

## FX Daily: Calm ahead of the FOMC tomorrow

Dollar crosses should stay range-bound today, ahead of the July FOMC tomorrow. Globally, the focus today is on the IMF's interim update of its World Economic Outlook. In Hungary, the NBH should deliver a hawkish 30bp hike today, in turn lending some support to HUF.



### ➔ USD: Calm ahead of the FOMC tomorrow

With the July FOMC meeting looming tomorrow, we don't look for any meaningful moves on dollar crosses today. Rather, investors are set to stick to their wait-and-see approach. On the margin, the bias is for a gently bid dollar given the risk of some modest hawkish bias from the FOMC (see the [FOMC Preview](#) for details).

As for today, the IMF is releasing an interim update on its World Economic Outlook. In April, the fund saw the world growing by 6% in 2021 and by 4.4% in 2022. It will be interesting to see if the IMF downgrades China's forecasts much, if at all. In April, the IMF had China growing at 8.4% in 2021 and 5.6% in 2022. With emerging market economies understandably lagging in the vaccination race, portfolio flows to EM have been in reverse over recent weeks, another factor why the dollar may stay supported near term.

## ➔ EUR: Range bound EUR/USD

It is a very calm day on the EZ data front. June M3 money supply will have a limited impact on the euro. We expect EUR/USD to hover around the 1.1800 level today, with downside risk towards 1.1700 later this week given the possibly modestly hawkish FOMC. Among Scandinavian FX, the previously battered NOK continues its recovery, and we look for EUR/NOK to move below the 10.40 level

## ⬆️ GBP: Settling in the EUR/GBP 0.85-0.86 area

GBP got a boost from falling Covid cases in the UK, helping to reverse some prior losses partly caused by the previous worsening of the Covid situation and concerns about the effect of the full easing of restrictions. EUR/GBP has now closed a meaningful part of its prior mis-valuation and is now close to its short-term fair value of 0.8500 (based on our financial fair value model). We expect EUR/GBP to remain firmly in the 0.85-0.86 range today. The [cleaner speculative GBP positioning](#) (ie, GBP being no longer heavily overbought) also points to near-term stability in the currency.

## ⬆️ HUF: The NBH is giving a helping hand to the forint

With an upside surprise to June inflation, we expect the NBH to deliver a 30bp effective rate hike today, moving the base rate and the one-week deposit rate to 1.20%. The forward guidance and the tone is to remain unchanged, pointing to more hawkish steps in the coming months. We expect another 30bp hike in August and see the NBH benchmark rate at around 2% by the year end. The continuation of the frontloaded NBH tightening cycle should be positive for HUF and move EUR/HUF back below the 360 level.

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