# Daily FX: The summer trend continues

The trend of a range-bound USD trading in a lower liquidity and lower volatility summer trading environment looks set to continue and with the data calendar very quiet today, there isn't much which suggests we'll witness a change in the summer lull trend

## USD: The summer trend goes on

The trend of a range-bound USD trading in a lower liquidity and volatility summer trading environment looks set to continue, with the dollar recovering its (modest) losses from yesterday.

The ongoing rise in Covid-19 cases in the US is preventing the market from turning bullish on risk (thus preventing a USD sell-off), while the put from the Federal Reserve and other central banks to do more if the situation warrants it prevents a sharp risk-off environment. With the data calendar very quiet today, there isn't much which suggests we'll witness a change in the summer lull trend today.

## EUR: Stuck around the EUR/USD gravity line

EUR/USD continues to trade around the 1.13 level which has transformed into a gravity line over the past month.

This is likely to hold for now, with limited near term catalysts that would point to a break in the

EUR/USD range trend and the July ECB meeting next week is unlikely to be a trigger point. EUR/GBP pushed back below the 0.90 level yesterday, largely helped by the benign risk environment.

We don't see GBP gains as long-lasting as the lack of clarity on the UK-EU trade negotiations means a weak bullish case for GBP. In Norway, June underlying CPI came out modestly higher than expected (3.1% YoY vs 3.0%) this morning. The lack of deflationary risks reiterates the case for the end of the Norges Bank easing cycle, though the main NOK driver remains general risk appetite (a reason for NOK underperformance overnight)

## SEK: June Minutes to keep a high bar for negative rates

We don't expect the Riksbank's June minutes (due to be published today) to surprise us much, when the central bank decided to expend the QE programme.

While the minutes are unlikely to rule out rate cuts back into negative territory, we continue to see a high bar for this, given the bank's mixed experience with negative rates over 2015-18. We see EUR/SEK moving to 10.00 by year-end - one of the highest real rates in the G10 FX space, a less dovish Riksbank and the anticipated global economic recovery should all benefit SEK.

## CZK: Still-high CPI makes further easing unlikely

Czech June inflation should slow negligibly as fuel prices have started to grow in month-on-month terms.

As CPI is to stay meaningfully above the target (2.8% ING forecast vs 2% target), no deflation risks present and local and global economies starting to slowly recover, this suggests the central bank is done with easing (after the aggressive 200bp cumulative rate cuts).

Coupled with the solid fiscal position and limited scope for the central bank to lean against currency strength (we see renewed FX interventions as unlikely given no deflation risk) this means EUR/CZK should grind lower in coming months, towards 26.00 by the year-end.