

## FX Daily: The safe-haven dollar king

Concerns about the impact of the coronavirus on economies outside of China should keep the dollar bid today. The DXY 100.00 level is likely to be tested, particularly if eurozone PMIs disappoint.



Source: Shutterstock

### ↑ USD: The carry, safe haven dollar king

The appeal of the carry-attractive, safe haven US dollar manifested itself yesterday with the price action suggesting an across the board capitulation on any non-dollar long positions. Even the Japanese yen was hit (see below) in line with the higher beta currencies, underlying the trend of a flight to USD quality. As concerns about the impact of the coronavirus on economies outside of China are unlikely to dissipate, the dollar should remain bid today and DXY should continue to head higher. The DXY 100.00 level is likely to be tested today, particularly if eurozone PMIs disappoint.

### ↓ EUR: Eurozone PMIs to underscore the downward euro trend

We and the market are looking for a decline in the February eurozone PMIs in line with the recent trend of disappointing data from the region, with the latest forward looking indicators reflecting fears about the impact of the coronavirus. The risk of another disappointment (vs the upside surprises to the US data – as per the Philadelphia Fed Business Outlook series yesterday) points to a lower EUR/USD, with the cross poised to test the 1.0750 level today. Central and Eastern

European FX was under pressure yesterday (in line with global emerging market FX) with all regional currencies trading in sync and the Hungarian forint no longer underperforming. We expect the same trend to continue today as a stabilising Bubor at higher levels (the rise in the interbank rate since mid-January has been equivalent to almost two 25 basis point hikes) should provide a cushion to the forint.

## ⬇️ GBP: Cable to test new multi-month lows

Our economist James Smith looks for a soft February UK PMI print today, with the manufacturing series returning to contractionary territory. PMI Services should soften too. This should cause EUR/GBP to re-test the 0.8400 level while GBP/USD is poised to test the 1.2850 support.

## ➡️ JPY: The fall looks overstretched

As highlighted in [JPY: Three drivers behind the fall](#), we think the recent rally in USD/JPY to 112.00 has mostly been driven by a combination of: (a) markets shifting from short-term global pandemic fears (JPY-positive) to pricing in the impact of a Chinese slowdown (JPY-negative, given Japan-China economic ties); (b) a quickly deteriorating economic outlook for Japan, especially after grim growth data for the fourth quarter; and (c) speculation around increased outflows from Japan as funds look for more attractive yield abroad before the end of the financial year (March). According to our short-term financial fair value model, the USD/JPY looks stretched, suggesting that the move of recent days may be overdone and some stabilisation in USD/JPY lies ahead.