

FX Daily: Bracing for the PMIs

PMI data from Europe will provide a glimpse into how the stringent lockdowns have impacted sentiment



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➔ USD: Little fallout from the US Treasury-Fed spat so far

Financial markets start the week on a benign footing, with little impact so far from the disagreement between the Federal Reserve and the US Treasury over the return of the Treasury's unused excess capital in the CARES Act facilities. A [rare letter](#) from Fed Chair Jerome Powell to Treasury Secretary Steven Mnuchin seems to have diffused the situation somewhat, although the year-end termination of these facilities could come back to hurt market sentiment should the US see broader lockdowns through December. For this week, Thursday's [Thanksgiving US holiday](#) will limit liquidity conditions, but with DXY so close to the lower end (91.75/92.00) of its four-month trading range and positioning not too stretched, we'd say the downside could prove vulnerable.

➔ EUR: PMIs to show scale of Lockdown 2.0

It is November flash PMI day in Europe, providing the first glimpse of how the stringent lockdowns across Europe have impacted sentiment. Consensus expects the eurozone services PMI to fall to 42.0 (from 46.9) dragging the composite back into contraction territory at 45.6 (50.0). We suspect, however, that it will really have to be a terrible number - or that the resilient manufacturing sector shows signs that it is starting to struggle as well - for the data to hit the euro. Latest IMM

positioning data points to speculators having yet to reload on EUR long positions (gross longs still down 25% from their highs in August) and we'd say positioning should not be an impediment to a further EUR advance. Assuming the PMIs are not sharply weaker than consensus, we could see EUR/USD drifting up the 1.1915/20 area.

📈 GBP: Leaving lockdown?

EUR/GBP remains near recent lows as investors focus on: i) any clues to a trade deal and ii) any news on what lockdown relaxation measures after 2 December could look like. On the former, reports suggest face-to-face meetings between the negotiators may resume on Wednesday and the latter, some encouraging reports are already starting to emerge. EUR/GBP could nudge towards the 0.8880/8900 area, while we favour [cable to 1.3400 this week](#).

📈 KRW: Watching the 1100 area in USD/KRW

The Korean won is one of our top picks in our [2021 FX Outlook](#), but USD/KRW bounced off 1100 last week when the South Korean Finance Minister said that the Korean government could step in at any time to stabilise markets. 1100 in USD/KRW now looks an important threshold to assess the path of the broad USD/Asia bear trend.

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