



FX Market

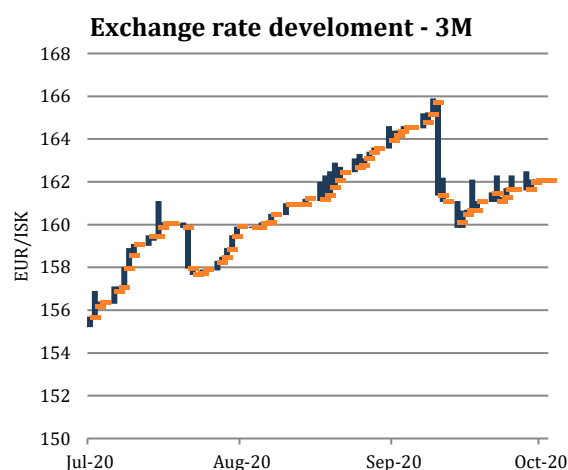
Monthly Overview

5 October 2020

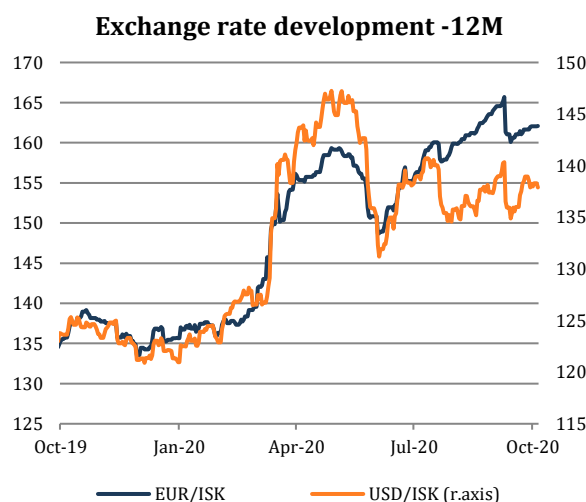
- The ISK appreciated by 1.2% against the EUR but depreciated by 0.7% against the USD in September. At the end of the month, the EUR/ISK stood at 162.1, compared to 164.0 at the end of August.
- After the markets closed on 9 September, the Central Bank announced that it had decided to begin regular programme of foreign currency sales from Monday 14 September. Almost all the appreciation of the króna in September took place the day after the announcement, but the króna slowly depreciated for the rest of the month.
- Aside from regular sales, the Central Bank intervened 7 days in September. Total sales amounted to ISK 6.3bn (EUR 39m) in regular sales and ISK 18.6bn (EUR 114m) apart from regular sales.
- Total turnover in the foreign exchange market in September was ISK 50.1bn (EUR 313m). The Central Bank's share was ISK 24.8bn (EUR 153m, 48% of total turnover).
- The volatility of the króna against the euro in September was somewhat higher than the average volatility per month over the last twelve months.

	30.9.2020	YTD	1M	3M	12M
TWI	211.8	17.9%	0.0%	4.9%	18.6%
EUR	162.1	19.5%	-1.2%	4.4%	20.1%
USD	138.2	14.3%	0.7%	0.0%	11.7%
GBP	178.6	11.4%	-2.7%	4.2%	17.4%
DKK	21.8	19.9%	-1.2%	4.5%	20.4%
NOK	14.8	7.5%	-5.9%	3.2%	8.8%
SEK	15.4	19.5%	-2.8%	4.1%	22.7%
CHF	150.1	20.1%	-1.2%	2.9%	21.0%
JPY	1.31	17.8%	1.1%	2.4%	14.5%

