

FX Daily: Lacklustre dollar support into key events

Yesterday's US data (JOLTS and ISM manufacturing) were stronger than expected, but this provided only limited support for a dollar still suffering from an asymmetrical negative bias. To watch today: ADP payrolls, Challenger layoffs, the Big Beautiful Bill heading for final House approval and Trump's tariff threats ahead of the 9 July deadline



May JOLTS figures beat expectations across the board

➔ USD: All focus on data – and soon, tariffs

Fed Chair Jerome Powell stuck to his usual cautious tone in Sintra, reiterating a strict data-dependent approach that is set to keep the dollar extremely sensitive to jobs and inflation figures. Notably, Powell refused to rule out a July rate cut, so a sharp payrolls miss tomorrow would give markets license to price in easing as soon as this month.

But the bits of US data released yesterday pointed in the opposite direction – giving the dollar some brief support. May JOLTS figures beat expectations across the board – job openings and quits increased, layoffs fell, all contradicting the consensus. The ISM manufacturing index also surprised to the upside, rising from 48.5 to 49.0, with “prices paid” rebounding after May's dip. These are not decisive signals, but they point toward higher prices and a resilient labour market – hardly a case for imminent Fed action. We see markets as having leaned too far on the dovish side and expect

the dollar to find support as inflation picks up.

Meanwhile, the US Senate narrowly passed its revised version of Trump's Big Beautiful Bill Act, which is now back to the House for final clearance before being signed into law. Despite the Congressional Budget Office now estimating an upwardly-revised \$3.3tr addition to net debt over the next decade, the reaction in Treasuries has been muted, likely cushioned by hopes of earlier Fed easing. Still, if inflation surprises on the upside, a delayed impact on US bonds cannot be ruled out.

Dollar downside risks are slightly reduced after yesterday's data, but things can change rapidly should today's ADP payrolls surprise on the soft side. ADP is no perfect predictor of official payrolls, but with employment data central to the dovish Fed narrative, market sensitivity to these figures is elevated. Consensus is for a rebound to 96k from 37k. Challenger job cuts will also be in focus.

Trade tensions are returning to the spotlight as well. President Trump has signalled no extension of reciprocal tariffs beyond 9 July, though markets are wary of taking this at face value given recent reversals. The prevailing view may be that global tariff threats peak before another last-minute reprieve, but this time markets may focus more on bilateral risks for countries like Japan, Canada, or the EU. Anyway, even targeted tariffs have weighed on the dollar in the past, and – setting aside US data – risks into the 9 July deadline remain skewed to the downside for the greenback.

Francesco Pesole

➔ EUR: Lots of euro strength talking in Sintra

ECB officials have offered little in the way of monetary policy signals in Sintra thus far, which is hardly a surprise. The ECB delivered its hawkish pivot at the June meeting and is now content to await incoming data before making further moves. Flash CPI estimates for June showed an unexpected slowdown in German inflation to 2.0%, while the eurozone reading re-accelerated from 1.9% to 2.0%, as expected. Core inflation was steady at 2.3%. Neither the flash CPI figures nor the surprisingly subdued inflation expectations for May have shifted market expectations, with the first ECB cut still priced for December.

The strength of the euro has featured prominently in discussions at Sintra. Vice President Guindos remarked that EUR/USD at 1.20 is “acceptable”, but suggested a move above that level would be “more complicated”, particularly in terms of the speed of any appreciation – a sentiment echoed by Kazaks and Simkus. It will be worth watching whether a move to 1.20 elicits stronger pushback from policymakers. President Lagarde, meanwhile, continues to champion the “global euro” but remains silent on the exchange rate itself.

There are more ECB speakers due in Sintra today, but we do not anticipate much impact on the euro. EUR/USD remains largely driven by the dollar, and the market's inclination to buy dips was clear in yesterday's brief correction following stronger US data. A jump to 1.20 on a big US payrolls miss remains possible.

Francesco Pesole

➔ GBP: Welfare bill reversal raises tax hike chances

The UK government scrapped a benefits cut bill that was meant to save £5bn following a revolt by Labour backbenchers. Aside from the potential implications for the stability of PM Starmer's party

leadership, the probability of autumn tax hikes has probably increased further.

The gilt market did not react negatively to the news from the Commons, at least partly thanks to Bank of England Governor Andrew Bailey hinting at a potentially slowing quantitative tightening to give some relief to back-end liquidity. That may have helped shield sterling, too.

There are no major UK data releases today, though BoE dove Alan Taylor will appear alongside the ECB's Philip Lane in a Sintra panel. EUR/GBP remains underpinned by a bullish bias, with the welfare reform reversal doing little to alter that outlook. Incoming UK data over the coming weeks will determine whether any push above 0.8600 proves sustainable.

Francesco Pesole

CEE: Hawkish NBP supports zloty recovery

Yesterday's CEE PMI numbers produced a very mixed picture, further confirming the divergence within the region. While the Polish and Hungarian numbers surprised to the downside, [the Czech Republic](#) surprised to the upside significantly. The PMI increased from 48.0 to 50.2 points, marking its first rise above the 50 threshold since mid-2022. This supports our positive outlook on the economy and suggests further potential growth in the coming months. Additionally, it reduces the likelihood of further rate cuts from the CNB, as we do not anticipate any cuts in our forecast.

Markets were suggesting a turning point for CEE FX yesterday. EUR/USD reversed after a multi-day rally, and simultaneously, as we discussed yesterday, the CEE FX rally was already losing momentum. Moreover, yesterday we saw another rally in regional rates, further narrowing the rate differential. So the market may feel that it is time to take some profit from long positions in the region and wait for better levels again. The local story is not changing much, and we think central banks are hawkish, which should still support stronger FX later.

Today, [the National Bank of Poland](#) is likely to leave rates unchanged at 5.25% in line with market expectations. We will only see a statement with no new forecast, which could set the tone for tomorrow's press conference. We think there will be a hawkish tone again, which should support the currency given some speculation of a rate cut for today's meeting, given the weaker inflation numbers and the government's decision to freeze household electricity prices until the end of the year. PLN saw the biggest hit within the region yesterday, giving better potential for a rally today and tomorrow. Thus, we see potential to return to at least 4.240 EUR/PLN and likely test new lower levels if our hawkish tone assumption is confirmed.

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