

## G10 Currencies - the traders' views (04-November-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	Eurozone inflation accelerated at the fastest pace in more than two years in October, but question marks over convincing underlying price pressures are still being posed and when you dig deeper into the GDP release, the core rate which excludes food and energy actually fell to the lowest in six months. The single currency has tripped stops through 1.1020 to trade through 1.1100 as risk aversion ramps up on news of Trump's gains in the polls but as momentum stalls, sellers are being tempted back into the fray. The EUR has the small matter of a December hike, Italian referendum and Brexit risks to negotiate but the US election will dictate from here in the short term.	Neutral – the short EUR trade is looking tired again, yet the negative sentiment will see new sellers towards 1.1200	1.0800 3m; 1.0500 12m
GBP	The UK government has lost its Brexit lawsuit over the Article 50 vote and as it stands, Theresa May cannot legally trigger Article 50 alone without Parliamentary approval. The government will now go to the Supreme Court, the hearing set for Dec 5-8th, and although a final decision will not likely come until the New Year, the probability is that Parliament will not want to overrule the democratic will of the majority for Brexit, if they are indeed called to task at all. GBP has reacted positively to the news, as chances of a softer Brexit elevate with stretched positioning amongst entrenched negative sentiment meaning less room to predict further declines for the currency. However, a major move higher is unlikely, the government's determination to respect the referendum result for the good of the constitution likely to herald even greater uncertainty for the UK.	Neutral – short term focus is on further short covering, with 1.2650 a potential target.	1.2200 3m; 1.3000 12m
AUD	The RBA left the cash rate at 1.5% last week as the market's pricing widely suggested it would, with the accompanying statement also neutral and almost identical to the last meeting, judging that "holding the stance as unchanged would be consistent with sustainable growth in the economy and achieving the inflation target over time". The lack of evidence of any overt easing bias has seen the currency jump higher as a result, additionally buoyed by a weaker USD whilst the market notes that the RBA sees improvement in China also has lent a degree of support. Broader external risks dictate from here.	Neutral – bears are now nervous of a stop run through 0.7720-40 resistance.	0.7400 3m; 0.7800 12m
CHF	Demand for safe haven assets ahead of the US election has driven CHF to 4 month highs vs the EUR below 1.0800 and while the handle has been regained, should political uncertainty increase further, expect renewed CHF strength. However, with the SNB's commitment to prevent a marked appreciation of the currency still apparent, any extended move below 1.0800 is unlikely to be persistent. There is still very low probability of a SNB rate cut being used to weaken the currency unless there is a renewed attempt at 1.0500.	Neutral – SNB interested on EURCHF dips to 1.0700, speculators queue up to sell value above 1.1000	USD CHF 1.0000 3m; 1.0300 12m
JPY	USDJPY has slipped back below 103.00 from a 3 month high seen recently above 105.50, markets now aware that investor and importer bids are now on the radar. The solid sell off as risk aversion accelerates has been further enhanced by exporter flow which continues to limited any smooth trend progress higher, and some will now view the recent move above 105.00 as a missed opportunity. With BoJ news now out of the way for the next few days, focus will now be drawn to the US election as an impactor for the Japanese currency.	Bearish USDJPY – layered USDJPY offers above 105.00 continue to limit the pair's upside potential.	102.00 3m; 107.00 12m
NZD	Strong NZ employment numbers have helped the Kiwi settle back above 0.7250, the punchy numbers including a lower unemployment rate and some robust employment growth, despite wage growth being unspectacular. With inflation expectations for Q4 also on the up, data is pointing to a possible end to the easing cycle for the RNBZ. There is still a raised chance of a move on Nov 10th as it's a full 3 months before the next meeting, but given that recent probability of a move was up near 85%, there are now reasonable concerns that the boat has been missed, and the potential for a further short squeeze has elevated significantly.	Neutral – recent bearish sentiment is close to throwing in the towel should 0.7400 yield.	0.7000 3m; 0.7200 12m

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