

G10 Currencies - the traders' views (03-February-2017)

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	European data has been much better of late, the most recent being Manufacturing and Services PMIs but the problem for the ECB is that they are juggling recent releases of stronger data with potential political disruptions ahead. Strong real money offers are continuing to cap rally attempts with layers of supply up to 1.0880 left unfilled after the latest Trump currency manipulation-induced move, and the feeling remains that the US is likely to retain the upper hand in economic growth pace and subsequent policy direction with the single currency likely to suffer as a result.	Bearish – immense patience required, a test of 1.0500-50 preferred and a rethink should supply give way and 1.09 break.	1.0300 3m; 1.0700 12m
GBP	The pound has been broadly sold in response to the Bank of England's Quarterly Inflation Report and minutes of the latest policy meeting, maybe an indication that markets were braced for a possible hawkish slant to monetary policy guidance given continued resilience of the UK economy. Stops have additionally been run through 1.2500 as Services PMIs fall short, but BoE rhetoric will only contain rate hike expectations if the flow of economic data continues to back up their assumptions and they will find it increasingly hard to justify their essentially emergency monetary stance should data generally impress as it has done of late.	Neutral – something of a 1.2400-1.2750 range is being played out, the desire to buy dips as strong as the wish to sell GBP outperformance.	1.2200 3m; 1.3000 12m
AUD	A record high for a monthly trade surplus has seen the currency hurdle 0.7650 to a 3 month high as macro funds pile in, the bulk of the improvement coming from higher commodity prices which have boosted export earnings. The trade number should push Q4 GDP into positive territory and help Aus avoid a technical recession but the RBA may have something to say about the currency's new and unwanted strength. Expect RBA on hold at 1.5% on Tuesday, highly aware of the continued uncertain global outlook and recent weak domestic labour market signals.	Neutral – RBA will be watched closely, while USD dictates general proceedings.	0.7300 3m; 0.7700 12m
CHF	The announcement that US healthcare giant Johnson & Johnson will acquire Swiss biotech company Actellion in a \$30bn all-cash deal has managed to stir the CHF from its' New Year slumber, EURCHF slipping through 1.0700 but failing to make much downside progress below 1.0650. We are back close to 1.0700 once again but should the cross slip once more, expect familiar SNB rhetoric to materialise, to remind markets that the CB will stand by to prevent its currency from appreciating much further. 1.0600 is looking like the new line in the sand.	Neutral – speculators are gaining in confidence having breached 1.0700 with little difficulty.	USD CHF 1.0200 3m; 1.0000 12m
JPY	Confusion reigns amongst the BoJ, finance minister Aso making contradictory remarks surrounding the CB's currency activities a week before PM Abe meets President Trump, who has already accused Japan (amongst others) of manipulating its currency weaker. A BoJ GDP outlook upgrade whilst warning that risks remain to the downside, as well as Trump's currency manipulation accusations have caused a spike in risk aversion but for the moment investors and importers continue to take advantage of USDJPY dips into the 112s. The street still seems to favour a move back above 115.00 but a break below 112.00 would be a significant cause of concern for the bulls.	Neutral -112.00-114.00 range holding for the time being.	117.00 3m; 122.00 12m
NZD	The Kiwi has lagged behind its Antipodean neighbour after the NZ unemployment rate unexpectedly jumped to 5.2% vs a 4.8% prediction with wage growth also disappointing but with the RBNZ monetary policy statement on Thursday anticipated to be the most optimistic in years given the strong bounce in inflation back into target range, many are looking at the AUDNZD cross move back above 1.0500 to re-enter into short positions. Expect the official cash rate to remain unchanged at 1.75%.	Neutral – bears appear to have thrown in the towel.	0.7200 3m; 0.7400 12m

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