



بنك الإمارات دبي الوطني  
Emirates NBD

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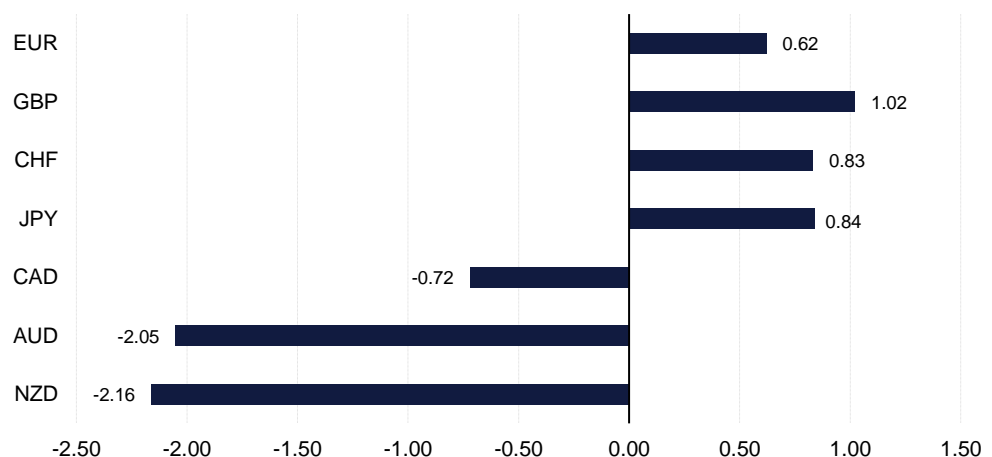
# FX Week

**GBP was the best performing currency last week, rising by 1.02% against the USD as the Bank of England left interest rates unchanged and as the clouds surrounding Brexit finally cleared with the UK leaving the EU on the 31st January.** Elsewhere currency safe havens were also in favour with the JPY and the CHF also benefiting from the uncertainty over the Coronavirus. In contrast the AUD and the NZD both fell as they were negatively impacted by the perception that Chinese growth would slow as a consequence of the virus.

On Thursday the Bank of England (BoE) kept interest rates on hold at 0.75%, which came as a surprise to many in the market who had been anticipating a small cut. A compromise did seem to be the outcome, however, with the commentary accompanying the decision still showing the Bank leaning towards a rate cut in the future. BoE governor Mark Carney commented that UK economic data were 'good enough,' but noted that the MPC needs to see more evidence of a pickup in activity to avoid the MPC easing in the future. Seven members voted for no rate change, and two members voted for a cut, the same as in the previous meeting. **The BoE also released updated GDP and inflation forecasts, which were also a bit dovish, with the Bank expecting growth to slow to below 0.50%, while inflation is expected to tick up only slightly.** The smooth passage of Brexit at the end of the week was also a relief after the uncertainty of the last few years. While much still remains to be done to secure a lasting trade deal between the UK and the EU, the markets appear overall optimistic that the two sides are heading in the right direction with UK PM Johnson apparently in favour of striking a Canada style trade deal with the EU.

**Data released last week showed US real GDP grew 2.1% on an annualized basis and up 2.3% on the y/y measure, while Eurozone GDP figures were weaker than expected, with France and Italy particularly soft.** The FOMC also kept the Fed funds rate's upper bound unchanged at 1.75%, as had been widely anticipated. The USD was mixed over the week as a whole, as different currencies were buffeted by uncertainty over the Coronavirus issue, with safe havens doing well but currencies dependent on China's economy suffering. The coming week will see more volatility reflecting this, but markets will also focus on US jobs data which are expected to show a rise of 160k in non-farm payrolls, with the potential for weaker benchmark revisions softening the overall growth backdrop. The first Democratic party primary in Iowa will also be in focus, with success for Bernie Sanders seen as likely to make markets nervous about his chances of winning the Democratic nomination later this year.

