

FX Daily: Bittersweet government reopening for the dollar

The US government shutdown looks likely to end in the coming days, with a House vote now the final hurdle. The implications for FX are mostly visible in high-beta currencies, and there are no clear-cut directional implications for the dollar. Meanwhile, soft UK jobs data should endorse more dovish repricing of BoE expectations ahead of the Budget



US Senate Majority Leader John Thune speaks to the press after the Senate passed a funding bill that could bring the longest government shutdown in history to an end within days

We have published our [2026 FX Outlook: Play the ball, not the man](#). We'll hold a webinar to discuss our key calls for 2026 on Wednesday 12 November at 1300 CEST ([registration here](#)).

➔ USD: No clear impact from re-opening

The US Senate passed a bill to end the government shutdown yesterday. The House will vote in the next couple of days, and while a majority isn't fully guaranteed, expectations are that the bill will pass.

The government reopening trade has taken the shape of textbook risk-on moves in FX. The most equity-sensitive currencies are following gains across stock markets (AUD and NZD, leading) and the yen is under pressure. On a broad level, the impact on the dollar has so far been neutral, which is in line with the reaction to the beginning of the shutdown in October.

We think there will be little sense of direction in the coming days: reopening prospects allow markets to price out the negative growth impact, but a resumption of data releases in the US does carry non-negligible downside risks to the dollar. In our view, the latter factors should prevail, as we think markets are underestimating the downside risks for the labour market, US front-end rates and – by extension – the dollar into year-end.

But it will take time to see those data releases, even if the government reopens in the coming days. High-beta currencies might have a bit more juice to squeeze, but overall we don't see this as a volatility-inducing event in G10 and expect the dollar to stay rangebound with some downside risks today.

Francesco Pesole

➔ EUR: Still a bit cheap

EUR/USD remains around 1% undervalued according to our short-term fair value model. That shows that the rally in the dollar – net of last week's correction – has still exceeded what can be justified by market drivers like rates and equity differentials. However, the euro is lacking bullish thrust and – as discussed above – a potential end to the US shutdown is not a clear-cut USD negative.

Today's eurozone calendar includes the ZEW surveys in Germany. These have not sent the kind of optimistic vibe of the Ifo, and consensus is looking at a modest improvement to 41 in the expectation index and to -78 in the current situation index.

We continue to look at 1.150 as a floor and see room for stabilisation close to 1.160 based on our short-term valuation indicators, but the probability of a major revamp in depressed EUR/USD volatility remains low this week.

Francesco Pesole

⬇️ GBP: Dovish vibes from jobs market

This morning's UK jobs numbers came in on the soft side. Unemployment rose to 5.0% in the three months to September (exp. 4.9%) and October's employment contracted by -32k, following a revised -32k (first print was -10k) for September. Weekly earnings slowed across the board, with the headline (3M/YoY) measure undershooting expectations at 4.8%.

These aren't screamingly dovish figures, but they do endorse to some extent the ongoing dovish repricing of Bank of England rate expectations. Remember that part of the BoE's hawkish pivot in the summer was based on downplaying risks to the labour market whilst refocusing on inflation issues. Now, both inflation and jobs data are starting to point down, and we think the Autumn Budget's tax hikes will provide the final argument for a cut in December. [Here is our market preview of the UK Budget.](#)

EUR/GBP continues to face some upside risks as markets aren't fully pricing in a December move

(18bp this morning). However, the pair is already trading on the rich side as GBP embeds some risk premium ahead of the budget. Our year-end target remains 0.88.

Francesco Pesole

📈 CEE: EUR/HUF tests new lows

Today brings October inflation data from the Czech Republic and Hungary. Markets in both countries remain tilted toward a hawkish stance, though headline inflation is expected to decline markedly in the first quarter of 2026. While in our base case scenario this will not lead to rate cuts in either country, the market will move more to the dovish side compared to current pricing.

In Hungary, the market is pricing in roughly 75bp of rate cuts over a two-year horizon with a terminal rate of 5.75%. Although we do not expect rate cuts in the near future, the risk is on the dovish side given the weakness of the economy and the strong HUF. At the same time, we see a terminal rate in Hungary at 4.50%, well below current pricing. In the Czech Republic, the market is pricing in a rate hike of 25bp over a two-year horizon. Similarly, here too we see the risk of pricing rather on the downside given cuts in energy prices and the government's intention to subsidise part of the regulated component, which together may push headline inflation below 2% in January 2026.

FX saw a positive opening yesterday with a return of risk-on sentiment to global markets. HUF in particular is benefiting from the political outcome of the Trump-Orban talks. Inflation prints should not paint a significantly different picture today and the CEE market should continue to enjoy favourable conditions. On the other hand, HUF rates saw some rally in response to the weekend headlines and the interest rate differential saw some narrowing. At the same time, the currency outperformed the region yesterday and EUR/HUF saw new lows below 394. Therefore, it seems to us that the HUF rally is too fast and although conditions remain positive, we may see some correction of yesterday's gains.

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