



بنك الإمارات دبي الوطني
Emirates NBD

Weekly
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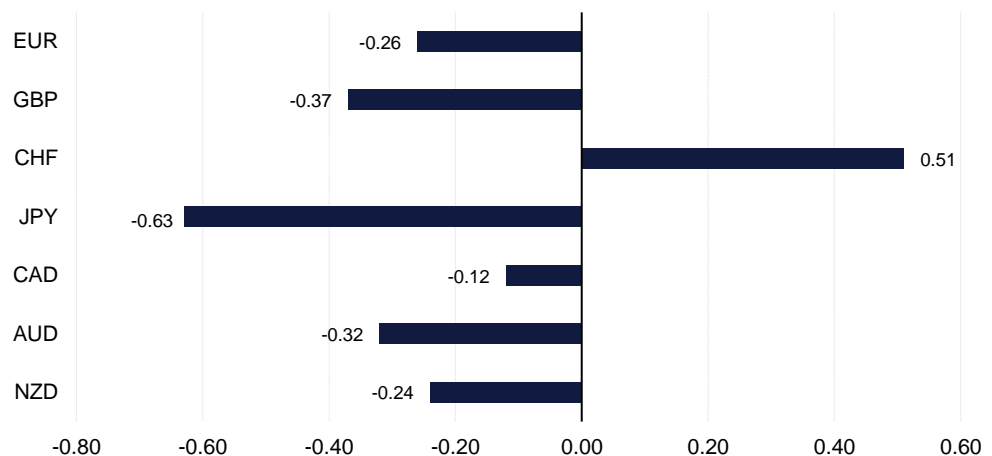
FX Week

Reduced trade uncertainties and easing geopolitical tensions combined with good US economic data to produce a positive week for markets, with solid risk-on momentum underpinning the USD. Housing starts surged 16.9% in December to their strongest levels in 13 years, while manufacturing surveys were stronger than expected. Although headline readings for industrial production (-0.3% m/m) and retail sales (0.3% m/m) were not strong, underlying readings for both were much better (manufacturing output 0.2% and control group retail sales 0.5%). **With inflation still sluggish (CPI at 2.3% but the PCE deflator steady at 1.6%), the Fed has plenty of room to maintain monetary policy where it is,** which combined with easier policies elsewhere should keep risk appetite positive and help to underpin economic recoveries.

Both Turkey and South Africa's central banks cut interest rates last week, given soft GDP growth in each country. Data from the UK also revived expectations of a January easing by the BOE, where official commentary is becoming more dovish. **The case for another BOE easing this month does appear to be increasing** and while we have not been expecting one, we acknowledge that it is becoming a possibility with inflation falling in December, to 1.3% on a headline basis and 1.4% at the core, and retail sales plunging (-0.8% m/m).

Central bank meetings in Japan, the Eurozone, and Canada will likely result in steady policy stances in the coming week, providing more confidence that accommodative policy settings will remain for some time. The ECB is likely to be focused on the review of the overall monetary policy framework, with a change to the inflation target likely to be under consideration. Elsewhere, Chinese GDP growth held steady at 6.0% y/y in Q4, and December activity data were stronger than expected, adding to signs of a stabilizing Chinese economy. Coming at a time when a 'phase one' trade deal has just been agreed this argues against the Chinese economy plunging much further for the time being, especially with the PBOC offering ongoing monetary support. **All in all the backdrop should remain a supportive one for risk, and probably the USD, so long as there are no unwelcome surprises.**

Weekly currency movement vs USD (%)

