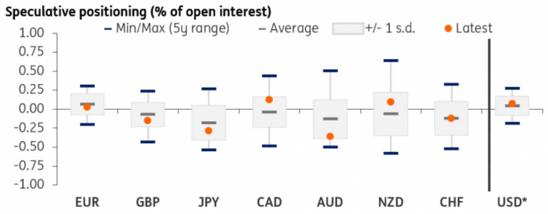
FX Positioning: Major shifts in many G10 currencies

CFTC data shows some quite extreme swings in G10 FX positioning. EUR net longs dropped by 5% of open interest, GBP by 10%, while NZD positioning rose by 32% and entered net-long territory. Other pro-cyclical currencies saw an increase in net positioning. We suspect CFTC data has lost some explanatory power since the start of the Ukrainian war

USD positioning stable, but high volatility in G10

CFTC data showed a marginal increase in the dollar's net aggregate positioning vs reported G10 currencies (i.e. G9 excluding NOK and SEK) in the week ending 15 March. However, the other G10 currencies showed very unusual and extreme volatility in their positioning gauges.



Currency (USD base)	Week Change	Latest net positioning	YTD Change
EUR	-5.1%	+3%	+4%
GBP	-10.4%	-16%	+9%
JPY	-2.2%	-29%	-3%
CAD	+7.2%	+12%	+20%
AUD	+3.7%	-36%	+9%
NZD	+32.6%	+9%	+29%
CHF	+6.6%	-12%	+15%

*Note: Aggregate USD positioning versus G10 FX. As of 15 Mar 2022 (data reported with a lag).

Source: CFTC, Macrobond, ING

EUR and GBP positioning tumbled, likely mirroring the impact of the Ukrainian conflict with some delay. EUR/USD saw a long squeeze worth 5% of open interest but remained marginally into net-long territory (+3% of o.i.).

GBP registered a considerable drop in net positioning (-10% of o.i.) and reached the lowest levels since early January. We have seen multiple examples in the past two years of large weekly swings in GBP positioning, which on many occasions were completely offset in the following week, so we warn against reading too much into this move.

Pro-cyclicals jump

While the yen's positioning advanced further into oversold territory, CAD, AUD and NZD saw an increase in net longs in the week ending 15 March. The Kiwi dollar's positioning, in particular, saw a huge shift, rising by 32% of open interest and moving from oversold to overbought territory. Also, in this case, it appears that the move is mirroring actual market moves with a delay.

CAD and AUD positioning rose, but at a slower pace, and the latter remained into very oversold territory (-36% of open interest) despite having risen by more than 2.5% in the last month. We suspect the current market positioning on the Aussie dollar is no longer skewed to oversold territory.

This week's big adjustments in CFTC FX positioning and the tendency to display market moves with some delay (even of multiple weeks) suggest that this is a tool that has likely lost some explanatory power, or at least its role as a leading indicator. This is likely due to the unusual FX volatility generated by the conflict in Ukraine.

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