## Weekly currency movement vs USD (%)



Source: Bloomberg, Emirates NBD Research

## Technical Observations

### EURUSD reclaims the previous week's losses.

A 0.64% increase in the price was able to help EURUSD void the declines of the previous week and close at 1.1093 on Friday. The move was mainly driven by gains on Friday following initial declines earlier in the week. Technical analysis of the daily candle chart shows a few noteworthy observations. Firstly, the break below the 23.6% one-year Fibonacci retracement (1.1018) was not sustained. In addition to this, the price has broken back above the 100-day moving average (1.1071). Over the next week, a daily close above the 50-day moving average (1.1099) and the 38.2% one-year Fibonacci retracement (1.1103) would likely result in a larger move towards the 1.12 level.

### GBPUSD closes above 1.32 level

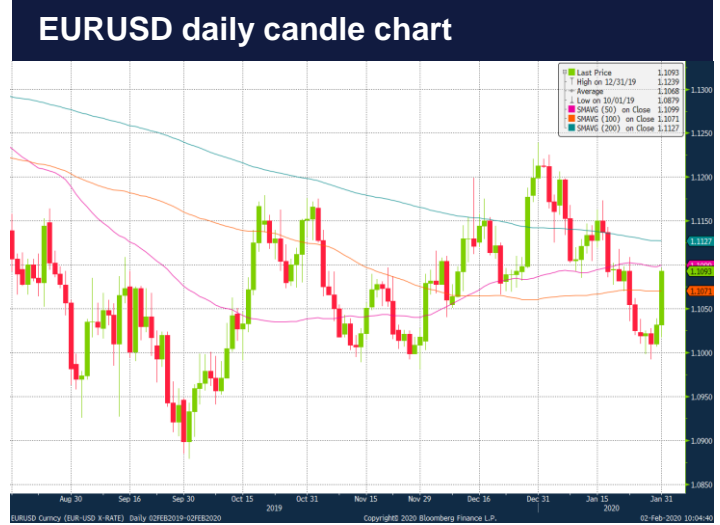
A 1.01% rise took the price of GBPUSD back above the 1.32 level with the price finishing the week at 1.3206. This increase was accompanied by two key developments. Firstly, there was a break above and two consecutive closes above the 50-day moving average (1.3073). In addition the 76.4% Fibonacci retracement (1.3147) which had provided resistance for the previous two weeks was firmly pierced. This is a bullish development for GBPUSD and while the price remains above this level, we expect further gains for GBPUSD.

### USDJPY breaks below support levels

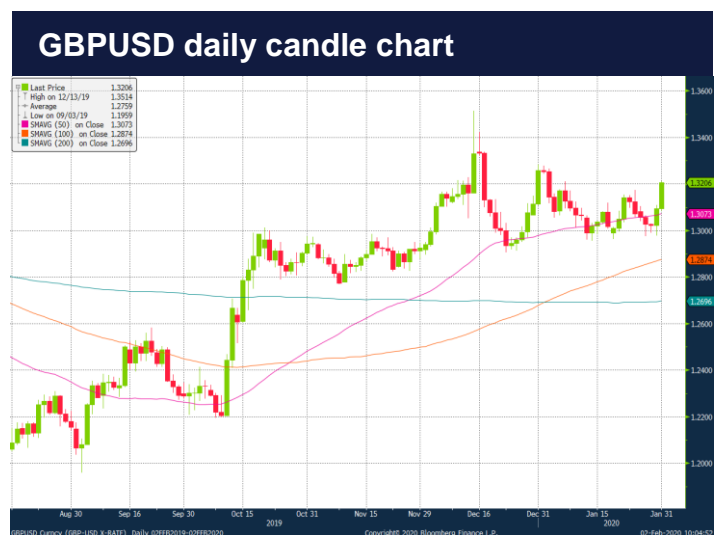
USDJPY fell by 0.84% last week to close at 108.35, the lowest weekly close in four weeks. After faltering at the 50-day moving average (109.21) the price declined further with the 100-day moving average (108.75) failing to provide support upon its second test. In addition to this, the price realized a weekly close below the 50% one-year Fibonacci retracement (108.43). This is technically bearish and therefore the possibility of further declines towards the 107.50 level (not far from the 38.2% one-year Fibonacci retracement of 107.49) cannot be ruled out. Analysis of the 14-day RSI (Relative Strength Indicator) reveals that momentum remains bearish and indicates that further downside pressures may prevail in the short-term.

