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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 FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2 week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
EUR	The single currency has been range bound between 1.112 and 1.120 over the last week with little impact from any headline news. Macron won his majority but his hand was forced in replacing a slew of corrupt ministers which leaves the inexperienced leader with an inexperienced cabinet but confidence remains high. The slowest moving banking collapse in the world hit the headlines again as Rome sets aside €17b to bail out the big two Veneto banks. I'm not sure who will be bailing out their shareholders though, many of whom had been persuaded to take loans out against the value of their shares rather than selling the shares down. As the full extent of the 'cosy' banking practices continue to hit the headlines one has to question how Italian banks, with NPL portfolio's at nearly 20% passed the stress tests in 2014 and why there has not been a more systematic reform within the Italian banking system. In contrast Spain, who recently saw a private bail out of Banco Popular by Santandar, has non-performing loans at around 9.5% still above the EU average of around 5.7% (this will move post Brexit as the UK sits at 1%). The EU will pass judgement on Intesa's cherry picking by the end of the week but no doubt the market will have already moved on and inflation numbers on Friday is the likely focus. Most banks expect a slight pick up even if it's only due to rounding within the core number. It isn't enough for Draghi to make any changes and our baseline is that QE gets extended into 2018 and the currency weakens longer term. Shorter term a positive surprise from inflation could trigger a break of the 1.1207 resistance in the first wave of a move to 1.1300. A disappointment sees support at 1.1121 and then through to 1.1068.	Bearish – above 1.1500 negates	1.0800 3m; 1.0700 12m

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GBP	Finally a little positivity in the UK as the DUP and the Tory's reach an agreement that only cost £1billion! Well done Theresa just in time for Thursday's vote on the Queen's speech and the markets can take that one eye off recent political posturing. Recent data hasn't been too bad with Public Sector borrowing down and House Prices easing off but the choppy waters ahead with Brexit and general social unrest have weighed heavy on the pound which has struggled to break 1.2750 over the last week. Carney speaks at the release of the Financial Stability Report today and watch for any more hawkish tone on policy for the yield curve to steepen. For now I'm happy to fade that strength in yields and look for cable to weaken further.	Bearish – above 1.2900 negates	1.2400 3m; 1.3000 12m
CHF	SNB's Jordan was quite clear last week that an exit from negative interest rates was unlikely to happen anytime soon and it would be a bumpy road when they did eventually begin the process. He was supported by Maechler on Thursday although the franc strengthened against the USD in response breaking 0.97 support on Friday, this strength has not held with a reversal today back to 0.9730 and look for resistance above 0.9750.	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	Although the All Industry Activity Index beat out expectations last Wednesday and the BOJ minutes were released for April the ccy couldn't find its own feet and was dominated by the USD trading in a tight range of 110.80-111.80. This range has held in at the start of this week's trading and I expect another quiet week until a slew of top tier data on Friday including Jobless Rate, CPI and Industrial Production. Expectations are for some improvement in inflation although Industrial Production looks to be weaker. It is likely that this will be overshadowed by the Tankan data due out on the 3rd July – expect this to be impactful as the US takes time out for a long weekend ahead of 4th July celebrations.	Bullish – with preference to buy the dips below 110.00	115.00 3m; 120.00 12m
NZD	As expected the RBNZ kept rates unchanged and Kiwi had an immediate 50 pip rally bounce which retraced but remained supported by Wheeler's positive comments on growth outlook despite the slight miss on the Q1 GDP growth. Policy stance remains accommodative though for the foreseeable future but the market had already interpreted the comments as less dovish than previous statements of the RBNZ. Data this week is unlikely to be market moving with Trade balance, ANZ Business Confidence and Building Permits ahead.	Bearish – above 0.7400 negates	0.6900 3m; 0.7100 12m
CAD	The loonie suffered from weaker oil prices and a stronger USD for most of last week reaching highs of 1.3349 (just below out target entry level of 1.3350-1.3400). There was a fairly abrupt reversal on Thursday driven by better than expected retail sales for April but this was turned again as Friday's CPI numbers missed. There is a gradual reassessment of market…	Bearish – preference to buy CAD between 1.3350-1.3400.	1.3400 3m; 1.3600 12m

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CAD	...expectations of interest rate policy at the BoC with a more bullish tilt coming into play and we feel that we should see a stronger CAD this week breaking 1.3165 although it will be oil and US dependent moving in a data light week ahead of GDP on Friday	Bearish – preference to buy CAD between 1.3350-1.3400.	1.3400 3m; 1.3600 12m

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