

G10 Currencies - the traders' views (13-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	EUR bears have been unsettled by a lack of US fiscal stimulus and economic detail, with the reversal in EURUSD exacerbated by a degree of USD bullish action ahead of Trump's midweek press conference - weak EUR shorts have proved easy prey although bears will retain a degree of comfort from a failure to seriously test 1.0700 thus far. Recent ECB minutes were positive as improving data fed into the Council's language but we would expect more neutrality this coming week as policy for 2017 is locked amid ongoing Eurozone uncertainty and any possible spike higher for the single currency would still be viewed by many as better opportunities to sell.	Bearish – move above 1.0700 would be opportunity to sell more, above 1.0850 negates. Break of 1.0340 would open more downside potential.	1.0300 3m; 1.0700 12m
GBP	With Carney speaking on Monday and May on Tuesday, both are pulling focus back to the UK, with the latter encouraging GBP short positioning. The PM is expected to detail the government's exit strategy, having already suggested that the UK will not look to cherry pick parts of the EU that it finds desirable and as such markets are pricing in the potential for a hard Brexit once more. GBP weakness would have been more apparent if the USD had not wobbled, EURGBP bids a seemingly more favoured expression of the weak pound, but an early Cable test of 1.2000 now looks on the cards.	Bearish – but with a preference to sell above 1.2300, above 1.2775 negates.	1.2200 3m; 1.3000 12m
AUD	AUD continues to trade impressively despite somewhat mixed domestic data (strong trade data vs weak retail sales), although firm Chinese PPI and positive iron-ore price action have aided the unwind of the mid-December sell off, amid waning enthusiasm for the Trump reflation trade. However, despite the interest rate curve showing preference for partial hikes into the end of 2018, there are many who believe that the RBA could cut first with May the favoured probability. The Aus Q4 CPI release on Jan 24th is eagerly awaited.	Neutral - a move through 0.7575 could see the last of the bears running for the door.	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 of late, 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 drivers dictate.	USD CHF 1.0200 3m; 1.0000 12m
JPY	The recent correction in the Trump reflation trade highlights that the market is waiting for further US policy details to provide a fresh catalyst and in the interim leaves the USD vulnerable to further adjustment lower given recent elevated long positioning, especially vs the Japanese currency. The JPY's end of year weakness reinvigorated optimism in Abe's monetary policies but the BoJ continues to face challenges in lifting inflation in Japan, which could be enhanced further should disappointment regarding the impact of Trump's policies begin to build. External drivers will continue to impact proceedings ahead of the BoJ meeting on Jan 31st.	Neutral – notable support between 113.50-80 from lifers needs to hold to enable the currency to retain its range-bound holding pattern.	117.00 3m; 122.00 12m
NZD	The Kiwi has benefitted from the USD's Trump-induced change in fortunes, as rising incomes in China and a recovery in dairy prices also help press home the currency's relative yield advantages. Extended short positioning and an inability to break back though 0.6900 has seen a recovery back through 0.7100, 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

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

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