### NZD underperforms

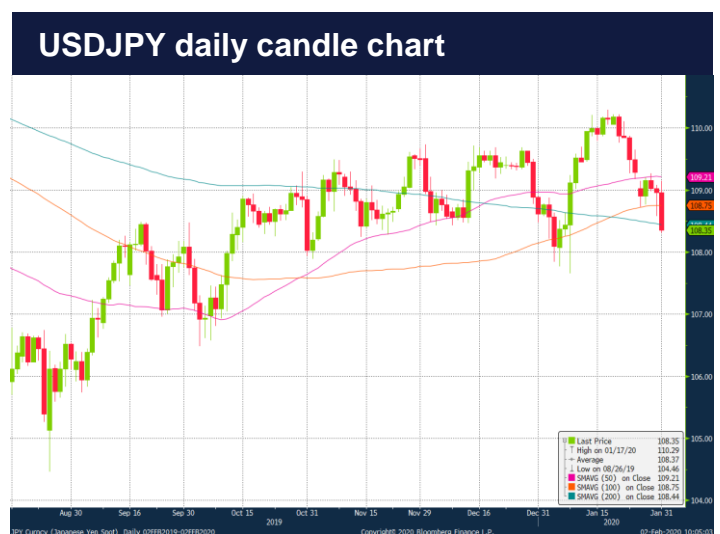
NZD was last week's worst performing major currency, NZDUSD declining by 2.08% to close the week at 0.6470. This decline not only means that the price fell for a fifth consecutive week but also resulted in many key levels being breached. These include the 50-week moving average (0.6564), the 50-day moving average (0.6587), the 100-day moving average (0.6464) and the 200-day moving average (0.6509). In addition, both the 50% one-year Fibonacci retracement (0.6571) and the 23.6% one-year Fibonacci retracement (0.6485) were also broken as support levels. All of these in combination with the failure of 0.6511 (the five-year 23.6% one-year Fibonacci retracement) to provide support result in a technically pessimistic outlook for NZDUSD.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

