

## The quiet before the storm?

### Asia overnight

Investors are on the sidelines and awaiting the outcome of speeches by Central Bank heads at the Jackson Hole Symposium, which starts today. The NZD was given a modest boost by better than expected trade balance data, which led to it being the second best performer amongst G10 currencies in Asia. The CAD led the way on the back of stronger oil prices. The JPY was the weakest performer as investors pared back short USD/JPY positions ahead of the Jackson Hole Symposium. The USD continues to struggle to make headway, however, weighed down by politics.

### AUD: Dual citizenship saga to peak in October

Australia's High Court will hear the cases of the eligibility of several MPs October 10, 11 and 12. The Attorney General had appealed to get the case heard in early September, but the appeal was rejected today. The point of contention is their 'dual citizenship'. The constitution requires that MPs must not be "...under any acknowledgement of allegiance, obedience, or adherence to a foreign power, or is a subject or a citizen or entitled to the rights or privileges of a subject or citizen of a foreign power." While several MPs will have their cases reviewed, it is the case of Deputy PM, Barnaby Joyce, that is of the most interest to the markets. If Joyce were disqualified from parliament, it would trigger a by-election and place the government's one-seat majority in the House of Representatives (lower house) in jeopardy. So AUD vol around the High Court dates could attract a premium. While born in Australia, Joyce's father was from NZ and so he is eligible for NZ citizenship. Joyce has neither claimed nor renounced this citizenship.

### European morning: Scandinavian data and UK GDP

Focus today will be on the Q2GDP data out of Norway and the UK (second print) as well as unemployment data out of Sweden for the month of July. Markets are looking for improving data from Scandinavia and are likely to interpret any evidence of accelerating economic growth in Norway and tightening labour market conditions in Sweden as reinforcing the recent decision by both the Riksbank and the Norges Bank to drop their easing bias.

We are bullish NOK and SEK and keep our shorts in EUR/NOK and EUR/SEK positions. Data out of Scandinavia should remain supportive also looking into next week when we will get latest retail sales and business confidence data. We further expect SEK and NOK to continue to trade as higher-beta proxies for EUR, which should remain generally resilient ahead of the all-important ECB September meeting. Turning to GBP, the bearish sentiment seems deeply entrenched and it may be less likely that the second print of Q2GDP would change that.

### Will politics overshadow Jackson Hole?

The USD is back on the defensive as a flash of political optimism is proving to be just that. President Trump's comments over a potential government shutdown were followed by a warning from Fitch that it may review the US credit rating negatively if the debt ceiling is not raised. While markets sometimes conflate the two issues, their market implications are quite different. As previous experience suggests a short-term government shutdown does not tend to be particularly negative for sentiment and the USD. The debt ceiling is a much more damaging issue but with Republicans broadly in control, they should have little interest in a re-run of the 2011 debt-ceiling episode which ultimately triggered as credit rating downgrade by the S&P.



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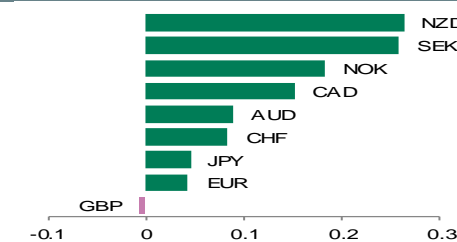
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### Latest Publications

- [22 Aug – FX Focus – GBP: not heading for parity](#)
- [21 Aug – FX Volatility Monitor – FX vols supported by...](#)
- [21 Aug – G10 FX Scorecard – Weekly update: 21 August 2017](#)
- [21 Aug – FX Positioning Update – Carry longs at risk into Jackson Hole?](#)
- [18 Aug – FX Weekly – Two steps forward, one step back](#)

### Overnight returns (% vs USD)



Source: Bloomberg, Crédit Agricole CIB

### G10 FX Forecasts

	Today	Sep-17	Dec-17	Mar-18
EUR/USD	1.18	1.17	1.18	1.18
USD/JPY	109	113	115	114
EUR/JPY	129	132	136	135
GBP/USD	1.28	1.30	1.31	1.33
EUR/GBP	0.92	0.90	0.90	0.89
USD/CHF	0.97	0.97	0.97	0.97
USD/CAD	1.25	1.26	1.25	1.24
AUD/USD	0.79	0.78	0.76	0.75
NZD/USD	0.72	0.73	0.72	0.71
EUR/NOK	9.28	9.30	9.10	9.00
EUR/SEK	9.51	9.50	9.40	9.30
EUR/CHF	1.14	1.14	1.15	1.15

Source: Bloomberg, Crédit Agricole CIB

Still, political uncertainty is once again overshadowing Fed expectations and leading to a flattening of the front-end of the curve. We still expect Jackson Hole to be supportive for the USD as we believe the message of ongoing policy normalization will be emphasized. But its impact on the markets could be short-lived unless political noise subsides. In terms of the economic data on Thursday we will get the July existing home sales and the latest jobless claims.

## 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	9.2858	1.03%	0.03%
EUR/CHF	09-Aug-17	11:49:00	Long	3,000,000	1.1320	1.1800	1.1050	1.1398	0.70%	0.02%
<b>Open trades P&amp;L</b>									<b>0.05%</b>	

Underlying	Date	Option Type	Notional	Strike	Barrier	Spot Entry	Cost	P&L Indiv.	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%	0.37%	0.13%
EUR/JPY	17-Jul-17	08:23:00	3M Call spread	28,627,500	134/136	-	128.82	0.25%	-0.14%	-0.04%
<b>Open trades P&amp;L</b>									<b>0.13%</b>	

## Key Events

BST	Country/ Zone	Indicator/Event	For	CA-CIB f/c	Cons.	Prev.	Comment
07:00	NO	GDP q/q	2Q		0.60%	0.20%	
07:45	FR	Manufacturing confidence	Aug		108.00	109.00	
08:00	DE	Consumer Confidence	Aug			10.50	
08:00	SP	GDP	2Q		3.10%	3.10%	
08:30	SW	Unemployment	Jul		5.90%	7.40%	
09:30	UK	Loan App.	Jul			40200	
09:30	UK	<b>GDP YoY</b>	2Q		1.70%	1.70%	
11:00	UK	CBI Reported Sales	Aug		14.00	22.00	
12:00	SW	Riksbank's Jochnick Gives Speech					
15:00	US	Existing Homes Sales MoM	Jul		0.50%	-1.78%	
16:00	US	Kansas City Fed	Aug		11.00	10.00	
18:00	IT	Bank of Italy Governor Visco Speaks in Rimini					
	US	<b>Kansas City Fed hosts annual Jackson Hole Policy Symposium</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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