November 16, 2017 06:51 PM GMT

FX Pulse

EUR: The Comeback Kid

Fade the risk sell-off. Risk assets sold off over the start of the week but have since reversed, supporting our view that we should not see market risk sentiment materially wane in an environment of strong global growth and ample liquidity. This supports EM FX, particularly against the USD, which should weaken as capital flows out of the USD and into higher yielding environments.

EUR crosses remain attractive. The rally in EUR should continue, with the growth outlook in Europe remaining positive as evidenced by strong German GDP and Eurozone trade figures. EURCHF remained well supported despite the decline in risk assets, suggesting the balance of risks for the pair are markedly to the upside. EUR should outperform regional peers including GBP, SEK, and NOK.

US politics to get turbulent. While investors have been squarely focused on the prospects for tax reform, we note that market attention will shift soon to the US debt ceiling and appropriations debate ending December 8. Historically, USD tends to appreciate during these periods as risk sentiment temporarily wanes, though we believe this offers an opportunity to re-enter USD bearish positions.

Watch Brexit negotiations closely. Prime Minister May's proposal for the final exit bill to the EU should be watched carefully. The May government walks a fine line between an exit bill high enough to appease EU member states but low enough to assuage Tory party members. A false step could raise the risk of Tory party schisms and early UK elections. EURGBP longs should profit in this environment.

Long EM. We have held on to our EM positions throughout the volatility. The only one on which we were stopped out was our short USD/RUB position and the other crosses have been resilient. Short USD/MYR and short USD/CLP have been resilient and with positioning cleaner across higher beta crosses, we think the asset class is much better placed to stabilize, with growth and valuations still supportive.

Exhibit 1: Current trade portfolio

Active Orders	Entry	Stop	Target
Short CHF/JPY	114.47	119.30	105.00
Long PLN/HUF	71.37	72.60	76.00
Long EUR/CHF	1.1479	***1.1500***	1.2200
Short JPY/IDR 3m NDF	120.5	123.0	115.0
Short USD/INR 3m NDF	65.9	67.7	64.0
Short GBP/ILS*	4.6223	4.7200	4.4000
Long BRL/MXN*	5.91	5.68	6.18
Short USD/MYR 3m NDF	4.22	4.28	4.10
Short USD/CLP 3m NDF	630	645	600
Long EUR/NOK	9.52	***9.50***	10.00
Long ZAR/MXN	1.36	1.31	1.45

Source: Strategic FX Portfolio Trade Recommendations for more details. Changes in stops/targets in bold italics.

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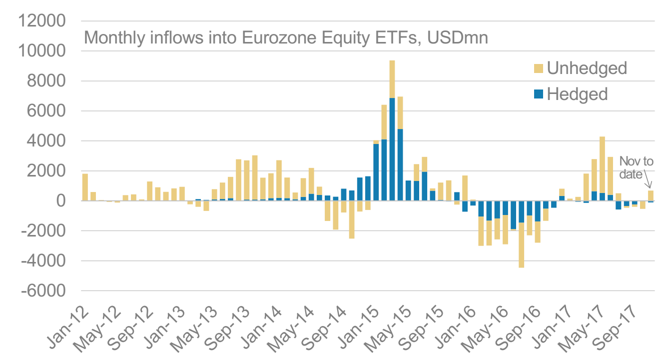
FX Overview

Sheena Shah

Bottom line: EUR crosses should trade higher as the Eurozone growth recovery continues and the current spike in volatility is expected to be temporary. Interestingly, EURCHF has stayed supported even as equity markets weaken, giving us confidence that this pair is going to continue to rise. USDCNH has remained below a key resistance area at 6.60 and with the PBoC guiding markets towards RMB stability, the USD's upside is limited, we feel. We stay short USDEM.

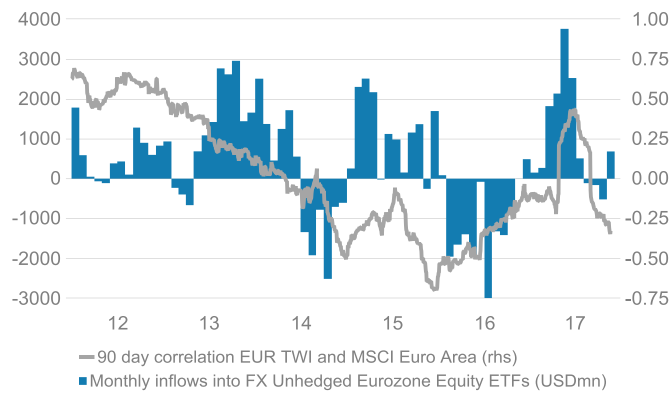
Global equity markets have taken a dip in the past week, driving up volatility, but we are noticing less market reaction in the G10 FX world. EUR for example has been very strong despite moving towards being positively correlated with equities earlier in the year. We think this may be because it is domestic investors that are selling, while foreign investors are buying without an FX hedge (Exhibit 2). As FX unhedged inflows into the Eurozone pick up, we should see a positive correlation between equities and FX return again.

Exhibit 2: Foreigners have been buying Eurozone equities without an FX hedge...



Source: Bloomberg, Morgan Stanley Research

Exhibit 3: ...which drives the correlation between equities and FX



Source: Bloomberg, Morgan Stanley Research

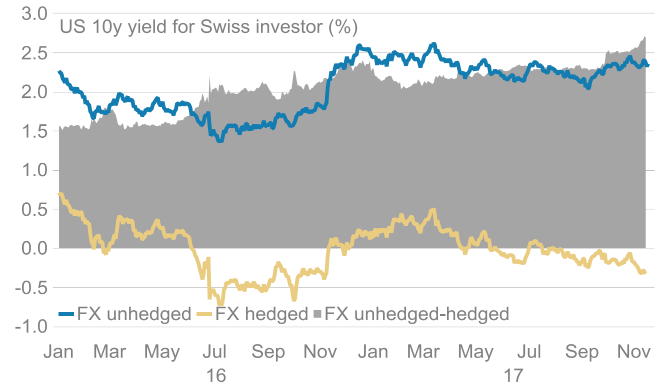
EUR crosses to trade higher. Even EURCHF which historically would have been associated with weakness as equities sold off, has seen support to almost new highs. We think that as Swiss investors see their currency depreciate then they are less likely to keep historic FX hedges. At the same time, the cost to hedge, say USD exposure, via cross currency basis has risen significantly over the last 2 weeks (Exhibit 4). CHF isn't an isolated case here (EUR, JPY and GBP basis have widened too) as this often occurs around year-end.

Exhibit 5 shows the yield advantage for a Swiss investor buying the US 10y government bond with and without an FX hedge. In April the advantage to hedge turned negative, meaning it would cost the investor to keep the FX hedge in play. In April EURCHF also bottomed out at 1.07, rallying 8% to the August high. A latest survey of Swiss pension funds showed they had the lowest foreign currency quota (17%) since the series began in 2006.

Exhibit 4: FX hedges become more expensive as basis widens

Source: Macrobond, Bloomberg, Morgan Stanley Research

Exhibit 5: Increasingly favourable for Swiss investors to buy foreign assets FX-unhedged



Source: Macrobond, Bloomberg, Morgan Stanley Research

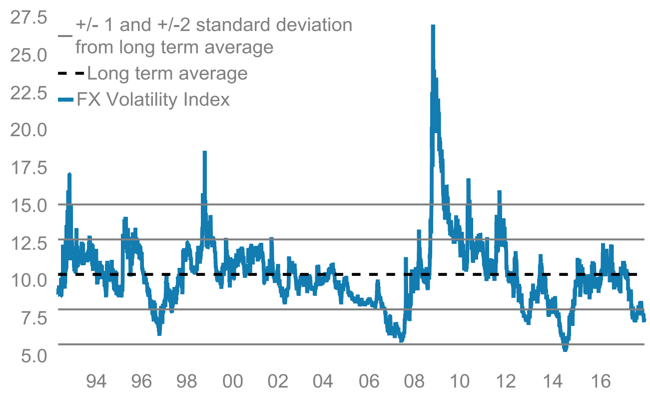
Exhibit 6: USDEM and US curve

Source: Macrobond, Bloomberg, Morgan Stanley Research

EM volatility picked up first. The performance of EM currencies in the past week has been less than would have been expected given the pick up in the VIX but we note that EMFX started selling off in September when the 10y US yield rose, meaning many FX portfolios had already adjusted. As the risk aversion spread, from EM into US high yield and global equities, EM currencies have started to stabilise. The EM correction was first and foremost a technical one, driven by positioning and sentiment as opposed to fundamentals or positioning. It is for this reason that we have stayed positive on EM even during the downturn, since we believe the medium term outlook remains robust for EM amid a strong growth outlook and decent valuations.

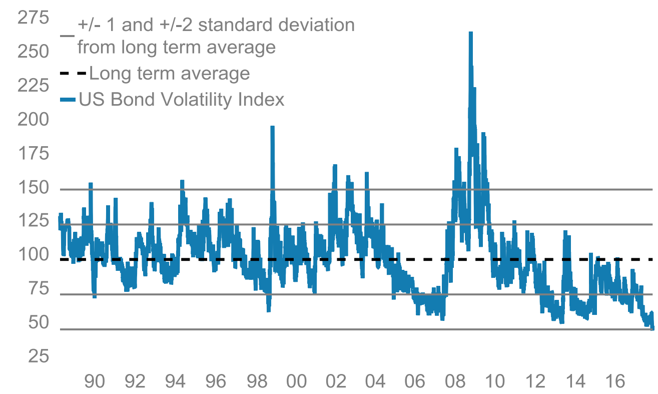
Market volatility is still low relative to history. The VIX index rose from a low of 9.1 on November 3 to over 13 yesterday but even after this move, remains high on a historic basis. FX and US equity implied volatility is 1-standard deviation below their long term averages. US bond volatility is more extreme, being 2-standard deviations below the average (Exhibit 7-Exhibit 9). Over the past year, strong global growth, liquidity conditions and more predictable central bank actions have been among the factors that have contributed to lower volatility. We find that DXY and the Fed's Broad USD index correlation with the US 10y yield remains high but the correlation between bond volatility (MOVE Index) and FX is not high, suggesting that it is the level of yields rather than the rate of change that matters more for currency directions for now.