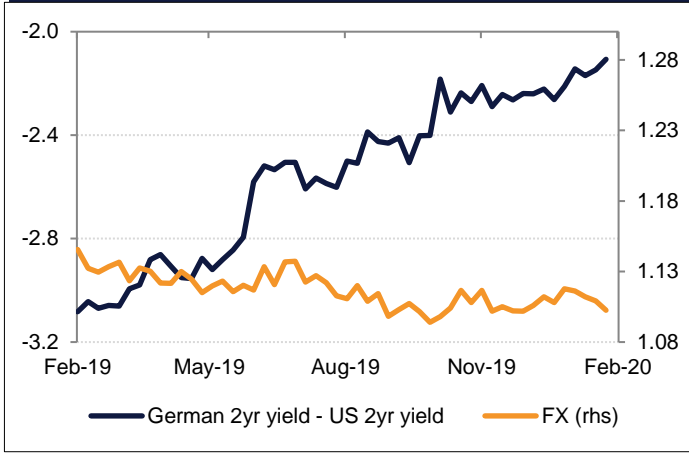
## FX Forecasts

FX Forecasts – Major						Forwards		
	31-Jan	Q1 2020	Q2 2020	Q3 2020	Q4 2020	3m	6m	12m
EURUSD	1.1093	1.1200	1.1400	1.1500	1.1700	1.1154	1.1213	1.1326
USDJPY	108.35	110.00	108.00	107.00	107.00	107.81	107.33	106.35
USDCHF	0.9634	0.9500	0.9400	0.9300	0.9300	0.9574	0.9517	0.9407
GBPUSD	1.3206	1.3300	1.3600	1.4000	1.4400	1.3238	1.3268	1.3323
AUDUSD	0.6692	0.7100	0.7200	0.7300	0.7300	0.6704	0.6716	0.6737
NZDUSD	0.6464	0.6500	0.6600	0.6700	0.6700	0.6472	0.6477	0.6482
USDCAD	1.3237	1.2800	1.2600	1.2400	1.2400	1.3237	1.3238	1.3244
EURGBP	0.8400	0.8421	0.8382	0.8214	0.8125	0.8426	0.8451	0.8501
EURJPY	120.17	123.20	123.12	123.05	125.19	120.17	120.17	120.17
EURCHF	1.0689	1.0640	1.0716	1.0695	1.0881	1.0681	1.0673	1.0656
FX Forecasts - Emerging								
	31-Jan	Q1 2020	Q2 2020	Q3 2020	Q4 2020	3m	6m	12m
SAR	3.7518	3.7500	3.7500	3.7500	3.7500	3.7498	3.7500	3.7518
AED	3.6730	3.6730	3.6730	3.6730	3.6730	3.6742	3.6754	3.6775
KWD	0.3040	0.3020	0.3020	0.3020	0.3020	0.3043	0.3048	--
OMR	0.3850	0.3850	0.3850	0.3850	0.3850	0.3854	0.3860	0.3879
BHD	0.3770	0.3770	0.3770	0.3770	0.3770	0.3761	0.3761	0.3778
QAR	3.6648	3.6400	3.6400	3.6400	3.6400	3.6634	3.6610	3.6550
EGP	15.8314	15.7500	15.7500	15.5000	15.5000	16.2300	16.6050	17.3050
INR	71.490	72.000	71.000	70.000	68.000	72.3200	73.0500	74.6200
CNY	6.9109	7.1000	7.2000	7.2000	7.2000	7.0216	7.0396	7.0781
SGD	1.3623	1.3500	1.3300	1.3100	1.3000	1.3640	1.3630	1.3617
FX Forecasts - MENA						3.7503		
	31-Jan	Q1 2020	Q2 2020	Q3 2020	Q4 2020			
MAD	9.5941	9.5000	9.5000	9.4000	9.4000			
TND	2.8135	2.8000	2.8000	2.7000	2.7000			
TRY	5.9829	6.0000	6.2000	6.2000	6.3000			

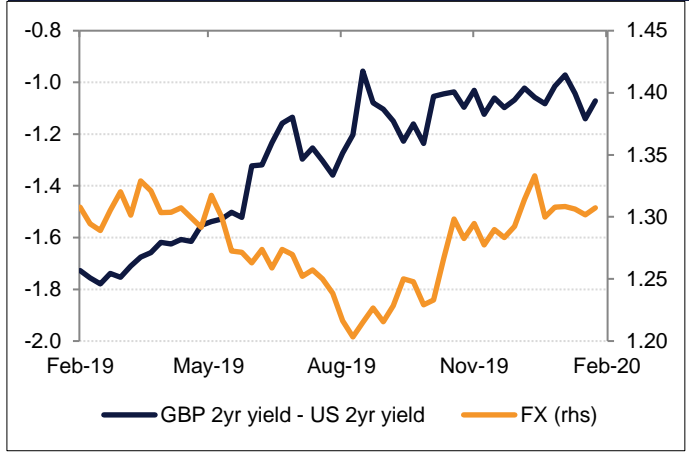
Source: Bloomberg, Emirates NBD Research  
 \*Denotes USD peg

