



بنك الإمارات دبي الوطني
Emirates NBD

Weekly
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FX Week

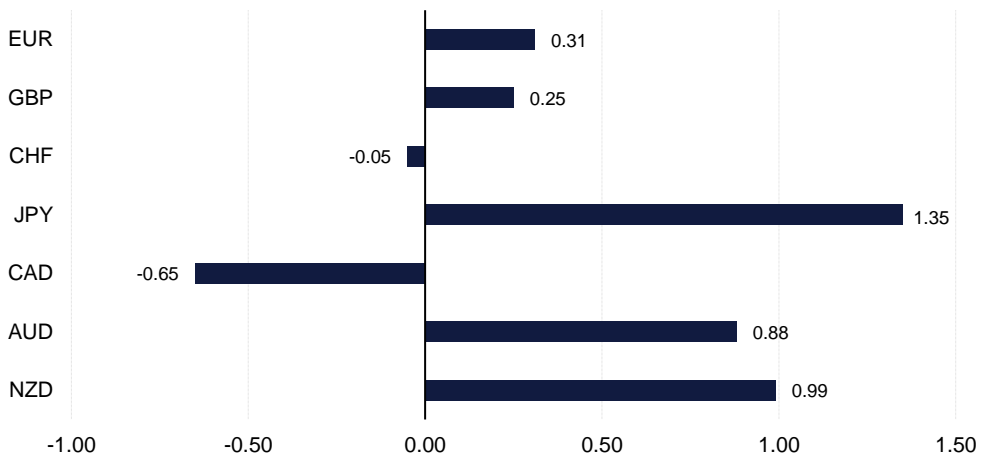
Over the last week, equity markets suffered significant declines amid a sharp rise in U.S. Treasury yields and escalating investor concerns over trade disputes between the U.S. and China. In this risk averse environment, safe haven currencies such as the JPY have outperformed against the other major currencies.

Elsewhere, the USD found itself under pressure after comments from President Trump criticizing the Federal Reserve for going “crazy” with the pace of rate hikes and tightening of monetary policy. However, despite the President’s unhappiness with the central bank’s rate hikes threatening the stock market’s ‘bull run’, the Fed is likely to stay the course and we expect an additional 25bps rate hike in December. Currency manipulation will remain on the agenda with the publication of the US Treasury’s biannual report on which countries are manipulating their currencies. China is thought likely to avoid being named, but the theme of FX manipulation is likely to remain a ‘hot’ one.

At a glance:

- EURUSD rises as President Trump criticizes “crazy” Federal Reserve.
- USDJPY falls as the yen gains on safe haven bids amid equity declines.
- GBPUSD breaks above 100-day and 100-week moving averages, with further gains likely.

Weekly currency movement vs USD (%)



Source: Bloomberg, Emirates NBD Research

Forecasts	Spot	1 Week	1 month
EURUSD	1.1560	1.1650	1.1800
GBPUSD	1.3153	1.3200	1.3300
USDJPY	112.21	112.00	112.00
EURJPY	129.69	130.48	132.16
EURGBP	0.8791	0.8826	0.8872
GBPJPY	147.60	147.84	148.96

EURUSD

EURUSD rises as Trump criticizes the Fed

EURUSD was able to rise and pare some of the losses of the previous week after the dollar found itself under pressure following comments for U.S. President Trump that the Federal Reserve had “gone crazy” with the pace of rate hikes. EURUSD had climbed as high as 1.1610 on Friday, before the dollar recovered some of its earlier losses as U.S. equity markets gained for the first time in seven sessions.

Eurozone data key in the week ahead

With no first tier U.S. economic data due for release in the week ahead, EURUSD is most likely to be driven by Eurozone data. Final reports for Eurozone aggregate CPI data in September are expected to show an upward revision to 2.1% y/y from earlier estimates of 2.0% y/y. Should the data be firm, it is likely to be constructive towards EURUSD and result in further gains.

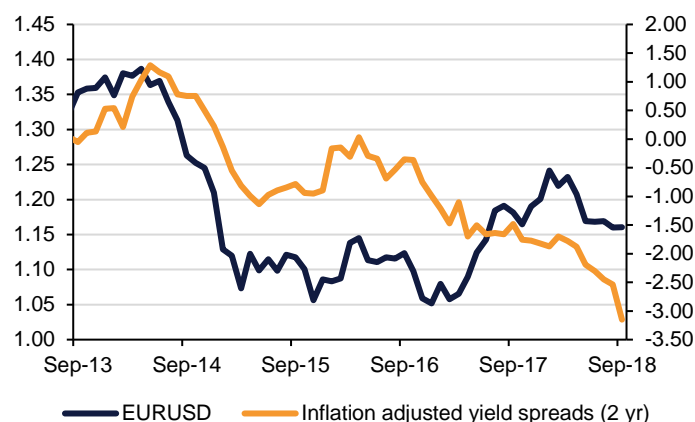
Of equal importance will be the ZEW surveys which have the potential to show continued recoveries in investor and business confidence. This recovery will likely be the result of concerns over a trade war easing as the Trump Administration has reached a preliminary trade deal with Mexico and announced it would seek approval from congress for negotiating with the European Union.

