

Subject: Sneak Peek at Next Week: FED CHAIR, FOMC, BOE, NFP

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Date: Fri, 27 Oct 2017 16:08:37 -0400

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From our FX desk just now:

## KEY RISK CONVICTIONS / MARKET VIEWS

The major story gripping markets to end the week was Draghi's lack of hawkishness and the resulting position reduction in EUR related assets (EUR, NOK, SEK, PLN, etc). EURUSD posted its biggest sell-off of the year and it's clear that the market stopped out of its favorite trade (long EUR). Additionally, the major sell-off in SEK dented confidence in the Riksbank and that position has again suffered and been sent to the sidelines.

All eyes next week lie on President Trump announcing the Fed Chair, FOMC on Wed, BOE on Thurs, and NFP on Friday. While nothing is expected from the FOMC on Wednesday due to the Fed Chair announcement being more monumental, the BOE on Thursday is being widely anticipated as a 25 bps hike (21 bps priced in currently). The vote count will be important, with a 7-2 or even 8-1 vote likely spurring GBP strength as it will be seen that a rate hiking cycle is imminent. A 6-3 vote or even 5-4 vote and any rhetoric from Carney that the BOE is "one and done" could see GBP catchup with USD strength and test 1.28.

Canada will be in the spotlight next week after a dovish BOC. Testimony from Poloz and Wilkins, along with GDP and Employment, will test the mettle of CAD next week and with USDCAD trading near 1.29 – 1.31, it may take some very poor Canada data to test the high end of the range. With only 5 bps for December and 16 bps for January, a couple good data prints could bring back CAD bulls.

## FRANCHISE COMMENTARIES

EUR (Rob Palladino)

EURUSD Support: 1.1574 (10/27 low), 1.1500 (psych level),  
1.1423 (38.2% Fib support of 2017 range)

Resistance: 1.1677 (100DMA, neck line resistance), 1.1720 – 40 (pivot  
resistance)

EUR/USD sold off -2.25% from pre ECB highs amid nearly 8 bn EUR of net  
selling on EBS's net aggressor volume indicator. CFTC positioning metrics  
will not record this week's sell-off but it's pretty clear by the price  
action that EUR longs have been mightily reduced. 1.1650 – 1.1680 was a  
major pivot support and now becomes resistance. The measured target from the  
head and shoulders reversal formation is 1.1425 – 1.1450, which coincides  
with 1.1423 Fibonacci retracement support. Next week's events revolve around  
the US part of the equation, with FOMC, Powell, NFP, and ISM. EURUSD now  
becomes a USD trade post ECB and will trade with US rates / Fed Chair  
expectations.

GBP: (John Carrion)

GBPUSD - Support 1.3060 (100DMA), -  
1.3050(DTL) Resistance: 1.3160 (55 dma), 1.3312 (high  
last week)

EURGBP - Support: 0.8820(DTL), .8754 (prev  
lows) Resistance: 0.8860, .8940 (DTL)

Big week with the BOE meeting this Thursday. A hike is well priced at  
around .85% but the more interesting fact is that not much else is priced in  
till November of 2018. So is this a one and done (most likely) and if that  
is the case does stg play catch up with the rest of the USD complex Stg  
has held up reasonable well in the face of terrible feedback from the Brexit  
talks and softening data. I think this is partially a case of people are  
tired chopping themselves up trying to trade the Brexit tape bombs and  
secondly a large unwind of eurstg longs. Below is just an overlaid chart  
of USDGBP and BBDXY, as you can see the USD usually leads but eventually stg



USDCAD maintained its persistent bid tone all week long following last Friday's misses in CPI and retail sales. We received further fuel to the fire from the BOC meeting on Wednesday where the bank maintained a decidedly cautious tone as it pertains to further movement in the policy rate. We went from pricing 13 bps into the December meeting to start week down to 5 bps. There is now not a full hike priced in until April. Considering we got within 11 pips of our near term target for long USDCAD at 1.2928 today before the Powell headlines hit, we have turned more cautious on the pair for now.

Along with the official announcement of the Fed chair decision next week (so Trump says), we have no shortage of domestic drivers. We have Canadian GDP, PMI and Employment data as well as testimonies from Poloz and Wilkins at the Finance Committee and Senate. We'll be watching these events closely, along with general USD sentiment before we are comfortable re-engaging in USDCAD with a great deal of confidence.

AUD, NZD (Greg Fiori)

AUDUSD:                   Support:    .7600 then .7530 (.618 fib yrly  
range)  
Resistance: .7695 (200dma)

NZDUSD:                   Support:    .6815-20 (double bottoms/yrly  
lows)  
Resistance: .6970

AUD-NZD-Big week for Usd strength combined with negative fundamental and political issues in both AU and NZ, made the perfect storm for a substantial moves lower. With short-term downside objectives in Aud (.7640) and Nzd (.6815-20) met, the bias is to lighten shorts, looking to re-engage on pullbacks towards .7700 and .6900. Local risk events are light in AU but NZ releases Employment and Wage data that should impact price action. AU negatives this week (DeBelle comments-High Court ruling) saw Audnzd retreat from highs just shy of 1.1300. Further pullbacks towards 1.1050 can't be ruled out, but buying dips is the favored play.

