

## FX Daily: Hard to buck the euro downtrend

The dollar has shown resilience after disappointing JOLTS job openings data yesterday, leaving EUR/USD under pressure as the euro's idiosyncratic negatives fuel bearish momentum. Today, the Bank of Canada may deliver a hawkish hold despite worsening growth, giving some help to the Canadian dollar



### ➔ USD: Showing resilience

The larger-than-expected drop in October's JOLTS job openings has offered new reasons to speculate on more rate cuts from the Federal Reserve next year, but the stronger ISM services figures in November have worked as an offsetting factor in terms of FX impact. AUD and NZD are rallying this morning, helped by stronger fixing for the yuan from the People's Bank of China (PBoC) after yesterday's downgrade of China's outlook by Moody's. However, the dollar has remained rather supported across the board even after the disappointing JOLTS figures, a signal that markets are taking a less aggressive stance in FX following non-conclusive evidence of deterioration in the US outlook.

Speaking of non-conclusive evidence, it's worth noting that the ADP payrolls being released today have no predictive power for actual payrolls. Still, markets have often moved on out-of-

consensus ADP numbers. Today, expectations are 130k. MBA mortgage applications, final third-quarter labour cost data, and October trade balance figures are also on the calendar today but should not move the market.

We suspect markets are holding a more cautious stance as we head into the key US payroll figures on Friday and the Fed meeting next week, where there is a good probability the FOMC will deliver a protest against rate cut bets – especially if data fails to turn lower. When adding the soft idiosyncratic momentum faced by the euro, we remain modestly bullish on the dollar into the FOMC.

*Francesco Pesole*

## ⬇️ EUR: Not easy to pick a bottom

Shorting the euro appears to be one of the most popular bets in FX at the moment. Comments by hawkish hardliners like Isabel Schnabel yesterday – who suggested that another hike is now off the table and essentially moved the discussion to rate cuts – have added further pressure on the euro. We continue to point to how the current downward correction in EUR/USD is not out of line with short-term rate differentials; when taking the two-year swap rate gap (-130bp) as a driver, a further leg lower to the 1.06 area would not be an aberration.

That makes us reluctant to call for the bottom in EUR/USD just yet, and even more so in EUR-crosses, especially against the likes of AUD and NZD. A catalyst for an idiosyncratic euro rebound is not in sight, at least for today, when there are no scheduled European Central Bank speakers and the eurozone's data calendar only includes the October retail sales – hardly ever a market mover in the region.

The big slump (7.3% YoY) in Germany's factory orders for October (data released this morning) is likely to keep the negative euro narrative alive at the start of the European session. EUR/USD is now trading very close to the 1.0770 100-day MA support, and a break lower can further fuel the bearish momentum. A test of 1.0700 before the weekend is entirely possible if the dollar remains bid.

*Francesco Pesole*

## ⬆️ CAD: BoC may prefer a hawkish hold today

The Bank of Canada announces monetary policy today, and there is a strong consensus that rates will be kept unchanged. The big question from a market perspective is to what extent the BoC will acknowledge the deterioration in the economic outlook and scale back its threat of another rate hike.

As discussed in our [BoC preview](#), the recent commentary has turned more dovish, and third-quarter growth figures were very weak. That said, last week's jobs figures in Canada came in on the strong side, likely keeping fears of a passthrough of a still-tight labour market to inflation alive at the BoC.

We think jobs data and the desire to push back against rate cuts will convince the BoC to retain a hawkish bias today. Considering the market is pricing around 100bp of easing next year in Canada, there is some room for a hawkish review of expectations and some support for the loonie. That said, CAD's strong correlation with US data means that external factors will remain the key driver.

Francesco Pesole

## CEE: NBP to confirm hawkish turn

This morning, the monthly data set was released in the region. We had retail sales data in Romania and retail sales and industrial production in Hungary, all for October. Here we highlight the industrial sector, which fell by 2.8% YoY, below market expectations. Later this morning, we'll see retail sales in the Czech Republic, which should confirm a weak economy in the fourth quarter as well.

Later today, we will see a decision from the National Bank of Poland (NBP). We expect rates to remain unchanged, as in November. So, the main event here will be the governor's press conference tomorrow. But today, we'll still see a statement that should confirm the central bank's hawkish turn last month.

The Polish zloty is slowly but steadily moving towards stronger levels, and we think that the current market conditions justify the level of 4.320 EUR/PLN. However, PLN rates have followed the fall in core rates, which in our view gives more opportunity for rates to react to the hawkish tone of the central bank – and we should see some upward repricing over the next two days especially at the short end of the IRS curve. This should support PLN and we should see more gains and move towards 4.300 EUR/PLN by the end of the week.

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