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# FX Positioning: Steady dollar buying

Data shows positioning moves were dominated by idiosyncratic drivers while the coronavirus keeps weighing on risk-sensitive currencies. In all this, buying appetite for the dollar remains solid

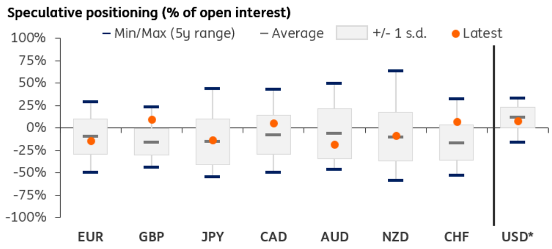
Source: Shutterstock

## EUR/USD net positions keep inching lower

CFTC data covering the week 5-11 February shows how speculative net positioning on EUR/USD have decreased to -14% of open interest, at their lowest since October 2018. This is in line with the recent bear trend in spot and mirrors the combination of deteriorating sentiment around the Eurozone (possible impacts of the coronavirus, unsupportive data-flow) and lingering appetite for long-dollar positions.

Indeed, the table below (FX positioning overview) denotes a generalised dollar buying vs G10 FX, with some regional stories allowing recovery in certain currencies. This is likely a result of a combination of safe-haven flows on the back of coronavirus and the mounting signs of US economic resilience that keeps feeding the USD bullish sentiment.

## FX Positioning Overview




| Currency (USD base) | Week Change | Latest net positioning | YTD Change |
|---|---|---|---|
| EUR | -1.4% | -14% | -1% |
| GBP | +3.7% | +10% | +4% |
| JPY | -2.0% | -14% | +1% |
| CAD | -4.9% | +6% | -1% |
| AUD | +5.5% | -18% | +5% |
| NZD | -3.3% | -8% | +2% |
| CHF | -2.5% | +7% | +18% |

*Note: Aggregate USD positioning versus G10 FX. As of 11 Feb 2020 (data reported with a lag).

Source: CFTC, Bloomberg, ING

## AUD short-squeeze helped by RBA

In our latest FX positioning commentary, we highlighted how the AUD positioning was proving more resilient than its peers NZD and CAD. This dynamic recurs in the latest CFTC report and it is even more evident as AUD net positions advanced by 5.5% of open interest, reducing the net-short exposure to -18%. NZD and CAD, instead, both saw their net shorts being increased.

The recovery in the AUD net positioning is mostly linked to the hawkishness of the RBA throughout the week under coverage: first with the rate announcement and then with the speech by Governor Lowe and the monetary policy report. Despite the recovery, AUD remains the biggest short in G10 given how exposed the Australian economy is to Chinese demand and not forgetting the bushfire emergency.

CAD long-squeeze is, instead, quite surprising, given the strong jobs report published on 7 February. It may suggest how the coronavirus story is somewhat incompatible with a net-long positioning in commodity currencies: we saw the NZD net positioning quickly moving back into short territory after a few weeks into neutral/mildly-long territory. It is worth mentioning that the NZD positioning should follow the uptick in positioning seen in AUD as the RBNZ met on 12 February and delivered a hawkish message.

We looked at the FX implications of this in "New Zealand: Central bank paves way for currency rebound in medium-term".

## Yen lower on averted risk slump

As the coronavirus story hit the markets, many thought it would have been the beginning of a run for the yen. However, this only partly materialised, as markets (equities, above all) showed a more sanguine approach than anticipated. In turn, despite a recovery in the extended net-short positioning, selling interest on the yen keeps prevailing as net positioning was at -14% of open interest as of 11 February.

Also, the CHF positioning inched lower but remains in the net-long territory after the recent rally. This denotes how speculators remain quite attracted to the possibility of testing the Swiss central bank's patience further and bet on EUR/CHF downside. However, the FX moves in the past few days highlight how 1.06 may start to be perceived as a key level for SNB intervention, which partly explains the recent recovery in EUR/CHF.

Finally, GBP net longs continue to prevail, thanks to a jump in positioning during the week. In our view, this long-positioning may assist a sterling downtrend towards levels that better price in the uncertainty related to the UK-EU negotiations.

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