

FX Daily: Little to get excited about the ECB

The ECB meeting today should be a non-event for the EUR. We're not expecting any new measures to be announced, instead, it really is all about testing president Christine Lagarde's communication skills



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➔ USD: A glass-half-empty approach

For the first time in weeks, markets decided to take a glass-half-empty approach, looking through the better-than-expected China 2Q GDP number at 3.2% versus the expected 2.4% and instead focusing on the softer China June retail sales and the signs of the unevenness of the recovery.

Although Asian stocks declined, the negative spillover into the FX world has been and should remain limited, with the near-term focus on the prospects of an agreement on the EU Recovery fund and its potential boost to risk assets.

In the US, June retail sales should post another decent increase today (helped by extended unemployment benefits including the extra US\$600 per week), helping to offset the cautiousness

caused by the China GDP data and in turn keep USD upside fairly limited.

➔ EUR: Little to get excited about the ECB meeting

The ECB meeting today should be a non-event for the EUR. No new measures are expected to be announced (following a top-up of the PEPP programme in June), the economy is gradually recovering, and the [meeting should be more about testing President Christine Lagarde's communication skills](#) rather than any new measures.

In the short-term, the more important EUR driver is the progress on the EU Recovery fund, as outlined in our [EU summit preview](#) with an agreement likely pushing EUR/USD to the 1.15 level. So far, the ECB measures have fully compressed the EUR risk premium and with a soft dollar environment to unfold further in coming months, EUR/USD should head higher, above 1.15 this summer and towards 1.20 by the year-end.

Read our [ECB crib sheet](#) and [ECB preview](#)

⬇ GBP: Can't hide from the challenging reality

The UK job numbers turned out to be as expected, so far showing a lack of deterioration due to the furlough scheme. This will eventually change and the employment situation is set to deteriorate later this year. GBP is back under pressure, being the worst performing G10 currency this week.

The trend is set to continue as uncertainty about UK-EU trade negotiations keeps the pound on the back foot

➔ AUD: Looking past good data

Australian jobs numbers jumped more than expected overnight, with headline employment rebounding to 211k in June.

Usually a key AUD driver, the current virus situation is preventing the Aussie from rallying on good data. Victoria posted the highest increase in daily infections despite stay-at-home orders, suggesting the lockdown measures are set to remain for longer. Incidentally, AUD is facing some negative spillover from the correction in Chinese equities and the yuan, having the highest correlation in G10 with CNY.

AUD/USD may still prove unable to decisively break above 0.7000 today, AUD/NZD could soon be back at 1.0600.

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