

FX: It's amazing what a little growth can do

Financial markets are starting the week on a healthier footing; here's how the things are looking in the FX space



➔ USD: A possible softer dollar ahead

Asian equity markets are in a sea of green today. Helping the mood has been Friday's NFP (delivering growth without a pick-up in price pressure), some signs that the Eurozone may be turning a more positive corner on activity and the PBOC stemming the decline in the Renminbi. As we highlight in our [G10 FX Week Ahead](#), there may be a brief window for risk assets to recover but it is far too early to declare the 'all-clear' for risk this summer. Thursday's US CPI will be the highlight of this week's data calendar and until then, we could see the dollar nudge a little lower as investors nibble on high yield. As usual, Trump's activities will be monitored closely. He heads to Europe tomorrow to likely berate NATO (Wednesday), meets Theresa May (Thursday) and meets Putin (next week in Helsinki). In all, there's a window for a slightly softer dollar into Thursday. Below 93.80, DXY could correct back to the 93.20 area



EUR: Drifting towards the top of the range, Draghi speaks at 1400CET

The EUR has found some support on the back of some slightly better EZ data, including today's news that German exports performed well in May. Look out today for a 14CET speech from President Draghi to the European parliament. Given trade uncertainty we doubt he'll feel the need to alter the ECB's forward guidance (patience being the watchword) and we doubt the market will want to chase EUR/USD through the 1.1820/50 area.

📈 GBP: Brexiteers side-lined, welcome news?

News that Brexiteer David Davis has resigned looks welcome news to those looking for a soft Brexit. The question will be what further back-lash (leadership attack) May now faces from the right wing of the party. There's outside risk of Cable moving to 1.3450 should the EU be open to the agreed UK position and the BOE stick to their slightly hawkish script – Broadbent speaks at 0950CET.

➡ TRY: Investors dip their toes back into Turkey. Cabinet in focus

Having survived a 15% YoY CPI print last week, the Turkish lira is starting to show a slightly firmer footing. Overnight rates near 18% clearly require a high degree of pessimism to stay short the TRY and from the external environment, that tougher story may not return until Thursday's US CPI print. Domestically the Turkish focus will be on President Erdogan being sworn in and the announcement of his cabinet team, potentially around 1830CET. International investors will want to see Deputy PM Mehmet Simsek retaining a role in the economic team. However, as we go to press we see there is talk of merging the Finance and Economic Ministries under Naci Agbal, which may not be greeted so positively as Simsek retaining his role.

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