



Trading Desk Direct: 888.821.3600

Your Foreign FiX Monday, January 29, 2018

US interest rates are trading much higher this morning, with the 10 year note yield trading above 2.70%, for the first time since 2014. Perhaps surprisingly, considering the move lower in the dollar, the US 10 year note has increased the most this year, compared to German, Canada, Japan and the UK (see chart). Higher US yields are helping the dollar today, with the Bloomberg dollar index bouncing off the 12 month lows set on Friday.

Ahead of some key economic data, equity futures are pointing to a lower open, after closing at all-time records on Friday. The week is full of key events including, Fed Chair Yellen's last FOMC meeting, SOTU, key earnings reports and the job report of Friday. US markets continue to gain momentum feeding off the optimism from tax reform.

China: A remarkably quiet day in USD/CNY after last week's large moves. More action onshore however as the PBoC drained funds from the financial system, putting a floor under overnight repo rates, which fell every day last week. The CNY fixed at 6.3267, another new strong level against the USD. China equities were lower by 1+% ahead of PMI data due out tomorrow night US time.

Britain: The pound is lower overnight, but it has finally moved up to the area where it was trading ahead of the Brexit vote in June of 2016. The currency's rise has brought a Bank of England rate hike expectations along with it. Traders are warned to pay close attention to what policy makers are actually saying rather than leaping to conclusions. Sterling interest rate futures have moved from pricing between one and two 25 bps hikes over the next 18 months, to expecting at least three. Forecasters expect another hike as soon as May and some calling for a move as soon as March. The view is that the bank would like to deliver a rate increase as soon as possible so it would have room to move in case Brexit proves calamitous.

Japan: Despite a significant push higher in the US 10 year to 2.71%, USD/JPY continues a sideways grind and is in line with Friday's 108.80 close. Friday's initial move lower was prompted by BOJ Governor Kuroda's optimistic comments in Davos where he indicated Japanese wages are rising and the BOJ was close to achieving its 2% inflation target. Volatility this week will be elevated following comments by Japan's International Affairs Vice-Minister Asakawa that excessive and disorderly moves in currency markets have negative effects. This followed comments by US officials that a weaker dollar is good for



Thinking of trading? Key intraday levels	S1	S2	Pivot	R1	R2
USDCNH ▼ -0.20%	6.2962	6.3112	6.3267	6.3417	6.3572
GBPUSD ▼ -0.71%	1.4011	1.4086	1.4185	1.4260	1.4359
USDJPY ▼ -0.27%	107.39	107.98	108.88	109.47	110.37

Annualized Cost of Forward Points						
	1M	3M	6M	9M	12M	2Y
USDCNH	2.23%	2.21%	2.17%	2.05%	1.97%	1.75%
GBPUSD	1.21%	1.38%	1.43%	1.46%	1.51%	1.54%
USDJPY	-1.75%	-2.04%	-2.26%	-2.36%	-2.51%	-2.77%

HEAT MAPS	Cheap	Moderate	Fair Value	Moderate	Rich

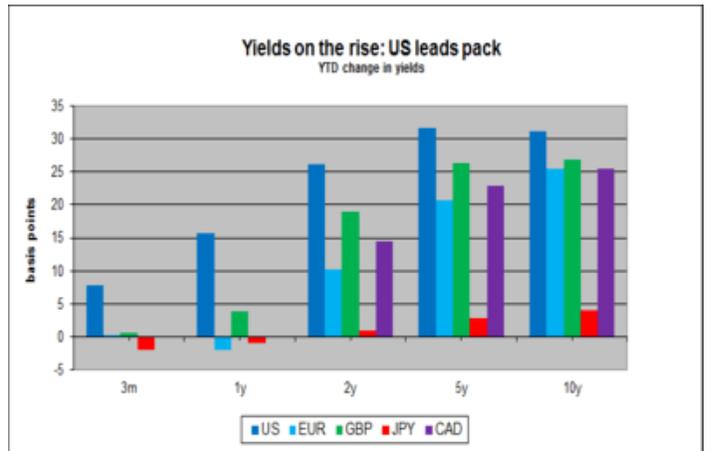
Tenor 3M / 1Y	Forward Point Valuation HEAT MAP					
	1M Pts	3M Pts	6M Pts	9M Pts	12M Pts	2Y Pts
USDCNH						
GBPUSD						
USDJPY						

