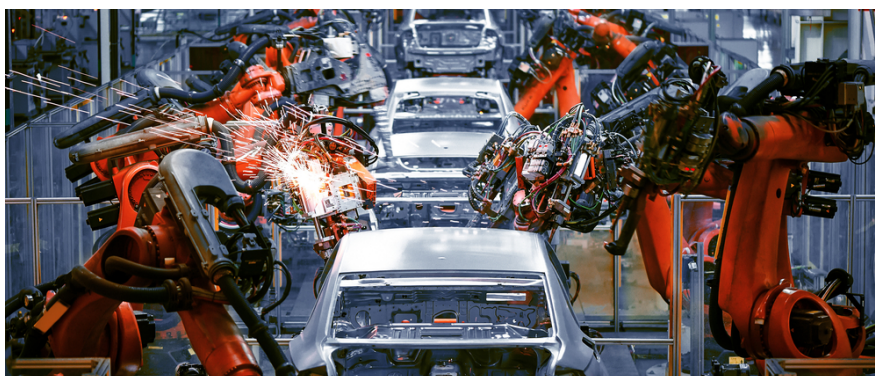


## Euro: Facing a wild ride from car tariffs?

As if the euro didn't have enough to worry about with, it also has to contend with the threat of US auto tariffs



Source: Shutterstock

### ➔ USD: Dollar to consolidate ahead of October inflation tomorrow

The dollar is largely holding onto gains made in thin holiday markets yesterday. Today's highlight will be the October release of the NFIB small business optimism index. While this is second tier data, small businesses are the key marginal employer in the US and assuming the index doesn't fall too far from recent cycle highs, the dollar should consolidate near recent highs. The US October CPI release tomorrow could provide further direction. A pick-up in headline inflation and a core rate above the Fed's 2% target will keep the central bank minded to hike in December. The dollar index to trade 97-98.

### ⬇ EUR: Auto tariffs back on the agenda?

As if the euro didn't have enough to worry about with: (a) disappointing growth, (b) the Italian budget stand-off and (c) Brexit, it may also have to contend with more discussion about the threat of auto tariffs. Recall the White House launched a Section 232 investigation into the national security threat posed by auto imports in May this year. This issue has been off the market's radar after the European Council's Jean-Claude Juncker gained a reprieve for Europe while the US and the EU were negotiating a free trade agreement. However, reports suggest that the White House's patience on the trade deal is running thin and President Trump is now deliberating over the findings of that 232 investigation. We did not have US tariffs on European auto imports in our baseline euro view, but we are moving into the realm of unfriendly White House tweets on the subject – which could be enough to send EUR/USD under 1.10. For today, look out for what should

be a soft German ZEW, setting the scene for poor 3Q18 GDP data across the region tomorrow. EUR/USD should struggle to get above 1.13 and targets 1.1190.

## ➔ GBP: UK data might help GBP against the EUR

We see upside risks to UK wage and employment data today, which could provide a little help to GBP on the crosses – especially against the EUR. The Bank of England has been using wages as one of their main guides on inflation and a strong figure could see the GBP money market curve steepen a little. There is a UK cabinet meeting today but expectations of a Brexit deal there are low at this stage. Favour EUR/GBP rallies stalling at 0.8780/8800, before we see sub 0.87.

## ➔ NOK: Mainland 3Q18 GDP disappoints

This morning's Norway 3Q18 mainland GDP has disappointed at 0.3% quarter-on-quarter, which may raise some uncertainty as to whether Norges Bank hikes again as early as 1Q19. However, EUR travails may mean that EUR/NOK stalls 9.56/60.

### Author

#### Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

[chris.turner@ing.com](mailto:chris.turner@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.