

Big week for core markets

Key economic data from around the world and rate decisions from the Federal Reserve and Bank of England will help to direct trading this week



Source: iStock

➔ USD: Plenty of data and FOMC meeting to keep markets guessing

If the market's reaction to Friday's US GDP data is any guide, investors still seem more concerned over a slowdown in activity and slowing inflation. Here, the 3.2% 1Q19 GDP print was dismantled over the trade and inventory contribution to growth and the soft GDP deflator – resulting in a fall in US market interest rates. This week is a **big one** for US data, including the ISM, payrolls and an FOMC meeting on Wednesday. While the Fed should be feeling a little more confident on the activity side, the market will be looking out for any signs of concern on soft prices. On that subject, today sees February personal income data, including the PCE deflator. January's low reading of 1.4% year-on-year raised some eyebrows and if a bounce to the consensus 1.6% YoY is not seen today, we could see US rates soften a little further. Unless European and Chinese growth figures deliver some impressive recoveries this week, expect the dollar to benefit by default and DXY to hold onto last week's topside breakout. Support: 97.70.

➔ EUR: 1Q19 eurozone GDP will be one of the highlights

EUR/USD enjoyed a brief lift Friday on the softening in US rates and, as above, could receive some further support today. However, tomorrow's 1Q19 eurozone GDP release will be of greater interest, where a modest uptick to 0.3% quarter-on-quarter is expected – still a far cry from the 0.7% QoQ readings seen in 2017. Two further mild positives for the EUR are: i) the Spanish socialists doing a little better than expected in elections, making coalition building slightly easier and b) Italy avoiding a downgrade from S&P on Friday. This will also be an important week for EUR/USD technically, confirming whether last week's break below 1.12 will usher in a new trading range, the bottom of which may be 1.10. Elsewhere in Europe this week, we look for the [CNB to conclude](#) its tightening cycle with a 25 basis point hike to 2.00% on Thursday.

➔ GBP: Little progress on Brexit this week

Despite hopes from Brexiteers, it seems highly unlikely that we'll see a break-through in Conservative-Labour talks this week such that a deal and Brexit can be agreed before 23 May European Parliamentary elections. The [BoE may sound more optimistic on Thursday](#), but 0.8550-0.8650 EUR/GBP range intact.

➔ JPY: Golden week illiquidity?

There's a little speculation that Japan's Golden holiday (until 7 May) could prompt some illiquidity and a repeat of the flash crash seen by USD/JPY on 3 January. For reference, Japanese retail positioning in EMEA high yield (e.g. Turkish lira and South African rand) seems quite elevated, if open interest in long positions is to be considered.

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