

JPM FX Positioning Monitor

USD positioning momentum pauses in futures;
positioning in EUR crosses near YTD lows in options

Latest Positioning Highlights – Summary

- Demand for EUR downside has broadened beyond EUR/USD; an average of EUR-crosses shows demand for calls relative to puts at the bottom of YTD ranges.
- This is evident in EUR/SEK, among others, which continues to see demand for puts post-Riksbank.
- We had been tracking the sharp unwind of USD shorts in the futures space as it converged towards options-based metrics of modest net length. That momentum stalled this week after a linear positioning unwind over the course of the last two months.
- CAD shorts increased in the futures space to a near-stretched short position. Demand for CAD puts remains in the options space as well, but at less intensity than earlier in the year.

Global FX Strategy

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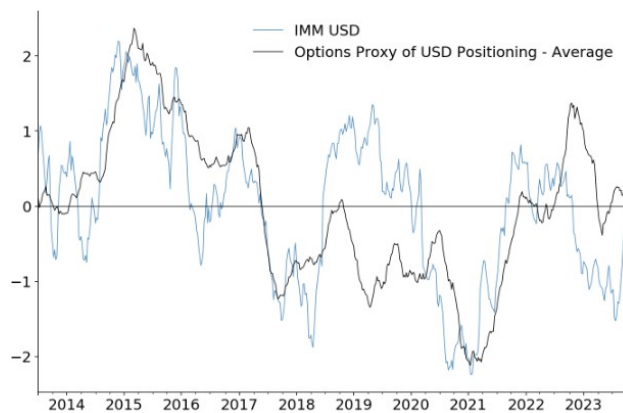
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Figure 1: The uptrend in USD FX futures positioning paused last week after a strong two-month surge

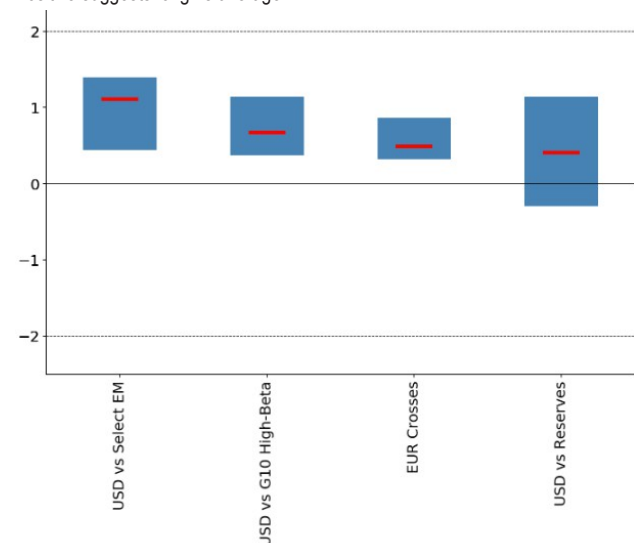
USD TWI positioning in options and FX futures; z-score



Source: J.P. Morgan, DTCC, CFTC, Bloomberg Finance L.P.

Figure 2: Options data suggests demand for EUR calls on crosses is near YTD lows

Avg z-score (simple avg) of positioning proxy across blocs. Includes YTD ranges
Positive suggests long vs average



Source: J.P. Morgan, DTCC, CFTC, Bloomberg Finance L.P.

See page 13 for analyst certification and important disclosures.

DTCC Options Positioning & Flow Update

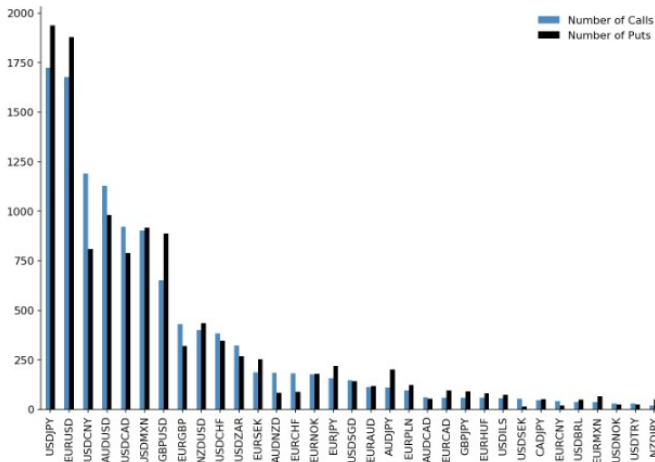
For more on methodology, see [Alt FX Positioning & Flows: Deriving FX positioning intelligence from options data](#).

- **Demand for EUR/SEK puts persists.** For the week ending Wednesday, 11 October, we estimate that demand for EUR/SEK puts was -1.1-sigma vs five-year averages (Figure 6). Dating back to the Riksbank September decision, the flow has been sizable and perceivably one-way, with the one-month demand for put notional relative to calls registering a -2.2-sigma flow (Figure 8). And indeed, total volume in EUR/SEK has been materially above-average over the last month, at roughly +2.5-sigma compared to the last two years' average (Figure 7). Meanwhile, Figure 9 illustrates the distribution of strikes transacted over the last month, with targets converging towards 11.0.
- **The change in EUR/SEK, while attributable to a local macro development last month, does also highlight the broader theme of demand for EUR/cross downside growing.** One of the more striking takeaways from Figure 6 is the concentration of EUR/crosses that saw sizable w/w demand for puts last week. EUR/CAD in particular continues to see historic demand for puts vs calls, while EUR/PLN downside has also reemerged following the knee-jerk demand for calls after the September NBP meeting (Figure 5, Figure 6). Taking a simple average of EUR crosses using our positioning flow proxy (5Y z-score) relatedly shows that net demand for EUR calls across the board is at its lowest level YTD (Figure 10). This is broadly consistent with our macro read of EUR as well; this week we marked down our EUR/USD 4Q'23 forecast to parity, and we are now short EUR vs USD, CAD, MXN & JPY in our macro portfolio (see [FX Markets Weekly](#)).
- **Demand remains for CAD puts vs USD, though at less intensity than earlier this year.** Over the last three months, we estimate that USD/CAD calls constituted about 54% of total options volume (vs 46% for puts). This is firmly in net-call territory though is short of the 60-40% split we observed earlier this year (Figure 11). Our proxy for USD/CAD positioning therefore sits about +0.6 to +0.9-standard deviations above average.
- **Our options-based indicators suggest that demand for USD/JPY calls relative to puts was above average for the prior week.** We estimate a +1.5-sigma w/w change using net notional, on the back of USD/JPY moving higher following the flash move lower the prior week (Figure 6).

