

## FX Daily: Looking for stabilisation amid quarter-end flows

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### ➔ USD: Upside appears limited despite spike in cases

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Texas and Florida continue to attract most of the attention as the two states are halting their re-opening plans. It remains to be seen whether any state will ultimately move to re-establish full-lockdown orders: the developments over the weekend will tell us more and will be the key in determining the direction of global sentiment next week.

While waiting for such clarity, markets are likely factoring in the notion that cases are on the rise again and may show somewhat lower sensitivity to the contagion numbers today. Yesterday's release of the Fed's stress test results was mixed: while US banks performed quite well, the Fed is imposing caps on dividends and share buybacks in 3Q on the back of lingering uncertainty around

the pandemic impact. The impact on sentiment has been limited and stock index futures show a relatively upbeat mood today.

Accordingly, the dollar's upside potential may remain somewhat limited today amid some generalised stabilisation in G10 FX – also due to the lack of market-moving data – although some month-end and quarter-end flows may generate some volatility throughout the day.

## ➔ EUR: Keeping an eye on US-EU trade tensions

The EUR may be facing some idiosyncratic risks, with Germany reportedly seeking EU-wide consensus for coordinated retaliation if President Trump ends up imposing sanctions on the Nord Stream 2 pipeline. The move is contributing to a recent heating-up in US-EU trade tensions after the US threatened fresh tariffs this week.

EUR/USD is lacking a clear catalyst today and maybe mostly driven by quarter-end flow dynamics.

## ➔ GBP: Wait-and-see ahead of Brexit talks

The UK is also having to deal with the threat of US tariffs, along with fears of an upcoming second wave of Covid-19 flare-ups, as restrictions are eased.

For GBP, however, a wait-and-see approach may prevail ahead of next week's Brexit talks, still the key driver of the currency.

## ⬆ CAD: Oil offering a catalyst for a rebound

Oil is finding some respite today after a grim week as Russia cut Urals crude to the lowest in 10 years, another indication of Russia's resolution to keep aligning with the OPEC+ efforts to offset lacklustre demand. Oil-related currencies like CAD and NOK may therefore be better positioned than others in G10 to benefit from the stabilisation in sentiment.

CAD has so far been the worst G10 performer this week after the S&P downgrade, and some positive signs on the oil side may prompt the loonie to recover some ground to procyclical peers AUD and NZD.

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