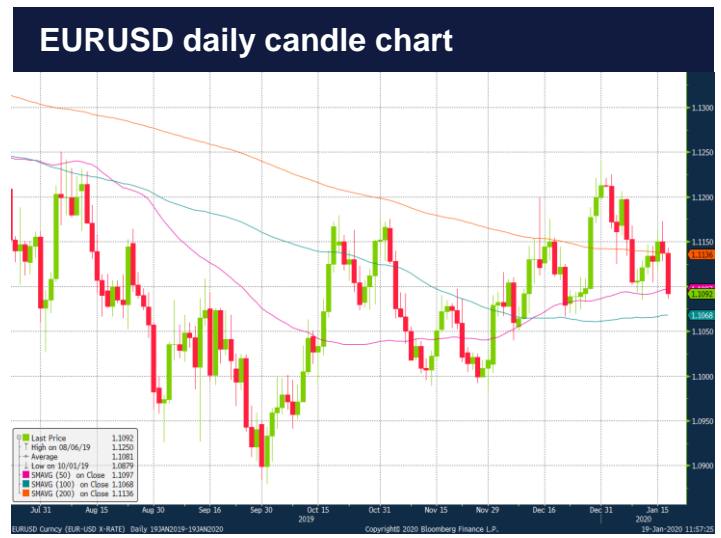


Source: Bloomberg, Emirates NBD Research

Technical Observations

EURUSD closes below 200-day MA

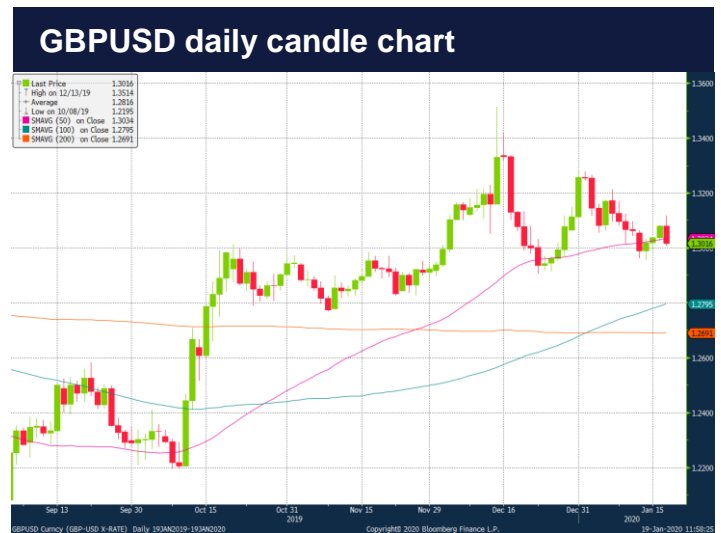
A 0.27% decline resulted in a third week of declines for EURUSD and took the price down to 1.1092. Over the course of the week, the price fell back below the 200-day moving average (1.1136) and even closed below the 50-day moving average (1.1092). The latter development is important as it closed the week below this key supporting level which has provided support since broken on December 2nd, 2019. While the price stays below this level, further declines seem to be the path of most resistance, with the 23.6% one-year Fibonacci retracement (1.1029) being the next likely target. The probability of this is increased by the observation that the price encountered selling pressure at the 50-week moving average (1.1167) and closed the week below the 38.2% one-year Fibonacci retracement of 1.1122.



Source: Bloomberg

GBPUSD closes below 200-week MA

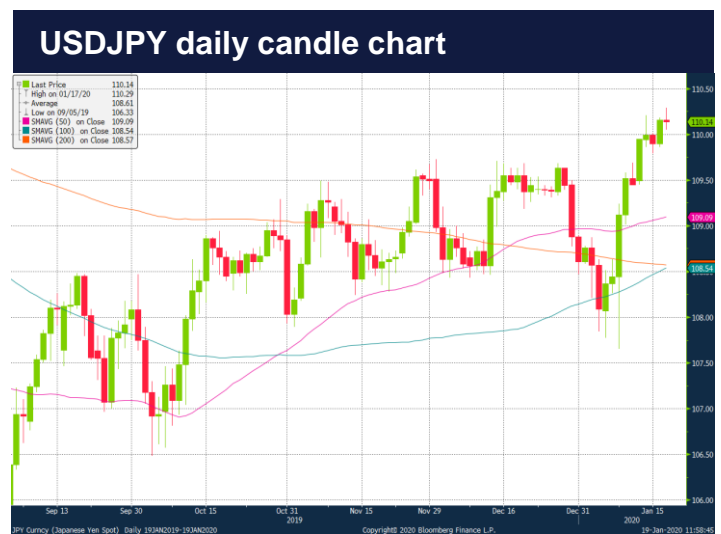
GBPUSD declined for a second week after a fall of 0.39% took the price to 1.3013. While analysis of the daily candle charts shows that the price has closed below the 50-day moving average (1.3034), the price remains above the 61.8% one-year Fibonacci retracement (1.2920). While this remains the case, we expect GBPUSD to retest the 1.3067 level at the 200-week moving average. While this level has been broken many times over the last three weeks, the break has not been sustained. Should this development happen, it is likely to catalyze further gains towards 1.3150, not far from the 76.4% one-year Fibonacci retracement.