Source: Refinitiv



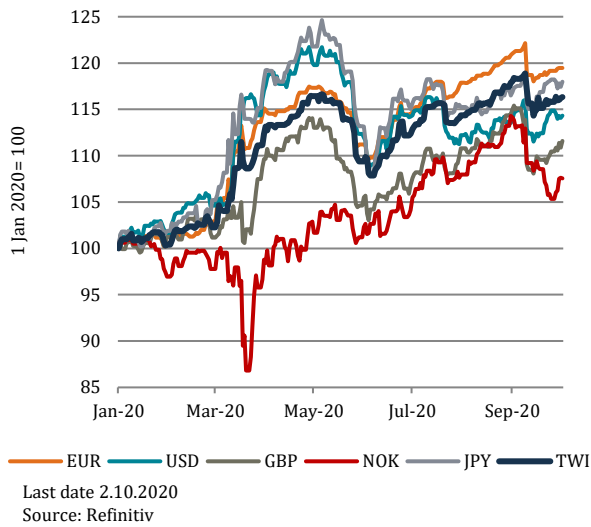
Source: Refinitiv



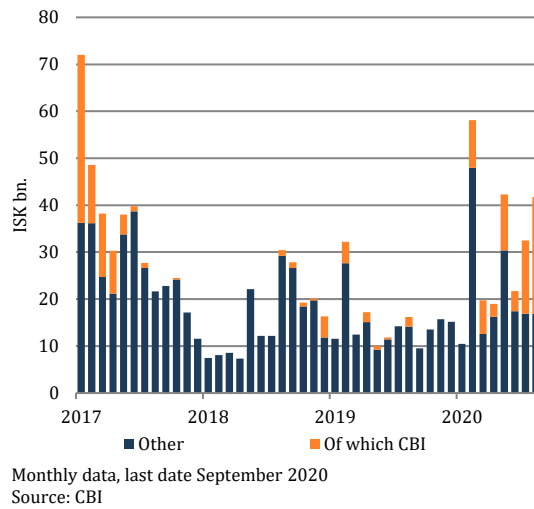
Last date 2.10.2020
Source: Refinitiv



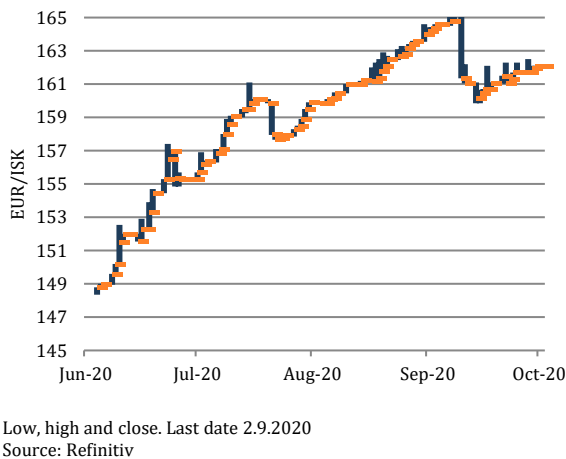
The Icelandic *króna* has depreciated against the currencies of all main trading partners year-to-date.



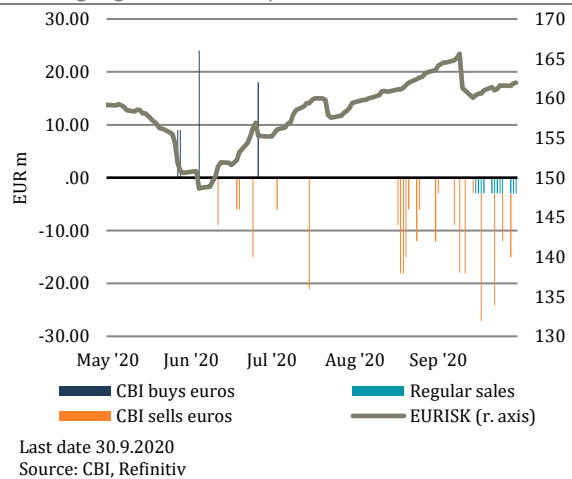
Turnover in the interbank foreign exchange market was ISK 50.1bn (EUR 303m) in September. The CBI's share of the turnover was ISK 24.8 bn (EUR153m).



