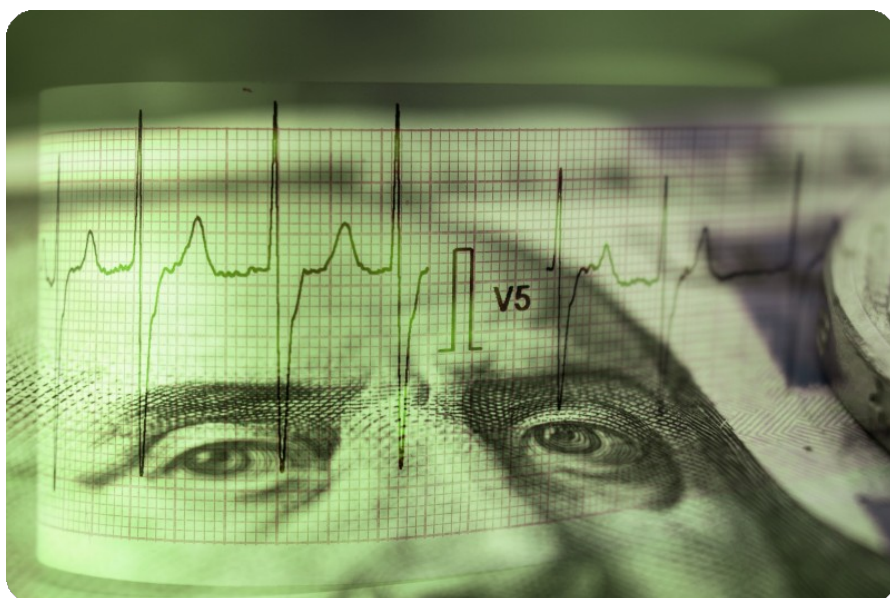


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FX

FX Daily: Still searching for a dollar pulse

The improvement in US macro has not been enough to materially revamp confidence in the dollar, and we don't have high hopes for this week's calendar. Still, in the short term, a break below 1.180 looks more likely than 1.20 in EUR/USD given the stretched valuation. In the UK, key data could endorse a March BoE cut this week and weigh on GBP



We're set for another week of data that may struggle to jumpstart a broader USD recovery

USD: Data and stock volatility in focus this week

The past couple of weeks have shown that the improvement in the US macro picture isn't enough to bring the dollar back to early January levels. The mid-January "sell America" episode is leaving lasting damage on the greenback – much like in summer 2025. Last week's post-payrolls reaction confirmed that confidence hasn't returned: strong data, hawkish repricing, but only a short-lived and modest dollar rally.

This week we'll have more data, but it will be less impactful. Weekly ADP (tomorrow) will be watched after the latest soft print, while Friday's core PCE for December and 4Q GDP are the highlights. Core PCE is the Fed's preferred inflation gauge, and we expect a 0.3% MoM acceleration, which should curb the dovish tone that followed last week's slightly

sub-consensus CPI. A solid growth figure, along with Wednesday's FOMC minutes, could have a similar effect.

There is, however, a good chance that stock market developments will continue to overshadow macro developments. Tech stocks are heading into a potential make-or-break earnings release by Nvidia on 25 February, and the implications for FX of further volatility jolts can be significant. One important note on this: the dollar has lost a good chunk of its safe-haven value, but unlike the summer of 2025, it is still negatively correlated with US equities at the time being. In this fragile risk environment, we are more concerned about high-beta currencies like AUD.

We think risks are on the upside for USD this week, but still lack conviction about a material recovery. Today is a US holiday: expect smaller volumes.

Francesco Pesole

↓ **EUR: ECB pushing eurisation**

The ECB announced some (widely expected) steps to boost access and utilisation of the euro this weekend. From the third quarter, EUR repo lines will be extended to all monetary authorities around the world (unless excluded on certain legal grounds), mimicking the Fed's backstop facility that has proven crucial to promote dollarisation.

At the latest ECB meeting, President Lagarde said that euro globalisation does not necessarily imply a stronger exchange rate. However, in an environment where dollar confidence is eroding, greater EUR-isation can only reinforce medium-term EUR/USD bullishness, which is strictly tied to capital rotation from the US to Europe.

On more short-term considerations, the eurozone calendar becomes more interesting this week, with ZEW tomorrow and PMIs on Friday. We are quite upbeat on these surveys, but the euro impact isn't likely to be major.

We continue to look past our short-term valuation estimates that point to meaningful downside risk for EUR/USD, given recent price action that points to persistent buy-the-dip behaviour. Still, we see a break below 1.180 as more likely than a move to 1.20 this week.

Francesco Pesole

↓ **GBP: Big data week**

It's a busy week for the UK calendar. On Tuesday, the January jobs report should show further cooling in the labour market along with slower annual wage growth. If these trends persist into the March data, a Bank of England rate cut next month looks increasingly likely.

On Wednesday, January inflation data is released. Headline CPI is expected to edge lower due to volatile airfare movements, easing food price pressures, and the waning impact of last year's private school tax rise, though core services inflation is unlikely to shift much.

Political noise has eased somewhat, but PM Keir Starmer is still seen as vulnerable, with betting markets assigning roughly a 70% chance he will step down by the end of June. The pound should continue to face depreciation episodes whenever Starmer's political position deteriorates. Combined with our dovish BoE view, we remain bullish on EUR/GBP with a 0.88 target.

Francesco Pesole

➔ CEE: Not many reasons to leave the usual ranges

The second half of the month usually brings fewer releases in the economic calendar, and this week will be rather muted. Today, January inflation in Romania will be published, as the last number in the region. We expect only a slight decrease from 9.7% to 9.4% YoY.

On Tuesday, the National Bank of Romania will hold its first meeting of the year, leaving rates unchanged at 6.50%. The central bank is waiting for a widely expected decline in headline inflation in the summer months due to the base effect from last year's tax increase. Therefore, we expect the central bank to return to rate cuts in May at the earliest, which is supported by the weaker GDP numbers released on Friday. On Thursday, a set of monthly data for Poland will be published, including the labour market and industry. And on Friday, we will see the numbers in industry in Romania.

Last week did not see much movement in CEE outside the usual ranges, except for the forint. And this week does not indicate that we should see more action here either. While a weaker US dollar supports stronger CEE currencies, rising expectations of rate cuts across the region keep FX broadly stable. Therefore, we expect EUR/PLN and EUR/CZK to remain in the 4.200-4.230 and 24.200-400 ranges. EUR/HUF has seen some upward correction after hitting new two-year lows last week, but we expect the forint to remain supported by pre-election positioning, and any weakness will be used by the market for new HUF longs, in our view.

At the same time, Thursday's inflation last week confirmed that the NBH may cut rates as early as next week's meeting, which will moderate the forint's gains from previous weeks.

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