Technical outlook

The EURUSD rose 0.31% last week in a move that showed many technical developments. For a second week, the cross found weekly support at the 100-week moving average (1.1510) which limited additional losses before testing and failing to break the 50-day moving average (1.1585). In the week ahead, we will look for breaks of the 50-day moving average to be followed in quick succession by a test of the 23.6% one year Fibonacci retracement (1.1597).

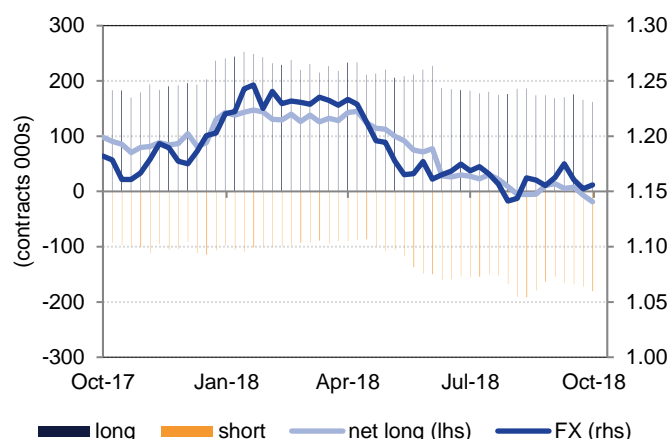
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EURGBP	0.8791	0.8826	0.8872
EURJPY	129.69	130.48	132.16

Yield Spreads



Source: Bloomberg, Emirates NBD Research

Net Positioning



Source: Bloomberg, Emirates NBD Research

Daily Candle Chart



Source: Bloomberg, Emirates NBD Research

USDJPY

USDJPY falls amid risk aversion

JPY was the best performing major currency last week as market risk aversion helped the yen appreciate against all the other major currencies. With the S&P and Nasdaq falling 4.1% and 3.7% last week, turned to safe haven bids which supported JPY.

Risk appetite and China GDP to guide JPY

While inflation data is expected to show that headline consumer prices increased 1.3% y/y in September, the market widely expects that the Bank of Japan is years away from being able to tighten monetary policy. Therefore such data will be overshadowed by risk sentiment in the market, with risk appetite being constructive to USDJPY while risk aversion will result in further declines.

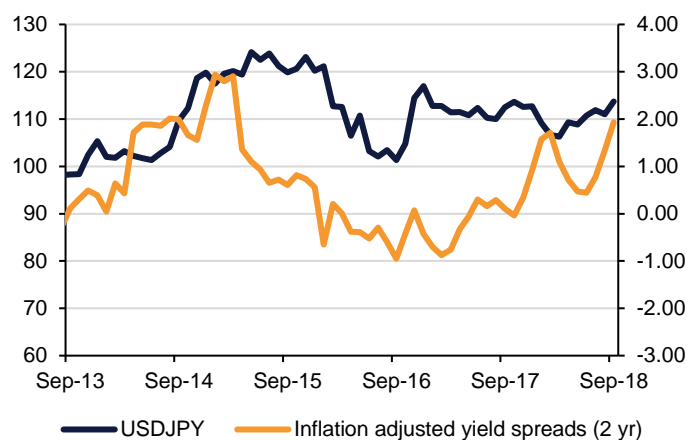
One influencing factor will be China's Q3 GDP data, which is expected to show that growth in the world's second largest economy slowed to 6.6% y/y from 6.7% y/y the previous quarter. Should the slowdown be greater than expected, we can expect further JPY strength to be triggered by safe haven bids. The publication of the US Treasury's bi-annual report on currency manipulation will also be carefully watched, although it appears likely that China will avoid being labelled and FX manipulator again.

