

## Trump to finally deliver?

### Asia overnight

Higher US rates post FOMC Chairwoman, Janet Yellen, reaffirming a December rate hike was on the table as well as the prospect of a tax plan from Washington today led to the USD being the strongest performer in Asian trading. The AUD and the GBP bore the brunt of the stronger USD and higher US rates as long positions were exited. AUD had the additional pressure of investors exiting long AUD/NZD positions ahead of tomorrow's RBNZ meeting. Outside of the USD, JPY crosses remain on the back foot even though President Trump said that military force was not the preferred option for dealing with North Korea.

### NZD: Attention switches to the RBNZ

After returning from a fishing trip, king- or queenmaker, NZ First's Winston Peters continues to say that he will not make a decision on which coalition he will join until after special votes are counted. The final vote tally is expected 07 October. In the meantime, investors' collective focus will switch to tomorrow's RBNZ meeting. Deputy Governor, Grant Spencer, took over as Acting RBNZ Governor today with the retirement of Governor, Graeme Wheeler. Spencer is scheduled to hold the post for six months but could leave earlier once a new Governor is named (after the government is decided). We expect continuity at the RBNZ meeting tomorrow, which means no change in the OCR and no significant changes in rhetoric. The National Party and Labour Party have similar fiscal policy profiles. While cyclical indicators for the economy and trade data have deteriorated and the Q2 GDP data disappointed the RBNZ's expectations slightly to the downside. The new Governor is unlikely going to race to switching from a neutral to easing bias. Indeed, we continue to think that a housing market bubble likely leaves further rate cuts off the table.

Spencer was the RBNZ official that went on the newswires post the September MPS to emphasize that the its change in rhetoric from currency depreciation would "help" rebalance the economy to is "needed", and that this shift in rhetoric was a threat to intervene to weaken the currency. So, Spencer is not likely to back track on this wording, even though the NZ TWI has averaged about 1.5% below the RBNZ's forecast average for Q3. Such a backtrack would see the currency rally significantly.

### European morning: Focus on Scandies

Ahead today it will be quiet in terms of market moving releases. If anything there may be some focus on Sweden and Norway. In Sweden the Economic Tendency Survey for the month of September is expected to show further improvements (cons. 111.3, prev. 110.7) in business and consumer sentiment. This should lead to growth expectations remaining supported to the benefit of SEK. However, it should be noted that the impact as far as monetary policy expectations goes will likely be limited given that the Riksbank is awaiting policy action from the ECB before making policy changes that reflect fundamentals. Nevertheless, from a broader angle we stay of the view that the SEK faces a gradual appreciation trend. Therefore we stay in favour of selling rallies.

In Norway, the main focus will be on speeches from central bank Governor Olsen and Deputy Governor Nicolaisen. If any reference is made to monetary policy it is likely to reiterate the view expressed yesterday and last Friday where Olsen was constructive on growth and stated that 'real wage growth will be stronger ahead'. A stable policy outlook coupled with improving commodity price developments should keep the currency subject to upside risks. We stay short EUR/NOK as a trade recommendation.

Elsewhere, the franc was in demand for most of the week, mainly on the back of rising risk aversion as driven by geopolitical tensions. From the current levels we



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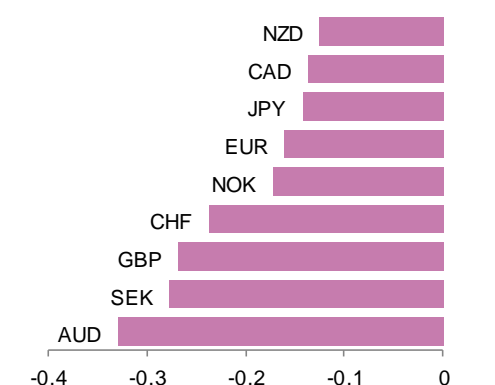
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### Latest Publications

- [26 Sep – FX Month-End Rebalancing – Preliminary signal: mild USD selling](#)
- [25 Sep – FX Focus – Asia trip notes: buying the USD-dip; patient on EUR](#)
- [25 Sep – FX Focus – NZ election outcome: land of the long black cloud](#)
- [25 Sep – FX Focus – G10 FX Scorecard: taking stock](#)

### 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	112	110	108	110
EUR/JPY	132	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	1.24	1.24	1.22	1.21
AUD/USD	0.79	0.78	0.76	0.80
NZD/USD	0.72	0.69	0.68	0.70
EUR/NOK	9.31	9.15	9.00	8.80
EUR/SEK	9.59	9.40	9.30	9.20
EUR/CHF	1.14	1.16	1.16	1.17

Source: Bloomberg, Crédit Agricole CIB

see limited upside risks, especially as the SNB's policy mix consisting of negative rates and currency intervention should keep the franc's safe haven appeal low. We stay long EUR/CHF as a trade recommendation. We stick to the view that it will be predominantly about further diverging central bank monetary policy expectations to trigger renewed upside in the cross.

