

FX Daily: Fateful Friday

Expectations have grown that today's US jobs report will be decent enough to keep the Fed put for longer, and that the Supreme Court will rule against Trump's tariffs. The combination of those would, in our view, prove modestly USD positive: the greenback has already absorbed some positives of late. Anyway, today's events will set the tone in FX for some time



The Supreme Court in Washington, DC

USD: Payrolls and tariff ruling on the agenda

Two major events to follow in markets today: US jobs data for December and the (probable, not certain) ruling by the Supreme Court on tariffs.

Let's start with data. This week has so far sent conflicting US macro signals: good ISM services, acceptable ADP, and bad JOLTS. Challenger job cuts released yesterday dropped significantly in December, but that's partly due to the concentration of large corporation layoffs in previous months. For the whole of 2025, job cuts rose 58% and at 1.21 million were the highest since 2020.

That, anyway, has underpinned some cautiously growing optimism about today's payrolls. The whisper number reported by Bloomberg has risen from 50k to 65k in the past two days, with economists' consensus at 70k. The unemployment rate may be monitored even more than payrolls, mirroring the Fed's focus on joblessness. It's expected to slow back to 4.5% from 4.6%,

which, combined with 50-100k payrolls, would be enough to fully rule out a January cut and keep the probability of a March cut below 50%. Our house call is 50k for payrolls and 4.5% for unemployment.

We suspect some of yesterday's dollar strength was driven by such expectations, and we doubt the greenback has much further to rally unless numbers are materially stronger than consensus.

On the second topic, many expect the Supreme Court to rule on Trump's tariffs today, though that's not guaranteed. Trump's recent flurry of public remarks defending tariffs suggests he's bracing for a decision and that the ruling could be negative – Polymarket prices that outcome at 77%. If SCOTUS declares IEEPA tariffs unlawful, the administration will almost certainly seek ways to reinstate them. Bessent has flagged Section 232 or 301 as options, though both add complexity; Sections 338 and 122 are also possible, while congressional approval remains the cleanest route.

Meanwhile, US importers who paid these tariffs would be able to pursue refunds – a matter SCOTUS should, however, leave to lower courts. Overall, this scenario could be interpreted by markets as easing inflation pressures and improving corporate profitability, while at the same time worsening the fiscal outlook and reducing expectations for Trump's proposed "tariff dividend" stimulus.

Net-net, this could be a moderate dollar positive (some of it partly priced in). That's because the Fed has been more focused on growth and jobs than inflation, which hasn't picked up dramatically with tariffs, and could therefore feel less pressure to ease. Concerns on the fiscal side would need to first generate clear signs of stress in the Treasury market before spilling over negatively on the dollar.

Francesco Pesole

📉 EUR: 1.160 is possible

As discussed above, we think the initial reaction of a SCOTUS ruling against Trump's tariffs could have a slightly net positive impact on the dollar. At the same time, we think high-beta activity currencies like AUD, NZD could be favoured on the back of a more optimistic view of global trade. The euro, which benefited hugely from the initial tariff chaos, may face a bit more pressure if tariffs are paused.

While EUR/USD is starting to show a rather substantial short-term undervaluation, the downside risks these days extend to the 1.1600 support in our view.

We are still monitoring EUR/DKK, where some unusual action in forwards suggests both speculative selling of DKK given Greenland headlines and potentially some drying up of liquidity as the Danish central bank may be intervening. Still, it's worth reiterating that the pair is trading less than 0.2% above the 7.460 peg, and the central bank has ample reserves firepower to buy DKK before resorting to a rate hike.

Francesco Pesole

📉 CAD: Pressure may persist

Canada releases labour data for December at the same time as the US today. Here, the consensus is less optimistic: -2k for payrolls and an acceleration from 6.5% to 6.7% in unemployment. These jobless levels are still well below the 7.1% September 2025 peak, although the Bank of Canada

would start to worry if we re-approach the 7.0% mark.

In our view, market pricing for a rate hike in late 2026 looks premature. Inflation isn't showing worrying signs, the labour market may well loosen further, and the upcoming USMCA renegotiations could dampen consumer and business sentiment again. We no longer expect another rate cut, but we think the next rate hike will need to wait until at least 2027.

The Canadian dollar has trailed other G10 currencies this week, with the prospect of a Venezuelan crude supply increase causing some concerns for Canadian oil exports. The WTI-WCS spread has widened to 15\$ in the past few days, the widest in a year. Some soft jobs data today may prevent CAD from recovering, and we remain generally unexcited about the loonie's prospects in the coming months. A return to the 1.39-1.40 area in USD/CAD looks warranted in the current environment.

Francesco Pesole

📌 CEE: CNB minutes show discussion on changing view of inflation risks

The end of the week will be a bit more lively in the CEE region than the previous days, with more data released this morning. In Romania, the final GDP figures for 3Q25 confirmed a 0.2% QoQ contraction in the economy and the retail sales figures for November also showed stagnation. On the other hand, industrial production in Turkey rose by 2.5% MoM in November. Retail sales figures in Hungary will also be released later today.

However, the main focus will likely be on the Czech Republic again. After Tuesday's presentation of the 2025 budget result and an indication of a deficit below 3% of GDP for this year and a funding strategy comparable to last year, Wednesday's inflation surprised down again, and yesterday's industrial numbers actually showed a decent acceleration in production. Today's story will be concluded by the CNB minutes from the December meeting. The bank board changed the balance of risks from pro-inflationary to balanced for the market, indicating a dovish shift. The minutes should thus show a discussion on inflation risks, but it can be assumed that the bank board will resist discussing rate cuts for now and continue to present decision-making as all steps are on the table.

The koruna tried to recover yesterday but EUR/CZK headed up again at the end of the day. We maintain the view that current rates point to levels of 24.350-400 and the koruna will remain under pressure in the coming days. We maintain a similar bearish bias due to dovish rates pricing in the HUF market as well.

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