

FX Positioning: King dollar

CFTC data for the week 13-19 November show speculators added shorts in all G9 currencies vs the dollar, which continues to consolidate its momentum amid trade chatter. CAD net long positioning faced another fierce correction

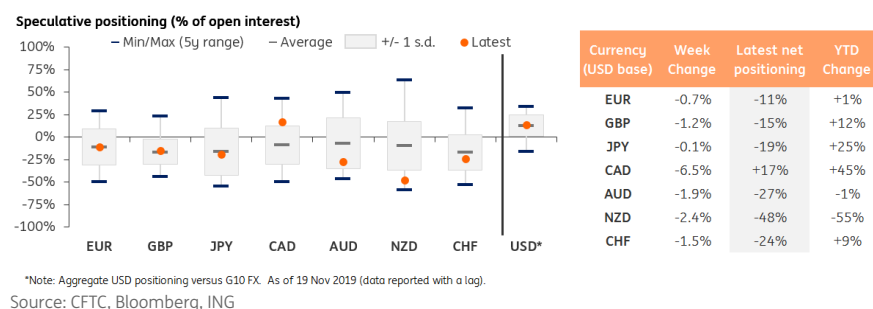


Source: Shutterstock

Strengthening dollar positioning

In the week 13-19 November, the CFTC Commitments of Traders figures show how markets added speculative short positions on all G9 currencies versus the dollar (Figure 1). The dynamics probably reflect some skepticism around the advancement in Sino-American trade negotiations, that contributed to keep appetite for the USD supported whilst also ending the slump in JPY net positioning.

G10 Positioning overview



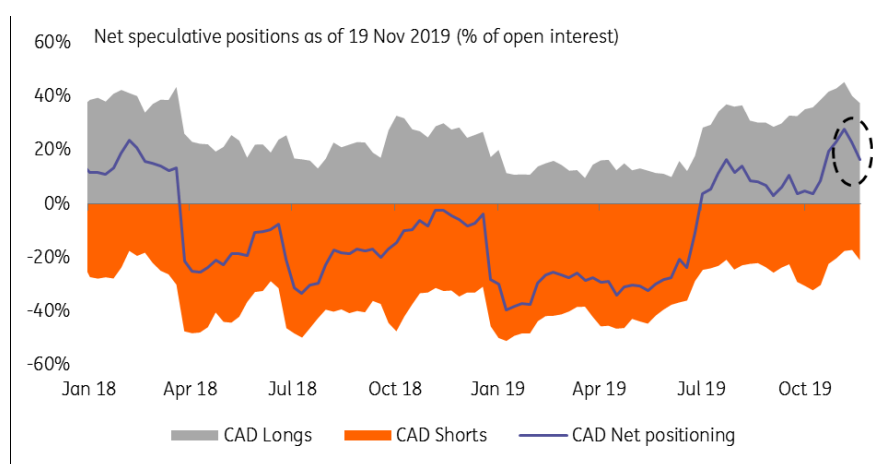
EUR/USD net positioning only moved marginally lower and remains around -11% of open interest, in line with its 5-year average. The gauge (similarly to the pair itself) seems stuck in a very narrow range, with speculative investors likely waiting on more signs of a rebound in the battered Eurozone economic outlook to consider adding longs in the pair.

The data does not cover the eurozone PMI released last Friday, which showed a tentative recovery in manufacturing (although services dropped). It will be interesting to monitor next week's CFTC report to spot any change in sentiment on the EUR, given that in the spot market the common currency remained capped.

A fierce correction in CAD longs

CAD's net positioning has only recently moved at the top of the board in the G10 space (surpassing the dollar), but it is already facing a correction. In the week covered by CFTC data, CAD'S net longs retracted by 6.5% of open interest to +17% (Figure 2), with the drop outpacing those in the other commodity currencies (AUD -1.9%, NZD -2.4%). Such dynamics is strictly related to markets increasingly pricing in Bank of Canada easing.

Tide turning for CAD?



Source: CFTC, Bloomberg, ING

However, it must be noted that the data does not cover the speech by Canadian central bank Governor Poloz on 21 November which prompted a fierce hawkish repricing in the OIS curve

(implied probability of a cut in December is down to 8% from 20% last week). In turn, we expect the next CFTC report not to display a further slump in CAD positioning.

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