

FX Daily: What US adventurism means for the dollar

As financial markets re-open for their first full trading week of 2026, attention is firmly switched to events in Venezuela. Investors will be assessing the short, medium and long-term implications of regime change and what it could mean for the broader region and international relations. Today's initial reaction has been to send the dollar higher



US President Donald Trump addresses the media in Palm Beach after the capture of Venezuelan President Maduro

USD: Dollar catches a bid from the Venezuela news

The initial market reaction to Saturday's extraordinary events in Venezuela has been a modest flight to quality, where gold and the Swiss franc are bid, and the dollar has found some support, too. Equity futures do not seem too phased by developments, and oil seems caught between the short and medium/long-term implications for Venezuelan oil production.

In terms of the short-term market implications, investors will be wary of further US military intervention in Venezuela if the new administration does not bend to policy directives coming from Washington. After all, on Saturday, President Donald Trump stated that the US had been prepared and had expected to send in a 'second wave' of military force, but that it had not been required in

the end.

Given the uncertainty about how the next few days will pan out, investors will probably prefer the liquidity of the dollar. Latin currencies of left-leaning governments in the Western hemisphere may also come under pressure today – especially the Colombian peso, but also the Mexican peso, given its relative liquidity and its use for proxy Latam risk. ING's Head of Commodities Strategy, Warren Patterson, thinks today's muted reaction in the [oil market](#) is a function of the relatively small supply from Venezuela in late December – at 500k barrels per day – because of sanctions. We'll also be interested to see how the stock prices perform of the likes of Chevron (still working in Venezuela), plus Exxonmobil and ConocoPhillips, whose oil assets were appropriated in 2007 and who presumably now would get a shot at the reconstruction project.

In the medium to long term, the macro impact will depend on the degree to which Venezuela can ramp up production back to the 2.5-3.0m bpd levels, which could take 5-10 years. Our team sees Brent crude averaging \$57/bl this year and would cut their forecasts for 2027 if there were somehow a smooth transition to increased production over the coming years. This development could be mildly bearish for the Canadian dollar, whose heavy, high-sulphur crude has been trading at a premium in the absence of Venezuela's production.

But there are also geopolitical considerations. Trump has not ruled out putting boots on the ground in Venezuela. Were the US to get dragged into a messy set of operations in several Latin currencies, investors could take a dimmer view of its drag on the fiscal side and the dollar. 2025 did not see much evidence of de-dollarisation; it was hedging that caused the 10% drop in the dollar, not the outright sale of US assets. However, a more belligerent and more interventionist US foreign policy could trigger a renewed focus on US asset sales by BRICS+ aligned regimes.

Away from Venezuela, the dollar could also be enjoying some delayed buying interest after the blow-out 4.3% quarter-on-quarter annualised US third quarter GDP figure [released on 23 December](#). That will further question whether the Federal Reserve needs to cut rates this year at all. Currently, the markets do not price the next 25bp Fed cut until June and a further 25bp cut by September. Those cuts could be priced out unless this week's jobs data (ADP/JOLTS data on Wednesday, December NFP on Friday) come in on the soft side.

Remember as well that after the soft seasonal trend for the dollar in December, seasonality turns more positive for the dollar in January and especially in February. In short, it seems that dollar bears will have their work cut out over the next couple of months.

Above 98.85, DXY could make a move towards 99.15 today.

Chris Turner

➔ EUR: Focus on the swap market

Having very briefly traded above 1.1800 in late December, EUR/USD is back under pressure again. Depending on events in Venezuela over the next few days, EUR/USD could come lower still. Below 1.1680, we are looking at 1.1640 and possibly 1.1600 too. There is also the release of the US ISM manufacturing data to consider today, which may have an impact.

Perhaps the hottest topic for European asset markets this week is the Dutch pension reform and whether local pension funds will start paying longer-dated EUR swap rates as they shift from a

defined benefit to a defined contribution system. The 10-30 year EUR swap curve steepened a lot in the second half of last year in anticipation of these moves. The question is whether this activity is enough to move the shorter-dated swap rates higher as well – perhaps providing the euro with some support.

We suspect the first quarter might be a consolidative one for EUR/USD. The best chance of it moving higher may come from the second quarter onwards as German fiscal stimulus starts to take effect.

Chris Turner

➔ CEE: Inflation in Turkey and the Czech Republic will drive the New Year mood

The first full trading week of this year will focus on Turkey and the Czech Republic. This morning, December inflation figures were released in Turkey. The month-on-month rate increased slightly from 0.87% to 0.89%, resulting in a slight decrease in year-on-year inflation from 31.1% to 30.9%, below market expectations. This will likely keep the Central Bank of Turkey cautious about further rate cuts despite a smaller-than-expected increase in administrative prices. The central bank is aiming to get inflation to 16% by the end of this year, which is significantly below our forecast of 22% year-on-year.

Tomorrow in the Czech Republic, we will see a press conference by the Ministry of Finance on the budget results from last year, which could indicate the direction that the new government will take this year, given the current provisional budget. On Wednesday, December inflation will be released in the Czech Republic, which, according to our estimates, rose from 2.1% to 2.5% YoY mainly due to the base effect from last year.

On Thursday, we will see monthly data from the Czech economy, and on Friday, the Czech National Bank will publish the record of the December meeting. Last month, the central bank changed the balance of risks from pro-inflation to balanced, indicating a dovish shift. We changed our forecast in December and now expect an additional 25bp rate cut from the CNB in August this year. On the global stage, we continue to monitor the negotiations on a peace agreement between Ukraine and Russia, which would have a significant positive impact on the CEE region. However, the latest headlines again indicate rather lower chances. Betting websites have reduced the probability of an agreement in the first quarter to 15%, a new low.

CEE FX opened the year on a positive note, and we are also bullish. However, this year's outlook seems more cautious after last year's rally, and we are more selectively bullish. In the short term, we see a risk of a correction of gains from the end of last year across the region, given the strong rally in rates and further potential for rate cuts. The main focus will be on EUR/CZK this week, where Wednesday's inflation data could increase caution about the current rising bets on CNB rate cuts – but Friday's minutes should show a dovish discussion.

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