

## FX Daily: Focus on the Treasury Secretary pick

Markets are consolidating after a period of heightened volatility. In focus currently is President-elect Trump's pick for the influential post of US Treasury Secretary. Given the large US budget deficit, investors will probably want to see a safe pair of hands being chosen. Elsewhere, there will be a lot of focus on the Hungarian rate decision today



With the US data calendar quiet this week, attention remains on the make-up of President-elect Trump's cabinet

### ➔ USD: Some well deserved consolidation

FX markets are seeing some well-deserved consolidation after a volatile few weeks. The near 7% DXY appreciation in just six weeks had been one of the sharpest adjustments in FX markets since the summer of 2022. As Francesco Pesole [noted yesterday](#), positioning is probably the biggest threat to the dollar right now, although we may also start to hear of dollar seasonality again where DXY has fallen in eight of the last 10 Decembers and for the last seven consecutive Decembers.

With the US data calendar quiet this week, attention remains on the make-up of President-elect Trump's cabinet. One of the most relevant positions for financial markets is the post of US Treasury

Secretary. This has yet to be decided, but it seems there are at least four names in the running: Kevin Warsh (ex-Federal Reserve), Marc Rowan (Apollo Global Management), Howard Lutnick (CEO of Cantor Fitzgerald), and Scott Bessent (Key Square Group). Some reports even have Robert Lighthizer as still being in the mix for this position. The relevance of the pick for financial markets will probably be how the US Treasury market reacts. A candidate with proven reliability will be well-received by the bond markets, while those with less experience – or perhaps a candidate that will offer less of a counterweight to some of President-elect Trump's plans – could see the long end of the US Treasury market sell-off and perhaps even soften the dollar too.

DXY is currently holding support just above 106.00 and even a correction back to 105.65 would still keep the near-term bullish trend intact. We see no reason for a large dollar correction at the moment, but equally not a clear catalyst for an advance.

*Chris Turner*

## ➔ EUR: Brief reprieve after some hawkish comments

EUR/USD is enjoying a brief correction as some of the ECB hawks speculate over whether global fragmentation (i.e. shortening of supply chains and trade wars) will be inflationary and will call for higher interest rates. These were the thoughts of ECB's Joachim Nagel yesterday – comments which helped narrow the two-year EUR:USD swap differential by around 10bp and saw EUR/USD correct to 1.06.

On the subject of rate differentials, the market currently prices 10bp of Fed cuts in December (we look for 25bp) and 31bp of ECB cuts (we look for 50bp). Of course, if the Fed cuts 25bp and the ECB only cuts by 25bp, there could be a little upside for EUR/USD amid the seasonal dollar patterns we discuss above.

For the time being, however, we do not see a compelling case for EUR/USD to correct much higher and even a move to 1.0660/65 would still be in keeping with a bearish near-term trend. Expect another quiet day for EUR/USD with a focus on the US Treasury pick, as discussed above.

*Chris Turner*

## ➔ CAD: October CPI figures will be important

Canada releases inflation figures for October today. Expectations are for a rebound in headline CPI to 1.9% YoY while core measures are seen stabilising around 2.4%. This is the last CPI report the Bank of Canada will see before the 11 December meeting, meaning the release can have deep implications for market pricing, which currently embeds nearly even chances of a 25bp or 50bp cut.

The other two major inputs for the BoC will be GDP data on 29 November and the November jobs report on 6 December. We still see a 25bp move as more likely as both activity and inflation seem to be stabilising and markets have scaled back some Fed easing expectations. We see a case for some modest tightening in the USD:CAD 2-year swap rate gap from the current 100bp level, which can put a cap on USD/CAD in the near term. We still expect the pair to end the year below 1.40.

*Francesco Pesole*

## ➔ HUF: How hawkish can the NBH be?

Today's meeting of the [National Bank of Hungary](#) should be a non-event in terms of a rate decision. Central bankers have made it clear that the cutting cycle is on hold for some time due to high financial instability, meaning too high a EUR/HUF. Numbers from the economy continue to surprise on the downside, with third-quarter GDP confirming a return to technical recession and headline inflation surprisingly holding close to the central bank's target. In fact, Hungarian headline inflation is the closest to the target among CEE peers at the moment. However, the central bank's focus is on EUR/HUF which has repeatedly broken above 410.

Although the market was still pricing in rate hikes in late October and early November, these expectations have calmed since the US election and the market has rebuilt some rate cuts into the longer horizon of the FRA curve. Still, the NBH does not appear to have won. While market positioning is less short on the HUF than before the US election, the market still sees EUR/HUF heading more to the upside. So the NBH will have to show enough hawkish rhetoric today to be able to return EUR/HUF to more acceptable levels.

At the same time, the NBH will want to avoid any hints of an additional rate hike or other stronger measures. EUR/HUF briefly returned to 410 yesterday but surprised with a reversal below 407 at the end of trading. Visibly the market is looking for a way to go. However, we believe 410 will remain the point of gravity in the current global environment, which the NBH does not fully control – namely the negative for the entire CEE region led by EUR/USD pushing lower.

*Frantisek Taborsky*

### Authors

#### 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 <http://www.ing.com>.