Tenor 3M / 1Y	Implied Volatility Valuation HEAT MAP					
	1M Vol	3M Vol	6M Vol	9M Vol	12M Vol	2Y Vol
USDCNH						
GBPUSD						
USDJPY						

5Y Avg	Seasonality Trends - Average Change in the CURRENCY					
	Feb	Mar	Apr	May	Jun	Jul
USDCNH	-0.26%	0.23%	-0.14%	0.22%	-0.19%	0.33%
GBPUSD	-0.78%	0.06%	2.40%	-0.92%	-0.42%	-0.21%
USDJPY	1.01%	-0.44%	0.78%	-1.91%	1.79%	0.36%

Yields move higher

trade. Adding to that volatility are very ripe economic calendars both in Japan and the US which include Janet Yellin's final FOMC meeting this Wednesday (no change is expected). Support sits at 108.28 (overnight low) followed by 108.09 (2017 low).



US 10 year yields move the highest this year

CNH Stronger Dispite Ongoing PBOC Cash Injections



Robust GDP Growth Means Room to Lean

Pound Back Off After the Significant Move Last Week



Cable Continues to Trade Above the Former Trading Range

Read our [technical documentation](#) to learn more about this data.

Questions, or thinking of trading? Contact the Foreign Exchange Trading Desk direct at 888.821.3600.

[Share with a colleague.](#)



[Download as PDF](#)

Get just the daily FiX information you want - set your preferences

- Change** the currencies included in my Citizens Daily Foreign FiX email.
- Remove** me from the Citizens Daily Foreign FiX email.
- Suspend** my Citizens Daily Foreign FiX email subscription while I'm out of the office.
- Add** a colleague to the Citizens Daily Foreign FiX email.
- Send** us an email with a comment or question about the Citizens Daily FiX email.

This document has been prepared for discussion and informational purposes only by Citizens Bank, N.A. and/or Citizens Bank of Pennsylvania (Citizens). In the preparation of this document, Citizens has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources. Citizens makes no representation or warranty (expressed or implied) of any nature, nor does it accept any responsibility or liability of any kind, with respect to the accuracy or completeness of the information in this document. The information in this document is subject to change without notice and Citizens does not undertake a duty or responsibility to update these materials.

Citizens is not acting as an advisor or fiduciary in any respect in connection with providing this information, and no information or material contained herein is to be relied upon for the purpose of making or communicating investment or other decisions nor construed as either projections or predictions. In no event should the information be considered recommendations to enter into transactions. Citizens and its affiliates, connected companies, employees or clients may have an interest in the financial instruments mentioned in this document.

To ensure that you receive our emails, please add mail@citizenscommercial.com to your address book.

Privacy and Security:

Please do not reply to this email. For inquiries kindly call 877.550.5933. Keeping your financial information secure is one of our most important responsibilities. We will never ask you to send sensitive information via email or via a link in an email. If you receive a suspicious email claiming to be from Citizens Commercial Banking please forward it to: abuse@citizensbank.com. For an explanation of how we manage customer information, please read our [Privacy Notice](#).

To opt-out of future promotional emails, please [click here](#).

Citizens Bank | One Citizens Plaza | Providence, RI 02903

©2019 Citizens Financial Group, Inc. All rights reserved. Banking products and services are offered by Citizens Bank, N.A. Member FDIC. Securities products and services are offered through Citizens Capital Markets, Inc., Member FINRA, SIPC. Citizens Bank & Citizens Commercial Banking are brand names of Citizens Bank, N.A. Citizens Capital Markets is a brand name of Citizens Financial Group, Inc.