CHF: (Brendan Halligan)

USDCHF - Support: .9813 (200 DMA)  
Resistance: 1.0107 (Apr/May double top)

EURCHF - Support: 1.1555  
Resistance: 1.20

EURCHF continues to be dragged lower by EURUSD. We look set to close the week below last week's close but hold above trend line support at 1.1555. The flow story in Switzerland as highlighted by our strategy group, along with a favorable equity backdrop, continues to leave us medium term bullish the pair, but it's hard to fight EUR lower at the moment...no matter what it's crossed with. USDCHF is much less clear. After making highs this morning of 1.0038, we are going to close below the .9990-1.000 resistance zone we were hoping to close above for confirmation of a move higher. General USD sentiment will be the key here, and the Powell rumor today obviously threw a wrench in that. As we await the official Fed chair announcement, we favor buying dips to .9950. Taylor or Powell, we have confidence in this most recently USD rally and expect it to continue even if the Powell nomination is confirmed.

Scandi (Rob Palladino)

EURNOK: Support: 9.4378 (prior Oct high), 9.3813 (100DMA),  
9.3466 (50DMA) Resistance: 9.5380 – 9.5435 (Weekly  
Double Top, Yearly Trend Line resistance)

EURSEK: Support: 9.6794 (Riksbank low), 9.6500 (psych level),  
9.6123 (weekly low) Resistance: 9.7506 (10/27 high), 9.8072 (YTD  
high)

NOK and SEK sold off along with EUR on Super Thursday as bullish positions were reduced. Norges kept along their neutral stance while Riksbank did not

push the market to price any more hikes into the 2018 curve. The market responded by pricing out July and Sept hikes in the Riks curve down to only a few bps. EURNOK and EURSEK sold off to close the week after reaching major yearly resistance (9.54 and 9.75). The position feels a lot cleaner in Scandis but the fundamental conviction is lacking. I am looking to trade the range of 9.40 – 9.60 and 9.60 – 9.80 in EURNOK and EURSEK respectively. That being said, PMI's in both countries and Norges Bank speeches next week bear watching as the Sweden story could quickly gather steam should upside data result.

## Metals (Mark Salib)

XAUUSD - Support: \$1260 (200 DMA) \$1250 (Psychological level)  
Resistance: \$1275 (100 DMA), \$1309 (50% Fib) \$1320.58  
(61.8% Fib)

XAGUSD- Support: \$16.35 (61.8% Fib) \$16.50 (Congestion Zone)  
Resistance: \$17.62 (Previous breakdown), \$18.21 (Sep17 High)

The grind lower in XAU continues as we start approaching big moving averages below after breaching a supportive medium trend line on the charts. Above \$1250 should see good support but in line with broad Rates and DXY technical forecasts, the move lower maybe inevitable. Gold recently has traded purely with US fixed income and should continue to do so. That being said, XAUEUR is looking stronger as we close the week as we attempt to breach 1100 once again. Attention should be paid to the ongoing story in Spain as the cross may add broad support for the metal but Fed Chair headlines are creating sensitivities in this market just as much as its G10 peers.

## KEY DATA / RISK EVENTS

### Monday

- Japan Retail Sales
- Norway Retail Sales

- Spain CPI
- Spain GDP
- UK Mortgage Approvals
- UK Net Consumer Credit
- ECB's Hansson Speaks at Roundtable in Tallinn
- Germany CPI
- US Core PCE
- US Personal Income and Spending

#### Tuesday

- Japan Jobless Rate
- Japan Industrial Production
- China Manufacturing PMI
- China Non-Manufacturing PMI
- France GDP
- France CPI
- Eurozone GDP
- Italy CPI
- Eurozone CPI
- US Employment Cost Index
- Chicago PMI
- Canada GDP
- BOC Poloz and Wilkins Testify at Finance Committee

#### Wednesday

- NZ Unemployment Rate
- NZ Average Hourly Earnings
- Australia House Prices
- Japan Manufacturing PMI
- BOJ Rate Decision
- BOJ Kuroda Speaks at Press Conference after MPM
- Caixin China PMI Manufacturing, Services and Composite
- Norway Manufacturing PMI
- Sweden Manufacturing PMI
- Swiss Manufacturing PMI
- UK Manufacturing PMI
- SNB's Zurbruegg Speaks in Bern
- ADP Employment Change
- ISM Manufacturing
- ISM Prices Paid
- FOMC Rate Decision
- BOC Poloz and Wilkins Testify at Senate

#### Thursday

- AU Trade Balance
- AU Building Approvals
- France, Italy, Spain, Germany, Eurozone Manufacturing PMI
- Germany U/E
- Norges Bank Governor Olsen Speaks in Oslo
- Norges Bank Deputy Governor Matsen Speaks in Trondheim
- UK Construction PMI

- BOE Rate Decision
- BOE QIR
- Fed's Powell Speaks at Alternative Reference Rates Event
- Fed's Bostic Speaks in Chicago about Government Statistics

## Friday

- Australia Retail Sales
- China PMI Services
- Sweden PMI Services
- Norway U/E Rate
- Norges Bank Olsen Speaks in Bergen
- UK Services PMI
- US Average Hourly Earnings, NFP, Unemployment Rate
- Canada Employment
- US Trade Balance
- Durable Goods Orders
- Factory Orders
- ISM Non-Manufacturing Composite
- Fed's Kashkari Speaks on Housing and Finance
- ECB's Nowotny Speaks in London
- ECB's Coeure Speaks in Washington

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