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Figure 3: Directional options transactions over the last month

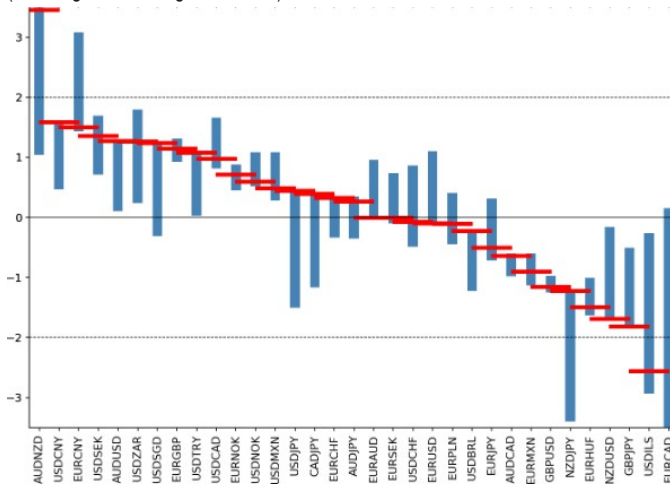
Number of directional* calls and puts, last 1m



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P. *Net of straddles, strangles, put/call fwds and risk reversals. See original note for assumptions on data.

Figure 5: Current estimates of options-implied positioning levels (including 6m ranges)

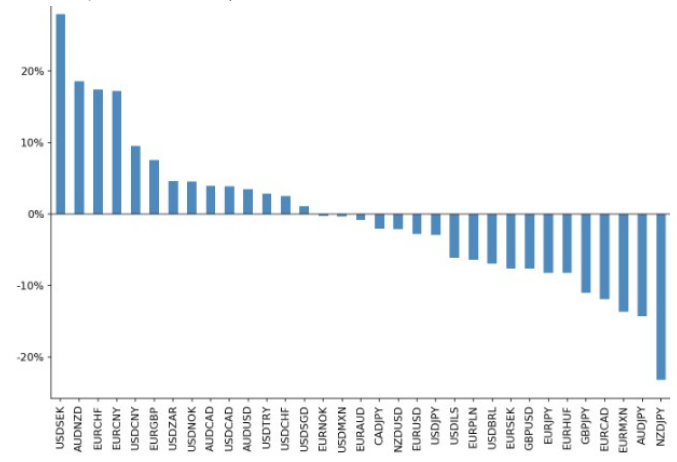
Proxy for positioning (notionals - calls less puts) (6m rolling sum). 5Y Z-Score (including last-6m range of z-score)



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 4: Proxy of demand for bullish and bearish structures in options, last one month

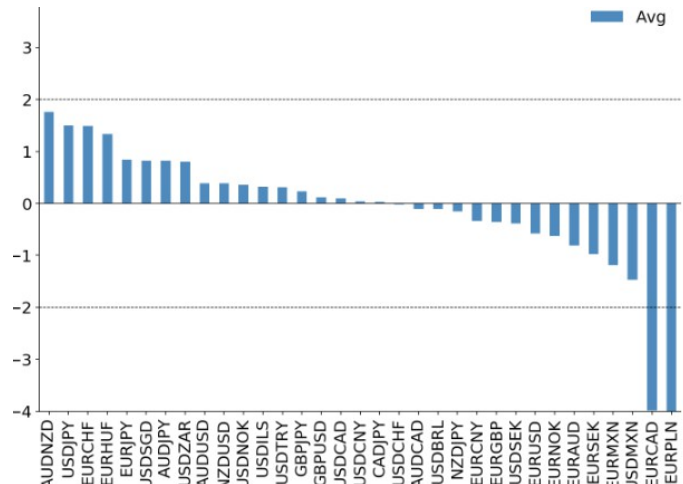
Calls as a % of total vanilla options transactions (C+P), last 1m. Centered to 0% (eg 65% calls presents as +15%)



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 6: Tactical changes in options-implied positioning

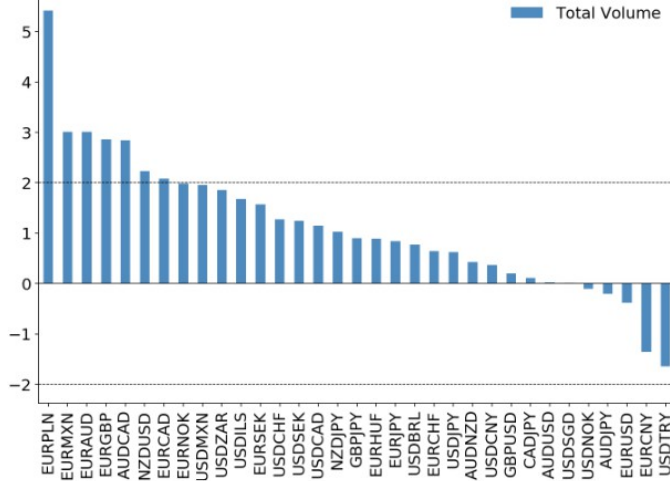
1wk changes in positioning proxies (notionals - calls less puts). 5Y Z-Score



