



بنك الإمارات دبي الوطني
Emirates NBD

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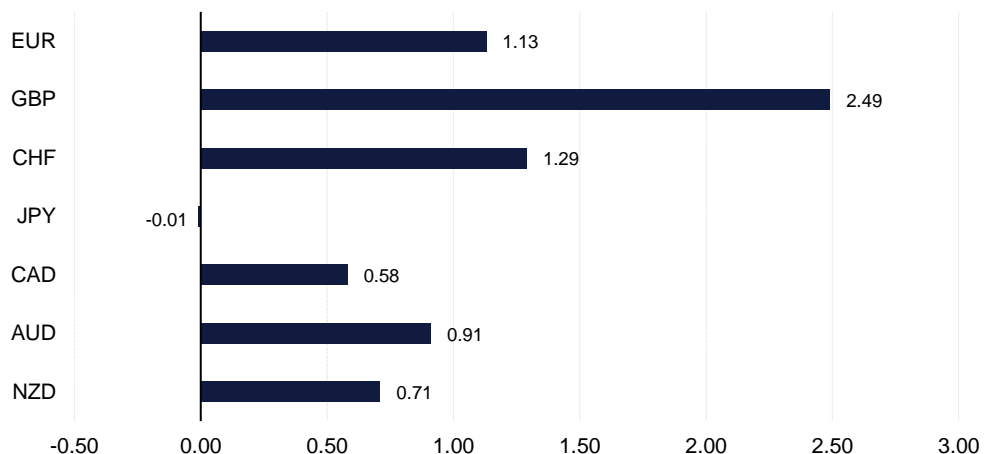
FX Week

While the start of last week was characterized by optimism following the 'partial' trade deal between the U.S. and China and hopes of a resolution to Brexit, the beginning of this one is likely to be marked by disappointment. The 'Super Saturday' vote in the U.K. Parliament to withhold approval of the new Brexit deal until there is legislation to implement it, creates fresh uncertainty about the ultimate outcome of Brexit. **The U.K. government will still seek to pass the legislation in time for the original October 31st deadline, but it is unclear if this will be allowed by Parliament, especially with the voting arithmetic weighted against the Prime Minister succeeding.** The EU's reaction to Johnson's formal request for a delay is also not certain, leaving a high degree of uncertainty about whether PM Johnson's Brexit deal will pass; whether there may still be a second referendum; or even whether the U.K. could still end up leaving the EU without a deal on October 31st. Against such a backdrop sterling is likely to give back some of the gains it made at the end of last week.

Uncertainty also remains over the U.S.-China trade talks, although weekend comments on the subject appeared to be encouraging. **China and the U.S. made "concrete progress" in many areas and laid the foundations for signing of a "phased deal" at their latest round of talks to resolve the trade war, China's chief negotiator and Vice Premier Liu He said.** China apparently intends to increase its purchases of US agricultural goods in accordance with the partial deal agreed last week, but Chinese officials also want the U.S. to cancel more of the tariffs imposed during the trade war. **Also it does not seem as if the more substantive issues of intellectual-property theft, forced technology transfers, and complaints about Chinese industrial subsidies have seen much progress.** U.S. VP Pence is due to give a policy speech on the administration's position on Thursday this week, which may shed light on some of these bigger issues. The U.S. Treasury's bi-annual FX report will also be studied to gauge the U.S. Administration's attitude towards China as a currency manipulator.

Central banks will likely remain accommodative in the current environment, with rate cuts possible in Turkey, China, Indonesia and Russia in the coming week. The ECB also meets this week, the final meeting with President Draghi at the helm, with the latest easing package likely to be left unchanged. The markets are pricing in about an 80% chance for a Fed rate cut at the end of the month, and it may leave the door open for further action in December. The USD will likely remain under pressure in anticipation of this, especially with U.S. economic data expected to be negatively affected by the ongoing GM strike which could see durable goods orders in September fall fairly sharply.

Weekly currency movement vs USD (%)



Source: Bloomberg, Emirates NBD Research

Technical Observations

EURUSD hits ten week high

A 1.15% gain over the last week took EURUSD to a close of 1.1170 on Friday, the highest weekly close in ten weeks. This move resulted in the breaking of some key technical levels. Both the 50-day moving average (1.1038) and the 100-day moving average (1.1139) were consecutively broken, with the price closing above these levels. In addition, the 38.2% one-year Fibonacci retracement of 1.1143 was broken and closed above for the first time since August 2019. While the price remains above this level, a test of the 50-week moving average (1.1243) is a possibility, with a break of this level likely to lead to further gains towards the 1.13 level. However, analysis of the 14-day RSI (Relative Strength Index), currently at 68.62 and bullish in momentum, is approaching overbought territory, and further gains may be initially sluggish as long positions take profit.

