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Article

## FX: Indirect benefits of dollar repatriation

The vast majority of the current \$1 trillion US corporate overseas cash stockpile is already in dollars but the repatriation of earnings can still help the US currency

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### Apple's announcement of USD repatriation mainly helps stocks/activity

The beleaguered dollar received some support late yesterday on news that Apple intended to repatriate the majority of its US\$250 billion overseas earnings stockpile - largely as a result of US tax changes. The money would pay a US\$38bn tax bill (which looks to have been already provisioned), used for US\$30bn of domestic capex over the next five years and presumably also find its way into share buy-backs and dividends. Unlike the 2005 tax holiday, which saw around \$300bn repatriated in late 2005, driving the dollar higher, the vast majority of the current \$1 trillion US corporate overseas cash stockpile is already in dollars - e.g. Apple's Form 10-k says its overseas cash is 'generally based in US dollar-denominated holdings'. Rather than a direct impact on physical demand for the dollar, the indirect impact will come through support for US equity markets and business investment. This theme should provide some support to USD/JPY in particular (we feel it is too early to look for a BoJ normalisation story). It's also worth watching whether this news sees any squeeze in USD funding on the view that US corporates may be moving their cash quite early in 2018. Look for a little more stability in the dollar today with DXY potentially drifting back to 91.35.

### EUR: ECB speakers might try to keep the upside contained

Today sees ECB heavyweights Jens Weidmann and Benoît Cœuré speak at a Bundesbank event in Frankfurt. As [Carsten Brzeski notes today](#), the focus now is whether President Mario Draghi is able to tame the hawks and shift market expectations away from an early and abrupt end to ECB QE in September. We tend to favour EUR/USD consolidation into next week's ECB meeting, with a slight preference for a move back to the 1.2100 area short term.

### GBP: The surprise package continues

GBP/USD got quite close to our 1.40 target for 1Q18 last night, largely on the back of dollar weakness. That is our key story for 2018, GBP largely holding steady against the EUR, but Cable being dragged to 1.50 on our EUR/\$ call.

### TRY: Turkish central bank staying on hold today

We look for the Central Bank of Turkey to keep rates unchanged today (see [MPC Preview](#)). This is largely due to (a) the expected further disinflation in the headline CPI in early 2018; and (b) the

somewhat tight market funding policy previously contributing to the tentative Turkish lira stability. We don't expect a material feed through into USD/TRY given the wide consensus for an on hold decision, though we recognise that the latest bout of TRY weakness (mainly caused by geopolitics) makes today's decision a close call (given the rising odds of pre-emptive hikes).

