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## EURO fx & the ECB

- The ECB meet on Thursday. A 75bp rate hike is priced. Instead that leaves the market watching hints about the potential terminal rate, language around reinvestment policy & TLTRO tweaks.
- How is an FX investor supposed to monitor all these different moving parts? The WatchList below shows EUR – DM fx crosses on Qi’s Short Term models.

Model Name	ST/LT	Asset Class	Confidence(%)	Val Gap	Val Gap (σ)
<a href="#">EURNZD</a>	ST	FX	85%	-0.19%	-0.08
<a href="#">EURGBP</a>	ST	FX	56%	0.15%	0.10
<a href="#">EURSEK</a>	ST	FX	64%	0.26%	0.16
<a href="#">EURUSD</a>	ST	FX	42%	0.65%	0.24
<a href="#">EURNOK</a>	ST	FX	84%	0.66%	0.29
<a href="#">EURAUD</a>	ST	FX	76%	1.23%	0.58
<a href="#">EURCAD</a>	ST	FX	84%	1.04%	0.69
<a href="#">EURCHF</a>	ST	FX	75%	2.37%	1.05
<a href="#">EURJPY</a>	ST	FX	32%	2.30%	1.11

- The two majors – EURUSD & EURJPY – remain out of regime. But the rest all have high model confidence numbers – macro has decent explanatory power.
- [EURNOK](#) & [EURNZD](#) look interesting – they offer attractive entry levels for ECB hawks & ‘risk off’ proponents. Wider interest rate differentials, wider credit spreads & spikes in risk aversion (VIX) dominate both models & are consistent with EUR appreciation.
- [EURAUD](#), [EURCAD](#) & [EURCHF](#) occupy the other end of the spectrum. EURAUD shares the same defensive characteristics as the two above but this time it is 0.6 std dev (1.2%) rich to model.
- The EURCHF model emphasises rate differentials again but also economic growth. With a FVG of +1.1std dev (+2.4%), the EUR has discounted a fair degree of any relative strength in EuroZone GDP & a tighter ECB policy stance..
- Back-testing the two, EURCHF is in coin toss territory with a hit rate around 50%. Selling this FVG on EURAUD & EURCAD elicits 70% & 66% hit rate respectively.

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