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G10 FX Strategy | Global

FX Positioning Indicates Short DXY Positions Ahead of the Fed

Our FX options positioning scores are now published daily on Bloomberg. A table of the tickers can be found in the Appendix.

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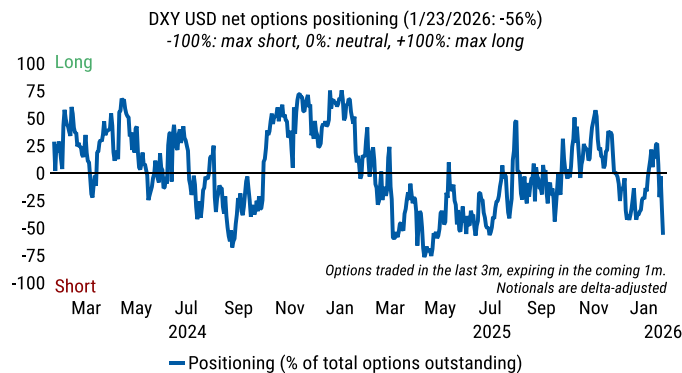
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Key Takeaways

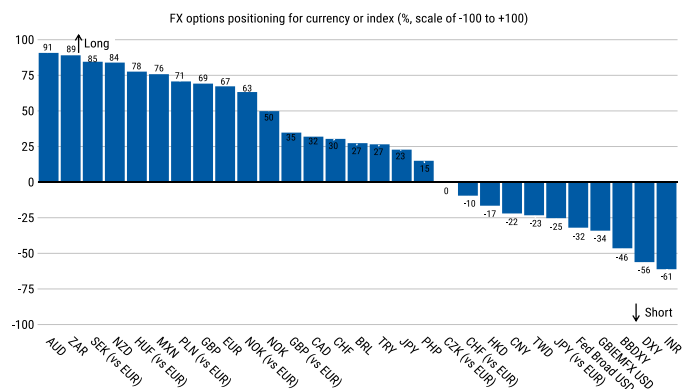
- Options pricing data indicate that investors increased long EUR positions and increased short DXY positions.
- In the futures market, investors decreased short NZD positions, while they decreased long EUR positions.
- Overall, options data suggest that tactical investors are currently long AUD and SEK (vs. EUR), while being short DXY.
- Positioning in the futures market is long EUR, and short NZD and CHF.

Exhibit 1:



Source: DTCC, Bloomberg, Morgan Stanley Research; Note: Using options that were traded in the past three months and expire in the coming one month. Notionals are delta-adjusted. Data as of Friday, January 23. See FX Trading Signals From Options Data and Assessing FX Positioning with Currency Options.

Exhibit 2:



Source: DTCC, Bloomberg, Morgan Stanley Research; Note: Using options that were traded in the past three months and expire in the coming one month. Notionals are delta-adjusted. Data as of Friday, January 23. See FX Trading Signals From Options Data and Assessing FX Positioning with Currency Options.

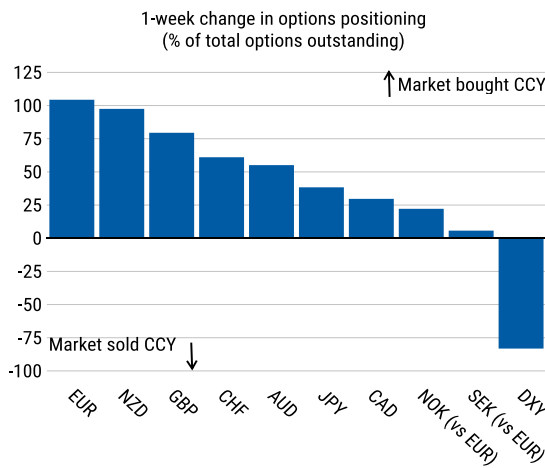
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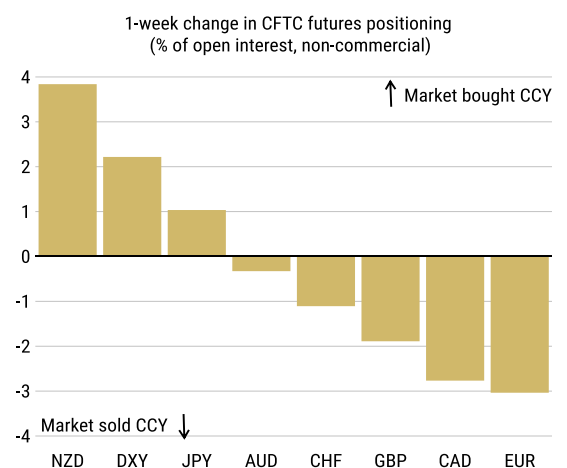
In the week ending Friday, January 23, **options pricing data** indicate that investors **increased long EUR** positions and **increased short DXY** positions ([Exhibit 3](#)). In the **futures market**, investors **decreased short NZD** positions, while they **decreased long EUR** positions in the week ending Tuesday, January 20 ([Exhibit 4](#)).