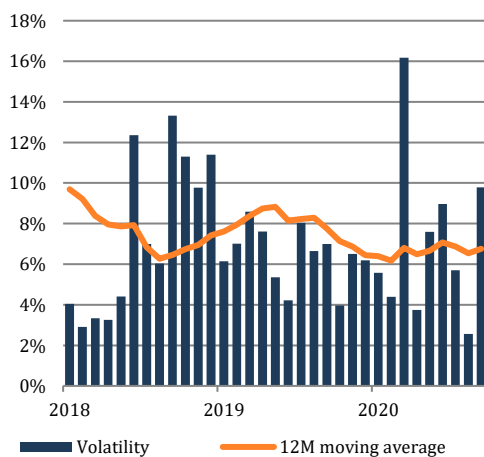
Almost all the appreciation of the *króna* in September took place the day after the CBI announced its decision to start regular foreign currency sales.



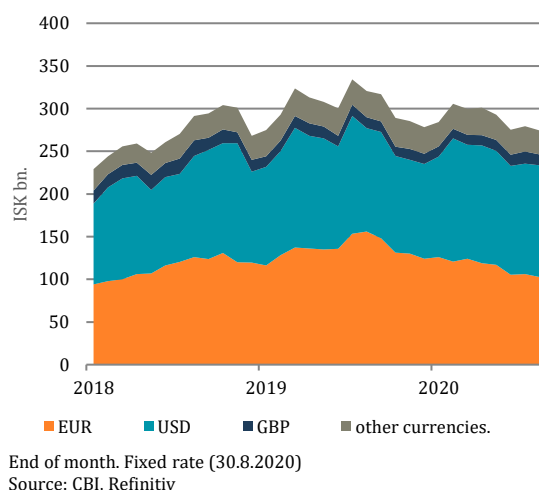
In total, the Central Bank sold euros for ISK 6.3 bn. (EUR 39m) in regular sales and ISK18.6 bn. (EUR 114m) excluding regular sales in September.



The volatility of the Icelandic *króna* against the euro in September was somewhat higher than the average of the previous twelve months.

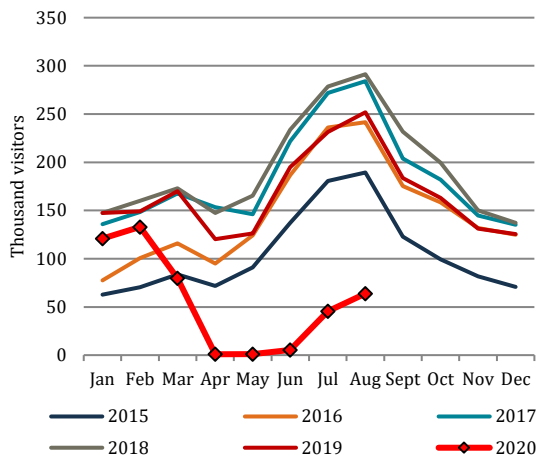


Domestic deposits in foreign currency accounts increased by ISK 5.0bn (1.8%) MoM in August.



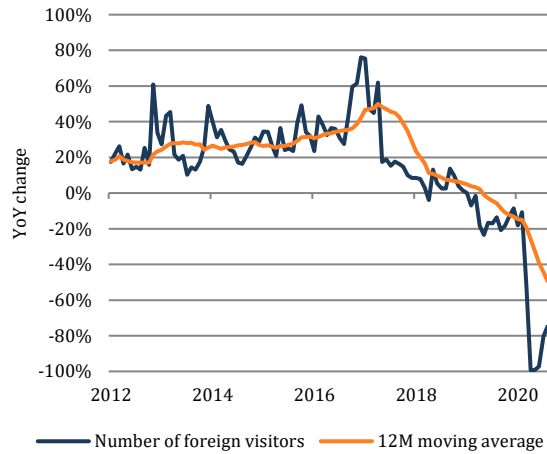


63,700 foreign visitors travelled through Keflavik International Airport in August.



