



## Weekly

20 October 2019

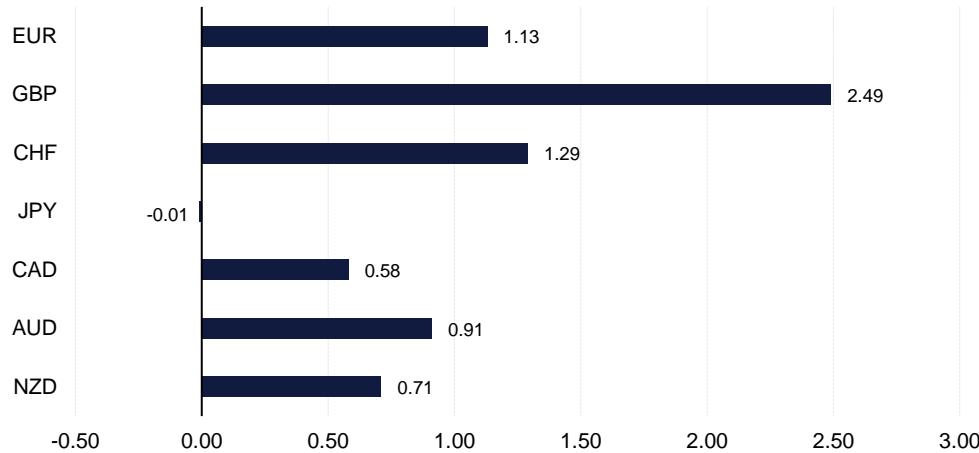
# FX Week

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 31<sup>st</sup> 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 31<sup>st</sup>. 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

Tim Fox  
Chief Economist  
+971 4 230 7800  
timothyf@emiratesnbd.com

Mohammed Altajir  
Manager, FX Analytics and  
Product Development  
+971 4 609 3005  
MohammedTAJ@emiratesnbd.com