Exhibit 7: FX Volatility is 1SD below average



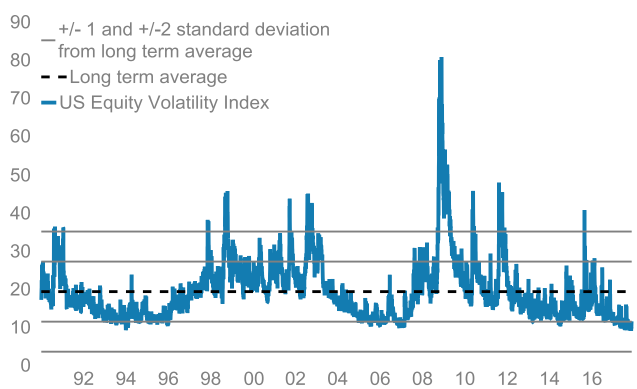
Source: Bloomberg, Macrobond, Morgan Stanley

Exhibit 8: US bond volatility is 2SD below average



Source: Bloomberg, Macrobond, Morgan Stanley

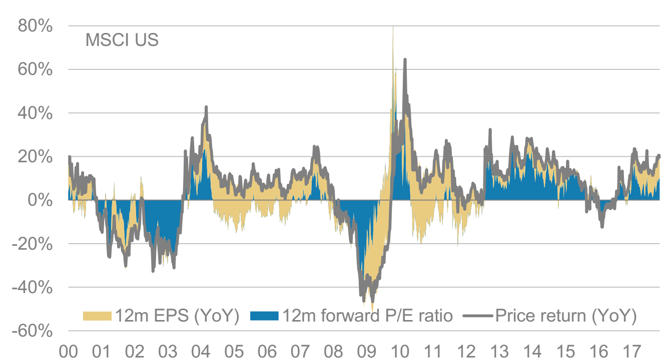
Exhibit 9: Equity Volatility is 1SD below average



Source: Bloomberg, Macrobond, Morgan Stanley Research

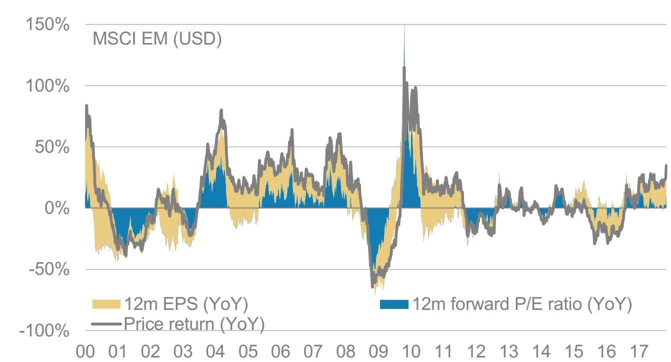
When would we turn bearish on risk currencies? So far, much of the price return in the equity markets has been led by earnings growth, adding fundamental backing to the rise. Exhibit 10 and Exhibit 11 show the breakdown of the index rise into earnings (yellow) and price (blue). We would start to get worried about our long EM FX positions when the yellow earnings bar becomes the smaller proportion of price rises.

Exhibit 10: US equity markets boosted by earnings growth



Source: MSCI, Morgan Stanley Equity Strategy

Exhibit 11: EM equity earnings increasingly driven by earnings growth (in USD terms)

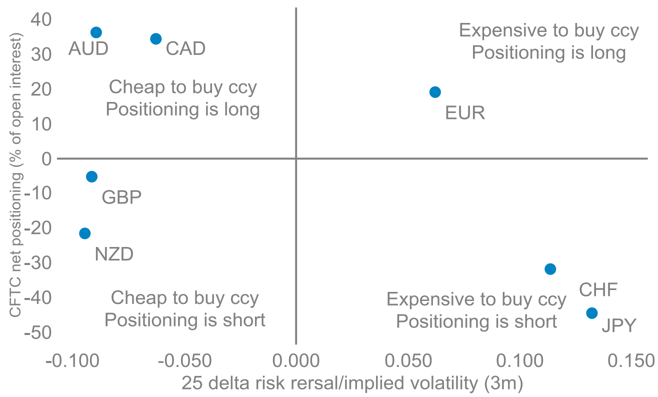


Source: MSCI, Morgan Stanley Equity Strategy

Where could G10 FX positioning be at risk? Over the past few months, we have noticed that when CFTC positioning in G10 currencies reaches extreme levels, continued news flow is required to keep the currency moving in the same direction. NZD long positioning reached an extreme in mid-June this year (3.6 standard deviations away from the 1-year average). About one month later, NZDUSD started weakening significantly when uncertainty around the NZ general election hit, compounded by the extreme long positioning.

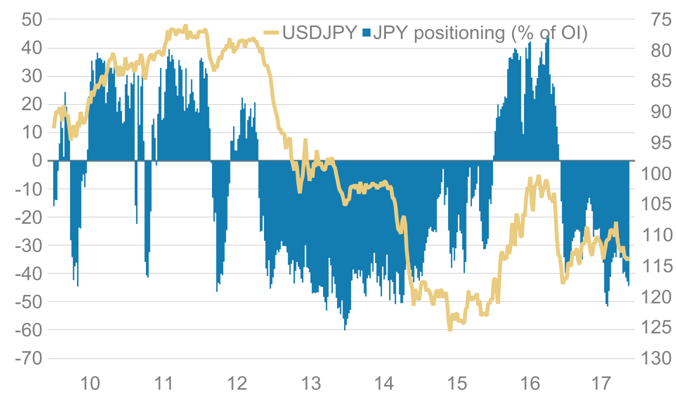
JPY positioning is now quite short relative to history, almost reaching 2 standard deviations away from the 1-year average which could signal extreme positioning. Since the JPY CFTC positioning data began in 1992, there were only 21 instances when positioning was extreme short (reaching at least 2 standard deviations away from the 1-year average). JPYUSD tended to rebound 71% of the time in the following 6 months, by an average of 5%. Our view is that USDJPY is in the last leg higher and will strengthen in 2018.

Exhibit 12: Positioning vs options skew



Source: Macrobond, Bloomberg, Morgan Stanley Research

Exhibit 13: JPY positioning is quite short



Source: Macrobond, Bloomberg, Morgan Stanley Research

Exhibit 12 shows the current CFTC positioning of G10 currencies vs the USD. CHF and JPY are both short currently but also both more expensive to buy in the options market vs sell. Historically both have been expensive to buy as these currencies are used as risk hedges. On the other side, both AUD and CAD positioning remains long and so is more vulnerable to a correction if there is an extreme change in market conditions or deterioration of local economic data. Both currencies rank highly on our vulnerability to the local housing market and high debt levels.

Strategic FX Portfolio Trade Recommendation

Long ZAR/MXN

Exhibit 14: ZAR has underperformed EM for most of 2017

Source: Bloomberg, Morgan Stanley Research

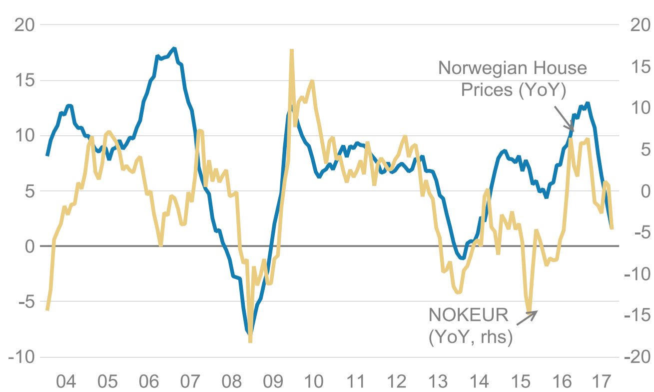
Hold (Entry: 1-Nov-17)

Entry: 1.36; Target: 1.45; Stop: 1.31

ZAR has struggled recently as the market has become more concerned about the possibility of a double rating downgrade for South Africa next week which would cause ZAR to come under further pressure. If so, this would likely be the final leg lower of what we expect will be a more constructive outcome from the December ANC conference based on the prospect for structural reforms. We position versus MXN because we have a similarly differentiated view (but on the bearish side) on the market perception of political risks in Mexico. The current NAFTA negotiations are the main concern and expectations for progress are low. There has been news that Mexico may be open to a five-year evaluation, but not a 'sunset clause' that the US has indicated it would prefer. However, we are concerned that talks will continue slowly and ultimately overlap with the Mexican presidential elections next year, raising uncertainty and volatility in MXN. The risks to this trade are that we have underestimated the market reaction to possible downgrades and the probability of a negative market reaction resulting from the ANC Conference in December.

Long EUR/NOK

Exhibit 15: NOK follows the local housing market



Source: Bloomberg, Morgan Stanley Research

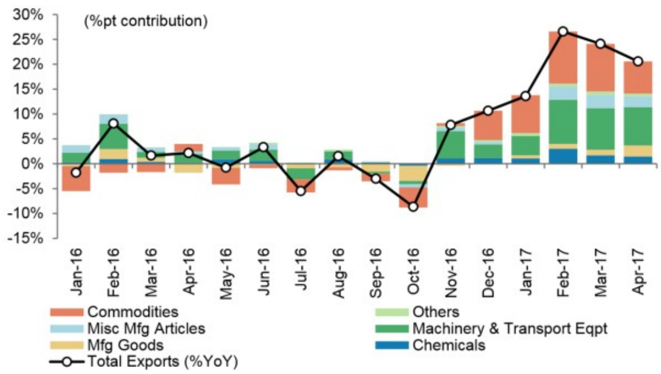
Hold (Entry: 26-Oct-17)

Entry: 9.52; Target: 10.00; Stop: 9.50

The see further upside to this pair, raising our stop to 9.50. We think the market is still not positioned long this pair and this added to the outsized move this week as EURNOK broke through the previous high. We think the drivers of NOK are domestic economic factors and not oil. Norway's current account is mostly supported by investment income rather than by oil sales. Generally we like being long EUR crosses vs our identified "canary" currencies. Norway's house price growth has slowed which has the potential to weigh on consumption significantly over the medium term if the housing slowdown continues. A more near term risk relates to the oil industry. This week, Oslo's district court will be ruling over whether big oil companies, like Statoil, can start new exploration in the Barents Sea and still leave Norway compliant with the Paris climate agreement . Oil companies seem to be focusing on new exploration, which is more efficient than expanding current rigs. NOK is underpricing these uncertainties. The risk to this trade is the EUR selling off significantly because the ECB is perceived to be more dovish than currently assumed.

Short USD/MYR 3m NDF

Exhibit 16: Malaysia's small, open economy supported by broad-based recovery in exports



Source: Bloomberg, CEIC, Morgan Stanley Research

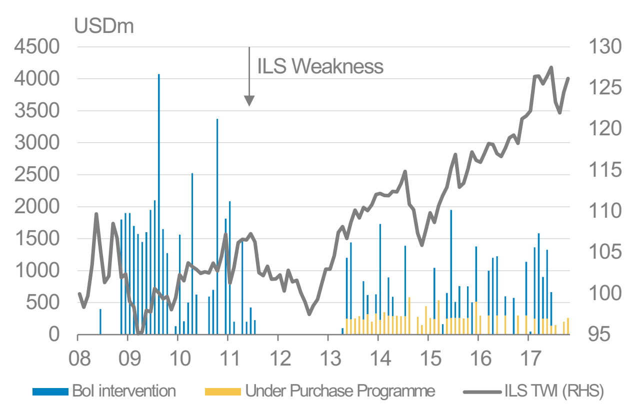
Hold (Entry: 19-Oct-17)

Entry: 4.22; Target: 4.10; Stop: 4.28

Whilst the BNM left its policy rate at 3%, comments suggesting the possibility of reviewing its current level of monetary accommodation saw USD/MYR spot and 3m forward sell off. Malaysian economic data remained strong while foreign reserves continue to tick up above US$100bn. MYR remains sensitive to long-end Treasury yields but we do not expect them to break significantly higher for now. REER valuations remain attractive and real money demand for Malaysian bonds and currency exposure have improved. Malaysia, as a small, open economy, is benefiting from the global trade pick-up, while domestic consumption has improved from pre-election spending and increasing infrastructure spending from China FDI and PPP projects. Rising oil prices have also added support for MYR in the near term. BNM rebuilding its FX reserves has kept MYR appreciation gradual, but we think that an improvement in external coverage ratios would be a long-term positive for Malaysia. Risks to the trade could come from a sharp decline in oil prices or a significant rise in US treasury yields. MYR remains vulnerable to a rise in global volatility or a rates sell-off, in our view. *Note: The USDMYR 3m NDF trade for $5mn entered on 28-Jul-17 at 4.29 was closed on expiry at 4.25.

