

FX OPTIONS MARKET UPDATE

- Market long downside in USDJPY and are happy to sell in to any bids in vol.

	EURUSD		USDJPY		AUDUSD		GBPUSD		EURGBP		EURJPY		NZDUSD	
	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng
1 mth	6.62	-0.33	6.47	0.39	8.03	-0.24	11.44	-1.20	9.49	-1.02	7.38	-0.04	8.01	-0.15
3 mth	7.07	-0.21	6.98	0.13	8.78	-0.26	12.90	-1.38	11.13	-1.16	8.28	-0.11	8.85	-0.21
	EURSEK		EURNOK		EURCHF		USDCAD		AUDJPY		USDNOK		USDSEK	
	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng
1 mth	6.45	0.03	5.79	-0.30	4.96	-0.13	6.46	-0.27	9.15	-0.21	8.09	-0.51	8.61	-0.15
3 mth	6.60	-0.05	6.28	-0.15	5.54	-0.12	6.67	-0.19	10.17	-0.14	8.58	-0.33	9.02	-0.10
	USDCNH		USDTRY		USDRUB		USDMXN		USDZAR		XAUUSD		XAGUSD	
	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng	Imp.	1w chng
1 mth	5.02	-0.79	18.31	-1.79	11.55	-0.89	14.72	0.12	17.15	-0.77	9.75	0.94	16.31	0.32
3 mth	5.73	-0.58	19.35	-0.85	12.97	-0.52	14.87	0.22	17.39	-0.65	10.55	0.25	18.22	-0.16

Last real trading week of the year and FX and we got a couple of events left.

FED is out on Wednesday and there is close to 50/50 for a dovish hike or no hike at all. EURUSD O/N for Thursday trades at 13.5% or 65 pips, which we think is on the low side considering the 50/50 probability.

Swedish Riksbank is due on Thursday and market has pushed back a potential rate hike to February after lower than expected CPI and GDP figures during the last month. EURSEK O/N vol for Thursday trades around 17% or 700 pips which is very high for EURSEK.

