

FX Positioning: EUR and JPY longs trimmed again

CFTC data ending 02 March highlights how markets continued to cut their long exposure to the euro and yen, with sentiment on the latter mostly hit by the extended Treasury bond underperformance. Sterling saw another positioning jump, with net longs now exceeding those of the euro. Commodity currencies also saw their net longs increase



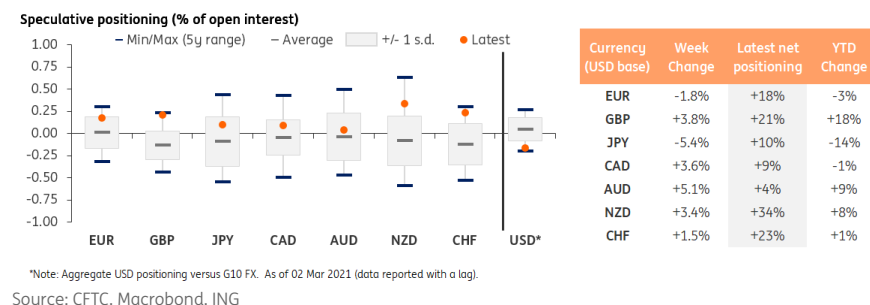
For an update on our latest FX views, see the March edition of [FX Talking: Too much of a good thing](#)

All G10 currencies have net-long positioning vs USD

CFTC data displays some changes in G10 positioning in the week 24 February – 02 March. The euro and Japanese yen saw recent long-trimming continue, and given their large weight in USD positioning, aggregate net-short positions on the greenback (versus reported G10 currencies)

retracted slightly below 16% of open interest.

Still, positioning in sterling and commodity currencies jumped, and with the Australian dollar moving back into net-long territory, all G10 currencies held speculative net long positioning versus the USD.



EUR and JPY facing more long-squeezing

EUR/USD positioning retracted for the fourth consecutive week to +18% of open interest, in line with general weakness in the pair. The positioning level has now moved back into the 1-standard deviation range (calculated over the past five years), which suggests that current levels may no longer be considered extremely overstretched compared to historic standards.

What appears clear is that the EUR is suffering from its net-long positioning, which is exaggerating the pressure from the generalised strong dollar momentum. G10 FX dynamics over the past week likely indicate that some more long-squeezing on the EUR should emerge in next week's CFTC figures.

The yen saw the biggest positioning drop in G10 during the week ending 2 March, with long-trimming worth 5.4% of open interest. The process of unwinding JPY longs extended in line with further weakness in US and global bonds. The yen has been the worst performing currency in 2021 and its previously overstretched long positioning likely played a role in exacerbating the downside. The yen's positioning is only mildly into positive territory (+10%), and well into its recent standard-deviation band. But the general poor momentum for low-yielders combined with a still-fragile bond market and lingering dollar momentum may push the yen's net positioning into neutral (possibly even negative) territory.

We expect a similar kind of long-squeeze to be evident in the Swiss franc's positioning, too. As highlighted in previous reports, the CHF positioning gauge appears to be too volatile (and completely detached from market moves) to consider weekly positioning changes as an accurate indication of shifts in market sentiment on the franc.

GBP longs pile up, commodity currencies rise

Sterling positioning has continued to move deeper into net-long territory despite seeing momentum ease in the spot market. GBP's positioning (+21% of open interest) is now above that of the euro's for the first time since March 2020, and is close to the 24% highs seen in April 2018.

With the fast vaccination process in the UK offering continued support to GBP and no more Brexit uncertainty to discount, we should see GBP positioning set new highs in the coming months.

Commodity currencies all saw rising bullish bets. The New Zealand dollar is still the most oversold currency in the G10 with net-longs amounting to 34% of open interest. The Aussie dollar has moved back into net-long territory, but its positioning remains neutral, according to CFTC data. However, we suspect that the real market positioning on the currency is closer to that of the NZD, and that the CFTC figures are underestimating it. This should also be true for the likes of the Canadian dollar, which has also benefited from rising oil prices.

Author

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.