

Subject: G10 Trade Idea of the week - Short USD/NOK

From: Martin Zeman [REDACTED]

Date: Mon, 28 Jan 2019 10:50:04 -0500

To: "Paul Barrett ([REDACTED])" <[REDACTED]>

Cc: Stewart Oldfield <[REDACTED]>

Further to my talking about NOK all the time...

From: Robin Winkler - Deutsche Bank [mailto:ReplyToAnalyst@markit.esp.db.com]

Sent: Monday, January 28, 2019 3:31 AM

To: Martin Zeman [REDACTED]

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G10 Trade Idea of the week
Short USD/NOK

28 January 2019

Robin Winkler


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Shreyas Gopal


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Target 8.25, entry 8.53, stop 8.65

Selling USD/NOK expresses two views: Norwegian macro outperformance and broad dollar weakness. On the former, Norway not only has stronger domestic growth momentum than most G10 economies but also happens to have trade exposure to economies that maintain relatively strong growth (Figure 1). This allowed Norges Bank last week to reiterate guidance for a hike in March, which is not yet fully priced. We expect Norges to be the only central bank in G10 to hike rates in the next three months.

On the dollar, we see the broad dollar under continued pressure from various sources: low vol favouring EM carry, Chinese monetary easing perhaps obviating CNH depreciation, sentiment on the Euro bottoming out, Japanese investors still selling US equities, the Mueller investigation raising the political risk premium, and the trade war edging toward resolution. But it is hard to isolate the primary driver and beneficiary of dollar weakness, and we thus like selling USD/NOK as the dollar cross tracking the broad dollar most closely (Figure 2).

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