

## Stay short EUR/NOK

### Asia overnight

A low USD/CNY fix led to a weaker USD across most of the G10 as investors remain uncommitted on the USD ahead of Fridays US inflation data. The AUD had a see-saw session as the weaker USD and strong business confidence data pushed the currency higher. Australia's business conditions are back at pre-crisis levels. Weak China trade data pulled the currency back lower, however, saw it retrace most of its early morning gains. Iron ore prices have also retraced most of yesterday's jump on the back of Chinese authorities announcing caps for steel production during the winter months. RBA Assistant Governor of Financial Markets, Chris Kent, speaks early tomorrow in Asia and could use the forum to emphasize the RBA's displeasure at the stronger AUD. The NZD was the worst performer in the G10, however, on the back of AUD/NZD cross buying, the weak China data and investors exiting long positions ahead of the RBNZ meeting on Thursday.

### European morning: No event risk

Ahead today it will be quiet in terms of data releases and speaking assignments. Hence, it will be about external factors such as global risk sentiment to drive FX. The EUR has been supported since the start of the week. However, with speculative oriented investors' selling interest in the single currency rising and as there is limited scope of policy differentials diverging further to the benefit of majors such as EUR/USD, we advise against buying at these levels. If anything, still elevated long positioning should leave the currency subject to downside risks. For details please refer to yesterday's FX positioning update.

In terms of trade recommendations, we went short EUR/NOK yesterday. Looking ahead we believe that domestic data such as this week's July CPI should prove the currency's predominant driver. We believe the bar for a positive surprise is low, especially from the Norges Bank's angle. Hence, we see room of diverging monetary policy expectations to the detriment of EUR/NOK. For details please refer to the trade idea "[Sell EUR/NOK](#)".

### Fed doves on board with September balance sheet announcement

Speaking on Monday, typically dovish Minneapolis Fed President Kashkari and St. Louis Fed President Bullard Fed offered further evidence that the FOMC intends to start shrinking its balance sheet soon, irrespective of low inflation. Specifically Mr. Bullard said he was "ready to get going in September" adding he did not expect tapering to have a lot of impact on the markets. He also argued in favor of leaving rates where they are for now although he is not a voter on the Committee this year. The USD appears range-bound at the start of the week, with little follow through in rates from the firm NFP report last Friday. There should be no major catalysts to change that on Tuesday as US data is limited to July small business optimism and June JOLTS job openings releases.

## Open Trade Recommendations

| Underlying                 | Date      | Opening Time | Direction | Notional  | Entry  | Target | Stop   | Last   | P&L Individ. | P&L Portfolio |
|----------------------------|-----------|--------------|-----------|-----------|--------|--------|--------|--------|--------------|---------------|
| EUR/NOK                    | 07-Aug-17 | 10:37:00     | Short     | 3,000,000 | 9.3765 | 9.1000 | 9.5500 | 9.3505 | 0.28%        | 0.01%         |
| <b>Open trades P&amp;L</b> |           |              |           |           |        |        |        |        |              | <b>0.01%</b>  |

| Underlying                 | Date      | Option Type             | Notional   | Strike    | Barrier | Spot Entry | Cost  | P&L Individ. | P&L Portfolio |
|----------------------------|-----------|-------------------------|------------|-----------|---------|------------|-------|--------------|---------------|
| EUR/SEK                    | 29-Jun-17 | 3M 1x1.5 Ratio put spr. | 34,200,000 | 9.60/9.45 | -       | 9.7251     | 0.23% | 0.14%        | 0.05%         |
| EUR/JPY                    | 17-Jul-17 | 3M Call spread          | 28,627,500 | 134/136   | -       | 128.82     | 0.25% | 0.02%        | 0.01%         |
| <b>Open trades P&amp;L</b> |           |                         |            |           |         |            |       |              | <b>0.05%</b>  |



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### Latest Publications

[07 Aug – FX Volatility Monitor – 1M EUR/USD vols attractive?](#)