## 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 halted 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

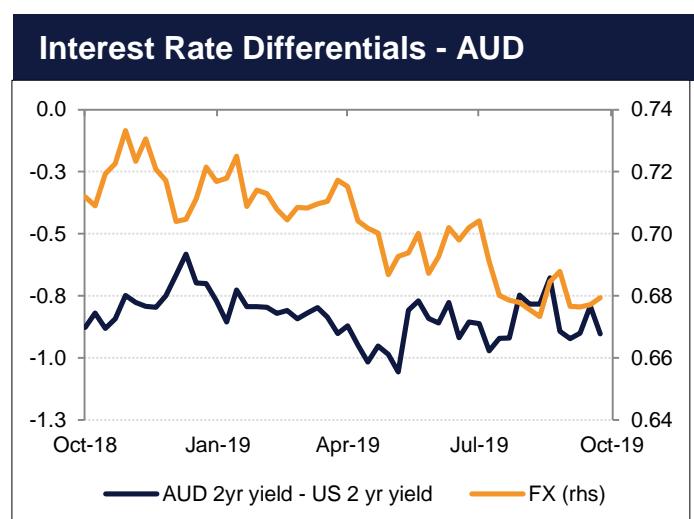
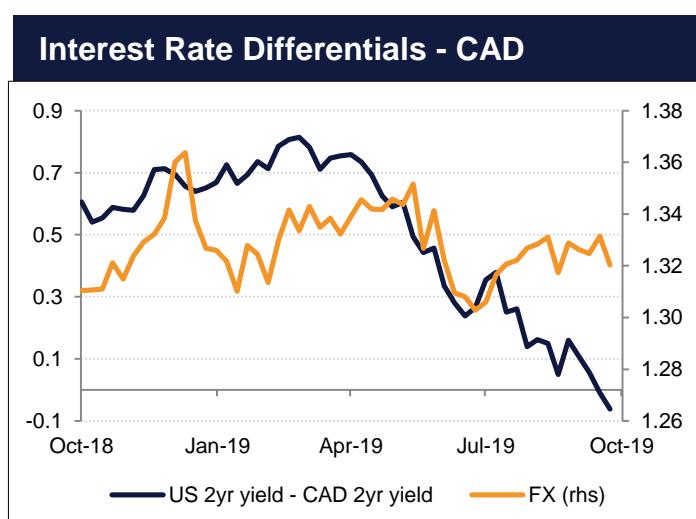
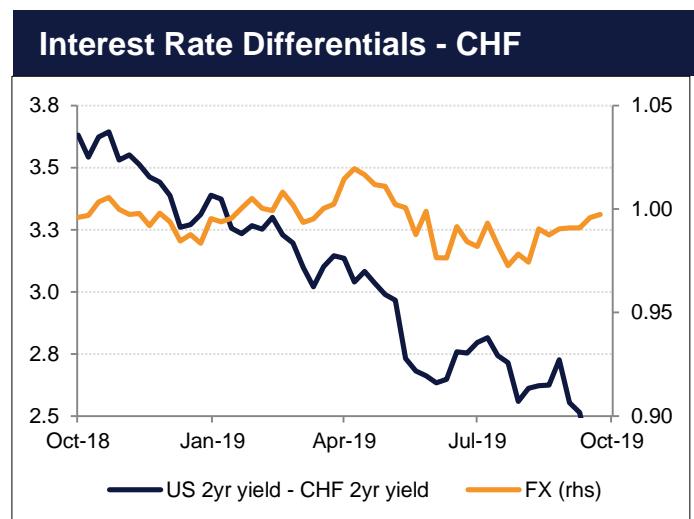
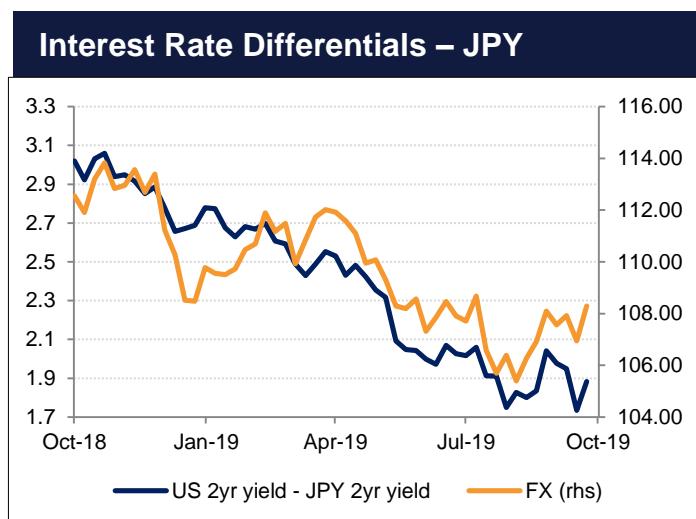
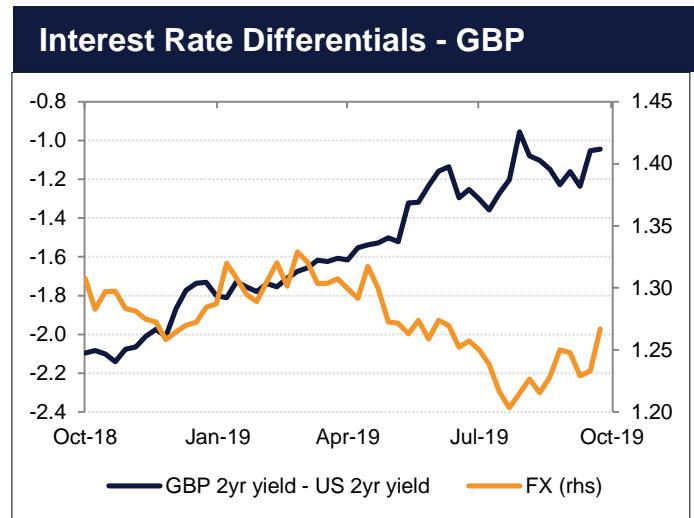
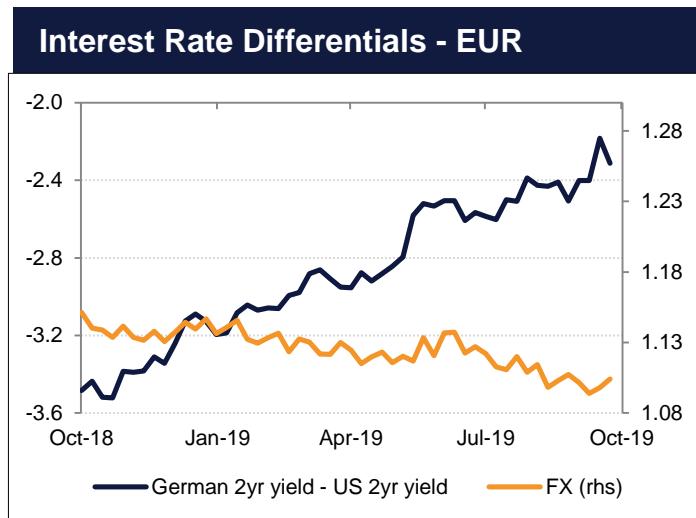
## FX Forecasts

