

GBP: Getting closer to an Article 50 extension

An amendment to extend the Brexit deadline today, if successful, could support sterling



➔ USD: Stable trade-weighted dollar today

Although the US prosecutor's indication that charges will be pressed against Huawei is not positive for risk assets (as this potentially clouds US-China trade talks) we currently see diminishing marginal losses to emerging market higher beta and Asia FX (in fact, the region has been stable against the US dollar overnight) as this is no longer perceived as new news. We thus look for a fairly stable trade-weighted dollar today.

⬆ GBP: Plan B likely to be voted down, but the key focus is on amendments

The focus turns the today's Parliament vote on Prime Minister Theresa May's version of Plan B adjusted for the Brady amendment – which in essence is Plan A altered for a promise to renegotiate the Irish backstop (which the EU already indicated it is unwilling to change). This suggests that Plan B is unlikely to gain a majority and the focus will turn to the series of amendments. Of particular importance will be Labour MP Yvette Cooper's amendment to extend

Article 50 (potentially until the end of 2019) if the government does not reach a deal by 26 February. Now that key members of the Labour Party have thrown their support behind it, the amendment looks likely to succeed. The latter should further cement the view that a hard Brexit at the end of March is unlikely and keep the downside to sterling limited (i.e. EUR/GBP not returning to the 0.90 level), though the road towards resolution or an actual deal (and thus more pronounced GBP rally from here) is still bumpy – see [Three thoughts on Brexit...](#)

➔ EUR: Lacking catalysts for more pronounced moves

We look for stable EUR/USD today, with the cross lacking catalysts for larger moves in either direction. In the central and eastern Europe space, the Czech koruna is under pressure and close to EUR/CZK 25.80 as the still overbought koruna is losing support from the central bank (following board member Tomas Holub's comments last week that the bank might remain on hold for a while). As per our [2019 FX Outlook](#), we reiterate our very low conviction for CZK gains this year.

⬆️ HUF: NBH implicitly confirms Vice Gov Nagy's explicit comments

No change from the National Bank of Hungary is expected today, yet the focus is on the NBH statement following Vice Governor Nagy's comments two weeks ago about Bubor normalisation (conditional on core CPI). We expect the press release to echo the same messages to what was said by the Vice Governor himself. This should be perceived as sufficient evidence for the market (where many have been sceptical about NBH policy normalisation) that the NBH means business and, in turn, keep the forint on course for further gains (particularly if no attempt to indirectly tame HUF upside is made in the statement). EUR/HUF to break the 317.00 level today. Larger gains should be triggered by the January CPI reading (on 12 February) where core CPI ex taxes should hit 3.2% year-on-year.

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