

## FX: Fed guessing game continues

President Trump is expected to nominate Yellen's successor in the coming weeks



Source: Federal Reserve

### USD: Focus on next Fed Chair continues.

Amidst a generally positive and benign US macro environment, investors over the near term look very much to be focusing on the next Fed Chair, given that Janet Yellen's term ends in February 2018. President Trump looks set to nominate her successor over coming weeks. Our macro team have [previewed the issue](#) and in the online betting market, the favourite is currently Kevin Warsh.

However a new entrant to this market overnight is arch-dove, Neel Kashkari – touted by influential fund manager Jeff Gundlach. Whether that is idle speculation remains to be seen, but should serve as a reminder that Trump is likely to favour a dove. A change at the Fed is one more negative for the dollar next year. For today, the focus will be on the ADP report, where weather distortions have created a very low consensus at 135k. The ADP methodology suggests the number may not adjust as quickly to temporary shocks as the market thinks, thus we see upside risk to consensus. DXY looks to have temporarily stalled ahead of 94.00, though downside looks limited ahead of Friday's NFP. DXY range 93.20-93.60.

## EUR: ECB minutes tomorrow may lend some support

EUR/USD has found a little support at 1.1700 as we thought in our G10 FX Week Ahead and we'd favour a little consolidation near term. There's not much Eurozone data today and instead, ECB-watchers will be waiting for the minutes of the ECB September 7th meeting, released tomorrow, for signs as to what the ECB tapering plans may be on October 26th. We slightly favour EUR/USD climbing back to the 1.1820 area over the next 24 hours. Elsewhere, EUR/CHF has been trading well above 1.1400 and the Spanish:Bund spread steady at 120bp suggesting the market can take Catalan claims for independence in their stride.

## GBP: Soft data keeping sterling on the back foot

The focus this Wednesday is on the UK services PMI. Yesterday's fall in the construction PMI below 50 was something of a wake-up call and a low services PMI today would question whether the market is right to price in a second 25bp Bank of England hike by Sep 18 - the first hike now being 80% priced for this November. €/GBP to break above 0.89

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