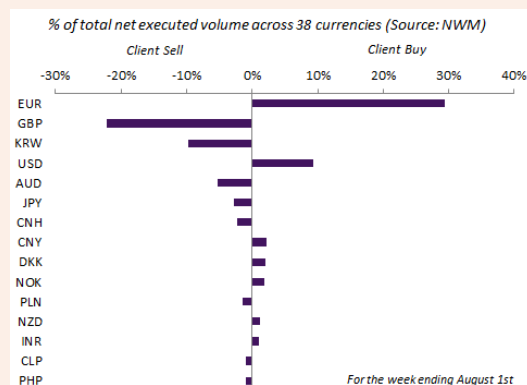


# Weekly FX Corporate Spotlight | Summer

2 August 2021



## 1. Last Week's Flows



## Recent Developments

The USD edged lower in post-FOMC trading. We think the Fed continued to advance the conversation on tapering but showed no urgency to speed up its taper timeline. The Fed's data dependence puts significant focus on Friday's jobs number. UK Covid-19 trends are encouraging, and reopening paired with risk of a hawkish skew to the BoE decision this week favours sterling outperformance. The growth outlook in Europe is improving, but a resolutely dovish ECB remains a challenge for the EUR.

## Top Views

Delta variant risks continue to shift expectations for global growth. Differences in government and monetary policy responses, as well as the differences in vaccination rates, have opened up divergence in expectations across regions.

We continue to look for a period of Sterling out-performance, as the reopening continues and most recent Covid-19 data look encouraging. While the Bank of England looks set to leave monetary policy settings unchanged this week, risks are skewed in favour of a measured hawkish shift in rhetoric.

The Fed noted in their July meeting that discussions of taper are ongoing, but gave little evidence that the Fed is speeding up its timeline on taper. The USD weakened in response to a largely unchanged message, but the Fed's upcoming decisions will depend crucially on upcoming economic data.

As is often the case, US NFP on Friday is a significant market release – an upside surprise could lend strength to the USD, and August tends to be a strong seasonal month for the USD. NWM Economics expect a +700k gain in July employment, below the current listed consensus (875k) but caution that there is a high degree of uncertainty.

Many Euro-area nations have passed the US in vaccination rates, and case count trends in the UK may bode well for Europe. While this is a clear positive, the EUR may be held back by a dovish ECB outlook. The case for EUR outperformance has weakened in the face of slowing Asia growth and a dovish ECB.

Last week, our corporate flows showed a noticeable pick up of Sterling, but that trend reversed in the latest week. Indeed, our net executed volume in sterling showed better selling. In EUR and USD, meanwhile, we saw better net buying in the week ended August 1<sup>st</sup>.

## 2. On the Radar

Date	CCY	Event/Data	Rating*
4-Aug	USD	ISM Services	3
4-Aug	GBP	PMIs – revised	2
4-Aug	EUR	PMIs – revised	2
5-Aug	GBP	BoE Decision	4
6-Aug	USD	Non-Farm Payrolls	5

