

FX Daily: EUR/USD hanging in there

It could have been a lot worse for EUR/USD this week. A set of FOMC minutes that poured cold water on a December rate cut and a strong headline rise in the US jobs report could have seen 1.1500 taken out again. But instead, investors seemed to have just delayed rather than abandoned pricing for Fed easing. And Europe may still be showing some signs of life



EUR/USD has survived what could have been a difficult week

➔ USD: Fed cuts delayed, not abandoned

Yesterday's price action could be instructive about positioning. A decent rise in [headline US jobs growth](#) and an unemployment rate only rising because of an expansion in the labour force could have sent the dollar a lot higher. Instead, US short-dated rates fell 5bp and the dollar softened a little – suggesting dollar positioning is far better balanced (less short) than it has been over recent months. The dollar also stayed a little soft with the huge 3.7% intra-day drop in US equities, which looked like fund managers using the liquidity of the post-Nvidia earnings rally to pare back positions pre-Thanksgiving. Remember that in this week's [FOMC minutes](#), the Federal Reserve expressed concerns that US consumption was increasingly being driven by a narrow group of wealthier consumers who were being buoyed with wealth effects from the stock market.

Importantly, this week's events only seem to have delayed expectations for the Fed easing cycle. The terminal rate for the easing cycle is still priced around the 3.00% area for next year, but the

market has switched to favouring the next cut in January (24bp priced) versus December (10bp priced). There is also the residual risk of Fed independence hanging over the dollar, too. Betting markets price the frontrunner for the next Fed Chair as Kevin Hassett, who is currently the Director of the National Economic Council and is probably seen as the most political of the candidates. Yesterday, he said he would 'cut rates right now' if he were Fed Chair.

For today, the US focus will be on the S&P PMI readings (expected to be quite strong) and final readings for November consumer sentiment. DXY is sitting at the top of the five-month range – largely because USD/JPY is trading above 157. There is not an obvious catalyst for DXY to come lower near term, although we are getting close to intervention in USD/JPY from Japanese authorities, which could see up to \$100bn supplied to the market.

Chris Turner

📈 EUR: Make Europe great again

As above, EUR/USD seems to have survived what could have been a tricky week. Today's focus will be on the flash PMIs for the region. These have been a source of comfort to the euro in that business sentiment has stayed relatively constructive, suggesting businesses are finding workarounds for the new tariff environment. As an aside, export numbers for November (Korea) and October (Japan) seem to be holding up quite well. A decent set of PMIs today could give the euro a modest lift. We should also see the European Central Bank's survey of negotiated wages for the third quarter. These are expected at 2.45% quarter-on-quarter annualised versus 3.95% in the previous quarter. This should be welcome news to the ECB, but also a reminder that real wages are rising in the eurozone and, with a high savings rate, eurozone consumption could be a positive surprise for 2026.

Away from the data, we have several central bank speakers today. ECB President Christine Lagarde speaks this morning at the Frankfurt European Banking Congress. The tone of the conference is very much about the benefits of investing in Europe, and we might see references again to the notion of a global euro. Here, we've seen reports overnight in Politico that the ECB is thinking of expanding its EUREP repo lines to other central banks outside the euro area. This is an effort to increase comfort in euro invoicing – copying the People's Bank of China's playbook for the renminbi – and is something we discussed in our [global euro](#) paper earlier this year.

If EUR/USD can somehow make it back above 1.1560/65 today, it will have had a good week.

Elsewhere, we have a Swiss National Bank Watchers conference this afternoon, with plenty of SNB speakers. Expect a similar message along the lines of 'we have all our options open' to address Swiss franc strength, when in reality its ability to cut rates and intervene is sorely limited. We see EUR/CHF staying offered near 0.92 into year-end as investors prefer to hold Swiss francs as a hedge against a loss of confidence in government bond markets and fiat currencies.

Chris Turner

📉 JPY: Targeted fiscal stimulus

Unlike in the UK, where fiscal tightening raised inflation and proved a double shock to the economy, Japan is employing fiscal stimulus targeted at energy subsidies. This will bring headline inflation down and perhaps keep the Bank of Japan from raising rates. Potentially, this sees real

Japanese rates turn even more negative and will keep the yen soft.

However, we are certainly getting closer to intervention territory in USD/JPY. Should USD/JPY make it anywhere near the 159/160 area next week, we would expect intervention to be seen. It could potentially emerge during the US Thanksgiving Day public holiday, where thin market conditions could see Japanese authorities earning a bigger bang for their intervention buck.

Chris Turner

CEE: The market is waiting for a peace deal

Currencies in the CEE region saw some stabilisation yesterday after Wednesday's gains, though the main topic remains a possible peace agreement between Ukraine and Russia. However, the stronger US dollar yesterday after the release of long-awaited jobs data somehow offset the positive mood in the CEE region. The leaked details of the possible agreement show concrete steps and an aggressive timeline, indicating some progress here. CEE currencies could therefore see another positive push today on the back of this story.

The calendar today does not have much to offer except central bank speakers in Hungary and Poland. We will see more data and local stories next week, with inflation figures in Poland for November and GDP data in the Czech Republic. For now, the main focus should continue to be on the Hungarian forint, which is the main beneficiary of the potential ceasefire between Ukraine and Russia in our view. As we discussed here yesterday, this could be the key to testing 380 EUR/HUF.

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