

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.

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