## Major FX and Nominal Interest Rates

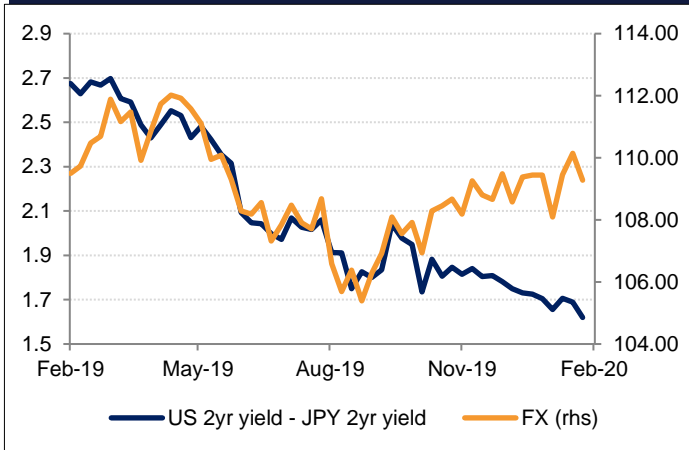
### Interest Rate Differentials - EUR



### Interest Rate Differentials - GBP



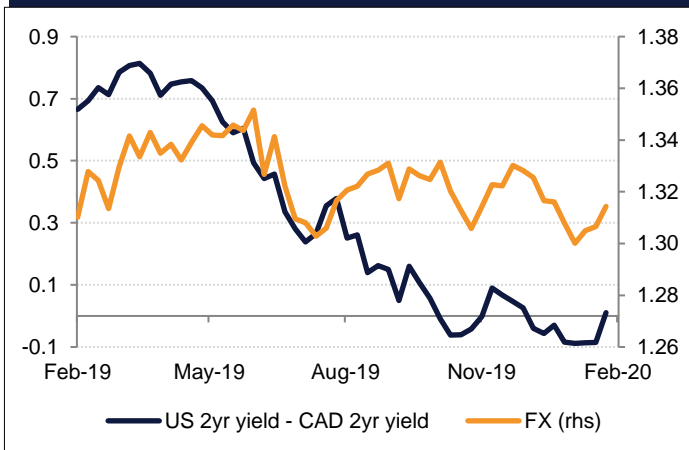
### Interest Rate Differentials - JPY



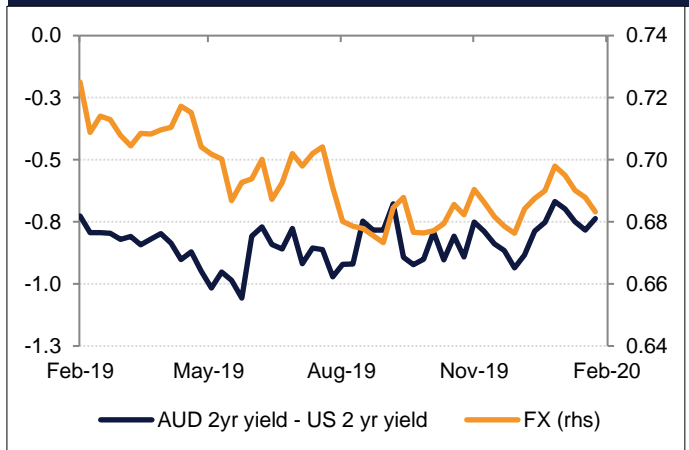
