EUR: Less Blues

A quiet week may help the euro get over its recent blues. Meanwhile, President Trump gets set to meet his Russian counterpart and later in the week, Fed Chair Jay Powell delivers his semi-annual testimony to Congress

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EUR: Allez les Bleus!

Congratulations are in order to the French football team after their triumph in the World Cup Final (although not to put a dampener on the win, ING's Julien Manceaux notes that the Swiss economy may be the primary beneficiary...). As for the week ahead, it's fairly quiet in Europe; we'll be watching the final June eurozone inflation reading on Wednesday and also keeping one eye on the May eurozone trade data out today to see if there's any pre-emptive fallout from the global trade war spat. We look for a neutral EUR/USD in the 1.1550-1.1770 range today.

USD: Running out of fresh catalysts as Trump's European tour rolls on

President Trump will end his European road trip later today, but not before participating in a heavyweight meeting with his Russian counterpart President Putin. We've been privy to the full repertoire of Trumpian bombast in the past week, with the president even going so far as calling the EU, China and Russia his 'foes'. Aside from the mild entertainment, markets have seemingly learnt to live with Trump's way of doing diplomacy – and we suspect investors will continue to prioritise the actual policy actions of the US administration.

As for more market-related events this week, Federal Reserve Chair Jay Powell's semi-annual testimony to Congress is the headline event in an otherwise quiet week. As investors get ready for a summer of Trumpian trade and geopolitical risks, a resolute hawkish Fed remains a forcible headwind for risky assets. But there is an element of this already being priced in – and a hawkish Fed shouldn't be too much new news for the dollar given that it has been propped up by higher US interest rates in recent months. If anything, the risks are that the Fed Chair may mildly disappoint with some dovish comments around what a full-blown trade war could mean for future Fed policy. Moreover – and to borrow a quote from ING's Rob Carnell – 'there is a lot of stimulus holding US economic growth aloft currently, but it won't last forever'; our medium-term bearish US dollar view is a function of the US economy falling off the fiscal cliff – and therefore chasing a hawkish Fed story may only prove to be rewarding in the short-term. The USD's sharp turnaround late on Friday may be telling of the currency's waning bullish momentum – or the fact that the greenback looks to be running out of positive catalysts. We may need a very strong US retail sales print today to see the dollar push higher.

GBP: Big week of event risks may actually leave the pound trading sideways

With Prime Minister Theresa May on the ropes - and UK markets scrutinising every bit of Brexit news, the focus turns to a vote on the EU Withdrawal Bill today and a crucial round of UK-EU Brexit negotiations later this week. It's also a busy week for UK data – and for now GBP looks to be propped up by a positive Bank of England story. While there are obvious political risks, sterling may actually trade flat.

CNY: China 2Q18 GDP grew at 6.7%; trade risks point to lower growth ahead

ING's Greater China Economist Iris Pang has revised down our 2018 China GDP forecast (6.6% in Q3 and 6.5% in Q4 from 6.7%) – noting that the ongoing trade war will affect future economic growth directly via the manufacturing and logistics services sectors. The downward revision may seem modest – though it's worth noting that the drag from trade should be partially offset by policy support (not just fiscal and monetary policy easing, but also a weaker currency – with ING expecting the Chinese yuan to weaken to 7.00 against the dollar by year-end).

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