Technical

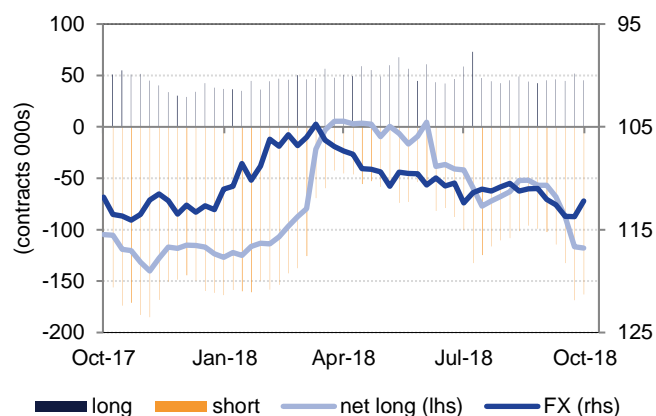
USDJPY fell by 1.35% last week closing at 112.21. Analysis of the daily candle chart reveals that on Thursday and Friday, further declines were halted after support was found near the 50-day moving average (111.85). However, analysis of the weekly candle chart shows that for the first time in three weeks, the price closed below the 200-week moving average (113.17), indicating that further losses may lie ahead. At its current level, the price sits just below the 76.4% one-year Fibonacci retracement (112.33). While the price remains below this level, we can expect further declines towards the 61.8% one-year Fibonacci retracement (110.73).

Forecasts	Spot	1 Week	1 month
USDJPY	112.21	112.00	112.00
EURJPY	129.69	130.48	132.16
GBPJPY	147.60	147.84	148.96

Yield Spreads



Net Positioning



Source: Bloomberg, Emirates NBD Research

Daily Candle Chart



Source: Bloomberg, Emirates NBD Research

GBPUSD

GBPUSD rises for a second week

GBPUSD rose for a second week, catalyzed by dollar weakness and increased optimism on a Brexit deal being worked out. The EU's Brexit negotiator Michel Barnier sounded optimistic that a deal could be reached with the UK ahead of the summit on the 17th October.

Inflation, retail sales and employment are key

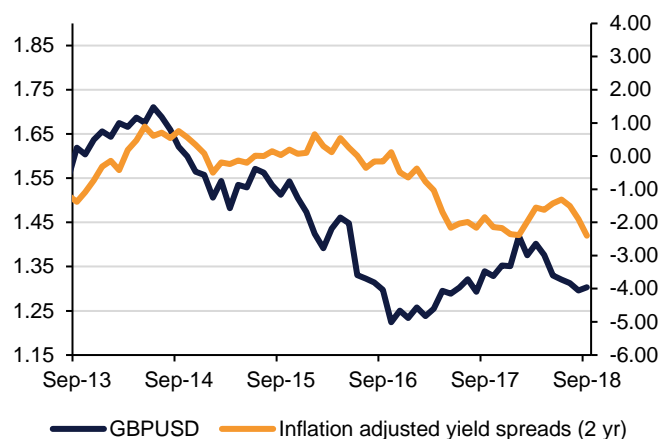
Over the week ahead, a raft of first tier economic data is expected for release from the U.K. A report from the UK Office for National Statistics is expected to show that the unemployment rate remained at 4.0% in August with wages expected to show 2.6% y/y growth. In addition headline consumer price inflation is expected to have slowed to 2.6% y/y in September, down from 2.7% y/y the previous month. Finally a report due on Thursday is expected to show that retail sales contracted 0.4% m/m in September. Any upside surprises in the data may give the pound's recovery further legs, however the dominant theme in the week ahead is likely to remain Brexit negotiations. EU Budget Commissioner Guenther said that "It does appear possible there will be a breakthrough and certainly the way to do this is being prepared this week and most likely will be presented next week," increasing optimism on a resolution being achieved at the EU summit in Brussels next week.

Technical

GBPUSD posted a 0.25% gain last week, to close on Friday at 1.3152. In the process of this climb, the cross was able to climb back above the 100-day moving average (1.3100) and record four consecutive daily closes above this key level. In addition, the price has closed above the 100-week moving average (1.3109) for a second week. Both of these technical developments lead us to believe that further gains lie ahead for GBPUSD and we look for a retest of 1.3317 (38.2% one-year Fibonacci retracement) in the week ahead.