Short GBP/ILS

Exhibit 17: BoI refrain from aggressive intervention



Source: Bloomberg, Bank of Israel, Morgan Stanley Research

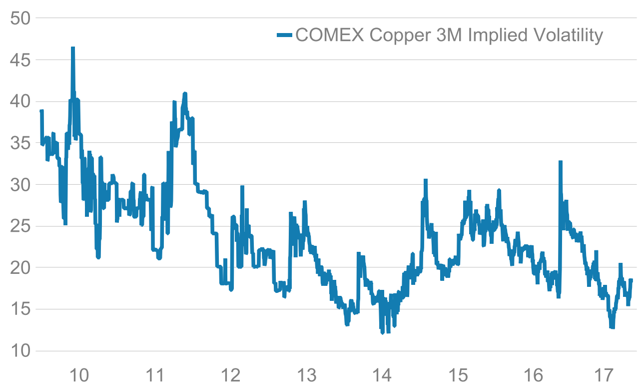
Hold (Entry: 13-Oct-17)

Entry: 4.6223*; Target: 4.4000; Stop: 4.7200

There is increasing uncertainty over the strength of the UK consumer and how the BoE's rate hike may affect the housing market. Very negative real rates in the UK should keep GBP an underperformer. We, like the BoE, think the rates market is fairly priced for hikes. This means that GBP upside is limited. In the coming 2 weeks markets will be watching out for the UK's proposal for the Brexit deal. Since we expect the USD to be weak, we have chosen to pair the trade vs the ILS. We have been highlighting the strong fundamentals of the Israeli economy for some time and 3Q GDP accelerating to 4.1% reaffirms our view that a positive economic backdrop should keep ILS supported. Inflation picked up to 0.2%Y in October which should help to dampen concerns around downside inflation risks and the prospect of low rates for an extended period of time. The BoI has not forcefully pushed back on ILS strength and has continued to refrain from additional FX purchases for the past few months aside from those which are part of their natural gas programme. However, this is something which we will be watching closely as increased intervention from the central bank would pose a risk to this trade. *Note: We entered the trade on 12-Oct-17 for $5mn at 4.6530 and increased our position by $5mn on 19-Oct 17 at 4.5915.

Short USD/CLP 3m NDF

Exhibit 18: Stable copper prices should help capex plans



Source: Bloomberg, Morgan Stanley Research

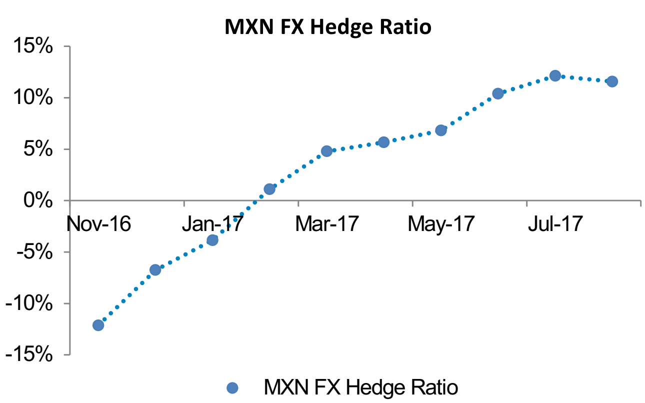
Hold (Entry: 12-Oct-17)

Entry: 630; Target: 600; Stop: 645

We continue to like CLP and expect the USD to resume its downward trend soon. Not only does the global backdrop continue to be supportive for EM, but idiosyncratic factors might also come into play. Growth is homogeneous globally, and commodity prices remain stable while volatility remains muted. A firmer outlook for copper prices along with the expectation that a market-friendly government will win the next presidential elections (first round this Sunday) has led confidence indicators to continue to recover. This should help growth momentum continue to pick up, aided by a capex rebound. In line with this, as inflation picks up, we think that CLP will remain supported as the market prices out the cuts embedded in the Camara Swap curve. Despite being a low-yielder, CLP correlations are not particularly attractive as an EM hedge, in our view. A risk to this trade would be the Central Bank of Chile actually delivering a rate cut.

Long BRL/MXN

Exhibit 19: MXN hedging ratios remain relatively low amid high positioning in FI markets ahead of the elections



Source: Morgan Stanley Research

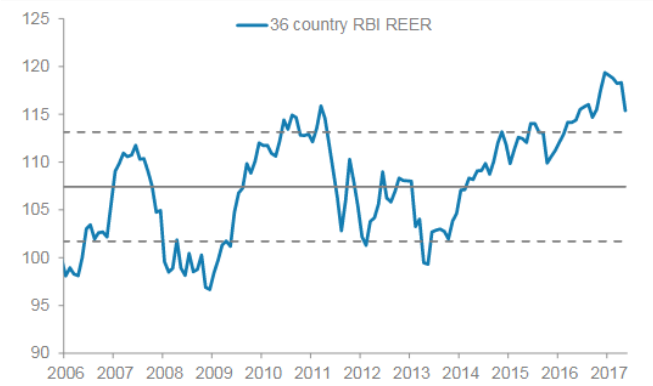
Hold (Entry: 5-Oct-17)

Entry: 5.91*; Target: 6.18; Stop: 5.68

Although fundamentals still favor MXN in the long run, a diluted risk premium in MXN makes it prone to weakness vis-à-vis its peers as we approach the final stage of NAFTA negotiations (currently in the 5th round) and the beginning of the presidential race. Being aware of the cost of being short MXN relative to DM, we think BRL is a good way to finance our short MXN. In other words, we like the cross as a cheap option. BRL will also have elections next year, but not only does the bar seem higher for a far-left government to win, but the elections also will take place later in the year. We think that MXN will begin depreciating sooner because of the presidential calendar. Finally, Morgan Stanley's benign outlook for the equity markets supports our bullish thesis, which is aided by expectations of a sharper rebound in economic activity while market pricing of a meaningful pension reform in the short run seems to already be quite low. *Note: We entered the trade on 5-Oct-17 for $5mn at 5.86 and increased our position on 12-Oct-17 to $10mn at 5.96. A risk event for the trade will be the vote on the pension reform in Brazil in the next couple of months or an early resolution of NAFTA.

Short USD/INR 3m NDF

Exhibit 20: INR REER valuations have moderated



Source: RBI, Bloomberg, Morgan Stanley Research

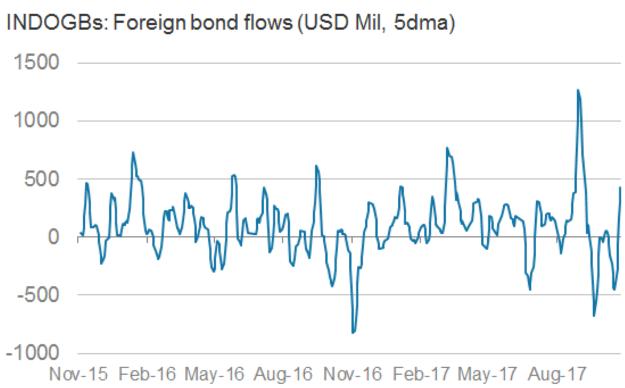
Hold (Entry: 5-Oct-17)

Entry: 65.9; Target: 64.0; Stop: 67.7

The Indian government's announcement of a USD 32.5 Bn bank recapitalisation plan is supportive of private sector investment growth and is likely to give a boost to foreign investor interest in local equity markets to which the INR is correlated. Our economists see upside risks to their GDP growth forecasts of 7.5% for F2019 from this announcement, while the package should not undermine macrostability given limited impact on the fiscal deficit, and the government's willingness to stay away from an inflationary capital injection. We think that INR remains a high-quality EM story showing low sensitivity to rising US yields. The wide real rates differential should also be a potent buffer against potential shocks arising from either DMs or geopolitics. Risks to the trade could come from surprises on fiscal slippage.

Short JPY/IDR 3m NDF

Exhibit 21: Foreigner have returned to the IndoGBs market, easing the pressure on the IDR



Source: Bloomberg, Morgan Stanley Research

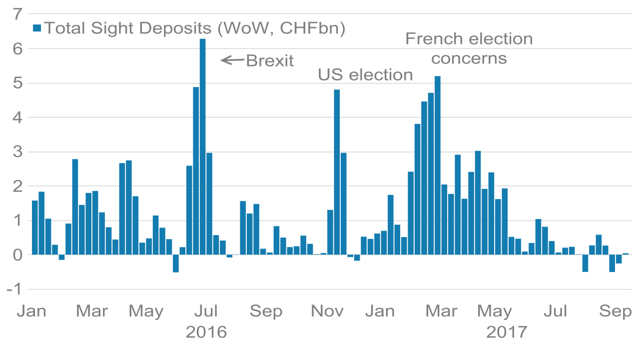
Hold (Entry: 4-Oct-17)

Entry: 120.5; Target: 115.0; Stop: 123.0

IDR has been flat against the USD this week which may have been the result of BI support for the currency. Indonesia is one of the countries in EM with a healthy growth outlook; thus, we would expect IDR to be more resistant to external shocks. Indonesia 12-month FX-implied yields stand at 6.3% compared to headline CPI at 3.6%Y and the 2018 consensus forecast of 4.2%Y, leaving real yields at relatively elevated levels. Meanwhile, our economics team sees downside risks to its inflation forecasts and sees Indonesia running a negative output gap; this leaves fixed income attractive, in our view. We have started to see some position-unwind in INDO GBs from foreign investors, following sharp inflows earlier in September, suggesting that positioning is moderately cleaner now. Finally, we expect that Bank Indonesia will prefer FX stability and, with FX reserves now at a healthy all-time high of almost US$129 billion, there is the ability to help smooth excess FX volatility. We like to trade IDR against JPY which we expect to stay weak. The main risk to this trade is a significant sell-off in risk appetite.

Long EUR/CHF

Exhibit 22: The SNB intervenes if needed



Source: Macrobond, Morgan Stanley Research

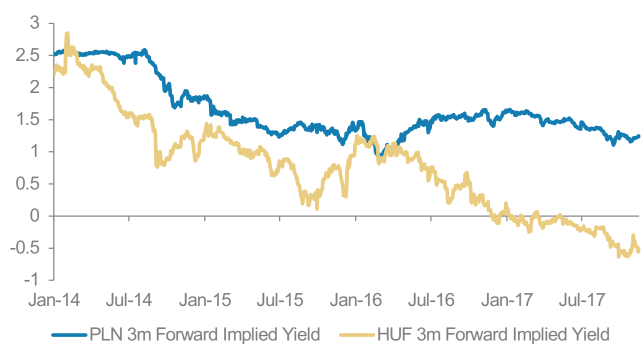
Hold (Entry: 14-Sep-17)

Entry: 1.1479; Target: 1.2200; Stop: 1.1500

We move our stop loss to 1.15. A strong EUR should help this trade. The EURCHF pair has remained on a general uptrend and is still trading around the highest level since the floor was removed in January 2015. We believe most investors have missed the move in this pair. There is still time to catch up. The SNB still calling the CHF "highly valued" suggests that it is not happy with the current level of the currency, providing the catalyst for the next leg higher in EURCHF. In fact, the tweak in the policy statement language cleared a hurdle for further EURCHF strength, as it may be difficult for the SNB to tighten language on the currency even further without EURCHF reaching the previous floor of 1.20 and the ECB progressing more concretely on QE tapering. Growth data in the EMU and Switzerland are also diverging, with Switzerland not participating in the EMU economies' growth outperformance. Risk appetite staying supported and reduced EMU break-up risks should also incentivize Swiss investors to invest abroad in EUR-denominated assets on an FX-unhedged basis, supporting EURCHF upside. The risk to this trade is a significant deterioration in risk appetite or renewed worries about eurozone political risks.