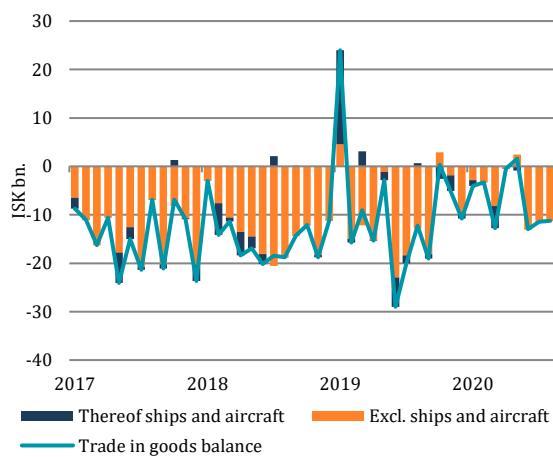
Source: Icelandic Tourist Board

The number of foreign visitors through Keflavik Airport decreased by 74% YoY in August.



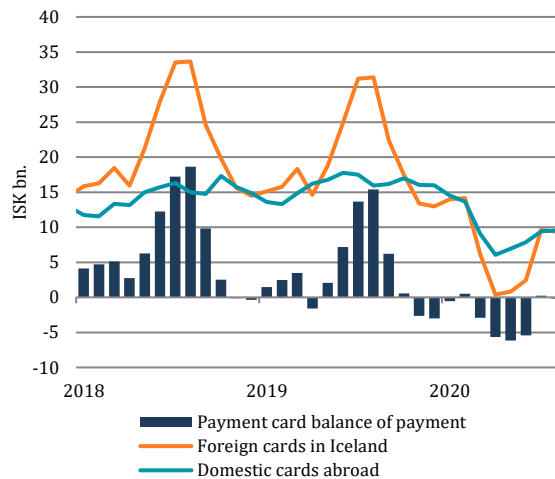
Monthly data, last date July 2020
Source: Icelandic Tourist Board

Excluding ships and aircraft, the trade balance in goods was negative by ISK 11.3bn in August.



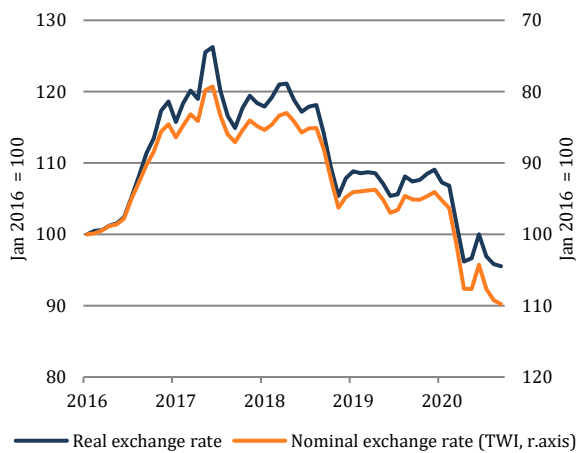
Monthly data, last date August 2020
Source: Statistics Iceland

The external balance on payment card turnover was negative by ISK 0.2bn in August.



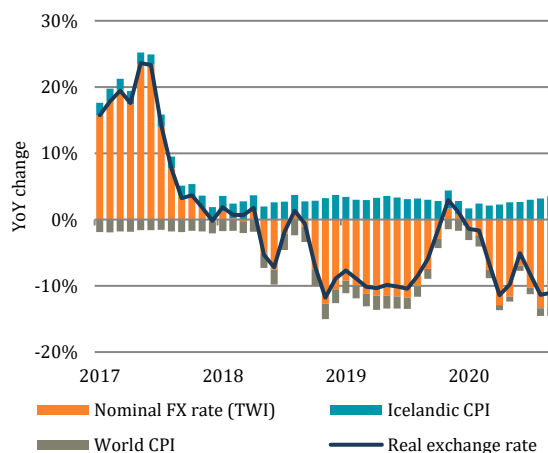
Monthly data, last date August 2020
Source: CBI

The real effective exchange rate in September 2020 was 11% lower YoY; the nominal exchange rate was 13,4% weaker.



