

FX Daily: Central bank meetings in focus

With investors bracing for the Fed meeting tomorrow, the major crosses should remain well behaved today. Instead, the focus turns to policy meetings of satellite central banks in Europe. The Riksbank and National Bank of Hungary should not surprise, but the on-hold NBH should be negative for the forint in the context of sharply rising inflation



➔ USD: Sideways trading ahead of the FOMC tomorrow

It should be a quiet day for USD today ahead of the April FOMC meeting tomorrow. On the data front, the focus will be on April US Consumer Confidence but this is unlikely to affect sentiment too much ahead of the Fed tomorrow. The US dollar should remain fairly range-bound against G10 currencies today with DXY staying below its 100-day moving average of 91.05. Elsewhere, the Bank of Japan meeting overnight did not surprise. The central bank left both the interest rate and the 10-year JGB target unchanged. Near-term, the key driver for USD/JPY is the direction of the 10y US Treasury with the yen stabilising so far in April along with the recovering USTs.

➔ EUR: Focus turns to the Riksbank

With a calm day on the data front today and investors bracing for the FOMC tomorrow, EUR/USD should remain range bound today, staying in the 1.2050-1.2100 area. In Sweden, the April

Riksbank meeting should be a non-event for Sweden's krona today. As noted in the [Riksbank Preview](#), the central bank is set to remain cautious and look through the temporary increase in CPI in coming months, reiterating no change in interest rates over the monetary policy horizon. All of this is expected and should have a negligible impact on SEK. We expect SEK to benefit from the eurozone recovery in coming months and EUR/SEK to break below the 10.00 level this summer.

➔ GBP: Tentative sign of stabilisation

Sterling is showing tentative signs of stabilisation after political scandals led a decline late last week. Based on our financial fair value model, EUR/GBP currently trades 1.3% overvalued, suggesting some near-term support for sterling unless we see further allegations about the Conservative government. So far, it has been a rather challenging month for GBP, with the currency suffering first from concerns about the pace of the vaccination programme and now by a degree of political uncertainty.

⬇️ HUF: The NBH to hold and extend the QE programme

We expect the NBH to remain on hold today in terms of interest rates but extend the quantitative easing programme by an additional HUF 1 trillion (from current HUF 2tr to 3tr) without any technical changes. With CPI to move to 5% in 2Q, we expect HUF to come under pressure as the real rate will fall further into negative territory. While the pressure on the currency is likely to lead to emergency rate hikes eventually, any rate hikes will need to be preceded by currency weakness. HUF already started underperforming its CEE peers so far in April (note that unlike the Czech koruna and Polish zloty, the forint doesn't have the tailwind of the current account surplus) and we think there is more to come. We expect EUR/HUF to reach the 370 level this quarter.