

FX Positioning: Euro long positions rose before dollar rally

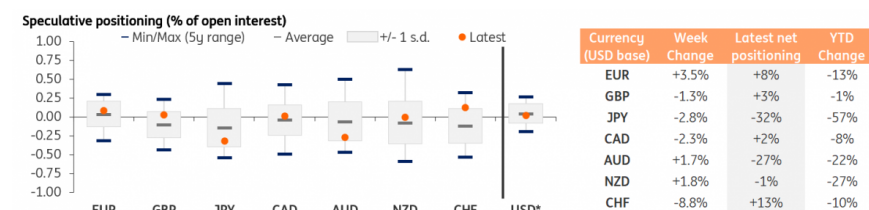
CFTC positioning data for the week ending 17 August show a build-up in EUR/USD positions right before the start of the widespread dollar rally. AUD and NZD also saw a marginal improvement in their positioning gauges, but we will likely see a sharp increase in shorts on both currencies in next week's positioning data. JPY and CAD net positioning deteriorated



Dollar bullish sentiment eased before rally

CFTC data for the week ending 17 August show a marginal decrease in the dollar's net aggregate positioning versus reported G10 currencies (i.e. G9 excluding SEK and NOK), which was at +2% of open interest. This is broadly in line with movements in the spot market, as the dollar weakened against most G10 currencies between the 10th and 16th of August.

We have the impression that some of the moves on 17th August – which was the ignition of the dollar rally seen last week – are not mirrored in CFTC positioning data. The data reported here do, however, provide a good indication of where speculative positioning stood before the dollar rally.



*Note: Aggregate USD positioning versus G10 FX. As of 17 Aug 2021 (data reported with a lag).

Source: CFTC, Macrobond, ING

EUR/USD net positioning saw a quite significant increase (+3.5% of open interest) in the reference week, rebounding to +8% of open interest after having dropped for eight consecutive weeks. The move is mostly mirroring the change in the dollar's sentiment, as the combination of very dovish ECB and concerns about a slower recovery due to the Delta variant spread in the eurozone are likely preventing the creation of any clear idiosyncratic sentiment on the euro for the time being.

Temporary respite for antipodeans

AUD and NZD were the only two other G10 currencies that saw an increase in their net positioning in the week ending 17 August. Indeed, given their high exposure to China-related sentiment, the antipodeans have faced wider than normal swings lately. Considering the considerable drop in spot value in the past week we expect to see a build-up in short positions in both currencies next week. Here, it is also useful to note that the AUD is already starting from a meaningful net-short positioning, but also that (unlike NZD) it cannot count on a hawkish central bank, and is facing the negative impact of falling iron ore prices.

In the rest of G10, CAD and JPY both saw an increase in net shorts, with the loonie now having seen a full unwinding of its net long positions as global sentiment deteriorated and the USD gained ground. CHF saw a very wide change in positioning (-8.8% of open interest), oddly in a week where it was among the best G10 performers. This is another indication of how the positioning on the franc reported by the CFTC is not particularly accurate and very often shows wide swings that have no connection with the actual market sentiment on the currency.

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.