Source: Bloomberg

USDJPY breaks above key levels

A 0.64% rise took USDJPY to 110.14 last week, the second week that the price has climbed. This is the highest weekly close since May 2019 and shows several technical developments. The price has firmly broken both the 100-week and 200-week moving averages (109.65 and 109.70 respectively). This means that the price is likely to realize further gains initially towards the 76.4% one year Fibonacci retracement of 110.53. Should the price see a weekly close above this level, it could trigger a more significant movement towards the 112 level.



Source: Bloomberg

CHF outperforms

The Swiss Franc was the best performing major currency last week, USDCHF falling by 0.48% to 0.9679. Over the course of the week, then price reached a one year low of 0.9613 before paring some of the losses. In the weeks ahead, the price will likely test the 76.4% five-year Fibonacci retracement (0.9651). Should the break be confirmed this time, then the 100-month moving average will likely be tested in quick succession (0.9588).

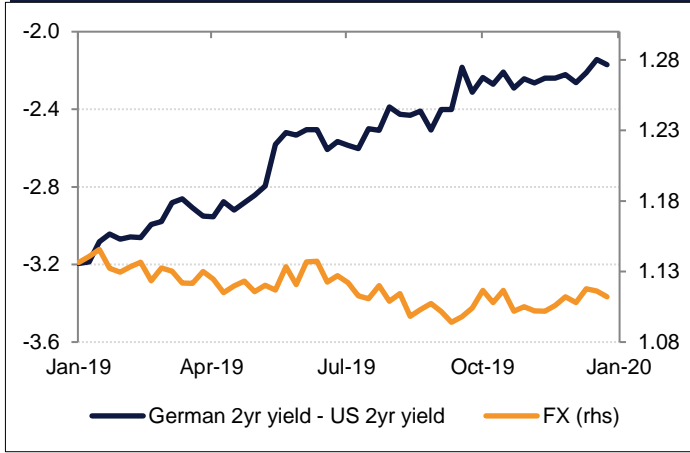
FX Forecasts

FX Forecasts – Major						Forwards		
	17-Jan	Q1 2020	Q2 2020	Q3 2020	Q4 2020	3m	6m	12m
EURUSD	1.1092	1.1200	1.1400	1.1500	1.1700	1.1155	1.1217	1.1342
USDJPY	110.14	110.00	108.00	107.00	107.00	109.59	109.04	107.94
USDCHF	0.9679	0.9500	0.9400	0.9300	0.9300	0.9618	0.9556	0.9434
GBPUSD	1.3016	1.3300	1.3600	1.4000	1.4400	1.3053	1.3091	1.3166
AUDUSD	0.6879	0.7100	0.7200	0.7300	0.7300	0.6894	0.6910	0.6938
NZDUSD	0.6615	0.6500	0.6600	0.6700	0.6700	0.6624	0.6632	0.6643
USDCAD	1.3066	1.2800	1.2600	1.2400	1.2400	1.3065	1.3065	1.3070
EURGBP	0.8520	0.8421	0.8382	0.8214	0.8125	0.8544	0.8567	0.8613
EURJPY	122.19	123.20	123.12	123.05	125.19	122.19	122.19	122.19
EURCHF	1.0737	1.0640	1.0716	1.0695	1.0881	1.0730	1.0721	1.0702
FX Forecasts - Emerging								
	17-Jan	Q1 2020	Q2 2020	Q3 2020	Q4 2020	3m	6m	12m
SAR	3.7521	3.7500	3.7500	3.7500	3.7500	3.7502	3.7503	3.7520
AED	3.6729	3.6730	3.6730	3.6730	3.6730	3.6741	3.6753	3.6777
KWD	0.3034	0.3020	0.3020	0.3020	0.3020	0.3039	0.3044	#N/A N/A
OMR	0.3850	0.3850	0.3850	0.3850	0.3850	0.3854	0.3860	0.3878
BHD	0.3770	0.3770	0.3770	0.3770	0.3770	0.3761	0.3761	0.3777
QAR	3.6636	3.6400	3.6400	3.6400	3.6400	3.6609	3.6574	3.6482
EGP	15.8279	15.8279	15.7500	15.7500	15.5000	16.1250	16.4250	17.0450
INR	71.086	72.000	71.000	70.000	68.000	71.7600	72.5000	74.0600
CNY	6.8598	7.1000	7.2000	7.2000	7.2000	6.8864	6.9044	6.9444
SGD	1.3473	1.3500	1.3300	1.3100	1.3000	1.3463	1.3450	1.3426
FX Forecasts - MENA						3.7503		
	17-Jan	Q1 2020	Q2 2020	Q3 2020	Q4 2020			
MAD	9.6104	9.5000	9.5000	9.4000	9.4000			
TND	2.8150	2.8000	2.8000	2.7000	2.7000			
TRY	5.8862	6.0000	6.2000	6.2000	6.3000			

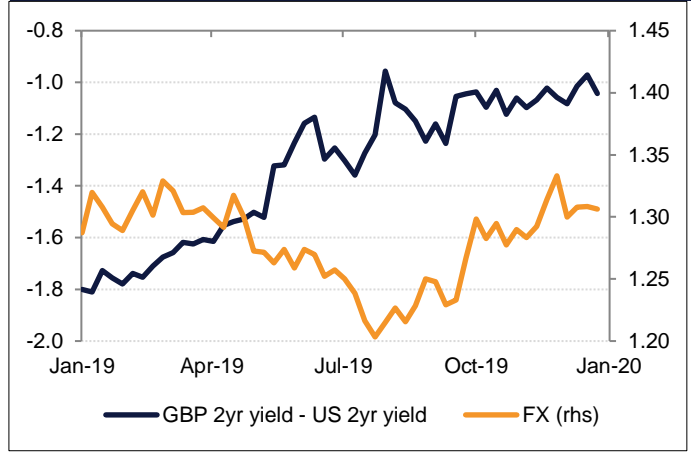
Source: Bloomberg, Emirates NBD Research
 *Denotes USD peg

