

G10 Currencies - the traders' views (03-June-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 latest ECB monetary policy meeting passed without much surprise as expected, although the CB raised its short term 2016 inflation forecast whilst acknowledging that it has not dismissed the idea of additional stimulus despite the fact that the latest stimulus only begins this month, a statement which leads us to favour a modestly cheaper EUR, no less as interest rate divergence between the US and EU elevates into the summer. Forward looking data is likely to remain fragile and escalating Brexit concerns continue to support this view.	Bearish – 1.1050 break yields a test lower. Only above 1.1300-50 concerns.	1.1000 3m; 1.0600 12m
GBP	Cable upticks have been shallow at best in the last few days, the latest polls swinging towards Brexit as the topic of immigration causes traction and encourages bookmakers to trim back their expected probabilities for the UK to remain in the EU. As a result, the risk surrounding the pound has been cranked up, despite last week's advances in the latest UK manufacturing and services PMI data for May. Ongoing referendum uncertainty and investor reticence suggests that the pound is likely to remain biased to the downside, any light stops above likely to be followed by renewed intraday sell interest.	Bearish – looking for weakness towards the lower reaches of recent 1.4050-1.4770 range.	1.4500 3m; 1.5000 12m
AUD	Recent activity data in the form of Q1 GDP, retail sales and an improved trade balance may have surprised positively in recent days but beware soft inflation pressures providing the RBA with scope to cut again this week. Indeed, the market may be underpricing the chance of further easing, despite the market's ingrained scepticism and negativity towards a currency which so far has failed to progress much below 0.7200. A surprise move by the RBA or reinsertion of dovish bias could see us heading quickly to 0.7000.	Bearish – Any move back to 0.7300-50 continues to be seen as value for bears.	0.7200 3m; 0.7500 12m
CHF	Little recent noise from the SNB, although they will undoubtedly reiterate the overvalued nature of CHF if a move back below 1.1000 v EUR materialises. But in the meantime, EURCHF has embarked on an extended and comfortable period of sideways movement broadly within a 1.10-1.12 range with limited downside potential.	Neutral – EURCHF firm within recent ranges, USD moves still dictate.	USD CHF 1.0000 3m; 1.0500 12m
JPY	Falling USD yields, risk aversion and to some degree hedging flows, have so far limited the impact of January's BoJ policy loosening. The CB is expected to ease policy further this summer but with Brexit fears escalating, the FOMC likely delaying any move in the States until July, and PM Abe's sales tax hike delay, the JPY is set to continue to perform well in the short term as a viable investment destination, much to the chagrin of the BoJ who stand aside, their views on currency intervention severely undermined.	Bearish USDJPY while below 112.00, with chance of revisiting the year's lows.	110.00 3m; 115.00 12m
NZD	The RBNZ, which has a habit of surprising markets, could indeed catch investors off-guard again at its next meeting on Thursday. Housing data, business outlook and Q1 terms of trade all beat expectations last week, while an unexpected rise in global dairy prices last Wednesday suggests slight ongoing improvement for the dairy sector. As inflation also looks to pick up, many banks have rescinded earlier calls for a rate cut in June and markets now only price in a 25% chance of a move. But a likely dovish RBA on Tuesday could still see the RBNZ move again consensus, especially with the AUDNZD cross heavy.	Neutral – shorts have been squeezed although are likely to sell into a further move towards 0.7000.	0.6600 3m; 0.6900 12m

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