

## G10 Currencies - the traders' views (27-May-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 single currency has had a slightly heavy week as it relieved itself of its magnetic attraction to 1.1200, German ZEW indicating that Brexit risks are helping cloud economic sentiment. Despite the positive news that Greece's creditors reached an agreement allowing the release of \$11.5bn of aid, when considering Tsipras' small parliamentary majority and public discontent, more austerity could serve to jeopardise this new stability – the currency appears to be treading water, poised to progress lower vs USD as interest rate divergence shows its hand once more.	Bearish – a dip through 1.1120 would likely open up the mid 1.1000 area.	1.1000 3m; 1.0600 12m
GBP	A strong week for GBP ends somewhat uncertainly, with markets now starting to show reluctance in chasing the pound any higher as Brexit risk premiums continue to be priced out - in fact, potential complacency points to some GBP downside should Brexit concerns return. EURGBP has also helped Cable back off somewhat as a transactional market into month end sees bids in the cross, although realistically, diverging UK and EU rate outlooks will continue to favour the pound. Daily polls continue to have their impact.	Neutral – although tentative overbought signs are appearing while topside 1.4770 holds.	1.4500 3m; 1.5000 12m
AUD	Iron ore prices trend lower, Q1 Capex release was disappointing and rate expectations of an August cut continue to favour a lower AUD, yet the currency has failed to convincingly break 0.7150 as relatively slow markets and stalling downside momentum show the signs of a bear trap. 0.7260 topside needs to hold otherwise shorts could run for the door. Expect RBA Governor Stevens to have reduced verbal impact over the summer as he comes to end of his tenure in September. GDP data is next up on Wednesday.	Neutral – ingrained negativity persists, but we could see better levels to sell 0.7300-50.	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 with EURCHF at elevated levels since breaking a cloud top around 1.1005 in May, the cross maintains a bid tone and expectations are for a new range of 1.10-1.12 with limited downside potential.	Neutral – EURCHF firm within recent ranges, USD moves still dictate.	USD CHF 1.0000 3m; 1.0500 12m
JPY	Disagreements between Japan and the US regarding currency intervention continue to be felt yet JPY has had a relatively subdued week, moving on the back of stocks and US rates without having too much of a life of its own, 110.00 pivoting broadly. Despite JPY longs remaining somewhat excessive and the USD firm on Fed outlook, exporter interest to sell 110.50-111.00 looks substantial and it may take a sustained period of improving risk sentiment to break the resolve of the topside.	Neutral – rangy 109-111 persists.	110.00 3m; 115.00 12m
NZD	The Kiwi is one currency not benefiting from a slight wobble in the USD's fortunes this week, weighed down by the latest Fonterra milk payout forecast to trade close to 0.6700. A global milk glut is depressing dairy incomes and curbing economic growth in NZ, in turn bolstering the case for another interest rate cut from the RBNZ in June, a cut which does not yet appear fully priced in. The recent better than expected April NZ trade report has been forgotten and from here, markets will be using any NZD rallies to get short at better levels.	Bearish - break of 0.6650 opens up a 0.6500 test – above 0.6850 negates.	0.6600 3m; 0.6900 12m

## NBAD Global Markets FX team

### G10 FX Spot

**Phil Muldoon**

[Phil.Muldoon@nbad.com](mailto:Phil.Muldoon@nbad.com)

**Nourah Al Zahmi**

[Nourah.Alzahmi@nbad.com](mailto:Nourah.Alzahmi@nbad.com)

**Tel: 00971 2611 0111**

### EM FX Spot

**Danay Sarypbekov**

[Danay.Sarypbekov@nbad.com](mailto:Danay.Sarypbekov@nbad.com)

**Pinrath Wongtrangan**

[Pinrath.Wongtrangan@nbad.com](mailto:Pinrath.Wongtrangan@nbad.com)

### **Disclaimer:**

To the fullest extent allowed by applicable laws and regulations, Natona Bank of Abu Dhabi PJSC (the "Bank") and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an "as is" and "as available" basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.