

## FX Daily: Russia's central bank to stay on hold

The recent pick up in price pressure, uncertainty about the US election outcome and possible post-US election sanction risk with subsequent implications for the rouble should all mean that Russia's central bank keeps rates unchanged today



Russian Central Bank Governor Elvira Nabiullina attends a press conference, Moscow, Russia

Source: Shutterstock

### USD: No game changer from the last US presidential debate

The last US presidential debate overnight didn't change much about US election prospects with President Trump, who currently trails in the polls, failing to damage Joe Biden's campaign and change the dynamics. On the US fiscal stimulus front, while there have been constructive words from House Speaker Nancy Pelosi, no agreement has been reached and the odds of a stimulus before election seem to be dwindling.

The election risk event and the lack of imminent fiscal stimulus should prevent USD from more meaningful losses in the coming weeks, particularly if the deteriorating Covid-19 situation in Europe keeps the uncertainty about the eurozone and global growth outlook in place.

## ⬇️ EUR: Diverging PMIs, with services receiving a bigger hit

The focus today is on October eurozone purchasing managers index.

With the second Covid-19 wave a reality in Europe, this should underline the divergence between the more severely hit services sector vs manufacturing. The composite eurozone PMI index may dip back into contraction territory. Coupled with inflation being well below the target, all this points to the extension of bond purchases by the ECB under the Public Sector Purchase Programme (PSPP) in December.

Similarly, the odds of extension of bond buying is also growing in Sweden, where Governor Stefan Ingves noted that the Riksbank can buy more covered and municipal bonds - with quantitative easing being preferred to rate cuts, which also seems to apply to the ECB.

## ➡️ GBP: Sterling stalling for the next few weeks

As restarting UK-EU trade negotiations are fully priced in, EUR/GBP should now stall around the 0.90 level as imminent progress is unlikely and negotiations should continue into mid-November. UK PMIs should have a limited impact on sterling today, as the GBP price action is all about trade negotiations.

Similarly, the UK government announcement yesterday of improved terms for the UK Job Support scheme also had a limited impact on GBP.

## ➡️ RUB: Russian central bank to stay on hold

We expect Russia's central bank to keep rates unchanged at 4.25% today.

This is due to the recent pick up in price pressure, uncertainty about the US election outcome (and the possible post-US election sanction risk and its implications for RUB) as well as the ongoing uncertainty about state budget discussions. Still, the medium-term signal should remain dovish as softening demand is pointing to below-target CPI in 2021. This leaves room for rate cuts to 3.5-4.0% in 2021.

The unappealing outlook for EMEA FX (vs other emerging market regions) and the post-US election sanctions risk should keep RUB upside limited for now, with today's decision having a negligible impact on the currency.