

G10 Currencies - the traders' views (30-September-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	Market sentiment surrounding the single currency has been hit as anxiety grows over the financial state of Deutsche bank, shares slumping after some hedge funds move to reduce their exposure which may be deemed unsurprising given German officials press reports that state assistance has been ruled out. Although investor concerns over the health of European banks have re-heightened, the general risk-off scenario is providing slight support, so a material weakening of the currency remains unlikely and we continue to trade in a tried and tested broad range of 1.1120-1.1320, admittedly with a downside slant.	Neutral while dull range trading persists.	1.1000 3m; 1.0800 12m
GBP	Markets continue to look at GBP weakness given the latest chatter surrounding a 'hard Brexit' with real money clients notably re-instating shorts in the last few days. Although Brexit may have been a fleeting distraction according to the consumer, the UK economy is effectively stalling with MPC members ramping up expectation for further easing towards year end. Subsequently, the pound is looking vulnerable and although longer term investors may be looking at these suppressed levels as potentially historic value, the fade rally mentality prevails.	Bearish while below 1.3250 looking for a test of 1.2800.	1.3500 3m; 1.4000 12m
AUD	The latest employment data from Australia saw job vacancies hitting the highest level since mid-2012, a promising sign for a pickup in domestic labour demand. As a result, AUD made another valiant attempt to break 0.7700 but once more was unable to sustain the move, risk sentiment remaining shaky and washing through into commodity FX as earlier OPEC related impact did not prove to be the lasting one many had hoped for. Although technicals continue to favour another topside test, the subsequent move back through 0.7640 has seen a reassessment of bullish potential.	Neutral - 0.7720 continues to be a substantial hurdle to further progress.	0.7400 3m; 0.7800 12m
CHF	SNB rhetoric concerning the overvalued nature of the CHF has been 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 although the SNB will be wary of recent risk averse markets putting something of a bid back into the CHF as its safe haven stance comes into play, EURCHF back towards the lows of 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	Month and quarter end flow has seen the interbank market caught a little short as USDJPY moved off 100.00 to 101.80, apparently firm on a provisional OPEC oil production cut agreement and then lifted by Japanese corporate demand, but as predicted, exporters were more than happy to take advantage of the spike and this common theme is likely to keep a lid on the currency pair for the foreseeable future. With Japan inflation expectations stubbornly low, a retest of the BoJ's resolve below 100.00 looks likely, tactical shorts comfortable in the knowledge that sellers still queue up 103.00-105.00	Bearish USDJPY - 100.00 test has narrowly failed to yield as yet, but remains in jeopardy.	102.00 3m; 107.00 12m
NZD	The RBNZ'S easing bias is firmly in place and with Fonterra expecting only gradual increases in dairy prices in coming months and Q2 GDP results consistent with the CB's growth projections, markets are now pricing in a 75% chance of a Nov cut, this view further enhanced by the dampening of NZ housing activity caused by the recent announcement of RBNZ lending restrictions. The currency has barely wobbled but further gains now look difficult particularly as NZD suffers on interest rate differentials vs the AUD, the cross now back around 1.0500 having tested 1.0250 in mid September.	Bearish – we target 0.7000 while 0.7500 topside holds.	0.7000 3m; 0.7200 12m

NBAD Global Markets FX team

G10 FX Spot

Phil Muldoon

Phil.Muldoon@nbad.com

Nourah Al Zahmi

Nourah.Alzahmi@nbad.com

Tel: 00971 2611 0111

EM FX Spot

Danay Sarypbekov

Danay.Sarypbekov@nbad.com

Pinrath Wongtrangan

Pinrath.Wongtrangan@nbad.com

Disclaimer:

To the fullest extent allowed by applicable laws and regulations, Natona Bank of Abu Dhabi PJSC (the "Bank") and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an "as is" and "as available" basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.