

## FX Daily: Another day of consolidation

Concern that the US fiscal package may be delayed until at least mid-March is weighing on sentiment and boosting the dollar



### **USD: Another day of dollar consolidation**

The US dollar recovered overnight and Asian equity markets dipped on concern that the US fiscal package may be delayed until at least mid-March. The IMF will release an update of its World Economic Outlook today. This is unlikely to reverse market sentiment if a delay in the recovery is one of the key messages. Nonetheless, such a message is widely expected (the US growth outlook for 2021 is likely to be upgraded though) and it should not have an overly negative impact on markets. It should add to the USD consolidatory mood rather than driving the dollar actively higher.

### **EUR: PM Conte likely to resign today, but early elections unlikely**

Italian Prime Minister Giuseppe Conte is set to hand in his resignation today, but it is widely expected that he will receive a new mandate from the President to form a new government. The risk of early elections thus remains low in our view (the 10y BTP-Bund spread did not widen in response to the news yesterday), as is any negative spillover into EUR/USD. The pair has remained very resilient to the latest Italian political noise and does not hold any risk premium based on our estimates. EUR/USD to remain stuck in the 1.2050-1.2200 range. EUR/NOK has been the worst

performing G10 currency over the past two weeks with its high beta to risk making it vulnerable during the recent period of USD consolidation. The pair continues to bounce off the EUR/NOK 10.4300 resistance. Should this level break, the 50-day moving average EUR/NOK 10.5111 is next level to watch.

## ➔ GBP: Day of calm for GBP

The UK labour market report did not provide any negative surprise this morning (November unemployment was modestly lower vs expectations, while weekly earnings turned higher), suggesting a day of calm for GBP today. EUR/GBP to range trade around the 0.8900 level.

## ➔ HUF: NBH to reiterate is cautious message

We expect the National Bank of Hungary to maintain to its wait-and-see approach today and keep policy instruments unchanged, with cautious stability likely to be the mantra of the accompanying statement. The impact on the forint should be limited. HUF has been the Central and Eastern European outperformer so far this year. Rather than benefiting from positive domestic factors, its outperformance was more to do with negative stories elsewhere (concerns about Polish central bank FX intervention in the case of the zloty and one of the worst Covid numbers globally in the case of Czech koruna). We don't expect the HUF outperformance to be long lasting as the pick-up in inflation in 2Q (to 4.0% in May), albeit temporary, may bring back concerns about inflation being kept in check.

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