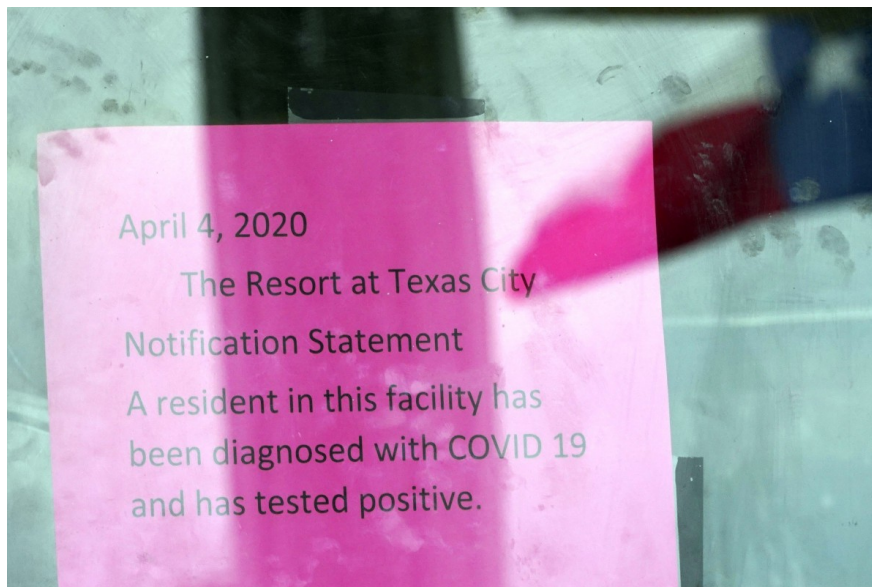


## FX Daily: The euro offers decent resilience to USD momentum

EUR/USD keeps edging lower on faltering risk appetite, but the common currency is offering some decent resilience, especially given the rising idiosyncratic risk of new US-EU trade tensions. But don't expect ECB-related news to hinder EUR's resilience today



The Texas flag is reflected in a window with a posted sign about positive COVID-19

Source: Shutterstock

### **USD: New virus spikes offers safe-haven support**

A slump in risk assets yesterday confirmed the fresh high market sensitivity to new Covid-19 cases after:

- a) the second virus wave no longer appears to be a US-only story as new cases were reported in Germany, Japan, China and Australia.
- b) there is a growing concern that new restrictive measures will be deployed. In turn, while we maintain a positive medium-term view on risk assets, it will mostly be about infection numbers that drives sentiment in the short-term.

Developments in Texas remain key, but as daily Covid-19 figures are reported throughout Europe during the day, investors will look for any additional signs that the second wave of Covid-19

is becoming a global story. Markets are also expecting some follow-up to yesterday's threats of new US tariffs to the EU, UK and China. Data-wise, durable goods orders in the US will join other indicators in a sharp rebound in May and initial jobless claims – which are losing centrality – should continue to edge lower but staying above 1.3 million.

With data likely to play second fiddle to the virus headlines, investors are likely to remain rather jittery today, with the balance of risks for pro-cyclical assets tilted to the downside and the dollar may remain supported on safe-haven bids.

## ➔ EUR: Eyes on the ECB – whilst building resilience

EUR/USD keeps edging lower on faltering risk appetite, but the common currency is offering some decent resilience, especially given the rising idiosyncratic risk of new US-EU trade tensions.

Meanwhile, the European central bank is back in focus after a media report suggested the Bank has agreed to provide documents to account for its asset purchase programs to the German constitutional court. The ECB is set to remain on investors' radars today as the minutes for the June meeting are due, and markets will likely look into the decision-making process around the PEPP top-up to identify any potential disagreement within the Council.

Some ECB speakers will follow in the afternoon. We don't expect ECB-related news to hinder EUR's resilience today and EUR/USD downside may be contained within the 1.12 support for now.

## ⬇ GBP: Negatives piling up

Negatives seem to be piling up for GBP as the UK may a) face a second virus outbreak right as it attempts to re-establish normality, b) get caught in the US protectionist fire.

Today, keep an eye on Bank of England's Chief Economist Andy Haldane's speech, although it is unclear whether he will talk about monetary policy.

## ⬇ AUD: New Covid-19 cases are a concern for AUD's strength

The largest daily increase in cases in Australia is a concern for the ability of AUD to retain its recent strength, which was partly built on the notion of a nearly "virus-free" country. New pressure on the 0.6800 support may come this week.

### Author

**Francesco Pesole**

FX Strategist

[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss

arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.