

FX Convictions

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GBP/USD closed

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- **Based on the recent polls the odds for a Brexit declined...**
- **...resulting in a stronger sterling**
- **Our stop loss on short GBP/USD was triggered**
- **We keep in place our HUF long versus EUR**

Stop loss in short GBP versus US dollar got hit

Since the end of last week, sterling has recovered sharply across the board as the odds of a possible Brexit have decreased. As a result, sentiment on financial markets has been more upbeat. Sterling has rallied by more than 3% versus the euro, Swiss franc, the US dollar and the yen. Our stop loss in GBP/USD at 1.48 was hit in the early morning of Thursday 23 June. Total return on this high conviction call was -2.7%

We remain positive on the HUF versus the euro

We expect the Hungarian forint to continue to outperform the euro this year and next year. Financial markets have taken Hungarian politics for granted so this will unlikely weigh on investor sentiment towards the forint. On 20 May Fitch ratings agency upgraded to BBB-. This supported sentiment. Hungary has a substantial current account surplus which will likely shield it from a sharp deterioration in investor sentiment on financial market. Despite the fact that the Hungarian central bank will probably further ease monetary policy in the near-term, this will be very modest and less than what financial markets appear to anticipate. Further down the road, higher inflationary pressures and a strong economy will likely result in more aggressive rate hikes later on. This should result in a strong rally in the forint versus the euro. In short, current relatively low levels in the forint are an opportunity to position for strength in later this year and next year.

Our open positions and stop loss levels

Open positions

High conviction views

Open	Open	Last price	Position base currency	Stop loss
EURHUF	315.25	313.50	Short since 12 May 2016 12.02	325.00

Source: ABN AMRO Group Economics

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