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 7: Total options volume transacted

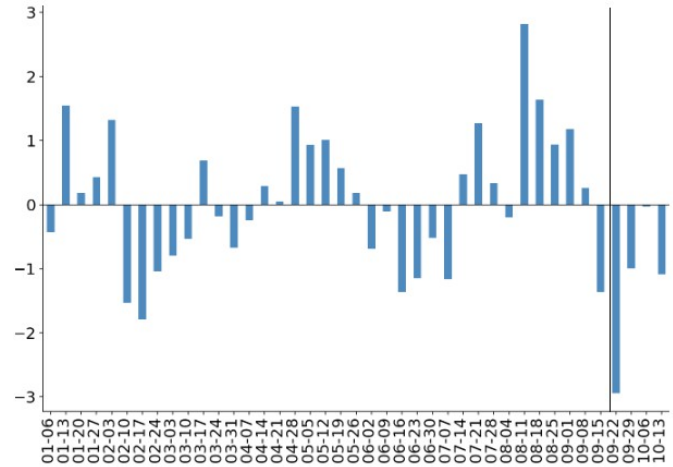
Calls + Puts; 2Y z-score



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 8: Demand for EUR/SEK downside persists post-Riksbank

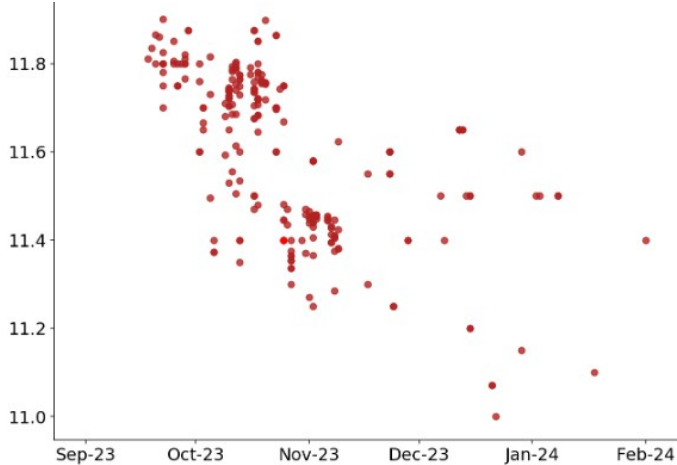
W/W changes in options-based proxy for net positioning (z-score)



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 9: EUR/SEK strikes reach towards 11.0 closer to year-end and 1Q'24 expiries

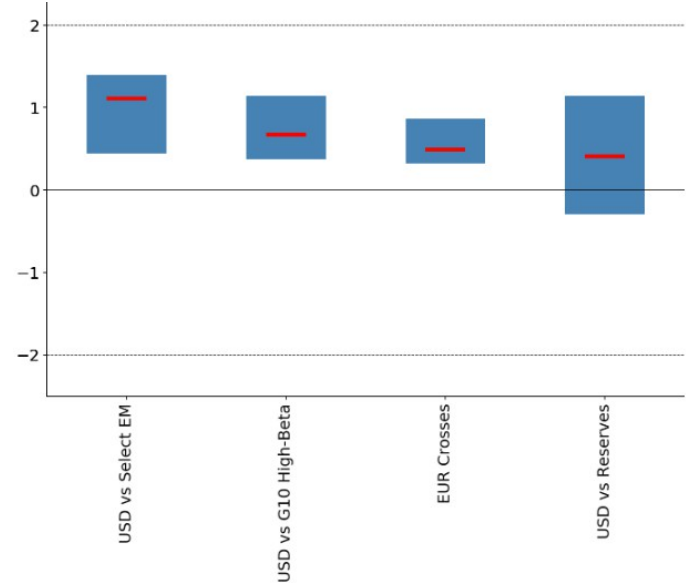
EUR/SEK puts, strike and expiry (trades executed over last 1m)



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 10: Average positioning for EUR crosses is at the lows for the year

Avg z-score (simple avg) of positioning proxy across blocs. Includes YTD ranges

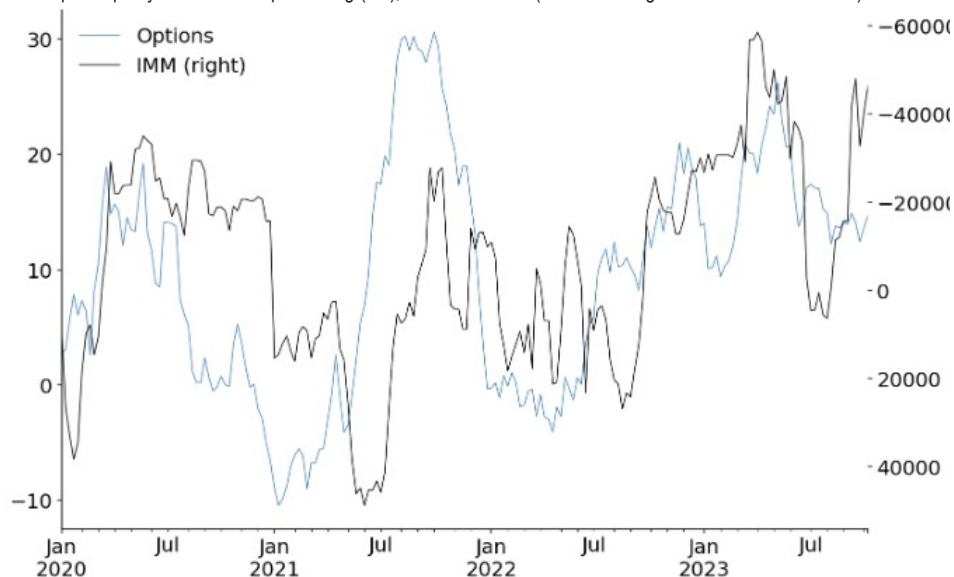


Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

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Figure 11: Demand for USD/CAD calls remains but is off the highs of the year; IMM meanwhile has turned shorter-CAD in the futures space

