

FX: No change to unfavourable US dollar prospects

The appointment of Larry Kudlow as the White House's new economic adviser and his comments about a strong US dollar don't materially alter the currency's prospects



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USD: Kudlow appointment no game changer

We don't see the appointment of Larry Kudlow as the White House economic adviser (replacing Gary Cohn) and his comments on a strong US dollar as materially altering unfavourable dollar prospects. This is partly because he (a) stands behind the current administration's tough stance on tariffs; (b) hinted at phase two of tax cuts (making them permanent). Both are in our view US dollar negative, particularly against high quality G10 low yielders (Euro and Japanese yen). This currency segment would likely benefit vis-à-vis the dollar if concerns about tariffs and trade wars were to intensify. Permanent tax cuts would further deteriorate the twin deficit position of the US (thus being US dollar negative).

EUR: Norges Bank to send EUR/NOK towards the 9.5000 level

It is a fairly light data calendar for the euro today. Rather, the focus turns to Norway where the

Norges Bank meeting takes centre stage ([see NB preview](#)). Our economists expect a hawkish tilt, given recent slightly stronger activity data (including employment) and the slightly firmer February CPI. There is a non-negligible probability that the NB's forecast for the first rate hike may be brought forward to October or even September. Expect the EUR/NOK 9.5310 200-day moving average support to be broken and the cross to start testing the 9.5000 level.

CHF: Is the Swiss National Bank too upbeat on inflation?

The SNB holds its quarterly monetary policy meeting today. While no change is expected in any of the key rhetoric ('Swiss franc remains highly valued.... negative interest rates and willingness to intervene in FX remain essential') we think there is a good chance that the bank cuts its inflation forecast. Currently, the SNB forecasts Swiss CPI hitting 2.1% in 3Q20 and interest rate futures price in 50bp of SNB hikes by the end of 2019 versus just 41bp from the ECB. We very much doubt the SNB will be hiking more aggressively than the ECB and instead see the SNB potentially cutting its inflation forecast (ECB sees 1.7% Eurozone inflation in 2020) as a means to correct market pricing. Despite declines in the trade-weighted Swiss franc, we still think the SNB wants to see EUR/CHF back near 1.25 and could see EUR/CHF push close to 1.1800 today if the SNB is suitably dovish.

PLN: Disappointing CPI to weigh on the zloty today

Our economists expect a further deceleration in Poland's February CPI from 1.9% YoY to 1.6% YoY (consensus 1.8%) amid a drop in food prices, disappointing core inflation and likely negative statistical effects. This should further support the recent ultra-dovish MPC stance (Governor Adam Glapinski's comments last week, MPC board member Grażyna Ancyparowicz's comments yesterday) and weigh on the zloty today, with EUR/PLN likely testing the 4.2165 level.