

## FX Daily: The pound's rebound proves short-lived

With the UK government's fiscal support fully priced in, the focus turns to disappointing GDP data and the ongoing Brexit talks



### **USD: Little evidence of any real price pressures building in the US**

US-China tensions about the situation in the South China Sea helped the US dollar and weighed on cyclical currencies overnight, with the trade-weighted dollar remaining firmly in the range of recent weeks. While benefiting for now, possible progress made towards an EU recovery fund at the end of the week should keep USD gains limited. On the data front, US June headline CPI is set to rebound, with gasoline prices being a major positive contributor. As this is more of a bounce back from extreme levels rather than any real price pressures (CPI ex food and energy should in fact decelerate in June), markets will look through it and won't infer any implication for the FOMC's stance.

## ➔ EUR: Waiting for the EU leaders' summit

EUR/USD has settled in the short-term 1.13-1.14 trading range, with the EU leaders' summit at the end of the week (and possible agreement on a €750bn recovery fund) being a potential catalyst for a move higher, above the 1.1400 level. The risk of good news should keep EUR/USD above 1.1300 throughout the week. On the data front, the German July ZEW Current Situation index should continue to modestly grind higher. In Sweden, June CPI is set to bounce from 0% to 0.5%, but this unlikely to be a game changer for the Riksbank which signalled flat rates (at 0%) over its entire forecast horizon.

## ⬇ GBP: The dissipating short-term rebound

Sterling's rebound proved short-lived and EUR/GBP is back above the 0.90 level. With the government fiscal support fully priced in, the focus turns back to the uncertainty around the UK-EU trade deal – a clear idiosyncratic negative for GBP which should keep the currency's underperformance in place. Any GBP spikes thus should continue to be short-lived during the summer. Indeed, the May UK GDP was rather disappointing this morning, printing only 1.8% (vs 5% expected).

## ⬇ PLN: The NBP to keep its dovish bias

The National Bank of Poland's meeting should not surprise today, with the MPC keeping its dovish bias, signalling that any change in interest rates (higher) is unlikely any time soon. With incumbent Andrzej Duda winning a second mandate in the Presidential election over the weekend, this points to the status quo and little impetus for the MPC to change its stance. We continue to see the NBP as the most dovish central bank in the Central and Eastern European region and expect it to extend quantitative easing into 2021 later this year. With its real rate one of the most negative in the emerging markets space, all this points to the zloty's underperformance vs its CEE peers. We see PLN/HUF moving below the 78.0 level in coming weeks.

### Author

#### Chris Turner

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

[chris.turner@ing.com](mailto:chris.turner@ing.com)

#### Francesco Pesole

FX Strategist

[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).