

FX Daily: Mixed data fails to give direction

US data releases have not given much sense of direction so far. Expectations of a decent jobs report and a potential negative tariff Supreme Court ruling on Friday may offset the negative impact on USD of lower oil prices. Elsewhere, we are monitoring EUR/DKK for the Greenland risk: the central bank may be intervening already



➔ USD: Ignoring lower oil prices

US data was very mixed yesterday and failed to provide a new directional catalyst for the dollar after the Venezuelan events. ADP was close to consensus at 41k, and while their predictive power for official payrolls is limited, it may be fueling expectations that Friday's numbers won't be enough to price in more Fed easing for now. This may put a floor under the dollar today. That said, the other job release yesterday – November's job openings – was quite soft and offset the strong ISM services print.

Today, the main data release in the US is Challenger's data on job cuts, alongside the weekly jobless claims, which surprised on the downside at the end of December.

Interestingly, the dollar has held well against a backdrop of falling oil prices, with the commodities markets seemingly taking Trump's plans for Venezuelan oil supply more seriously. Once the NFP risk event is cleared, this oil softness could weigh on the dollar and prevent it from rallying much

further despite positive seasonality.

Remember that the US Supreme Court will rule on tariffs tomorrow. Consensus is leaning towards a negative ruling, which could prompt some USD strengthening. That's because the tariff impact has been more marked on the jobs market than on inflation, and the reaction could see some hawkish repricing in the Fed curve. We'll discuss the Supreme Court ruling and its implications in a webinar on Monday, 12 January. [Sign-up here](#).

Francesco Pesole

➔ EUR: Keeping an eye on geopolitics

Despite sub-consensus German CPI, euro area figures were in line with the 2.0% consensus. As discussed yesterday, even a small undershooting wouldn't have triggered material dovish repricing given the ECB's hawkish communication.

The focus for the euro at this stage is on geopolitics, looking at both the West (Greenland) and the East (Ukraine). On the former, the US and Denmark will meet next week to discuss Greenland, where the White House is reportedly considering business deals to gain a footprint on the island. The Trump administration has nevertheless kept the threat of military intervention as a possibility, although there is little priced in at this stage.

EUR/DKK has been trading on the strong side but is only some 0.15% above the 7.460 peg level. The Danish central bank allows +/- 2.25%, even if deviations are generally well below 0.5%. It is possible that the central bank is buying DKK: in 2019-20, FX interventions were deployed around these spot levels. A decisive break above 7.4740 – a level well defended in 2019-20 – would be a slightly more worrying signal.

On Ukraine, the UK and France have agreed to send troops if a peace deal is agreed. So far, the euro has remained largely unreactive to the small progress being made.

We retain a short-term neutral view on EUR/USD, with 1.170 as a target. Strong German factory orders this morning don't seem to be moving the needle in the spot.

Francesco Pesole

➔ SEK: Inflation undershooting not an issue for the krona

EUR/SEK is trading on the strong side this morning after sub-consensus inflation in Sweden. Headline CPIF slowed from 2.3% to 2.1% while the core measure excluding energy was down to 2.3% from 2.4% despite expectations for an acceleration in December.

But we don't think this print materially changes the outlook for the Riksbank or the krona. The chances of a hike in late 2026 were low anyway in our view, and the Riksbank has signalled no more room for cuts unless external events drive a serious macro reassessment.

EUR/SEK was stretching a bit too far on the bearish side before the release and the rebound may be partly technically driven. The pair is still trading with more than 1.5% undervaluation in our model, and while we remain constructive on the krona for the remainder of the year, we have a moderate bullish bias on EUR/SEK in the next couple of weeks, with a return to 10.80-10.90 as our baseline.

Francesco Pesole

📉 CZK: Another day, more dovish news

Yesterday's inflation surprised downwards again in December when it remained unchanged at 2.1%, below the CNB and market forecast of 2.3% YoY. Food prices surprised downwards again, but we also saw a decline in energy prices and overall goods. On the other hand, services prices accelerated slightly, which probably leaves core inflation higher at 2.7% YoY. This gives a good entry level for the headline for January, and [our economists](#) have revised the inflation forecast downwards again. The baseline scenario remains the same with one additional cut in August, when core inflation will also fall. However, a series of surprises down increases the chance of earlier cuts, but the key will be January inflation, which is usually highly volatile in the Czech Republic.

The market is gradually moving towards more dovish pricing and is currently pricing in around a 17bp rate cut. We see room for further rate cuts to be priced in. Moreover, in the past few days, we have already seen a gap between the rate differential and EUR/CZK as we discussed here. Therefore, we see more upside for EUR/CZK even after yesterday's movement, and at the moment we see fair levels rather in the range of 24.350-400. Today we will see industrial data, but more importantly, will be tomorrow's CNB minutes, which could show the discussion of the bank board on changing the balance of risks in December from pro-inflationary to balanced and push EUR/CZK higher.

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