

## Sell in May and go away?

The old market adage hasn't held for the dollar, with DXY rising in May in eight of the last 10 years



Source: Shutterstock

### ⬆️ USD: NFP jobs and wages to keep the dollar in demand

'Sell in May and go away' is a market adage that equity markets generally perform better in the November to April months inclusive, suggesting that it's better to turn defensive in May. That has not always proved true – the S&P 500 has been up in seven of the last 10 Mays. In the FX space, May's seasonality is also garnering some attention – with the DXY gaining in May in eight of the last 10 years. With the dollar strong at the moment and emerging market FX performing on the soft side (illiquidity because of Asian market holidays may have contributed here), today's nonfarm payrolls could well give this seasonality story more legs. [Our team looks for](#) a strong jobs report in the form of a 175k increase in employment and wages pushing back to a cycle high of 3.4% year-on-year. This should see the market further adjusting its pricing of Fed Funds this year (16 basis points of cuts still priced in by December) and keep short-term dollar rates supported. DXY to work its way back to the 98.35/50 area.

### ⬇️ EUR: Green shoots not enough to help the EUR

The occasional green shoot in European activity has not been enough to support the euro. Event risks this month in the form of: a) Trump potentially following through on the auto tariff threat and

b) European elections, plus c) negative 3-month implied yields of -0.50% suggest there is little incentive to hold the euro right now. If the US data comes in as we expect today, EUR/USD should return to support in the 1.1110/30 area en route to a 2Q19 target at 1.10. Also look out for eurozone April inflation. German data suggests there could be upside risks to the headline and core rates at 1.6% and 1.0%, respectively, but any EUR/USD bounce may well stall at 1.1200/1210. Elsewhere, the [Czech National Bank delivered](#) what should be the final hike in their cycle yesterday and we now believe the next major trend in EUR/CZK is higher - largely from 2H19 onwards.

## ➔ GBP: BoE's Carney losing his powers of persuasion?

Despite the Bank of England's Mark Carney again warning that interest rates could be raised more frequently if the BoE's forecasts play out, interest rates and sterling barely budged. Clearly the fog of Brexit hangs heavy over GBP right now. Should the April Services PMI not bounce back from a disastrous March reading, expect cable to reverse back to 1.2950 and EUR/GBP to trade through 0.8600.

## ⬇ RUB: Best RUB levels of the year have been seen

We think the rouble may have seen the best levels of the year on the recent brief dip below 64.00/USD and [maintain that the less supportive balance of payments position](#) over coming quarters should send USD/RUB back to the 66/67 area.

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