Major FX and Nominal Interest Rates

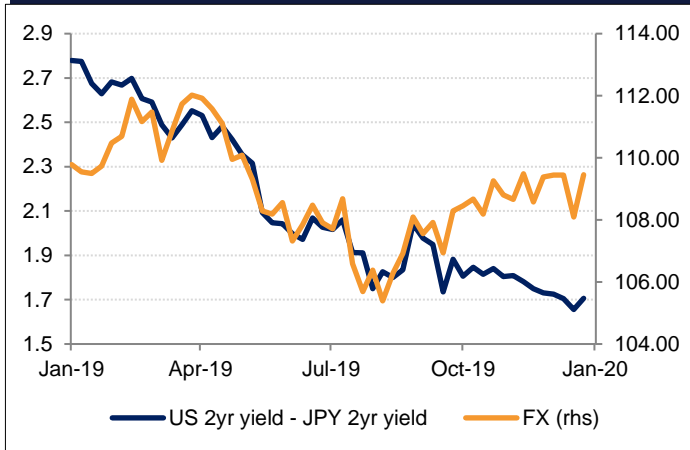
Interest Rate Differentials - EUR



Interest Rate Differentials - GBP



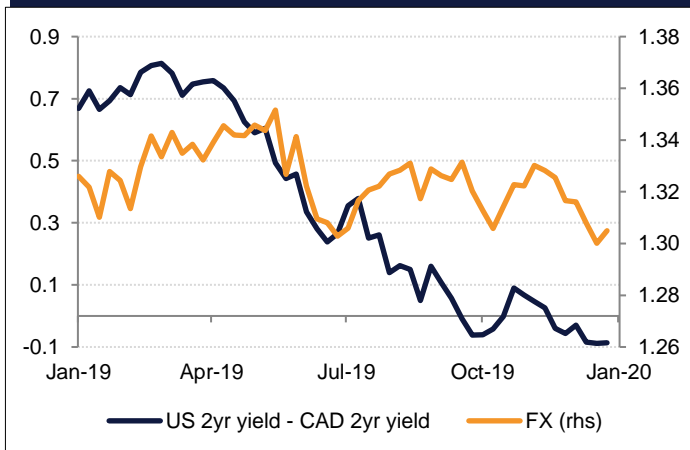
