

## FX Daily: A payrolls miss could outweigh geopolitics

Today's job numbers could have implications for the US dollar. Here's our roundup of what you can expect in the FX markets



Donald Trump at a rally in Ohio on Thursday

### 📌 USD: Downside risks from a payrolls' miss

While encouraging signs from a slowdown in initial jobless claims failed to provide material support to the dollar, escalating Sino-American tensions surely did. President Trump has taken his battle against Chinese tech firms to the next level by banning US residents from doing business with TikTok (or its parent company) and WeChat and tightened disclosure requirements for Chinese companies listed in the US. Asian equities are slipping, USD/CNY has rebound to the 6.96/6.97 area (despite booming [Chinese exports numbers](#) overnight), and risk-sensitive currencies are all losing ground as investors take on a downbeat mood ahead of the pivotal US jobs report later today.

As per our [economist's preview](#), we see the consensus 1.5m increase in employment (according to a Bloomberg survey) as too optimistic. We expect a 750k increase, although we highlight a balance of risks skewed to the downside. This is also true for the dollar, which has developed a high sensitivity to developments in the jobs markets – as markets assess the impact of fresh virus containment measures in some US states.

A payroll miss should add new pressure to USD/JPY in particular – as the yen should still reap most

benefits of US data disappointment – which could again eye the 105.00 support. Still, data-driven USD weakness may be mitigated by rising geopolitical tensions. Meanwhile, US stimulus talks remain at an impasse with the two parties still failing to agree on the size of the package: a deal by today looks all but unrealistic.

## ↑ EUR: A bystander

EUR remains a bystander in the geopolitical and US developments as EUR/USD continues to be mostly driven by the USD leg due to the lack of market-moving events in the eurozone. A US payroll miss could prompt EUR/USD to re-test 1.1900.

## ↑ GBP: Consolidating

Cable is in consolidation mode around the 1.31/1.32 area after an uneventful BoE meeting. A very quiet UK calendar today should offer no catalysts.

## ↑ CAD: Better than the neighbours

The US has re-imposed a 10% aluminium tariff on Canada, which (if followed by a deterioration of CA-US relationships) has the potential of generating more drag to the ability of the loonie to catch up with its procyclical peers' recent gains. Today, we see scope for above consensus jobs data in Canada with unemployment dropping to 10.5%. The divergence with possibly disappointing US data could erase overnight USD/CAD gains and push the pair back below 1.33.

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