

PMIs eyed, globally

Asia overnight

In Asian hours risk sentiment was broadly stable with US stock futures trading higher at the time of writing. Data wise the main focus was on Japan, where September Tankan surveys were released. While the outcome was mixed there is more needed in order to make a case of changing monetary policy expectations. Hence, currency impact was muted at best. Looking ahead, we expect pairs such as USD/JPY to stay predominantly driven by risk sentiment and/or Fed rate expectations. As such this week's key focus will be on Friday's US labour data. With risk sentiment broadly stable and as there is limited room of further moderating Fed monetary policy expectations from the current levels, dips in the pair may prove a buy.

European morning: Focus turns to PMIs

Today's main focus will be on PMI releases in Norway, Sweden, UK and the Eurozone. As when it comes to Eurozone data it will be final September revisions. Hence, there is only limited surprise potential. The Euro started the week on a weaker footing, mainly in reaction Catalan separatist leaders indicating that they will declare independence after last weekend's illegal referendum showed that around 89% of 2.3 million votes were in favour of independence. Spanish Prime minister Rajoy explained already that the vote has no legitimacy. Looking ahead, we do not expect the latest development to have sustainable market impact. If anything it will be about global risk sentiment and well supported ECB monetary policy expectations to drive the single currency. While growth momentum remains strong enough in order to enable the ECB moving forward as when it comes to a more hawkish stance, we believe that it remains attractive to buy EUR dips. We stay long EUR/USD and EUR/CHF as trade recommendations.

In Sweden, at 57.0 (prev. 54.7) the September manufacturing PMI is expected to indicate improving business activity. However, it will remain about external factors such as further stabilizing ECB monetary policy expectations to enable the Riksbank considering better fundamentals when setting monetary policy. The SEK suffered on the back of the Riksbank extending Ingves' mandate as Governor by another five years. While Ingves should be regarded as status quo he is also believed to be largely responsible for the central banks dovish stance. Nevertheless, the latest development should not lead to changing monetary policy expectations and therefore any related currency weakness should prove temporary at best. We stay in favour of the SEK appreciating gradually and expect EUR/SEK rallies to prove a sell.

In the UK, manufacturing sector-related business activity is expected remain broadly stable. While there will be bigger focus on tomorrow's release of the Services PMI, it may be predominantly about politics to drive sentiment this week. This is especially true as this week's Conservative Party conference should attract attention.

USD: Data to be distorted by weather

The end of past week was overshadowed by month and quarter-end flows, with some divergence between the USD which finished on a soft note and US yields which ended near the highs. As far as the US domestic calendar is concerned the week ahead will feature a number of important releases but with the caveat that data is likely to be distorted by the impact of the recent hurricanes. On Monday, we expect the September manufacturing ISM to edge down to 58. This is still a healthy level of manufacturing activity as flagged by most regional surveys. As for Friday's payrolls we are looking for a weather-distorted gain of 90K and an unchanged pace of wage growth at 2.5% YoY. A busy calendar of Fed speakers



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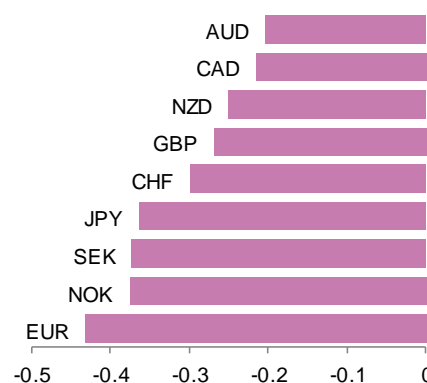
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Overnight returns (% vs USD)



Source: Bloomberg, Crédit Agricole CIB

G10 FX Forecasts

	Today	Dec-17	Mar-18	Jun-18
EUR/USD	1.18	1.22	1.22	1.23
USD/JPY	113	110	108	110
EUR/JPY	133	134	132	135
GBP/USD	1.34	1.36	1.36	1.37
EUR/GBP	0.88	0.90	0.90	0.90
USD/CHF	0.97	0.95	0.95	0.95
USD/CAD	1.25	1.24	1.22	1.21
AUD/USD	0.78	0.78	0.76	0.80
NZD/USD	0.72	0.69	0.68	0.70
EUR/NOK	9.40	9.15	9.00	8.80
EUR/SEK	9.62	9.40	9.30	9.20
EUR/CHF	1.14	1.16	1.16	1.17

Source: Bloomberg, Crédit Agricole CIB

includes Yellen, Williams, Powell, Harker and Dudley. Core PCE deflator – the Fed's preferred inflation measure – dipped further to 1.3% YoY in August, which could raise questions over the prospects of a December rate hike.

Open Trade Recommendations

Underlying	Date	Opening Time	Direction	Notional	Entry	Target	Stop	Last	P&L Indiv.	P&L Portfolio
EUR/NOK	07-Aug-17	10:37:00	Short	3,000,000	9.3765	9.1000	9.5500	9.4017	-0.09%	0.00%
EUR/CHF	09-Aug-17	11:49:00	Long	3,000,000	1.1320	1.1800	1.1345	1.1424	0.97%	0.03%
EUR/USD	28-Sep-17	11:35:00	Long	3,000,000	1.1770	1.2200	1.1520	1.1763	-0.07%	0.00%
Open trades P&L										0.02%

Underlying	Date	Option Type	Notional	Strike	Barrier	Spot Entry	Cost	P&L Indiv.	P&L Portfolio	
EUR/JPY	17-Jul-17	3M Call spread	28,627,500	134/136	-	128.82	0.25%	0.01%	0.00%	
AUD/NZD	12-Sep-17	1M one-touch	240,780	1.15	-	1.0985	10.00%	-10.00%	-0.02%	
EUR/SEK	12-Sep-17	4M 1x1.5 Ratio put spr.	23,908,000	9.45/9.30	-	9.538	0.26%	-0.07%	-0.02%	
Open trades P&L										-0.04%

Key Events

BST	Country/ Zone	Indicator/Event	For	CA-CIB f/c	Cons.	Prev.	Comment
07:30	SW	PMI	Sep			54.70	
08:00	NO	PMI	Sep			55.70	
08:15	SZ	Retail Sales	Aug			-0.70%	
08:30	SZ	PMI	Sep			61.20	
08:45	IT	PMI Manufacturing	Sep			56.30	
08:50	FR	PMI Manufact.	Sep			56.00	
08:55	GE	PMI Manufacturing	Sep			60.60	
09:00	EZ	PMI Manufacturing	Sep			58.20	
09:30	UK	Manufacturing PMI	Sep			56.90	
10:00	EZ	Unemployment	Aug			9.10%	
14:30	CA	Manufacturing PMI	Sep			54.60	
14:45	US	PMI Manufacturing	Sep			53.00	
15:00	US	Construction Spend	Aug		0.40%	-0.60%	
15:00	US	ISM Manufacturing	Sep			57.40	58.80
15:00	US	ISM Prices Paid	Sep			65.00	62.00
19:00	US	Fed's Kaplan Speaks in El Paso					

Source: Bloomberg, Crédit Agricole CIB

Webcasts

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