LHS: Options proxy for USD/CAD positioning (3m); RHS: CAD IMM (inverted to align with USD/CAD direction)



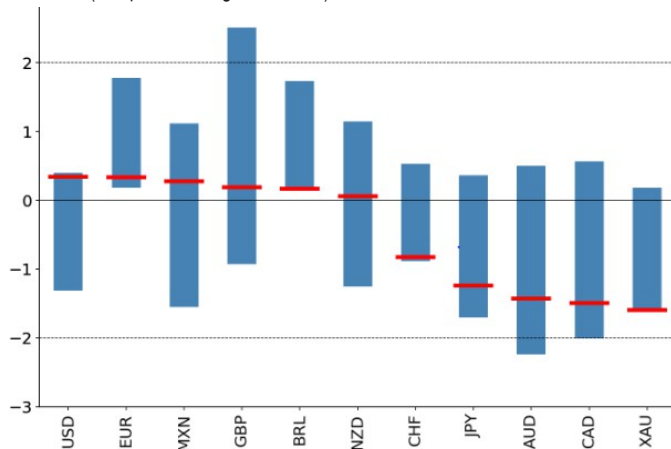
Source: J.P. Morgan, DTCC, CFTC, Bloomberg Finance L.P.

CFTC FX Futures Positioning Update

- **Perhaps the key takeaway from the futures space this week was the slowdown in momentum.** As we had been detailing, USD shorts were covered in nine out of the last ten weeks in the futures space. This was one of the fastest positioning corrections on record (Figure 14). The momentum was likely to stall at some point – this week saw little net change in USD positioning at \$8.4bn. This is the highest level in net USD futures length since this time a year ago, per the CFTC (Figure 12, Figure 15).
- **The other thematic takeaway from the futures space this week was a blend of position squaring and perhaps some regional rotation.** Per Figure 7, Asia-linked currencies (JPY, AUD, NZD) saw shorts covered while EUR & GBP continued their multi-month downshift in net length, with both near neutral now. So there was likely some combination of delevering positions in addition to some positioning reassessment on other regional trends (see above FXMW for related discussion). JPY net positioning has recovered from stretched-short positioning (shift from -1.6-sigma to -1.2-sigma vs five-year averages) which is the least-short since early-September (Figure 12).
- **The outlier in Figure 16 was CAD, which saw shorts extended.** Figure 16 illustrates that existing CAD shorts were uniquely extended last week. CAD was exceptionally short earlier this year, and while current futures positioning is not to that level yet, it is still quite short relative to CAD positioning seen dating back to 2019 (Figure 17).

Figure 12: Current FX futures net positioning, and 1Y ranges

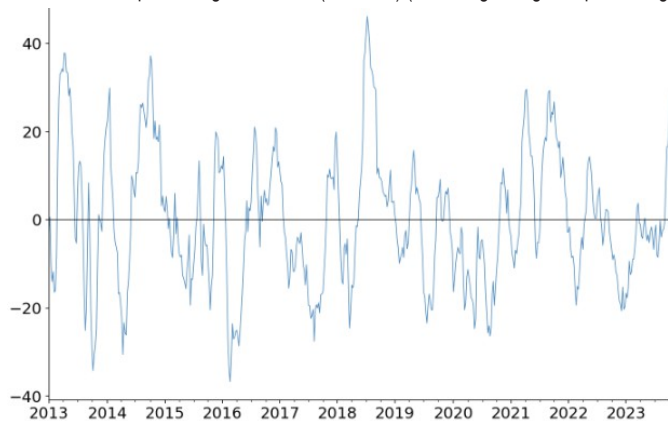
5Y z-score (and prior 1Y range of z-score)



Source: J.P. Morgan, CFTC.

Figure 14: Momentum in USD positioning over the last 2m has been near historic highs

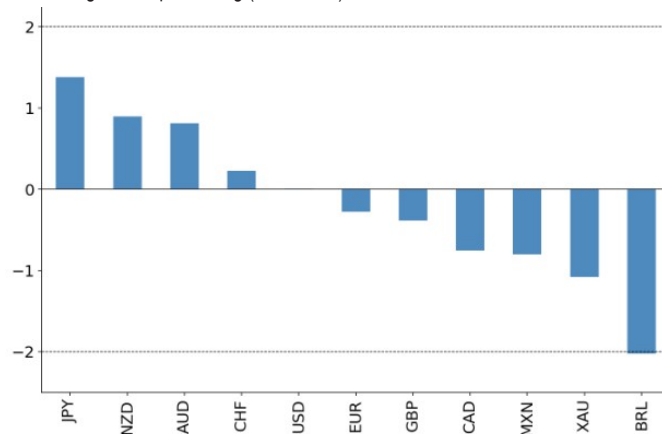
USD futures net positioning momentum (USD bns) (2m rolling changes in positioning)



Source: J.P. Morgan, CFTC.

