

FX: Euro looks through politics, awaits ECB

The euro has shrugged off political risk stemming from Italy's elections on Sunday but investors are now awaiting the ECB



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USD: Building opposition to Trump's tariffs

Risks assets are currently looking through President Trump's threat of tariffs as opposition towards the policy is building among leading Republicans (ie, House Speaker Paul Ryan and White House economic adviser Gary Cohn). Trump's eventual decision will be decisive for the near-term direction of global FX markets as the potential imposition of tariffs and the likely retaliation from global players (the EU is already considering retaliatory action) would likely dent the theme of global synchronised growth and potentially change / delay the timing and the pace of monetary policy tightening among central banks. For today, the FX markets should remain stable, with both higher beta G10 FX and the emerging market FX segment retaining support against the US dollar throughout the day.

EUR: Looking through Italian politics, eagerly awaiting the ECB

EUR/USD shrugged off any negatives from the Italian Parliamentary elections vote. [As per EUR: Looking through Italian politics](#), the euro's resilience is not surprising given:

- The general market ex-ante expectations of a hung parliament, which in turn reduced the negative surprise effect
- The declining EUR/USD sensitivity to Eurozone political uncertainty since 2015
- The SPD agreement on a German Grand coalition which partly offsets the effect of the Italian election result.

Our long-held bullish EUR/USD view remains intact – we target 1.30 by the year. [As per G10 FX Week ahead](#), the key domestic EUR driver of the week is the March ECB meeting on Thursday, posing some upside risk to EUR/USD.

JPY: Fading USD/JPY strength

The rising Nikkei is inversely affecting the Japanese yen and pushing USD/JPY higher. Yet with fears of US protectionism, there are clear downside risks to USD/JPY. We reiterate our year-end target of USD/JPY 100.00.

AUD: Better net export data supporting AUD

The Australian dollar pushed higher overnight responding to the somewhat better than expected net export data (which may now weigh less on tomorrow's Q4 GDP reading than initially feared) as well as stabilising risk sentiment. The RBA decision to keep rates on hold at 1.5% overnight was a non-event as it was in line with a wide consensus. AUD to stay supported today but a break above 0.7800 is unlikely ahead of the tomorrow's GDP reading.