

G10 Currencies - the traders' views (22-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 ECB has done just enough to keep markets thinking that additional easing measures may well be announced at the next meeting on Sept 8th, Draghi noting that Brexit impact has been modest so far whilst acknowledging that more time is needed to make a full assessment of the fallout. Inflation expectations remain materially below the ECB target threshold and with the USD firm on broad policy divergence expectations, the single currency looks set to push lower after the summer.	Bearish – 1.0900 break yields a lower range, above 1.1200 concerns bears.	1.0900 3m; 1.0600 12m
GBP	The pound has held firm and pulled away from 1.3000 against a general USD strengthening trend, firstly as UK jobs data beats expectations, the focus being a slide in the headline unemployment rate to an 11 year low below 5%, and secondly as the first BoE Agency Survey since Brexit notes no material change in employment or investment levels in the UK. However, the sell rally mentality will never be far away, especially in the light of the latest UK composite PMI print plunging to a 7 year low after Brexit and with interest rate cut expectations for August remaining significantly elevated, expect data to be scrutinised closely between now and August 4th.	Neutral – 1.3500 break would concern a short term very bearish market.	1.3000 3m; 1.4000 12m
AUD	AUD is back under pressure as market participants raise bets that the RBA is preparing for an interest rate cut next month. Minutes from the RBA continue to reiterate its concerns over an appreciating exchange rate, whilst keeping its policy options open as momentum in the jobs market eases, with inflation set to remain weak. Q2 inflation data due on July 27th could be the catalyst the RBA needs for an August ease. A short term move below 0.7400 looks achievable, although patience is being tested.	Bearish – ingrained negativity remains, although above 0.7650 would concern.	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	Markets have been gearing up for some aggressive easing from the BoJ at the end of the month, although Kuroda pouring cold water on the possibility of so called 'helicopter money' has served to bolster market concerns that the CB could disappoint. Negative rates, dovish rhetoric and aggressive policy do not always equal currency weakness and with traditional stimulus measures having had limited success in the past and without inflation expectations rising, the 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 recent RBNZ update of its economic assessment has strongly hinted that further easing is on the cards, fuelled by Governor Wheeler's concern that the currency remains too strong. As prospects for fiscal stimulus and expanded monetary easing elevate, NZD has slipped back through 0.7000 although a failure to progress further is concerning for some anticipating further negativity. The currency clearly remains in overbought territory and with policy divergence back on the table, the prospects for a downside test of 0.6800 are good, although current positioning may mean precious new selling coming to market.	Bearish – looking for move to 0.6800, above 0.7300 negates.	0.6800 3m; 0.7000 12m

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