Interest Rate Differentials - JPY



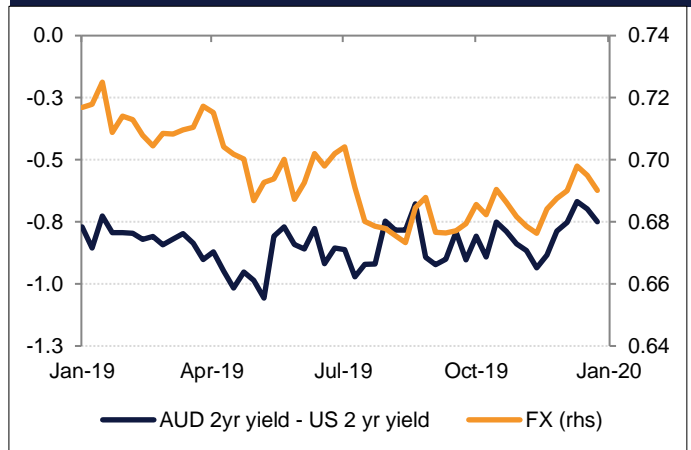
Interest Rate Differentials - CHF



Interest Rate Differentials - CAD

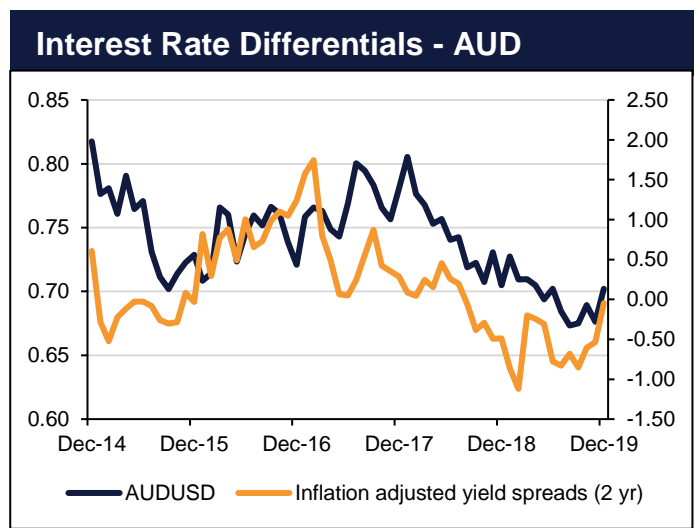
