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# G10 Rates & FX - The Traders' Views

**Please find below views on G10 Rates & FX directly from our traders.**

Global equity markets began 2018 with a series of record highs and their best week in more than a year. US, European and Asian markets have all posted sizeable gains in the first week of trading, this has continued to suppress volatility as risk appetite remains high. Despite the equity market performance, fixed income markets have remained somewhat subdued, 10-year Treasuries stood at 2.460% below its seven-month peak of 2.504% touched on Dec. 21. 10-year Bund yields are unchanged at 0.435%, Gilt 10-year yields fell one basis point to 1.227% while Japan's 10-year yield rose 1bp to 0.063%, the highest in more than two months. Signs of the investor appetite for risk more broadly were evident in Greece, where 10-year yields achieved their lowest in 12 years on Friday.

Next week's data calendar remains light, with US Initial Jobless claims and CPI releases providing analysts and investors clues about future FED policy decisions.

| G-10 FX | Macroeconomic/Fundamental Analysis | Views (Bearish/Bullish) 2-week Time Frame | Intermediate & Long-term Views (3mth & 12mth Time Frame) |
|---|---|---|---|
| **EUR** | The rally at the end of last year continued into 2018 supported by Merkel's willingness to work on EU reform with France and positive political developments out of Germany along with better German Markit PMIs, retail sales and steady employment data. The data helped reinforce the idea of the Eurozone recovery and ECB Coeure and Nowotny both released that the ECB asset purchase program may not be extended post this coming September. With more ECB speakers being more vocal now, the shift in the tone will likely be in the scale against the upcoming data this year and that will be the main driver for the price action in EURUSD this year. The single currency aimed to break last year's high at 1.2092, which proved tough to break as profit taking and resurgent dollar demand helped to pull EURUSD twice to mid-1.2000, but once that is firmly broken, it will open the door for higher trading range above 1.2100. This week's data will be of focus, we will have German factory orders, industrial productions, Eurozone retail sales, consumer confidence and industrial productions. | Bullish | 1.2100 3m;<br>1.2200 12m |

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| **GBP** | As the Brexit negotiations continue to progress and political risk diminish, investors are focused on economic releases from the UK to determine the path of interest rates set by the Bank of England. Current market pricing implies a hike of 25bp from the BOE for 2018, key focus for the futures of monetary policy will be whether the BOE is calculating full closure of the output gap and upward pressure on wages. Sterling remains strong against the dollar trading at 1.3575, but relatively weak against the EUR at 0.8900. | Bullish | 1.3500 3m;<br>1.2300 12m |
| **JPY** | A week of two halves for USDJPY, started with almost static trading as Japan was off until the third of January and as soon as the market opened in Japan it jolted USDJPY back to life sending it above 113.00. Going into this week, one must consider the sustainability of last week's catalyst, which was the cross JPY buying as Japanese investors kick start the new year investments, and 113.50 can prove difficult to break, so some pull backs to sub 112.50 could be in the cards. This year could be interesting for USDJPY, as the rest of the world starts shifting their monetary policies whilst BoJ have been reiterating their patience and willingness to maintain their easy monetary policy to beat deflation, as mentioned last week by BOJ Kuroda leaving room for the market's risk sentiment and safe haven flows on Korean headlines to dominate the price action. | Neutral | 114.00 3m;<br>118.00 12m |
| **CHF** | Better manufacturing PMI out of Switzerland helped subdued USDCHF early last week, along with safe haven flows following the Nuclear talk back between Kim and Trump over who has the bigger "nuclear button". By contrast EURCHF tracked EURUSD and managed to break last year's high, which means that seeing the infamous 1.2000 EURCHF level this year is not far from reach. Meanwhile the market will continue to track the risk sentiment and this week's data namely the inflation and unemployment. | Neutral Swiss although we are still alert to any escalation in global political tensions for safe haven flow | 0.9900 3m;<br>0.9700 12m |
| **AUD** | The rally that started in December can only be described as relentless, as it managed to continue without a material correction. AUDUSD even shrugged off the shockingly weak November trade balance, as the market contemplates the chances of the RBA hiking this year, which we would describe as premature at this stage. As we move closer towards 0.8000 that opens the opportunity to express our bearish view as the level provides decent risk reward basis. | Bearish | 0.7500 3m;<br>0.7500 12m |

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|---|---|---|---|
| **NZD** | Much like its antipodean neighbor, the new year seemed to have favored NZD against the greenback and lack of data helped see Kiwi rise to levels near 0.7200. Meanwhile this week's data might provide some insight on the price direction, especially the house sale index and building permits. | Neutral | 0.6800 3m;<br>0.6300 12m |
| **CAD** | US-Canadian interest rate differential has been driving USDCAD lower since December and although BOC has been one of the most transparent central banks in 2017 stating that the last hike was probably going to be the last, that did not stop the market from pricing in more hikes in 2018 which pushed USDCAD to trade below 1.2600. It was Friday's employment data that was considered the last straw aiding USDCAD to break 1.2400 with ease as the resilience of the Canadian employment outshined the weakness in the US employment data. The danger now for a sharp correction higher if the greenback regains its composure, or if the Canadian housing data disappoints this week. | Neutral | 1.2500 3m;<br>1.2200 12m |

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