

G10 Currencies - the traders' views (02-December-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	Sources indicate that a large majority of members of the ECB's governing council favour an extension of QE beyond the March deadline at this week's meeting, although they may be split on the volume of any extension and the signals that need to be sent to the market regarding eventual tapering. Eurozone CPI has nudged higher but remains feeble at best and with broadly negative risk sentiment hanging over Europe, any topside moves could be capped and viewed as further short positioning opportunities, if indeed a squeeze does emerge.	Bearish – above 1.0850 negates.	1.0300 3m; 1.0700 12m
GBP	The pound continues to be somewhat immune to the Trump trade so far as extreme short positioning and recent relatively robust UK data means that risks of a topside break are elevating. Indeed, this has been further compounded by comments that the UK could make contributions to the EU after Brexit to secure the best possible access to the single market. Stops have been tripped through the 1.2600 pre-flash crash level as EURGBP moves confidently through 0.8500 but we would expect decent hard Brexit doom monger supply to emerge between 1.28-1.30 should we see it.	Neutral – short term event risk is elsewhere.	1.2300 3m; 1.3000 12m
AUD	Broad based USD strength since Trump's victory has pulled AUD down through the bottom of a long standing 0.7450-0.7750 range with higher US bond yields the main driver, although improved risk sentiment and rising terms of trade driven by coal and iron ore, have been largely AUD supportive. But as risks of a significant reversal of recent commodity gains and a potential RBA easing next year remain possible, any moves back towards 0.7500 and beyond should be seen as attractive to importers, especially as the USD is set to end the year on the front foot with a December Fed hike nearing. Expect RBA to hold on Tuesday, Aus Q3 GDP is released on Wednesday.	Neutral – looking to sell into any unlikely strength towards 0.7600, stopping through 0.7760.	0.7300 3m; 0.7700 12m
CHF	The Swiss economy unexpectedly stagnated in Q3 amid weak private and government consumption, CHF strength clearly remaining an issue and while the recovery in the Euro area chugs along, political uncertainty linked to elections across that region next year could further undermine demand there for Swiss goods. No official signs from the SNB other than to say that they stand by to intervene in the FX markets to ease upward pressure on the CHF if need be, citing this weekend's Italian referendum as possibly significant event risk. EURCHF 1.0700 continues to hold.	Neutral – CHF dictated to by external pressures.	USD CHF 1.0200 3m; 1.0000 12m
JPY	The market continues to look under positioned in the long USD trade, especially vs the JPY and despite it seeming reasonable to expect a degree of profit taking at these lofty levels, the latest boost has seen USDJPY close to 115.00 to achieve near 9-month highs as exporters stand aside, presumably hedged at much lower levels. As rising US yields and solid economic data continue to underpin the USD's move, bids are now likely to be lined up on any dip back towards 110.00 as the scope for fresh USD long positions remains, with JPY's marginal end of week safe haven demand on nearing event risk expected to be short lived.	Bullish USDJPY – Importer and investor bids may have been moved closer to 112.00 and while the JPY trend continues, longer term stops will be placed through 110.00.	111.00 3m; 117.00 12m
NZD	Kiwi is suffering an ongoing deterioration in its terms of trade as export prices fall for the 4th straight quarter, underlining ongoing macro headwinds. Indeed, with the housing market showing signs of deceleration and the RBNZ still unhappy with the level of the NZD, stating that the exchange rate 'remains higher than is sustainable for balanced economic growth', the currency's downside potential is being underlined. An uptick in risk sentiment has curtailed the currency's recent slide somewhat but from here, expect global risk events ahead of year end to dictate.	Neutral – preference to sell rallies to 0.7200, stopping through 0.7400	0.7000 3m; 0.7200 12m

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