

FX Daily: Hard to get excited by the same story

Fed minutes once again reiterated the cautious approach to interest rates but for the US dollar, this seems to be a non-event. Expect trading volumes to fall away into Thursday's US Thanksgiving holiday, and look out for US jobless claims today instead of tomorrow. Meanwhile, the NBH delivered another 75bp rate cut, which is good news for FX



US Federal Reserve building in Washington, DC

➔ USD: Consolidation continues

Federal Reserve minutes once again reiterated the cautious approach to interest rates, which did not excite the markets much. US equity markets broke a five-day winning streak and Treasuries ended a little lower again. For EUR/USD, this seems to be more of a non-event. Looking ahead, expect trading volumes to fall away into tomorrow's US Thanksgiving holiday but the holiday means we get to see US initial jobless claims earlier than usual. Here, continued claims are expected to climb, reflecting a softening labour market. Today's US calendar also sees durable goods orders and the latest readings on US consumer confidence - the latter is expected to stabilise at the lowest levels since May. In terms of the bigger picture, we tend to think it is a little too early to expect the dollar bear trend to run a lot further just yet. That will require some

substantially weaker US data or the Fed formally taking an additional rate hike off the table.

Chris Turner

➔ EUR: German debt brake causes some headaches

The uncertainty over Germany's fiscal headroom, after last week's Constitutional Court ruling, has yet to have any significant impact on the euro. On the one hand, it could limit Germany's room for fiscal manoeuvre next year, but at the same time, it might deliver a softer interpretation of fiscal rules across the whole region. Indeed recently, the European Commission agreed that the Excessive Deficit Procedure will not be applied before European parliamentary elections next June. Locally, the focus will be on eurozone consumer confidence today, but the bigger driver for the euro should be tomorrow's November flash PMIs – which are expected to be soft.

Chris Turner

⬆️ GBP: Focus on the autumn statement

A year is a long time in politics. Just over a year ago, erstwhile UK Prime Minister Liz Truss blew up the UK gilt market with her plans for unfunded tax cuts. Today, the more fiscally responsible Chancellor, Jeremy Hunt, is also looking to deliver tax cuts – but cuts which do not derail plans to stabilise the UK debt trajectory over a five-year horizon. We think some looser fiscal policy will be welcomed by sterling at this juncture and continue to favour EUR/GBP trading back below 0.8700.

Chris Turner

⬆️ HUF: Central bank cuts as expected, good news for FX

As expected, the National Bank of Hungary [delivered](#) another 75bp rate cut yesterday. After the meeting, it seems there were no surprises for the market and rates are unchanged. This is good news for the forint, which has re-established a relationship with rates over the last three days and weakened to 380 EUR/HUF before the meeting. Still, the recent rally in rates points to weaker HUF levels, though this will probably not be the case for now. A stable NBH and higher EUR/USD could offset this, plus we could see some progress in negotiations with the EU in the near term. Overall, yesterday's meeting thus seems to be positive for HUF, which will halt the weakening from recent days. In the short term, we probably need to see some catalysts for new gains, e.g. the EU story, but overall we remain positive on the HUF. If everything goes in a positive direction, then we believe EUR/HUF will move into the 370-375 range before year-end. On the other hand, the current weakness probably hasn't changed the market's long positioning much and we should still keep that in mind if bad news comes along.

Frantisek Taborsky

Author

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Francesco Pesole

FX Strategist

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 www.ing.com.