

## Low bar for data surprises

### Asia overnight

The further easing of tensions between the US and North Korea continued to weigh on safe havens such as CHF and JPY. The global MSCI equity market index has now retraced a bit over 50% of its recent decline and the VIX index has retraced over 60% of its recent spike. The NY Fed President, William Dudley, reaffirmed overnight that the Fed remains on path to raise rates again this year, which pushed US rates and the USD higher. Stronger risk sentiment led to the Antipodeans being the best performers in the Asian session, however, with the NZD being the top performer as investors got caught short post the RVBNZ's intervention warning last week. The RBA Minutes to its August meeting reiterated much of the rhetoric from recent communiques and had little market impact.

### AUD: First leg of the labour market double

Australian labour market data will be a key focus for the AUD in the coming days. Tomorrow we get wage price index for Q2 and Thursday July labour market data. A key reason for the RBA's neutral policy stance is its forecast for a slow grind in inflation higher due in part to weak wages growth. Indeed, wages growth has been setting new record lows for nearly 3.5 years with the last reading being the first time of any signs of stabilization during that period. The underemployment rate bottomed out in Q2, which could act as support for wages growth. The market looks for further stabilization of wages growth at a record low of 1.9% YoY. Any signs of a significant upturn could see the market begin to re-price the RBA and impact on the AUD. The market currently looks for the RBA's first rate hike in late 2018

### European morning: All eyes on Sweden and UK

Ahead today it will become more active with respect to data releases in Sweden and the UK. In Sweden all eyes will be on the release of July CPI. At 1.9% YoY (prev. 1.7%) consensus expectations target a further improvement in price developments. Such an outcome would be consistent with better fundamentals and should prove sufficient in putting a floor below investors' central bank rate expectations and the currency. However, as explained previously further stabilizing external factors will be needed in order to make a case of the Riksbank considering a further shift in stance. Hence, it will remain about ECB monetary policy expectations, which suggests that the main focus is on Jackson Hole later this month and the September ECB monetary policy announcement to drive the SEK further. We stay of the view that the currency is subject to a gradual appreciation trend and we remain short EUR/SEK as a trade recommendation.

In the UK, CPI for the month of July will be released. At 2.7% (prev. 2.6%) YoY and 2.5% YoY (prev. 2.5%) both headline and core inflation are expected to have increased. Unless there is an indication of domestically driven upside risks to inflation being on the rise, we expect only limited impact on rate expectations and/or the currency. Should this week's data, however, indicate better domestic demand conditions too, the GBP may face upside risks. July retail sales will be released on Thursday.

Elsewhere, we remain long EUR/CHF as a trade recommendation. The cross has been benefitting from stabilizing risk sentiment and we expect the risk to remain on the upside. Please note that we trailed the stop from 1.1050 up to 1.1200 and the target remains at 1.1800.

### US: Low bar for positive USD surprises

Comments from NY Fed President Dudley on Monday caught markets by surprise on Monday. While his remarks did not offer much in terms of new information, a simple re-affirmation of the Fed's current stance – another rate



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### Latest Publications

**14 Aug** – FX Positioning – [Positioning suggests only limited upside risk to safe havens](#)

**14 Aug** – G10 FX Scorecard – [Weekly update: 14 August 2017](#)

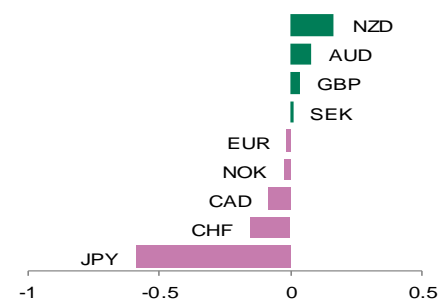
**11 Aug** – FX Weekly – [Summer of all fears](#)

**10 Aug** – G10 Market Rate Exp. Monitor – [Rate expectations stable](#)

**10 Aug** – FX Risk Index – [No sustained increase in risk-aversion; buy EUR/CHF](#)

**09 Aug** – FX Trade Idea – [Buy EUR/CHF](#)

### 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	110	115	114	112
EUR/JPY	130	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	0.73	0.68	0.70	0.71
EUR/NOK	9.37	9.10	9.00	8.80
EUR/SEK	9.55	9.40	9.30	9.20
EUR/CHF	1.15	1.15	1.15	1.16

Source: Bloomberg, Crédit Agricole CIB

hike by the end of the year and a balance sheet announcement in September – was sufficient to give some boost to US yields and the USD. When asked on the issue of Fed leadership, Mr. Dudley referred to Gary Cohn (currently director of White House’s National Economic Council) as a “reasonable candidate” who has knowledge of the financial markets. That said, in our view the odds of Chair Yellen remaining in her current job past next January are rising and in any case there are few reasons to believe that Mr. Cohn would shift the Fed bias in a more hawkish direction.

The reaction to Dudley’s comments highlights that the bar for positive USD surprises is quite low at the moment since markets are pricing in less of a 40% chance of a December hike and very little tightening in 2018. Our expectations for Tuesday’s retail sales are in line with the market’s for a 0.3% MoM gain in the headline, although we see some downside risks to the core number. The retail sales series has been volatile and revisions are worth watching although overall our economists expect the trend in consumer spending to be quite steady with a Q3 expansion similar to Q2’s +2.8% QoQ reading. It’s also worth watching the July import prices report for any signs that a weaker USD is starting to have an impact as suggested by some Fed speakers recently.

## 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	9.3670	0.13%	0.00%
EUR/CHF	09-Aug-17	11:49:00	Long	3,000,000	1.1320	1.1800	1.1200	1.1467	1.30%	0.04%
<b>Open trades P&amp;L</b>										<b>0.04%</b>

Underlying	Date	Option Type	Notional	Strike	Barrier	Spot Entry	Cost	P&L Individ.	P&L Portfolio	
EUR/SEK	29-Jun-17	06:58:00	3M 1x1.5 Ratio put spr.	34,200,000	9.60/9.45	-	9.7251	0.23%	0.24%	0.08%
EUR/JPY	17-Jul-17	08:23:00	3M Call spread	28,627,500	134/136	-	128.82	0.25%	-0.05%	-0.01%
<b>Open trades P&amp;L</b>										<b>0.08%</b>

## Key Events

BST	Country/ Zone	Indicator/Event	For	CA-CIB f/c	Cons.	Prev.	Comment
07:00	GE	GDP YoY	2Q			2.90%	
07:00	NO	External Trade Balance	Jul			-0.76 B	
08:00	DE	PPI YoY	Jul			0.50	
08:15	SZ	PPI YoY	Jul			-0.10%	
08:30	SW	<b>CPI YoY</b>	Jul			1.72%	
09:30	UK	PPI Output YoY	Jul			3.30%	
09:30	UK	<b>CPI YoY</b>	Jul			2.60%	
09:30	UK	RPI YoY	Jul			3.50%	
13:30	US	Import Price MoM	Jul		-0.10%	-0.20%	
13:30	US	<b>Retail Sales Advance MoM</b>	Jul		0.40%	-0.20%	
13:30	US	Empire Manufacturing	Aug		10.00	9.80	
14:00	CA	Home Sales	Jul			-6.70	
15:00	US	NAHB Housing Market	Aug			64.00	
15:00	US	Business Inventories	Jun		0.40%	0.30%	
21:00	US	TIC	Jun			91.93 B	

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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