GBPUSD supported above 200-day MA

GBPUSD realized its highest weekly close since May 2019, after gaining 3.8% last week. Over the course of the week, there were several technically significant developments. Firstly the formerly resistive 50% one-year Fibonacci retracement (1.2670) that was broken and is now acting as a support level. In addition, analysis of the weekly candle chart shows that the 50-week moving average (1.2733) and the 61.8% one-year Fibonacci retracement (1.2838) were broken for the first time since May 2019. Finally, the price was able to break above the 200-day moving average (1.2715). While these are all technically bullish for GBPUSD, the current 14-day RSI is showing overbought conditions (75.30) and therefore further gains may be limited in the short term as investors lock in profits.

USDJPY supported above 108.10

Over the last five trading days, USDJPY was able to rise 0.12% to close at 108.43. Of technical significance is that during the week, any selling pressure encountered support near the 38.2% one-year Fibonacci retracement (108.18). There has not been a weekly close above this level, since July 2019, it is likely that this old resistance level, which halter gains for the past six weeks is now likely to provide support in the short term. Therefore while the price remains above this level, we could see further gains towards the 109.60 level, which may provide stronger resistance as it sits on the 50% one-year Fibonacci retracement and is not far from the 50-week moving average (109.56).

EURUSD daily candle chart



Source: Bloomberg

GBPUSD daily candle chart



Source: Bloomberg

USDJPY daily candle chart



Source: Bloomberg

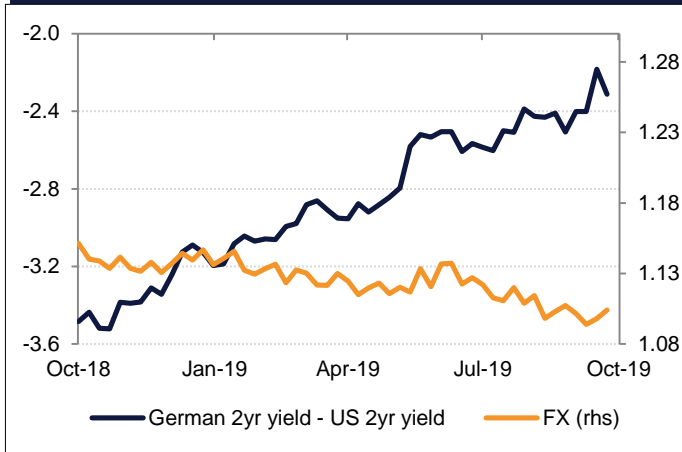
