

FX Daily: Dollar could find some seasonal support

The dollar has found a little support at the start of the week. Chinese authorities have now turned to fixing USD/CNY a little higher, which removes one of the dollar's negative impulses from last week. The highlight of an otherwise quiet session will be today's eurozone flash CPI release for August and the US ISM business confidence data



The dollar finds a little support as the People's Bank of China fixes USD/CNY a little higher

➔ USD: September seasonality in play?

The dollar is drifting higher in quiet conditions. Weekend news about US tariffs being ruled illegal has not had much impact so far. US Treasury yields have been marked a couple of basis points higher, and US equity futures are slightly lower. The focus this week is on US labour market data, with the next important input being tomorrow's JOLTS job opening data. First up, though, we get an update on the manufacturing sector today. Expectations are for a modest rise in ISM business confidence to 49.0, but still weak. There will be some latent interest in both the prices paid and the employment component, but we doubt this data will be a major determinant of dollar direction this week.

Away from the US data and the expected Fed 25bp rate cut on 17 September, we're looking at two factors that could provide the dollar with some support. The first is a mini-reversal of last week. The

People's Bank of China has now fixed USD/CNY for the last couple of days. Our idea of a discrete, managed appreciation in the renminbi seems to have run its course for the time being. One would not be surprised either to hear of Washington levelling new tariffs at BRICS nations after this week's show of power in Beijing and the BRICS virtual summit next week to discuss US tariffs. This could be slightly negative for EM currencies as a whole, where global investors are overweight.

The second factor could be seasonal dollar strength. US corporates have a big tax date on 15 September, where dollar payments occasionally cause ripples in US money markets. This was the case in 2019. We note as well that the DXY dollar index has rallied in seven of the last 10 Septembers. In short, it may not be one-way traffic to a lower dollar this September despite the prospect of softer employment figures and the looming Fed rate cut.

97.50 DXY support appears to be holding, and more range trading may be the order of the day.

Chris Turner

➔ EUR: Much ado about CPI

There seems to be quite a lot of focus on the August eurozone CPI release today. Consensus expects headline to tick up to 2.1% YoY and core to tick down to 2.2% YoY. The ECB hawks and doves seem evenly split, where the former group sees no need for rates to be taken sub-neutral (2.00%), while the latter is still concerned about undershooting inflation targets. We actually doubt how much today's data will impact the pricing of the ECB's monetary cycle, where the market still prices a cut for the second quarter of next year. That seems strange, because next year we expect the effects of German fiscal stimulus to be felt, and if there is a window for a further ECB rate cut, we see it this year, not next.

EUR/USD looks quite comfortable at 1.1700 for the time being. Long positioning is probably the biggest risk to EUR/USD right now. But in theory, US jobs releases this week still have the potential to unlock some upside. EUR/USD looks likely to continue trading well within the 1.1650-1.1750 range for now.

Chris Turner

➔ JPY: Should see demand from the US fiscal dominance story

Fed independence will remain a huge theme for financial markets this year. The topic should be back in the headlines this Thursday, when Trump appointee Stephen Miran undergoes Senate confirmation hearings for his seat on the Fed's governing board. The thesis of President Trump seeking a majority on the erstwhile independent Fed rate-setting committee is dollar negative given the prospect for real interest rates to sink.

Given Japan's large Balance of Payments surplus, the yen's undervalued status and its liquidity, USD/JPY will likely play a major role in a dollar bear trend driven by concerns over the Fed. The early August high of just under 151 could prove significant, and USD/JPY could well struggle now to get above the 148/149 region. We continue to target 145 for the end of September, but let's see how the negatives of US jobs/Fed independence questions play out against the seasonal dollar strength story discussed above.

Chris Turner

📈 CEE: The region started the week with positive news from economy

Yesterday's economic data from across the region brought good news. GDP data for Q2 2025 in [Poland confirmed solid growth](#) of 0.8% QoQ, while flash data from [Turkey surprised on the upside](#) at 1.6% QoQ. In Poland, we continue to see full-year growth of around 3.5%, leading the CEE region. In Turkey, the positive surprise leads us to revise our full-year forecast from 2.7% to 3.3%, which could encourage the central bank to take a more cautious approach to rate cuts, but even so, 300bp remains our baseline for the September decision. PMI figures showed rather stable sentiment across the CEE region. However, [in the Czech Republic](#), the PMI together with Friday's GDP data led us to improve our outlook for this year's economy from 2.3% to 2.5%. Today, the picture will be completed by Hungary's Q2 GDP figures, which should confirm the previous figure of 0.4% QoQ and show more detail on growth.

CEE FX opened positively this week. Although CZK and PLN corrected some gains during the day, HUF is returning to its strongest levels. Today should be rather quiet in the region ahead of a busier second half of the week with the National Bank of Poland meeting and inflation prints in Turkey and the Czech Republic.

CEE FX is supported by a weaker USD and a rebound in global equity markets, which may change quickly due to the local story in the coming days. As we mentioned yesterday, the EUR/CZK move down seems too fast to us given the move in rates, and although we remain bullish on the CZK due to the end of the Czech National Bank cutting cycle, some correction here would not surprise us. EUR/PLN, on the other hand, should head back down below 4.250 if the NBP makes a hawkish cut.

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