Exhibit 3:



Source: DTCC, Bloomberg, Morgan Stanley Research; Data as of Friday, January 23. See [FX Trading Signals From Options Data](#) and [Assessing FX Positioning with Currency Options](#).

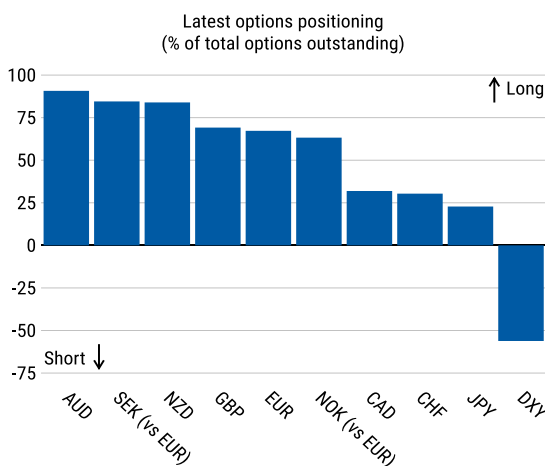
Exhibit 4:



Source: Bloomberg, Macrobond, Morgan Stanley Research; Data as of Tuesday, January 20.

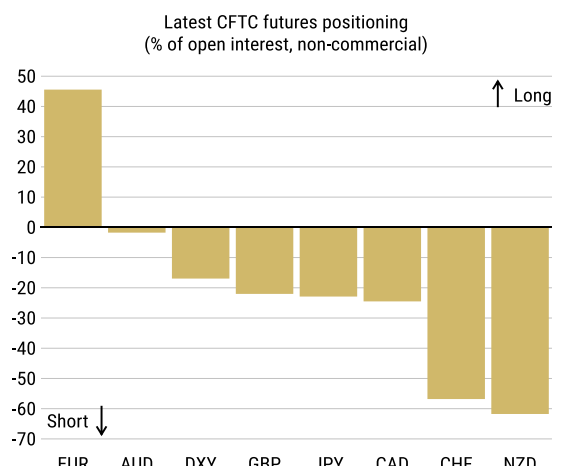
Options data suggest that tactical investors are currently **long AUD and SEK (vs. EUR)** while being **short DXY** (last data as of January 23) ([Exhibit 5](#)). Positioning in the futures market is **long EUR** and **short NZD and CHF** (last data as of January 20) ([Exhibit 6](#)).

Exhibit 5:



Source: DTCC, Bloomberg, Morgan Stanley Research; Data as of Friday, January 23. See [FX Trading Signals From Options Data](#) and [Assessing FX Positioning with Currency Options](#).

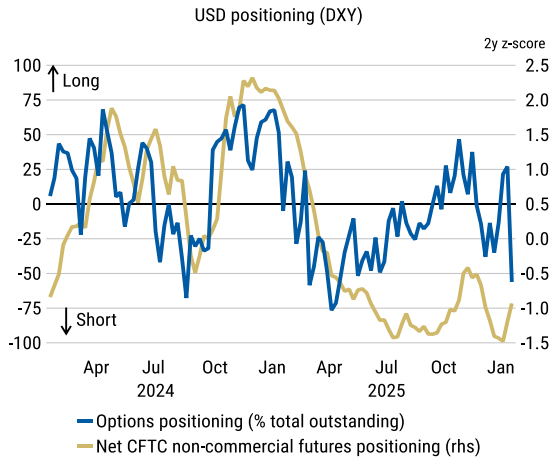
Exhibit 6:



Source: Bloomberg, Macrobond, Morgan Stanley Research; Data as of Tuesday, January 20.

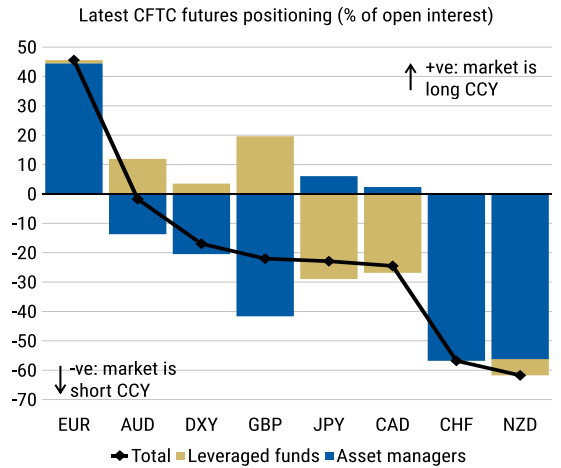
Options data point to short USD positions, and data from the futures market suggest that USD positioning is short (Exhibit 7). Asset managers are predominately long EUR and short NZD, while leveraged funds are most long GBP and short JPY (Exhibit 8).

Exhibit 7:



Source: DTCC, Bloomberg, Macrobond, Morgan Stanley Research; Options data as of Friday, January 23. Futures data as of Tuesday, January 20. See FX Trading Signals From Options Data and Assessing FX Positioning with Currency Options.

