

G10 Trader Views

EUR – Brandon Ang

EURUSD is climbing higher this morning on the back of USD weakness even as ECB's Coeure said that the Euro is NOT TOO STRONG. We expect more volatility in the pair over the week with more drivers coming into play in the near term. Some buying of EURUSD was seen yesterday as the rally in Treasuries led to EURUSD breaking above the 1.36 handle.

Speeches by Praet and Draghi later today, together with the FOMC minutes, should be the main drivers of the pair today. For now, it seems that USD is driving most of the movement in the pair. Given the recent dovish tilt from Fed speakers Lacker and Kocherlakota yesterday, we will not be surprised if the minutes come out more dovish than expected.

Expect the 1.3635-40 level to provide some resistance and if that breaks, a move up towards the 90-100 levels. On the flip side, expect decent support at 1.3665-70. We will look to add to our core short EUR positions into rallies above 1.3680-90.

JPY – Simon Hamilton

USDJPY continues to disappoint with price action softer in yesterday's session tracking the dollar across the board which has lost further ground with no real trigger apart from position adjustments. The market feels like its slowing and has little impetus to add any significant risk in the short term which suggests these moves may continue for the interim as the summer lull continues and the market returns to range play with only Fed minutes to focus on later in the session. I am long small USDJPY from here and will continue to play the range ahead of releases later in the week. There has been notable demand which seems to stem the flow and it feels like the move towards 101.50 is enough of a clear out for now.

EURJPY has found support finally after testing back towards the 138 level with EURUSD turning with unexpected comments from the ECB this morning. EUR feels more buoyant on the open and we may squeeze further in the scenario after yesterday's initial demand petered into nothing and only light flow was noted. Sell rallies in EURJPY for the day will be the strategy which will lose its shine should we break 139.00/25.

GBP – Jeff Ransom

Cable tested lower yesterday after the poor Industrial Production data and found very good demand below 1.71. It seems that the positioning is very light and players are more keen to add on dips than stop out, which is overall constructive for the pair. However, we are still rangebound with not a lot of direction. I am playing the 1.7100 - 1.7150 range for now with a bias to buy dips.

In EURGBP, the positioning is a bit heavier and more prone to squeezes, but moves remain tame in this low vol environment. Nemat Shafik, the BOE's newest member, will be questioned this afternoon at 2:15pm London time and we will all be tuned in looking for signs of hawkishness. Overall, I remain a seller of EURGBP on rallies towards .7985 - .8000 with a stop at .8065.

Scandies – Alex Bakri

Consolidation continues in EURSEK towards 9.28 support and I still like buying dips ahead of the inflation this week. However expect range trading to prevail with strong resistance towards 9.33 still capping rallies.

EURNOK price action has been more volatile lately probably explained by some take profit in NOKSEK. NOKSEK should still represent a decent long as the pair is now approaching support ahead of 1.10 with a stop back thru 1.0980. EURNOK should also be a good sell in the 8.43/45 area with room to add above 8.50 if seen.

CAD – Alex Bakri

USDCAD remains in a tight range with rally sellers still in place ahead of 1.07. However interim support around 1.0650/60 is firm with further support down to 1.0630 expected to hold before job data on Friday. Still like selling rallies in USDCAD and

EURCAD with tight stop.

Tonight's Fed Minutes will be the main event and should give further direction to the loonie.

AUD/NZD – Nick Smith

Mixed signals for AUD overnight with better than expected consumer confidence later stemmed by a weaker than expected Chinese Cpi print (2.3% vs. 2.5% exp.). Regardless, another supportive day for risk ensued yesterday with USD coming under renewed pressure with treasuries rallying and USDJPY breaking lower to 101.50. Little in the way of data today but Fed minutes this evening will be the key risk event ahead of the AUD employment report tomorrow in which the market is looking for an uptick in jobs added to the economy.

As for NZD, a similar story holds true in that risk continues to remain supported in the face of USD weakness and we have seen strong demand all the way in this move higher to make new highs on the year. Fitch upgraded NZ to positive outlook which initially saw us break through 0.8800 and with decent o/n demand we have now printed 0.8819. The next key level will be the 2011 high at 0.8843.

Conviction on how to position at these levels is difficult. On the one hand we are technically at decent levels to get short but on the other I believe the minutes will once again disappoint, supporting risk and weighing on the USD. With vol at such low levels I will be looking at some downside structures with relatively close topside KO's to try and get cheap exposure to a selloff if realised.