

USD bulls holed up no more

Asia overnight

It was a quiet session in G10 FX in Asia as investors wait on the start to the Jackson Hole Symposium and Yellen's speech later today. The USD tracked modestly higher against most currencies while the JPY and Antipodean currencies were the worst performers. These FX movements, while modest, likely herald what would happen if UST yields headed significantly higher post Yellen's speech. The ECB's Draghi also speaks today and the EUR was broadly unchanged during the Asian session. Japan's national CPI data were in line with consensus and while core inflation recorded its seventh straight month in positive territory, it barely accelerating and at 0.5% YoY remains well below the 1% level that our Japan economist think would push the BoJ toward changing its YCC settings.

Into Jackson Hole – USD to outperform at long last?

The key events today will be the speeches by the Fed Chair Yellen at 3PM BST and the ECB President Draghi at 8PM BST at the Jackson Hole central bank symposium. The topic of Yellen's presentation is financial stability and we expect the Fed Chair to focus on the risks associated with excessively loose monetary and financial conditions. In all, the speech could reiterate and even strengthen the message that the Fed remains committed to policy normalisation despite the softer than expected US inflation of late and the lingering political paralysis in Washington DC. This much could help boost USD in the near-term against the laggards of the policy divergence trade – JPY and CHF. We have entered a long USD/JPY position ahead of the Yellen's talk.

Turning to Draghi's speech, we doubt that the President will offer any explicit guidance about the near-term ECB policy outlook. Draghi should nevertheless reiterate his constructive view on the Eurozone economy and thus keep the market betting that the ECB will start removing some of its monetary stimulus before long. Recent comments by various Governing Council officials have further raised the question about whether the President will try to talk down the resurgent EUR. We attach a relatively low probability to that outcome as it would only complicate the ECB message ahead of the September meeting in our view. In all, we think that a more constructive rhetoric by Draghi coupled with the absence of explicit jawboning of EUR could leave the common currency relatively supported. We remain long EUR/CHF and EUR/JPY in our portfolio.

European morning: German ifo in the shadow of the Wyoming mountains

Ahead of all the excitement later on, markets will focus on the ifo data for the month of August. Market is looking for the German business confidence to ease only slightly from the record high it reached in July. This seems consistent with the weaker than expected ZEW but the stronger than expected (manufacturing) PMIs released earlier this week. We doubt that the release will have a sustained impact on the single currency with investors likely to wait for the two key central bank speeches in the afternoon/ late evening.

US data: durable goods payback

The July durable goods report should be important in setting the tone for US business investment in Q3. We expect a large 6% MoM downward correction in the headline reading (after a 6.4% jump in June) as Boeing reported 22 new aircraft orders vs 184 in the previous month. Autos should also be a drag as the industrial output report showed a decline in motor vehicles production. We expect ex-transport orders to rise by 0.4% however and this is probably a better indication of the underlying trend. After any initial impact, the data is likely to be overshadowed by the Fed Chair Yellen speech and other proceedings from the Jackson Hole symposium.



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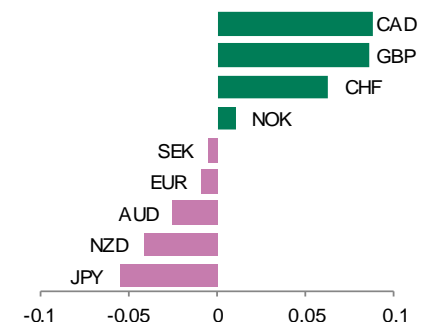
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- 24 Aug** – FX Trade Idea – [Buy USD/JPY ahead of Jackson Hole](#)
- 24 Aug** – FX Month-End Rebalancing – [Preliminary signal: USD buying](#)
- 24 Aug** – G10 Market Rate Exp. Monitor – [Jackson Hole in focus](#)
- 24 Aug** – FX Risk Index – [Risk sentiment fragile](#)
- 22 Aug** – FX Focus – [GBP: not heading for parity](#)

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	110	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	0.96	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	9.25	9.30	9.10	9.00
EUR/SEK	9.52	9.50	9.40	9.30
EUR/CHF	1.14	1.14	1.15	1.15

Source: Bloomberg, Crédit Agricole CIB

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	9.2524	1.39%	0.04%
EUR/CHF	09-Aug-17	11:49:00	Long	3,000,000	1.1320	1.1800	1.1050	1.1384	0.58%	0.02%
USD/JPY	24-Aug-17	13:14:00	Long	3,000,000	109.30	112.50	107.8000	109.6200	0.30%	0.01%
Open trades P&L									0.07%	

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%	0.37%	0.13%
EUR/JPY	17-Jul-17	08:23:00	3M Call spread	28,627,500	134/136	-	128.82	0.25%	-0.12%	-0.03%
Open trades P&L									0.13%	

Key Events

BST	Country/Zone	Indicator/Event	For	CA-CIB f/c	Cons.	Prev.	Comment
07:45	FR	Consumer Confidence	Aug		103.00	104.00	
08:30	SW	Prod Price	Jul			4.80%	
08:30	SW	Lending	Jul		7.10%	7.10%	
09:00	GE	IFO - Business Climate	Aug		115.00	116.00	
09:00	GE	IFO - Expectations	Aug		106.80	107.30	
13:30	US	Durable Goods Orders	Jul		-5.70%	6.40%	
	US	Kansas City Fed hosts annual Jackson Hole Policy Symposium					

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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