

FX Daily: Some payrolls disappointment is already priced in

Markets have pre-empted a softer payroll print relative to the consensus 65k, largely on the back of Kevin Hassett's warnings earlier this week. Our economist's call is 80k payrolls and unchanged 4.4% unemployment, which in our view would be enough to remove some negatives from the dollar. Still, the conditions for a sustainable USD recovery aren't there



Today's US jobs report is a pivotal event for the FX market

We have published our latest FX monthly update, [FX Talking: Dollar appetite erodes](#)

USD: Pivotal payrolls

The latest dollar selloff was not initiated primarily by US data weakness, but the calendar this week has all but endorsed the sourer mood on the greenback. Yesterday, retail sales (for December) were flat on the month versus expectations of a 0.4% gain, meaning real sales volumes fell. The control group slipped 0.1% after a downward revision to November, pointing to softer consumer spending and likely downgrades to 4Q25–1Q26 GDP. Most major categories posted declines, with building materials the lone area of strength.

On the labour market side, ADP weekly payrolls came in rather soft, with figures consistent with private sector monthly payrolls growth of 20-25k per month. The Employment Cost Index rose a benign 0.7%, the weakest since 3Q21, with private wage growth easing to 3.3% YoY. Fewer than 0.88 job openings per unemployed worker and a subdued quit rate highlight how the labour market has shifted from excess demand to worker oversupply.

Today's jobs report is a pivotal event for the FX market. A materially weak print would likely pave the way for markets to price in a cut in April, and for DXY to test 96.0 in the coming days. Our call is 80k payrolls, more upbeat than consensus (65k) and market expectations: the Bloomberg whisper number has dropped from 50k to 37k since Kevin Hassett's comments on Monday. We don't expect major downside surprises on 2025 payroll revisions (consensus -825k) or upward surprises in unemployment, which we see stable at 4.4%.

If we are right with our call, we should see some of the recent macro negativity leave the dollar. However, conditions for a broad-based sustainable USD recovery don't appear to be in place, and we think an upward correction in DXY wouldn't have long legs.

Francesco Pesole

📉 EUR: Return to 1.180 is our baseline

The inputs from the eurozone into the FX market remain very scarce. It's a quiet period data-wise, and ECB President Lagarde didn't really give enough reasons to believe euro strength is concerning just yet.

Should EUR/USD move back past 1.20 – perhaps on soft US data – we wouldn't be surprised to hear some members again pushing the idea of an FX-driven rate cut. However, our assessment remains that 1.25 would be the level driving a material downward revision in inflation projections and potentially a rate cut, and the impact of scattered comments on EUR strength wouldn't do much to curb USD-driven EUR/USD upside.

Today, we think payrolls can actually send EUR/USD in the other direction, and favour a return to a 1.180 anchor in the near term.

Francesco Pesole

📉 GBP: Hard to fight bearish mood

EUR/GBP dipped yesterday as markets partly priced out some risk of PM Keir Starmer facing a leadership challenge after several endorsements from Labour Party members. However, that GBP recovery proved to be very short-lived, with plenty of interest in buying the dips in EUR/GBP, which we see as a mirror of both political concerns and dovish risks to Bank of England expectations.

Polymarket continues to show a 70% probability of Starmer resigning by June 30, and concerns about a less centrist Labour successor carry quite a bit of risk for GBP, given the potential fiscal implications. Our view remains broadly bullish on EUR/GBP on the back of this and of our call for two BoE cuts by June: 0.88 remains a very realistic short-term target.

Francesco Pesole

➔ CEE: Return to dovish pricing ahead of key inflation figures

The region will see one last quiet day today before Thursday and Friday's whirlwind of inflation and GDP data. Yesterday we saw rates markets across the board switch back to dovish mode, which was later reinforced more by weak US data. Despite the lack of a local story, PLN and HUF rates markets are testing new local lows and the CZK market has also returned to pricing in rate cuts after overreacting to higher inflation last week. We believe that inflation numbers in the coming days will support this narrative and we may see further market pressure pushing rates down. This overall puts pressure on CEE FX, which corrected some previous gains across the region yesterday.

This is still more of a fine-tuning exercise and we do not expect a break from the current ranges for EUR/PLN and EUR/CZK in the coming days. This effectively offsets the positive factors of a weak US dollar and narrower interest rate differentials. The rally in CEE rates assets will be tested today by bond auctions in Poland, the Czech Republic and Hungary, where the next direction in the end may be set later by US labour market data.

Frantisek Taborsky

Author

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

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