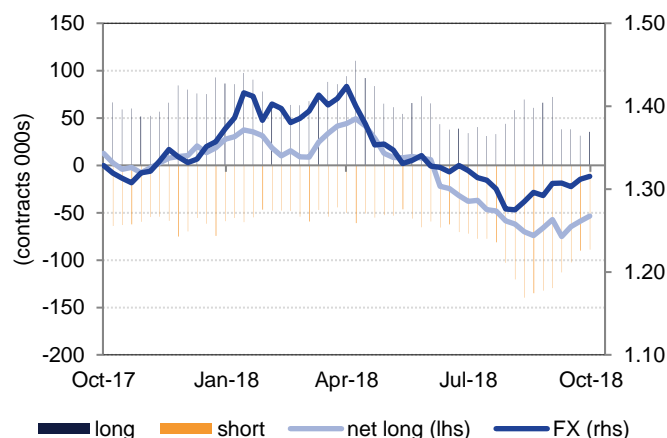
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EURGBP	0.8791	0.8826	0.8872
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Yield Spreads



Source: Bloomberg, Emirates NBD Research

Net Positioning



Source: Bloomberg, Emirates NBD Research

Daily Candle Chart



Source: Bloomberg, Emirates NBD Research

FX Forecasts

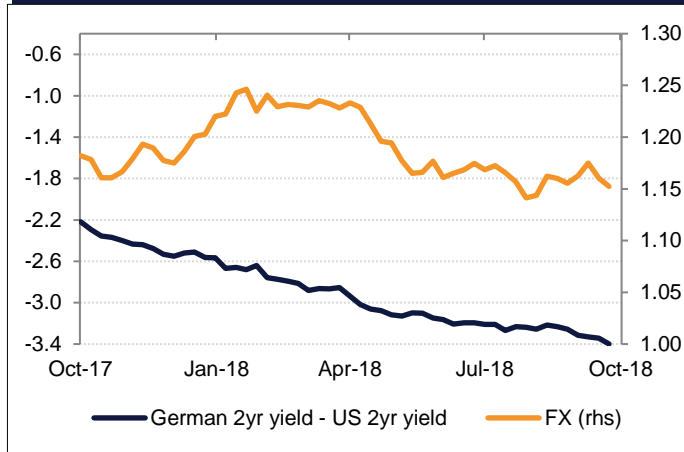
FX Forecasts - Major						Forwards		
	11-Oct	Q4 2018	Q1 2019	Q2 2019	Q3 2019	3m	6m	12m
EURUSD	1.1593	1.1900	1.2100	1.2350	1.2500	1.1688	1.1780	1.1983
USDJPY	112.16	112.00	110.00	110.00	110.00	111.28	110.45	108.64
USDCHF	0.9894	0.9800	0.9800	0.9800	0.9800	0.9803	0.9717	0.9533
GBPUSD	1.3230	1.3300	1.3500	1.4000	1.4400	1.3292	1.3351	1.3477
AUDUSD	0.7124	0.7300	0.7550	0.7700	0.8000	0.7130	0.7140	0.7167
NZDUSD	0.6519	0.6600	0.6900	0.7100	0.7400	0.6524	0.6532	0.6556
USDCAD	1.3032	1.2700	1.2650	1.2600	1.2500	1.3005	1.2986	1.2947
EURGBP	0.8763	0.8947	0.8963	0.8821	0.8681	0.8793	0.8824	0.8891
EURJPY	130.04	133.28	133.10	135.85	137.50	130.04	130.04	130.04
EURCHF	1.1473	1.1662	1.1858	1.2103	1.2250	1.1461	1.1450	1.1428
FX Forecasts - Emerging						7-Sep		
	11-Oct	Q4 2018	Q1 2019	Q2 2019	Q3 2019	3m	6m	12m
SAR	3.7509	3.7500	3.7500	3.7500	3.7500	3.7510	1.8758	3.7559
AED	3.6730	3.6730	3.6730	3.6730	3.6730	3.6739	3.6747	--
KWD	0.3032	0.3020	0.3020	0.3020	0.3020	0.2968	0.2913	--
OMR	0.3848	0.3850	0.3850	0.3850	0.3850	0.3857	0.3865	0.3886
BHD	0.3770	0.3770	0.3770	0.3770	0.3770	0.3762	0.3762	0.3787
QAR	3.6574	3.6400	3.6400	3.6400	3.6400	3.6531	3.6499	3.6471
EGP	17.9164	18.0000	18.1250	18.2500	18.2500	18.4700	19.0050	20.0100
INR	74.125	70.000	70.000	68.000	68.000	74.7300	75.6400	77.2000
CNY	6.8899	6.9000	7.0000	7.1000	7.2000	6.9555	6.9860	7.0195
SGD	1.3764	1.3500	1.3200	1.3000	1.2900	1.3755	1.3726	1.3658

