

## G10 Rates & FX - The Traders' Views

Please see below views on the G10 FX & Rates markets directly from our traders.

G-10 FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
EUR	<p>The bulls have been disappointed to say the least when the ECB minutes showed the central bank's commitment to accommodate its monetary policy for longer than the market had been pricing and all members agreed to avoid sending signals that could be prone to over-interpretation and might prove to be premature, which is something that the desk has been highlighting for two months now. The minutes showed clear concern about the rapid appreciation of the currency and rightly so as it can have a negative backdrop on growth. To add insult to injury, Draghi decided not to use his remarks at the Jackson Hole symposium to deliver a fresh policy signal, which has taken fun out of it.</p> <p>Early part of this past week saw EUR bouncing of 1.1700 repeatedly on the back of good corp supply and the dip to 1.1662 post the ECB was considered by some market participants as a good opportunity to buy ahead of the next ECB meeting in Sep, which I think is brave especially after the ECB minutes. I remain bearish with preference to sell the rallies close to 1.1800.</p>	Bearish – above 1.1900 negates	1.1700 3m; 1.1800 12m
GBP	<p>The UK has had two main themes this past week with an ambitious Brexit policy making headlines and disappointing inflation data subduing the buoyant pound. The government's first position paper since triggering Article 50 laid out two options for a post Brexit customs arrangement and suggested an interim period to deal with the implementation of such. It also tried to tackle the land border between Northern and Southern Ireland as it works towards a 'deep and special partnership' with the EU. The Brexit developments haven't had much impact on the market but the miss in inflation data certainly did. Various economists have revised...</p>	Neutral 1.2700 – 1.3100 range to hold in the near term	1.2600 3m; 1.3000 12m

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GBP	<p>... longer term expectations lower and chances of a hike from the MPC continue to diminish although there is still 25% priced into December. The idea of a hike was somewhat supported by the positive jobs news and uptick in weekly earnings although it should be noted that this is still running below inflation so households are experiencing a squeeze in disposable income. Retail sales on Thursday closed the week's data releases off on a positive note but not enough for cable to recover above 1.2900.</p> <p>The week ahead is light on data with GDP on Thursday the highlight so we'll be watching for direction from the US.</p>	Neutral 1.2700 – 1.3100 range to hold in the near term	1.2600 3m; 1.3000 12m
JPY	<p>Political risk sentiment remains the main driver of the price action in USDJPY, which saw a relief rally on the easing North Korean tensions for the first half of the past week. Then USDJPY swung on speculation that Gary Cohn was about to resign as director of President Trump's national economic council, a rumor which was later denied but only after sending the equity markets lower. Furthermore, USDJPY reflects the market's sensitivity and its lack of tolerance to any risks or political worries in the summer days, as such safe haven inflows have made USDJPY dip to new lows, however the week may be quieter with a lack of notable releases due aside from inflation data and the PMIs at the end of the week.</p>	Neutral – below 108.00 – 111.00 range to hold.	112.00 3m; 118.00 12m
CHF	<p>EURCHF had a decent free fall this week on safe haven inflows and the move accelerated after the ECB minutes showed that the central bank does not like EUR at these elevated levels, sound familiar? What is interesting is that the SNB did not release their usual comments about FX intervention this week, which indicates that the central bank is perhaps comfortable at these levels especially above 1.0700.</p>	Neutral – speculators are gaining in confidence having breached 1.1500 with little difficulty.	USD CHF 0.9900 3m; 1.0000 12m
AUD	<p>The Aussie had been in a bearish mood since the beginning of August. However another set of strong Australian employment numbers and the recent US dollar sell-off after the recent FOMC meeting has seen AUD/USD push back above the 0.7900 level. AUD has also received support from a rebound in metal prices. A break of 0.7980 opens up the way for a move to 0.8070 next.</p>	Bearish – ingrained negativity remains.	0.7500 3m; 0.8500 12m

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<b>NZD</b>	<p>Kiwi's notable outperformance earlier in the week was due to better than expected retail sales and higher commodities, NZDUSD reached a high of 0.7335. Next week, expect the fragile risk sentiment to help Kiwi retain its gains and consolidate between 0.7200 and 0.7300, especially with the lack of material data, aside from NZ Trade Balance at the end of the week.</p> <p>Notably, AUDNZD is at levels not seen since April, with that said it has tried three times this month to close above 1.0900 but failed providing a decent opportunity to fade the long term rally that started in mid-June with a stop loss above 1.1000.</p>	Neutral	0.7000 3m; 0.7100 12m
<b>CAD</b>	<p>The loonie proved its resilience against a soft dollar that was suffering from constant political headlines and USDCAD printed a low of 1.2575 this week on the back of the latest promising inflation data, which will be closely watched by the BoC. Furthermore, USDCAD is now prone to interest rate differentials after the BoC latest hike, therefore will be sensitive to any soft US data prints.</p> <p>With that said, we believe that USDCAD has scope to trade higher and we remain cautiously bullish USDCAD as we ultimately see it going to 1.2950-1.3000, with preference to buy the dips around lower levels of 1.2500.</p>	Bullish USDCAD	1.3100 3m; 1.2800 12m

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