

FX Convictions

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Positive on Norwegian krone

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- **We are positive on the Norwegian krone...**
- **...and add long NOK versus euro to our conviction calls**
- **This reflects monetary policy divergence, an expected oil price rally in Q4 and attractive valuation**
- **We keep our long yen short sterling and long Hungarian forint short euro in place**

We add long NOK versus euro to our conviction calls again

We are adding to our high conviction list: long Norwegian krone versus the euro (short EUR/NOK). For a start, our energy analyst expects a pick-up in oil prices in Q4 again. This will give a boost to the sentiment for currencies of oil exporting countries such as the Russian ruble, Mexican peso and the Norwegian krone. Norway has relatively strong fundamentals compared to other oil exporting countries such as fiscal surplus and current account surplus. In addition, we expect the Norges bank to remain on hold this year but to hike a total of 50bp next year. Consumer price inflation is above its 2.5% target, the housing market appears to be overheating and the economy is recovering. In contrast, we expect the ECB to step up monetary policy easing in September and to keep stimulus in place next year. We also expect the Norwegian economy to be relatively resilient to a slowdown in the eurozone and the UK because demand for its exports will likely be quite inelastic. Last but not least, the Norwegian krone is cheap terms of valuation. The Purchasing Power Parity is around 8.29 in EUR/NOK. So this long Norwegian krone is an oil play and a monetary policy divergence play at an attractive valuation. Our year-end forecast EUR/NOK is 9.00. We place our stop loss at 9.75.

Our open positions and stop loss levels

Open positions

High conviction views

Open	Open	Last price	Position base	currency	Stop loss
EUR/HUF	315.25	312.45	Short since 12 May 2016	12.02	325.00
GBP/JPY	139.86	136.57	Short since 19 July 2016	10.09	140

Source: ABN AMRO Group Economics

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