

EUR: All will be revealed at today's ECB

The European Central Bank meeting is Thursday's market highlight



Source: Andrej Klizan

USD: Dollar should stay supported near term

Today's market highlight will very much be the ECB meeting, though this should have some implication for US Treasury yields. ECB PSPP (Public Sector Purchase Programme) will have crowded investors out of Eurozone debt markets and partially into Treasuries. The slowing of ECB PSPP purchases in 2018 and the Fed's shrinking balance sheet should thus impact demand for Treasuries and keep US yields on a firming trend. DXY to also stay supported ahead of strong US 3Q17 GDP tomorrow.

€25bn

Target for ECB's PSPP programme

From €60bn / month

EUR: More aggressive cut in PSPP to keep EUR supported

We're looking for the ECB to announce an aggressive cut in its PSPP programme at today's meeting. A cut to €25bn from €60bn per month is our call. However, the ECB will want to

emphasise sequencing and forward guidance by keeping the programme in place for the whole of 2018 and not just the 6-9 months expected by the market. Our debt strategy team have a high conviction call that the German curve will steepen on the back of this, largely through higher Bund yields. Some modest narrowing in the 10 year Bund:Treasury spread should support EUR/USD. We have been talking about the scope for EUR/USD to retest 1.20 for some time now, although, with US yields firm, EUR strength may be better played out against JPY.

SEK: Riksbank keeps its options open

As expected, the Riksbank left policy unchanged this morning. No new QE purchases were announced and the interest rate remains at -0.5%. The forecast for interest rates is also unchanged (the first increase in mid-2018). If, as expected, the domestic data remains strong and the major central banks gradually tighten policy, an extremely loose monetary stance in Sweden will become increasingly hard to defend. We think it unlikely that QE purchases will be extended in December, and expect the Riksbank to stick to its current forecast of starting to raise rates in summer 2018.

More details on the decision [here](#)

TRY: Central Bank of Turkey to keep rates tight

With inflation remaining stubbornly high we expect the CBT to keep rates tight at today's policy meeting. In particular, the Late Liquidity Window (LLW) rate should remain at 12.25%, keeping banks' average cost of funding near 12%. This move is widely expected. Like other high yield, TRY has come under pressure on the back of higher US rates but could run into resistance at 3.75/78.

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