

Flash Notes
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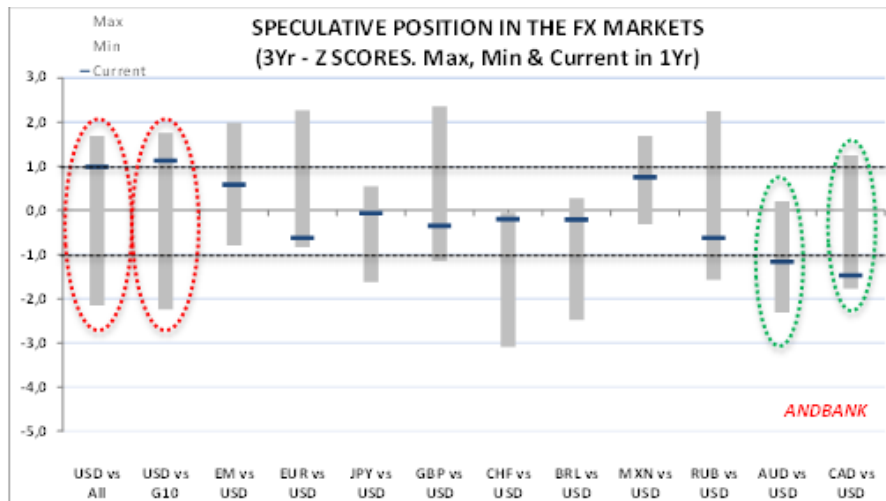
Global Fx market. Assessment & Outlook

EUR-USD: Fundamental mid-term target 1.125 // Support at 1.12 // Resistance at 1.157

Flows: It seems that the US dollar is not as overbought as it was last month. In the derivatives market, the net long speculative positions are still long in the dollar against the rest of currencies but with a lower intensity relative to January (0.98 sigmas currently versus 1.57 sigmas in January). Thus, global positioning in the USD is far from being an extreme level. This is indicative that there is now more room for further increases in the global positioning on the dollar (which a priori is less favorable for EM and risky assets). Looking at the bar chart in detail, we see how the long position of the dollar is essentially financed by short positions in G10 currencies (especially with the CAD, AUD, and to a lesser extent, the EUR and the GBP). Our more fundamental discussion sticks with our structural bearish view on the Euro with a mid-term target at 1.125, without ruling out increases in the European currency due to a reversal of speculative flows. Fact that we would take advantage to sell euros. Our technical analysis within the Investment Committee indicated a sideways-bearish view. EUR-USD is now facing a key support at 1.12, with resistance at 1.157.

Currency	Mkt Value of Net positions in the currency (Bn \$)	Change vs last month (Bn \$)	1-yr Max (Bn \$)	1-yr Min (Bn \$)	1-yr Avg (Bn \$)	Current Z-score 3-yr
USD vs All	21,76	-7,09	32,1	-28,2	7,7	0,98
USD vs G10	23,63	-5,90	32,7	-25,4	8,0	1,13
EM	1,88	1,19	3,8	-0,8	1,2	0,58
EUR	-5,80	2,16	23,4	-8,4	7,0	-0,62
JPY	-4,49	6,27	0,6	-13,9	-6,5	-0,06
GBP	-4,20	-0,89	4,3	-6,5	-1,6	-0,35
CHF	-2,04	0,26	0,0	-6,0	-3,1	-0,20
BRL	0,00	0,00	0,4	-0,8	-0,4	-0,21
MXN	1,65	1,37	2,8	-0,5	1,2	0,75
RUB	0,22	-0,18	1,2	-0,2	0,4	-0,63
AUD	-2,56	0,72	1,4	-5,2	-2,1	-1,17
CAD	-4,24	-3,37	3,2	-5,0	-1,1	-1,47

——— Positive
- - - - Neutral-Positive
- - - - Neutral-Negative
——— Negative



USD-JPY: Target 114; EUR-JPY: Target 128.25

In our view, several aspects suggest that JPY should not appreciate versus the USD: (1) Although the Fed hints that it will relax the reduction of its balance sheet, the truth is that, although at a lower rate, it will continue to do so, while the BoJ will probably continue to expand its balance sheet, and the money supply, making the USD more attractive (or the JPY less appealing). (2) We downplay the tapering option after the BoJ reiterated that it intends to stick to its ultra-loose monetary policy, at least until it hits the 2% inflation target (unachievable in the short term) ; (3) Real yields are lower in JGBs, and with the 10Y JGB controlled at 0.10% there is little prospect that Japanese real yields will rise.

GBP-USD: Target 1.37; EUR-GBP: Target 0.82

USD-CHF: Target 0.98; EUR-CHF: Target 1.10

USD-MXN: Target 20; EUR-MXN: Target 22.50

USD-BRL: Target 3.75; EUR-BRL: Target 4.22

USD-ARS: Target 44

USD-INR: Target 72

CNY: Target 6.7

RUB: NEUTRAL

AUD: POSITIVE

CAD: POSITIVE

Best