

## FX Daily: Outsized tier-two data sensitivity

With many major US data releases withheld due to the government shutdown, alternative measures (yesterday's ADP, today's Challenger data) are set to have a longer-lasting impact on markets than usual. We still see the yen as in a better position to benefit from additional USD losses than the euro



Yesterday's ADP jobs data looked grim

### ➔ USD: ADP payrolls were worrying

The US government shutdown means yesterday's ADP report drew more attention than usual – and it wasn't good. Payrolls dropped -32k in September, with August revised from +51k to -3k. That prompted a 4bp dovish repricing in the Dec Fed funds future, with 47bp of easing now expected.

We could see a longer tail effect from this ADP print, given uncertainty around the payrolls release and general data silence, which limits directional catalysts in FX. We continue to favour a lower USD/JPY in this environment, especially as EUR faces more technical resistance. Our short-term valuation model confirms this: EUR/USD is at fair value, USD/JPY remains 1% overvalued. So far, the move lower in USD/JPY has been driven by rates and equities, with no compression yet in the JPY risk premium – something we expect as haven demand builds.

Mitigating USD losses yesterday was the Supreme Court's decision to delay Trump's attempt to fire Fed's Lisa Cook, scheduling a hearing for January. Markets weren't deeply impacted by the firing attempt and are reacting modestly to the ruling, though it does signal stronger institutional protection for the Fed than other agencies.

With jobless claims not expected today, Challenger job cuts for September could have an outsized impact. The dollar still looks vulnerable, but in the absence of strong catalysts, markets may become more selective rather than broadly selling USD.

*Francesco Pesole*

## ➔ EUR: Inflation pickup to keep doves quiet

Eurozone inflation accelerated yesterday, with headline CPI hitting 2.2% while core stayed at 2.3% for the fifth consecutive month. The figures were fully in line with market expectations and largely driven by energy prices. Our colleague Bert Colijn explains [here](#) why this isn't worrying.

That said, data is vindicating the ECB's cautious stance, and could keep dovish voices in the governing council quiet. A quick scan of recent ECB member comments shows little to no dissent anyway.

Yesterday's price action in EUR/USD suggests the rally is looking a bit tired without any substantial catalysts at the moment. As discussed above, the yen is a preferred channel to EUR for US shutdown risks, and the technical picture isn't as supportive for the common currency in the near term. Risks remain tilted to the upside for EUR/USD, given that downside risks are more concentrated on the US side, but a break above 1.180 may require new data inputs.

*Francesco Pesole*

## ➔ GBP: Some risk premium is building

EUR/GBP corrected lower on some EUR long squeezing yesterday, but seems to be lacking bearish momentum to trade back to 0.860. Our model has recorded two consecutive weeks of around 1% short-term overvaluation in EUR/GBP, which may well be a signal of markets starting to price in some GBP risk premium ahead of the UK budget. While the announcement is only on 26 November, it's widely expected that many bits of the budget will be released to the media in the weeks before.

We agree that risks mostly lie on the upside for EUR/GBP into year-end, also considering that our economists are still expecting a rate cut by the Bank of England this quarter, which is only 6bp in the price.

This week, things have been quite quiet in the UK calendar. We heard from both sides of the hawkish-dovish BoE spectrum (Mann and Ramsden), while Governor Bailey is due to speak tomorrow. The lack of new data inputs makes it unlikely we'll see major deviations in off-meeting communication for now.

*Francesco Pesole*

## 📈 CEE: Getting market favour again

Yesterday's PMI in the region showed some improvement in sentiment beyond expectations, indicating further recovery in industry. Today's calendar in the region does not have much to offer, and we will see more on Friday when September inflation in Turkey is released. It should show some acceleration in the month-on-month rate with only a small downward impact on year-on-year.

FX saw some new support yesterday coming from rising market rates and a rebound in EUR/USD in recent days. EUR/CZK saw some reconnection with rates, which are seeing the highest levels since the end of 2024 at the front-end of the curve. This is likely a combination of a hawkish CNB and some fiscal premium and implied economic growth support coming from election headlines, suggesting a change in fiscal policy after this week's elections. The CZK thus remains our favourite currency in the region, and we expect EUR/CZK to gradually grind down towards 24.00 despite potential short-term volatility coming from the elections.

We see similar support elsewhere in the region. EUR/PLN, as we expected, bounced down from the upper edge of the current range yesterday, and for now, the current level looks more fair, where we can stay until the NBP meeting next week. EUR/HUF returned to its lowest levels, and the HUF continues to enjoy good support from the markets despite already heavy long positioning. Still, if EUR/USD continues to move higher, we may see further pressure on EUR/HUF to go lower.

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