Long PLN/HUF

Exhibit 23: Yield differentials are wide



Source: Bloomberg, Morgan Stanley Research

Hold (Entry: 24-Aug-17)

Entry: 71.37; Target: 76.00; Stop: 72.60

We continue to think that PLN will be an outperformer in the region, supported by strong fundamentals and attractive valuation. 3Q GDP growth accelerated to 4.7%Y which reaffirms our view that good growth alongside a healthy labour market, a likely surge in EU funds absorption, an improving external position and gradually accelerating inflation should keep the domestic macro backdrop supportive for PLN. Although the NBP remains dovish and we have had some additional dovish comments this week from Kropiwnicki and Ancyparowicz, our economist continues to believe that 2H18 will see the conditions in place for a hike. We will be watching out for any signs of hawkishness which we think would act as a catalyst for PLN to strengthen further. We will also be looking for headlines about the judicial reform bill but do not expect any sustained negative impact on PLN. Whilst the fundamentals in Hungary are also strong, we think HUF will be held back by the loose monetary policy of its central bank. Given the dovish minutes and recent comments from Pleschinger, our economist thinks it is likely the NBH will announce new monetary tools at the upcoming meeting. In our view, in this case HUF would likely come under renewed pressure given there are limited signs that the economy requires further easing. The biggest risk to this trade is an escalation of tensions between Poland and the EU.

Short CHF/JPY

Exhibit 24: SNB balance sheet expansion to continue

Source: Macrobond, Morgan Stanley Research

Hold (Entry: 27-Jul-17)

Entry: 114.47*; Target: 105.00; Stop: 119.30

This is a long-term strategic trade. A few years ago we told a story of the Swiss going shopping abroad and it seems that story is in play today. The CHF weakness has been missed by many investors, and we think they will have to play catch up. The rally isn't just about EUR being strong. In 2016, the SNB was the only major foreign investor, limiting the upside for CHF. With global equities remaining strong, there are larger incentives for the Swiss to invest outside, weakening CHF. Recently, we also noted that Swiss pension funds have high FX hedge ratios on their bond and equity portfolios. If CHF is no longer strengthening, the incentive to roll on their hedges is lower. The SNB continues to be accommodative. We are not saying JPY is going to be a strong currency yet. Instead, we looked for a pair that had moved too far and provided good risk/reward, in our estimation. This is not often said with JPY, but this is a positive carry trade. The risk to our trade is that risk aversion remains for Swiss investors, who fail to increase their overseas investments and/or continue to hedge their FX risk. *Note: We entered the trade on July 27 for $5mn at 115.31 and increased our position on August 3 to $10mn at 113.63.

Strategic FX Portfolio

Trade Recommendation	Notional	Entry Date	Entry Level	Current	Stop	Target	Spot P&L	Carry P&L	Portfolio Contribution
Active Trades									
Short CHF/JPY	$10.0mn	27-Jul-17	114.47	113.75	119.30	105.00	$60.6k	$23.2k	$83.8k
Long PLN/HUF	$5.0mn	24-Aug-17	71.37	73.61	72.60	76.00	$152.1k	$17.0k	$169.1k
Long EUR/CHF	$5.0mn	14-Sep-17	1.1479	1.1684	***1.1500***	1.2200	$85.9k	$3.6k	$89.6k
Short JPY/IDR 3m NDF	$10.0mn	4-Oct-17	120.5	121.0	123.0	115.0	-$46.2k	$77.6k	$31.4k
Short USD/INR 3m NDF	$10.0mn	5-Oct-17	65.9	65.9	67.7	64.0	$0.0k	$63.2k	$63.2k
Short GBP/ILS*	$10.0mn	13-Oct-17	4.6223	4.6435	4.7200	4.4000	-$43.8k	-$14.7k	-$58.4k
Long BRL/MXN*	$10.0mn	5-Oct-17	5.91	5.83	5.68	6.18	-$127.0k	-$8.5k	-$135.4k
Short USD/MYR 3m NDF	$5.0mn	19-Oct-17	4.22	4.16	4.28	4.10	$72.4k	$5.2k	$77.6k
Short USD/CLP 3m NDF	$10.0mn	20-Oct-17	630	634	645	600	-$68.1k	$8.3k	-$59.8k
Long EUR/NOK	$10.0mn	26-Oct-17	9.52	9.67	***9.50***	10.00	$154.8k	-$4.6k	$150.2k
Long ZAR/MXN	$10.0mn	1-Nov-17	1.36	1.35	1.31	1.45	-$109.5k	-$1.3k	-$110.7k

Source: Morgan Stanley Research; Changes in stops/targets in bold italics.*Entered BRL/MXN on 5-Oct-17, increased allocation on 12-Oct-17. Entered GBP/ILS on 13-Oct-17, increased allocation on 19-Oct-17. Entry levels reflect average of two dates. (1) Stops are based on the WMR fixing. (2) The portfolio represents hypothetical, not actual, investments.

Simulated Managed Account Monthly Gross Performance - %													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year return
2009	0.74	-0.97	-0.15	-1.09	0.50	-0.87	0.30	0.22	2.00	0.77	1.27	0.55	**3.27%**
2010	-0.01	-0.27	1.71	1.13	1.39	-0.86	-2.36	0.95	0.67	-0.30	0.13	0.66	**2.80%**
2011	-1.20	0.29	-1.71	0.51	-1.11	-0.33	0.84	-1.02	0.50	-1.03	-0.18	0.44	**-3.97%**
2012	0.34	0.46	-0.42	0.52	1.78	-0.43	0.39	0.56	0.43	0.53	0.96	0.47	**5.72%**
2013	-0.23	-0.66	0.08	0.10	0.26	0.05	-0.71	-0.13	-0.62	0.23	1.17	-0.27	**-0.75%**
2014	1.09	-0.67	-0.54	-0.02	-0.20	-0.26	1.20	0.30	1.23	0.35	-0.30	0.37	**2.54%**
2015	2.21	0.09	1.07	-1.96	1.40	-0.63	2.20	2.80	0.29	-0.35	0.49	0.17	**7.77%**
2016	-0.22	1.07	-1.46	-0.33	-1.11	0.03	-0.55	0.00	0.56	0.13	0.24	0.00	**-1.63%**
2017	-1.08	0.89	0.17	0.81	-1.03	-0.01	0.24	0.88	-1.06	0.25	0.16		**0.21%**

Source: Morgan Stanley Research

Exhibit 25: History of recommendations

History of recommendations for USD/MYR

Instrument	Maturity	Trade	Entry Date	Entry Level	Exit Date	Exit Level	Target/ Objective	Stop/Re-assess	Size of Trade or Unit/Notional	CUSIP/ISIN/ BLOOMBERG	Gross P&L BP	Gross P&L US$K
USD/MYR	1m	Sell USD/MYR 1m NDF	25-May-17	4.27	22-Jun-17	4.33	4.1	4.33	$5.0m	Not Provided		
USD/MYR	3m	Sell USD/MYR 3m NDF	27-Jul-17	4.29	27-Oct-17	4.25	4.15	4.36	$10mn ~~$5mn~~ ~~$10mn~~	MRN+3M curncy		

History of recommendations for USD/INR

Instrument	Maturity	Trade	Entry Date	Entry Level	Exit Date	Exit Level	Target/ Objective	Stop/Re-assess	Size of Trade or Unit/Notional	CUSIP/ISIN/ BLOOMBERG	Gross P&L BP	Gross P&L US$K
USD/INR	3m	Sell USD/INR 3m NDF	3-Aug-17	64.31	20-Sep-17	62.50	62.50	65.20	10m	IHN+3M crncy		

History of recommendations for JPY/IDR

Instrument	Maturity	Trade	Entry Date	Entry Level	Exit Date	Exit Level	Target/ Objective	Stop/Re-assess	Size of Trade or Unit/Notional	CUSIP/ISIN/ BLOOMBERG	Gross P&L BP	Gross P&L US$K
JPY/IDR	3m	Sell JPY/IDR 3m NDF	02-Jan-17	117.26	04-Apr-17	122.50	110.00	122.50	$10m	JPYIDR Curncy		-265K
JPY/IDR	3m	Sell JPY/IDR 3m NDF	25-May-17	120.02	27-Jul-17	120.93	113.50	122.00	$5.0m	JPYIDR Curncy		

Source: Morgan Stanley Research

For more details regarding calculations, please see "Reading FX Tactical Trade Performance" at the back of FX Pulse. Trade FX Performance Data Package contains complete performance statistics. (3) Reported returns are unleveraged. Reported returns do not take into account transaction fees and other costs; past performance is no guarantee of future results. (4) In the case that trade allocations are increased, entry levels are a weighted average.

* Global Risk Demand Index – US Pat. No. 7,617,143. We updated our methodology for our portfolio in 2011 (see FX Pulse: Watching Europe, October 13, 2011).

G10 Currency Summary

Gek Teng Khoo, David Adams, Nicole Minkina

USD

1.0%

Fade USD Against Risk Rally — **Bearish**

Watch: Durable Goods, UMich Survey, FOMC Minutes, PMI

We retain our bearish stance on USD. The market implied probability of a Fed rate hike in December has increased to 97%, but we see the Fed continuing with gradual normalization thereafter. Recent data has been mixed, with strong October core CPI followed by weak import prices, giving slightly more support to doves on the FOMC and skeptics of the inflation rebound. Risks to tax reform as senate Republicans work to defend a narrow majority may be skewed to the downside over the coming week. We still like to sell USD against higher carry and higher growth EMs like MYR and INR as the global risk rally continues.

EUR

-0.8%

Breaking the Downtrend — **Bullish**

Watch: Current Account, German GDP, PMI, ECB Minutes, German Ifo

We stay constructive on EUR. Technically, EURUSD has broken the recent downtrend by trading above 1.18. Despite the recent weakness in Eurostoxx, there have been continued FX-unhedged inflows into Eurozone equity ETFs. As Eurozone growth continues to outperform, we expect equity and FDI inflows to continue which would strengthen the EUR. Sentiment on EUR has also stayed bearish despite the recent rally, which we think could support EUR upside as sentiment has room to improve. As long as inflation expectations and exports growth stay supported, we think the ECB will be tolerant of EUR strength.