### Interest Rate Differentials - CHF



### Interest Rate Differentials - CAD

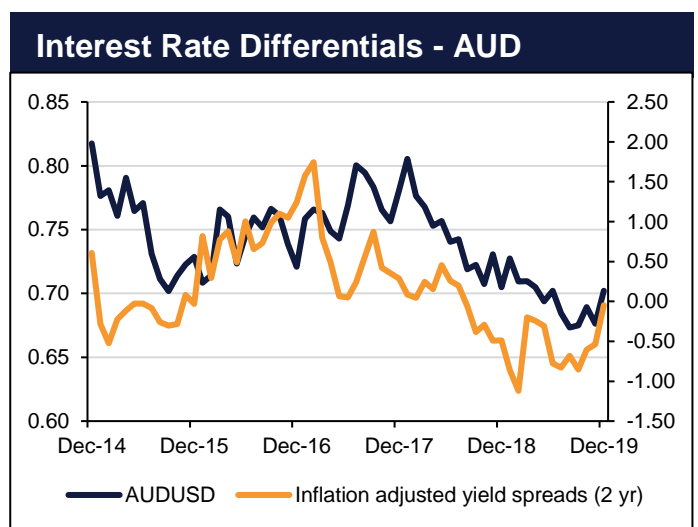
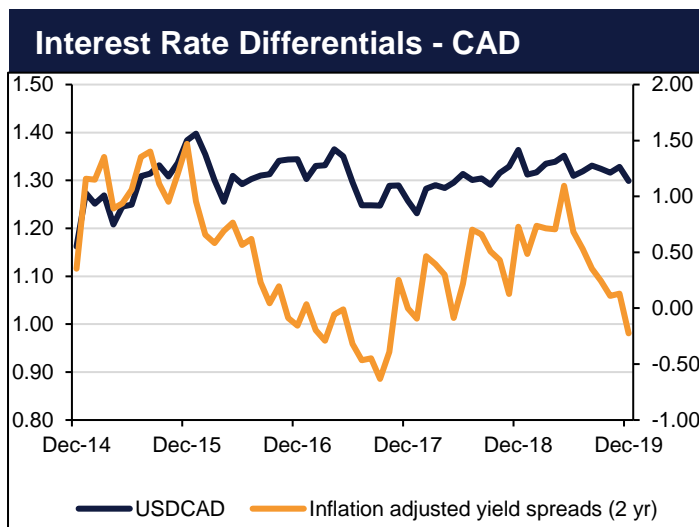
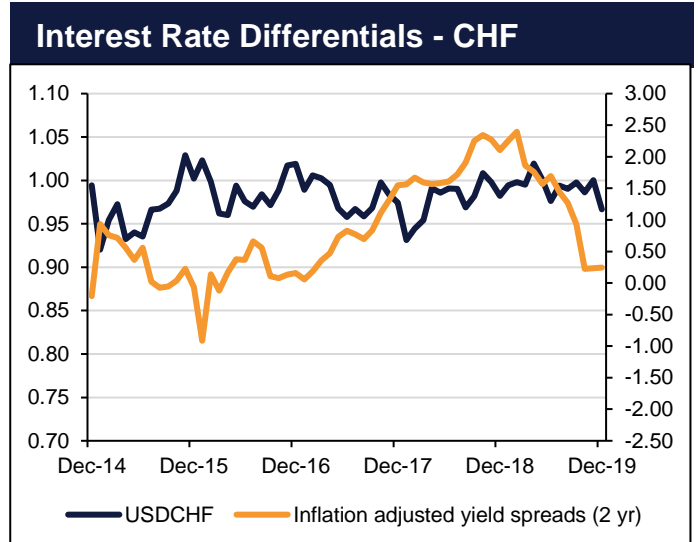
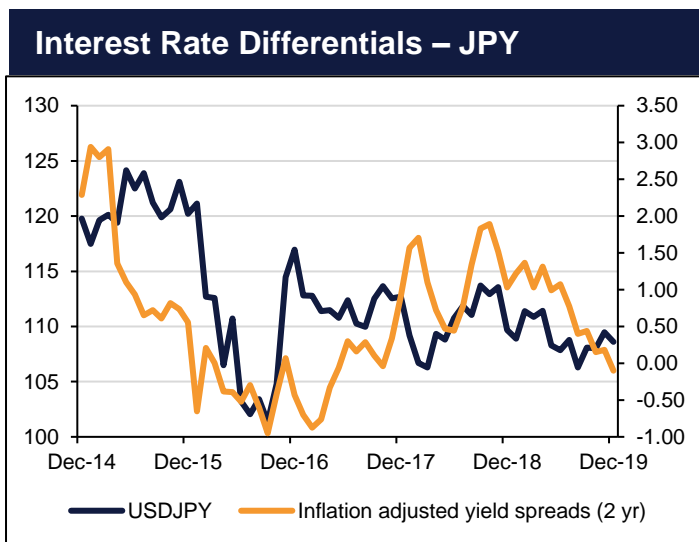
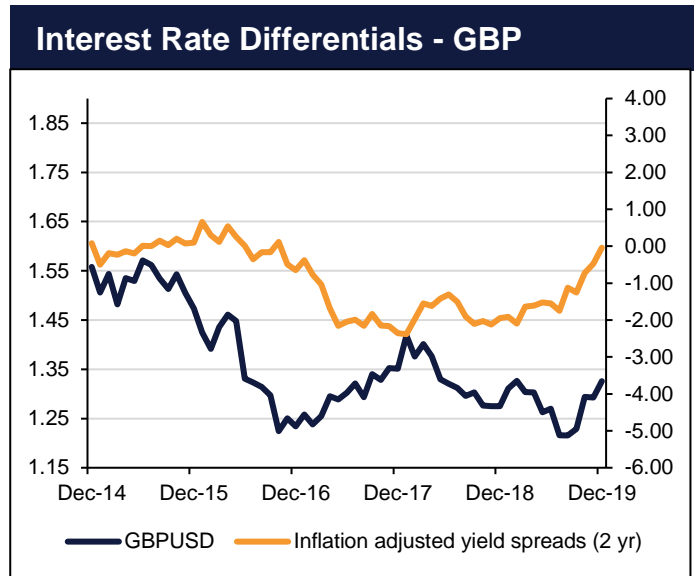
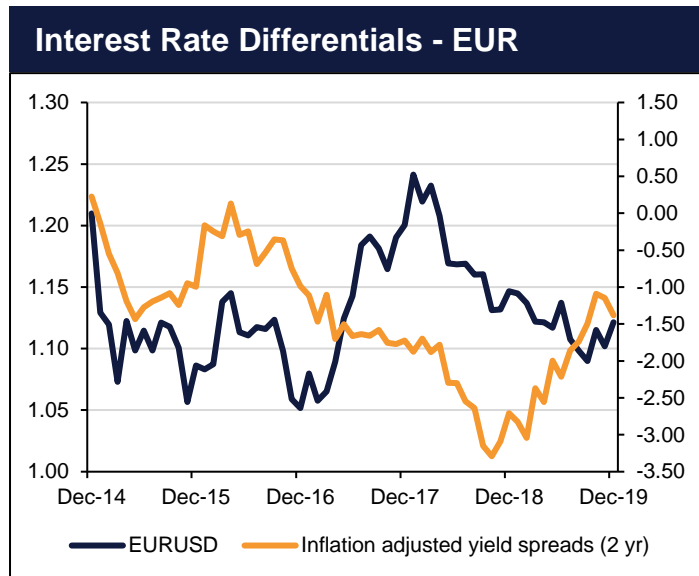