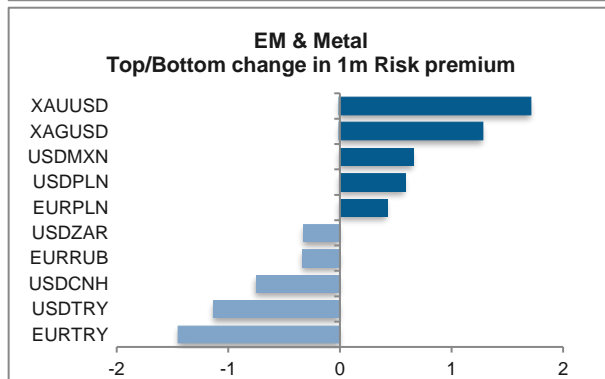
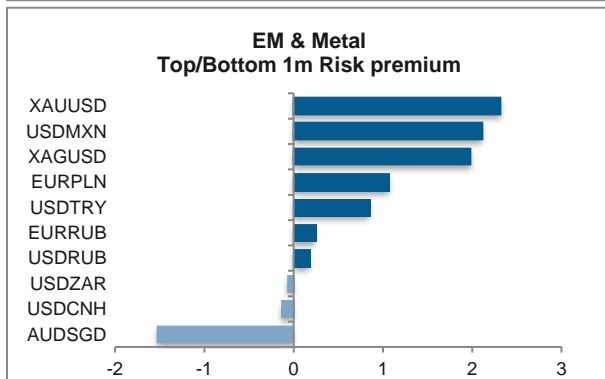
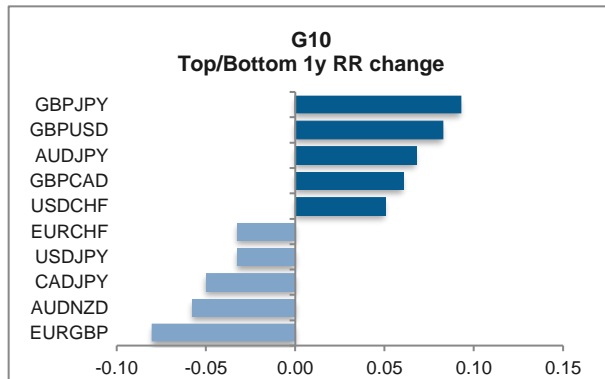
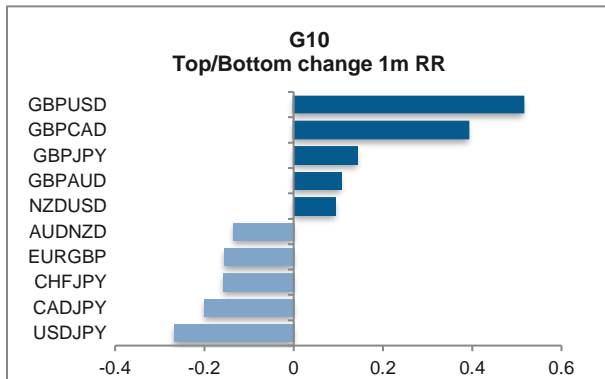
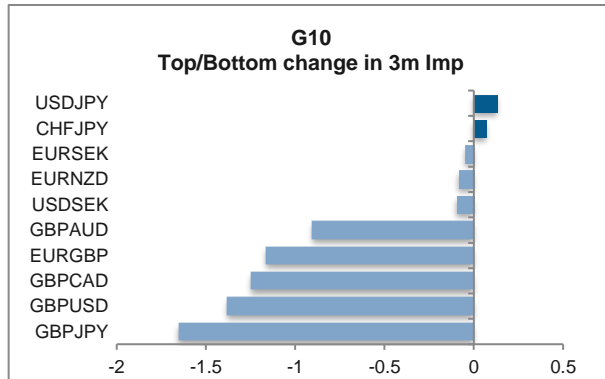
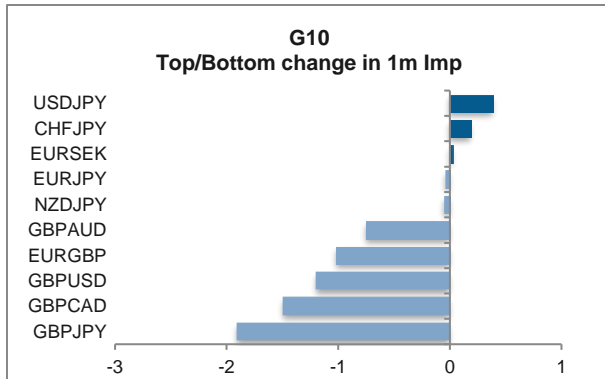
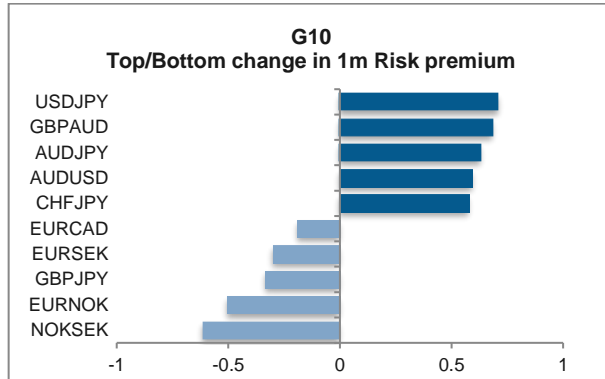
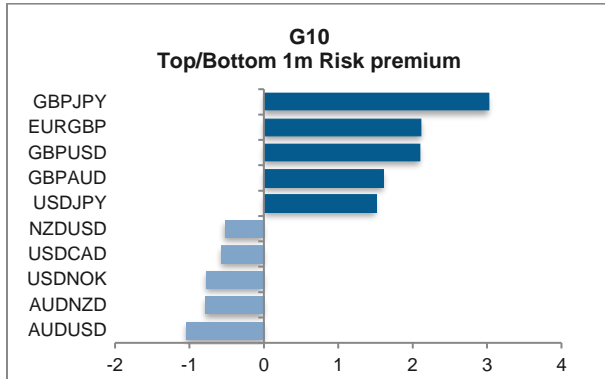
T. May has announced that the Brexit vote will take place in the week of 14 January. 1 month (18 January) has been marked a bit higher today while the front continues to trade softer. Risk reversals trades softer as the market pricing in less risk for a no deal. 4 month GBP vols over the Art50 deadline continue to be the highest part on the curve.

Thursday's BoE is priced as a nonevent with GBP O/N vols priced just as a normal day.

NOK is dropping like a stone after Norges Bank done the last fiscal purchases for the year and oil making new lows. EURNOK has traded up 1.5% over the last two days, currently trading at 9.9000. Vol and risk reversals trading higher but is up from YTD low levels, so it is still cheap to pick up any directional trades for the start of next year.

In EM space, vols trading softer after they were trading bid last week. Market nervous for any move to the topside in USDZAR, there could easily be a 1% move higher in vol if spot gets up to 14.50. TRY vols moving back to the lows as spot been trading in tight range just below 5.40 for the last days. EURPLN and EURHUF is stuck in ranges and vols have traded down to the lows. USDCNH vols sliding lower as the market expects next months to be quiet during the trade talks.

FX OPTIONS MARKET UPDATE



- Risk premium: Implied minus realized volatility. A positive risk premium means implied volatility trades above realized volatility, i.e. the implied volatility can be seen as “rich”.
- Change: The difference between current price and where it closed 1w ago.