

FX Daily: Poor eurozone data to keep euro subdued

Data today will likely underscore the bleak economic landscape for the eurozone. And with the market starting to price in cuts from the European Central Bank, the euro should continue to underperform



➔ USD: Soft signs of stability

Cyclical currencies have stabilised on hopes that the spread of the coronavirus might be easing while central banks seem ready to act should the effect on the global economy worsen. This is providing a soft floor underneath pro-cyclical currencies at this point. Elsewhere, the New Zealand dollar received a boost from the upbeat central bank meeting, where the bank indicated a high bar for interest rate cuts. We continue to look for NZD outperformance vs the Aussie dollar (due to monetary policy and commodity channels).

⬇️ EUR: More poor eurozone data

December eurozone industrial production will likely be poor today. The French and German data has already come in weak, which does not bode well for the average. This will underscore the generally bleak eurozone news in recent weeks (resulting in a meaningful drop in the eurozone data surprise index). With the market starting to price in cuts from the European Central Bank, the euro, which has morphed into the funding currency of choice, should continue to

underperform. EUR/USD to move below 1.0900 today.

👆 RUB: A boost from de-facto easing in the fiscal rule

The handover of a 50% equity stake in Sberbank from Russia's central bank to the government seems to have been designed in a way that results in lower FX purchases from the CBR on the market and higher budget spending. This is a de-facto easing in the budget rule. Given the known parameters (market FX purchases could be reduced from US\$44 billion to US\$20 billion), this may result in [an improvement of our FX view by USD/RUB 0.5-1.5 lower](#) (from the current year-end forecast USD/RUB 66.0). Given the CBR easing bias (which makes local bonds attractive) and the still high real rate, the rouble's prospects look attractive.

➡ SEK: Riksbank on hold, offering a little help to the krona

Following the one-and-done December rate hike, we expect the Riksbank to remain on hold today, underscoring the stability of interest rates for the remainder of the year ([see Riksbank Preview](#)). Inflation may be revised modestly lower, yet even in light of coronavirus uncertainty it is premature to think about easing at this point. As for the krona, the currency has been the outperformer among G10 cyclical FX as, out of its peer group, it is the only non-commodity currency. Given the openness of the Swedish economy (downside risks to global trade and growth don't bode well for the outlook) and the second most negative real rate in the G10 FX space, EUR/SEK downside should be limited. We expect the cross to range trade around 10.60 in coming weeks.