FX Forecasts

FX Forecasts – Major						Forwards		
	18-Oct	Q4 2019	Q1 2020	Q2 2020	Q3 2020	3m	6m	12m
EURUSD	1.1167	1.1000	1.1200	1.1500	1.1800	1.1240	1.1303	1.1427
USDJPY	108.45	110.00	110.00	108.00	107.00	107.77	107.20	106.09
USDCHF	0.9854	0.9700	0.9500	0.9400	0.9300	0.9780	0.9717	0.9597
GBPUSD	1.2984	1.2700	1.2400	1.2600	1.3000	1.3024	1.3054	1.3106
AUDUSD	0.6856	0.7000	0.7100	0.7200	0.7300	0.6873	0.6887	0.6910
NZDUSD	0.6382	0.6300	0.6500	0.6600	0.6700	0.6394	0.6405	0.6423
USDCAD	1.3127	1.2800	1.2600	1.2400	1.2400	1.3116	1.3118	1.3129
EURGBP	0.8610	0.9016	0.9032	0.9127	0.9127	0.8639	0.8668	0.8727
EURJPY	121.07	121.00	123.20	124.20	124.20	121.07	121.07	121.07
EURCHF	1.0993	1.0670	1.0640	1.0810	1.0810	1.0982	1.0972	1.0954
FX Forecasts - Emerging						3m	6m	12m
	18-Oct	Q4 2019	Q1 2020	Q2 2020	Q3 2020			
SAR	3.7509	3.7500	3.7500	3.7500	3.7500	3.7507	3.7511	3.7542
AED	3.6730	3.6730	3.6730	3.6730	3.6730	3.6741	3.6754	3.6783
KWD	0.3034	0.3020	0.3020	0.3020	0.3020	0.3039	0.3045	--
OMR	0.3850	0.3850	0.3850	0.3850	0.3850	0.3854	0.3859	0.3879
BHD	0.3770	0.3770	0.3770	0.3770	0.3770	0.3761	0.3761	0.3779
QAR	3.6616	3.6400	3.6400	3.6400	3.6400	3.6596	3.6568	3.6508
EGP	16.2529	17.7500	17.7500	17.7500	17.7500	16.6150	17.0400	17.9200
INR	71.149	68.000	68.000	68.000	68.000	71.8900	72.7500	74.3000
CNY	7.0817	7.1000	7.2000	7.2000	7.2000	7.0786	7.0984	7.1314
SGD	1.3641	1.3000	1.2900	1.2900	1.2900	1.3628	1.3615	1.3597
FX Forecasts - MENA						3.7503		
	18-Oct	Q4 2019	Q1 2020	Q2 2020	Q3 2020			
MAD	9.5898	9.7000	9.8500	9.9000	9.5898			
TND	2.8351	2.8500	2.8500	2.9000	2.8351			
TRY	5.7896	5.8000	6.1000	6.2000	5.7896			

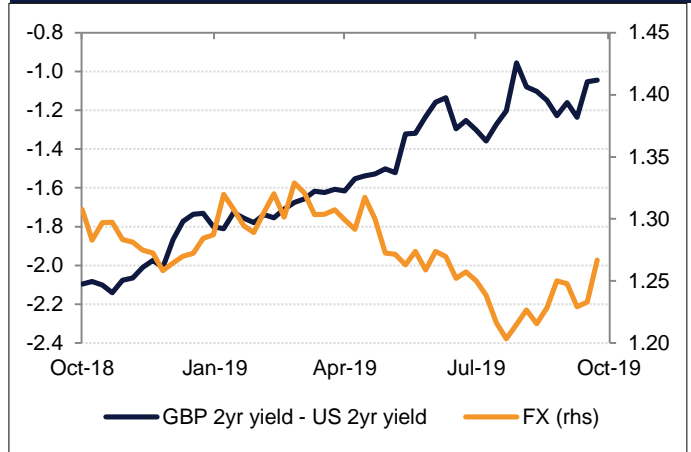
Source: Bloomberg, Emirates NBD Research
 *Denotes USD peg