Source: Bloomberg, Emirates NBD Research

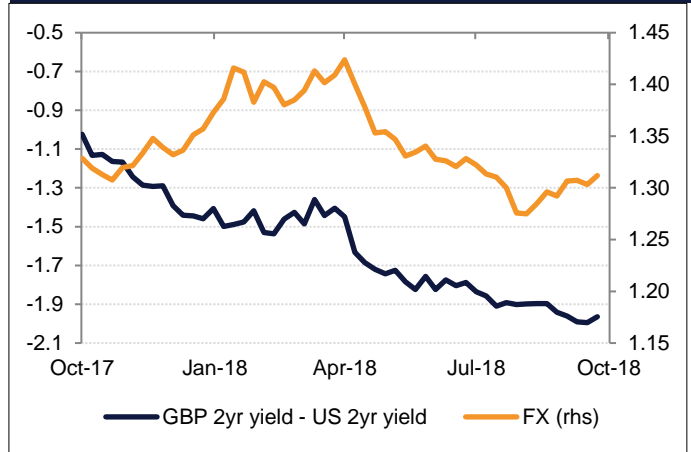
*Denotes USD peg

Major FX and Nominal Interest Rates

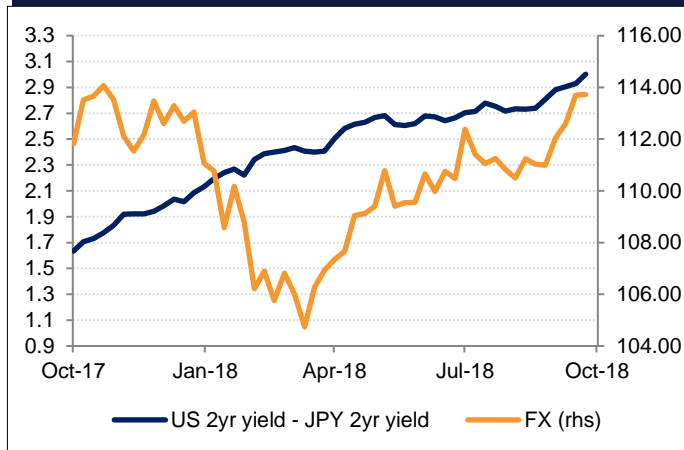
Interest Rate Differentials - EUR



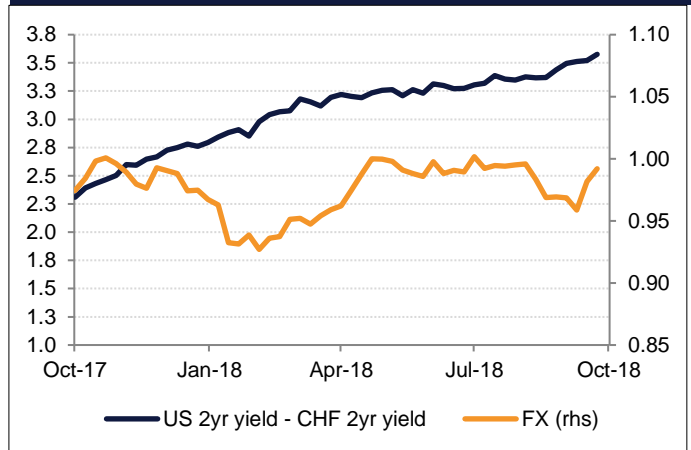
Interest Rate Differentials - GBP



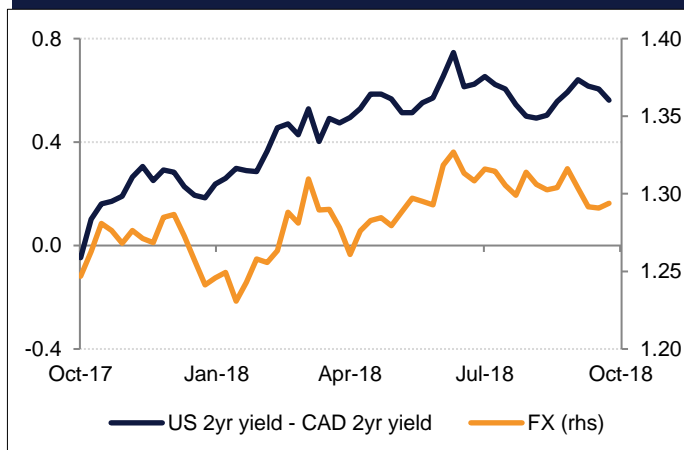