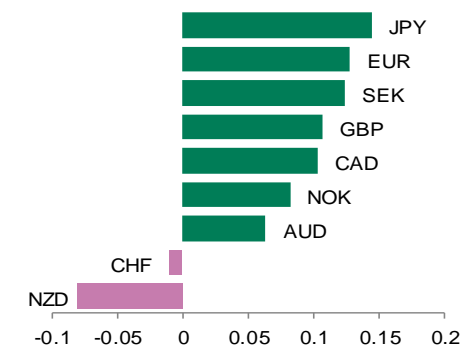
[07 Aug – FX Trade Idea – Sell EUR/NOK](#)

[07 Aug – G10 FX Scorecard – Weekly update: 07 August 2017](#)

[07 Aug – FX Positioning Update – EUR selling interest rises](#)

[04 Aug – FX Focus – Trading FX with G10 VALFeX](#)

### Overnight returns (% vs USD)



Source: Bloomberg, Crédit Agricole CIB

### G10 FX Forecasts

|         | Today | Dec-17 | Mar-18 | Jun-18 |
|---------|-------|--------|--------|--------|
| EUR/USD | 1.18  | 1.18   | 1.18   | 1.19   |
| USD/JPY | 111   | 115    | 114    | 112    |
| EUR/JPY | 131   | 136    | 135    | 133    |
| GBP/USD | 1.30  | 1.31   | 1.33   | 1.35   |
| EUR/GBP | 0.91  | 0.90   | 0.89   | 0.88   |
| USD/CHF | 0.97  | 0.95   | 0.95   | 0.96   |
| USD/CAD | 1.27  | 1.35   | 1.33   | 1.31   |
| AUD/USD | 0.79  | 0.72   | 0.74   | 0.75   |
| NZD/USD | 0.74  | 0.68   | 0.70   | 0.71   |
| EUR/NOK | 9.35  | 9.10   | 9.00   | 8.80   |
| EUR/SEK | 9.61  | 9.40   | 9.30   | 9.20   |
| EUR/CHF | 1.15  | 1.15   | 1.15   | 1.16   |

Source: Bloomberg, Crédit Agricole CIB

## Key Events

| BST   | Country/<br>Zone | Indicator/Event                              | For | CA-CIB<br>f/c | Cons.  | Prev.   | Comment |
|-------|------------------|--|-----|---------------|--------|---------|---------|
| 07:00 | GE               | Trade Balance                                | Jun |               |        | 22.00 B |         |
| 07:00 | NO               | Credit Indicator Growth YoY                  | Jun |               |        | 5.40%   |         |
| 07:45 | FR               | Trade Balance                                | Jun |               |        | -4886 M |         |
| 11:00 | US               | NFIB   | Jul |               | 103.80 | 103.60  |         |
| 13:15 | CA               | Housing starts                               | Jul |               | 205 K  | 213 K   |         |
| 23:00 | NZ               | ANZ Truckometer                              | Jul |               |        |         |         |
| 23:00 | AU               | RBA's Kent Gives Bloomberg Address in Sydney |     |               |        |         |         |

Source: Bloomberg, Crédit Agricole CIB

## Webcasts

**\*NEW\*** [A tapering of the tantrum: Credit markets and an ECB taper](#)

[Green Bonds: feeling lost in the 'what is green?' debate?](#), 20 July

[Corporate hybrids: designed for times of tapering?](#), 12 July

[Telecoms: consolidation versus convergence – time to choose?](#), 11 July

[Banks - Spain vs Italy: a different view of BRRD, 29 June](#)

[G10 FX Outlook: resurgent EUR, subdued USD, vulnerable GBP](#), 29 June

[Autos 2017 Roadmap: risks increasing but valuations tight](#), 12 June

[Bail-in framework in Europe: solution à la française](#), 10 May

[French presidential election – all eyes on the second round](#), 24 April

[French presidential election – your survival kit](#), 20 April

[Utilities: Corporate actions back to the forefront](#), 6 April

[Key G10 FX views update: less USD strength, but for longer](#), 5 April

[Czech Republic: the end of the peg?](#), 31 March

[Impact of political risk on covered bond and SSA spreads](#), 27 March

[Metals & Mining: Any value left after the flow of positives?](#), 17 March

[Hedging European political risks with FX](#), 14 March

[India & the INR outlook post-budget and post-RBI](#), 9 February

[Asia: protectionism angst](#), 6 February

[Airlines: the benefits of travelling light](#), 3 February

[The Chinese currency in the Year of the Rooster](#), 1 February

[Metro, one foot in HY?](#), 19 January

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