

G10 Currencies - the traders' views (29-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	Against the backdrop of a broadly weaker USD, the single currency has found its feet below 1.1000 and edged back above 1.1100 as the FOMC's latest meeting threw up a hawkish slant tinged with dovish undertones. With policy divergence being a main driver in recent sessions, the ensuing move as doubts are cast as to the Fed's willingness to raise rates any time soon, means we are now back towards the middle of a range which stretches back to late June, with further gains currently capped by ongoing Italian banking sector fears.	Bearish - Whilst we retain preference for an eventual break of 1.0900, a test of 1.1200 would concern.	1.0900 3m; 1.0600 12m
GBP	The devil was in the detail for UK Q2 GDP numbers last week as strong April industrial output and services data was undone by a worryingly poor performance in May and June in the run up to Brexit. Despite encouraging news from a few UK based conglomerates regarding job creation and continued investment in the UK, the spectre of expected economic weakness is helping keep the pound on the back foot, as short term bearish markets look to sell into any brief respite rallies ahead of Thursday's crucial BoE meeting, where a rate cut is all but priced in.	Bearish - 1.3050 - 1.3500 range extremes hold for the time being.	1.3000 3m; 1.4000 12m
AUD	Australian Q2 CPI remains significantly weak enough to leave the RBA with scope to cut interest rates as early as this coming week. With inflation low enough to warrant further easing, markets are pricing in a better than even chance of cutting rates on Tuesday after 3 months of inaction, with expectations elevated that the CB confirms an underlying soft inflation trend in the very least. Despite raw material prices such as iron and steel underpinning the currency somewhat, AUD has struggled on approaches to 0.7550 and a move below 0.7400 looks achievable.	Bearish - ingrained negativity remains, although above 0.7650 would concern.	0.7300 3m; 0.7700 12m
CHF	Latest Swiss sight deposit data unchanged on the week suggests that downside pressure on EURCHF after Brexit has abated somewhat and confirms suspicions of a less active SNB. Jordan has reiterated that the CB can cut interest rates further if need be although he does not currently see any need to adjust policy despite Brexit risks. Meanwhile, topside failures at key hurdles in USDCHF and EURCHF have set the stage for CHF to recover somewhat, with retail buyers now likely to join the SNB if prices do attempt to fall back below 1.0800 in the cross once more.	Neutral - rangy EURCHF, SNB on the base, but speculators sitting above.	USD CHF 1.0000 3m; 1.0500 12m
JPY	The BoJ's decision to leave rates and its main QQE instrument of JGB purchases unchanged, whilst increasing ETF purchases to just JPY 6trln annually, has been met with universal disappointment by those looking for a decent package of monetary and fiscal easing. However, there remains the chance that Kuroda still favours stronger easing to pursue the 2% CPI target which the CB still expect to reach during fiscal 2017, with the Sept 21st meeting now expected to be highly significant. Although the trend of JPY strength seems to have reasserted itself, markets will remain wary of the ability for this current bearish USDJPY consensus to continue.	Bearish - trading gently, but comfortable with exporter offers layered above to 108.00.	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 possibly as early as this month, fuelled by Governor Wheeler's concern that the currency remains too strong, but NZD's failure to slip back convincingly through 0.7000 is concerning for some anticipating further negativity. Indeed, NZ firms' own activity expectations continue to point to robust growth, somewhat at odds to the CB's view of the economy. Accordingly, the currency now appears back in overbought territory above 0.7100 as the policy divergence play vs the USD wobbles.	Bearish - looking for test of 0.6800, above 0.7300 negates.	0.6800 3m; 0.7000 12m

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