JPY

4.0%

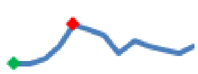
Yield Differential Keeps JPY Offered — **Bearish**

Watch: Trade Balance, Weekly Securities Flows, Manufacturing PMI

We retain our bearish JPY view. The yield differential between US Treasuries and JGBs should continue to incentivize outward investment from Japan in a risk-on environment. Ample liquidity as the Fed raises rates leads to a bear flattening of the curve, leading Japanese investors to invest in US rates increasingly unhedged on an FX basis. In addition, we think the BoJ will remain on hold as it discusses how to eventually respond to reflation and exit its yield curve control strategy. Though Japanese data continues to improve and inflation progresses towards the 2% target, we do not see the BoJ taking action for the time being.

GBP

2.5%



Volatility Rise on the Horizon — **Bearish**

Watch: PSNB, Autumn Budget, GDP

We continue expecting GBP underperformance. In the next two weeks, GBP volatility may rise as markets watch for the UK's proposal for the Brexit deal. Slowing employment growth and negative real wages may also weigh on consumer spending, not boding well for growth. The markets have fully priced in one more BoE rate hike for next year, suggesting little upside for the UK's very negative real rates. There is increasing uncertainty over how the BoE's rate hike may affect the housing market and the consumer. We stay short GBP against ILS.

CHF

3.3%

Staying Weak Despite Risk-Off — **Bearish**

Watch: Sight Deposits, Trade Balance, M3

We remain buyers of EURCHF which has stayed strong despite the weakness in global equities, suggesting bearish sentiment towards CHF. Persistent CHF weakness, coupled with higher hedging costs on the back of the widening cross-currency basis, suggest Swiss investors may increasingly invest abroad on an FX-unhedged basis, creating CHF-weakening outflows. The rates market is pricing an earlier rate hike by the SNB than the ECB, which we think is unjustified given the SNB’s focus on CHF overvaluation, and should weaken the currency when it gets priced out.

CAD

0.8%

BoC Remains Cautious **Bearish**

Watch: NAFTA Negotiations, CPI, Retail Sales

This week's NAFTA negotiations present downside risks to CAD. Additional US proposals to curb Mexican trucking, coupled with ongoing disagreements over rules of origin and the sunset clause, threaten to stall progress past the 1Q18 deadline. The BoC has not incorporated NAFTA failure risks into its outlook, presenting asymmetric negative risks to CAD if negotiations break down. We think the BoC's hiking path will remain shallow and moderate. The policy divergence between the Fed and BoC, where the market is underpricing the Fed's path and is more fairly priced for the BoC, should lead to upside for USDCAD. We are watching 1.2598 as the October high that could keep USDCAD in an uptrend.

AUD

-3.4%

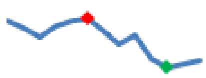
Weak Economic Fundamentals in AUD **Bearish**

Watch: Consumer Confidence, Westpac Leading Index

We are bearish on AUD despite anticipated USD weakness. AUD has been sensitive to the US 2y yield, and the upside surprise to US core CPI in October will probably lead to a higher core PCE reading next week, adding to AUD weakness. Weaker-than-expected wage and employment data out of Australia causes us to stick to our narrative of deteriorating economic conditions as global funding costs rise. Positioning in AUD is still long, and we see the 0.77 level as a key resistance to watch.

NZD

-5.1%



Watching New RBNZ Mandate **Bearish**

Watch: Food Prices, Retail Sales, Trade Balance

We are bearish on NZD as the fundamental economic outlook remains negative given our 'canaries' framework. Recently, New Zealand's Finance Minister has discussed getting rid of the 2% midpoint in the RBNZ's inflation target. In addition, the proposal to add an employment mandate could lead to the RBNZ having more policy flexibility. We acknowledge that data have beaten expectations of late, notably employment and CPI, and the RBNZ struck a hawkish tone by revising its inflation forecast higher than expected. The 0.70 level in NZDUSD is worth watching as a resistance level.

SEK

2.9%

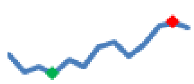
Limited Downside for Now **Neutral**

Watch: Riksbank Financial Stability Report, PPI

EURSEK has rallied sharply on the back of EUR strength and the inflation miss, making us stay neutral as there could be some correction and the upside is likely limited to around 10.10 for now as macro data remains robust and the housing market which has come into attention recently is not rolling over yet. However, we see SEK weakening over the medium term as Sweden comes up high on our list for a vulnerable housing market and sensitivity to rising funding costs. Based on recent speeches and the minutes, the Riksbank is also looking increasingly likely to extend QE in December, which would weaken the SEK.

NOK

2.9%



Growing Concerns over Oil Sector **Bearish**

Watch: Unemployment

We think there is further upside for EURNOK. Norway's economic data continues to underperform as seen in the latest miss in CPI, not boding well for NOK which is increasingly driven by domestic factors. Norway's current account is increasingly supported by investment income instead of oil exports, making NOK more sensitive to asset prices. House price growth, which has a strong positive correlation with NOKEUR, has also dipped into negative territory on a QoQ basis. We are also becoming more concerned about growth in the oil industry given the court case on whether big oil companies can start exploration in the Barents Sea.

Charts show 3M performance against USD, as normally quoted and DXY for USD. Click on any currency for a reference webpage on Matrix.

EM Currency Summary

Kritika Kashyap (AXJ), Ellie Heatherill (CEEMEA), Andres Jaime (LatAm)

CZK

-0.6%

Neutral

In our view, CZK is a fundamentally well-supported currency, highlighted by the strong 3Q GDP print, which reached 5%Y, beating expectations of 4.7%Y. Accelerating growth will likely focus the market on the CNB's need to tighten, given that inflation at 2.9%Y is at the upper end of its tolerance band. We expect expectations for further hawkishness and comments such as that from Hampl suggesting that he may back a rate hike in December to keep CZK supported. In our view, CZK should stay strong over the medium term, and we look for gradual gains. Nevertheless, we continue to see positioning as a primary headwind should sentiment shift.

HUF

1.5%

Neutral

We continue to think that HUF will underperform, given the dovish bias of the NBH, which is set to meet next week. Given the dovish minutes and recent comments from Pleschinger, our economist thinks it is likely that the NBH will announce new monetary tools at the upcoming meeting. In this case, HUF should stay under pressure as its monetary policy diverges away from its regional peers. Growth stayed strong in 3Q at 3.6%Y, slightly undershooting expectations, but nevertheless, the underlying fundamentals are positive. Growth is above trend, reflation is under way and the external balance is strong. Consequently, this should provide some support for the forint.

ILS

0.9%

Bullish

We continue to think that the shekel should remain strong. Inflation surprised marginally to the upside at 0.2%Y, which may help to dampen concerns around downside inflation risks and the prospect of low rates for an extended period of time. Added to this, annualized 3Q GDP reached 4.1%, significantly higher than the market's expectation of 2.7%. This reaffirms our long-standing view that strong underlying fundamentals should underpin shekel strength. The BoI has not made any additional FX purchases aside from those which are part of its natural gas program for the past few months, and this is something we will be watching closely.

PLN

0.2%

Bullish

A strong 3Q GDP print at 4.7%Y reaffirms our view that positive fundamentals will continue to underpin PLN strength. Strong incoming data may increase the market's perception that the NBP will become more hawkish sooner, creating further support. Recent NBP comments are in line with the overall dovish stance. Still, our economist expects 2H18 to see the conditions in place for tightening. Any signs of hawkishness would be a catalyst for PLN strength, in our view. We will be focusing on next week's NBP minutes, and watch for headlines about the judicial reform bill, but do not expect any sustained negative impact on PLN.

RUB

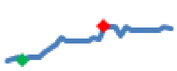
5.0%

Bullish

Despite RUB coming under pressure recently as a result of broader USD strength and concerns about higher FX purchases by the MinFin, the underlying positive fundamentals remain in place and so we stick to our bullish RUB view. GDP growth for 3Q was lower than expected, printing 1.8%Y. The inflation slowdown continued in October with CPI at 2.7%Y, but our economist still expects the CBR to only cut rates gradually, given that inflation is expected to rebound next year and inflation expectations remain unanchored. This orthodox monetary policy approach should ensure that real rates stay high and RUB is supported.

TRY

6.4%



Bearish

We expect continued TRY underperformance. Turkey has failed to make the necessary balance sheet adjustments; it continues to increase leverage, inflation is on the rise and growth remains unbalanced. Political risks are ongoing, which should continue to weigh on sentiment. Given that inflation has continued to accelerate, as long as the market continues to have doubts about the CBT's willingness to respond to higher inflation, this should also keep the lira under pressure. Deputy Governor Erkan Kilimci said the CBT will start offering a USD/TRY NDF auction facility to help corporates hedge against FX risks, but we think this will have a limited impact on TRY.

ZAR

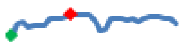
8.0%

Neutral

We are neutral on ZAR. There is a high degree of uncertainty but we think the economic outlook is well understood and priced by the market. We have a more constructive view on the December ANC Conference, and the prospect of structural reform would support ZAR. Our economist thinks CPI will likely soften to 4.8%Y and the SARB will stay on hold. Perhaps more significant for the currency will be the outcome of the scheduled ratings review and concerns about the possibility of a double downgrade which may see ZAR struggle in the near term.

CNY **Neutral**

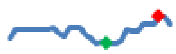
0.5%



USDCNY and the CFETS RMB Index had another week of range-bound movement, mimicking the movement in DXY. The latest China credit data indicate that credit growth decelerated in October and grew below market expectations, potentially a signal for slower growth in the near future. At the same time, we saw yields rising and the CGBs curve bear-steepening as onshore investors shed their bond positions in anticipation for further rounds of hikes by the PBOC. With the CFETS RMB Index flat and the details to the plans set at the 19th Party Congress unclear, we remain neutral on RMB.

INR **Bullish**

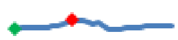
0.8%



INR briefly sold off at the beginning of the week before stabilizing. The sell-off coincided with a stronger-than-expected CPI print, chipping away at investors' real yield differentials. This week also saw the Indian trade deficit widen as exports contracted. Our economists are not yet alarmed by this development and see the drop in exports as driven by idiosyncratic factors. Our assumption remains that external demand will remain robust as the synchronous global recovery continues, and India will continue to benefit via a more narrow trade deficit and a smaller current account deficit.

IDR **Bullish**

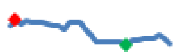
0.4%



IDR was flat against USD this week, which may have been the result of BI support for the currency. The October data on the BI's FX reserves reveal that FX reserves fell for two consecutive months since September, suggesting that BI may be supporting IDR prices in light of heavy IDR depreciation. BI held its MPC meeting today and held the policy rate at 4.25%, in light with participation. Going forward, we remain bullish on IDR due the attractive return offered by the 12m forward-implied carry and the stabilization of IDR against USD. YTD, IDR has been the least volatile currency in the AxJ region (outside HKD).

KRW **Bullish**

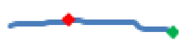
-1.4%



KRW had a stellar week (up 1.3% against USD) as foreign interest in KRW equity returns. We see Korea as a major beneficiary of persistent strength in global trade. The Korean trade balance rose to a record high in September, leading the BoK to make the third upward revision to its 2017/18 growth forecast this year. Currently, we see the KRW valuation catching up with Korea's economic fundamentals, especially with geopolitics cooling off for the moment. Chinese and Korean political leaders also promised to normalize bilateral ties affected by the THAAD installation. The BoK thinks this normalization can add the equivalent of 0.4pp to the 2017 growth forecast should THAAD-related trade actions be removed.