Interest Rate Differentials - JPY



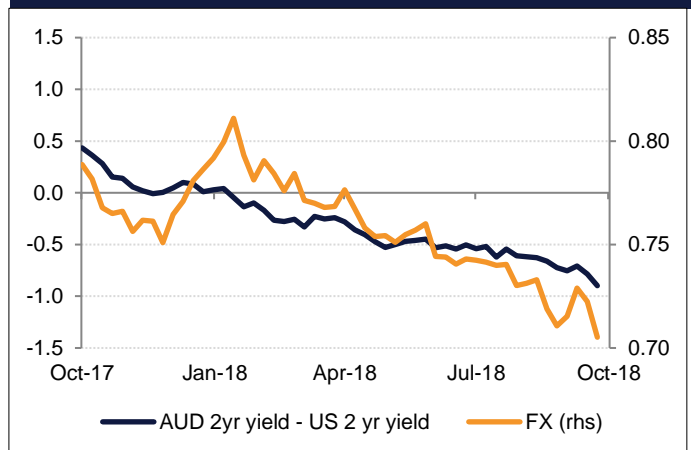
Interest Rate Differentials - CHF



Interest Rate Differentials - CAD



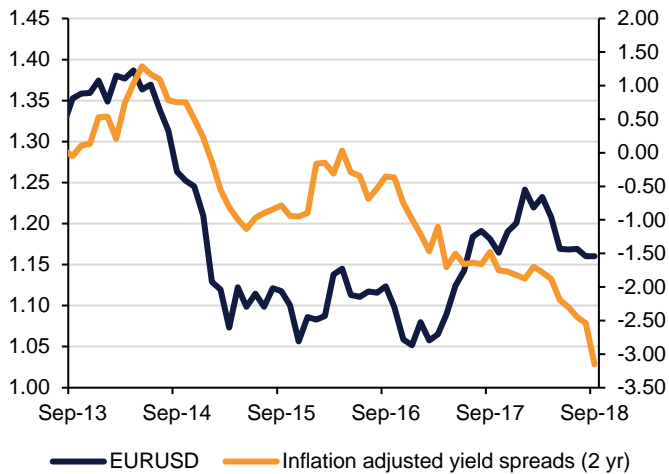
Interest Rate Differentials - AUD



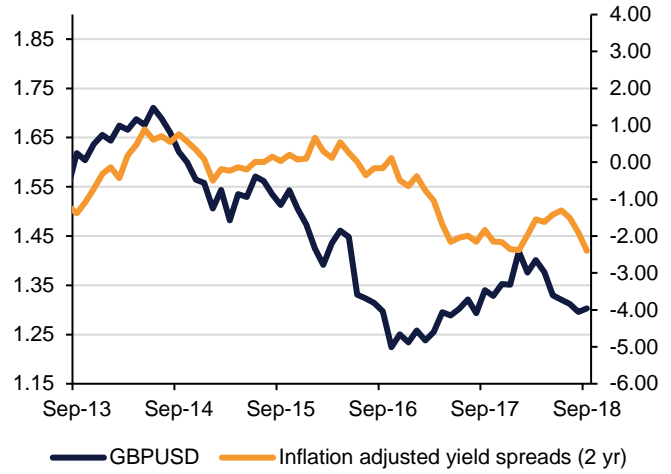
Source: Bloomberg, Emirates NBD Research

