

G10 Currencies - the traders' views (03-March-2017)

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	<p>So the March meeting is "Live live!" according to the singing chorus of hawkish Fed's that recently was joined by Williams, Dudley, Bullard and then Brainard who painted a lovely picture about the US economy. Brainard comments pushed the rate hike expectations even higher towards 87% when she said "it will likely be appropriate soon to remove additional accommodation, continuing to gradual path." As a result, the dollar maintained a solid support across the board, and EUR is no exception. You can pretty much feel the EUR bulls frustration as the political uncertainty continues to dominate with the latest Elabe polls showing Le Pen at 25% and Fillion at 21% but after last year, would you believe polls anymore ?!</p> <p>Next week, we will have the ECB meeting, and the market expects no change especially after the fact that the German headline inflation accelerated to 2.2% in Feb which is unlikely to push Draghi to upgrade the inflation outlook for the EU, as it is characteristic of him to wait for a sound proof that the improvement can be sustained.</p>	<p>Bearish – markets patiently wait for a 1.0500 break to open up new weakness.</p>	<p>1.0300 3m; 1.0700 12m</p>
GBP	<p>The pound trading heavily this week on Brexit fears, UK PM May suffered a blow when the house of Lords voted to amend the bill to force the government to guarantee the rights to the EU citizens living in the UK. With that said, this clause has to go through the house of commons, and although this can cause minor delays, May is confident that it will be rejected. This has supported EURGBP pretty well and another test of 0.8600 might be in the cards if we have another Brexit related headline. In terms of levels, 1.2000 marks a very important psychological and technical level as well, if broken we could see the range lower.</p>	<p>Neutral – A convincing break of 1.2000 will be needed for the new lower range.</p>	<p>1.2200 3m; 1.3000 12m</p>
AUD	<p>The combination of the dollar strength and the softer commodities has seen AUD fail to sustain its rally towards 0.7800. Now the market looks to the RBA on Tuesday, which are expected to be on hold, especially after the stronger than expected GDP and Lowe's comments about the growth of the economy. As mentioned before, the RBA have proven to be quite comfortable to stay on hold, depending on the housing market data, home loans, and the momentum of the hiring.</p>	<p>Neutral – bears are still circling and may be looking for a further stretch towards 0.7780 to gauge the value of re-entering shorts.</p>	<p>0.7300 3m; 0.7700 12m</p>
CHF	<p>Trump inflation trade has seen the dollar surge, pushed even higher by the hawkish Fed and the higher possibilities of the March rate hike. However, CHF remains overvalued as it is still at the top of the safe haven currencies with all of the political uncertainties in Europe and Brexit, and might be the blame for lower than expected GDP growth. The SNB might need to be extra vigilant in the coming weeks because of the risks that lie ahead.</p>	<p>Neutral – speculators are gaining in confidence having breached 1.0700 with little difficulty.</p>	<p>USD CHF 1.0200 3m; 1.0000 12m</p>
JPY	<p>Up up and away? 112.00 proved time and time to be an important level for a rally, that was supported by the hawkish Fed speak. So now the only thing that can be in the way of a March hike are two things, Yellen and Fischer's speech tonight and the NFP next week. Considering the fact that the Jobless claims hit the lowest level since 1973, one might wonder if the NFP that follows will sky rocket, but there is no proof to the correlation between the two. Furthermore, USDJPY now marches confidently towards 115.00, a solid confirmation from Yellen is needed for a break and to sustain the uptrend.</p>	<p>Bullish – with preference to buy around 112.00.</p>	<p>117.00 3m; 122.00 12m</p>
NZD	<p>NZD has been on the back foot of late against the USD and AUD, given the fact that the Australian commodities have been outperforming the NZ commodities. Additionally, the latest RBNZ statement that projected a prolonged on-hold stance, which disappointed those in the market who have been pricing hikes in the next two years. But then RBNZ Wheeler likes to keep the market guessing and commented that the next OCR adjustment could be up or down, depending on data of course.</p>	<p>Neutral – although like the AUD, bears are evaluating the merits of short positioning should 0.7250 not break soon.</p>	<p>0.7200 3m; 0.7400 12m</p>

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CAD	<p>USDCAD has pushed through the initial 1.3400 level we suggested. While, longer term, Canada may prove somewhat sheltered from comprehensive trade concerns such as the renegotiation of the NAFTA, the continued push higher in USD yields is keeping CAD from strengthening. This should suit the BoC who periodically remind markets that a rate cut remains an option. Last Fridays higher than expected CPI that pushed us lower to 1.3070 helped USDCAD bulls flush out remaining shorts and it has been a one way journey ever since. Even higher GDP, coupled with revisions higher to previous reading couldn't stop the path of the stronger USD. If news like that can't make the Loonie rally then it's hard to imagine what will in this current environment. We therefore remain a buyer on dips and target 1.36 and on to 1.38 now that we have re-entered the upward sloping trend channel (see below). USDCAD is firmly back above the 200,100 AND 50 day moving average.</p>	Bullish - Buy on dips	1.3600 3m; 1.3800 12m

CAD re-entered the trend higher.



Source: NBAD; Bloomberg

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