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G10 Rates & FX - The Traders' Views

Please find below views on G10 Rates & FX directly from our traders. The FX views include short-term (2wk), intermediate (3mth) and long-term (12mth) outlook on G10 FX.

G-10 FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2 week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
EUR	<p>EURO today stands with pride as it broke, for the first time since 2015, 1.1600 pushing through to highs of 1.1677 before USD strength came back to the market and it is currently settling around the mid 1600's. As to be expected the highlight of the week was the ECB on Thursday and the market had a pretty volatile day as it dropped to 1.1470 and back up to 1.160 in a violent move. The market had been short EUR going into the press conference and as stops were triggered there was more blood on the streets as USD weakness continued to provide an extra boost. The ECB opted to hold steady with its monetary policy, keeping interest rates at 0.00% and the QE scheme at EUR 60 billion/month. Draghi talked about stronger, consistent growth in the press con but was cautious enough that the market has pushed out expectations of b/s tightening to October as he flagged a lack of solid underlying inflation. Whilst most thought the press con would be an opportunity for Draghi to back track a touch on the Sintra speech that didn't happen and hence the new highs seen on Friday. For what's its worth I think the EUR is overdone and would be looking to receive that said technically from here a push to 1.1800 is not out of the question. Busy week next week starting with the Markit PMI's, GE IFO climate and expectations, GfK Confidence, Money Supply, France & Spain GDP, the France and Germany CPI numbers on Friday should round the week off nicely. Only one speaker, Frank Smets, on Monday.</p>	Bearish – first target 1.1400-1.1450	1.0950-1.1100 3m; 1.18-1.22 12m

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GBP	<p>Interesting week for cable which has been on a downward march since reaching the dizzy heights of 1.3117 on Monday and tapping higher highs at 1.3126 on Tuesday. This was just ahead of disappointing inflation data which took the august hike off the table and pulled the currency back below 1.3050. There's still a 10% chance of a hike priced in but this would seem to be a moot point to me especially as Brexit headlines continue to add pressure to May's shambolic government. For this week she has managed to stop the damaging leaks regarding the Chancellor but it looks as though Mr. Hammond will get his way for a softly Brexit. Out of 44 points up for discussion 22 are agreed to with 14 major sticking points including the movement of citizens as Hammond looks to have secured support for a transitional deal for immigration – or a two year grace period to implement the new regime. GDP the highlight for next week on Wednesday with a plethora of second tier data to fill the gaps before the MPC meeting on the 3rd August.</p>	<p>Neutral to bearish – targeting 1.2800-1.2900</p>	<p>1.1500-1.2000 3m; 1.2000-1.2500 12m</p>
JPY	<p>The BOJ was really a non-event this week with JPY strength realistically coming from USD weakness although it took a hit against the crosses with EUR/JPY breaking back through 130.00. That seemed to be driven by corporate demand and the EUR hasn't been able to sustain that move, as we head into the end of the week the cross is back to 129.90 levels. PMI's on Monday and Jobless, Natl CPI and Tokyo CPI on Friday definitely the domestic highlights next week. Keep an eye on 10y UST's for direction.</p>	<p>Neutral – 111.00-112.50</p>	<p>110.00-115.00 3m; 120.00-125.00 12m</p>
AUD	<p>A couple of main stories in the AUD this week as the RBA minutes and strong employment numbers gave a boost and then DeBelle put a cap on the currency into the weekend. The minutes were perceived as hawkish dismissing concerns about the Q1 dip, focusing on the support factors for a Q2 bounce or so the market understood. Coupled with general dollar weakness the AUD weakly challenged 0.8000 tapping a high of 0.7989 before retreating to 0.7875 on DeBelle's comments. He included several key points in his speech including emphasis on the RBA not being under pressure to follow other CB's into higher rate, specifically their cousin in commodities, Canada. He also downplayed the neutral rate discussion potentially with an eye on the household sector which has a debt-to-income ratio at records highs, household prices still on an upward trajectory and Moody's downgrading the country's biggest banks earlier in the week. Yield curves flattened post the speech with 3yr off 7bp discounting rate hikes.</p> <p>Next week see's CPI data and Lowe speaking so not as interesting. Watch out for support at 0.7835 on any dollar strength.</p>	<p>Bearish – 0.7780-0.7830</p>	<p>0.8200-0.8350 3m; 0.8700-0.9000 12m</p>

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NZD	<p>The miss in CPI on Tuesday weighed heavy on the NZD bouncing off support at 0.7261 before recovering into a tight range until it broke through 0.7400 in overnight trading on Thursday. The spur for this looked to be dollar weakness but the kiwi was further supported in the Friday session after the Finance minister Joyce publically stated that he was not really concerned about a strong NZD. The kiwi hit year to date highs against the dollar on these comments and although there is a positive story from the punchy nation, I'm not convinced it's quite this positive.</p> <p>Look out for credit card spending, trade balance and export data next week.</p>	<p>Bearish – with preference to sell the rallies around 0.7450.</p>	<p>0.7000-0.7200 3m; 0.7000-0.7300 12m</p>
CAD	<p>The loonie continues to strengthen against the USD but in a much more contained manner this week moving crab like to lows of 1.2541. Still the overall move since mid may has been impressive from 1.3749 down to mid-twenties, supported not only by the hike but the ongoing political shenanigans in the US. Friday's inflation and retail sales data did not disappoint and it's difficult to see much standing in the way of the march lower (stronger CAD).</p> <p>Lighter week for data ahead with only GDP on Friday, keep an eye on oil for direction.</p>	<p>Bearish – preference to buy CAD between 1.2945-1.3040.</p>	<p>1.2500-1.2900 3m; 1.1500-1.1900 12m</p>

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