

## FX Daily: Hanging on Trump's words

President Trump speaks at the Economic Club of New York today. With no clear list of topics, the potential for surprise is high, and so are the implications for FX



US President Donald Trump on the first day of the annual G7 Summit in France

### ➔ USD: Focus on Trump's speech

The positive newsflow on trade negotiations has continued after a report suggested President Trump may delay his decision on whether to levy tariffs on the European auto sector. Without any market-moving data releases on the agenda today, investors will focus on President Trump's scheduled speech at the Economic Club of New York. The hope is that Trump will shed some light on his trade policy in general and specifically on how close US and China are to a deal, possibly providing more details about the key points (tariff removals, intellectual property) as well as an indicative timeline. Without a clear list of topics to be included in the address, the potential for surprise is high, and so are the implications for FX. Nonetheless, even if Trump opts for constructive rhetoric, the dollar may retain some resilience as US 10-year rates could keep advancing towards the 2% level and may prompt weakness in low yielders.

### ➔ EUR: ZEW no game-changer

Our economics team expect the German ZEW index to rebound to -20 (above consensus at -22.3) from -25.3 in October. While this may generate some upward pressure on the euro around the release, it would still represent a quite uninspiring reading that is unlikely to change markets'

highly sceptical stance on a eurozone economic recovery. The prospect of Germany entering a technical recession this week may prevail and limit any positive impact from the ZEW.

## ⬇️ GBP: Watch out for labour market weakness

Yesterday, the pound received a boost from the Brexit Party announcing that it will not contend Conservative seats at the 12 December elections, which fuelled expectations for a (market-friendly) Tory majority outcome (we analyse different election scenarios in "[What the UK election means for Brexit](#)"). However, it is worth noting that, while the move considerably helps the Tories retain their seats, it does not help them seize those Labour-“leave” seats that would allow them to secure a solid majority. Data-wise, today's jobs report carries some downside risk for sterling, as a continuation of the downward trend in hiring will likely emphasise that the labour market is no longer tightening and possibly underpin any easing plans by the Bank of England.

## ⬆️ NZD: A surprising hold by the RBNZ?

At 0100AM (GMT) tomorrow, the RBNZ will announce monetary policy. After an inflation expectation gauge dropped overnight, markets have increased the implied probability of a 25 basis point cut. Although it is a tight call, we still see some room for the [RBNZ to stay on hold](#) and - aided by a still [extensive short speculative positioning](#) - we see potential for NZD/USD to move back above 0.64 this week.

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