

G10 Currencies - the traders' views (10-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	The ECB left policy unchanged and repeated forward guidance for rates to stay low or lower past the end of the current QE program (December). Draghi then had the pleasure of a press conference where he had to try to talk up the economy without contradicting the statement forward guidance. It proved tricky but he was consistent in their desire to see self-sustaining inflation filtering through to wages which was a 'gradual process'. He side stepped an interesting question as to whether the ECB could raise rates before cessation of QE. He did reiterate that rates could stay 'here or lower for a considerable time' but also added that 'expectations' for lower rates has been reduced. The market embraced all things positive and has a 10bp hike fully priced into the April 18 meeting which seems a little optimistic. The perceived hawkishness has boosted the single currency although we still sit below recent highs as USD strength proves tricky to surmount. Focus back to elections and CPI data next week.	Bearish – markets patiently wait for a 1.0500 break to open up new weakness.	1.0300 3m; 1.0700 12m
GBP	Uneventful week for Cable with only one big-figure range, as the action was limited to the crosses namely GBPJPY and EURGBP. Next week however, is loaded with Brexit related meetings, on Monday we have the house of commons releasing the draft law authorising UK PM May to trigger Brexit, on Wednesday Brexit secretary Davis will be questioned by the house of Commons Brexit committee, and finally on Friday we will have May's two-day conference in preparation for Brexit at the end of March. Additionally, we will have Super Thursday and the market expects BOE to leave the policy unchanged and cautious approach into Brexit.	Bearish – A convincing break of 1.2140 will be needed for lower ranges.	1.2200 3m; 1.3000 12m
AUD	There has been a lot of attention on the RBA lately as the market contemplates on the chances of rate hikes in 2018, which seems unlikely as the central bank have always shown interest to be on hold and keep the good old fashioned "wait-and-see" mode. One have to consider few facts, starting with the labour market which has been giving mixed signals lately, along with the RBA's clear concern on the housing market, the recent soft Chinese data, and finally the drop of oil which was followed by weak commodities. All of which put a serious weight on AUDUSD, and if you add in to the mixture USD strength the chances of seeing 0.7800 in the near term seem far from reach as the idea of RBA rate hikes gets pushed further into horizon.	Neutral – bears are still circling and may be looking for a further stretch towards 0.7680 to gauge the value of re-entering shorts.	0.7300 3m; 0.7700 12m
CHF	SNB on full alert as this year carries a lot of political uncertainties in Europe, coupled with Brexit and the prospects of the four Fed hikes in 2017, which translated into the CHF safe haven flows. EURCHF wobbled during the ECB meeting and whiplashed between 1.0690 and 1.0750, 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 17th and will also give growth and inflation forecasts with the usual rhetoric about the ability and willingness to intervene in the FX market.	Neutral – speculators are gaining in confidence having breached 1.0700 with little difficulty.	USD CHF 1.0200 3m; 1.0000 12m
JPY	further to the hawkish Fed messages, stellar ADP data engraved the idea of a possible march rate hike and concerns were washed away over the fact that small banks are overexposed to foreign debt. USDJPY extended its rally through 115.00 effortlessly, with fund managers and fast monies buying the dip for a potential move towards 120.00. Further gains now depend on the Fed rate path and the BOJ decision next week.	Neutral – rangy markets with preference to buy while 112.00 holds.	117.00 3m; 122.00 12m
NZD	The Kiwi felt left out, as the focus is elsewhere in G10, driven lower by the recent USD strength and not by its own merits. Moreover, the recent drop in commodity prices have capped any reversals, and whilst next week we will have the GDP released on Thursday, the focus will be on the FOMC.	Bearish – although like AUD waiting for better levels towards 0.7000	0.7200 3m; 0.7400 12m

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CAD	<p>We haven't had much in terms of economic data this week from Canada but housing starts (210k) and building permits (+5.4%) are both ticking up again MoM. A lack of supply and a continuous influx of foreign money is keeping house prices very elevated with Toronto recording around +25% YoY and Vancouver, dubbed 'the world's biggest housing bubble' by UBS, came back from a 3mth slide to reach around +16.4% YoY. Aside from housing, the most obvious factor to consider is of course this week's moves in Oil. We seem to have held the move lower for now but we are still looking at an 8% move from Monday's high to yesterday's lows. That, coupled with the continued USD strength sees us trading back above 1.35% (nicely in line with last week's predictions). With 100% priced in for the Fed to raise rates next week, risk – reward of course favours selling at these levels but it's a hard wrestle with the fundamentals behind our frame of mind. We still expect to see 1.3800 in the not too distant future and potentially on to 1.4000 if we get a hawkish hike, i.e. keeping Jun on the table. If you're long, stay long. If you're square keep out until post FOMC and buy on stop or dips.</p>	Neutral – favour selling any emerging CAD strength.	1.3400 3m; 1.3600 12m

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