Figure 13: Latest week-over-week change in FX futures net positioning

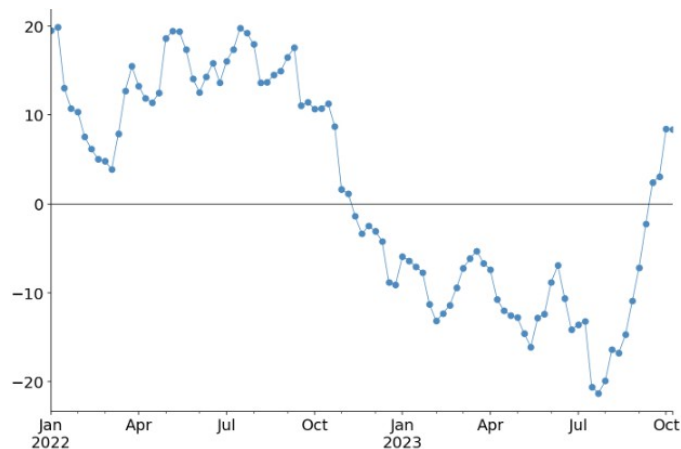
W/W change in net positioning (5Y z-score)



Source: J.P. Morgan, CFTC.

Figure 15: USD net positioning is long now, but stalled out w/w

USD net positioning, USD bns

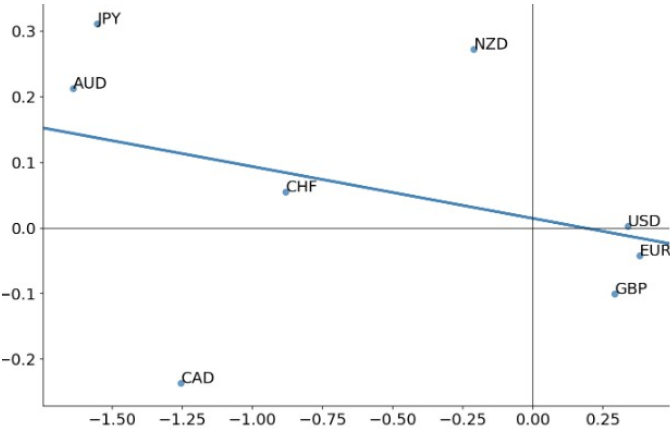


Source: J.P. Morgan, CFTC.

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Figure 16: There was some deleveraging w/w, as well as some regional rotation. The exception was CAD

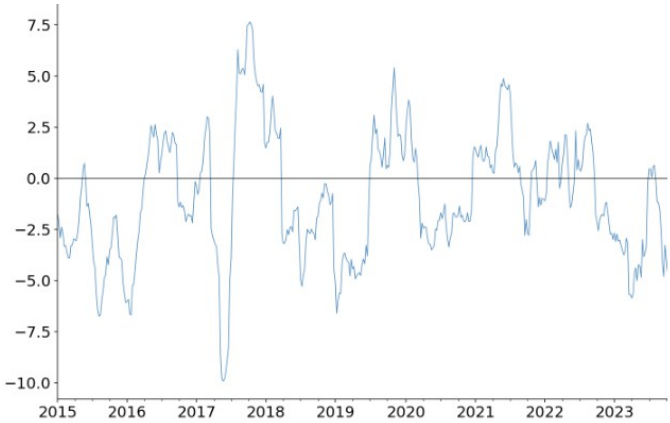
(X): Ex-ante positioning level (z-score). (Y):



Source: J.P. Morgan, CFTC.

Figure 17: CAD positioning is short and nearing stretched levels

CAD net positioning (C\$ blns)



Source: J.P. Morgan, CFTC.

Annex 1: Options-Based FX Positioning & Flow Proxies

As of 5 October 2023. Proxy for positioning is the sum of notionals for calls, less the sum of notionals for puts, over a six-month rolling look-back period. See original note for data assumptions and processing: [Alt FX Positioning & Flows](#).

Figure 18: EUR/USD options vs spot

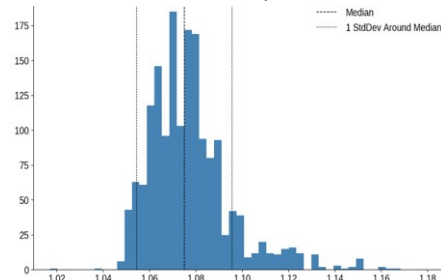
LHS: Spot, 6m % chgs. RHS: Proxy for positioning



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 19: EUR/USD calls

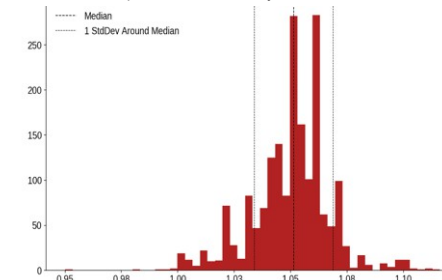
Distribution of calls transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 20: EUR/USD puts

Distribution of puts transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 21: GBP/USD options vs spot

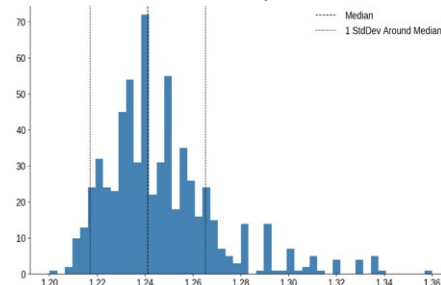
LHS: Spot, 6m % chgs. RHS: Proxy for positioning



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 22: GBP/USD calls

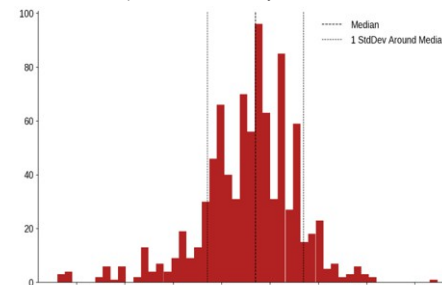
Distribution of calls transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 23: GBP/USD puts

Distribution of puts transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 24: USD/JPY options vs spot

