

Rising oil price favours LatAm FX

The US decision not to extend waivers on Iranian oil exports is a clear supportive factor for oil exporting currencies



➔ USD: Rising oil price favours LatAm FX

The rally in the oil price in response to the US decision not to extend waivers on Iranian oil exports is a clear supportive factor for oil exporting currencies. On the G10 FX side, the Norwegian krone and Canadian dollar stand out (the former decisively broke below the EUR/NOK 9.60 support level) while the Mexican peso and Russian rouble are set to benefit in the emerging markets FX space. On a regional basis, we expect EM Asia FX to lag the LatAm currencies with the latter being the key beneficiary of higher oil and commodity prices. On the US data front, the focus of the week is on US 1Q GDP (Friday). Our economists are looking for an above consensus reading of 2.5% (trade making a positive contribution, with consumer spending and investment holding up) suggesting ongoing support for the dollar.

➔ EUR: Uninspiring eurozone data provides little upside to euro

April eurozone consumer confidence should show signs of bottoming out but following the below-consensus eurozone PMIs last week, the hurdle for EUR/USD to stage any meaningful rebound in the near-term remains rather high. EUR/USD to remain below 1.1300 today, with the risk to the cross being on the downside over the coming weeks ahead of the European Parliamentary elections in May.

⬇️ **GBP: Parliament returns from Easter recess**

It's a rather calm week on the UK data front with the main event being the UK Parliament returning from the Easter recess. At this point, cross-party talks on Brexit between UK Prime Minister Theresa May and the leader of the opposition Labour party Jeremy Corbyn are not really going anywhere. Eventually, we expect these talks to end without success, which could then trigger either another round of indicative votes on different Brexit options or perhaps even another vote on a version of PM May's deal. This means very limited upside potential to sterling in coming weeks, particularly if the current dissatisfaction among Conservative Party members with May grows and the risk of a leadership contest increases further.

➡️ **PLN: Soft retail sales to have limited impact on zloty**

In Poland, our economists are looking for softer March retail sales, reflecting calendar effects related to Easter rather than shifts in consumer spending. The overall trend actually remains stable and we anticipate that April should post a strong reading, with calendar effects helping this month. Hence any negative effect on the zloty should be limited today with EUR/PLN currently mainly driven by the eurozone data points and wider sentiment towards European FX (as seen on the zloty price action after the softer-than-expected eurozone PMIs last week).