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

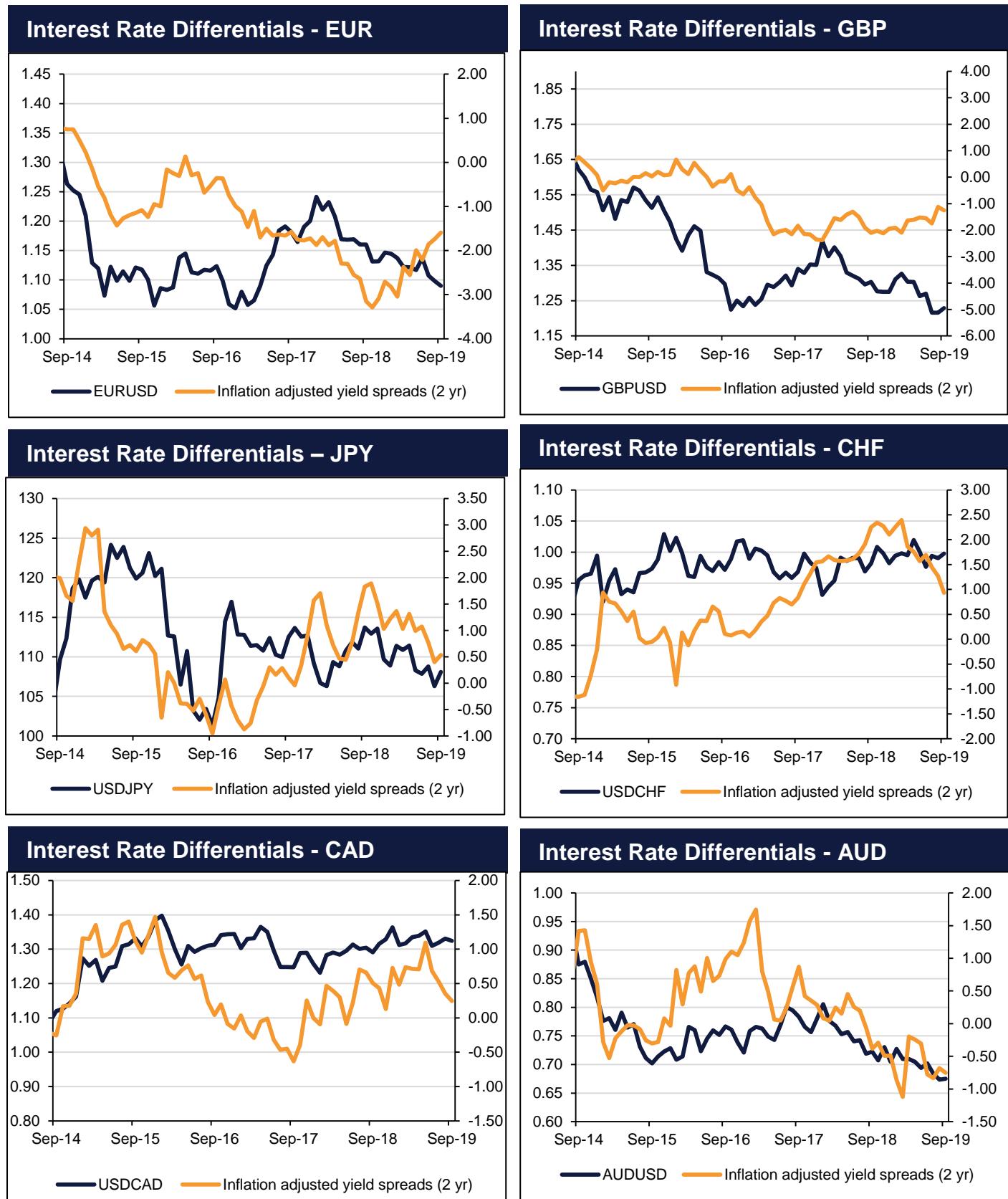
Source: Bloomberg, Emirates NBD Research

