

## FX: Hoping for hints at more easing

Hopes for more insurance easing from the Fed should provide some support to risk currencies this week and translate into limited upside for the dollar



### ➔ USD: Hoping for hints at more easing at Jackson Hole

Given the very light data calendar, the coming days should be characterised by the build-up of expectations towards the annual symposium in Jackson Hole starting this Thursday. Although the general discussion (among FOMC members) should be fairly academic and focused on long term tools, the market will be focused on any hints at further easing/any new dovish comments from the various FOMC members (such as James Bullard's comments on negative rates last week) in light of the trade war uncertainty and softening global data and trade. Hopes for more insurance easing from the Fed should provide some support to risk currencies this week and translate into limited upside to the US dollar. DXY should not breach the 99 level.

### ➔ EUR: The ongoing theme of Italian politics

The focus turns to the delayed no confidence vote on the Italian government tomorrow. So far, the euro has been relatively immune from any build-up of political risk premia (with the forward guidance from both the ECB and the Fed being more important for the price action of the cross). While a possible successful vote of no confidence would be negative for the euro (although marginally) the bigger driver of EUR/USD this week will be Jackson Hole. Here, a possibly dovish

tone for FOMC members should limit the EUR/USD downside and keep the cross above the 1.1000 level this week.

## ↓ **GBP: The clash between the UK government and the EU is intact**

Labour leader Jeremy Corbyn is set to reiterate his stance to avoid a no deal Brexit in his speech today, but the bigger focus is on Prime Minister Boris Johnson's meeting with EU leaders later this week and over the weekend. The meetings are likely to generate some negative headline news for the pound as the UK government will remain adamant to take the UK out of the EU by the 31 October deadline, while the EU is set to stick to its position of no re-negotiation of the withdrawal agreement. After the partly driven short squeeze gains in GBP last week, we expect the EUR/GBP downside to fade, hovering around the EUR/GBP 0.91 level.

## → **AUD: RBA minutes in focus**

At 0230 BST the Reserve Bank of Australia will release the minutes of its latest policy meeting, when it kept rates on hold whilst signalling room for more cuts. Governor Philip Lowe and other RBA officials have been quite vocal about monetary policy lately, reiterating the Bank's stance in favour of further downward adjustments in the cash rate to support inflation (at 1.6% vs the 2-3% target) and employment. The minutes should add very little to the recent rhetoric and markets will likely shift their attention to Lowe's speech in Jackson Hole this weekend. In the meantime, the Australian dollar is likely to remain strictly dependent on trade tensions.