

## FX Daily: The high stakes debate in Philly

FX markets are in consolidative mode ahead of tonight's TV presidential debate between Kamala Harris and Donald Trump in Philadelphia. The market has seen how a debate like this can make or break a campaign. With the candidates running neck-and-neck in opinion polls, FX markets could be moving this time tomorrow if a clear winner emerges



A billboard advertising the upcoming presidential debate between Trump and Harris in Philadelphia, Pennsylvania

### ➔ USD: All to play for in Philadelphia

FX markets are marking out ranges as they wait for fresh inputs. Overnight we saw some better [Chinese trade data](#), where exports surprised on the upside and imports disappointed as expected. While the large trade surplus might be good for the GDP figure, the fact that China's demand remains weak remains a problem for the rest of the world. Indeed, industrial metals remain under pressure and it looks like [OPEC+ might be running out of ideas](#) when it comes to stabilising oil prices.

The US calendar is light today – just the NFIB small business optimism number and US data released late yesterday saw some exceptionally strong consumer credit readings for July. The credit readings serve as a reminder that, so far, the US consumer is alive and well and that the Fed may not have the data it needs to "front-load" the easing cycle with a 50bp rate cut later this

month.

Moving on to the main event for FX markets, tomorrow morning at 0300CET, 2100ET sees a 90-minute presidential debate between Harris and Trump. As more of the unknown entity, Kamala Harris arguably has more to prove to the US electorate. Currently, opinion polls across the nation, especially in swing states, have the pair neck-and-neck. Should a clear winner emerge from the debate, expect the FX market to start "front-loading" positions it would have taken after the election result in November. To that end, our [Election Guide for FX Markets](#) published yesterday should help determine which currencies outperform and underperform.

Expect a quiet day of FX trading ahead of the debate.

*Chris Turner*

## ➔ EUR: Draghi's wish-list fails to move the needle

The highlight of yesterday's European session was Mario Draghi's release of the report, [The Future of European Competitiveness](#). His recommendations will be pored over for many months and probably years – especially the call for joint EU debt issuance to finance the €800bn or so annual investment required for the EU to play catch-up with the US and China. Clearly, northern Europe and populist governments will struggle to embrace his calls for joint debt issuance, and financial markets look unlikely to move on this until the EU attempts to embrace any of these recommendations in future budgets.

In the meantime, EUR/USD is treading water ahead of Thursday's ECB meeting. A drift to 1.1000 looks like the risk today as investors absorb weak China demand data and strong US credit data.

*Chris Turner*

## ⬆ GBP: Jobs data gives sterling a lift

EUR/GBP has come off this morning after the latest batch of UK jobs data was slightly better than expected. While July's average earnings figures were on consensus, employment growth in July was much stronger than expected. And the jobless claims rise in August was much lower than expected. While these jobs figures are notoriously volatile, they can probably maintain the wedge between the expected Bank of England and Fed easing cycles. For the remainder of this year, markets price 107bp of Fed cuts versus just 48bp for the BoE.

EUR/GBP can drift towards 0.8400 – but may struggle to break that level given that we think the euro could derive some support from the ECB meeting this Thursday.

*Chris Turner*

## ⬆ NOK: Looking increasingly cheap

For the second time this summer, the Norwegian krone is experiencing a major selloff without a clear catalyst. The thinner liquidity conditions of the NOK market compared to other G10 currencies make it quite vulnerable to speculative selling.

This morning, Norway released CPI figures for August. Headline inflation came in at 2.6% YoY versus 2.8% consensus and the underlying rate was on consensus at 3.2% YoY. We believe that the

currency situation is more relevant than inflation data for Norges Bank at this stage. Governor Ida Wolden Bache has been repeatedly vocal about the risks of a weak NOK and we believe Norges Bank has no rush to turn dovish just yet. We expect another hawkish statement at next week's meeting, to discourage further NOK selling.

EUR/NOK is expensive by any measure at these levels. We expect a decline to start at any point now, but we cannot exclude that EUR/NOK may be pushed beyond 12.00 before opportunistic selling takes over.

*Francesco Pesole*

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