

G10 Currencies - the traders' views (05-August-2016)

Please find below views on G10 FX directly from our traders. The views include short-term (2wk), intermediate (3mth) and long-term (12mth) outlook on G10 FX.

G-10	Macroeconomic/Fundamental Analysis	Views (Bearish/ Bullish) 2 week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
EUR	The stress tests failed to calm investor nerves and EUR had a modest brief pop that couldn't be sustained above the 1.1200 handle, as the near-term uncertainty and risks depress the single currency. With the falling commodity prices, oil drifting lower, stocks in the red, US and Italian votes coupled with the ongoing immigration issue, and finally the BOE easing, EUR bulls must be sweating bullets now as the stakes are now elevated for more action from the ECB. Even with the BOE risk, EURUSD failed to break the familiar range 1.1000-1.1250, albeit expect the currency to trade towards the lower bounds of the range with a test of 1.0950 on the cards if the Euro data next week disappoints.	Bearish - Whilst we retain preference for an eventual break of 1.0900, a test of 1.1300 would concern.	1.0900 3m; 1.0600 12m
GBP	The BOE dropped the sledgehammer and delivered a widely expected 25bp cut, increased its Asset purchase facility by £60bn and also announced £10bn in corporate bond purchases over 18 months. Furthermore, BOE Carney stressed the fact that he is not a fan of negative rates and that the MPC has other options to provide stimulus if needed as all the Bank's measures mentioned can be extended in an effort to boost the economy. Additionally, the BOE cut its 2017 growth forecast to 0.8% vs 2.3% in May report; 2018 est. lowered to 1.8% vs 2.3%, the most ever in a single Inflation Report, and now the market is pricing another cut in the November meeting more likely than September. The recent events are likely to see renewed downward pressure on GBP as the market adjusts to the fact that the MPC flipped from 8/1 in favour of no cut to 9/0 in favour of a cut.	Bearish – 1.3050 – 1.3500 range extremes hold for the time being.	1.3000 3m; 1.4000 12m
AUD	The RBA rate cut of 0.25bp this week as widely expected, but AUD actually rallied to the 0.7600 handle over the course of the week. The price action can be put down to positioning and a frustrated market that has been trading policy divergence with little to show for it. And now expectation is for an extended pause before easing again next year as both inflation and growth dynamics remain similar to the RBA's previous assessment. Additionally, cross trading has helped supporting AUD especially against GBP and now 0.7700 could be on the cards should sellers not materialize, the reality of Australia's AAA rating and relatively high yield a continued attraction.	Bearish – ingrained negativity remains, although above 0.7700 would concern.	0.7300 3m; 0.7700 12m
CHF	The pressure eased on CHF which can be clearly seen after BOE cut rates and this might provide relief to the SNB who seem to have lost their magic touch in the FX space. With the next policy meeting on the 15th of September, but despite Jordan's comments that another cut is possible, the market is not buying it. Meanwhile EURCHF is seen trading comfortably around 1.0850 while USDCHF is trying to test 0.9800.	Neutral – rangy EURCHF, SNB on the base, but speculators sitting above.	USD CHF 1.0000 3m; 1.0500 12m
JPY	The BOJ's new fiscal plan is being viewed as creative packaging and although the plan is expected to modestly lift the outlook for growth in Japan in the year ahead, it is unlikely to materially increase inflation expectations and subsequently weaken the JPY. Additionally, recent comments from the BOJ Iwata saw USDJPY dip below 101 as he said that the central bank will assess mechanism of QQE with negative rate policy which spurred uncertainty around the BOJ stance and begs the question of the central bank's ability to do anything to stop JPY from weakening further should the 100.00 psychological level is broken.	Bearish – trading gently, but comfortable with exporter offers layered above to 108.00.	102.00 3m; 107.00 12m
NZD	Strong dairy auction failed to push NZDUSD above 0.7260 which is now considered as a topside resistance ahead of the anticipated RBNZ rate decision next week. The market went as far as pricing in two rate cuts this year, on the back of weak inflation outlook and given the recent price reaction in the G10 space, the positioning does play a role in limiting the size of the down drop, and 0.7000 could prove to be a tough support to break.	Bearish – looking for test of 0.6800, above 0.7300 negates.	0.6800 3m; 0.7000 12m

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