

## FX Daily: Dollar slow to reclaim losses

President Trump's surprise pause on some of the highest tariff measures once again upends any pretence that we understand his strategy. Pressed by an 8-week 20% correction in US equities, it now seems his tariffs may be more transactional after all. The early FX take is that the dollar has been slow to reclaim losses. How it trades on CPI will be instructive



US President Trump's unexpected tariff changes once again disrupts any illusion that we understand his strategy

### ➔ USD: Damage has been done

The clean take-away from the [pause in the worst of the tariffs](#) was a re-assessment of global trade prospects on the view that perhaps tariffs were more transactional after all, and US equity losses are indeed proving a brake on the President's desires to rewire the global trading systems. The big winners yesterday in G10 were the commodity currencies – especially those with an Asian link such as the Australian and New Zealand dollar. The underperformers were the previously favoured defensive yen and Swiss franc. In the EM space, Latam gains stood out – the region having previously been hit on the big falls in industrial metals and energy prices.

While US tech hardware and retailers helped drive a 9% rally in the S&P 500, the DXY trade-weighted index is only 1% off its recent lows. Perhaps one stand-out is USD/JPY, which over the last couple of years has typically been trading in a 150-155 range when US 10-year Treasury yields are

up at 4.25/30% as they are today. The fact that USD/JPY is still trading on a 146 handle suggests this flip-flopping of policy is now demanding a higher risk premium of US asset markets. Keep an eye on the US sovereign five-year CDS, which has risen to levels last seen in late 2023.

Also in the background – while this 90-day pause allows negotiations to unfold – is the issue of whether currency policy is on the table as part of the much-debunked [Mar-a-Lago blueprint](#). If any trading nation in the world could agree to what's in that accord – coordinated intervention with the US to weaken the dollar – it would be Japan purely on the view that the Bank of Japan is hiking interest rates.

Clearly, there are many more chapters to go in this story, but for today we're interested to see how the dollar trades around what should be another sticky CPI release. Here, consensus expects a high 0.3% core reading for March CPI. In prior years, such a reading would drive short-dated yields higher and strengthen the dollar. More recently, however, higher CPI readings have been taken as dollar negative on what it means for real consumer spending.

Let's also look out today for whether China is set to retaliate again to Washington's latest hike in China tariffs to 125%. Our Greater China economist, Lynn Song, [makes the great point](#) that we've probably reached the point where tariffs no longer have any impact on trade decisions and only hit the consumer with inelastic demand. For reference, the onshore USD/CNY is currently pressing the +2% band around the daily fix and USD/CNH could head back to 7.42 if China does announce new tariffs today.

In theory, the dollar could face some upside risks from CPI today, but we favour DXY continuing to trade in a volatile 102.00-103.50 range. And it could come lower again over the coming weeks if it looks like the reciprocal tariff shock has done some damage to hard data in the US consumer and business space.

*Chris Turner*

## ➔ EUR: EUR/USD remains the 'washing machine'

The EUR/USD market is sometimes referred to as a 'washing machine' where global trade and portfolio flows meet and cancel each other out. And EUR/USD has not been a big player in this global trade upheaval. It would be if the idea of a 'sell America' theme were to fully unfold, where the euro asset markets would be one of the few available to absorb any exodus from US assets. Interestingly, it does seem that ECB officials are keen to market the euro as the strong alternative to the dollar at the moment.

In theory, a slightly better outlook for world trade should be a euro-positive. Yet the euro has not been badly hit recently, and in fact the greater repricing of the Fed curve overnight (four expected cuts this year reduced to three) is proving a mild EUR/USD negative.

Expect more consolidation in a 1.09-1.11 range for EUR/USD near term. Should it meet good demand near 1.0900 today on a firm US CPI, price action will be telling us that the investors are still minded to hedge/reduce dollar exposure.

Elsewhere, the Norwegian krone is having a good rally today. It had been hit hard on the global trade/lower oil/poorer liquidity story. Additionally, this morning has seen another sticky core inflation release for March, where underlying inflation remains at 3.4% YoY. This may continue

to delay the next Norges Bank rate cut.

At the height of yesterday's market dislocation, we also saw EUR/CHF trading sub 0.93 again. One of many possible angles here is that the Swiss National Bank's hands may be tied when it comes to its traditional FX buying operations. Sustained FX buying from the SNB could see Switzerland formally named a currency manipulator and be given a top-up to its initial 31% reciprocal US tariff. This may only embolden investors to buy CHF in risk-off episodes – thinking the SNB bid in EUR/CHF will not be as solid as it once was.

*Chris Turner*

## ➔ GBP: Gilt baggage

EUR/GBP briefly traded to 0.8650 yesterday – a move which seems to coincide with the sell-off in UK gilts. That UK gilts even underperformed US Treasuries is quite remarkable and probably very unnerving for the UK's Debt Management Office. One view here is that the DMO is already pushing the limits with £300bn of new issuance this year and that any greater slowdown in the UK economy, which would hit revenues/raise welfare spending, would only hit gilts harder. Clearly, then, the gilt market is an Achilles heel for sterling.

The market now prices around three cuts for the Bank of England this year, with which we agree. We're a little reluctant to call EUR/GBP quickly back below 0.8500 since bond markets might struggle with another high US CPI reading today. Better news, however, has been coming from US Treasury auctions, where the 10 year went quite well yesterday and expectations are for a decent 30 year auction today.

GBP/USD could meet buyers near 1.2800 if our EUR/USD thesis holds today.

*Chris Turner*

## ⬆️ CEE: Forint as winner of the tariff reversal

The main focus is still on the global story, so today's data in the CEE region will probably be overlooked. In Romania, the final GDP data for 4Q25 was released, showing the economy growing by 0.8% quarter-on-quarter and 0.7% year-on-year. Of more interest is likely to be the final inflation estimate in the Czech Republic for March. Last week's flash estimate showed the headline unchanged at 2.7% YoY. We'll see the detail today and the Czech National Bank will release core inflation later today as well. According to the flash, we are 0.1pp above the CNB forecast. It was local factors that board member Jan Prochazka mentioned yesterday in the first post-tariff comment as one of the reasons why we may see a pause in the cutting cycle in May despite the current global story. Let's see if lower core inflation can make the CNB's decision a little easier.

Yesterday's announcement of the postponement of tariffs for some countries has once again switched the markets into a risk-on mood, reversing the trend since “Liberation Day”. CEE assets performed relatively resiliently within the EM and DM space. Hence, we are unlikely to see the same rally as shown by the Latam currencies, for example, at the close of yesterday's trading session. CEE FX had already erased at least half of the previous day's losses by the end of yesterday. At the same time, the local story will sooner or later start to matter again.

As a reminder, the National Bank of Poland will probably start cutting rates at the next meeting in May, regardless of the global story. The CNB confirmed that it was still in the cutting cycle

yesterday. Therefore, we may see some hawkish repricing, but a significant portion of rate cuts should remain priced in, especially in Poland, keeping the PLN weaker. On the other hand, the main beneficiary of the global story turnaround, in our view, is the HUF, which has been more driven by global sentiment than the local story in recent weeks.

*Frantisek Taborsky*

## Author

### Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

[chris.turner@ing.com](mailto:chris.turner@ing.com)

### Frantisek Taborsky

EMEA FX & FI Strategist

[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

### Francesco Pesole

FX Strategist

[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).