Source: Bloomberg, NWM

\*NWM Qualitative Risk Rating – 5= Most Important, 1 = Least Important

### Contacts:

#### Paul Robson

Head of G10 FX Strategy, EMEA  
paul.robson@natwestmarkets.com

#### Brian Daingerfield

Head of G10 FX Strategy, US  
brian.daingerfield@natwestmarkets.com

#### Yuan Cheng

FX Strategist  
yuan.cheng@natwestmarkets.com

natwest.com

GBP vs currencies											3m carry		5y carry		
	Spot	NWM forecast					1y Forward	% Dev. Forecast vs. forward	LT model Signal*	3M ATM Vol.	Dev. from 200d avg.	Level (%)	Dev. from 200d avg.	Level (%)	Dev. from 200d avg.
		Q3'21	Q4'21	Q1'22	Q2'22	Q3'22									
USD	1.391	1.417	1.424	1.395	1.391	1.386	1.391	0%		6.8	-1.1	0.05	0.02	0.54	0.16
EUR	1.172	1.181	1.176	1.163	1.149	1.136	1.163	-2%	Sell	5.5	-1.1	-0.59	0.02	-0.46	0.04
AUD	1.893	1.864	1.873	1.836	1.806	1.800	1.891	-5%	Sell	6.7	-0.9	-0.04	-0.03	0.85	0.09
CAD	1.735	1.700	1.694	1.647	1.627	1.622	1.736	-7%		6.3	-0.7	0.15	0.04	1.09	0.11
CHF	1.260	1.299	1.294	1.279	1.264	1.250	1.248	0%		6.5	-1.0	-0.80	0.04	-0.61	0.03
JPY	152.5	158.7	160.9	156.3	154.4	152.5	152.0	0%		7.7	-0.5	-0.16	0.05	-0.36	0.04
NOK	12.27	11.98	11.88	11.51	11.44	11.36	12.32	-8%		8.5	-0.5	0.15	-0.05	1.19	0.11
NZD	1.996	1.981	1.977	1.911	1.879	1.899	2.008	-5%		7.2	-0.5	0.35	0.11	1.61	0.54
SEK	11.96	11.90	11.82	11.69	11.55	11.48	11.93	-4%	Sell	6.4	-1.1	-0.15	0.05	0.20	0.02
CZK	29.88	29.69	29.65	29.36	29.02	28.69	30.15	-5%		NA	NA	0.62	0.54	NA	NA
PLN	5.35	5.19	5.24	5.17	5.11	5.06	5.36	-6%	Sell	NA	NA	0.01	0.03	NA	NA
HUF	420	396	406	413	408	403	426	-5%	Sell	NA	NA	0.94	0.30	NA	NA
RUB	102	99	102	100	100	100	NA	NA	Sell	NA	NA	6.35	1.62	5.91	0.20
ZAR	20.3	20.1	20.6	20.7	20.6	20.5	21.3	-4%	Sell	13.4	-1.7	4.77	-0.19	6.31	0.36
ILS	4.50	4.51	4.44	4.40	4.38	4.37	4.47	-2%		NA	NA	-0.30	0.05	NA	NA
TRY	11.78	NA	NA	NA	NA	NA	14.12	NA	Sell	NA	NA	18.65	0.95	18.66	3.55
BRL	7.25	7.91	8.01	7.93	8.00	8.04	7.73	4%	Sell	NA	NA	5.36	2.79	8.41	1.33
CLP	1055	1027	1025	998	994	991	1071	-7%		NA	NA	1.30	1.07	2.91	1.05
MXN	27.64	30.06	30.82	30.00	29.55	29.25	29.20	0%	Sell	NA	NA	5.12	0.86	6.37	0.72
COP	5385	5086	5125	5302	5021	5019	5537	-9%	Sell	NA	NA	1.99	0.25	NA	NA
CNY	8.99	9.02	9.08	8.93	8.90	8.87	9.22	-4%		NA	NA	2.67	-0.20	NA	NA
KRW	1601	1573	1587	1563	1572	1567	1608	-3%		NA	NA	0.66	0.55	NA	NA
THB	45.85	42.22	42.71	42.00	41.86	41.73	46.09	-9%		NA	NA	1.01	0.11	NA	NA
TWD	38.86	39.39	39.43	38.51	38.39	38.26	NA	NA	NA	NA	NA	0.08	0.07	NA	NA
SGD	1.882	1.876	1.888	1.853	1.850	1.847	1.883	-2%		5.2	-1.2	0.17	-0.07	NA	NA
INR	103.5	103.4	104.5	102.4	102.1	101.8	108.0	-6%	Sell	NA	NA	4.10	-0.83	5.50	0.11
IDR	20093	19268	19075	18419	18080	18023	20754	-13%	Sell	NA	NA	3.53	-1.27	NA	NA