MYR **Bullish**

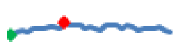
-1.0%



MYR had a good week after BNM attached a hawkish note to its MPC statement after last Thursday's meeting. We see the strong performance of MYR as the FX valuation catching up with Malaysia's strong fundamentals. Higher oil prices are improving tax receipts and reducing the country's credit risk. Our economists see the government engaging in pre-election spending, which should boost consumption and growth for 2018. We will pay attention to 3Q GDP and the current account balance, scheduled to be released on Friday, November 17.

SGD **Neutral**

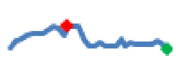
1.0%



The MAS maintained the status quo in its latest semiannual monetary policy review: the slope of the S$NEER was kept at zero and no changes were made to the midpoint or policy band. The MAS did not adopt a more hawkish tone as was expected prior to the meeting. The MAS stated that policy would remain neutral but dropped the reference to "an extended period of time" as was published in previous statements. Core inflation remains within the MAS's expectations, leading our economists to believe that tightening is not imminent. We currently see SGD as fairly valued and we retain our neutral stance.

TWD **Neutral**

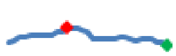
0.4%



TWD has remained range-bound at 30-30.5 since April 2017. 3Q GDP data grew at 3.1%Y, far ahead of market consensus of 2.2%Y, and was entirely supported by strong external demand. The strong net export performance was dragged down by weak domestic demand, with both capex and consumption having fallen. Our economists expect the CBC to remain on hold until 2Q18-4Q18, given the dynamics of the current growth cycle. With TWD NEER having moderated significantly since its peak in May 2017, we expect TWD to stabilize going forward.

THB **Neutral**

-0.1%



We turned neutral on THB after we observed the trade balance returning to surplus and FX reserves declining. With global economic growth still robust and the strong trade flows prevailing, the BoT may be comfortable keeping THB at a relatively high valuation, especially as DM central banks begin to embark on a rate hike cycle. We will continue to monitor the BoT's FX reserves and Thailand's trade balance to see if the BoT would position for some THB weakness. We will closely monitor the 3Q GDP data, scheduled to be released next week, for more guidance on where the BoT will take THB.

BRL

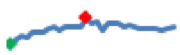
4.6%

Neutral

BRL has behaved broadly in line with EM peers during the last week and we think that it may rally as the USD loses steam. Next big event will be the vote regarding the pension reform which still has no set date. We think that it should not come as a surprise that the potential bill to be voted will be a watered-down version as the likelihood of getting something that would require a two-thirds majority in Congress is very low and that the base case remains some sort of provisional measures (simple majority). As long as the market prices in that a meaningful pension reform is a matter for 2019, we do not expect BRL to underperform its peers until the election noise kicks in, something that we do not anticipate happening in the near term.

CLP

2.2%



Bullish

We believe that the medium-term outlook continues to be positive. A firmer outlook for copper prices along with the expectation that a market-friendly government will win the next presidential elections (first round on Sunday) has led confidence indicators to continue to recover. This should help growth momentum to continue picking up, aided by a capex rebound. In line with this, as low inflation proves to be temporary, we think that the market will eventually price out the cuts embedded in the curve, further supporting CLP.

COP

3.4%

Neutral

We keep a neutral stance in COP with a bearish bias as we think it remains a weak link in the EM space. Despite the recent decrease in its portfolio flow dependency in the last few quarters, positioning in the FI space from offshore accounts remains relatively high while the fiscal outlook continues to be fragile. Although growth has shown some signs of starting to stabilise it remains sluggish. In addition, recent headlines about Timochenko will only add uncertainty to the already contested presidential race, something that hardly plays as a tailwind for the investment outlook. In this regard, we believe that the level of real rates is not very supportive on a potential pick-up in volatility.

MXN

1.1%

Bearish

USDMXN remains volatile as NAFTA talks take central stage. Despite some relief from the recent announcement of an additional US$ 4bn of NDF FX hedges to be auctioned, we do believe that a potential overlap of the presidential race and the continuation of NAFTA talks is not a good combination for Mexican assets. Although not outright short MXN vis a vis DM, we think that the currency has a bias to depreciate and prefer to express short MXN positions through EM.

PEN

0.4%

Neutral

We see little reason to be long PEN. Not only is the absolute carry unattractive, but the low volatility of the currency is also asymmetric to the downside when the central bank jumps into the market. The last cut in its reference rate does not help in this regard, and while we are not outright short PEN, we think there are better opportunities in the EM space.

Charts show 1M performance against USD, as normally quoted.

Central Bank Watch

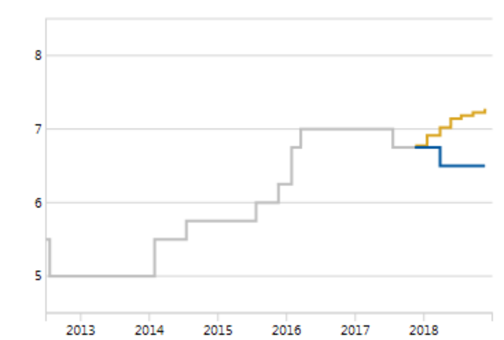
G10
- Australia
- Canada
- Euro Area
- Japan
- New Zealand
- Norway
- Sweden
- Switzerland
- UK
- USA

EM
- Brazil
- Chile
- Colombia
- Czech Republic
- Hungary
- Israel
- Malaysia
- Mexico
- Poland
- South Africa
- South Korea
- Taiwan
- Thailand

South Africa

Economics: Andrea Masia Recent Research
Strategy: Min Dai Recent Research

POLICY RATES latest (15 November 2017): **6.75%**

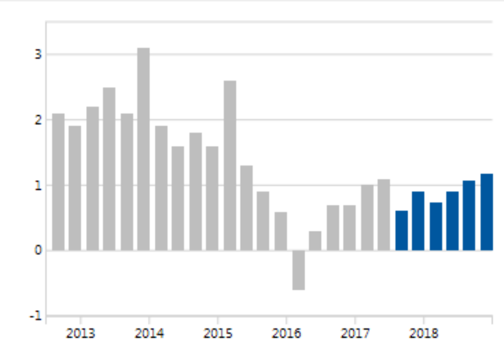


POLICY MEETING CALENDAR

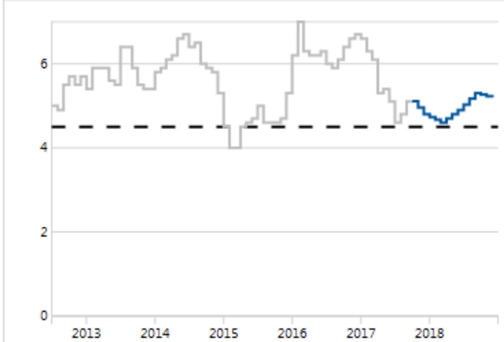
	Move at Meeting	Cumulative Moves	
	Market Implied	Market Implied	Our Forecast
November 23, 2017	2	2	0
January 18, 2018*	14	16	0
March 28, 2018*	11	27	-25
May 24, 2018*	12	39	-25
July 19, 2018*	4	43	-25
September 20, 2018*	4	47	-25
November 22, 2018*	5	53	-25

* Indicates that a meeting date is estimated.

GDP GROWTH (YoY) latest (2Q 2017): **1.1%**



INFLATION (YoY) latest (September 2017): **5.1%**



Morgan Stanley Research. Please see the latest Global Macro Briefing for forecasts of countries not included in this interactive.
With thanks to the AlphaWise Interactive Team for their contribution to this report.

Global Event Risk Calendar

Gek Teng Khoo, Nicole Minkina

Date	Time (Ldn)	Ccy	Event	Ref. Period	MS forecast	Market	Previous
15-21 N	N/A	INT	NAFTA Talks Fifth Round				
17-Nov	**8:30**	**EUR**	**ECB's Draghi spks (Europe into a New Era Congress)**				
	9:00	EUR	Euro-area Current Account	Sep			33.3B
	10:00	EUR	Construction Output (MoM)	Sep			-0.2%
	13:30	USD	Housing Starts	Oct	1136k	1190k	1127k
	13:30	**CAD**	**CPI (YoY)**	**Oct**		**1.4%**	**1.6%**
	16:00	USD	Kansas City Fed Manufacturing Activity	Nov		21	23
	N/A	EUR	Catalan Election Candidates Submission Deadline				
19-Nov	21:30	NZD	Performance Services Index	Oct			56
	23:50	JPY	Trade Balance	Oct		350B	667.7B
20-Nov	9:00	CHF	SNB Sight Deposits				577.5B
	15:00	USD	Leading Index	Oct	1.1%	0.6%	-0.2%
	22:30	AUD	Consumer Confidence				114.8
20-21 N	**N/A**	**AUD**	**RBA's Lowe spks (Australian Business Economists)**				
21-Nov	0:30	AUD	RBA Minutes	Nov-7			
	2:00	NZD	Credit Card Spending (MoM)	Oct			0.7%
	4:30	JPY	All Industry Activity Index (MoM)	Sep		-0.4%	0.1%
	5:30	JPY	Nationwide Dept Sales YoY	Oct			4.4%
	7:00	CHF	Trade Balance	Oct			2.92B
	9:30	GBP	PSNB ex Interventions	Oct			5.902B
	N/A	NZD	Global Dairy Trade Announces Milk Auction Results				
	13:00	**HUF**	**NBH Rates Decision**		**0.90%**	**0.9%**	**0.9%**
	15:00	USD	Existing Home Sales	Oct	5.35m	5.41m	5.39m
	23:00	**USD**	**Fed's Yellen (voter) spks (NYU Stern Business School)**				
	23:30	AUD	Westpac Leading Index (MoM)	Oct			0.08%
22-Nov	7:00	NOK	Unemployment rate (AKU)	Sep			4.1%
	12:30	**GBP**	**UK Autumn Budget**				
	13:30	USD	Initial Jobless Claims			235k	239k
	13:30	USD	Durable Goods Orders	Oct P	-0.1%	0.3%	2%
	15:00	EUR	Consumer Confidence	Nov A			-1
	15:00	USD	Univ. of Michigan Confidence	Nov F		98	97.8
	19:00	USD	FOMC Minutes	Nov-1			
23-Nov	9:00	EUR	PMI Manufacturing	Nov P			58.5
	9:00	EUR	PMI Services	Nov P			55
	12:30	EUR	ECB Minutes	Oct-26			
	13:30	CAD	Retail Sales (MoM)	Sep			-0.3%
	N/A	**ZAR**	**SARB Rates Decision**		**6.75%**	**6.75%**	**6.75%**
	16:30	**CHF**	**SNB's Jordan spks (Current Account Monetary Policy)**				
	21:45	NZD	Trade Balance	Oct			-1142.81m
	23:50	JPY	Japan MoF Weekly Security Flow				

