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Article

## EUR: Not many reasons to be cheerful

Cuts to eurozone growth forecasts have hit the euro. Here's what we think will happen now

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### USD: President Trump's comments not helpful for risk sentiment

President Trump's comments that he is unlikely to meet President Xi before the 1 March deadline are likely to keep risk assets in check today. But this news doesn't have to mean an imposition of tariffs on Chinese goods on 1 March. Another extension of the deadline (as was the case last year) still can't be ruled out. Moreover, with emerging market FX and high beta G10 currencies already partly reversing some of their January gains, the immediate effect on risk sentiment may not be material at this point (as seen by the fairly well behaved price action in FX markets overnight).



### EUR: Not many reasons to be cheerful (for now)

The euro seems unable to get any respite. After the stream of weak eurozone and German activity data, the currency got hit again by the across the board downward revision of European Commission growth forecasts for major eurozone countries. Italy in particular stood out, with its 2019 growth forecast slashed from 1.2% previously to 0.2% (in turn suggesting renewed fiscal concerns ahead). With the current mild rebound in the US dollar under way, we continue to look for lower EUR/USD and the cross converging towards the 1.12 level. The deteriorating outlook for the eurozone doesn't bode well for central and eastern FX either, with local currencies recently under pressure (and in the case of the Czech koruna leading to a [delay in the CNB tightening cycle yesterday](#)).



### CAD: Softer job report to further weigh on CAD

In Canada today, the focus turns to the January jobs report. As was the case in December, the slower pace of job gains should run into January especially in the energy sector where performance has been below par. The unemployment rate will likely edge up to 5.7%. With the US dollar experiencing a short term rebound after its losses in previous weeks, USD/CAD is likely to test the 50-day moving average of 1.3357.



## RUB: CBR on hold but focus on the press conference guidance

As per the [CBR Preview](#), our economists expect the central bank to stay on hold today. Although the January CPI accelerated to 5.0% year-on-year, the Central Bank of Russia is likely to look through it as the rise was largely driven by the VAT hike (which has a temporary effect) and the rise in prices has already been factored into the monetary policy framework. Instead, the larger focus will be on the CBR's commentary about the subsequent meeting in March, where the outcome is more uncertain. If Governor Elvira Nabiullina focuses in her press conference on question marks about whether the acceleration in CPI is over, uncertainty about the external environment to which inflationary expectations are anchored and the medium-term risks to the Russian financial markets, this could be seen as a sign of a March hike and thus be positive for the rouble.

**Petr Krpata, CFA**

Chief EMEA FX and IR Strategist

+44 20 7767 6561

[petr.krpata@ing.com](mailto:petr.krpata@ing.com)

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