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FX

## FX Daily: Nvidia earnings could be big for FX

Ahead of today's Nvidia earnings report, we think a miss could have wider risk sentiment and FX implications than a beat. Among G10 currencies, AUD remains the most vulnerable to stock market turmoil, in our view. The USD reaction will tell us how much AI concerns are US-specific. The CEE region remains on a dovish wave, also thanks to strong FX



Nvidia headquarters in Santa Clara, USA

### ➔ USD: Reaction to Nvidia earnings could be telling

Calm returned to tech stocks yesterday, but it looks tentative ahead of today's high-stakes Nvidia earnings. With some investor unease around AI stocks still lingering, Nvidia will probably need to beat consensus and offer strong guidance to provide meaningful reassurance. At this stage, the downside risks to global risk sentiment from a miss appear larger than the upside from a beat.

In the developed currency market, an earnings miss would place AUD, NZD and NOK most at

risk. Among them, AUD is in a particularly stretched overbought position, with CFTC data showing the largest speculative long positioning in G10. A slightly hotter than expected 3.8% January CPI print in Australia overnight gave an extra bit of support to AUD, with a hike in May now priced in. A strong domestic story would fall short of protecting AUD in an equity correction, though.

If the USD were to fall alongside high-beta FX, it would be a concerning signal that markets are developing broader, US-specific worries linked to AI revaluations. We sense that this is less likely, and that the dollar will instead continue to respect its somewhat reduced – but still negative – correlation with US equities.

Yesterday, US data was supportive for the dollar, with consumer confidence rising to 91 in the February print, while last month's drop was downsized in the revision. In his State of the Union address, US President Donald Trump focused on the economy and falling inflation, but also reiterated the possibility of conflict with Iran, although he prefers a peaceful solution.

Unless Nvidia's earnings rock the market, we continue to favour a 97.50-98.0 range for DXY.

*Francesco Pesole*

### ➔ **EUR: Valuation still unresponsive**

There are a few final data releases in Europe (German GDP, eurozone CPI) today – hardly market-moving at all. Tomorrow's speech by ECB President Lagarde at the EU Parliament is the only potential domestic driver for the euro this week, ahead of flash CPI figures on Friday.

EUR/USD has continued to trade in short-term overvaluation territory despite the recent decline in spot prices. The 2-year swap rate differential has widened some 10bp in favour of the dollar throughout February, and oil price increases have also contributed to keeping EUR/USD fair value under pressure.

That said, concerns about concentration risks in the US remain quite vivid and are likely to continue encouraging buying on EUR/USD dips. We are still inclined to think the 1.1750-60 support can hold for now.

*Francesco Pesole*

### ➔ **HUF: Forint not impressed by the central bank and continues to strengthen**

In line with expectations, [the National Bank of Hungary](#) cut the base interest rate by 25bp to 6.25% on Tuesday after it had remained unchanged for 16 months. Although Governor Varga avoided any kind of pre-commitment, we believe that this is just the beginning. While we cannot say for certain, based on the current situation, we anticipate another 25bp rate cut in

March.

Given the widely expected rate cut from the NBH and the neutral tone, the February press conference did not bring much reason for a move in FX. In the background, the forint is probably experiencing a transfer from carry long positioning to pre-election long positioning, and, despite the start of the cutting cycle, we have not seen much action in EUR/HUF. If anything, the market is pushing lower. Market players are clearly not deterred by the eroding carry and may take a chance for new forint longs. On the other hand, it may be more difficult to find new lows for EUR/HUF below 377 before the elections with the NBH cutting rates in the background. Therefore, we expect a rather stable gradual grind lower, but slower than we have seen so far.

*Frantisek Taborsky*

### ➔ **PLN: Dovish central bank against an even more dovish market**

Yesterday, National Bank of Poland governor Adam Glapinski said in an interview that inflation will be close to the central bank's 2.5% target this year and "maybe" in 2027, suggesting that this will be the new NBP forecast to be published in March. Although the governor did not comment on the level of rates, this suggests there is comfortable space for another rate cut in March. Similarly, monetary council member Przemyslaw Litwiniuk commented on the situation, seeing a March rate cut as "quite likely". At the same time, he sees the possibility of a further decline in inflation due to the change in the CPI basket, which is currently in process, and the statistical office has suspended the publication of the flash estimate. According to Litwiniuk, rates should probably fall to 3.50% from the current 4.00%.

Overall, the tone from the monetary council members was dovish and further rate cuts seem very likely. On the other hand, the market is essentially pricing in 3.25% as the terminal rate, while the NBP's communication is focused on 3.50% as the end of the cycle. Of course, we have seen several downside surprises in inflation and the market is thus maintaining an understandable buffer that this trend will continue, which will push the NBP to be even more dovish. On the other hand, at this point, there is little to suggest that we should price in further rate cuts and the risk seems to be on the upside if the economy surprises with its strength or inflation does not fall as expected.

EUR/PLN does not offer much of a story this year and February has so far only brought a further narrowing of the already narrow range from 4.200-230 in January to the current 4.210-230. Taking the above into account, the risk for EUR/PLN is rather below 4.210 in our view. However, we are still far from having any strong conviction on the next direction.

*Frantisek Taborsky*

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