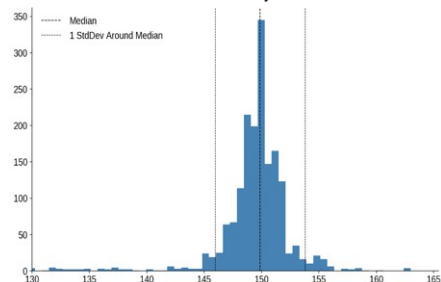
LHS: Spot, 6m % chgs. RHS: Proxy for positioning



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 25: USD/JPY calls

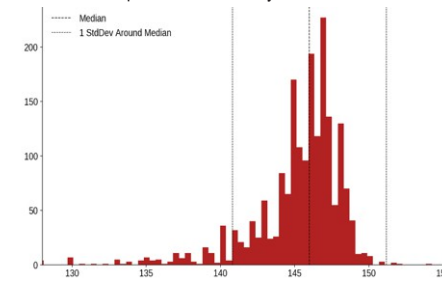
Distribution of calls transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 26: USD/JPY puts

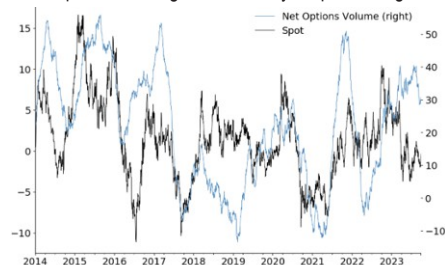
Distribution of puts transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 27: USD/CAD options vs spot

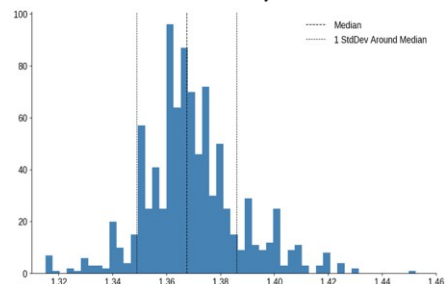
LHS: Spot, 6m % chgs. RHS: Proxy for positioning



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 28: USD/CAD calls

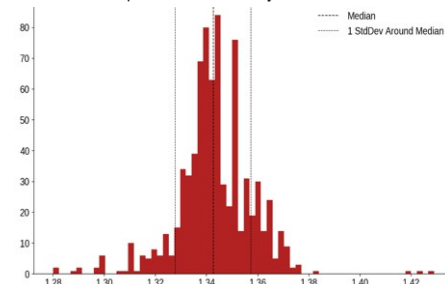
Distribution of calls transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 29: USD/CAD puts

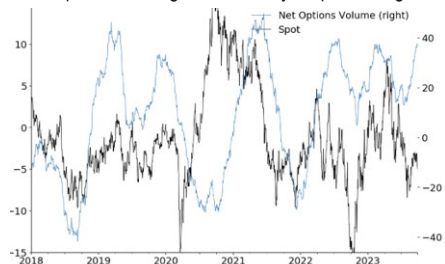
Distribution of puts transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 30: AUD/USD options vs spot

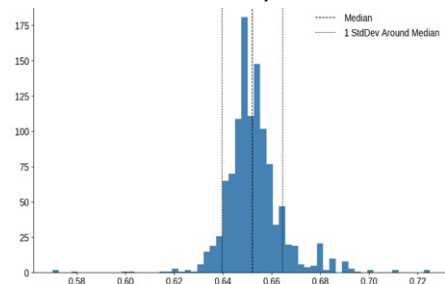
LHS: Spot, 6m % chgs. RHS: Proxy for positioning



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 31: AUD/USD calls

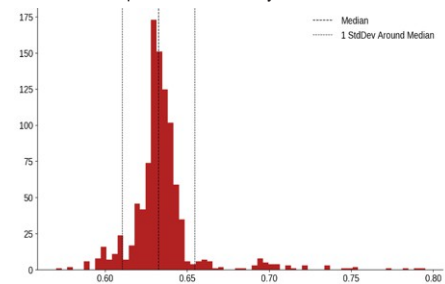
Distribution of calls transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 32: AUD/USD puts

Distribution of puts transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 33: NZD/USD options vs spot

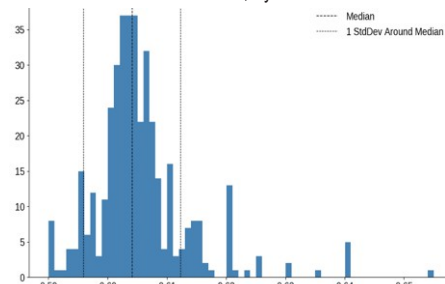
LHS: Spot, 6m % chgs. RHS: Proxy for positioning



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 34: NZD/USD calls

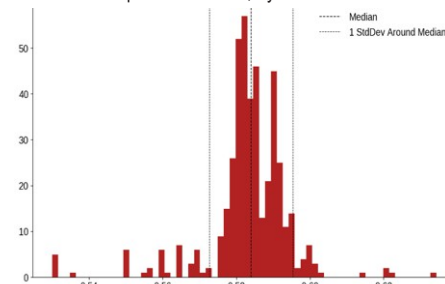
Distribution of calls transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 35: NZD/USD puts

Distribution of puts transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 36: EUR/SEK options vs spot

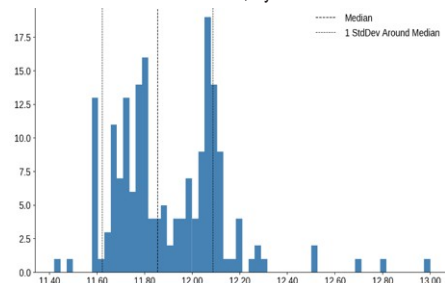
LHS: Spot, 6m % chgs. RHS: Proxy for positioning



