

should be on the unemployment rate, which is expected to have flattened at 4.2%. Our economists' estimate is 115k for payrolls and 4.3% for the unemployment rate. That probably doesn't change the picture for the Federal Reserve, which should still cut by 25bp in November and push back against 50bp for the time being. However, some hawkish repricing in the USD OIS curve has already happened this week, and the dollar could correct lower on a slightly soft jobs report.

But even assuming the Middle East situation doesn't spiral further and oil prices ease back, a substantial US data disappointment is likely needed to revive front-end USD rates bulls. Our view is that markets will gradually align with the Dot Plot's 25bp pace of easing and that dollar downsides are limited into the US election. Our rates team believes that 10-year Treasuries can head back to 4.0% in the near term should we see a consensus payroll print today.

Francesco Pesole

📈 EUR: Respite today, more pressure later?

We retain a moderate bearish bias on EUR/USD in the near term, even if our baseline expectation for a tick higher in US unemployment should offer a respite today. Ultimately, the less supportive rate differentials, risk sentiment instability and a turbulent EU budget season mean EUR/USD could stay under pressure. 1.1000 is a big support, so a break lower could mean the correction extends to 1.09 relatively quickly.

The eurozone calendar doesn't include market-moving data today, but there are quite a few European Central Bank speakers to watch. After the relatively dovish tone by Isabel Schnabel earlier this week, we can reasonably expect other hawks to give in to dovish pressure and no longer push back against an October cut.

Elsewhere in Europe, we have seen a major unwinding of GBP longs after the dovish comments by Bank of England Governor Andrew Bailey this week. CFTC figures showed the pound was the most overbought G10 currency by speculators as of last week, with a net-long positioning worth 35% of open interest. That suggests there is further room for position squaring to weigh on GBP unless BoE communication or data force another hawkish repricing in the Sonia curve. We still think 1.30 can be hit in GBP/USD in the coming weeks.

Francesco Pesole

➡ CEE: First signs of calm but still too early to fade the sell-off

Yesterday's trading brought the first signs of calm in the CEE region. However, the EM space still remains under pressure and therefore it is too early to turn more optimistic on the region. Today the main focus will of course be on US data and the geopolitical situation and we prefer to wait for Monday to see developments over the weekend in the Middle East. However, as we've mentioned before, CEE currency fundamentals support a quick recovery if the situation calms down.

The Polish zloty should be the most defensive currency in the region amid the risk-off sentiment and should also have the easiest path to start appreciating again. Although we believe nothing changes that, yesterday's National Bank of Poland press conference altered the picture slightly. The governor surprised with another dovish move and confirmed that the first half of next year is the time for rate cuts. Although we see current market pricing as still very dovish, given the spike in rates in recent days it has not been hard for the market to price back some rate cuts. However, the

result has been a deterioration in rate differentials while the rest of CEE remains at record highs. At the same time, EUR/CZK yesterday was the first pair within the CEE3 to find some ground, but EUR/HUF also bounced off 402 and EUR/PLN rejected 4.310. Overall though, we are hardly looking for confirmation that the situation has calmed down and today may reveal more as to the right time to turn more positive.

Frantisek Taborsky

➔ RON: Patience or a third rate cut in a row?

The main event in the CEE region today is the meeting of the National Bank of Romania. [Our economists](#) expect rates to remain unchanged at 6.50%, in line with expectations, but the survey is split. On one side is the rebounding credit market, wages and loose fiscal policy speaking against further rate cuts. On the other, inflation is lower than expected and the economy is surprising on the negative side. The global picture is also mixed with the Fed cutting rates and the situation in the Middle East pushing up oil prices. FX forwards suggest a market on the dovish side for today's decision.

However, it's hard to expect any reaction from the RON which remains firmly anchored just below 5.00 EUR/RON and we don't expect any changes here in the near term. At least the front of the Romania government bond curve could see some support if the NBR continues to cut rates for the third straight time. On the other hand, in the bond space, the focus remains mainly on fiscal policy. Speculation yesterday of the Ministry of Finance's agreement with the European Commission on this year's deficit at 7.9% of GDP can hardly be taken as good news, given that it is more at the upper end of market expectations, implying further bond issuance this year.

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