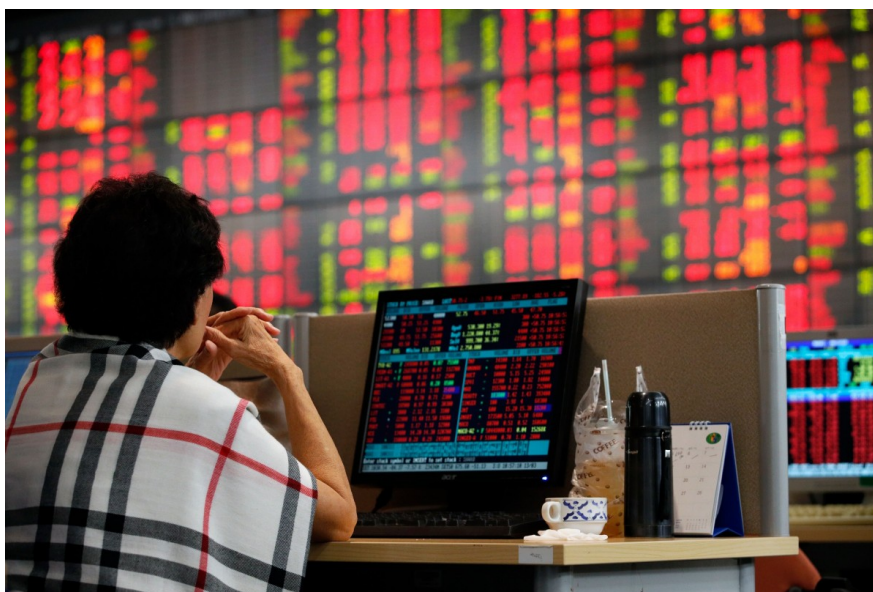


## FX Daily: Run for the hills

The quick pricing of a global recession continues to trigger uncoordinated policy responses around the world. But there's still nowhere to hide in markets



### 📈 USD: Weak equities, weak bonds, weak commodities – where to go?

The rout in global asset market continues – equities, bonds, commodities all weaker. The quick pricing of a global recession continues to trigger uncoordinated policy responses around the world. Earlier this month, the ECB had felt that €120 billion in extra asset purchases was enough for the year. They've just topped that up by €750bn. And the Reserve Bank of Australia overnight started quantitative easing with Yield Curve Control – like the Bank of Japan. The RBA's target is the three-year yield at 0.25%. But the reality is that we just don't know how long these Covid-19 lockdowns are going to last and we can't really expect fiscal stimulus plans by the government to completely fill the hole of economies grinding to a standstill. [As we wrote late yesterday](#), it is very hard to know when this dash for dollar cash ends. We do make the controversial point that Washington could start to talk about FX intervention to weaken the dollar – or at least address the disorderly moves seen yesterday. So far, the Rest of the World has seemed very happy to let their currencies take the strain – e.g. USD/KRW at 1285 is remarkable. But with bonds now selling off across the board, a currency rout and higher bond yields may not be welcomed as governments start borrowing heavily. On the bright side, strains in US dollar funding markets do seem to be

easing somewhat – but not until corporate assets find their right levels can we start to talk of some stability and any kind of adjustment lower in the dollar. Please also see [our comment about FX liquidity](#), which is playing a big role here too.

## ➔ EUR: Massive QE would normally be EUR negative, but these aren't normal times

After heavy sell-offs in Italian and Greek debt over recent days, the ECB has thrown in more support. It will also start buying European corporate commercial paper to address some of these funding issues facing corporates. A better performance of eurozone peripheral debt may offer EUR/USD some support, but not until the dust settles in equities or Washington suggests some FX intervention, do we have any confidence in a EUR/USD bounce. Support at 1.08.

## ⬇ GBP: Deficits exposed

As [Petr Krpata wrote yesterday](#), the UK's 5% current account deficit leaves it exposed at times of capital scarcity. GBP's fate is in the hands of others.

## ⬇ SNB and SARB in focus today

Central banks have been slashing rates and pumping liquidity into the system. Today it is the turn of the Swiss National Bank and the South African Reserve Bank. The SNB has contained the EUR/CHF downside very well. Their QE is unlimited FX intervention, which they will try to continue. However, 1.05 remains very vulnerable. SARB is expected to cut 50bp. The South African rand is very exposed through its large current account deficit and low liquidity in FX. USD/ZAR risks extending the blowout to 18.

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