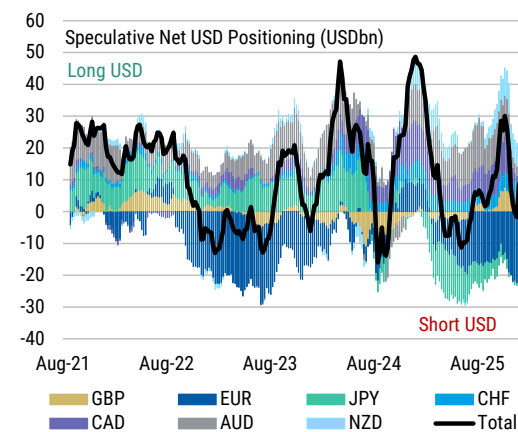
Exhibit 8:



Source: Morgan Stanley Research; Data as of Tuesday, January 20. For methodology, see Assessing FX Positioning with Currency Options.

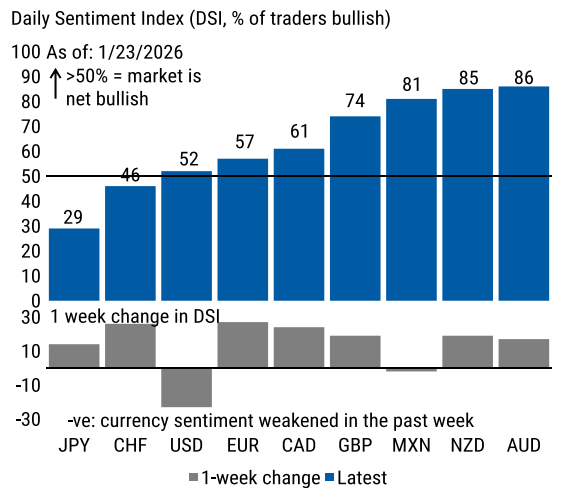
Speculative USD (DXY) futures positioning increased to 9.9% of open interest in the week ending Tuesday, January 20 (7.9% in the week before; Exhibit 9). As of January 23, sentiment on USD deteriorated the most in the G10 (Exhibit 10).

Exhibit 9:



Source: Bloomberg, Morgan Stanley Research; Data as of Tuesday, January 20. Adjusted to USD amount based on rolling 2-year average spot price.

Exhibit 10:



Source: www.trade-futures.com, Morgan Stanley Research

Appendix

A table of the tickers of our FX options positioning scores

Exhibit 11:

Ticker	Description
MSOPDXY	Morgan Stanley FX Options Positioning Score - DXY
MSOPBDXY	Morgan Stanley FX Options Positioning Score - BBDXY
MSOPBUSD	Morgan Stanley FX Options Positioning Score - Fed Broad USD
MSOPEMFX	Morgan Stanley FX Options Positioning Score - GBIEMFX USD
MSOPEURU	Morgan Stanley FX Options Positioning Score - EUR
MSOPGBPU	Morgan Stanley FX Options Positioning Score - GBP
MSOPGBPE	Morgan Stanley FX Options Positioning Score - GBP (vs EUR)
MSOPJPYU	Morgan Stanley FX Options Positioning Score - JPY
MSOPJPYE	Morgan Stanley FX Options Positioning Score - JPY (vs EUR)
MSOPCADU	Morgan Stanley FX Options Positioning Score - CAD
MSOPAUDU	Morgan Stanley FX Options Positioning Score - AUD
MSOPNZDU	Morgan Stanley FX Options Positioning Score - NZD
MSOPSEKE	Morgan Stanley FX Options Positioning Score - SEK (vs EUR)
MSOPCHFU	Morgan Stanley FX Options Positioning Score - CHF
MSOPCHFE	Morgan Stanley FX Options Positioning Score - CHF (vs EUR)
MSOPNOKU	Morgan Stanley FX Options Positioning Score - NOK
MSOPNOKE	Morgan Stanley FX Options Positioning Score - NOK (vs EUR)
MSOPCZKE	Morgan Stanley FX Options Positioning Score - CZK (vs EUR)
MSOPHUFE	Morgan Stanley FX Options Positioning Score - HUF (vs EUR)
MSOPPLNE	Morgan Stanley FX Options Positioning Score - PLN (vs EUR)
MSOPBRLU	Morgan Stanley FX Options Positioning Score - BRL
MSOPMXNU	Morgan Stanley FX Options Positioning Score - MXN
MSOPCNYU	Morgan Stanley FX Options Positioning Score - CNY
MSOPHKDU	Morgan Stanley FX Options Positioning Score - HKD
MSOPIDRU	Morgan Stanley FX Options Positioning Score - IDR
MSOPINRU	Morgan Stanley FX Options Positioning Score - INR
MSOPSGDU	Morgan Stanley FX Options Positioning Score - SGD
MSOPTRYU	Morgan Stanley FX Options Positioning Score - TRY
MSOPTWDU	Morgan Stanley FX Options Positioning Score - TWD
MSOPZARU	Morgan Stanley FX Options Positioning Score - ZAR

Source: Morgan Stanley Research

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	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
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Not-Rated/Hold	4	0%	1	0%	25%	1	0%
Underweight/Sell	564	15%	87	10%	15%	216	13%
Total	3,670		865			1611	

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