Major FX and Real Interest Rates

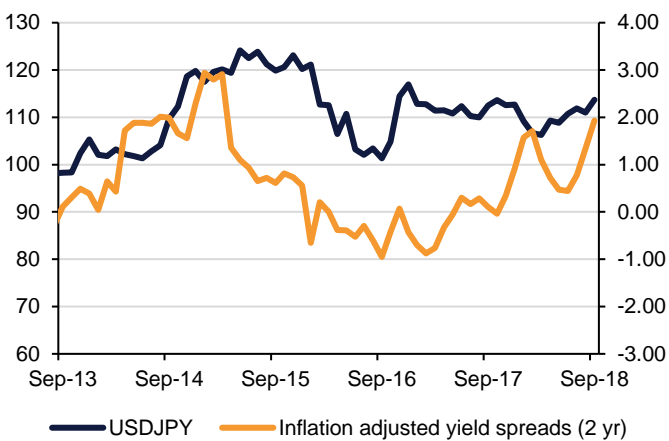
Interest Rate Differentials - EUR



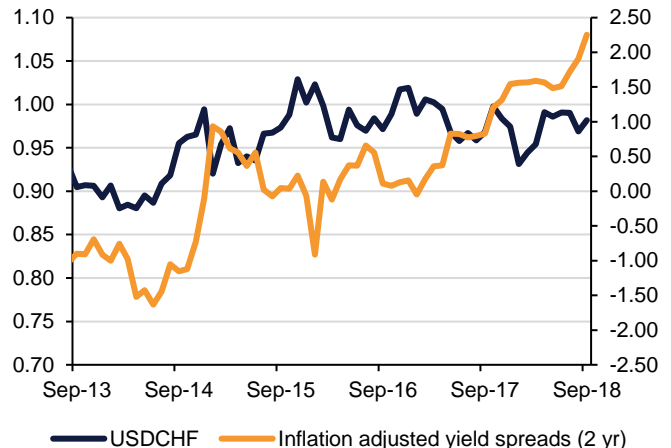
Interest Rate Differentials - GBP



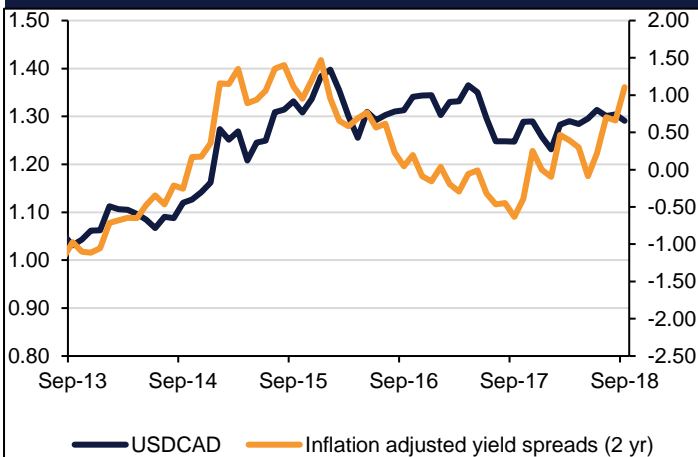
Interest Rate Differentials - JPY



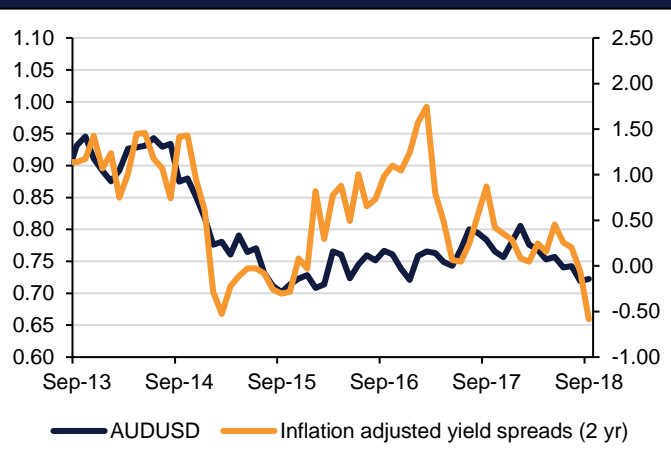
Interest Rate Differentials - CHF



Interest Rate Differentials - CAD



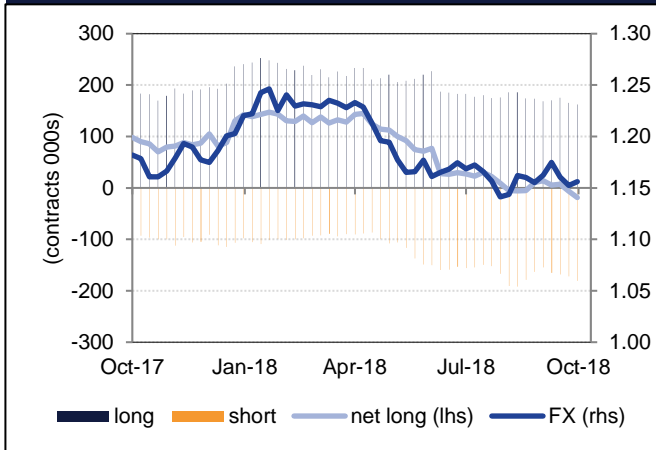
Interest Rate Differentials - AUD



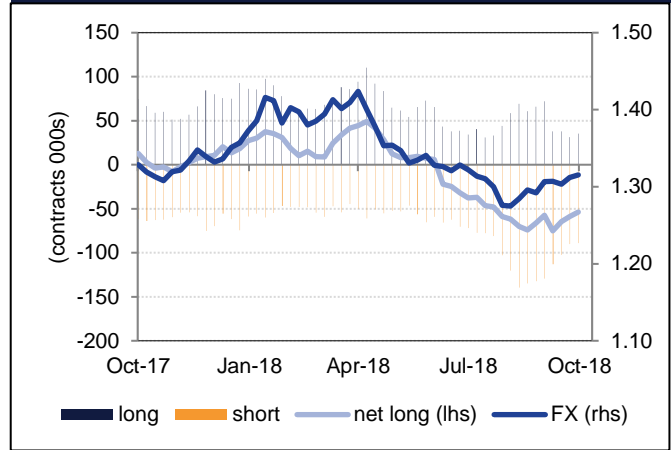
Source: Bloomberg, Emirates NBD Research

