

## FX Daily: Let's hear what the IMF has to say today

Beyond the current travails of its Managing Director, the IMF should dominate headlines today with its release of its October World Economic Outlook. World growth could be revised down a little from the July forecasts, although it looks far too early to call this 'stagflation'. Expect the dollar to stay bid on dips today and the RUB to continue outperforming



IMF Chief Economist  
Gita Gopinath

Source: Shutterstock

### USD: IMF releases Autumn forecasts today

The dollar stayed generally bid in holiday-thinned trading yesterday. Ahead of US CPI and the FOMC minutes tomorrow, the focus will probably be on the latest set of growth forecasts from the IMF, revealed in their October World Economic Outlook (WEO). Back in July the IMF had forecast world growth in 2021 and 2022 at 6.0% and 4.9% respectively. These forecasts were based on US growth at 7.0% and 4.9% and China at 8.1% and 5.7%.

Growth forecasts look at risk of a downward revision - especially the US after a soft-patch in 3Q.

Yet this is a long way from the term 'stagflation' being used by some at the moment. Typically the commodity complex tends to react to IMF growth forecasts revisions, though we suspect in today's environment of so many cross-currents in commodities markets that the IMF message may get lost.

Yet the issue of how central banks respond to current price pressures remain front and centre - where early BoE tightening expectations are one of the top stories this week already. As above, tomorrow's CPI and FOMC minutes will be the next input into the Fed story, but until then we expect the dollar to stay supported on dips. For example, USD/JPY (a key axis to express the hawkish Fed/energy story) should find support in the 112.80 area and looks on course to 115.00 after yesterday's decisive break out. DXY should stay bid in a 94.00-94.50 range.

US data today looks second-tier. We will get an update in the NFIB survey of how small businesses are coping with the energy spike. And JOLTS job opening data should confirm the current supply-demand mismatch in the US jobs market.

## ➔ EUR: Doves vs. hawks

Apart from the German ZEW investor survey, the Eurozone calendar is relatively light today. Instead, we will hear from a lot of ECB speakers. In the morning it will be the turn of the hawks in the form of Makhoul and Knot. While later in the day the big-hitting doves of Lane and Lagarde should hit the newswires. So far the influential doves have yet to alter their stance on the transitory nature of inflation. The lack of an ECB response has sent the trade-weighted EUR to the lowest levels since last May. And wide EUR vs USD rate differentials will encourage reverse yankee issuance this autumn, which may further depress EUR/USD.

As we discuss in our latest [FX talkING](#), we think a bullish dollar break out can potentially drag EUR/USD to 1.13 over the coming couple of months. 1.1600/1640 may be the top for any corrective rally.

## ⬆️ GBP: Jobs data does not push back against early tightening

We have just seen the latest batch of UK jobs data released. Jobless claims for September did not spike higher despite the end of the furlough scheme. And August average earnings came in on the high side. In short, there is nothing in this data to push back against the very early pricing of the BoE tightening cycle - where 8bp of tightening is priced as early as the November meeting.

Left-field risk for the pound today comes from a speech from Lord Frost in Portugal. Here he is expected to push ahead with calls that the ECJ be removed from oversight of the Northern Ireland trade deal. This is a red line for Brussels and more formal push back from the EU may come tomorrow when the EU presents their proposed revisions to the NI protocol.

Overall, we do not think EUR/GBP should stray too far from its range low at 0.8470.

## ⬆️ RUB: Heavily backed, but more to go

High energy prices and a hawkish central bank are two of the reasons why the Rouble is very much in demand at present. Dmitry Dolgin yesterday published a detailed look at the [3Q21 Russian Balance of Payments breakdown](#), which was very constructive for the Rouble indeed. Russia is looking at a 7-8% of GDP current account surplus this year. This comes at a time when

Rouble implied yields are trading over 7% and could well move higher if the CBR delivers a 50bp rate hike later this month.

The Rouble is a widely backed currency at the moment - but for good reason.

## Authors

### Chris Turner

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

[chris.turner@ing.com](mailto:chris.turner@ing.com)

### Francesco Pesole

FX Strategist

[francesco.pesole@ing.com](mailto: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 <http://www.ing.com>.