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 37: EUR/SEK calls

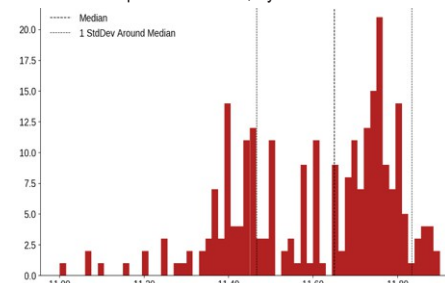
Distribution of calls transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 38: EUR/SEK puts

Distribution of puts transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 39: EUR/NOK options vs spot

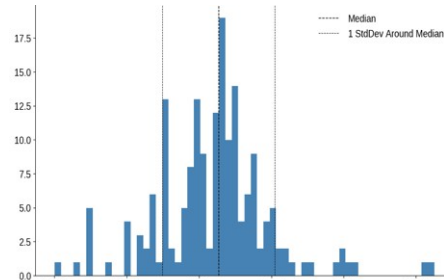
LHS: Spot, 6m % chgs. RHS: Proxy for positioning



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 40: EUR/NOK calls

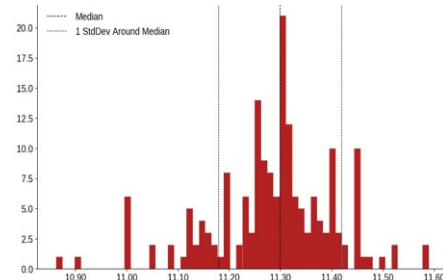
Distribution of calls transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 41: EUR/NOK puts

Distribution of puts transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 42: USD/CHF options vs spot

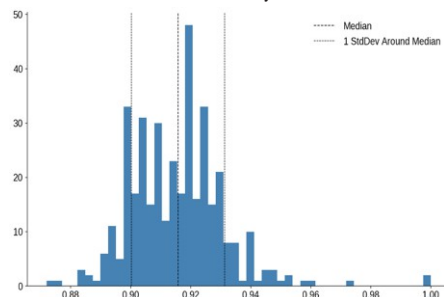
LHS: Spot, 6m % chgs. RHS: Proxy for positioning



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 43: USD/CHF calls

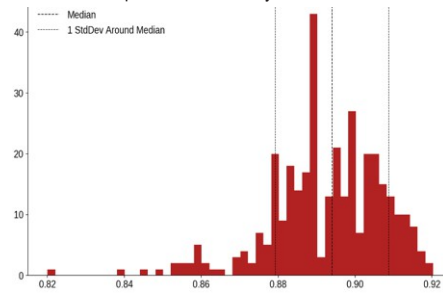
Distribution of calls transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 44: USD/CHF puts

Distribution of puts transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 45: USD/CNY options vs spot

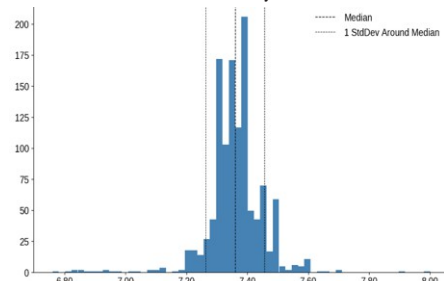
LHS: Spot, 6m % chgs. RHS: Proxy for positioning



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 46: USD/CNY calls

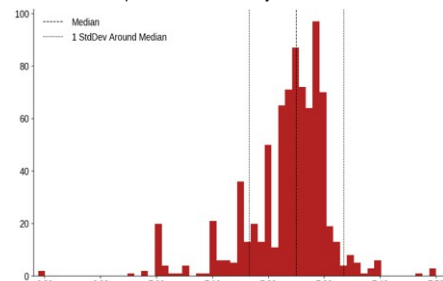
Distribution of calls transacted, by strike. Last 1m.



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 47: USD/CNY puts

Distribution of puts transacted, by strike. Last 1m.



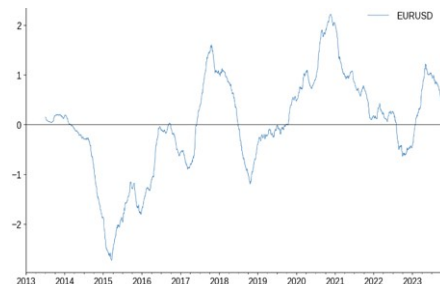
Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Annex 2: Options-based FX Positioning & Flow Proxies

Proxy for positioning is the sum of notionals for calls, less the sum of notionals for puts, over a sixmonth rolling look-back period. Z-Scores. As of 21 September 2023.