\* Bilateral model signal: Buy/Sell GBP vs XXX currencies

EUR vs currencies											3m carry		5y carry		
	Spot	NWM forecast					1y Forward	% Dev. Forecast vs. forward	LT model Signal*	3M ATM Vol.	Dev. from 200d avg.	Level (%)	Dev. from 200d avg.	Level (%)	Dev. from 200d avg.
		Q3'21	Q4'21	Q1'22	Q2'22	Q3'22									
GBP	0.854	0.847	0.850	0.860	0.870	0.880	0.860	2%	Buy	5.5	-1.1	0.05	0.02	0.54	0.16
USD	1.187	1.200	1.210	1.200	1.210	1.220	1.197	2%	Buy	5.4	-0.6	-0.59	0.02	-0.46	0.04
AUD	1.616	1.579	1.592	1.579	1.571	1.584	1.627	-3%		7.0	-0.2	-0.04	-0.03	0.85	0.09
CAD	1.481	1.440	1.440	1.416	1.416	1.427	1.494	-4%		6.0	0.0	0.15	0.04	1.09	0.11
CHF	1.075	1.100	1.100	1.100	1.100	1.100	1.073	3%		3.9	-0.4	-0.80	0.04	-0.61	0.03
JPY	130.2	134.4	136.7	134.4	134.3	134.2	130.7	3%		5.9	-0.5	-0.16	0.05	-0.36	0.04
NOK	10.48	10.15	10.10	9.90	9.95	10.00	10.60	-6%	Buy	8.4	-0.2	0.15	-0.05	1.19	0.11
NZD	1.704	1.678	1.681	1.644	1.635	1.671	1.727	-3%		7.5	0.1	0.35	0.11	1.61	0.54
SEK	10.21	10.08	10.05	10.05	10.05	10.10	10.26	-2%		4.8	-0.8	-0.15	0.05	0.20	0.02
CZK	25.50	25.15	25.20	25.25	25.25	25.25	25.93	-3%	Buy	4.4	-0.6	0.62	0.54	NA	NA
PLN	4.57	4.40	4.45	4.45	4.45	4.45	4.61	-4%		5.2	-0.7	0.01	0.03	NA	NA
HUF	359	335	345	355	355	355	366	-3%		6.6	0.2	0.94	0.30	NA	NA
RUB	87	84	87	86	87	88	93	-6%		10.1	-3.3	6.35	1.62	5.91	0.20
ZAR	17.4	17.0	17.5	17.8	17.9	18.1	18.3	-1%		13.5	-0.8	4.76	-0.19	6.31	0.36
ILS	3.84	3.82	3.78	3.78	3.81	3.84	3.84	0%		5.8	-1.1	-0.30	0.05	NA	NA
TRY	10.06	10.50	10.77	10.68	10.77	10.86	12.15	-11%	Sell	14.7	-4.4	18.65	0.95	18.66	3.55
BRL	6.18	6.70	6.81	6.82	6.96	7.08	6.65	6%	Sell	16.4	-0.8	5.36	2.79	8.41	1.33
CLP	903	870	871	858	865	872	NA	NA		NA	NA	1.30	1.07	2.91	1.05
MXN	23.60	25.46	26.20	25.80	25.71	25.74	25.12	2%		10.0	-2.5	5.12	0.85	6.37	0.72
COP	4601	4308	4356	4560	4368	4416	4767	-7%	Sell	NA	NA	1.99	0.25	NA	NA
CNY	7.67	7.64	7.72	7.68	7.74	7.81	7.94	-2%		NA	NA	2.67	-0.19	NA	NA
KRW	1366	1332	1349	1344	1367	1379	1382	0%		NA	NA	0.65	0.54	NA	NA
THB	39.14	35.76	36.30	36.12	36.42	36.72	39.64	-7%		NA	NA	1.01	0.11	NA	NA
TWD	33.18	33.36	33.52	33.12	33.40	33.67	NA	NA	NA	NA	NA	0.08	0.07	NA	NA
SGD	1.607	1.589	1.604	1.594	1.609	1.625	1.620	0%		4.0	-0.4	0.17	-0.07	NA	NA
INR	88.3	87.6	88.8	88.1	88.8	89.5	92.9	-4%		6.0	-0.9	4.10	-0.83	5.50	0.11
IDR	17161	16320	16214	15840	15730	15860	17858	-11%	Sell	N/A N/A	#VALUE!	3.53	-1.27	NA	NA