24-Nov	5:00	JPY	Leading Index CI	Sep F			106.6
	9:00	EUR	IFO Expectations	Nov			109.1
	14:00	**MXN**	**GDP (QoQ)**	**3Q F**			**-0.2%**
	14:45	USD	PMI Manufacturing	Nov P			54.6
	14:45	USD	PMI Services	Nov P			55.3
	N/A	**COP**	**BDRC Rates Decision**		**5.00%**	**5%**	**5%**
26-Nov	N/A	INT	MS Global Macro and Strategy 2018 Outlook				
27-Nov	9:00	CHF	SNB Sight Deposits				577.5B
	14:00	**ILS**	**BoI's Rates Decision**		**0.10%**		**0.1%**
	15:00	USD	New Home Sales	Oct		615k	667k
	15:30	USD	Dallas Fed Manufacturing Activity	Nov			27.6
	22:30	AUD	Consumer Confidence				114.8
28-Nov	8:30	SEK	Trade Balance	Oct			2.6B
	8:30	SEK	Retail Sales (MoM)	Oct			0.82%
	9:00	EUR	M3 (YoY)	Oct			5.1%
	9:30	**GBP**	**GDP (QoQ)**	**3Q P**			**0.4%**
	13:30	USD	Wholesale Inventories (MoM)	Oct P			0.3%
	15:00	USD	Consumer Confidence Index	Nov		123	125.9
	15:00	**USD**	**Fed's Powell Confirmation Hearing (Senate)**				
	15:00	USD	Richmond Fed Manufacturing Index	Nov			12
29-Nov	0:01	GBP	BRC Shop Price Index (YoY)	Nov			-0.1%
	7:00	CHF	Consumption Indicator	Oct			1.56
	8:00	**EUR**	**German regional CPI start being released**	**Nov**			
	8:00	SEK	Economic Tendency Survey	Nov			113.3
	8:30	**SEK**	**GDP (QoQ)**	**3Q**			**1.3%**
	9:30	GBP	Mortgage Approvals	Oct			66.2k
	10:00	EUR	Consumer Confidence	Nov F			-1
	13:00	**EUR**	**German CPI (YoY)**	**Nov P**			**1.6%**
	13:30	**USD**	**GDP (QoQ)**	**3Q S**		**3.4%**	**3%**
	13:30	USD	PCE Core (QoQ)	3Q S			1.3%
	15:00	USD	Pending Home Sales (MoM)	Oct			0%
	23:50	JPY	Industrial Production (MoM)	Oct P			-1%
	23:50	JPY	Japan MoF Weekly Security Flow				
30-Nov	**N/A**	**KRW**	**BoK Rates Decision**		**1.25%**		**1.25%**
	0:01	GBP	GfK Consumer Confidence	Nov			-10
	0:30	AUD	Private Sector Credit (MoM)	Oct			0.3%
	0:30	AUD	Building Approvals (MoM)	Oct			1.5%
	1:00	CNY	Manufacturing PMI	Nov			51.6
	6:45	**CHF**	**GDP (QoQ)**	**3Q**			**0.3%**
	7:00	NOK	Retail Sales (MoM)	Oct			-0.8%
	N/A	**INT**	**OPEC Meeting**				
	8:00	CHF	KOF Leading Indicator	Nov			109.1
	10:00	EUR	Unemployment Rate	Oct			8.9%
	10:00	**EUR**	**CPI Estimate (YoY)**	**Nov**			**1.4%**
	13:00	**PLN**	**CPI (YoY)**	**Nov P**			**2.1%**
	13:30	USD	Initial Jobless Claims			235k	239k
	13:30	USD	Personal Spending	Oct		0.3%	1%
	13:30	**USD**	**PCE Core (YoY)**	**Oct**			**1.3%**

	14:45	USD	Chicago PMI	Nov		63	66.2
	22:00	AUD	PMI Manufacturing	Nov			55.5
	23:30	**JPY**	**CPI (YoY)**	**Oct**			**0.7%**
1-Dec	1:45	CNY	Caixin PMI Manufacturing	Nov			51
	5:30	AUD	Commodity Index (YoY)	Nov			9.1%
	7:30	SEK	Manufacturing PMI	Nov			59.3
	8:00	NOK	Manufacturing PMI	Nov			54.5
	8:30	SEK	Sweden CA Balance	3Q			39.5B
	9:00	EUR	PMI Manufacturing	Nov F			58.5
	9:30	GBP	PMI Manufacturing	Nov			56.3
	13:30	CAD	Employment Change	Nov			35.3k
	13:30	**CAD**	**GDP (YoY)**	**Sep**			**3.5%**
	14:30	CAD	PMI Manufacturing	Nov			54.3
	14:45	USD	PMI Manufacturing	Nov F			54.6
	15:00	USD	ISM Manufacturing	Nov		58.3	58.7
	15:00	USD	Construction Spending (MoM)	Oct		0.5%	0.3%
	N/A	USD	Total Vehicle Sales	Nov			17.98m
	15:00	USD	Construction Spending (MoM)	Oct		0.5%	0.3%
	N/A	USD	Total Vehicle Sales	Nov			17.98m
1-10 D	N/A	CHF	Retail Sales Real (YoY)	Oct			-0.4%
Upcoming Risk Events							
5-Dec	3:30	AUD	RBA Rates Decision	Dec	1.50%	1.50%	1.50%
6-Dec	15:00	CAD	BoC Rates Decision	Dec	1.00%	1.00%	1.00%
13-Dec	19:00	USD	FOMC Rates Decision (Upper Bound)	Dec	1.50%	1.50%	1.25%
14-Dec	8:30	CHF	SNB Rates Decision	Dec			-0.75%
14-Dec	9:00	NOK	Norges Bank Rates Decision	Dec	0.50%		0.50%
14-Dec	12:00	GBP	BoE Rates Decision	Dec	0.50%	0.50%	0.50%
14-Dec	12:45	EUR	ECB Rates Decision	Dec	-0.40%		-0.40%
20-Dec	8:30	SEK	Riksbank Rates Decision	Dec	-0.50%		-0.50%
21-Dec	N/A	JPY	BoJ Rates Decision	Dec	-0.10%		-0.10%
7-Feb	20:00	NZD	RBNZ Rates Decision	Feb	1.75%	1.75%	1.75%

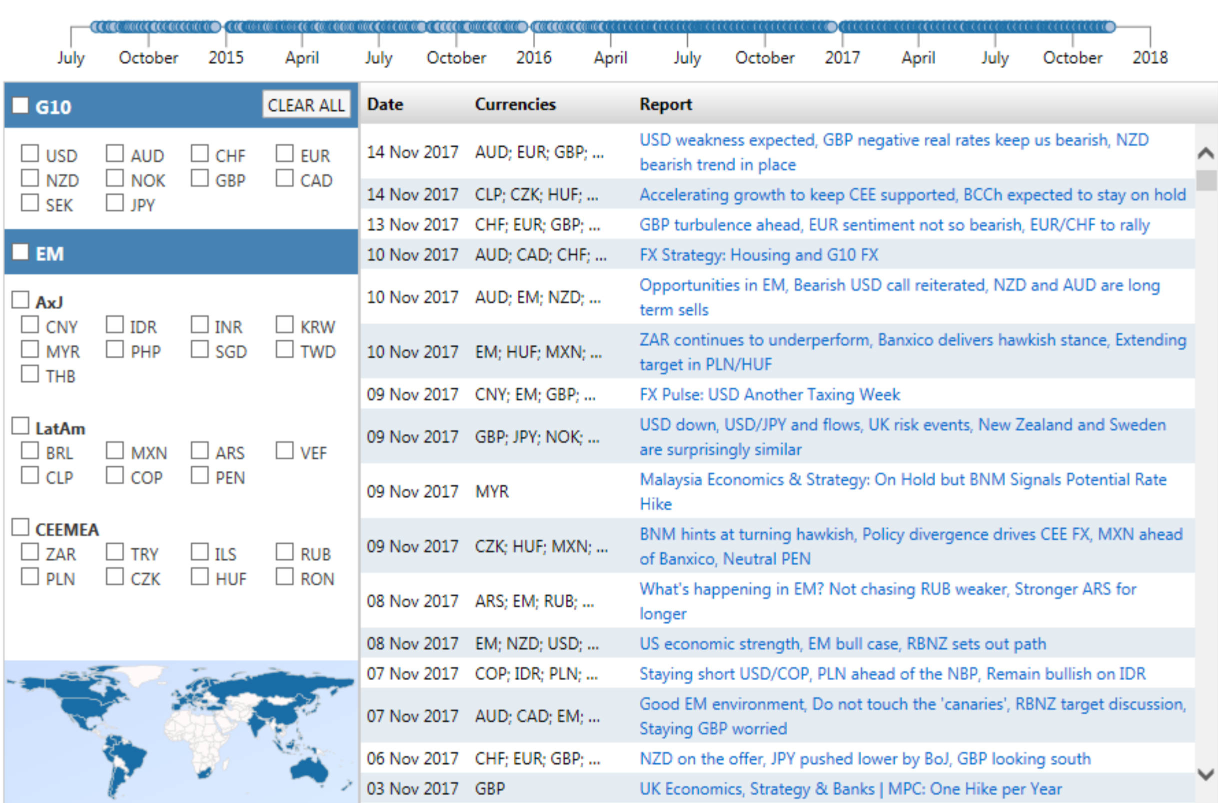
N/A denotes timing approximate or not confirmed / All times and dates are GMT and correct as of the date of publication / For a full list of economic events, see the calendar on the Morgan Stanley Matrix Platform.

Currency Research Filter

Looking for our latest view on USD? Use the filter below to search for our latest articles by currency and date.

FX Filter

Check currencies below and drag on the timeline to select a date range



Date	Currencies	Report
14 Nov 2017	AUD; EUR; GBP; ...	USD weakness expected, GBP negative real rates keep us bearish, NZD bearish trend in place
14 Nov 2017	CLP; CZK; HUF; ...	Accelerating growth to keep CEE supported, BCCh expected to stay on hold
13 Nov 2017	CHF; EUR; GBP; ...	GBP turbulence ahead, EUR sentiment not so bearish, EUR/CHF to rally
10 Nov 2017	AUD; CAD; CHF; ...	FX Strategy: Housing and G10 FX
10 Nov 2017	AUD; EM; NZD; ...	Opportunities in EM, Bearish USD call reiterated, NZD and AUD are long term sells
10 Nov 2017	EM; HUF; MXN; ...	ZAR continues to underperform, Banxico delivers hawkish stance, Extending target in PLN/HUF
09 Nov 2017	CNY; EM; GBP; ...	FX Pulse: USD Another Taxing Week
09 Nov 2017	GBP; JPY; NOK; ...	USD down, USD/JPY and flows, UK risk events, New Zealand and Sweden are surprisingly similar
09 Nov 2017	MYR	Malaysia Economics & Strategy: On Hold but BNM Signals Potential Rate Hike
09 Nov 2017	CZK; HUF; MXN; ...	BNM hints at turning hawkish, Policy divergence drives CEE FX, MXN ahead of Banxico, Neutral PEN
08 Nov 2017	ARS; EM; RUB; ...	What's happening in EM? Not chasing RUB weaker, Stronger ARS for longer
08 Nov 2017	EM; NZD; USD; ...	US economic strength, EM bull case, RBNZ sets out path
07 Nov 2017	COP; IDR; PLN; ...	Staying short USD/COP, PLN ahead of the NBP, Remain bullish on IDR
07 Nov 2017	AUD; CAD; EM; ...	Good EM environment, Do not touch the 'canaries', RBNZ target discussion, Staying GBP worried
06 Nov 2017	CHF; EUR; GBP; ...	NZD on the offer, JPY pushed lower by BoJ, GBP looking south
03 Nov 2017	GBP	UK Economics, Strategy & Banks | MPC: One Hike per Year

