

## FX Daily: Data dependency without the data

FX markets are struggling to find direction this week. The Fed's doubts on whether to cut in December naturally increase scrutiny of data: this means both depressed volatility during data silence and some potential exacerbation of USD reaction to any labour indicator (like tomorrow's ADP). Our call remains that the dollar is close to its peak



Fed Chair Jerome Powell

### ➔ USD: Wait-and-see ahead of ADP

This week is all about reassessing December Fed rate cut expectations. That process began with Chair Powell's press conference last Wednesday and continues with FOMC member remarks and the limited data still being released. The dollar has already rallied on a 7bp hawkish repricing in the December Fed Funds futures contract, but with 16bp still priced in, a cut remains the market baseline – and there's room for further hawkish rethinks. We remain in the dovish Fed/bearish USD camp, but the risks are significantly more balanced now.

Recent Fed commentary has clearly suggested lower conviction on a preset easing path, which implies some greater data dependency. December has been described as a "live meeting" by the dovish-leaning Lisa Cook, while Mary Daly noted the FOMC should keep an "open mind" yesterday. The challenge, however, is that this heightened data focus comes at a time when the usual release

schedule is disrupted by the government shutdown, which still has no clear end in sight. As a result, the few data points we do get – especially tomorrow's ADP report – can have an outsized impact on markets, while the broader lack of data may lead to more spells of directionless FX trading.

JOLTS data won't be released today, so rangebound trading may persist ahead of tomorrow's pivotal ADP figures. The Fed speaker to watch today is Michelle Bowman. She leans dovish and is a potential chair candidate – if she joins the cautious tone on December, it could prompt more hawkish repricing and USD support.

This morning, we are seeing a sizeable drop in USD/JPY. That is likely being driven by more verbal FX intervention from the Japanese finance minister and a drop in global equity futures. It is a signal that the yen remains a go-to currency for safe-haven demand (which has been lacklustre of late), but also that the extensive short positioning on JPY can fuel rapid rallies.

*Francesco Pesole*

## ➔ EUR: ECB members mostly on the same page

The slew of post-meeting ECB speakers has added little to the policy narrative. The Governing Council is broadly on the same page with the rates view, and the feeling is that some substantial data surprises are now needed to create new division among policymakers. If anything, we think the ECB might cut once again, but the risks at the moment aren't high, and we predict that the easing cycle is over.

Despite the hawkish repricing in the USD curve, the EUR/USD drop looks a bit overdone. Our short-term fair value model is now showing a 1% undervaluation, and with positioning now much more balanced, the pair can enjoy faster rallies on poor US jobs market news.

We remain optimistic on a rally into year-end to 1.18-1.20, but until US data gives the go-ahead for a rebound, there aren't other obvious bullish drivers for EUR/USD.

*Francesco Pesole*

## ⬆️ CAD: Budget might give some help to CAD

It's worth monitoring Canada's budget announcement today. A mix of fiscally expansionary measures to support a tariff-hit economy are widely expected. The bar for debt sustainability concerns to hit CAD is elevated, so bold fiscal spending moves should be positive for CAD as the risks of more Bank of Canada cuts decrease.

But the focus should anyway stay on data. If inflation figures undershoot, the case for another cut in early 2026 (our baseline) should be compelling. On Friday, Canada also releases jobs figures for October. All the focus will be on the unemployment rate, where further increases from the current 7.1% should also fuel dovish bets.

We expect USD/CAD to hover around 1.40 for most of November, then turn lower in December as the USD weakens.

*Francesco Pesole*

## 📈 CEE: The region is preparing for a busy second half of the week

Yesterday's PMI showed a mixed picture in the region, with [the Czech Republic](#)'s lower-than-expected, while Poland and Hungary surprised with higher-than-expected readings. Inflation in [Turkey](#) surprised the market lower (2.6%/32.9%), in line with our estimate, and inflation returned to a declining trajectory. We anticipate that the annual inflation rate could be around 32% by the end of 2025. For next year, we now expect inflation to decelerate to around 22% (versus the CBT's interim target at 16%) with the balance of risks tilted to the upside. Meanwhile, the October data supports another rate cut in December, the size of which will also be determined by November inflation. With another expected 100bp cut in December, we expect the policy rate to be at 38.5% at the end of this year, which should not threaten TRY's stable depreciating path and CBT FX policy.

Today's calendar is quiet ahead of a busier second half of the week with inflation print in the Czech Republic on Wednesday and meetings of the National Bank of Poland and [the Czech National Bank](#) on Wednesday and Thursday. However, CEE currencies saw a positive start to the week with gains for the CZK and HUF. EUR/CZK remains in a tight range of 24.250-400, and for now it does not look like anything is going to change despite the CNB meeting this week. On the other hand, EUR/HUF tested new lows yesterday and briefly touched 387, where it can be seen that, despite some weaker data and fiscal headlines, the market is okay with current levels. At the same time, we believe that the market is getting closer to pricing in more NBH rate cuts at the front end of the curve, given the strength of HUF and anti-inflationary pressures.

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