

FX Daily: Hard data to determine dollar's next move

After being bounced around by a devastating month of tariff news, the path for FX markets will be determined by hard US data this week. Here, US employment data will be closely watched for any signs that slumping US consumer and business confidence is resulting in layoffs. Any big downside surprise can trigger another leg of dollar selling



FX markets will be driven by hard US data this week, and we should be focusing on jobs for signs of any sharper slowdown

➔ USD: Positioning data shows a split in activity

It's been a quiet start to the week in financial markets, with cross-market levels of volatility falling. There has not been too much tariff-related news over the weekend, although it does seem US consumers could soon start to feel the bite. Reports suggest that Chinese fashion retailer Shein is raising prices for US consumers by up to 300%, while logistics groups are starting to report a slump in US air freight and container imports.

For FX markets, the focus this week will be on how much this tariff stress has hit real-world

decision-making. Data highlights of the week include the first look at first-quarter GDP and the April jobs report on Friday. On GDP, consensus is around 0.4% quarter-on-quarter annualised, but the range of expectations is wide at +1% to -1%, depending on how economists feel the sharp front-loading of imports will be offset against some positive investment trends. ING economists are looking for a reasonable 0.8% figure, thinking that consumer spending and investment can help. We are below consensus (+130k) when it comes to Friday's jobs report, however. And we think it will be the jobs data which will be the dollar driver this week.

As my colleague James Smith discusses [here](#), we should be looking at the jobs data for signs of any sharper US slowdown rather than at survey data like the ISM business survey released on Thursday. We'll also see the JOLTS job openings data on Tuesday, where any sharp fall could trigger another leg lower in the dollar on the view that tariff uncertainty will drive unemployment higher. The jobs data also seems key for the Federal Reserve, where board member Christopher Waller has said that the central bank could cut earlier and more deeply if unemployment rises sharply – although this may be something for the late summer when we know more about whether reciprocal tariffs will be reinstated after their 90-day pause. With the market already pricing in around 125bp of easing into next year, taking the Fed Funds policy rate to neutral near 3.25%, the next big story for the dollar will probably be whether US data is weak enough to merit Fed policy being priced below neutral.

When it comes to FX positioning data, last week's data from Chicago seems to confirm anecdotal reports that fast money/hedge funds have been taking profits on dollar short positions, while the buy side continues to sell dollars. The latter may also have a big say in price action this week, should investment committees have recently taken decisions to cut USD exposure. Looking out for fixing flows, especially around the 4:00pm UK WMR fix.

The data calendar is exceptionally quiet today, but lower volatility levels slightly favour higher equity markets and perhaps an uptick in the dollar too. We think there is still room for DXY to edge up to the 100.00/100.25 area – but that may be enough for this week.

Chris Turner

➔ EUR: The ECB is sounding pretty dovish

The mood music coming from the European Central Bank (ECB) sounds pretty dovish, with some even happy to speculate over 50bp of rate cuts. Concerns over inflation seem to have largely evaporated, and tomorrow's release of the ECB survey on one and three-year inflation expectations may help. Consensus expects both of these numbers to drop. The ECB may also be worried about the strong euro, where the nominal trade-weighted is at record highs and is up 4% year-on-year. With the Rest of the World fighting over a smaller share of the global demand pie, currency strength is not what a big exporter wants right now.

This week also sees eurozone first quarter GDP data (expected at 0.2% QoQ) and the flash release of April CPI data on Friday, where core could inconveniently pick up to 2.5% YoY.

As for EUR/USD, the euro does stand to be a major beneficiary from the flight from dollars, but there is still little evidence of foreign reserve managers leaving US Treasuries. And actually, the US 10-year swap spread (a measure of US sovereign credit risk) continues to be priced at less extreme levels.

This week will also see some high-profile earnings reports from the likes of Amazon, Microsoft, Apple and Meta. Their fallout on US equities will probably also continue the recent positive correlation between US equities and the dollar.

Expect EUR/USD to continue trading around 1.1300-1.1400 for the time being. The worst case for EUR/USD is probably 1.1250, should US data surprise on the upside. 1.1500 is the risk, should any of this week's job releases suggest that tariff uncertainty has already triggered layoffs.

Chris Turner

➔ CAD: Canada goes to the polls

Canada holds a general election today; [here is our market guide](#) to the vote. The Liberals, led by PM Mark Carney, are ahead in the polls, with the Conservatives trailing by around 3.5 points. The betting market attaches over 80% probability of a Liberal win, and 60% of Liberals securing a parliament majority.

We assume a majority Liberal government is the market's baseline expected outcome, and would have a limited impact on the Canadian dollar. A hung government should trigger some pressure on the loonie, which could instead rally on a surprise Conservative win, as markets may see a smoother path for trade negotiations with the US.

Francesco Pesole

⬆️ CEE: Time for central banks to decide

After a quiet week, central banks in the CEE region are in the market spotlight once again. Tomorrow we will see the National Bank of Hungary meeting, where [we expect](#) rates to be unchanged at 6.50%. While inflation fell more than expected in March and the economy surprised on the downside, we think it is too early for forward guidance to change, given the resurgence of inflation in the second half of the year in our forecast.

The flash GDP numbers for the first quarter of the year for the Czech Republic and Hungary will be released on Wednesday. We should see further economic recovery in the Czech Republic, with a few upside surprises in the monthly data likely beating the Czech National Bank's GDP forecast. In Hungary, on the other hand, the first quarter should be similar to last year's weak final quarter.

The main focus on Thursday will be April inflation in Poland, which should fall further from 4.9% to 4.2% YoY, only slightly below market expectations. Some members of the Monetary Council have recently mentioned focusing on the April number, which should determine the size of the National Bank of Poland's rate cut at the May meeting next week. We think lower inflation alongside weaker economic data will drive the central bank's discussion to 50bp for the start of the cutting cycle.

PMIs across the region will be released on Friday. They're expected to be lower overall, but as Germany's data has indicated, the drop in sentiment shouldn't be too dramatic.

Beyond the calendar in the Czech Republic, the Czech National Bank's blackout period begins on Wednesday. Today and tomorrow, we are likely to see the main portion of the usual interviews with board members, including tomorrow's conference, where the central bank's governor will speak. For now, statements have been rather cautious, indicating that the CNB's next decision is not a done deal. This kind of tone should seem hawkish given the markedly dovish market pricing.

CEE currencies saw some gains against the euro last week, and sentiment supports a continuation of the trend. We continue to find the Czech koruna the most attractive, which should be supported by a recovering economy and a hawkish central bank. We see a test of 24.900 in the coming days. On the other hand, EUR/PLN cannot go far from 4.280, and Wednesday's inflation may trigger some upside pressure. The Hungarian forint could get some support from the hawkish National Bank of Hungary, but after last week's gains, we see the current stronger levels as temporary.

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