

## FX Daily: The peak might have passed for USD

In a week characterised by falling FX volatility, the dollar looks to be re-establishing a gentle bear-trend as equities appear complacent to grim contagion news. Such complacency indicates that the short-term outlook for risk assets is not lacking hurdles, but there is still a material chance we have seen a peak in the dollar



### ➔ USD: Tentative downward trend

The week appears set to end on a quiet note as US markets are closed for Independence Day and the economic calendar looks rather unexciting today.

Global sentiment is stable during early trading, still finding some support from yesterday's upside surprise in US payrolls. While the unexpected 4.8 million rise in employment surely contributes to the notion of a sharp economic recovery, [our economists highlight how the jobless claims report is showing 31.5 million Americans are claiming unemployment benefits](#), which is nearly double the 17.7 million unemployed according to the jobs report.

Such understatement of unemployment may turn out to be a ticking bomb for markets, and the July jobs report bears the risk of being a big disappointment. For now, however, markets are

focussing on the positives from the jobs data and continue to be only moderately concerned about second Covid-19 waves.

In a week characterised by dropping FX volatility, the dollar looks to be re-establishing a gentle bear-trend as equities keep showing complacency to grim contagion news. Such complacency indicates that the short-term outlook for risk assets is not lacking hurdles, but there is still a material chance we have seen a peak in the dollar.

Today, expect tight ranges and a general stabilisation to prevail in FX.

## ➔ EUR: One less thing to worry about

German lawmakers voted yesterday to back the ECB bond-buying programme, therefore putting an end to the legal standoff with the country's top court. The news had already been priced in by markets after some reports earlier in the week, and the whole German court ruling story had so far failed to particularly stir the EUR, as investors were not seeing any material implications for the ECB just yet.

Looking ahead, however, the EUR will have to deal with one less piece of uncertainty, which indeed helps our bullish EUR/USD view for the rest of the year. Today, final eurozone PMIs are unlikely to trigger significant market moves, and ECB's Knot speech (1300 GMT) appears to have little surprise potential. Instead, keep an eye on Saturday's speech by President Christine Lagarde for possible delayed impacts when markets re-open next week.

## ⬆ GBP: Helped by Brexit optimism

A week of EU-UK trade negotiations end on a fairly optimistic tone, which is fuelling some GBP momentum and we are seeing Cable back at the 1.25 handle. Ahead of a new round of talks next week, the two parties have reportedly softened their stances on a few issues and took steps towards a general compromise.

Still, time constraints and a lingering divergence on a few sticky points suggest any GBP recovery path won't be smooth.

## ➔ AUD: Stuck in the 0.68/0.70 range

The AUD is leading G10 (very tiny) procyclical gains this morning thanks to a jump in May retail sales along with more optimistic PMI numbers from China.

AUD/USD has been stuck in the 0.68/0.70 range for the majority of June, and this may remain the case for a few more weeks as risk assets may fail to take a decisive direction on the back of perceived balanced global risks.

### Author

**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 <http://www.ing.com>.