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Market Insights & Strategy
Global Markets

G10 Rates & FX - The Traders' Views

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

Labor Day on Monday heralds the end of summer which should provide some relief as the holiday months have proven tricky to maneuver. The disconnect between spot and rates has come under the spotlight with continuing weakness in DXY looking less and less sustainable even as currencies like the EUR continue to break through and make multi year highs. From a rates perspective curves are languishing at the lower end of this year’s ranges with much uncertainty surrounding major currencies. German elections, tax reform in the US, tensions in North Korea, the US debt ceiling amidst multiple natural disasters haven’t given much room for optimism although there are a few bright spots. Secretary Mnuchin certainly seemed confident that the tax reform bill which includes corporate tax at 15% and a cut for the middle classes could be passed by year end. Combined with some green shoots for personal income and job growth the FED may still need to hike to stay ahead of the curve although certainly inflation pressure has reduced and the message from the FED is not as solid as it was a few months ago. Even if the set of employment data was disappointing with NFP at 156K for Aug, the market’s reaction reflects the core belief that employment is still solid above 150K and we even witnessed a relief rally after Bloomberg mistakenly reported a lower revision to hourly earnings and then fixed it. 2s10s on the left ending the week strong, while 10Y treasures failed to break 127-16 again.

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G-10 FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
EUR	The last week of the summer markets saw the single currency break 1.2000 for the first time since 2015, which jolted the market back to life leading to a kneejerk move to 1.2070 purely led by fast monies and stop chasing. Since then, EURUSD retraced the move back to 1.1823, especially after the released reports that the ECB members are worried about the strength of the currency along with reports that the ECB to see chance of QE plan not fully ready until December. And now as we head into the long awaited September ECB meeting, there is a growing concern in the market that the council will talk down the currency as it might dampen growth, and it is worth to highlight that the risks are for the downside, especially as the scope for further gains seems limited and the bottom of the range now lies around 1.1500.Once again Draghi is left between a rock and a hard place, where the recent Eurozone inflationary data has not been inspiring, but the market has been gearing for a change in the asset purchase program and whilst that will be within the Q&A for sure, I would expect Draghi to skillfully elude giving the market clear signals at this stage and not comment on the timing of the actual announcement. Any dovish remarks could lead to a sharp EUR selloff and if anything, most likely I would expect to see moderate upward revisions to the growth forecasts.	Neutral– upside gains seem to have lost momentum and courage is required to chase the move ahead of the ECB	1.1700 3m; 1.1800 12m
GBP	Brexit discussions dominated headlines in the UK last week as talks led by David Davis and Michael Barnier become increasingly hostile. The EU is asking for a €90b divorce settlement which would include continued support for its foreign aid projects as agreed by the current budget which runs until 2010. The UK has stated it will meet its legal obligations but there is a vast gulf of interpretation between the UK and the EU on what those legal obligations are. As per the last few weeks the yield curve remains range bound and continues to trickle lower as the dizzy heights of 1% in the 5y look like ancient history and 10y looks set to break 1.10%. Cable is still proving somewhat resilient and close to breaking 1.3000, aided by a 156K disappointing US NFP print. Next week has a robust set of data as we look for Construction PMI on Monday, Services and Composite PMI on Tuesday, House Prices on Thursday and Industrial and Manufacturing Production on Friday.	Neutral 1.2700 – 1.3100 range to hold in the near term	1.2600 3m; 1.3000 12m

G-10 FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
JPY	The general dollar sentiment along with the risk appetite of the market has been the main driver of USDJPY seesawing on North Korean worries when the missile crossed Japanese territories landing in the pacific ocean pushing USDJPY to a low of 108.50. Then about mid-week, despite the lower US pending home sales USDJPY staggered an impressive rally from the lows of 108.50 which have proven to be a good support range through this summer, buoyed by Japanese demand. The rally was then hindered slightly by Mnuchin's comments on CNBC that over the short term a weaker dollar is good for exports which translated into a dip towards 109.88. With that said, USDJPY still showed resilience even after the BOJ Reduced Bond Purchases for the Third Time in a Month and regardless of the Japanese 10Y yield falling below zero for the first time since November. I believe that the price action post the NFP is slightly alarming, but I still favor going long USDJPY with a target entry level of below 108.50.	Bullish – preference to buy the dips around 108.50	112.00 3m; 118.00 12m
CHF	USDCHF had a volatile week with a clear wave on the back of flight to safety as North Korean fears escalated and continuing weakness in the DXY. Tuesday saw a tumble to 0.9429, lowest levels seen in two years before the USD recovered and pushed CHF back to challenge the 0.9700 resistance without a break. Into the weekend the market ignored the improvement in PMI Manufacturing ahead of payrolls. Coming up this week we have GDP, CPI and Unemployment which should show some direction domestically.	Neutral – speculators are gaining in confidence having breached 1.1500 in EURCHF with little difficulty.	USD CHF 0.9900 3m; 1.0000 12m
AUD	Aussie had a quiet start to last week in a sideways range watching the North Korean launches from a safe distance. It had a nice boost from Construction Work Done which came in at 9.3% vs expectations of 1%. Although the number is not a standalone superstar it does filter into Q2 GDP which is a decent positive. As fears over imminent action in the Korean peninsular receded so did AUDUSD strength as it failed at the 0.8000 resistance and tapped through 0.7880 support. The lows didn't hold as USD weakness and a bid in energy markets thanks to Hurricane Harvey's devastation helped AUD to mid-range for the week, sitting around 0.7940 as all eyes turn towards payrolls. The AUD reigned supreme against the kiwi and continued to hit new highs as it moves back towards March 16's 1.1295 resistance. We watch for a pull back and retracement of the move.	Bearish – ingrained negativity remains, only above 0.8300 concerns.	0.7500 3m; 0.8500 12m

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NZD	Another quiet week for the kiwi from a domestic perspective although the currency took a hit as Government Wheeler talked it down. His view is that a lower NZ dollar is needed to increase inflation and that was pretty much the headline taken from his speech. Kiwi moved back towards the June lows hitting 0.7150 on Thursday from monthly highs 2 big figures above. AUDNZD hit yearly highs and continues its march higher with a solid break above 1.1000. In terms of domestic data the business confidence data came in line although slightly down on July's numbers. This week has little of excitement to recommend it as the ANZ Commodity Price index and the Dairy auction will likely be the highlights on Tuesday morning unless the monthly treasury report holds any surprises, unlikely as they already flagged a cut in the growth forecast and budget surplus expectations.	Neutral	0.7000 3m; 0.7100 12m
CAD	It has been an interesting week for USDCAD, dipping to 1.2440 twice before reversing higher as greenback regains its grounds. The rally was impulsive to say the least and actually showed promise. But the price action proved otherwise especially after the release of the firm Canadian GDP at 4.3% which has boosted the September rate hike chances pushing USDCAD in a single shot below 1.2500. And now that we have broken 1.2400 post the NFP, I remain neutral USDCAD for the time being whilst above 1.2200. BOC decision next week will be of focus and the market expects no change.	Neutral USDCAD	1.3100 3m; 1.2800 12m

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