\*Denotes USD peg

## Major FX and Nominal Interest Rates



## Major FX and Real Interest Rates

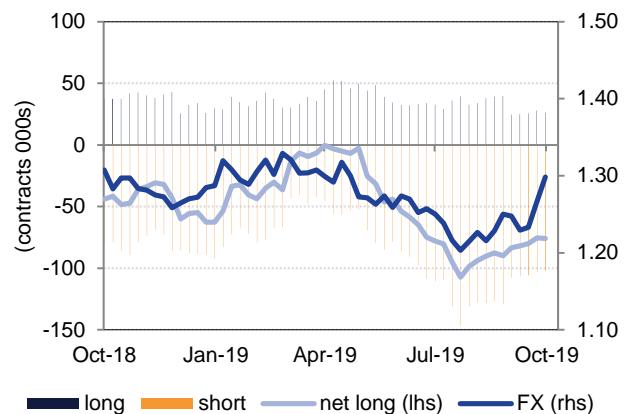


Source: Bloomberg, Emirates NBD Research

## Major Currency Positions

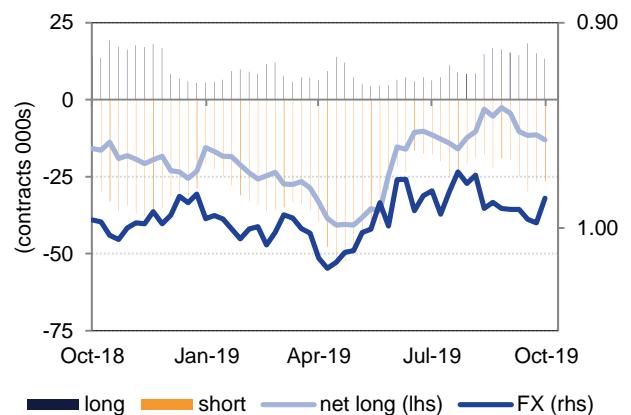
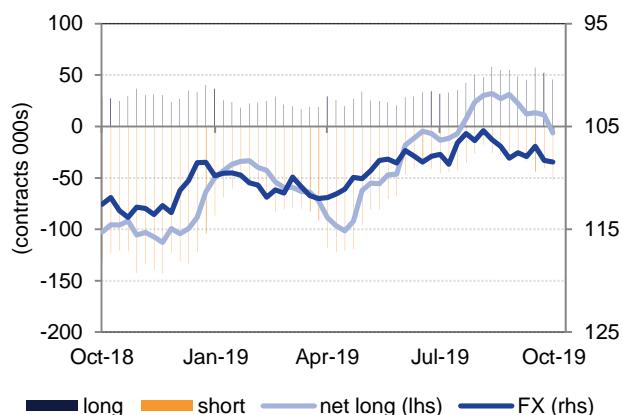
### CFTC – Speculative Positions - EUR

