

## FX Daily: No fiscal help coming this month

President Trump's tweet that he is ending talks with Democrats over an economic relief package has put risk assets on edge and is set to help the safe-haven dollar



Source: Shutterstock

### 📈 USD: No fiscal help coming this month

USD is back in the game after President Trump abruptly announced the end of negotiations on the next round of fiscal stimulus, delaying the decision to after the election. While Trump later sent a second tweet stating that he would sign a stand-alone bill for stimulus cheques, uncertainty over an agreement is set to reinstate caution in markets about the prospects of near-term economic recovery, helping the safe-haven dollar and keeping cyclical FX soft. On the data front today, the FOMC Minutes should offer little new news on the average inflation targeting framework and while the market may be more interested to hear about the conditions under which the Fed might tighten policy, this now seems a fairly distant event, particularly with the focus back on the need to deliver fiscal stimulus ([as argued by Fed Chair Powell yesterday](#)). Rather, attention should turn to the scheduled speeches of FOMC members (Williams, Evans) today and their possible comments on odds of more monetary stimulus in the absence of the fiscal help. On the Vice Presidential debate between Mike Pence and Kamala Harris, it is likely to be of lower importance with President

Trump now back in the Oval Office, while polls show a double-digit lead for Democratic candidate Biden.

## ➔ EUR: Weighed down by the stronger dollar

[German August industrial production](#) fell by more than expected this morning, but EUR/USD is to be primarily driven by the market disappointment about the abrupt end to the negotiations on the next round of the US fiscal stimulus. EUR/USD to trade with a downside bias towards 1.1700.

## ➔ GBP: All about Brexit talks

GBP remains highly sensitive to the headline news on UK-EU trade negotiations, which often offer opposing messages. The stand-off on state aid and fisheries remains, with reports suggesting the EU is willing to go through the UK's self-imposed 15 October deadline.

## ⬇️ PLN: NBP on hold, no issue with weaker zloty

Our economists don't look for too many surprises from the MPC today, with interest rates set to remain unchanged. The MPC should maintain its dovish bias, but no new insight should be revealed on the expected pace of quantitative easing for the remainder of 2020 and 2021. Compared to other regional central banks (such as the National Bank of Hungary) the Polish zloty's weakness is likely welcomed by the Council, as it will be expected to foster exports. Indeed, [the last MPC statement](#) mentioned that the pace of economic recovery could be limited by the lack of a marked adjustment of the PLN exchange rate despite the global shock caused by the pandemic and a loosening of NBP monetary policy. As Polish authorities appear the least concerned about the currency weakness within the CEE region and with meaningful QE in place, we see PLN as the regional underperformer for weeks to come.

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