Major FX and Nominal Interest Rates

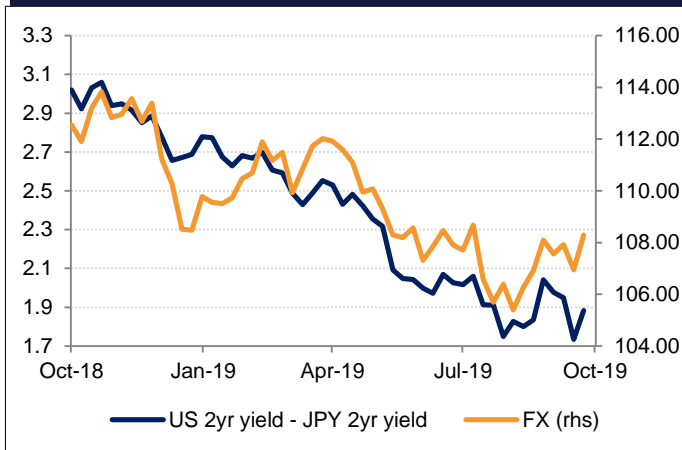
Interest Rate Differentials - EUR



Interest Rate Differentials - GBP



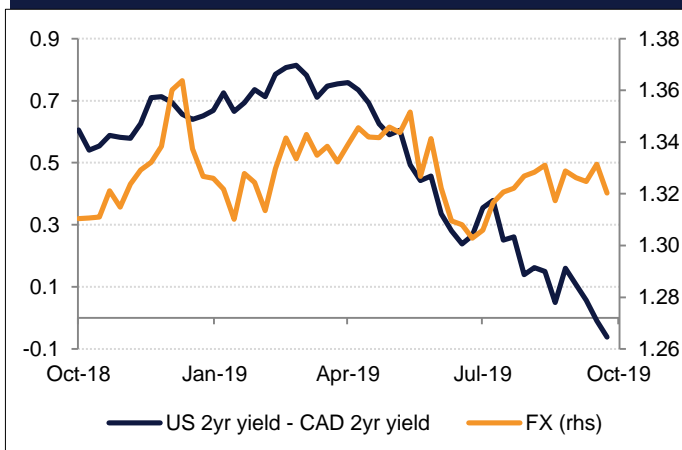
Interest Rate Differentials - JPY



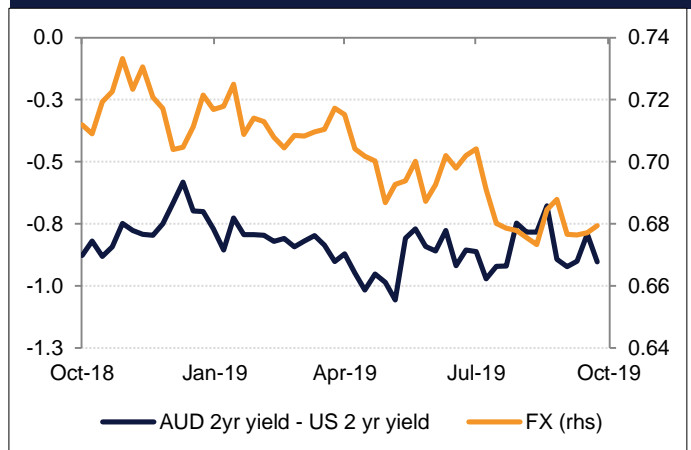
Interest Rate Differentials - CHF



Interest Rate Differentials - CAD



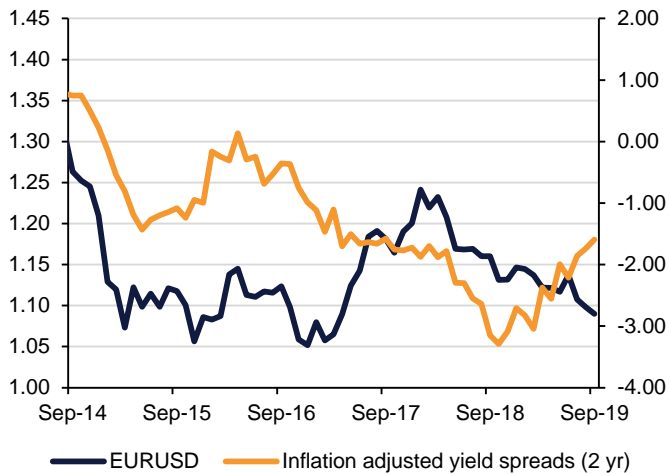
Interest Rate Differentials - AUD



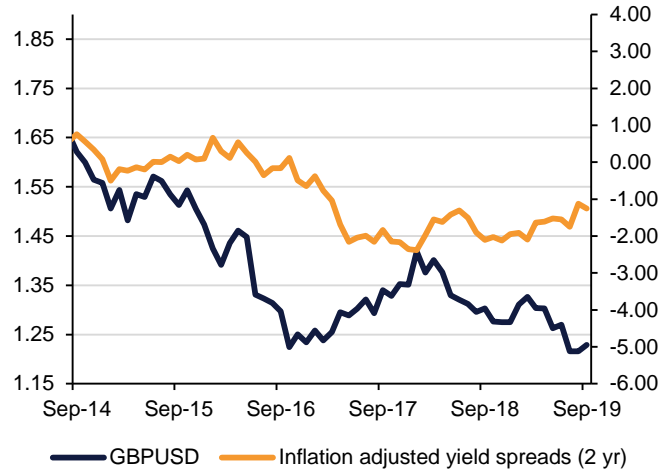
Source: Bloomberg, Emirates NBD Research