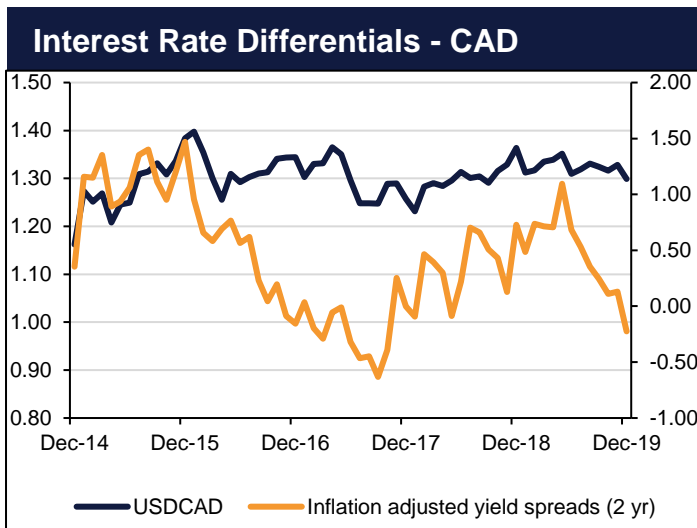
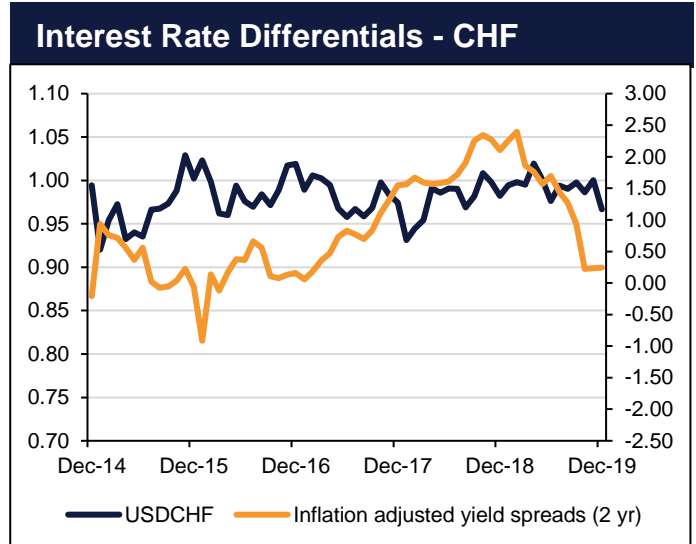
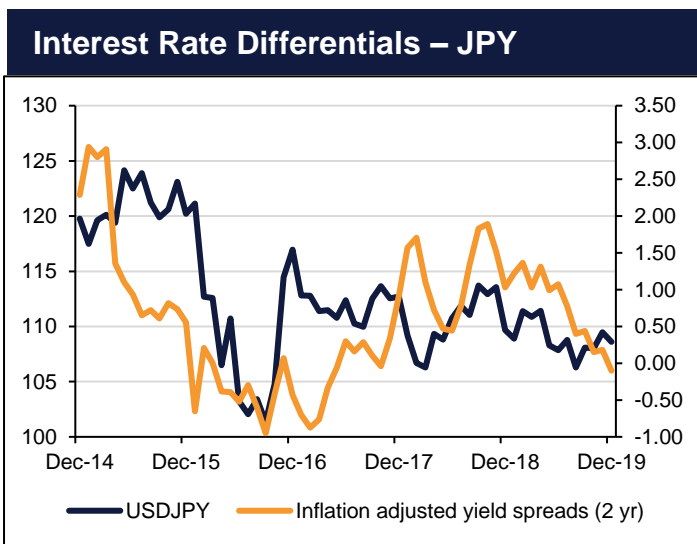
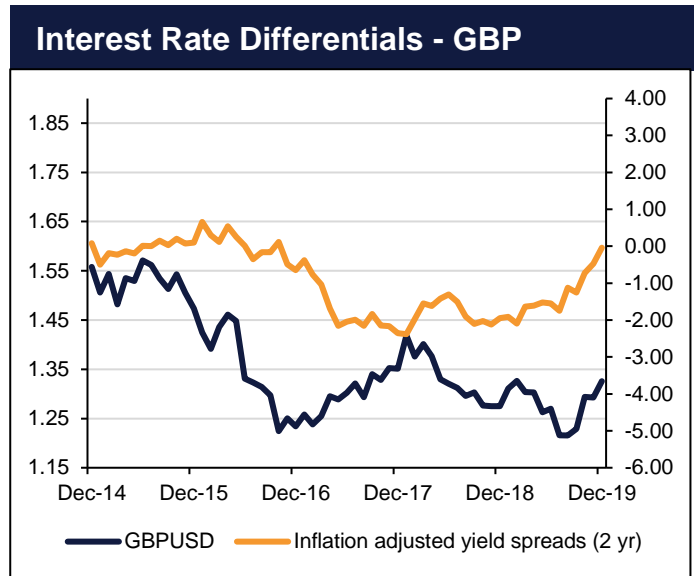
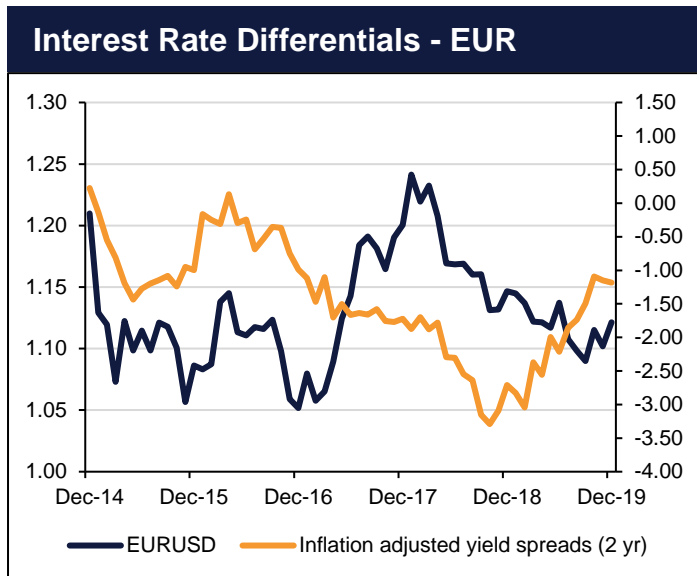