### Interest Rate Differentials - AUD



Source: Bloomberg, Emirates NBD Research

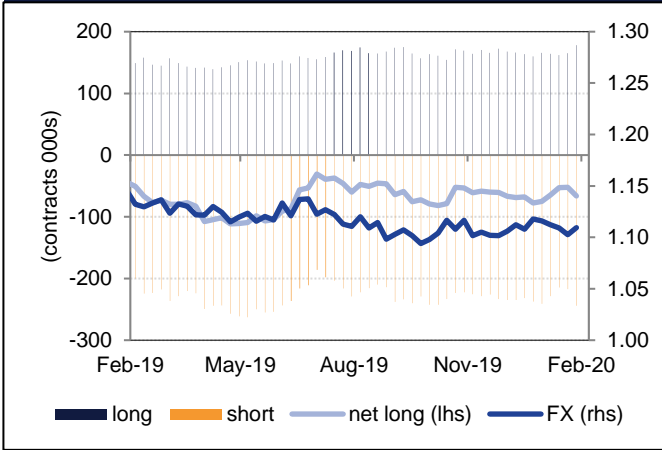
## Major FX and Real Interest Rates



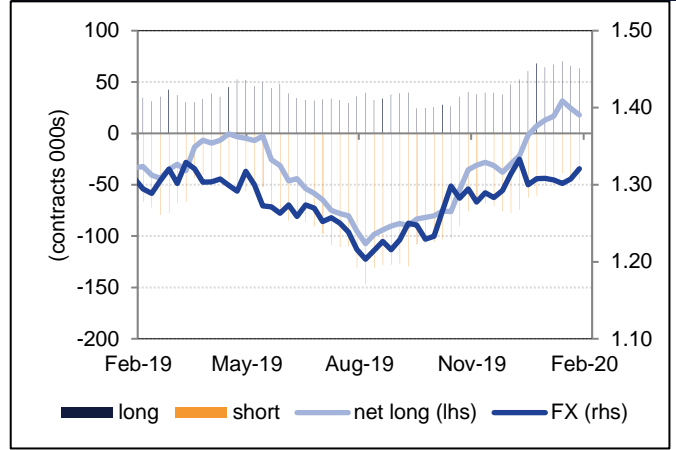
Source: Bloomberg, Emirates NBD Research

