

## G10 Currencies - the traders' views (15-July-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	The single currency continues to rattle around quietly having carved out a relatively tight range, and with recent ECB speakers implying very little probability of a rate cut on July 21st and no meeting in August, it seems likely that the ECB will use the summer to evaluate the likelihood of QE extension in September. Eurozone growth targets have been revised downwards by the IMF in the wake of the Brexit vote with contagion poised to bite, underlining downside EUR risks although the continued bias to sell rallies where prudently possible would be of concern should a retake of the 1.1200 handle occur.	Bearish – looking for 1.0900 break to confirm a new down leg.	1.1000 3m; 1.0600 12m
GBP	The majority of practitioners were surprised by the BoE's decision to leave rates on hold, GBP exploding higher before being capped by deemed offers around 1.3500. With August still being tipped for a possible rate cut as Haldene endorses the likelihood of material easing by the BoE on Super Thursday, it appears that BoE inaction this time around can only lift the pound so far. However, speculators will still be wary that the CB may take a more careful approach in its measures to support the UK economy and should the pound not regain the 1.3200 handle, there is danger of more profit taking in what is a very short market.	Neutral – 1.3500 break would concern short term bears.	1.3000 3m; 1.4000 12m
AUD	AUD continues to look good, immune to events in Europe and benefitting from a combination of the search for decent yield, improving domestic business confidence and easing August interest rate cut expectations. Indeed, Chinese growth rate improvements are additionally helping the currency find its feet near 0.7650 although Fitch concerns that after the recent election, policy implementation could be more challenging and could dent consumer confidence in the medium term, continue to promote a sell AUD strength mentality.	Neutral – ingrained negativity persists but has seen precious little return.	0.7300 3m; 0.7700 12m
CHF	The SNB stepped into markets in reaction to the UK's Brexit decision in June and remain the only CB to have done so. Subsequently, Jordan has said that it remains to be seen what the economic effect of Brexit will be and as a result of the recent eerie calm, CHF has slipped a touch and we see EURCHF trading comfortably towards the upside of a deemed 1.05-1.10 range. Expect the SNB to keep its eye on proceedings closely though.	Neutral – rangy EURCHF, SNB on the base, but speculators sitting above.	USD CHF 1.0000 3m; 1.0500 12m
JPY	USDJPY has had superlative gains in the last week, Japanese equities driving gains amid improving risk sentiment as markets await details of the stimulus package promised by Abe at the end of July, a 10trn JPY package being the market consensus of opinion. The relief rally has stretched as high as 106.30, slicing through relieved exporter sell interest into the bargain, but we could argue that as traditional stimulus measures have had limited success in the past and without inflation expectations rising, JPY may not weaken significantly further.	Neutral – dangers of a further USDJPY short squeeze, although 108.00 should limit.	102.00 3m; 107.00 12m
NZD	The RBNZ has informed the markets that it would release an update of its economic assessment on Thursday and while the release will not include a policy decision (next RBNZ meeting is on 11th August), market participants are speculating that the message might be that inflation will be lower than expected due to the surge of the NZD which is nearly 7% higher vs USD since the last meeting on 8th June, and could invoke the possibility of a summer rate cut to boot. Clearly the currency is in significantly overvalued territory, enhanced by its high yield attraction.	Neutral – shorts are nervously eyeing potential stops should 0.7300 break and hold.	0.7000 3m; 0.7200 12m

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