

G10 Currencies - the traders' views (07-October-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 just about continues to hold its recent range as initial downside pressure abated after fears of a systemic European banking sector crisis were allayed. A bounce from 1.1140 was enhanced amidst unconfirmed reports that the ECB may taper its bond purchasing programme ahead of March, but as Brexit starts to bite and unless ECB speakers add to these presumptions of early tapering, the currency is likely to reattempt a downside breakout. With markets relatively complacent to upcoming risks and events, holding EUR shorts remains a patient trade.	Bearish – unless 1.1320 yields we look on the verge of a new, lower range.	1.1000 3m; 1.0800 12m
GBP	PM May has given a timeline of triggering Article 50 by end Q1 2017 but has offered little substance yet on what a deal will involve. As a consequence, the pound remains very much on the back foot, posting 31 year lows v USD as negativity accelerates with a nasty out-of-hours spike sell off below 1.1800 and trading to 0.9400 v EUR into the bargain. The stronger performance of the UK economy and extra stimulus provided by the weaker pound provide an opportunity for the BoE to hold back on delivering another rate cut by year end but in truth, focus remains squarely on the ongoing political challenges ahead. Uncertainty reigns supreme.	Bearish – all downside predictions have been surpassed but a revisit of 1.2000 in the near term is possible while 1.2500-50 holds.	1.2500 3m; 1.3000 12m
AUD	Despite August retail sales coming out at twice the expected monthly rate, we continue to see AUD struggle to break the 0.7700 barrier, regardless of recent AUD/NZD upside impetus. Despite the retail advance, it appears that investors are somewhat reticent to buy the AUD due to lacklustre services sentiment and weak job ads data, the latter retreating for a second month in three, suggesting that recent labour market resilience may soon be tested. AUD has also ignored a smaller trade deficit for August, and with macro fund selling evident and leveraged investors stops triggered, well-heeled negativity over the currency looks likely to be retained.	Bearish – 0.7720-40 remains the key to downside success.	0.7400 3m; 0.7800 12m
CHF	SNB rhetoric concerning the overvalued nature of the CHF was recently reaffirmed as Moser stated that the SNB's view of the currency was shared by the IMF. He sees Swiss inflation close to zero by year end and whilst he could imagine further lowering of negative interest rates, the CB are currently happy with the way they're working, with no current need for change. In essence, nothing we didn't already know and the CHF continues to fluctuate as risk first sours then improves, EURCHF back towards the upper reaches of its recent 1.08-1.10 range trading.	Neutral – SNB interested on EURCHF dips to 1.0700, speculators queue up to sell value above 1.1000	USD CHF 1.0000 3m; 1.0500 12m
JPY	USDJPY continues to trade constructively, extending its uptrend, enhanced by the latest set of US data and despite initial failure around 103.00 as sizeable Japanese exporter offers were seen. The eventual break has yielded a further run to 104.00 and with the Nikkei near its highest level in nearly four weeks and rate spreads continuing to move in favour of the USD, this underlines that USD JPY could extend even further, maybe to try 105.00 where further exporter interest is suspected. Continued improvements in risk appetite suggest that the chance of a retest of the psychological 100.00 level appear to be off the radar for the time being, much to the delight of the Japanese monetary authorities, and indeed dips back to the low 102.00s may meet with some speculative bids.	Neutral – downside momentum has been lost. Prefer to sell into exporter offers to 105.00-108.00	102.00 3m; 107.00 12m
NZD	Another weak dairy auction albeit from elevated levels, and the subsequent break of 0.7200-20 support area, have perhaps served as a signal for systematic longs to exit. Markets are facing up to the increasing risk of a November rate cut and warnings this week from the RBNZ underline that despite somewhat robust domestic growth, central bank policy will be more likely influenced by the ongoing depressed outlook for inflation.	Bearish – we target 0.7000 while 0.7500 topside holds	0.7000 3m; 0.7200 12m

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