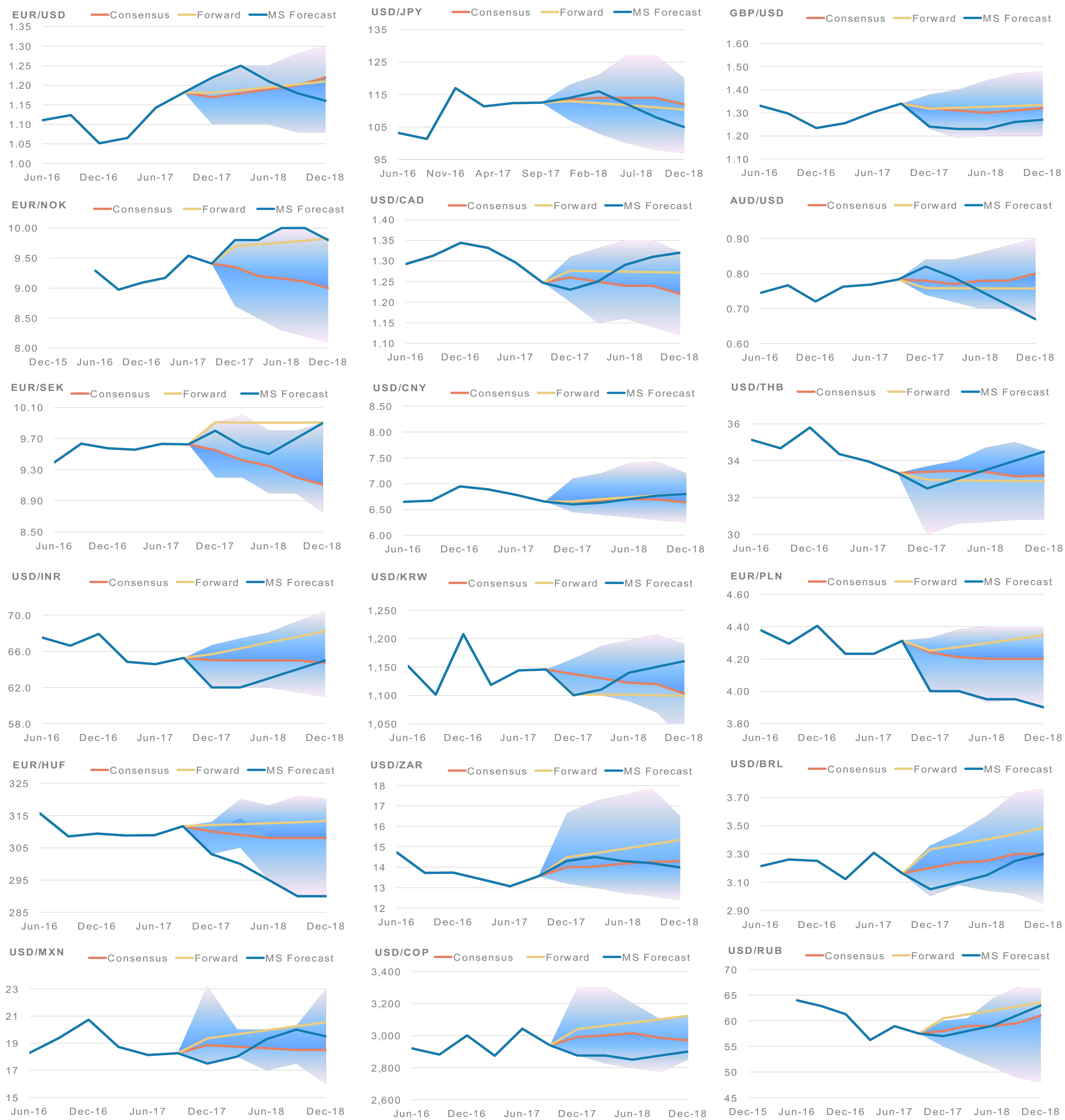
Morgan Stanley Research. With thanks to the AlphaWise Interactive Team for their contribution to this report.

Choose one or several currencies to search. Alternatively, choose a grouping such as G10 or LatAm.
Search the whole historical timeline of research easily at the top.
Click on the map to find currency research from that region.

The research here is currency-specific. Please click here to search by our publications FX Morning and FX Pulse.

FX Forecasts Relative to Market

Exhibit 26: FX forecasts relative to market



Source: Bloomberg, Morgan Stanley Research forecasts. Shaded area is the range of market forecasts.

Morgan Stanley Global Currency Forecasts

Exhibit 27: FX forecasts – click here for custom forecasts

	4Q17	1Q18	2Q18	3Q18	4Q18
EUR/USD	1.22	1.25	1.21	1.18	1.16
USD/JPY	114	116	112	108	105
GBP/USD	1.24	1.23	1.23	1.26	1.27
USD/CHF	1.00	1.00	1.01	1.01	0.99
USD/SEK	8.03	7.68	7.85	8.22	8.53
USD/NOK	8.03	7.84	8.26	8.47	8.45
USD/CAD	1.23	1.25	1.29	1.31	1.32
AUD/USD	0.82	0.79	0.75	0.71	0.67
NZD/USD	0.70	0.69	0.68	0.68	0.67
EUR/JPY	139	145	136	127	122
EUR/GBP	0.98	1.02	0.98	0.94	0.91
EUR/CHF	1.22	1.25	1.22	1.19	1.15
EUR/SEK	9.80	9.60	9.50	9.70	9.90
EUR/NOK	9.80	9.80	10.00	10.00	9.80
USD/CNY	6.60	6.63	6.70	6.77	6.80
USD/HKD	7.80	7.80	7.80	7.80	7.80
USD/IDR	13100	13200	13300	13400	13500
USD/INR	62.0	62.0	63.0	64.0	65.0
USD/KRW	1100	1110	1140	1150	1160
USD/MYR	4.10	4.15	4.20	4.25	4.30
USD/PHP	50.0	50.5	51.0	51.5	52.0
USD/SGD	1.34	1.36	1.38	1.40	1.40
USD/TWD	29.5	30.0	30.5	31.0	31.0
USD/THB	32.5	33.0	33.5	34.0	34.5
USD/BRL	3.05	3.10	3.15	3.25	3.30
USD/MXN	17.50	18.00	19.30	20.00	19.50
USD/ARS	18.50	19.20	21.00	21.50	22.00
USD/CLP	640	640	645	655	655
USD/COP	2875	2875	2850	2875	2900
USD/PEN	3.24	3.23	3.23	3.22	3.22
USD/ZAR	14.30	14.50	14.30	14.20	14.00
USD/TRY	3.60	3.60	3.65	3.80	3.90
USD/ILS	3.40	3.35	3.40	3.50	3.50
USD/RUB	57.0	58.0	59.0	61.0	63.0
EUR/PLN	4.00	4.00	3.95	3.95	3.90
EUR/CZK	26.00	25.75	25.50	25.25	25.00
EUR/HUF	303	300	295	290	290
EUR/RON	4.50	4.40	4.40	4.40	4.40
DXY Index	92	91	93	94	95
Fed's Broad USD Index	117	118	121	123	123

Source: Morgan Stanley Research forecasts. Forecasts were updated on August 10, 2017.

Appendix

The **Strategic FX Portfolio Trade Recommendations** page presents the portfolio of tactical trade ideas of the FX Strategy team and the performance of this portfolio over time.

Strategic FX Portfolio Trade Recommendations *(Note: The portfolios represent hypothetical, not actual, investments.)*

- On 10 June, 2010, we implemented changes to our portfolio to make it more robust and to better reflect our confidence levels and relative risk. A detailed explanation of this change can be found in " *Portfolio Methodology Update* " (10 June 2010).
- In summary, the trades and the weightings are primarily reviewed weekly on Thursdays and published in the Pulse. However, if we think there has been a material change to the risk-reward, we will make intraweek changes. We monitor trades daily. We will continue to publish the portfolio as a list of trades where our strongest conviction ideas will be given the largest weightings. We will, however, also adjust the weights of trades in order to manage our risk exposure.
- A table showing the trade, trade weight, trade entry date, risk allocation and levels for (average) entry, current, stop and target will be shown in the Strategic FX Portfolio Trade Recommendations section of the *FX Pulse*.
- If we increase the weighting allocated to a trade, the entry level published in the table will be changed to reflect a proportionally weighted rate of the initial entry level and the entry level on the date the weight was increased.

Performance Statistics

- We rebalance our portfolio daily at the NY close to keep the weight of each trade consistent with the published weight.
- We will primarily enter and exit trades using the bid or offer rate of the WMR fixing. If we make an intraday change to our portfolio, we will cite the closest Bloomberg half hourly fix in our published note and enter/exit at this rate.
- Stops or targets will be triggered if the stated level is met at the WMR fix.
- Returns shown include the cost of carry using the 1W interbank deposit rate if this is quoted liquidly but do not include any other expenses, slippage or fees and no interest on cash holdings are included. Reported returns are not levered.
- We have re-estimated our returns from 22 June 2006 to 10 June 2010, when we re-launched the portfolio, to take into account our more robust calculation technique.
- We provide a monthly breakdown of our historical portfolio performance back to Jan 2005 in the Strategic FX Portfolio section of the Pulse.

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Buy/Long: The analyst expects the total or excess return (depending on the nature of the recommendation) of the instrument or issuer that is the subject of the investment recommendation to be positive over the relevant time period.
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Selling Protection or Buying Risk: The analyst expects that the price of protection against the event occurring will decrease over the relevant time period.
Buying Protection or Selling Risk: The analyst expects the price of protection against the event occurring will increase over the relevant time period.
Pay: The analyst expects that over the specified time period the variable rate underlying the swap agreement that is the subject of the investment recommendation will increase.
Receive: The analyst expects that over the specified time period the variable rate underlying the swap agreement that is the subject of the investment recommendation will decrease.

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Historical data for all these models can be found on the Morgan Stanley Matrix Platform. See *New FX Strategy Interactive Features* (January 17, 2014). Click here for a currency reference page:

Morgan Stanley Matrix

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(as of October 31, 2017)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE COUNT	COVERAGE UNIVERSE % OF TOTAL	INVESTMENT BANKING CLIENTS (IBC) COUNT	IBC % OF TOTAL IBC	IBC % OF RATING CATEGORY	OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC) COUNT	MISC % OF TOTAL OTHER MISC
Overweight/Buy	**1154**	**36%**	**293**	**39%**	**25%**	**562**	**38%**
Equal-weight/Hold	**1413**	**44%**	**359**	**48%**	**25%**	**682**	**46%**
Not-Rated/Hold	**56**	**2%**	**6**	**1%**	**11%**	**9**	**1%**
Underweight/Sell	**606**	**19%**	**92**	**12%**	**15%**	**237**	**16%**
TOTAL	**3,229**		**750**			**1490**	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index or the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis over the next 12-18 months.
Equal-weight (E or Equal) - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index or the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis over the next 12-18 months.
Not-Rated (NR) - Currently the analyst does not have adequate conviction about the stock's total return relative to the relevant country MSCI Index or the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Underweight (U or Under) - The stock's total return is expected to be below the total return of the relevant country MSCI Index or the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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