G10 FX Daily Report

London FX Trading

EUR

GBP

AUD

NZD

SEK

NOK

Regular readers will know my view on European PMIs, and 18 months of largely indifferent price action has vindicated that scepticism. Today could be different though. With Bund/OAT spreads widening again, a weak survey print could put further pressure on the single currency, which so far has done surprisingly little of the heavy lifting behind the recent moves lower in EURO crosses.

I remain long CHF and JPY against both the USD and EURO and will add on any weakness this morning. YEN strengthened again O/N before reversing the move after Economy Minister Kiuchi said that Japan has yet to meet the conditions for officially declaring victory over deflation, even though inflation printed 2.1% O/N. With 10-year US yields back below 5% and remaining concerns around Tech, selling/adding on rallies in USDYEN and EURYEN remains the bias. I appear to have mislaid my invitation to the NOK party. Slightly irritating, as it increasingly looks like a rather good one." But with momentum indicators for NOK rising further into overbought territory, I remain reluctant to chase at current levels and would rather wait for a pullback before re-engaging, although if energy prices keep rising, I may be waiting quite some time. AUD was an underperformer O/N on weaker PMI data and comments from Treasurer Chalmers, who said 'growth will likely be slower than the 1.75% forecast in May's budget.' While this weighed on AUD, broader risk sentiment will likely be the driver today, while I am already looking towards next week's important inflation print for further direction. UK Consumer Confidence saw a sharp drop from -13 to -24, while Retail Sales also printed weaker, but has had no impact on the pound.

JPY	Japan CPI came in above 2%, with inflation excluding fresh food and energy at 2.4% y/y, pushing USDJPY as low as 156.08 overnight before the pair retraced back towards 157.00 into the London open. Yesterday's move lower was nevertheless encouraging, with the desk seeing decent USDJPY supply, mainly from RM and Systematic accounts. The move still feels somewhat overdue given the supportive domestic signals we have seen recently, particularly the strong JGB auction earlier this week and persistent Japanese selling interest around 158 over the past two weeks. No change in view from me. I still like being short USDJPY here and would use any spikes higher to add.

CHF	Encouragingly EURCHF closed below the 200 day yesterday, although less encouragingly the pair was unable to continue lower despite the further widening in Bund/Oats and rising TTF prices. Anyway, fast forwarding to today soft French PMIs, mixed German, oil higher and French spreads near the wides, still makes it conducive to remain short EURCHF, and remain looking for a decisive break onto a 0.91 handle (overnight low of 0.9199). I also maintain downside in USDCHF, and whilst the wobble in tech stocks has reversed this morning, still think it is worth having exposure there in case of a larger sell off. Flow this week has been mixed, interestingly systematics selling CHF as they reduce franc longs. RM and especially HFs continue to buy CHF though, increasing positioning.

CAD	The loonie continues to outperform, with USDCAD grinding lower ahead of next week's BoC meeting, where a hike is now essentially fully priced. Oil has provided an additional tailwind, with crude continuing to make fresh recent highs this morning. Flows were mixed yesterday, with HF accounts better sellers of CAD while Corporates were better buyers.I have largely stayed on the sidelines through the move lower, but USDCAD is starting to look a little stretched to me here. I still don't want to fight the move at current levels, but below 1.3950 I would look to start fading it and rebuild some USD longs.

FOR INSTITUTIONAL & PROFESSIONAL CLIENTS ONLY – This message has been prepared by J.P. Morgan Sales and Trading personnel and is not the product of J.P. Morgan's Research Department. It is not a research report and is not intended as such. It is a "solicitation" only as that term is used within CFTC Rule 1.71 and 23.605. Where this message is an

“investment recommendation” as that term is defined in MAR visit: www.jpmm.com/#mardisclosures. This message is subject to terms at: www.jpmorgan.com/salesandtradingdisclaimer.

Without prior written consent from J.P. Morgan, it is prohibited to (A) use or share any material, commentary, information or other data received from J.P. Morgan or an authorized third-party ("J.P. Morgan Data") in any artificial intelligence ("AI") systems or models, or (B) use automated means, including robots, crawlers, web-scrapers or other automated tools or scripts, to access, collect, extract or harvest any J.P. Morgan Data, including scraping of user data, content, metadata, pricing information or other information.

Country Specific Disclosures

Australia: Australian clients: Please note that any services or transactions in respect of products or instruments discussed herein will be provided by, and entered into solely with, the entity with whom you have contracted.

Japan: If this material includes credit ratings, such credit ratings provided by Japan Credit Rating Agency, Ltd. (JCR) and Rating and Investment Information, Inc. (R&I), are credit ratings provided by Registered Credit Rating Agencies (credit rating agencies registered under the Financial Instruments and Exchange Act of Japan (FIEA)). With respect to credit ratings that are provided by credit rating agencies other than JCR and R&I and have no stipulation that such credit ratings are provided by Registered Credit Rating Agencies, this means that such credit ratings are Non Registered Ratings (credit ratings provided by credit rating agencies not registered under the FIEA). Among the Non Registered Ratings, with respect to those credit ratings provided by S&P Global Ratings (S&P), Moody’s Ratings (Moody’s), or Fitch Ratings (Fitch), prior to making investment decision based on such Non Registered Ratings, please carefully read the “Explanation Letter regarding Non Registered Ratings” for the corresponding credit rating agency, which we have separately sent or will send. “Explanation Letter regarding Non Registered Ratings” is available on JPMorgan Homepage (https://www.jpmorgan.co.jp/ja/disclosures). If this material includes Non Registered Ratings provided by non-registered credit rating agencies other than S&P, Moody’s and Fitch, readers shall treat those Non Registered Ratings as not existing and must not consider those as preconditions of investment decision making.