



Creative Global Investments

Actionable Forex Ideas - Outlook September 2017

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Objectivity

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Euro

As mentioned earlier in the week the Euro is in a consolidating stage temporarily, however, we are expecting for the Euro-rally to resume shortly, as macro momentum will still continue to "surprise" most investors. GBP/EUR rallied following comments from the Bank of England and this saw GBP/EUR break the 1.12 level (IB). German Bundesbank President Jens Weidmann did speak in Frankfurt and stated that the expansionary policy of the ECB was still appropriate but they should not miss the moment to normalize their policies. Some Machiavellian thinking analysts have argued that Weidman is winding in his dissenting rhetoric as he is eyeing up Draghi's job. Weidman has always been an ECB outsider and critic but by adopting a more accommodative and central tone he can position himself as a candidate to replace Draghi in 2019. **Again, we see the Euro strength to continue, particularly post German Presidential elections, which we see as a fait-accompli in favor of Ms. Merkel to lead Germany for a 4th term. Another major Euro strength should continue on the back of Mr. Juncker's state of the Union speech and fundamental and monumental renewed focus of the EU Commission and its members for the direction of the EU going forward.**

Here is a link to the speech: https://www.youtube.com/watch?v=AX0fKY_zQEw

GBP

The GBP climbed to fresh one-year highs against the US\$ overnight as it continued to rally following yesterday's Bank of England announcement. Whilst rates were left on hold at 0.25% and troublemakers Michael Saunders and Ian McCafferty were heavily defeated, the central bank did provide some level of forward guidance and indicated rates could be raised "in the coming months". It is clear to see that the Bank is not too worried about the recent negative wage growth data which shows that people are getting poorer and they argued that the UK economy will pick up quicker than expected. This announcement was seen just as hawkish as if Chief Economist Andy Haldane had dissented and voted for a hike as well. It really was a case of hawkish comments trumping dovish voting. Between now and the next interest rate meeting though, Prime Minister Theresa May is set to take center stage with an important Brexit announcement next week, followed by the Conservative conference. **Whilst the short-term outlook for the GBP seems to be higher, longer term (3 – 6 months) we see the GBP pressures to the downside to resume.**

USD

The US\$ had a turbulent week lastly marked by North Korea launching another missile over Japan which resulted in the US\$ pulling further back. Consumer prices had been released earlier at 0.4% for August, which supported some US\$ strength, only for the US\$ to fall on the news from North Korea. There is the release of core retail sales today and then next week the Federal Reserve meets once again. **As we said before, we see no tightening of interest rates for the remainder of 2017, but the Fed is expected to address the balance sheet and start shrinking it. Consensus is swinging to our views that a December rate hike had gone out the window.**

AUD

The AUD was also reliant on movements from the pound as GBP/AUD moved back above the 1.67 handle (IB). In the last week, GBP/AUD has traded in a 7cent range and has traded as low as 1.61 (IB). It will be a quiet few days for the AUD but Tuesday will see the release of the latest set of Monetary Policy Meeting minutes from the RBA.

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USD GBP

Facing a breakout to the downside on the yearly trendline. The potential for this correction is towards 0.67, approx. 9% practically erasing the Brexit move if the price manages to break the support waiting at 0.72



EUR GBP

Due to the current GBP strength, correcting down with a potential towards 0.88 where the strong support awaits. In case of a further breakdown, the potential of the move is towards 0.802 or 200MA at the weekly chart.



GBP JPY

Facing an upwards breakout from the crude ascending triangle. The potential of this move is all the way up to the next significant resistance at 162, approx. 7%



GBP AUD

Broke out of the yearly downtrend channel, on the macro chart it is heading for the upper trendline stretching 2 years back. Upwards potential is to reach 1.80 or approx. 6.1% from current level.



GBP BRL

As a commodity- based currency it follows the similar pattern as the AUD. However, the intermediate upwards potential is to 200MA levels at 4.44 or just approx. 4.5% from current levels.



GBP CAD

Trapped in a rather crude descending triangle, with an intermediate upwards potential to approx. 1.70 or 3% from the current levels. The height of the triangle is 12% from the current levels but in the wake of the strengthening energy prices that seems unlikely at the moment.



GBP CHF

Macro chart shows the breakout through the upper trendline. The next resistance awaits at 1.32 and upon its break the potential is to reach 1.38 or 5.8% from the current level.



GBP CNY

Slowly trending up for almost a year now. Looks ready to move to the pre-Brexit level of 9.2. The remaining move however is just about 3.6% since a significant resistance awaits there.



EUR USD

Upon the decisive break of the key 1.20 level the upwards potential is to the upper trendline at 1.28 or 6.7% from the current level



EUR JPY

Broke above the 200-day moving average, the upward move is potentially to 140 or 5.4% from the current levels.



USD JPY

Getting more compressed between two major trendlines; depending on the breakout direction the move potential is about 10%



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