Major FX and Real Interest Rates

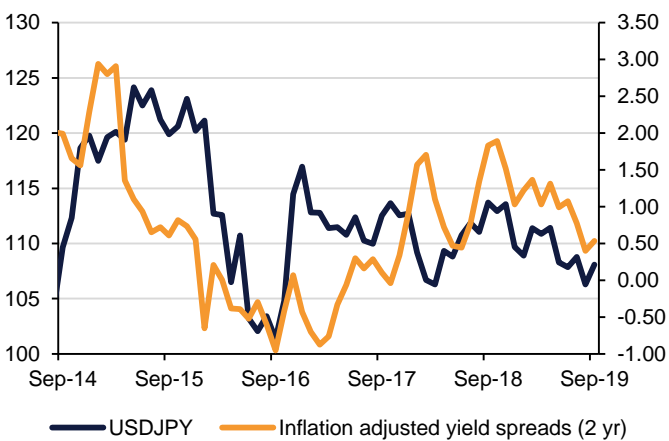
Interest Rate Differentials - EUR



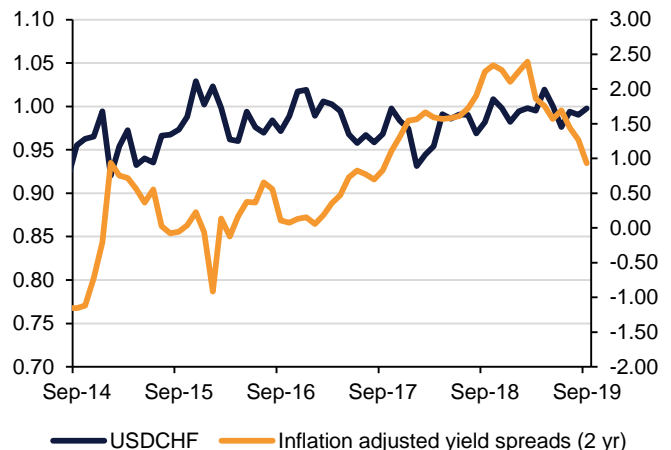
Interest Rate Differentials - GBP



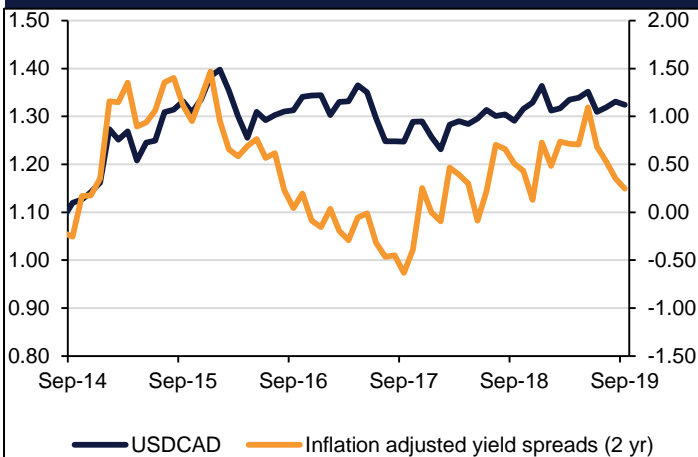
Interest Rate Differentials - JPY



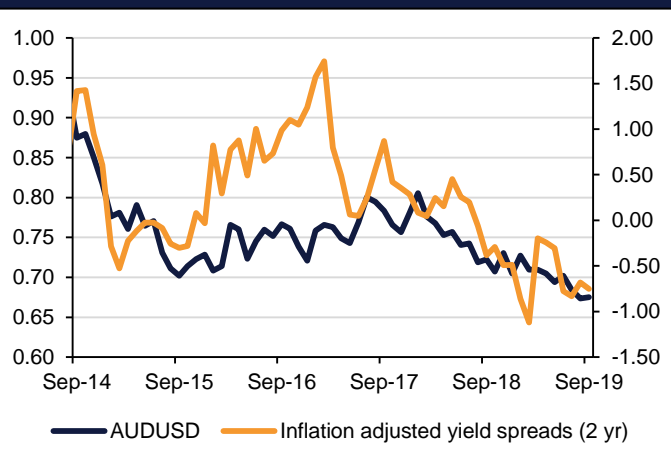
Interest Rate Differentials - CHF



Interest Rate Differentials - CAD



Interest Rate Differentials - AUD

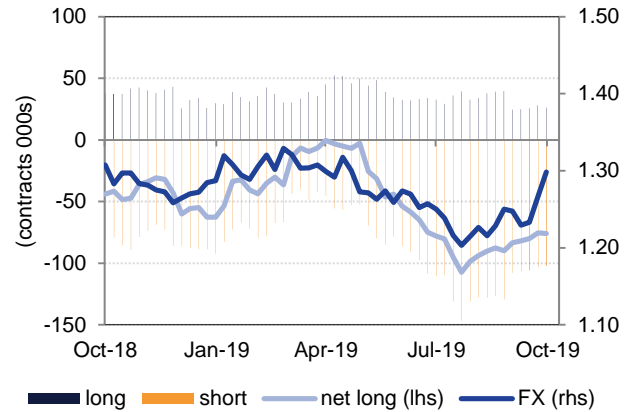


Source: Bloomberg, Emirates NBD Research