### USD: High bar for Trump to impress with his tax plan

The USD's positive momentum faded a bit after Fed Chair's remarks on Tuesday. Her remarks on inflation balanced and similar to the September 20 FOMC press-conference as Yellen argued the base case for ongoing gradual normalization while highlighting both upside and downside risks to inflation. To the extent that markets were perhaps hoping for a more clear signal for the December meeting it was not enough to keep the USD moving higher. At the same time the incoming Atlanta Fed President Bostic did say he was 'comfortable' with a December rate hike. On Wednesday, the focus will likely be on the details of the Republican tax plan as President Trump said he would be making a major announcement, hinting at a reduction in the individual tax rate and measures to encourage repatriation of corporate earnings from overseas. In terms of data we'll get the August durable goods orders report. We expect an increase of 1.5% MoM in the headline and an ex-transport gain of 0.5% MoM.

### CAD: Poloz could push back against October hike expectations

Public appearances by Bank of Canada officials have become market-moving events this year. Back in June Senior Deputy Governor Wilkins surprised the market by setting up the start of the tightening cycle. More recently Deputy Governor Lane said the BoC was taking CAD into account in deciding on future policy moves. We expect the overall message from Governor Poloz on today to be consistent with the gradual, data-dependent tightening cycle and we'll be looking for more details on how the tightening in financial conditions is impacting the Governing Council's thinking. Finance Minister Morneau indicated on Tuesday that the economy can deal with the current CAD levels but we suspect the BoC will not want to jeopardize its tightening cycle by slowing the economy too quickly. With markets pricing in a close to 50% chance of a hike in October, any hints that the BoC is likely to wait a little longer (we expect a December move) could weigh on the CAD.

## 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	9.3082	-0.90%	0.03%
EUR/CHF	09-Aug-17	11:49:00	Long	3,000,000	1.1320	1.1800	1.1345	1.1433	1.05%	0.03%
<b>Open trades P&amp;L</b>										<b>0.06%</b>

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%	-0.02%	-0.01%	
AUD/NZD	12-Sep-17	1M one-touch	240,780	1.15	-	1.0985	10.00%	-9.50%	-0.02%	
EUR/SEK	12-Sep-17	4M 1x1.5 Ratio put spr.	23,908,000	9.45/9.30	-	9.538	0.26%	-0.05%	-0.01%	
<b>Open trades P&amp;L</b>										<b>-0.04%</b>

## Key Events

BST	Country/ Zone	Indicator/Event	For	CA-CIB f/c	Cons.	Prev.	Comment
07:00	JN	Machine Tool Orders YoY	Aug			36.30%	
07:00	NO	Unemployment AKU	Jul			4.30%	
07:00	SZ	Cons Index	Aug			1.38	
07:45	FR	Consumer Confidence	Sep			103.00	
08:00	SW	Consumer Confidence	Sep			100.30	
08:00	SW	Business Confidence	Sep			117.10	
08:00	SW	<b>Eco Tendency</b>	Sep			110.70	
08:30	SW	Lending	Aug			6.99%	
08:30	SW	Trade Balance	Aug			-0.50 B	
09:00	EZ	Money Supply	Aug			4.50%	
09:00	IT	Consumer Confidence	Sep			110.80	
10:00	NO	Norway Central Bank Deputy Governor Jon Nicolaisen Speaks					
10:15	NO	Norway Central Bank Governor Olsen Speaks in Kristiansand					
11:00	UK	CBI Reported Sales	Sep			-10.00	
13:30	US	Durable Goods Orders	Aug		1.50%	-6.80%	
15:00	US	Pending Home Sales	Aug			-0.80%	
16:45	CA	Speech - Stephen S. Poloz, Governor					
17:55	CA	Press Conference -- Bank of Canada Governor Stephen Poloz					
18:30	US	Fed's Bullard Speaks on Economy and Monetary Policy					

BST	Country/ Zone	Indicator/Event	For	CA-CIB f/c	Cons.	Prev.	Comment
21:00	NZ	<b>RBNZ Rate announcement</b>	Sep		1.75%	1.75%	

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
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