Major Currency Positions

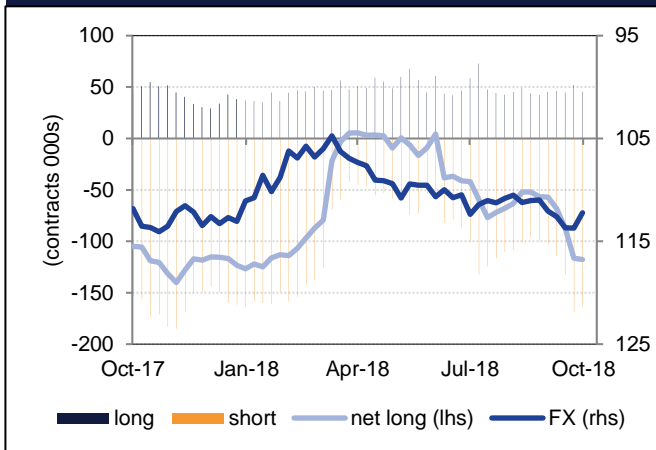
CFTC – Speculative Positions - EUR



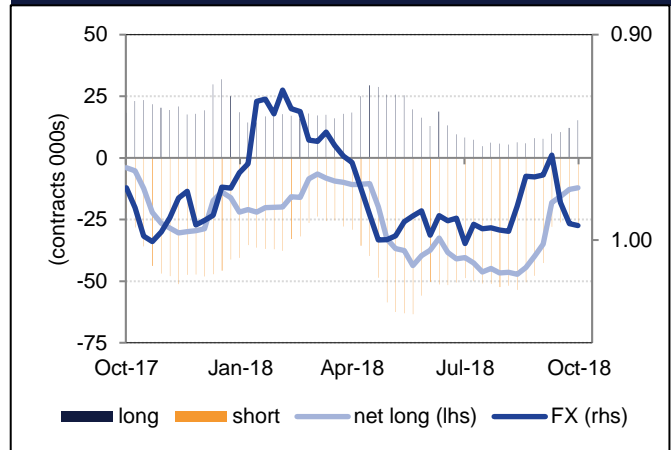
CFTC – Speculative Positions - GBP



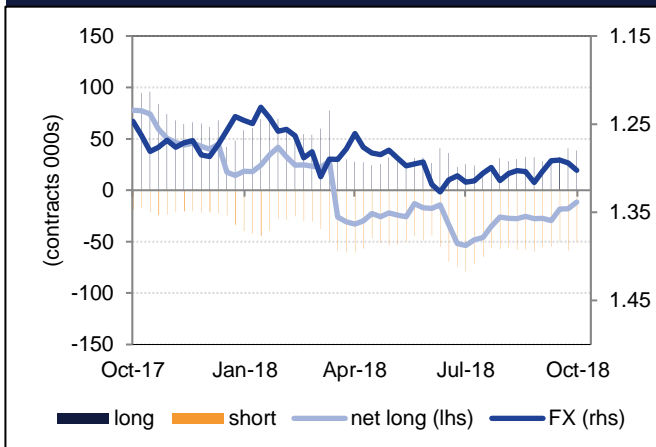
CFTC – Speculative Positions - JPY



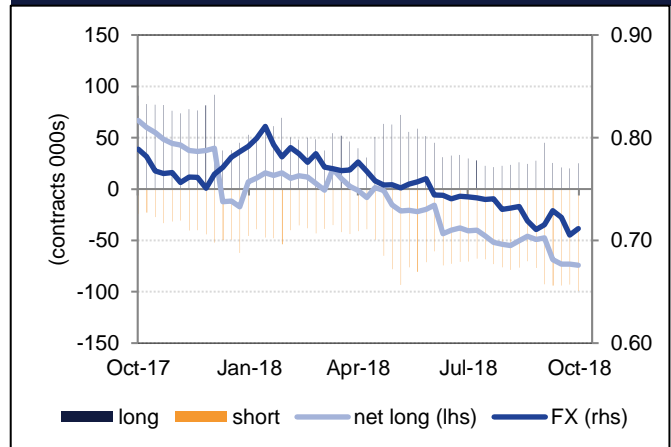
CFTC – Speculative Positions - CHF



CFTC – Speculative Positions - CAD



CFTC – Speculative Positions - AUD



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