Part I
EURUSD
Is the FX Market still uncertain relative to pre-pandemic times?

Source: Commerzbank eFX
Following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time.

Fed Press Release, Aug. 27th 2020
US inflation has gone up and is expected to go up

Is US inflation positive or negative for the US dollar?
We expect [the key ECB interest rates] to remain at their present or lower levels until we have seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2 per cent within our projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

ECB Press Conference, April 22nd 2021
Eurozone inflation expectations are significantly below ECB threshold

How will EUR interest rates and PEPP affect the FX rate?

Market-based Eurozone inflation expectations
(Percent year on year, based on inflation swaps)

Sources: Bloomberg, Commerzbank Research
Does the difference in long-term US and EU outlook justify current levels of EURUSD?

EUR-USD and absolute PPP
(PPP from OECD international price comparison)

Fed funds rate, target corridor & OIS-derived market expectations vs. ECB depo rate, EONIA & OIS-derived market expectations
(Percent)

Sources: Bloomberg, Federal Reserve, ECB, Commerzbank Research
Part II
EMEA
Is the FX Market still uncertain relative to pre-pandemic times?

Source: Commerzbank eFX
Fundamental drivers of EM FX

Potential for growth rebound after pandemic

Longer term exchange rate drivers: 2x2 current-account vs. real interest rate

Source: Global Insight, Commerzbank Research
Source: Bloomberg, Commerzbank Research
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