

G10 Rates & FX - The Traders' Views

Please find below views on G10 Rates & FX directly from our traders.

This week's geopolitical tensions have caused the market to trade with a risk off theme. G3 bond yields have fallen across the board, fueled by the moves in Turkey and political developments in Italy. CT10's have fallen 10bp to yield 2.97%, front end yields also rallied as Fed minutes were deemed on the dovish side with a key note around the technical adjustment in IOER, pushing FRa/ois spreads wider again. USD demand remains robust as DXY crosses above 93.8, again the move wider in BTP spreads compounded pressure on the EUR which broke below 1.17.

G-10 FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
EUR	Italian politics have dominated again last week as BTP/Bund spreads saw some very sizable moves. 10yr spread is now at 200bp, some 40bp wider on the week, the spillover has depreciated the trade weighted EURO by 0.7%	Bearish	1.2500 3m; 1.3500 12m
GBP	Yet further dovish comments from Carney has pushed the first BOE hike out to Feb 2019 as the governor expressed concerns around the ramifications of a hard BREXIT and the spill over on the wider economy. Cable broke through the 1.34 level, until the rhetoric from the MPC moves to a more hawkish stance then GBP will remain under pressure.	Neutral	1.4500 3m; 1.5000 12m
JPY	Last week was an interesting one for Japan beginning with USD strength pushing to highs of 111.40; right around the sell level we highlighted last week. Negative data from Japan including weak supermarket sales and department store sales add credence to a broader slowdown in demand. The cancellation of the NK summit by the US saw a relatively measured response, Asia equities were smaller lower across the board and the yen took the double whammy of the cancellation plus weaker CPI, we closed out the week hovering around 109.50. This week will open quietly with a US and UK holiday but jobless data will be interesting as well as Industrial Production and Vehicle sales.	Bearish USDJPY	107.00 3m; 108.00 12m

25 May 2018

Please click [here](#) to view our recent publications on MENA and Global Markets

G-10 FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long- term Views (3mth & 12mth Time Frame)
CHF	<p>After a prolonged period of global peace, geopolitical tensions resurfaced again last week with the Italian politics which are getting more traction and the Spanish corruption scandal. The continuous headlines weighed on EURCHF which traded as low as 1.1600 last week and could not recover as Trump finally swung the final blow that caused an abrupt shock to the risk sentiment by canceling the US/North Korean summit. The aftermath of the news saw an increase of safe haven inflow and CHF short covering, which worked very nicely as the desk has been short USDCHF since 1.0050, and only would reassess above 1.0010. This week price action is likely to remain driven by the risk sentiment and the outcome of the Swiss GDP release on Thursday.</p>	Bearish USDCHF	0.9300 3m; 0.9700 12m
AUD	<p>The Australian Dollar is recovering from the lows we saw this May, moving up by 3% so far in a choppy manner caused by intraday speculators noise. That said, a break of 0.7550 confirmed the upward trend and the desk recommends playing the trend through the AUDNZD cross as it provides more value compared to the dollar cross.</p> <p>The AUDNZD pair has been consolidating for the past week with retracements being very small after a big move post the RBNZ meeting on 10 May. The most likely scenario is a break higher, first towards 1.0984 and then to 1.1101 probably next week.</p> <p>This week's data includes building approvals and commodity index.</p>	Bullish AUDNZD	0.7500 3m; 0.7500 12m
NZD	<p>Last week Kiwi hovered near this year's lows around 0.6800; weighed down by the dovish RBNZ article that limited the scope of any rally last week. Although, NZDUSD is now showing signs of being oversold, we would not play the correction just yet; because the RBNZ are likely to maintain their bearish stance at least in the near term and next week's Financial stability report is a key to determine the next trading ranges.</p>	Neutral	0.6800 3m; 0.6300 12m
CAD	<p>Last week, USDCAD struggled to rally above 1.2900 initially but managed to break higher on the back of sour risk and the lack of any significant progress in NAFTA. Looking ahead, the BOC meeting is on Thursday, where the rate is expected to be unchanged but the central bank might find it more difficult this time to highlight the weakness in data as transitory. On the data front, Canadian GDP will be the highlight of this week.</p>	Neutral	1.2500 3m; 1.2200 12m

Contributors

FAB Global Markets FX & Rates

G10

Alison Higgins

Alison.Higgins@bankfab.com

Simon Turner

Simon.Turner@bankfab.com

Nourah Al Zahmi

Nourah.Alzahmi@bankfab.com

Meera Al Marar

Meera.AIMarar@bankfab.com

GCC & EM FX

Pinrath Wongtrangan

Pinrath.Wongtrangan@bankfab.com

Danay Sarypbekov

Danay.Sarypbekov@bankfab.com

Rashid Rasul

Rashid.Rasul@bankfab.com

Tel: +971 2611 0111

Disclaimer:

To the fullest extent allowed by applicable laws and regulations, First Abu Dhabi Bank (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.