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EUR: Macro support

Readings on eurozone GDP and German inflation will set the tone for the beleaguered euro today

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EUR: Limited fallout if macro data stays solid in the face of political noise

The euro remains under pressure – with German politics adding to the sequence of bad news for the single currency (see ING's take here). The focus today shifts to macro data – with 3Q advanced eurozone GDP (1100 CET) and German CPI to watch out for. Our economists note that the near-term risks to eurozone growth have shifted to the downside – with both slower cyclical forces and political uncertainty both at play. Look for growth to print at the cruising speed of +0.4% quarter-on-quarter – although any miss here would only add to the short-term bearish EUR sentiment. As for German CPI, our team expects a +0.3% month-on-month reading (slightly stronger than the +0.1% MoM consensus). Investors should focus on the interplay between short-term macro data releases and politics; if the former remains resilient in the face of the latter, then any EUR/USD downside will likely to be short-lived – with the cross offering good fundamental value at these depressed levels (below 1.15). We'll also hear from a range of ECB speakers today – including chief economist Peter Praet. As a side note, with eurozone government budgets a hot topic right now (Italy and Spain) – the Portuguese Parliament will hold an initial vote on its 2019 budget today.

USD: Still some way from a 'great trade deal' between the US and China

Whether it's a bit of stock market damage control or genuine intent, President Trump's remark that he wants a 'great trade deal' with China may have partly helped to ease the pain in risky assets. It may be wishful thinking to believe that a US-China trade resolution could be this easy – and the reality is that full tariffs on Chinese imports remain an equally likely, if not more probable, outcome.

GBP: Political weakness looks out of sync with short-term UK fundamentals

Despite the Chancellor's best 'banter', the pound was overall unmoved by the 2018 Budget. Indeed, there weren't any game-changing fiscal announcements to distract GBP markets from the obvious near-term Brexit risks (although it will be interesting to monitor the new 'Tech Tax' to see if it discourages any future inward investment). In terms of market reactions, the tame post-Budget move in sterling is what one should expect from the Super Thursday November Bank of England meeting (the other GBP event risk this week). With Brexit the big issue hanging over the UK economy, our economists do not envisage any further BoE rate hikes before May 2019 at the very earliest. Plus, it's difficult to envisage the Monetary Policy Committee sending any strong and credible hawkish signals in the near-term given the nature of Brexit uncertainties. Any fall in GBP/USD towards 1.26-1.27 would look strange to us.

JPY: Fade the weakness ahead of the BoJ meeting and US tech stock earnings

Attention turns to the crucial October Bank of Japan meeting (early Wednesday) and our team in Asia are slightly more excited than usual given that Governor Kuroda has been dropping hints of late about changes to policy. Kuroda has been sounding more positive about inflation – with core (ex-fresh food) inflation at 1.0%. The elusive 2% level might be the official target, but there is a sense that a more pragmatic good enough rate of about 1% could pave the way for the BoJ to start tweaking its policy stance. If we were to see more stealth tightening steps to come this week, this could be mildly supportive for the yen. The soggy outlook for US tech stocks (Facebook report earnings today) may also keeping a lid on USD/JPY and we see value in fading rallies in the pair given the fragile global economic backdrop.

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