Major Currency Positions

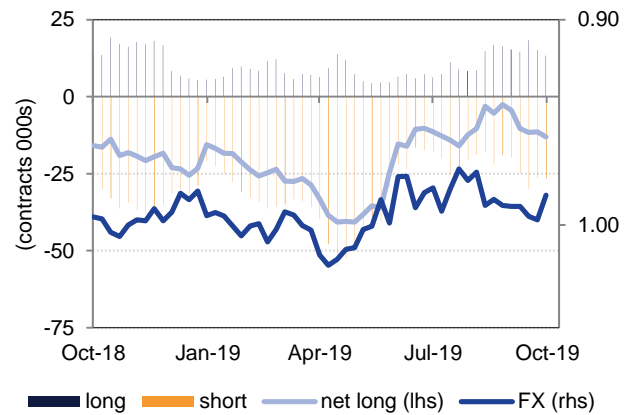
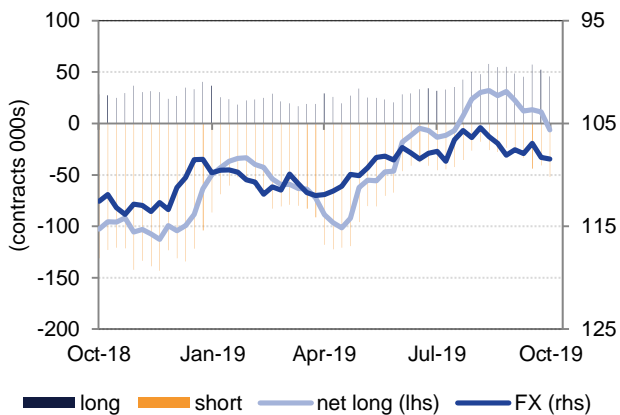
CFTC – Speculative Positions - EUR

CFTC – Speculative Positions - GBP



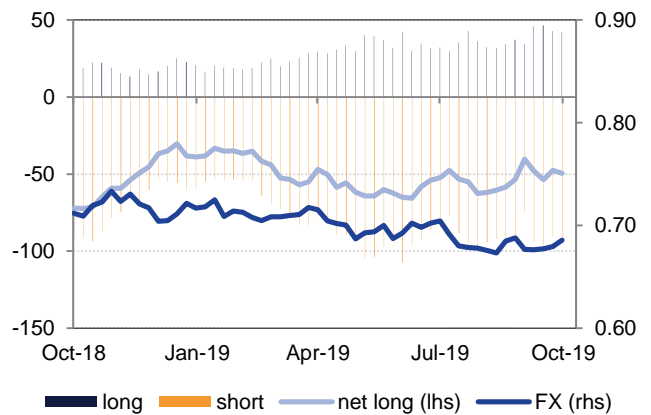
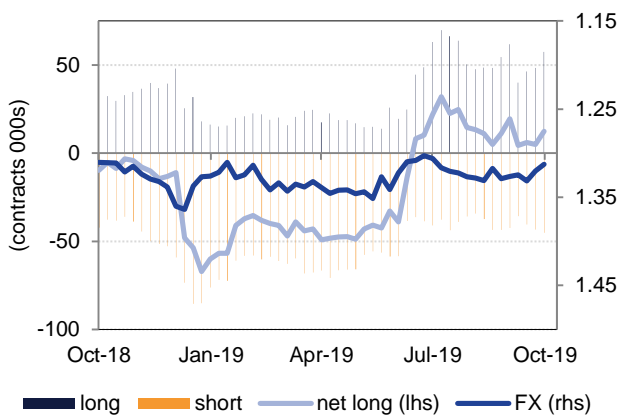
CFTC – Speculative Positions - JPY

CFTC – Speculative Positions - CHF



CFTC – Speculative Positions - CAD

CFTC – Speculative Positions - AUD



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