

G10 Currencies - The Traders' Views

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 currency remained range bound ahead of the ECB and failure to breach 1.1300 multiple times indicated a weakening conviction in a change of tone. As always Draghi skillfully managed the market's expectations and delivered a balanced statement saying that the rates are expected to stay at present levels for an extended period of time and revised down the inflation forecasts whilst admitting that the risks around the growth outlook are now seen as broadly balanced. EURUSD was down to 1.1170s and upcoming Eurozone inflation data and the dollar sentiment might lead to a test of 1.1100.	Bearish – above 1.1500 negates	1.0800 3m; 1.0700 12m
GBP	A surprised hung parliament saw Cable losing two big figures amid thin liquidity as UK PM May's election idea turns against her and she lost the majority which will undermine her authority to negotiate Brexit. With that said, she will not resign and rather will visit Buckingham Palace to seek permission from the Queen to form government. Next week's event risks include, the BOE meeting in which the market expects no change and no doubt the political uncertainty leaves the pound vulnerable to further weakness, please see our trade idea attached.	Bearish – above 1.2900 negates	1.2400 3m; 1.3000 12m
AUD	the RBA decided to keep the cash target unchanged, and flagged its concerns over wage growth and weakness in iron ore, but they were more hawkish about new mining investments being supportive of the economy in general. The currency remained supported by stronger YoY GDP data along with the strong increase in Chinese imports which...	Bearish – above 0.7600 negates.	0.7600 3m; 0.7800 12m

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G-10	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2 week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
AUD	...overshadowed the trade balance data. As for the housing finance data, it marked a reduction in investor lending which will give the RBA some relief and next week the market will focus on RBA's DeBelle's speech on Monday, Westpac consumer confidence index and finally the unemployment data.	Bearish – above 0.7600 negates.	0.7600 3m; 0.7800 12m
CHF	The SNB continue to say that the currency is significantly overvalued and pledge to intervene if necessary saying that interventions have happened and will continue to happen at times of heightened uncertainty. EURCHF wobbled during the ECB meeting and whiplashed between 1.0840 and 1.0875, but that range proves that the CB is more than able to intervene in the FX market to soften the moves. The SNB is meeting on the 15th where the market expects the central bank to remain on hold until late 2018.	Neutral – Speculators appear to have given up on the cross's downside much to the relief of an appreciative SNB.	USD CHF 0.9900 3m; 1.0000 12m
JPY	Expected safe haven flow on the election results hasn't materialised and USDJPY could not stay below 110.00. Weaker Japanese GDP numbers are certainly weighing heavy even as the Tertiary Industry Index came in much better than expected. However, the dollar has found support post Comey's testimony as it looks increasingly unlikely that Trump will be impeached. On the central bank front, the BOJ is expected to remain on hold next week and just like the ECB, the market speculates on the change of tone. Monday morning starts with Machine Orders, PPI and Machine Tool Orders and we hope to see further support for the Japanese economy and a stronger JPY. Current short-term range is 109.12/110.62 and look for a close to the week above 110.27 for continued deterioration against the USD.	Bullish – with preference to buy the dips below 109.50	115.00 3m; 120.00 12m
NZD	The Kiwi is resilient against all odds holding above 0.7200, lifted by better ANZ commodity price. On the central bank front, the RBNZ, like its antipodean neighbor the RBA, seems to have a sustained rates policy, with that said I do not condone the 50% chance that the market priced of a rate hike as early as next March. We believe that the recent decline in AUDNZD is bound for a correction shall the dairy prices see a minor reversal.	Bearish – above 0.7300 negates	0.6900 3m; 0.7100 12m
CAD	The loonie was stuck in the range of 1.3450-1.3550 this week like most other currencies. We believe it is marking time in correction before resuming the march downwards in the USD/CAD pair towards 1.32-1.33 initially. It is interesting to note that this week the close correlation of the previous couple of weeks between the Canadian dollar and the WTI oil broke down. Despite the oil sell-off by around 10%, CAD did not really lose much of its value.	Neutral - preference to play CAD using other crosses.	1.3400 3m; 1.3600 12m

In addition to the above FX views, please find below our USD rates commentary:

USD: It's been a big week for geopolitical tensions globally and the US didn't escape unscathed as nerves were fraught coming into ex FBI director Comey's testimony before Congress. Some media outlets have picked up on the 'lies plain and simple' tag as Comey speaks of defamation he and his old department have suffered but to get from there to impeachment of a sitting president is extremely unlikely. Post testimony, the dollar found it's sea legs although the curve remains muted, battered by generally weaker data over the last five sessions. The longer end has suffered since Trump got into power as the optimism over his spending plans and tax cuts has faded to be replaced by 10y govies trading at 6m lows and 2s10s ducked below 60 a couple of times this week. There seems little on the table to change the status quo and a further flattening of the curve unless the FED is substantially more aggressive than I'd expect on Wednesday. A hike still looks like a done deal but there's less than 50% chance of another move before the end of the year. For now we keep our powder somewhat dry in dollars.

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