

# No intervention from the Danish central bank in August

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*The Danish central bank did not intervene in the FX market in August. This is the second consecutive month without intervention from the central bank. The krone has generally been weakening against the euro over the past month. With calm restored, the bank will probably keep rates on hold for an extended period.*

## Slightly weaker krone

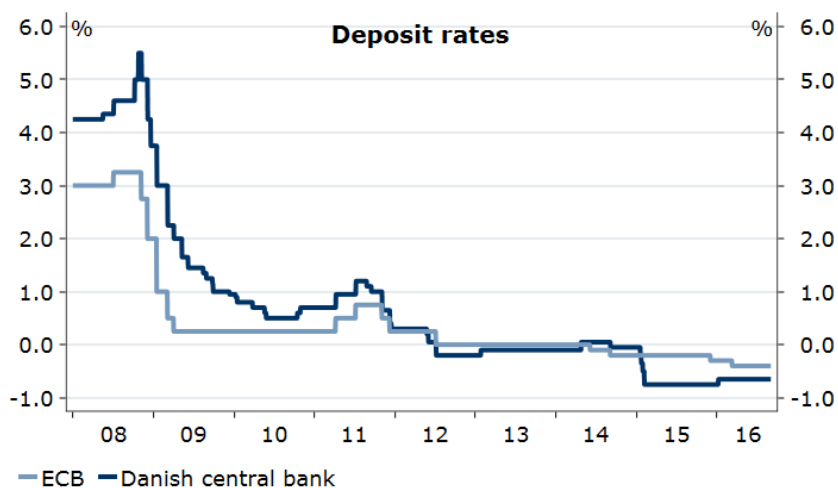
Since the beginning of August the Danish krone has generally been weakening against the euro in line with higher excess liquidity in the money market and possibly some unwinding of currency hedges after Brexit. Currently EUR/DKK is trading just above 7.440 after reached 7.447 a week ago.



## Rates to remain on hold for extended period

Going forward, we expect greater krone stability. The existing interest rate differential to the Euro area appears to be the right one to maintain a stable krone exchange rate around 7.44. That is probably a tad stronger compared to previously. But as the currency reserves are also somewhat below recent years' average levels, we think this is the optimal level for the bank at the

moment. We consequently expect the central bank's policy rate to be maintained at #0.65% until end-2017.



Source: Nordea Markets and Macrobond

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