

G10 Currencies - the traders' views (16-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	Fundamentally it looks one way traffic for the single currency vs USD as the Fed heads into the New Year in hiking mode with strengthening momentum, in stark contrast to the ever dovish ECB and its extended QE measures. European political measures are likely to keep the EUR under threat whilst Trump's fiscal pledges should come into fruition after January's presidential inauguration, leaving bears in the driving seat – a further downside break and early test of parity now looks the obvious trade of choice, although crowded support into year-end means that patience into Q1 may be needed first before the parity party can begin.	Bearish – 1.0450 break has yielded 1.0365 on a stop run with long term negativity unlikely to be shaken off unless 1.0850 is seen again.	1.0300 3m, 1.0700 12m
GBP	Cable has dipped but is still showing a degree of resilience as it has done ever since Trump's victory last month. Confused Brexit tones and decent UK data have given the market confidence to pare some of its recent, stretched negativity but any rallies to 1.2800 look likely to be resold with only a break of 1.3000 giving longer term bears concerns. The latest BoE meeting was a non-event but admittance that the MPC could respond 'in either direction' to the economic outlook just shows the level of uncertainty that the UK faces in coming months. Meanwhile any re-emergent GBP strength looks to be better served through EURGBP with a slip to 0.8000 possible as economies continue to diverge.	Neutral – Cable edging into a lower range, EURGBP a sell on rallies above 0.8500.	1.2400 3m 1.3000 12m
AUD	The flying USD has sent the reactionary AUD back through 0.7400 to test 0.7350 but there are doubts that a further slide will ensue, certainly not at pace anyway. The RBA will doubtless be happy with the Fed decision to hike but the local currency is being supported by resilient commodity prices and decent local domestic numbers, the latest being a strong set of local employment data which provides evidence that the recent disappointing GDP print was just a blip rather than anything more worrying. Expect USD strength to be better served elsewhere in the G10 bloc.	Neutral – ingrained negativity still persists, especially in the strong USD environment.	0.7300 3m; 0.7700 12m
CHF	SNB President Jordan has moved swiftly to quash suggestions that the CB has changed its FX focus, maintaining that they continue to observe the CHF's situation vs all currencies not just the EUR and that interventions and negative rates are the cornerstone of policy, whilst adding that intervention will continue as long as the benefits outweigh the costs. Maybe a small degree of FX policy softening, but market practitioners are unlikely to test the CB's resolve for now, happy to honour recent ranges and specifically the deemed support around 1.0700.	Neutral – CHF dictated to by external pressures.	USD CHF 1.0200 3m; 1.0000 12m
JPY	USDJPY has been the stand out performer as a result of the Fed's revised dots projections, with Japanese importers avid buyers of dips back below 116.00 as they race to catch up with the move higher, real money and equity accounts also adding to longs. With little resistance from the exporter community who appear well hedged at lower levels, the move higher has been smooth and uncontested thus far, the BoJ meeting on Tuesday unlikely to challenge the very bearish JPY outlook. Expect it to remain the G10 currency most sensitive to rising global reflationary pressures into the new year, with an early test of 120.00 on the cards.	Bullish – bids have been raised to 116.00 with sell JPY trend set to continue.	117.00 3m; 122.00 12m
NZD	The Kiwi has had a couple of quiet weeks, finally succumbing to USD strength as the US tightens policy but somewhat underpinned in the knowledge that the RBNZ are likely done with cutting rates with the government projecting faster economic growth for next year. Consumer confidence has retreated from a 19-month high but remains buoyed by labour market strength, with the upcoming Q3 GDP release expected to show robust growth as falling employment supports domestic demand. All in all, an improving picture although the currency is unlikely to hold its own against the powerful USD.	Bearish – short positioning has survived a move to 0.7250 and looks well placed to benefit from a move below 0.7000.	0.7200 3m; 0.7400 12m

NBAD Global Markets FX team

G10 FX Spot

Phil Muldoon
Phil.Muldoon@nbad.com

Nourah Al Zahmi
Nourah.Alzahmi@nbad.com

Tel: 00971 2611 0111

EM FX Spot

Danay Sarypbekov
Danay.Sarypbekov@nbad.com

Pinrath Wongtrangan
Pinrath.Wongtrangan@nbad.com

Disclaimer:

To the fullest extent allowed by applicable laws and regulations, Natona Bank of Abu Dhabi PJSC (the “Bank”) and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an “as is” and “as available” basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.