

FX Daily: US data to test the dollar this week

A much busier week in terms of US data will have a major say in whether the Fed cuts rates by 25bp on 18 December. US data poses some downside risks to the dollar, but the continued and expanding threat of tariffs from the incoming Trump administration should limit the size of the correction. French budget politics should also keep the euro soft



Manufacturing survey data, JOLTS job vacancy data and November's jobs report will be in the spotlight in the US this week

➔ USD: Trump's tariff threats broaden

The dollar has started the new month with modest gains, helped by politically-driven weakness in the euro and by some weekend social media posts from President-elect Donald Trump. On Saturday, Trump turned his attention to the BRICS nations, warning them against the creation of a BRICS currency to rival the dollar – or for that matter, the support of any "other currency to replace the mighty U.S. Dollar". 100% tariffs would be levied against those countries should they continue to pursue such goals. However, the BRICS nations have recently gone quiet on the need for their own currency, and even the incoming US administration might find it hard to justify 100% tariffs against China for continuing to develop its CIPS payment system – a system that encourages cross-border payments in the renminbi. Dmitry Dolgin and I discuss some of the most recent

developments in the de-dollarisation story [here](#).

The weekend developments perhaps remind us of two points: a) Trump feels he has huge leverage with the size of US domestic demand and his first year in office will see him using that leverage, through the threat of tariffs, to secure better deals on a whole host of issues, and b) some think that this Republican administration will at some point want a weaker dollar. Trump's celebration of the mighty US dollar will make it more difficult for the president to sign off on any FX intervention to sell the dollar.

Away from social media, the US data calendar returns this week with a bang. Manufacturing survey data (ISM) is released today, JOLTS job vacancy data tomorrow and the week builds towards Friday's release of the November US jobs report. Consensus expects a bounce back to 200k from the weather and strike hit 12k release of the prior month. Our team discusses the numbers in more detail [here](#). However, a bounce higher in the unemployment rate could tip the Federal Reserve in favour of a rate cut on 18 December. Additionally, there are several Fed speakers this week and Wednesday sees the Fed release its Beige Book. This may have an important say in whether the central bank needs to cut later this month.

Some softer US data and the complete pricing of a 25bp Fed December rate cut are the main threats to the dollar at the moment. Most vulnerable here would be USD/JPY, where it looks like the Bank of Japan is readying for a rate hike on 19 December. 146/168 could be seen in USD/JPY this month. But for DXY, we do not see a large downside correction and 105.50/105.75 could well prove the base this week – even if US data comes out on the soft side.

Chris Turner

⬇️ EUR: Le Pen prepares to pull the plug

French politics looks to be belatedly playing a role in FX and driving some euro underperformance. Marine Le Pen is threatening to bring down Michel Barnier's technocrat government as her party seeks to squeeze further amendments to the budget. Our team had thought that Le Pen may not want to bring down the government and be blamed for a French financial and economic crisis. Yet it looks like the pressure may stay on the euro with a potential no-confidence vote coming on Wednesday. French politics can help solidify EUR/USD resistance at 1.0570/1.0600 this week, while short-term support will be found in the 1.0465/1.0500 area.

We do currently have 1.05 as an end year EUR/USD forecast, but see downside risks here – even though the dollar seasonally softens in December.

Elsewhere, we think EUR/CHF is priced too high above 0.93 and can easily see French politics driving it back to important support at 0.9200/9210.

Chris Turner

➡️ GBP: Holding its own

It looks like French politics has proved the catalyst to take EUR/GBP under 0.83 again. The UK data calendar is quite light, although Thursday's release of the Bank of England's Decision Maker Panel survey could provide some clues on inflation expectations. Here, the BoE view seems to be that late-cycle inflation risk means that the Bank has to be gradual with its easing cycle.

Only three BoE cuts are priced over the next year and unless inflation expectations drop sharply this week (not consensus), GBP rates being traded like USD rates should mean that EUR/GBP stays offered. Look for EUR/GBP to test its recent low at 0.8260.

Chris Turner

➔ CEE: Busy calendar with dying market liquidity

The calendar in the CEE region is once again a little busier with the start of a new month, although market liquidity can be expected to decline as the end of the year approaches. Today we will see PMIs in the region, which should only confirm a slightly better industrial situation but still a negative overall picture.

Tomorrow, Turkey's inflation data for November will be released. It should show a further drop from 48.6% to 46.6% year-on-year and 1.9% month-on-month, slightly below market expectations, and confirm the Central Bank of Turkey's intention to cut rates at the December meeting.

Wednesday will see the National Bank of Poland's decision to leave rates unchanged and, as always, the focus will be on the press conference the day after.

On Thursday, we'll see retail sales in Hungary, and on Friday we get industrial sales in Hungary and retail sales in the Czech Republic.

Beyond the calendar, we'll keep an eye on political developments in Romania following Sunday's general election and the presidential election recount from the previous weekend. In the Czech Republic, the Czech National Bank governor will speak at a local conference on Wednesday, where we could get some hints about the December meeting.

CEE FX continues to diverge with HUF record weakness, with PLN and CZK rallying on the other side. Given the underperformance of CZK rates last week, we expect EUR/CZK to have further potential to continue moving lower and a test of 25.200 may be on the table, especially with the governor's speech scheduled, which usually leads to hawkish repricing.

While we believe the PLN has rallied too much, very dovish NBP pricing provides the chance for some correction after the central bank's press conference this week, which could support FX again. EUR/HUF still remains near two-year highs, but the appointment of a new National Bank of Hungary governor could add some reassurance to the market. On the other hand, Moody's changed the rating outlook from stable to negative on Friday, which may make today's opening a weak one for HUF assets.

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 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.