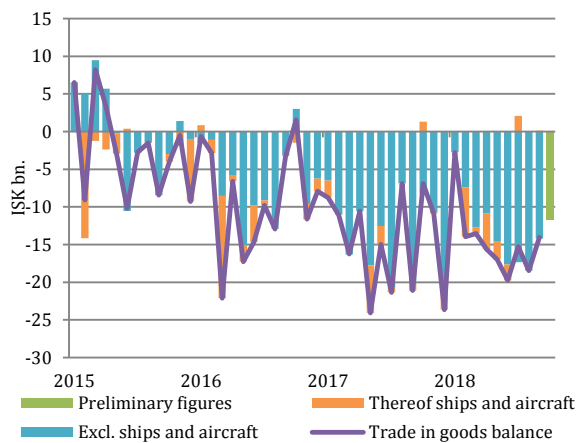
Source: The Icelandic Tourist Board

This is a YoY increase of 9.7%.



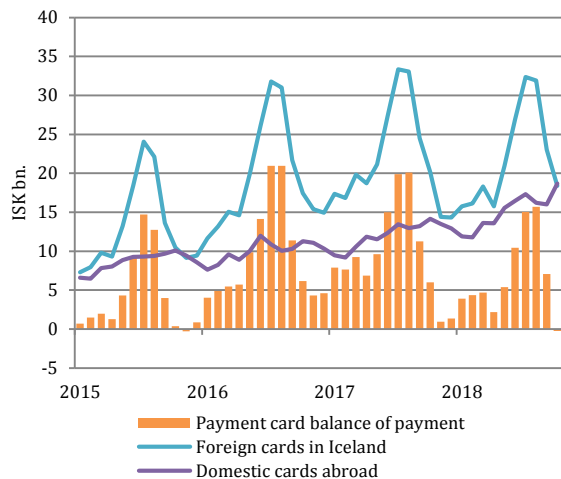
Monthly data, last date October 2018
Source: The Icelandic Tourist Board

According to preliminary figures, the trade deficit in goods amounted to ISK 11.7bn in October.



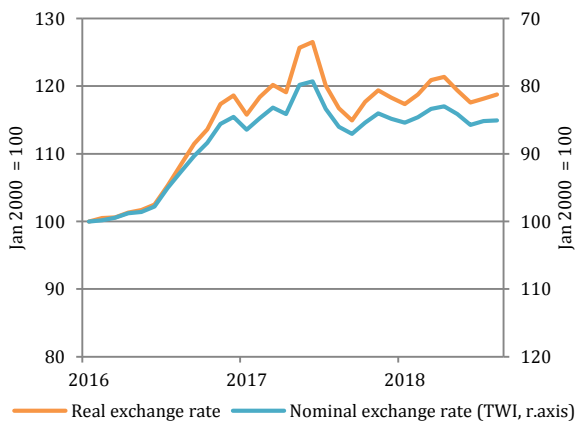
Monthly data, last date October 2018
Source: Statistics Iceland

The external balance on payment card turnover was negative by ISK 0.3bn in October. This is the first time since November 2015 that a deficit is on this balance.



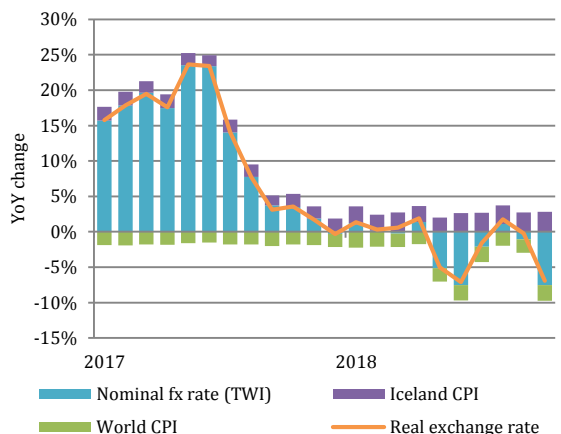
Monthly data, last date October 2018
Source: CBI

The real exchange rate is 7.4% lower than at the beginning of 2018, the nominal exchange rate 8.2% higher (weaker króna).



Monthly data, last date October 2018
Source: CBI

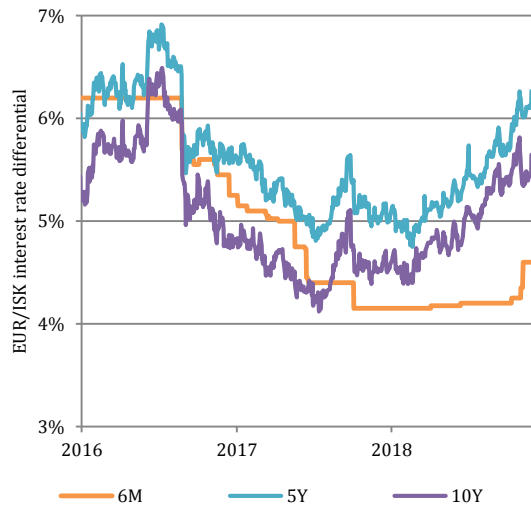
The real exchange rate in October was 6.9% lower than October 2017, mainly due to changes in the nominal exchange rate



Monthly averages, last date October 2018
Source: CBI

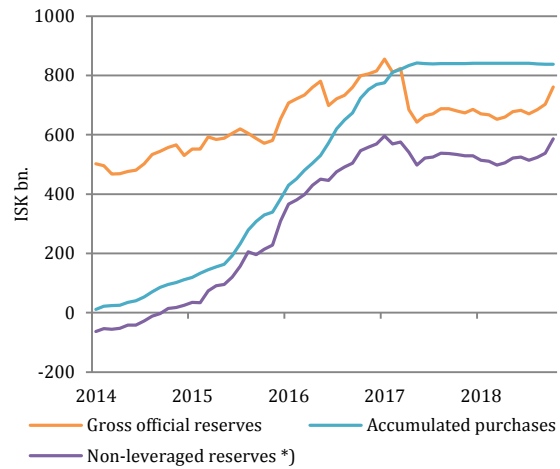


The short-term interest rate differential with the euro rose after the policy rate hike in early November.



Last date 27 November 2018
Source: Thomson Reuters Eikon

The CBI's foreign exchange reserves have increased in ISK due to the weakening of the króna.



*) Foreign currency reserves less debt owed by the CBI and the Treasury in foreign currencies.
Monthly data, last date 31 October 2018
Source: Central Bank of 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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