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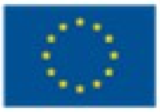
G10 FX

EUR



Few more cracks in the US data (ADP, ISM Services) nudging the dollar weaker, albeit in a relatively muted fashion. It feels like the market is waiting for that lightbulb moment where the price action morphs into something more explosive, but the reality is that unless the economy really hits a wall, the combination of loss of exceptionalism and credibility for the US will continue to play out over time in a slow puncture-like fashion. Therefore, it always feels like you aren't getting enough bang for your buck in terms of positions, and the slow grind always feels like the risk-reward is never quite in your favour, which is a reason why I think positioning is not over its skis and longer-term money is not rushing here. Claims has been concerning in the last couple of weeks, and if that translates into a very soft payroll tomorrow, then things could accelerate; otherwise, expect more of the same.

Same portfolio overall, thought the BOC was pretty much as expected yesterday. Think prudent to take some off of shorts into tomorrow's double payroll event, but remain bullish euro with higher conviction. Remain short EURCZK and PLNCZK elsewhere.

The ECB meets today; shouldn't be too much to surprise given a cut is fully priced, and with so much uncertainty around US trade policy, tough to be too committed going forward (most interest will be around staff forecast and scenarios used), although risk to me is a more confident-sounding Lagarde on European fiscal plans, which might put future cuts further into the distance and support the currency on the margin (she has already been talking up the euro's credentials as an alternative reserve destination). Remain bullish here; there remains plenty of thinking that we are overshooting a touch (our strats have fair value a few percent lower), but those doubts have been around for some weeks now, and yet we are still close enough to the highs, which I think is impressive, so still looking for a continuation and test of the highs again over the next few weeks.

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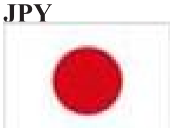
GBP

Weaker ADP data yesterday keeps the focus squarely on the hard data in the US as we await IJC today and NFP on Friday. I must also say that I am a little surprised that we are not seeing much encouragement in the softer data after the Geneva détente, as evidenced by both ISM reports staying soft this week. As we have said a few times, this anti-US trade is multifaceted, and it feels like we could get another strong leg if the hard data continues to soften here, as this was what many a USD short had been waiting for, with positioning levels far cleaner than during the period when we were watching the soft data decline. Added some JPY to the USD short mix as a result, but still hesitant to expand beyond a healthy core here ahead of NFP.

Cable has managed to participate in the USD negative data reaction and continues to be a destination for USD divestiture. There is likely to be more noise coming around the June spending review next week, which may give us some dip buying opportunities. The relaxation of fixed income curves on the data should keep the pressure off Reeves, but if NFP is a shocker and Trump's late Fed narrative becomes much more persuasive for the stock market, I would be interested in looking again at topside in EURGBP. Cable buy on dips and topside risk to the cross – sounds like EURUSD to me! Small matter of ECB to digest today, the risk of which skews a little hawkishly to me. 1.3595/00 remains resistance in cable with 1.3450 below while the cross is 0.8370/0.8460. SHF are on a sell streak of 6 sessions while RM have been pretty good buyers of GBP over the same period in our franchise. Greene and Breeden speaking this morning (8.45 and 9.30 BST respectively).

JPY



I have been writing that USDJPY is just another USD until we see more consistent local involvement or some crack in the US hard data, and the latter is what feels like it could be around the corner. For those making the argument that the hard data dip should only be temporary given the tariff relaxations, the resulting message from the soft data is telling us otherwise, so this feels like an interesting juncture as we head into NFP. Have re-engaged with short USDJPY to a modest extent here awaiting the data tomorrow – claims will also be important today. SHF were strong JPY buyers yesterday (2.5z), but local net trends continue to be absent. 141.90/00 is the support to watch with 144.40/60 resistance above (50d at 144.64).

CHF

Soft US data yesterday helping take USDCHF back below 0.82. Flow has been interesting the last two weeks with RM selling CHF for 10 consecutive sessions now, as they continue to reduce their CHF longs. This is perhaps being driven by CHF's lack of carry, with focus turning to the next SNB decision where 32.5bps of cuts are priced in, giving a 30% chance they head to negative territory. Whilst this would obviously continue to grow the reason to be short of CHF, I struggle to move away from the fact that franc price action is dominated by the broader macro backdrop, and that attempts to be short of CHF as part of a carry trade have been futile. Remain on the sidelines for now, with a small bias to get long of EURCHF if it ever breaks below the bottom of recent ranges.

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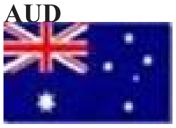
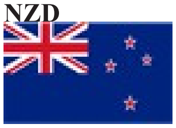
AUD



NZD



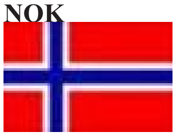
While domestic data out of Australia this week can be considered soft, AUDUSD is ~1% stronger and NZD 1.3% from the start of the week. This is, of course, due to some weak data prints out of the US, and so not to overcomplicate things, the short-term fortunes of both will likely be defined by Claims today and NFP tomorrow. Regular readers will know that I am long AUDUSD and will look to the 2 reports to further encourage the view, with a break of 0.6535 in AUD and 0.6060 in NZD needed for further gains. On the downside, only a break of 0.6340/50 in AUD would call for a complete reassessment, while trendline support for the bird comes in at 0.5950.

CAD

The BOC stayed on hold yesterday as expected, arguing uncertainty around the outlook for US trade policy. However, the central bank maintained their easing bias, arguing the economy should continue to slow down. Overall, the meeting was pretty much as expected, although Macklem did say inflation needed to come down further to be considered “contained,” which could see the bank remaining on hold again next month, although our house economists continue to argue for a cut in July. I am, however, more of the view that the BOC can stay on hold for longer and so think the loonie has now some room to outperform, although I must admit there are other currencies I prefer to be long of at the moment.

SEK

NOK



Inflation figures were softer than anticipated, with the CPIF at 2.3% and Ex-Energy at 2.5%, compared to the Riksbank's targets of 2.5% and 2.7%. As is usual these days, the currency hasn’t moved, but I would expect June rate cut expectations to rise, which should bolster NOKSEK from a relative rates perspective (fair value on this measure is closer to parity than 0.95). Hopefully, this will allow the cross to finally overcome the persistent resistance at 0.9500/10. However, it's never straightforward, and reports from late yesterday indicated that Saudi Arabia plans to continue production increases in August and September, which led to Brent crude pulling back from its highs yesterday, although NOKSEK performed well under the circumstances. With some members, including Russia, expressing concerns over the third consecutive increase last weekend, the June meeting promises to be interesting, although it is still weeks away. The strategy has been to buy both NOK and SEK during periods of weakness, and while this remains the base case, today's weak inflation print suggests SEK should be a relative underperformer. I have tactically increased my long NOKSEK cash position while maintaining optionality, although the key level at 0.9500/10 needs to be breached to further support this view. The lack of follow-through is disappointing, but the cross remains in an uptrend, with only a break of support at 0.9400 warranting a reassessment.

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