

G10 Currencies - the traders' views (21-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 governing council of the ECB did not discuss either an extension to QE or exit strategies (including tapering) at the latest meeting and provided the market with no insight going forward, although Draghi did intimate that an abrupt end to its bond purchases was most unlikely. As markets digested comment and after an initial short squeeze in the EUR, the modestly dovish outcome to the meeting has seen the single currency revert to its current downtrend, with widespread USD-led pressure on the G10 bloc meaning a further decline to 1.0800 now looks on the cards. Market expectation for additional stimulus by the ECB in December and beyond is now significantly elevated with 'tapering' likely to be the buzzword for the new year.	Bearish – unless 1.1120 is retaken we look for a move to 1.0800 initially and towards 1.0500 into next year.	1.0800 3m; 1.0500 12m
GBP	Much of the recent debate surrounding the UK's departure from the EU has centred on how the Brexit process should begin, with half of Britons questioning whether the PM has a clear plan at all. A hard Brexit looks assured, despite May's soft 'dependable partner' reassurances, and with retail sales slowing and the UK's public finances taking a turn for the worst, the Chancellor additionally has his work cut out to sway sentiment and paint a positive picture on predictions for the UK economy at his autumn statement next month. Meanwhile, the market seems sceptical of predicting further declines in the pound, maybe due to a sense of excessive bearishness but the currency has so far failed in its quest to step higher and looks set for an extended period of nervous weakness.	Bearish – short term stern resistance around 1.2325-50 but in reality bears will not be troubled unless 1.2500 is seen again. 1.2000 near term test looks likely.	1.2500 3m; 1.3000 12m
AUD	AUD nibbled at an upside breakout in the last week, but rallies have been fought off around 0.7725-35 and although technicals continue to lean to further topside attacks, we now settle back below 0.7700, the currency falling back into range after the release of surprisingly weak jobs data from Australia and a softening of commodity prices generally. The soft labour report has seen the probability of an RBA rate cut in November tick higher a touch, but in reality we are too near the meeting to consider this unlikely eventuality. The upcoming Q3 CPI and business confidence numbers do now take on added importance, however.	Bearish – 0.7720-40 resistance remains the key to downside success.	0.7400 3m; 0.7800 12m
CHF	A big, broad USDCHF rebound has been seen amid reactions to a mildly hawkish Fed, supportive US data and Draghi's comments, as an initial 7 day low for the pair was reversed and some, as it became clear that ECB tapering discussions will have to wait until December. A move to parity in USDCHF now looks probable although EURCHF continues its rangebound tendencies, Swiss trade data suggesting little damage from a firm CHF which continues to benefit from its safe haven status amongst times of souring risk.	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	Kuroda seems to be finally understanding that the time frame for achieving his 2% inflation target may have to be kicked back, realising that his accommodative and expansionary monetary policy is having little effect at this stage. However, current policy stance is likely to be maintained at the next meeting planned for the end of the month as the BoJ targets longer term interest rates, with the likelihood that near term movements in the JPY will be governed by importer and investor JPY sellers in the low 102s and exporter JPY buyers layered from 104 and up. Expect low volatility and steady range trading (famous last words!!).	Neutral – downside momentum has been lost. Preference to sell into exporter offers 105.00 and up.	102.00 3m; 107.00 12m
NZD	A decent rally in NZD last week saw a brief 0.7250 breach as CPI numbers a little above expectation brought a squeeze of sorts, although the number is probably not enough in itself to stop a further rate cut from the RBNZ in November. As recent comments from McDermott push the probability of a cut close to 85%, the currency's bearish bias is set to continue with 0.6950 a reasonable near term target, especially in the light of recent failures to the topside. Ongoing dairy price and volume fluctuations continue to impact.	Bearish – 0.7000 near term target while 0.7350 holds topside.	0.7000 3m; 0.7200 12m

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