

FX Daily: All talk and no action

Fed Chair Jay Powell, ECB President Christine Lagarde and Bank of England Governor Mark Carney are set to deliver testimony today. But we don't expect much impact on the markets



➔ USD: Powell and primaries unlikely to move the dollar

Market sentiment is showing some tentative signs of stabilisation, led by another leg higher in equities despite the death toll from the coronavirus still on the rise. Today, there are no key data releases to watch in the US, but two days of congressional testimony by Federal Reserve Chairman Jerome Powell begin, and we expect the focus to be on how the coronavirus story is changing the Fed's view on the economy and possibly monetary policy. We suspect, however, that Powell has little interest in signalling any shift in stance at this early stage of the outbreak so, we may not see much impact on the markets from this testimony. Elsewhere, the Democratic Party will hold the second primary vote, this time in New Hampshire, where polls suggest Bernie Sanders should get an easy win, but all eyes will inevitably be on whether (a) Pete Buttigieg will be able to keep momentum going after Iowa and (b) Joe Biden will continue to lose ground. Latest polls suggest the party as a whole has lost consensus after the Iowa caucus. Overall, the US dollar should be mildly influenced by the two events and is set to trade broadly rangebound today.

⬇ EUR: New multi-year lows?

European Central Bank President Christine Lagarde will deliver her own testimony, in front of the EU Parliament, one hour before her US counterpart. Markets appear to be broadly settled on the idea that she will say very little in terms of monetary policy, as has been the case with her other recent speeches. EUR/USD continues to be weighed down by concern about the coronavirus and its impact on the eurozone economy. At this point, a break below the 1.0900 mark (also, a multi-year low) seems in the cards, especially as we expect a round of grim eurozone data this week.

⬇ GBP: Growth data to give short-lived stir

Today's calendar in the UK includes fourth quarter GDP and industrial production data, which our economics team expects to come in flat (in line with consensus). The data (backward-looking and pre-election) should in theory have very little implication for the Bank of England's stance, but the fresh ultra-sensitivity of the currency to data suggests some volatility in the pound today. BoE Governor Mark Carney will testify in Parliament at 1535GMT but (like the other central bank speakers today), expect a very contained market impact.

➡ NZD: RBNZ to hold

The Reserve Bank of New Zealand announces monetary policy at 0100 AM tomorrow and in line with consensus, we expect it to stay on hold. It is also widely expected that the coronavirus will be pencilled in as a key risk to the outlook, but we do not think this will be enough to tilt the message to the "dovish" side. [As highlighted in our preview](#), the good news on the domestic side (inflation and growth) should be enough to offset the external risks. All in all, we do not expect a material impact on the New Zealand dollar.

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