

FX Daily: Bittersweet data delay for the dollar

USD found more support yesterday before coming under mild pressure overnight. Strong ISM manufacturing figures helped, and data should regain centrality, although payrolls will be delayed at least a week due to the partial shutdown. In Australia, the RBA hike was deemed quite hawkish: we don't fully agree, and AUD/USD may still be due a correction



US payrolls data will be delayed at least a week due to the partial government shutdown

➔ USD: Delay in payrolls shouldn't derail recovery

The dollar recovery extended yesterday, this time with some help from strong data. The ISM manufacturing index surged back into expansion for the first time in a year, jumping to 52.6 – well above expectations and the strongest reading since August 2022. Production and new orders rose sharply, and order backlogs also moved into expansion, all pointing to solid momentum in output ahead.

We discussed [yesterday](#) how we think this week will allow data to do the talking in FX, but the release of Friday's jobs report has been delayed due to the partial government shutdown. JOLTS data scheduled for today has also been postponed. However, a House vote on extending

government funding is expected as early as today, and should it pass, this week's data may be published next week. Incidentally, ADP and ISM services figures will be published as scheduled tomorrow.

Our view on the jobs numbers was fairly upbeat, but the latest shutdown showed that in an environment where a negative story is required to push the dollar further down, it's definitely the case now, given that rate differentials argue for USD strengthening – some data silence can still help the USD on the margin.

DXY has now recovered most of its recent losses, but our short-term valuation metrics keep pointing to room for further USD recovery across the board. The dollar recovery lost some steam overnight, and we think today's price action may be mostly stabilisation rather than directional.

Francesco Pesole

➔ EUR: Some technical support in sight

The two-year swap rate gap widened in favour of the dollar yesterday, bringing our estimate for short-term EUR/USD fair value to 1.174. That is close to the 1.1724 50-day moving average, with the 100 and 200-day MA a bit lower at 1.1678 and 1.1615: those could be the main technical supports should the drop extend.

French CPI is due this morning, with limited room for FX impact. Incidentally, the more EUR/USD retraces, the less likely we'll get any comments on the exchange rate at Thursday's ECB policy meeting (here is [our preview](#)).

In political news, the French parliament ultimately approved the 2026 budget yesterday following another confidence vote. Markets have come to terms with the fact that it is nowhere close to the aggressive fiscal tightening of François Bayrou, but political stability is good enough compensation for kicking fiscal challenges down the road, for now. The 10-year France-Germany bond spread is back below 60bp, the tightest since June 2024. For FX, this remains a very marginal story anyway.

Francesco Pesole

➔ AUD: Interpretation of RBA statement looks too hawkish

AUD/USD is up almost 1% after a rate hike by the Reserve Bank of Australia this morning. The 25bp increase to 3.85% was around 75% priced in and a consensus call, but markets saw enough reasons in the statement to turn more hawkish on future moves, with 22bp priced in for the May meeting and 37bp by year-end.

We do not fully agree with this hawkish assessment. While the statement does highlight risks of persistent price pressures, it explicitly says "the larger part of the resurgence in inflation is judged to reflect some sector-specific demand and price pressures, which may not persist – though this judgement is very uncertain." Inflation projections have been revised up by 0.5% to 3.7% for June, but the year-end 3.2% figure does not really argue for urgency in hiking again.

Governor Michele Bullock left all options open for future moves, but also said she thinks rates "might be around neutral" during a press conference that, in our view, was aimed at toning down the initial hawkish reaction to the statement.

Tightening expectations seem a bit too aggressive without more data evidence, and risks appear more on the dovish side for the AUD swap curve in the coming weeks. We also think this AUD/USD run may not have much more steam. With this hiking profile priced in and our bias for a slightly stronger USD, a gradual unwinding of this post-RBA rally looks more likely than a re-test of last week's 0.7094 high.

Francesco Pesole

📌 CEE: Waiting for a signal from central banks

Turkey will release its January inflation data, which will be key in setting the pace of the Central Bank of Turkey's rate cuts moving forward. We expect 4.2% month-on-month, translating to a decline from 30.9% to 29.8% year-on-year. The central bank has already warned us about risks of noisy inflation data in the first two months of the year due to food, inflation expectations, time-dependent price changes, administered price hikes, and re-weighting by TurkStat. We will have to wait until the second half of the week for the next numbers and meetings of the NBP and CNB.

Despite the risk-off sentiment, the CEE FX market has shown its weakness and we haven't seen much movement. However, local rates and a stronger US dollar continue to point to weaker FX in the region. But the main event is the central bank meetings on Wednesday and Thursday. We still see upside risk for EUR/CZK and EUR/PLN here.

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