

## G10 Currencies - the traders' views (28-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/<br>Bullish)<br>2 week Time Frame  | Intermediate & Long-term Views<br>(3mth & 12mth Time Frame) |
|------|---|---|---|
| EUR  | Draghi's relatively dovish tones and defence of the ECB's loose monetary policy strategy in the face of criticism from Germany means there could now be sharper focus on Monday's Eurozone CPI release. As Fed speakers indicate their readiness to raise rates at its last meeting of the year, and with elevated market expectation that the ECB will additionally reinforce its quantitative easing programme in December, the single currency continues to trade with downside bias, any short squeezes offering value for new selling opportunity while 1.1050-1.1120 topside resists.   | 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<br>1.0500 12m                                     |
| GBP  | An improving outlook for the UK as Q3 GDP beat all expectation and Nissan confirmed additional investment in its Sunderland plant, and yet still the pound fails to shake off its shackles of hard Brexit fear. Extreme positioning amongst entrenched negative sentiment means the market may have less room to predict further declines for the currency but focus now shifts to Thursday's BoE inflation report meeting and while we expect no change in the bank rate for now, expect Carney to reiterate that the BoE are eyeing proceedings very closely for evidence of a deterioration in the real economy. Markets may be underestimating the risk of dovish signals from the Bank this coming week and Cable remains vulnerable to a possible test of 1.2000. | 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. | 1.2200 3m;<br>1.3000 12m                                    |
| AUD  | Australian inflation picking up from the lows and a recent rally in base metals offered the AUD some support focus last week as markets deem the RBA to be on hold now for the rest of the year. But a failure to break significantly above 0.7700 has seen us trip lower back through pre-CPI levels with further stops triggered through 0.7580 as markets focus on a USD rally encouraged by the Fed's likely December rate hike. Fading any renewed demand towards 0.7720 looks a smart and measured call.  | Bearish – 0.7720-40 resistance remains the key to downside success.   | 0.7400 3m;<br>0.7800 12m                                    |
| CHF  | Model accounts were notable midweek buyers of USDCHF and tripped stops through 0.9960 in the process, with a lack of liquidity seeing additional coverage through EURCHF cross activity, in effect saving the SNB the bother of invoking their much talked about soft 1.0800 floor as it moves to 1.0860. Although there was a failure to trip parity as options defence held, the USD continues to flex its muscles and chances for a parity revisit remain elevated.  | Neutral – SNB interested on EURCHF dips to 1.0750-1.0800, speculators queue up to sell value above 1.1000   | USD CHF 1.0000 3m;<br>1.0300 12m                            |
| JPY  | With risk sentiment improving and Japanese stock prices on the up, it's the key theme of rising global yields that is signalling continued JPY weakness and the BoJ must be quietly celebrating the depreciation of their currency as USDJPY moves further away from the psychological 100.00 level. The BoJ's current policy stance is likely to be maintained at Monday's meeting as the CB targets longer term rates, but near term movements for the currency look to centre around exporters' ability to contain a smooth upside preference for USDJPY, investors seemingly caught a little short below 103.00   | Neutral – the preference to sell into exporter offers above 105.00 is now being brought into question.  | 102.00 3m;<br>107.00 12m                                    |
| NZD  | The Kiwi's recent outperformance above 0.7250 has been all but forgotten, the currency's bearish bias back in vogue amidst elevated expectation of a RBNZ rate cut in November ( currently pricing around 83% probability). Ongoing dairy price and volume fluctuations continue to impact and NZD has been supported somewhat as stale AUDNZD longs bought after the Aus CPI number are stopped, but we maintain that 0.6950 represents a reasonable near term target.   | Bearish – 0.6950 near term target while 0.7350 holds topside.   | 0.7000 3m;<br>0.7200 12m                                    |

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