Interest Rate Differentials - AUD



Source: Bloomberg, Emirates NBD Research

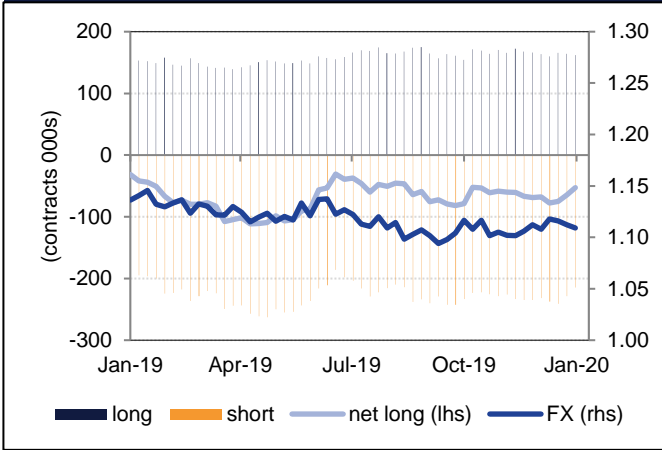
Major FX and Real Interest Rates



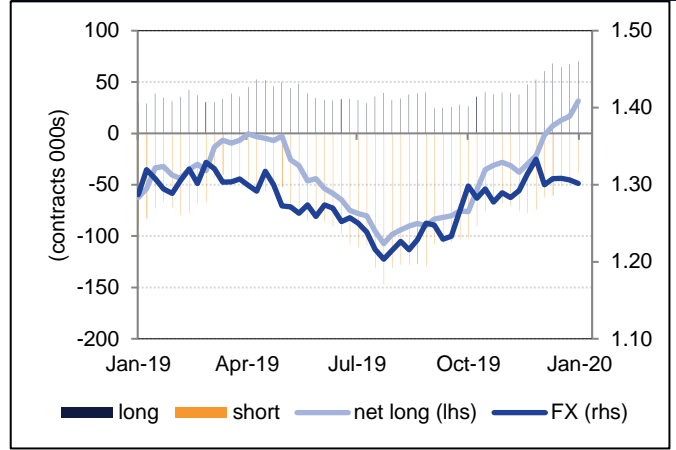
Source: Bloomberg, Emirates NBD Research

