

G20: Adrift in Argentina

Putting on a show of unity at the G20 meeting today and tomorrow will be quite an achievement



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USD: G20 Finance ministers and central bank governors meet

It's going to be quite an achievement for G20 officials to put on a show of unity in Buenos Aires over the next 24/48 hours. Last summer, the G20 leaders' declaration was entitled: 'Shaping an inter-connected world'. Since then, Washington has effected a more protectionist strategy, largely aimed at China, although creating collateral damage in Europe. The Europeans have already [put together their list](#) for potentially retaliating against US steel tariffs, while the Chinese have remained laudably silent. Western relations with Russia have sunk back to Cold War lows. Expect the US administration to be emphasising the need for fairer trade and the threat of more aggressive US sanctions against China's intellectual property breaches to hang over the meeting. Crafting a communique (normally led by the US Treasury) is going to be quite a task and one that will pose downside risks to USD/JPY in our opinion. We would maintain a cautious stance on the risk environment and activity currencies. And as we outline in [our FX Week Ahead: Divide and Conquer](#), we doubt Wednesday's FOMC meeting will be the source of a significant dollar rally.

EUR: caught in the cross fire

We had thought the Euro would be performing a little better as a safe haven currency, but the threat of retaliation against the European (German) auto industry may be weighing on it. Our preference is that EUR/USD support holds at 1.2200/2250 this week, but we can see why EUR/JPY remains under pressure.

GBP: Big week for Brexit

As Viraj Patel notes in [our FX Week Ahead](#), it could well be a make-or-break week for the pound. The key highlight will be whether a Brexit transition deal can be agreed at the 22-23rd March EU leaders summit. An agreement could be enough to push Cable to the 1.42 area. There are also plenty of other inputs to the GBP story (Bank of England, consumer price inflation, wage data). On balance, however, we remain positive on the pound.

CNY: Stability ahead

The Chinese leadership has opted for policy continuity at the PBOC by appointing the respected Yi Gang and Liu He as the new People's Bank of China governor and vice premier, respectively. This should be welcomed by the markets. USD/Chinese yuan understandably is unmoved on this and continues to closely track the consolidation underway in the US dollar index. We suspect that if protectionism takes a turn for the worse, triggering a sharper adjustment in the risk environment, the PBOC will prefer to flat-line USD/CNY near current levels and keep the CNY out of the debate. This may prove an anchor to some Asian FX such as the Taiwan and Singapore dollar.

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