

G10 Rates & FX - The Traders' Views

Please find below views on G10 Rates & FX directly from our traders.

We have used this expression already this year, but this week's price action has resembled the 5th day in a cricket test match as the players become exhausted and the wicket starts to cut up. Rates have risen across the board as government bond yields flirt again with the year's highs. CT10's currently yield 2.92%, CT5's 2.769% and CT2's 2.72%. The aggressive flattening of the yield curve has paused for now and as the market's assessment of the US terminal rate reaches above 2.75%, 2/10's is back above 22.5 and 5/30's is back at 10. The Greenback has had a better week, as unwinds of long positioning in EUR and GBP have helped push DXY above 90.

G-10 FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
EUR	Last week saw choppy trading and relatively low liquidity as the market's focus was elsewhere, mainly on GBP and CHF. EURUSD eventually tracked Sterling lower and traded below 1.2300 at the end of last week. With the ECB coming up this week, the danger is to the downside as the latest soft Eurozone data might influence the ECB's tone and EURUSD losses would possibly be extended if the central bank sounded more dovish than expected.	Neutral	3m 1.2500 12m 1.3500
GBP	The week started with a 90% probability priced in of a BOE rate hike at the next MPC meeting in May. However, after Mr. Carney's comments on Friday regarding the uncertainty introduced by Brexit negotiations, May MPC pricing fell to a 60% probability as the market reassessed the path of monetary policy for 2018 and 2019. GBP sold off 1.5% on the Governor's comments, pushing GBPUSD to 1.4065 and EURGBP to 0.8750.	Neutral	3m 1.4500 12m 1.5000

20 April 2018

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JPY	Japan had an interesting week domestically as CPI fell, causing a spike in USDJPY on Friday morning. The currency had benefited from USD weakness earlier last week. The combination of the selloff in treasuries on Thursday and the weaker inflation numbers saw JPY hit exactly the same lows as Friday 13th at 107.73. Looking ahead, with Tokyo CPI data for April expected Friday, the coming week should otherwise prove fairly quiet on the domestic front.	Neutral USDJPY	3m 107.00 12m 108.00
CHF	As we highlighted in our previous commentary, EURCHF has finally broken the SNB floor of 1.2000. The pair rallied last week with ease on the back of the improved risk sentiment along with the consistent bearish SNB stance which combines negative rates and FX intervention if needed. The central bank expressed no hurry to adjust monetary policy and if global risk appetite offers support, we believe that EURCHF could be sustained above 1.2000.	Neutral Swiss although we are still alert to any escalation in global political tensions for safe haven flow	3m 0.9300 12m 0.9700
AUD	AUD traded higher for higher and in a tight range for much of last week, before experiencing a sharp decline on Friday. The weekly high was above 0.7800, from where it slid 0.8% at the end of the week. The correction lower came on the back of weaker iron ore and oil prices. This said, while the latest Westpac economic index showed a small loss of positive momentum, the overall reading of the index remains above trend and continues to portray a healthy economy. We therefore look for AUDUSD to be range-bound in the near-term, with downside risk around 0.7650, with upper end potential of 0.7815, with key support at 0.7760 and resistance at 0.7850. Focus this week will be on CPI, and PPI data.	Bullish	3m 0.7500 12m 0.7500
NZD	Last week, weaker than expected NZ data was the main catalyst for NZD weakness as the market repriced the timing of RBNZ tightening. More importantly, NZD was sold across G10 and even though Australian employment data disappointed, AUDNZD managed to continue its rally. With that said, the recent selloff is likely to entice some profit taking especially around the long-term support level at 0.7200. This week's data is key and will be watched closely, namely the trade balance and import/export data.	Neutral	3m 0.6800 12m 0.6300
CAD	Highlight of last week was the BOC meeting on the 17th April. Rates were left at 1.25%, as expected, with the council continuing to hit a dovish tone albeit with a couple of hawkish caveats towards GDP growth expectations. The BOC remains concerned about balance in the economy with stronger wage growth, highly indebted households, ongoing uncertainty towards trade agreements and weakness in exports all contributing to a cautious approach to monetary policy. We do not expect any BOC hikes in 2018 despite the U.S. Fed's projected moves which should entail CAD weakness in the long run. The desk recommends buying dips in USDCAD below 1.2300.	Neutral USDCAD	3m 1.2500 12m 1.2200

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