

G10 Rates & FX - The Traders' Views

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

G-10 FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
EUR	<p>Political uncertainties surrounding the Catalanian independence weighed on EUR with multiple time extensions given for Puigdemont to backtrack his decision, but an independence declaration might come next week in the face of it all. The Spanish government threatened to trigger article 155, which has never been invoked before, but it would mean that Puigdemont could be replaced and Catalan elections would be held in Jan. Ultimately the route to independence seems rocky to begin with, not to mention the legal precautions to remain in the EU. Economically it would translate into even lower growth forecasts for Spain, given the fact that Catalonia is 20% of Spain's GDP. All in all, expect EURUSD to remain sensitive to Spanish headlines next week.</p> <p>Otherwise, all eyes on the ECB next Thursday where the market's base case is "lower for longer", a lower monthly purchases pace of EUR 30Bn/month but with a 9 month extension, a nice compromise if you ask me. More importantly, Draghi is unlikely to change his forward rate guidance as much as EUR bulls would like him to and I would rather focus on the language surrounding the inflation and growth outlooks.</p> <p>I remain bearish EUR in these circumstances and would position to sell the rallies above 1.1900 targeting 1.1600.</p>	Bearish whilst below 1.2000	1.1500 3m; 1.1700 12m
JPY	<p>It is all about politics these days, a general Japanese election will be held on the 22nd of Oct and the results would affect the price action on Monday. In a dramatic twist of events, the latest polls point towards Komeito and PM Abe stated he would resign if the coalition loses the majority. Whilst it is unclear now, Abe is unlikely to lose which will trigger a small relief rally in USDJPY on Monday.</p>	Still neutral against the USD, bullish against EUR	114.00 3m; 118.00 12m

20 October 2017

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JPY	In the meantime, USDJPY will remain hostage to the risk sentiment of the market and dollar strength or weakness. The current ranges are well defined and reflect the market's pricing of the political outcome, so I do not expect USDJPY to suddenly break out of its comfort zone.	Still neutral against the USD, bullish against EUR	114.00 3m; 118.00 12m
CHF	With Brexit negotiations on one side and Catalonia's independence on the other, despite the surrounding Eurozone political uncertainties, EURCHF has been scoring consistent daily highs and even breaking September highs with little difficulty. It would seem that EURCHF is gradually crawling its way back to 1.2000, but it is unlikely to happen this year, especially if the ECB disappoints the market and maintain its utmost easing stance. In the meantime, Swiss data calendar has been light as of late, meaning it would track the market's risk sentiment.	Neutral CHF and we are still alert for any escalation in NK for safe haven flows.	0.9900 3m; 1.0100 12m
AUD	Aussie had its ups and downs this week however the levels haven't changed, as the lows from last Friday were 0.785. The markets focus was on RBA as they see a gradual growth and a healthy one in the coming years. The RBA outlook is; <ul style="list-style-type: none"> • Focusing on Job growths which gave support to household spending. • A change in interest rate will depend on the improvement in the domestic economic condition. • Non-mining business investments have increased by 10% from 2016. • RBA members are concerned by the housing bubble as the housing loans and the prices have increased over the past two decades. • Economic conditions have improved domestically and internationally since 2016; the outlook is positive for the coming years as global trade has strengthened. The members of RBA took those points in account and kept the cash rate at 1.5 percent. They also decided to hold the monetary policy so they can achieve a sustainable growth and hit the inflation target over time. Aussie economy has been growing steadily, as the latest headlines focuses at population and job growth. Looking at this year's data, we can see obvious job growth that exceeds the population growth; which reflects a stable economy. In the meantime we have Q3 CPI data next week which can drive the chances of RBA rate hike to 30% by May 2018 and we also have the economic survey release along with a speech from RBA's Debelle. AUD/USD trading range for this week was 0.7818-0.7890, which is a tight range considering what is happening across the globe. We believe that the currency is in consolidation mode and in danger of a near-term correction lower towards 0.7700.	Bearish – whilst below 0.8000.	0.7400 3m; 0.8400 12m

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NZD	<p>The news on Thursday morning in NZ that the Labor party will form the government in coalition with the NZ First party initiated a fresh round of NZD selloff with the NZDUSD pair dropping about 2% on the day from 0.7160 to 0.7020. The market takes this development as negative for the kiwi because of the anti-immigration rhetoric from both parties, the tightening of the rules governing purchases of houses in NZ by foreigners and also potential threat to the independence of RBNZ in the future. The technical picture on NZDUSD looks very bearish with the pair heading to the 0.6818 low and AUDNZD looks to take out the next resistance at 1.1334-1.1430. We also like being long GBP NZD with the goal of 1.8963 in mind. Stay short NZD for the weeks to come.</p>	Bearish	0.6900 3m; 0.7100 12m
CAD	<p>After reversing off September lows at 1.2062, USDCAD never looked back, bounced few times off the key level 1.2400 and then finally skyrocketed in the aftermath of the softer release of the inflation and retail sales this Friday. BoC emphasized its data dependence time and time again; therefore CAD was sold off aggressively on the print as the market discounts the chances of another hike next week and pushes them further into the horizon of 2018. The market will be eyeing BoC future guidance and this soft inflation results might warrant the central bank to adopt a more cautious approach. Looking at the price action, the momentum is strong now in USDCAD and a break of 1.2600 would trigger another push higher, especially if we see another NAFTA headline.</p>	Bullish USDCAD	1.2700 3m; 1.3000 12m

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