

## FX daily: Turkish lira ticking more boxes

USD/TRY has sold off close to 9% this week as the market senses a re-prioritisation of domestic Turkish policy welcoming comments from President Erdogan yesterday. This firms up expectations of a large rate hike at the central bank meeting next week



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### ➔ USD: Time for some consolidation

After a lively few weeks in global financial markets, it seems that investors are ready to pause for breath and take stock.

The fact that Joe Biden has secured 5 million more votes than Donald Trump gives the Biden presidency legitimacy – such that investors seem rather unconcerned about a contested election. The news of the Pfizer vaccine has also been greeted warmly, although it may not prevent some further lockdowns this winter. For example, it seems that New York may be the first to re-introduce new restrictions as the US daily case rate runs at 135k per day. These developments leave markets priced for recovery – but perhaps have come far enough for the time being. For today, we will see US October CPI, core expected to remain at 1.7% YoY.

An integral building block of the weak dollar environment is that the Federal Reserve does nothing, even if CPI picks up. On that subject, short-dated US rates have nudged a little higher this week, but

nothing to trouble the dollar. Also, today watch out for an ECB event with Christine Lagarde, Jerome Powell and Andrew Bailey.

DXY could nudge up to the 93.50 area

## ➔ EUR: Mid-range

EUR/USD looks to be settling into the middle of a 1.16-1.19 trading range.

The ECB looks committed to easing in December (through PEPP and TLTRO rates) and let's see whether Lagarde has anything further to add today.

We'll also be looking out for any articles in the ECB monthly bulletin today as well – an article on the effectiveness of QE in weakening the EUR appeared in last month's edition.

## ➔ GBP: Brexiteers under pressure

News that prime minister Boris Johnson's director of communications, Lee Cain, has resigned adds to the sense that the UK is closing in on a Brexit deal – Cain seen as close to Brexiteer Dominic Cummings.

EUR/GBP rallies should stall before 0.90.

## ⬆️ TRY: Ticking more boxes

USD/TRY has sold off close to 9% this week as the market senses a re-prioritisation of domestic Turkish policy.

In addition to a personnel shift towards more technocrat leaders at the central bank and the finance ministry, the market welcomed comments from President Erdogan yesterday that the new leadership at these institutions would be supported, even if it called for 'bitter-pill policies' firming up expectations of a large rate hike - 450 basis point is priced in for the 19 November central bank meeting.

In addition, Turkish regulators have also announced an easing of FX swap restrictions with non-residents, seen as positive for foreign participation in local Turkish markets. We expect this positive momentum to be carried into the November meeting and note that TRY could also play catch-up with fellow EMEA high-yielder the ZAR – e.g. TRY/ZAR could trade up to the 2.08 area in the near term.

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