

14 March 2018
Article

FX: White House re-shuffle a dollar negative

With the ongoing White House reshuffle and the risk of a more protectionist US administration, any positive gains to be had from a bounce back in US retail sales are likely to be limited

Contents

- USD: White House reshuffle weighs on USD against high quality low-yielders
- EUR: Limited potential to credibly talk down the euro
- SEK: Downside risks from the CPI
- HUF: The NBH Minutes unlikely to affect HUF

USD: White House reshuffle weighs on USD against high quality low-yielders

We and the market are looking for a rebound in February US retail sales following the weather-related distortions to the January reading. Previously, we expected 0.3% month-on-month vs -0.3% previously.

Any positive effect on the US dollar should be muted as the market is currently focused on the ongoing White House reshuffle following the resignation of economic adviser Gary Cohn last week and the sacking of Secretary of State Rex Tillerson yesterday in addition to the associated rising risk of a more pro-tariff and protectionist US administration.

Such a stance suggests an ongoing downside risk to the US dollar vs high quality G10 low yielders such as the Japanese yen and the Euro in particular, as well as pressure on global growth-levered currencies such as the Swedish krona.

EUR: Limited potential to credibly talk down the euro

EUR/USD is flirting with the 1.2400 level as concerns about potential US policy-induced global trade wars are helping the current account surplus euro vs the dollar. A series of ECB speakers will be speaking this morning including President Mario Draghi but their potential to credibly talk down the euro seems very limited.

EUR/USD to range trade around 1.2400 today.

SEK: Downside risks from the CPI

We're below-consensus for February Swedish CPI. This suggests downside risk to the Swedish krona, with EUR/SEK likely to re-test the 10.20 level as the market continues to question the timing of the eventual start of the Riksbank tightening cycle (and potentially postpone expectations of it even further).

As our economists note in, [SEK: Swimming naked?](#), we see upside risks to EUR/SEK in the coming weeks (towards 10.30) either due to the potential for a dovish re-pricing of the Riksbank outlook or risk from trade wars to the global growth-levered krona.

In any case, the latest White House reshuffle and the pro-tariff orientated incoming personnel

suggest downside risks to the krona.

HUF: The NBH Minutes unlikely to affect HUF

The National Bank of Hungary minutes are unlikely to bring any surprise today and should reiterate the inherently dovish NBH stance. The spill-over into EUR/Hungarian forint should be largely limited, as a surprise is unlikely (due in part to the recent stability of HUF and a lack of a forint appreciation pressure). We continue to expect EUR/HUF to broadly trade around the 310.00 gravity line in coming months.

Petr Krpata, CFA

Chief EMEA FX and IR Strategist

+44 20 7767 6561

petr.krpata@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("**ING**") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group NV and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. The producing legal entity ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is subject to limited regulation by the Financial Conduct Authority (FCA). ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.