

Article | 4 August 2025

FX

FX Daily: Three reasons for the dollar to stay pressured this week

Following Friday's soft US jobs report, the dollar looks to stay offered this week. The firing of the Bureau of Labor Statistics chief, after President Trump accused the agency of manipulating jobs data for political gain, also adds pressure. And the early resignation of Fed Governor Adriana Kugler – opening up the pick for Powell's successor – won't help



Soft jobs data, the firing of the BLS head and Kugler's replacement at the Fed can all weigh on the dollar this week

↓ USD: Fed back in focus this week

Friday's soft jobs report knocked the stuffing out of the [dollar's rally](#). Investors now attach an 80% probability to a 25bp rate cut from the Federal Reserve in September. On the subject of the Fed, this weekend saw Governor Adriana Kugler resign, effective 8 August; her term was due to end next January. Her resignation brings forward the opportunity for President Donald Trump to nominate a (likely dovish) replacement for her – a position that could ultimately be used to replace Chair Jerome Powell when his term ends next May. An earlier replacement for Kugler would likely add another dissenter to the Fed's current stance of unchanged rates and turn up the internal pressure on Powell. Here, it will be interesting to hear what other Fed members made of the jobs report. This Wednesday and Thursday, we hear from FOMC voters,

Susan Collins, Lisa Cook and Alberto Musalem.

In addition to the above bearish factors for the dollar, we have also had the news that the President has fired the head of the Bureau of Labor Statistics (BLS) for "manipulating data for political purposes". Uncertainty about the quality of US data is not a good look for US asset markets and could add some more risk premium both into the dollar and Treasuries. For Treasuries, this week sees \$125bn in auctions of three, ten and thirty-year Treasury notes. Let's see how those auctions go.

Regarding the two developments this weekend, Trump has said he'll announce replacements for both positions this week.

In terms of US data, this week is much lighter. The highlight might be the ISM services data released on Tuesday. That is expected to nudge higher, though there will be much scrutiny both of the prices paid component and the employment figures. The issue of sticky inflation holding the Fed back from a September rate cut is still a live one – and that's why listening to what Fed speakers have to say and the Jackson Hole Fed symposium on 21-23 August will be so important.

We think the dollar posted an important corrective high last week and that any bounce in the DXY will stall in the 99.20/50 area before it turns lower to 97.00 again.

Chris Turner

EUR: Liquid alternative to the dollar

EUR/USD enjoyed a strong rally on Friday thanks to the view that the Fed can now cut rates after all. Two-year EUR/USD swap differentials moved to the narrowest levels of the year on the view that it is about to play catch-up with this year's European Central Bank easing.

On the eurozone calendar this week, there should be an uptick in the August Sentix investor confidence reading today, followed by Wednesday's retail sales release for June, which is expected to have bounced back from a weak May figure.

With an important low made near 1.1400, we suspect there will be plenty of buyers in the 1.1500/1520 area – should it make it that low. 1.1700 seems a reasonable target for the next couple of weeks.

Elsewhere, there is much soul-searching in Switzerland after the country was slapped with 39% US tariffs last week. If those tariffs stick, this will add to the disinflationary forces in Switzerland, which are keeping CPI near 0% year-on-year. EUR/CHF is starting to correct a little higher on the news, though any last-minute deal this week ahead of the tariff implementation on 8 August could see EUR/CHF reverse. We don't see a sustained rally in EUR/CHF until the ECB has definitely finished its easing cycle – something we may not know for certain until next

year.

Chris Turner

➔ **GBP: More consolidation likely**

As James Smith writes in his preview of the [Bank of England's MPC meeting this Thursday](#), we doubt the meeting will prompt a major reassessment of the pace of the easing cycle. If that's the case, we doubt EUR/GBP needs to stray too far from the 0.8700 area. Equally, there could be a positive surprise for sterling were the BoE to announce that a lower pace of quantitative tightening – e.g., £75bn per year instead of £100bn – was accompanied by fewer sales of longer-dated Gilts. That could take some pressure off the longer end of the curve and be seen as a positive for UK sovereign risk.

We tend to think EUR/GBP would be more comfortable in the 0.8650-0.8700 area this week.

Chris Turner

➔ **CEE: The new month brings inflation prints in the region**

With the start of a new month, we are going to have a very busy week in Central and Eastern Europe. Today, July inflation figures will be released in Turkey. We expect monthly inflation to rise to 2.5% from 1.4% in June due to higher energy prices and automatic tax adjustments. Still, thanks to the base effect, this should lead to a decline in headline inflation from 35.0% to 34.1% YoY.

Tomorrow, inflation data for the Czech Republic will also be released, where we expect headline inflation to decline from 2.9% to 2.6%, one-tenth below market expectations. On Wednesday, economic data from Hungary and the Czech Republic will follow.

On Thursday, we expect [the Czech National Bank](#) to leave rates unchanged at 3.50%, and the main focus will be on the new forecast and forward guidance regarding the end of the cutting cycle.

On Friday, inflation in Hungary will be published, where we expect a decline from 4.6% to 4.0%, one-tenth below market expectations. The National Bank of Romania will decide on rates, which should be a non-event at 6.50%, with a focus on new comments on fiscal consolidation and its impact on inflation.

Friday's US labour market data shook things up in the CEE region, and the weaker dollar is positive for FX here. The question for today's opening is whether CEE rates will keep pace with the rally in core rates. Friday's movement in rate differentials could indicate some mitigation of the positive impact of the weaker USD. However, our baseline view is still a stronger CEE at the end of this story, given the movement in core markets.

The Czech koruna should see support from a hawkish CNB and new forecasts, and we remain bullish here – but the scope for further rallying is limited and EUR/CZK will likely only slowly grind towards 24.500. After [higher-than-expected inflation](#) in Poland last week, we expect EUR/PLN to stabilise in the 4.270-280 range, and we are neutral here. The HUF market is seeing high volatility in rates, which should also be reflected in greater FX volatility. At the same time, this week's economic data should support a dovish stance, and we therefore expect EUR/HUF to return to the 399-400 range.

Frantisek Taborsky

Author

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Francesco Pesole

FX Strategist
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

THINK economic and financial analysis

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.