Figure 48: EUR/USD

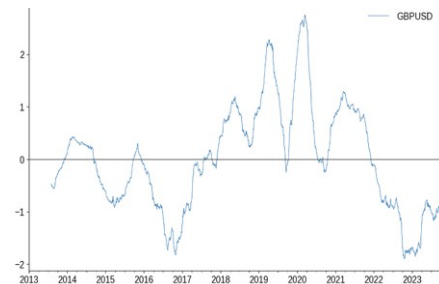
Z-Score



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 49: GBP/USD

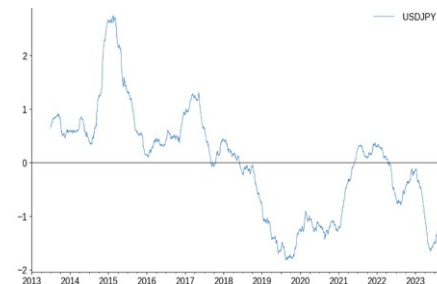
Z-Score



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 50: USD/JPY

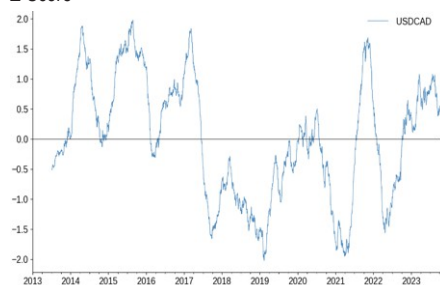
Z-Score



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 51: USD/CAD

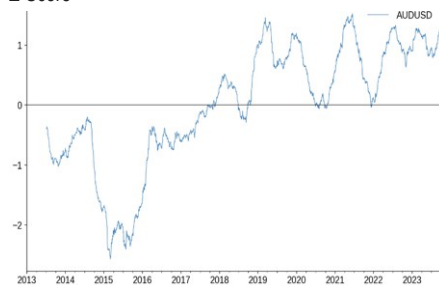
Z-Score



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 52: AUD/USD

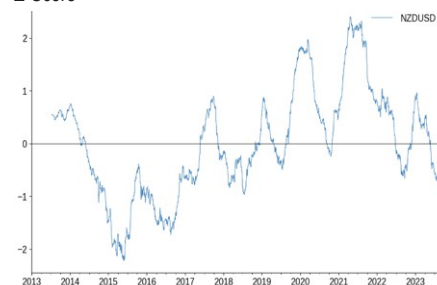
Z-Score



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 53: NZD/USD

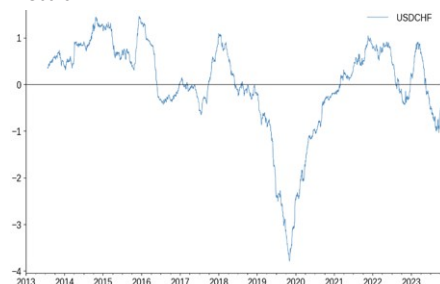
Z-Score



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 54: USD/CHF

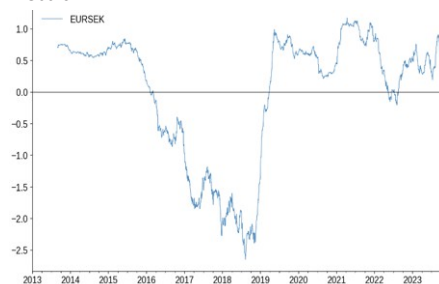
Z-Score



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 55: EUR/SEK

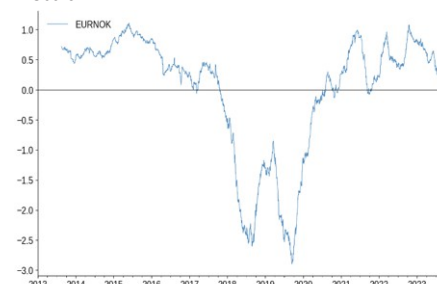
Z-Score



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

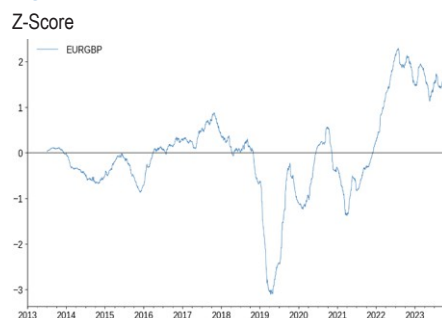
Figure 56: EUR/NOK

Z-Score



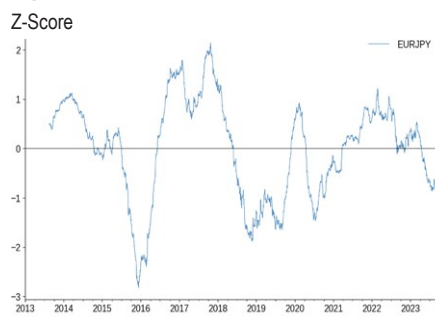
Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 57: EUR/GBP



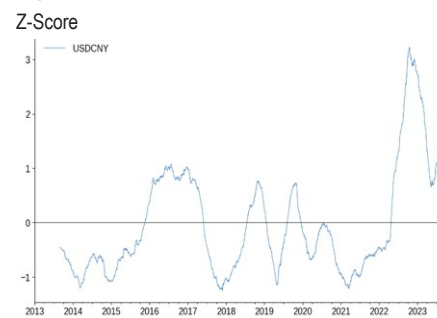
Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 58: EUR/JPY



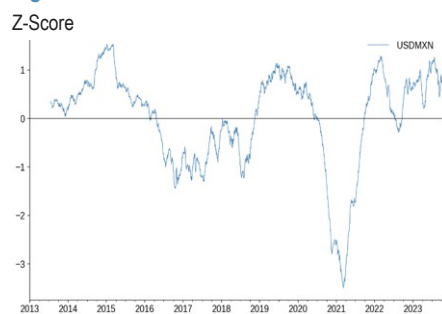
Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 59: USD/CNY



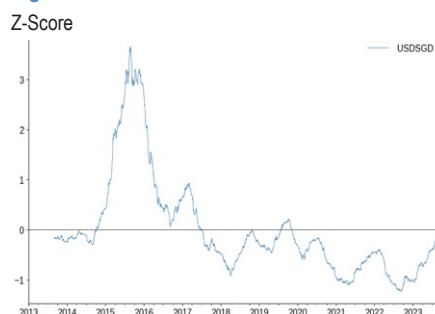
Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 60: USD/MXN



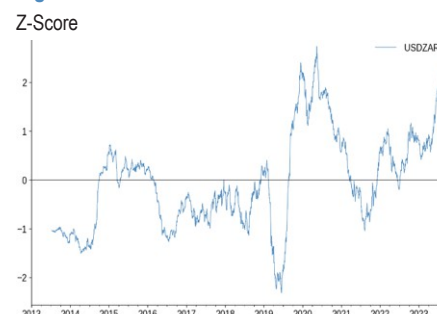
Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 61: USD/SGD



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

Figure 62: USD/ZAR



Source: J.P. Morgan, DTCC, Bloomberg Finance L.P.

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