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FX Daily: No data can help the euro now

Growth data out of the eurozone is unlikely to improve the grim economic outlook for the area, and we don't see any change to the bearish euro trend

USD: Data unlikely to dent USD strength

A new methodology to diagnose the coronavirus is displaying a more worrying situation (almost 65,000 cases globally) as well as raising transparency-related fear. While this halted the recovery in risk, it has also failed to trigger a full-fledged flight-to-safety. This may continue to be the narrative for the coming days: there is a lid on risk-sensitive currencies, but equally the downside is limited barring more materially bad news. Some data today will take investors' minds back to fundamentals. In the US, retail sales should have held up well in line with resilient consumer confidence, while industrial output data may come in slightly below consensus as we may start to see the impact of the 737 MAX shutdown as well as some residual effects of trade war supply-chain disruptions. However, the US domestic story is most likely going to remain a broadly supportive one for the US dollar, which should consolidate around its fresh highs as the lingering coronavirus fears continue to offer haven-related inflows.

EUR: Growth data won't invert bearish trend

The bearish trend on EUR/USD may continue today as growth data out of the eurozone is unlikely to improve the grim economic outlook for the area. Markets (and our economics team) expect GDP

to stabilise at 1.0% year-on-year, with a quarter-on-quarter advance of 0.1%. At this stage, with worries around the negative impact of coronavirus on the eurozone economy, even better-than-expected data may not be enough to trigger an inversion in the bearish euro trend. We think the risk for EUR/USD today are still tilted to the downside.

GBP: Overdone fiscal hopes?

The resignation of Chancellor Sajid Javid triggered speculation that more aggressive fiscal stimulus in the UK is on the cards. We are not convinced this will eventually be the case, but clarity around the actual budget plans under new Chancellor Rishi Sunak may not come until next week. In turn, sterling may retain some strength on the back of these fiscal spending hopes today.

CZK & PLN: Rising CPIs favour CZK to PLN

Both Czech and Polish CPI should accelerate further above the respective central bank's tolerance bands (Polish CPI to rise to 4.2% and Czech CPI to 3.4%). With the National Bank of Poland unlikely to react and the Polish curve no longer pricing rate cuts, the impact on the Polish zloty should be limited. For the Czech koruna, today's reading (we are above consensus: 3.4% vs 3.2%) should be marginally positive as the market is currently pricing rate cuts (one full 25 basis point cut priced in by the year end). Rising Czech price pressures should reduce the odds of rate cuts in the second half and be CZK supportive. CZK to outperform PLN today.

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