\* Bilateral model signal: Buy/Sell EUR vs XXX currencies

USD vs currencies											3m carry		5y carry		
	Spot	NWM forecast					1y Forward	% Dev. Forecast vs. forward	LT model Signal*	3M ATM Vol.	Dev. from 200d avg.	Level (%)	Dev. from 200d avg.	Level (%)	Dev. from 200d avg.
		Q3'21	Q4'21	Q1'22	Q2'22	Q3'22									
GBP	0.719	0.706	0.702	0.717	0.719	0.721	0.719	0%		6.8	-1.1	0.05	0.02	0.54	0.16
EUR	0.842	0.833	0.826	0.833	0.826	0.820	0.836	-2%	Sell	5.4	-0.6	-0.59	0.02	-0.46	0.04
AUD	1.361	1.316	1.316	1.316	1.299	1.299	1.359	-4%	Sell	9.1	-0.4	-0.04	-0.03	0.85	0.09
CAD	1.247	1.200	1.190	1.180	1.170	1.170	1.248	-6%		6.9	0.2	0.15	0.04	1.09	0.11
CHF	0.906	0.917	0.909	0.917	0.909	0.902	0.897	1%	Sell	5.8	-0.5	-0.80	0.04	-0.61	0.03
JPY	109.7	112.0	113.0	112.0	111.0	110.0	109.3	1%		5.6	-0.5	-0.16	0.05	-0.36	0.04
NOK	8.83	8.46	8.35	8.25	8.22	8.20	8.86	-7%		11.3	-0.2	0.15	-0.05	1.20	0.11
NZD	1.435	1.399	1.389	1.370	1.351	1.370	1.443	-5%		9.5	-0.1	0.35	0.11	1.61	0.54
SEK	8.60	8.40	8.31	8.38	8.31	8.28	8.58	-3%		8.0	-0.7	-0.15	0.05	0.20	0.02
CZK	21.48	20.96	20.83	21.04	20.87	20.70	21.67	-5%		7.7	-0.9	0.62	0.54	NA	NA
PLN	3.85	3.67	3.68	3.71	3.68	3.65	3.85	-5%	Sell	8.4	-1.0	0.01	0.03	NA	NA
HUF	302	279	285	296	293	291	306	-5%	Sell	9.3	-0.3	0.94	0.30	NA	NA
RUB	73	70	72	72	72	72	78	-8%	Sell	10.7	-3.1	6.35	1.62	5.91	0.20
ZAR	14.6	14.2	14.5	14.8	14.8	14.8	15.3	-3%	Sell	14.6	-0.9	4.77	-0.19	6.31	0.36
ILS	3.23	3.18	3.12	3.15	3.15	3.15	3.21	-2%		5.3	-1.0	-0.30	0.05	NA	NA
TRY	8.46	8.75	8.90	8.90	8.90	8.90	10.15	-12%	Sell	14.5	-4.3	18.65	0.95	18.66	3.55
BRL	5.21	5.58	5.63	5.68	5.75	5.80	5.56	4%	Sell	17.0	-1.1	5.36	2.79	8.41	1.33
CLP	759	725	720	715	715	715	771	-7%		13.5	0.8	1.30	1.07	2.91	1.05
MXN	19.87	21.22	21.65	21.50	21.25	21.10	20.99	1%	Sell	10.8	-2.8	5.12	0.86	6.37	0.72
COP	3831	3590	3600	3800	3610	3620	3940	-8%	Sell	14.0	0.1	1.99	0.25	NA	NA
CNY	6.46	6.37	6.38	6.40	6.40	6.40	6.64	-4%		4.5	-0.7	2.67	-0.20	NA	NA
KRW	1150	1110	1115	1120	1130	1130	1156	-2%	Sell	6.8	-0.7	0.67	0.56	NA	NA
THB	32.97	29.80	30.00	30.10	30.10	30.10	33.13	-9%		5.4	-0.2	1.01	0.11	NA	NA
TWD	27.94	27.80	27.70	27.60	27.60	27.60	27.40	1%	NA	4.9	-0.4	0.08	0.07	NA	NA
SGD	1.353	1.324	1.326	1.328	1.330	1.332	1.353	-2%		4.0	-0.5	0.17	-0.07	NA	NA
INR	74.4	73.0	73.4	73.4	73.4	73.4	77.7	-6%	Sell	5.3	-0.7	4.10	-0.83	5.49	0.10
IDR	14455	13600	13400	13200	13000	13000	15070	-14%		7.8	-1.0	3.53	-1.27	NA	NA

\* Bilateral model signal: Buy/Sell USD vs XXX currencies

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