

## FX Daily: USD - Mildly bearish cruising speed

The week has started well for global equities and commodities, resulting in some pressure on the dollar - which continues to receive no help from Fed speak that keeps playing down inflation risk. Data-wise, the German IFO should continue to signal the recovery in sentiment in the eurozone today, while the NBH in Hungary shouldn't hike rates just yet.



### ↓ USD: Inching lower

The week has started off on an upbeat note for risk sentiment as recently troubled US tech stocks led a broader rally in the equity segment yesterday. The dollar, in a week without major idiosyncratic drivers, has stayed mildly offered. Today, external factors will remain in the driving seat, with the US data calendar still very light and some Fed speak that has so far disappointed any hawkish expectations in the market. Yesterday, three Fed officials (Brainard, Bostic and Bullard) all played down concerns about persisting inflation. This has been the strongly prevailing tone since the surprisingly high inflation read for April and it may be by and large what we will hear today from Evans, Barkin and Quarles (the latter at a Senate testimony), if any monetary-policy comments are made at all. The dollar may therefore remain broadly offered for the time being, with commodity currencies still reaping most of the benefits thanks to a strong start to the week in the commodity segment and the broadly supportive risk environment. CAD is, for once, lagging

other pro-cyclicals, which may be due to its positioning being quite markedly skewed on the long side (as discussed in our [latest positioning note](#)).

## 📈 EUR: IFO to confirm EZ sentiment is on the rise

EUR/USD has moved back above the 1.2200 handle, mostly thanks to a generalized dollar weakness. EU members announced sanctions on Belarus yesterday evening; while investors will remain vigilant for further geopolitical developments in the region, this has continued to be a low-impact story for markets. On the data side, the German IFO for the month of May is expected to rise today, underpinning the recent turn in economic sentiment in the euro area, and possibly putting a floor below the EUR even if the global risk environment worsens.

## 📈 GBP: Nothing new from BoE speakers

Yesterday's testimony by Bank of England officials including Governor Bailey was characterized by a Fed-style relaxed tone about inflation, which was all but expected and left sterling unfussed. Any comments by BoE's Tenreyro today will hardly deviate from such tone and the data calendar is light in the UK, leaving sterling without main drivers for the day, although with a lingering positive underlying narrative stemming from the prospects of further relaxing of restrictions in the UK by the end of June.

## ➡ HUF: NBH shifting its bias but policy change coming only in June

The NBH made it clear last week that it is time to say goodbye to an era. The bank will consider hiking even the base rate in June. In our view, this makes today's NBH meeting a preparatory one, with forward guidance pointing to the start of a tightening cycle in June, but no change in policy today just yet. The shift in the NBH bias is bullish for HUF and suggests further near-term HUF outperformance vs CEE peers. Nonetheless, we don't expect the forint gains to be permanent and look for EUR/HUF to end the year closer to 355-360 as a lot has already priced in with respect to the scale of NBH hikes, the current account should be in modest deficit and there is a question as to whether the NBH is willing to tolerate an overly strong HUF.

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