

G10 Currencies - the traders' views (06-January-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	Early new year pressure on the single currency has been averted as a combination of fast paced business activity and strong Eurozone CPI helped the EUR move progressively away from 1.0350. It would take a major inflationary surge for the ECB's extended commitment to QE to be retracted but the recently extended short positioning and less than hawkish FOMC have given USD bulls cause for concern, so much so that the parity party once again looks to be on hold. The path of least resistance looks to be the upside but in reality, longer term bears will be undeterred unless 1.0700 breaks and holds.	Bearish – break of 1.0340 opens up further downside potential, move and hold above 1.0700 negates.	1.0300 3m; 1.0700 12m
GBP	Robust UK services PMIs have completed a strong week data-wise for the pound despite ongoing Brexit uncertainty and suggests further upside to UK GDP growth forecasts. Cable has aborted a downside move as a result, refusing to break deemed 1.2200-20 support, admittedly helped by a fall in the USD's fortunes in the first week of the year. BoE comment that higher inflation is likely to hurt consumer spending has been largely ignored and although the pound feels less volatile to the political swings of Brexit, it will undoubtedly remain the dominant theme into March. Next up, Industrial Production on Wednesday.	Neutral – preference to sell approaches to upper band of recent range around 1.2500 – above 1.2775 negates.	1.2400 3m; 1.3000 12m
AUD	AUD has had a decent start to the year on a combination of downside support around 0.7140-50, commodity price recovery and USD correction although reaction to a big turnaround in AUD trade numbers to post a large surplus has been somewhat subdued as hedge funds limit further rallies. Balance of risk still lies with a further short squeeze especially as RBA rate cut expectations centre around May at the earliest, but a light data calendar in the coming days, with retail sales being the only scheduled release of note, means short term AUD movement is likely to centre around the USD's fortunes.	Neutral – the weaker USD has reduced the market's negative AUD undertonesfor now.	0.7300 3m; 0.7700 12m
CHF	Similar to other currencies in the G10 bloc, the CHF has benefitted from the USD's failure to capitalise on early new year strength, although EURCHF has been unable to extend its brief move through 1.0700. No word from the SNB in recent sessions although the CB do appear to have stretched the limits of what is possible to prevent its currency from appreciating further. Expect rhetoric to be ramped up should a successful attempt lower in EURCHF materialise, although fortunes will more than likely be dictated by the USD in the short term.	Neutral – external pressures dictate.	USD CHF 1.0200 3m; 1.0000 12m
JPY	The Japanese currency started the new year on the back foot but consistent retail supply on rallies above 118.00 has proved pretty smart. Any move through 118.65 highs would bring into play the psychological 120.00 level but given the extent of the rally over the last 2 months, caution is now rightfully advised over the recent bullish set up, as has been proved by a move back through 116.50 as a correction of sorts takes place and longs get flushed out. Indeed, further momentum selling has been triggered on a break of the Dec 30th low around 116.05, although 115.00 is yet to yield. As Chinese authorities work to squeeze speculative short CNH positions, recent overvaluations of USDJPY now make the return to the lofty levels less likely.	Neutral – USDJPY likely to stabilize in a band below recent extended highs.	117.00 3m; 122.00 12m
NZD	The Kiwi has benefitted particularly well from the USD's change in fortunes, as rising incomes in China and a recovery in dairy prices press home the currency's relative advantage. Extended short positioning and an inability to break 0.6800 has seen a recovery back through 0.7000, the RBNZ seemingly on hold for the foreseeable future as the government projects faster economic growth this year. However, despite this improving picture, should the USD find its power once more, it may prove difficult for NZD to retain its buoyancy. The post-Trump inauguration period will be key for the currency.	Neutral – bears reassessing....for now.	0.7200 3m; 0.7400 12m

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