



Today's Theme



Foreign Exchange Market



## How to observe short term supply and demand conditions of USD/JPY exchange rate.



Future positions of USD/JPY forex rate traded in Chicago Mercantile Exchange (CME) in US, can be used as a reference. Currently, JPY long position has reached a high level. JPY is likely to weaken once this position starts to wind down.

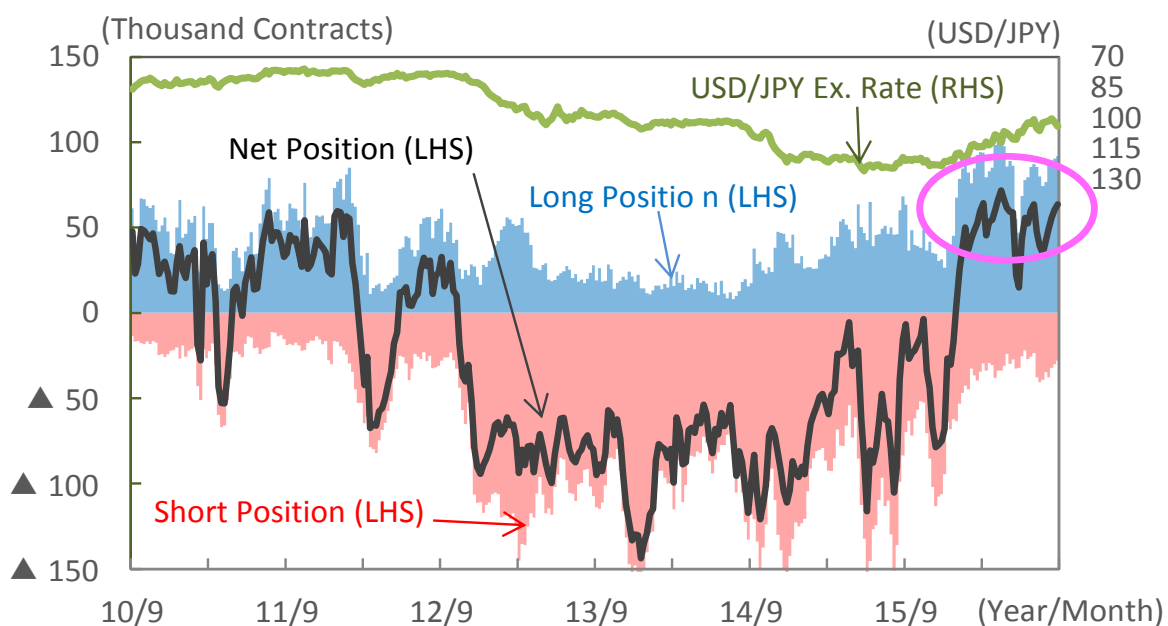
■ CME in US is well known as a futures exchange and it discloses number of contracts of traded currency futures on a weekly basis. Many of the market participants use these information to conjecture speculative positions of players such as hedge funds.

■ We believe that such a bias was created by (i) retreat of expectation on BOJ's accommodative monetary policy and US interest rate hike and (ii) caution towards the risk of Mr. Trump, candidate of the Republican Party, becoming President of the US.

Currently, future positions of USD/JPY forex rate is extremely skewed to JPY long position compared to historical trend. It appears that speculators' views on USD/JPY forex rate are biased to stronger JPY against USD.

JPY is likely to weaken once investors start to offset their long positions triggered by an event. Triggers can possibly be events such as (i) change in monetary policy of Japan or US or (ii) the end of US presidential election 2016.

"USD/JPY Exchange Rate and its Future Positions"



(Note) Long position is numbers of forward contract of purchase (Non- Commercial) traded in Chicago Mercantile Exchange (CME) and Short position is that of sales traded at CME. Net position is a difference of the two forward contracts. Data period is from 14th September 2010 to 30th August 2016 (Weekly basis) . USD/JPY Exchange Rate is shown in inverse scale.

(Source) SMAM, based on Bloomberg L.P. data.



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