Major Currency Positions

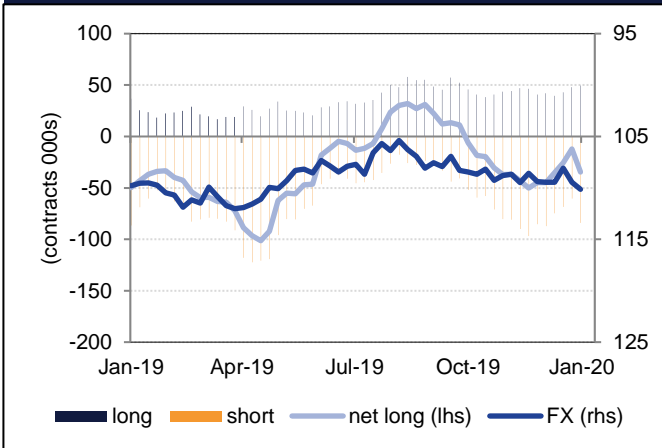
CFTC – Speculative Positions - EUR



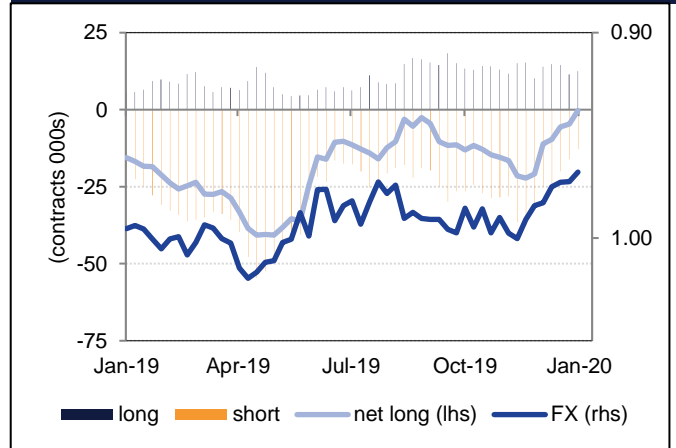
CFTC – Speculative Positions - GBP



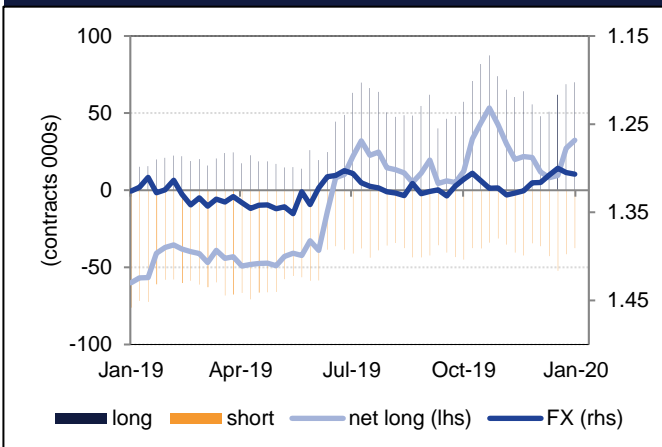
CFTC – Speculative Positions - JPY



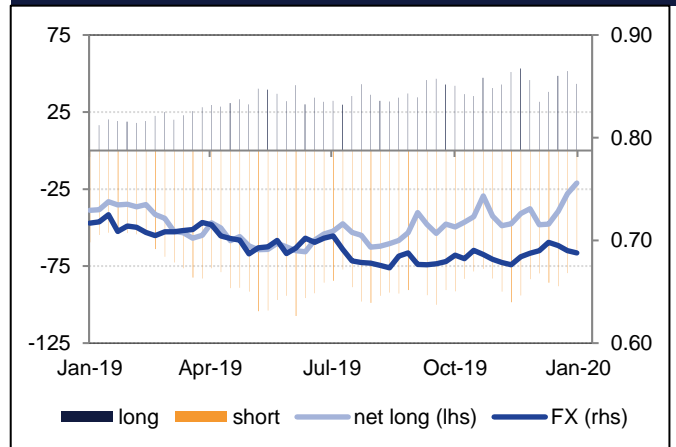
CFTC – Speculative Positions - CHF



CFTC – Speculative Positions - CAD



CFTC – Speculative Positions - AUD



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