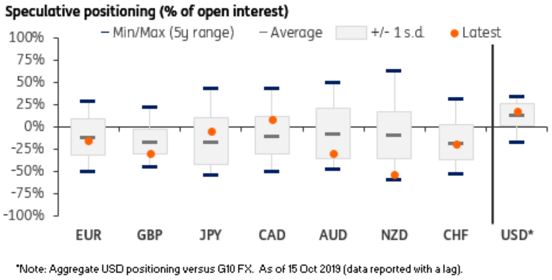
# FX Positioning: GBP shorts remain elevated

CFTC data as of last Tuesday shows a minor change in net GBP speculative positions, despite a 4% rally in GBP/USD in the same period. EUR/USD positioning was also flat, while JPY longs dropped.

## No evident GBP short-squeezing just yet

CFTC data referring to the period 9-16 October surprisingly shows a flattish development in GBP/USD net speculative positioning. This is despite a significant sterling rally in the same period (approximately +4% vs USD), triggered by hopes of a new Brexit deal. We might need to wait for next week's data to witness some "short-squeezing" effect, but for now, a still extensive short market positioning (-30% of open interest) on GBP tends to suggest more upside room for the currency.

## FX positioning overview




| Currency (USD base) | Week Change | Latest net positioning | YTD Change |
|---|---|---|---|
| EUR | +0.1% | -15% | -3% |
| GBP | -0.3% | -30% | -3% |
| JPY | -11.6% | -4% | +40% |
| CAD | +4.8% | +9% | +37% |
| AUD | -1.2% | -29% | -2% |
| NZD | -1.9% | -54% | -60% |
| CHF | -2.7% | -20% | +13% |

Source: CFTC, Bloomberg, ING

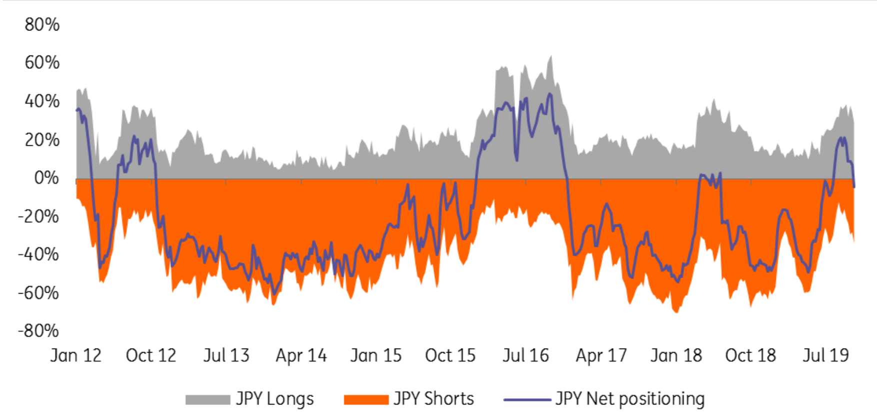
Nonetheless, caution on the pound is still much warranted, given that – as noted by our economics team – the hurdles to have a deal approved (and ratified) by the UK parliament remain firmly in place.

## Risk rebound hits JPY

The last ten days have been characterised by a rebound in global risk sentiment, mainly thanks to optimism about Brexit and the US-China trade dispute as well as rising expectations about a Fed rate cut in October. This dynamic appeared evident in the yen net speculative positioning, that dropped into negative territory (-4% of open interest) for the first time since last July.

## JPY net speculative positions

Data as of 15 Oct 2019




Source: CFTC, Bloomberg, ING

Another safe-haven asset, the Swiss franc, saw some speculative shorts being added. In line with the recent trend, CAD is the main activity currency benefitting from higher risk sentiment (net positioning 5% higher to +9% of open interest), while no improvements were registered for the highly offered AUD (-29%) and NZD (-54%, the biggest G10 short). As highlighted in our previous FX positioning update, the more supportive trade outlook for CAD helps explain this dynamic.

## EUR/USD positions flatten up, still negative

Similar to the case of the sterling, speculative positions on the common currency remained flat at -15% (of open interest) despite EUR/USD being broadly supported throughout the same period. We suspect this mirrors the market's reluctance to enter EUR longs given a medium-term outlook that remains gloomy for eurozone sentiment.

In particular, latest data-flows (CPI, Industrial production, ZEW) still failed to signal any relief in the battered euro-area economy and we struggle to see ECB efforts on the monetary side to be sufficient to trigger a change of direction. When adding the non-negligible risk of more US tariffs on eurozone exports, the low market appetite for the euro seems even more warranted. In line with this view, we expect EUR/USD to head back below 1.10 by the end of the year.

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