

G10 FX - The Traders' Views

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

EM FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
EUR	<p>The EUR has struggled against the dollar over the last couple of weeks and the Catalonia vote last weekend certainly overshadowed any economic developments at the start of last week. The Catalonian's have yet to formally declare either way and Spain's constitutional court has suspended the regional parliamentary session on Monday which would have given the opportunity. In the meantime banks such as Sabadell are confirming a HQ move from Barcelona to Alicante which would keep them in the EU should things escalate and we just watch from afar as Madrid continues to follow a heavy handed approach.</p> <p>The ECB minutes on Thursday were quite balanced in terms of pace and duration reduction of purchases. They somewhat doused the more dovish comments heard from Praet earlier in the week but the main take away from a market impact point of view was that they didn't like the speed of EUR appreciation. For me that flags that they don't mind the level but the adjustment has been too fast and I'm still expecting an extension of QE to be announced this month but with a reduction in size.</p>	Move to a more neutral outlook post the sell off and break of 1.1700	3m 1.1500 12m 1.1700
GBP	<p>Cable has been hijacked by the politicians for another week as Grant Shapps, former party chairman, publicly calls for her to resign and a new leader to be elected. He currently has the backing of 30 MP's and only needs another 17 names for a no confidence vote however, her supporters have rallied around as the grown-ups seem to realize that a leadership challenge at this point would be a disaster for the party. Mrs May's speech at the party conference has gone down as a bit of a duff with coughing fits, a fool handing her P45 and part of the back drop falling down. However, she continues to show resilience and we'll see if...</p>	Bearish the pound as political tensions weigh heavy.	3m 1.3000 12m 1.2700

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GBP	<p>...she reshuffles her cabinet to show strength. The UK economy had a mixed bag of data last week with Manufacturing and Construction PMI's missing but the Services PMI's coming in strong. House prices continue to show strength and with the adjusted stamp duty fees that strength is diversifying. Next week we have Production data and the Trade balance info but I think eyes will by then have moved to the inflation data on the 17th as to whether or not the 85% hike priced into Nov is correct.</p>	<p>Bearish the pound as political tensions weigh heavy.</p>	<p>3m 1.3000 12m 1.2700</p>
JPY	<p>It was relatively quiet for the yen last week with USDJPY (pre-US employment data on Friday) failing to break resistance around 113.20-ish and trading within a 90-pip range throughout the week. North Korean antics seem to have disappeared for the time being but as mentioned last week we could see a flare-up in rhetoric over the coming week or so which coincides with the anniversary of the NK Communist Party. The big news for the week was Monday's Tankan report with the Manufacturing Index coming out at a ten-year high of 22 vs expectations of 18 but missing on the Capex (7.7% vs 8.3% exp.). Tuesday saw Consumer Confidence come out a tad higher than expected and on Friday we saw Average Cash Earnings at 0.9% vs expectations of 0.5%. Post-US data on Friday at the time of writing, USDJPY has made a high of 113.40 so far and if we manage to close above this level it should open the door up to the 114.30-50 region. The pair stalled there in both May and July and 114.33 is also the 61.8% retracement level from the Dec. high to the Sep. low. Nothing major out this week in terms of data and Monday is also a Japanese holiday but keep an eye out for election headlines.</p>	<p>Neutral against the USD, bullish against EUR</p>	<p>3m 114.00 12m 118.00</p>
CHF	<p>CPI the highlight of the domestic calendar in Switzerland coming in around expectations it didn't really have a huge impact and with the threat of an imminent nuclear war subsiding there hasn't been much to prop up the franc. The strong jobs data out of the US late Friday gave USD a nudge through 0.9800 and we're looking for further dollar strength into next week.</p>	<p>Bearish USD/CHF although we are still alert for any escalation in NK for safe haven flows.</p>	<p>3m 0.9900 12m 1.0100</p>
AUD	<p>Aussie is going through a turn-back from June's rally; there have been many factors for the market move. AUD/USD has retreated as a result of weaker retail sales data and the unexpected RBA rate decision. Low wages and a fear that higher interest rates will increase housing prices contributed to the RBA decision to postpone hiking rates until their next meeting in 2018. Harker in the WSJ contributed to the AUD/USD hitting a new low...</p>	<p>Bearish AUD</p>	<p>3m 0.7400 12m 0.8400</p>

AUD	...of 0.7743 as he stated 'a wider stalling of consumption... could warrant a rates response' i.e. a cut. We look or a break of 0.7700 with a helping hand from USD strength.	Bearish AUD	3m 0.7400 12m 0.8400
NZD	Fairly quiet week as we look for some closure from the election over the weekend. The country will have a coalition government but it's just a question of which combination although a National – NZ First looks most likely. Food prices and Manufacturing PMI's for next week.	Bearish, we got our break of 0.7200 and look for the extension now to 0.6900	3m 0.6900 12m 0.7100
CAD	The loonie managed to find some strength at the start of the week after the prior Friday's dismal GDP reading. By Thursday we saw another poor piece of tier one data in the form of a larger than expected trade deficit, coming in at -3.4B vs expectations of -2.6B. That same day's big oil rally wasn't able to counteract the weak export data with USDCAD now a healthy big figure above the 50 DMA and looking set to move higher with the next major resistance levels at 1.2664 and 1.2724. On Friday unemployment came out as expected at 6.2% with the employment change number missing 10k vs 12k new jobs expected). In the week ahead we've got no major data but do see Housing Starts and Building Permits on Tuesday and the New House Price Index on Thursday. BOC Deputy Governor Wilkins is speaking on both Tuesday and Thursday so it will be interesting to see if she gives any hints as to a December rate hike, now that October seems to be pretty much off the cards. Monday should be quiet for the currency as most traders will be at home eating turkey for Canadian Thanksgiving.	Bearish CAD against its neighbor	3m 1.2700 12m 1.3000

GBP/AUD technical trade idea

We see more strength in GBP cross rates in the near future as from the technical perspective the moves look incomplete on many pairs such as GBP/AUD, GBP/NZD, etc. The current price action is, in our view, a consolidation/correction and the broader trend is still up. The best risk-reward ratio that we see is in GBP/AUD because it has bounced impulsively of the 1.6800 level in an impulsive manner and made a 5-wave move upwards. Thus would like to go buy GBP/AUD around 1.6830 (+/- 5pips) with a stop loss at 1.6799 (about 0.20%). We expect the pair at least to make new highs above 1.7182.

Please contact the G10 desk if you need the pricing.

Update on previous ideas: we are still running a short EUR/JPY position with unrealized profit of about 0.70%. Our combined realized loss YTD is 0.45%.

Please note that (1) this is a solely technical view based on price charts and (2) although in many cases these types of trades will be stop-loss, few winning trades will more than compensate the losing trades due to the favorable risk-reward ratio.



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