### CFTC – Speculative Positions - GBP



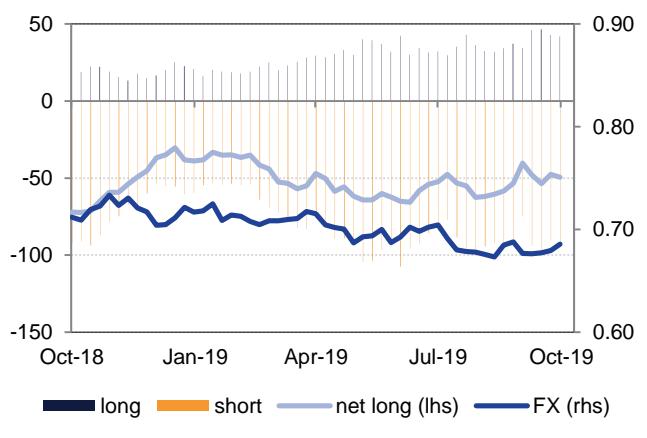
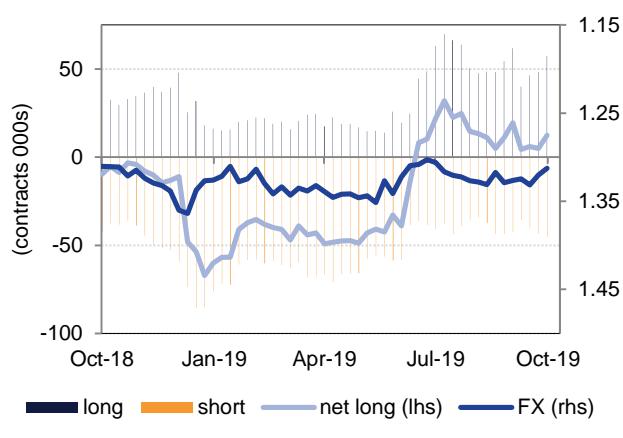
### CFTC – Speculative Positions - JPY

### CFTC – Speculative Positions - CHF



### CFTC – Speculative Positions - CAD

### CFTC – Speculative Positions - AUD



## Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report.

The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

# Emirates NBD Research & Treasury Contact List

**Emirates NBD Head Office**  
12th Floor  
Baniyas Road, Deira  
P.O.Box 777  
Dubai

**Jonathan Morris**  
General Manager Wholesale Banking  
JonathanM@emiratesnbd.com

**Aazar Ali Khwaja**  
Senior Executive Vice President  
Global Markets & Treasury  
+971 4 609 3000  
aazark@emiratesnbd.com

**Tim Fox**  
Head of Research &  
Chief Economist  
+971 4 230 7800  
timothyf@emiratesnbd.com

## Research

**Khatija Haque**  
Head of MENA Research  
+971 4 230 7803  
khatijah@emiratesnbd.com

**Mohammed Altajir**  
FX Analytics and Product Development  
+971 4 609 3005  
mohammedtaj@emiratesnbd.com

**Aditya Pugalia**  
Financial Markets Research  
+971 4 230 7802  
adityap@emiratesnbd.com

**Daniel Richards**  
MENA Economist  
+971 4 609 3032  
danielricha@emiratesnbd.com

**Edward Bell**  
Commodity Analyst  
+971 4 230 7701  
edwardpb@emiratesnbd.com

## Sales & Structuring

**Group Head – Treasury Sales**  
Tariq Chaudhary  
+971 4 230 7777  
tariqmc@emiratesnbd.com

**Saudi Arabia Sales**  
Numair Attiyah  
+966 11 282 5656  
numaira@emiratesnbd.com

**Singapore Sales**  
Supriyakumar Sakhalkar  
+65 65785 627  
supriyakumars@emiratesnbd.com

**London Sales**  
+44 (0) 20 7838 2241  
vallancel@emiratesnbd.com

**Egypt**  
Gary Boon  
+20 22 726 5040  
garyboon@emiratesnbd.com

## Emirates NBD Capital

**Hitesh Asarpota**  
Head of Debt Capital Markets.  
+971 50 4529515  
asarpotah@EmiratesNBD.com

## Investor Relations

**Patrick Clerkin**  
+971 4 230 7805  
patrickc@emiratesnbd.com

## Group Corporate Affairs

**Ibrahim Sowaidan**  
+971 4 609 4113  
ibrahims@emiratesnbd.com

**Claire Andrea**  
+971 4 609 4143  
clairea@emiratesnbd.com