## Major Currency Positions

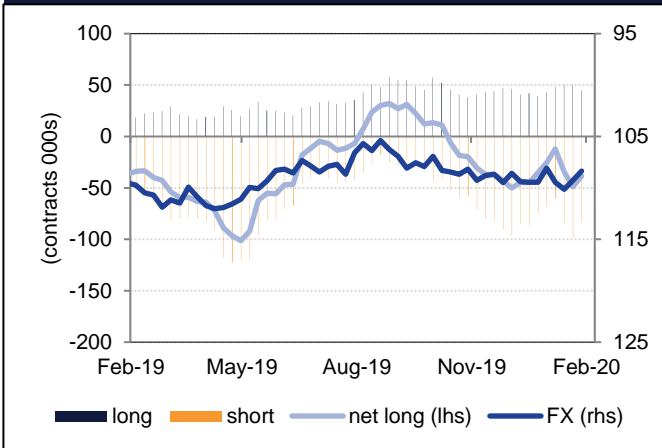
### CFTC – Speculative Positions - EUR



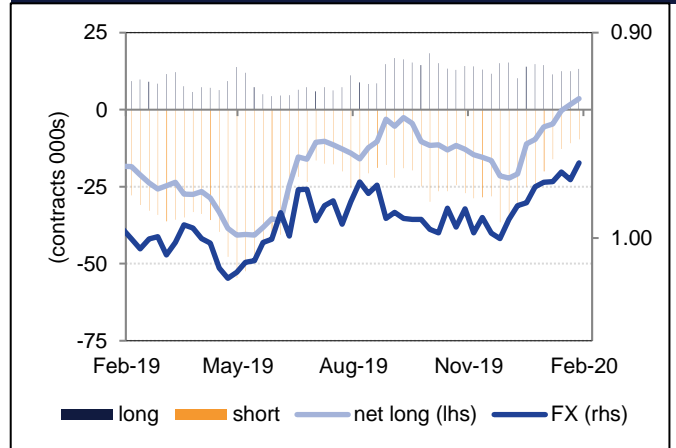
### CFTC – Speculative Positions - GBP



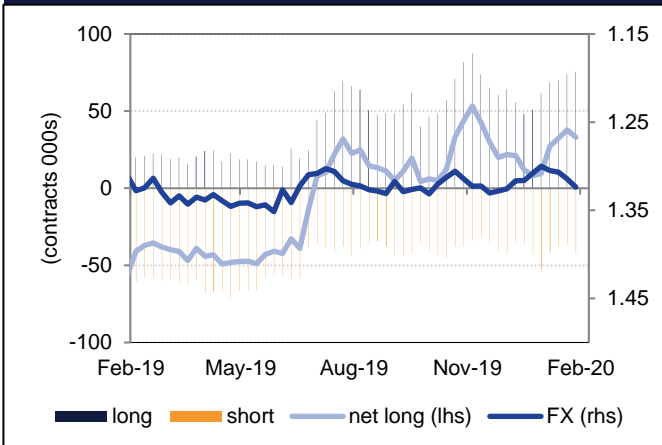
### CFTC – Speculative Positions - JPY



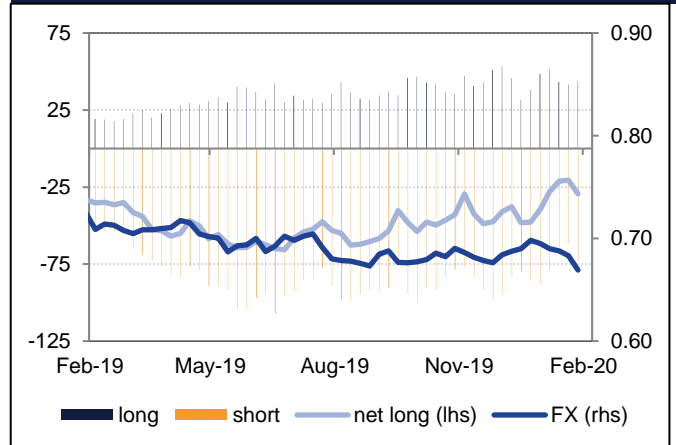
### CFTC – Speculative Positions - CHF



### CFTC – Speculative Positions - CAD



### CFTC – Speculative Positions - AUD



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