

## FX Daily: Treasury Report gives Swiss National Bank a headache

While markets look past the spat between Trump and Musk, attention is firmly on US jobs data. Softer expectations this week raise the stakes for a weak NFP print, which could pressure the Fed toward earlier rate cuts and keep the dollar subdued. Meanwhile, Switzerland has been added to the US Treasury's FX monitoring list



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### 📉 USD: Market wants a softer jobs figure

Fortunately, the very public fallout between President Trump and Elon Musk has not had broader market implications. Despite the travails for Tesla, the broader S&P 500 was only off 0.5% yesterday and futures now call the S&P modestly higher today. Notably, it's been a quiet week for the US Treasury market, where yields are broadly unchanged. The topic of how the US funds its growing fiscal deficit may be back next week, however, when we see three and 10-year auctions.

The main event today is the 1430CET release of the May NFP jobs report. Jobs growth has been holding up reasonably well so far this year, but investors are on alert for any signs that April tariff uncertainty is prompting layoffs. And the Fed has said it stands ready to act should the jobs market deteriorate. On the back of soft ISM business surveys this week, the 'whisper' number for today's jobs number has fallen from +140k to +110k. Official consensus seems somewhere near +125k. With a market seemingly positioned for a soft number today, we think it will take a

figure substantially under +100k and a rise in the unemployment rate (currently a low 4.2%) to trigger another leg lower in the dollar.

For reference, the market prices 50bp of Fed cuts this year, starting in September. Any soft figure will no doubt bring broader calls from politicians for an immediate cut and get the market thinking about a move from the Fed at the 30 July meeting – when we'll know whether 'Liberation Day' tariffs have been reimposed.

DXY requires quite a soft jobs number to break 98.00, with backup support around 97.20. We suspect any DXY spike on a better number exhausts in the 99.30/50 area as the bearish conviction on the dollar holds sway.

*Chris Turner*

## ➔ EUR: Lagarde provides support

We were caught off guard by the main message from ECB President Christine Lagarde yesterday that the easing cycle was nearing its conclusion. The terminal rate for the ECB easing cycle was subsequently priced 11bp higher, with 1m EUR ESTR priced one year forward now at 1.71%. This compares to the extreme of 1.40% in mid-April. The market still prices a further 25bp ECB cut later this year, but this has now been pushed back to October from September. ECB confidence in the modest growth cycle into 2026 and 2027 is a modest euro-positive.

EUR/USD came close to 1.1500 on those Lagarde remarks yesterday. As above, we're going to need quite a soft set of US data today to break that 1.1500 barrier above which the April 1.1575 high comes into play.

On the eurozone calendar, look out for ECB speakers and eurozone retail sales for April. Currently, the ECB still seems to think that positive real wages will keep consumption supported, despite much uncertainty.

We suspect 1.1330/1350 may be the limit of the EUR/USD sell-off should US data not be as weak as the market is positioned for.

*Chris Turner*

## ⬆ CHF: Switzerland returns to UST's Monitoring List

As Francesco Pesole [correctly predicted](#), Switzerland and Ireland were added to the [US Treasury's monitoring list](#) when it comes to FX practices. This is unwelcome attention for the Swiss National Bank which faces inflation near zero, a very strong Swiss franc and heavily uses FX intervention as part of its monetary policy.

While the SNB will publicly say that this new US Treasury designation changes nothing when it comes to FX intervention, it will certainly make life more difficult. And with FX intervention potentially constrained, at the margin it could favour a 50bp rate cut from the SNB on 19 June. For reference, the OIS market currently prices a 30bp rate cut.

EUR/CHF has been enjoying a little support from the ECB's end-of-cycle rhetoric yesterday. But a substantial break over 0.94 will likely require that large [SNB rate cut later this month](#).

Chris Turner

## CEE: Bullish case for region

Yesterday's press conference by the National Bank of Poland brought [a hawkish tone](#) despite lower household gas prices for the coming months and a weaker inflation print in May. As Wednesday's statement indicated, and we discussed yesterday, the focus was on fiscal risk, the global story and inflationary factors. The market was not ready for a hawkish message while repricing was supported by a hawkish ECB as well.

The front of the curve moved up by about 7-10bp and the priced terminal rate moved from 3.60% to 3.68%. Overall, this should be a clear case for a stronger PLN, in line with our commentary here yesterday. Still, EUR/PLN closed only slightly lower. Rates are still pointing to the 4.250-260 range but arguably the political premium is preventing PLN from strengthening. Next week's government confidence vote on Wednesday could unblock this, and we remain tactically positive on PLN.

Today, we will see a few numbers in the region, including GDP data from Romania, industrial production in the Czech Republic and Hungary and some other secondary releases. Still, yesterday's ECB and NBP meetings give ammunition for further movement today, and of course the focus will be on US jobs data. A weaker US dollar is generally supportive for CEE currencies which is visible across the board. Additionally, if rates accept a push from the EUR side, we could see some further widening of the rate differential and support for CEE currencies where the picture looks bullish.

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