Last date September 2020. September 2020 own calculations
Source: CBI, Landsbankinn Economic Research

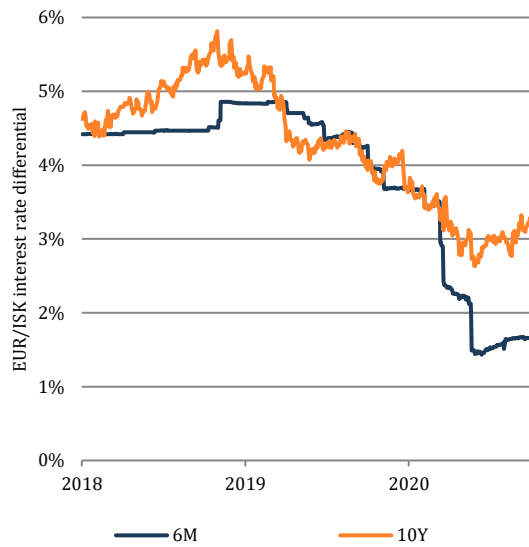
Real effective exchange rate changes during the last couple of years are mainly a result of changes in the nominal exchange rate.



Last date August. September 2020 own calculations.
Source: CBI, Statistics Iceland, Landsbankinn Economic Research

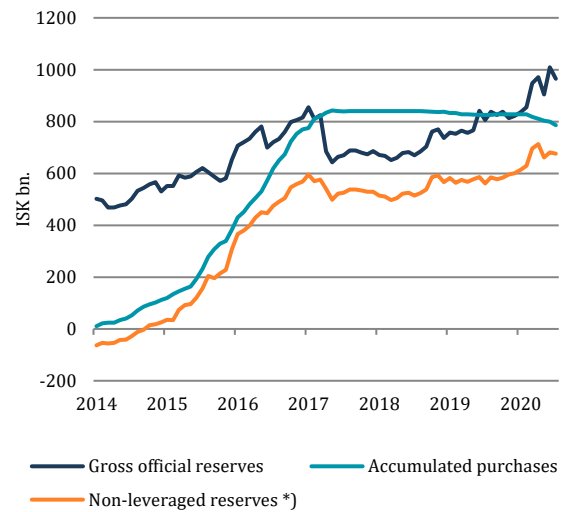


The interest rate differential with the euro has decreased significantly year to date.



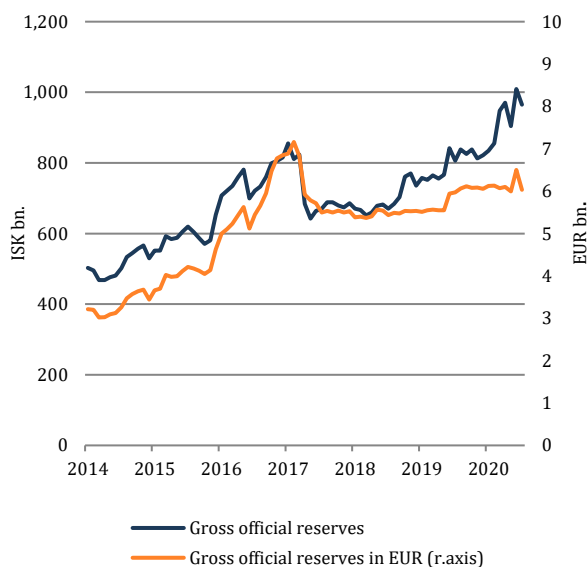
Last date 2.10.2020
Source: Refinitiv Eikon, Refinitiv Datastream

Gross official reserves have increased year to date despite the CBI's net sales of foreign currency. The increase is due to exchange rate and market movements.



*) Foreign currency reserves net of debt owed by the CBI and the Treasury in foreign currencies.
End of month. Last date 30.8.2020.
Source: CBI, GDM

Gross official reserves in EUR is unchanged year to date.



End of month. Last date 30.8.2020.
Source: CBI, Refinitiv

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