

Solid US jobs report may not help the dollar

We are looking for a solid jobs figure from the US today. But with a lot of Fed tightening already priced in, we don't think it will offer much support to the dollar



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USD: Solid labour market report but limited positive spillover into USD

All eyes are on the August US labour market report today. Our economists anticipate solid readings: Non-farm payrolls should rebound above 200K and wage growth should increase to 2.8% year on year. This follows the strong August ISM non-manufacturing report yesterday. But as was the case then, the direct feed through into the US dollar crosses should be limited as plenty is already priced in for the Fed for the remainder of year (41 basis points worth of hikes). Rather, the direction of USD crosses (and USD/emerging markets in particular) currently hinges on the trade war dynamics. With the US public consultation period on the effect of Chinese tariffs ending yesterday, the prospect of more negative headline news suggests a rather limited scope for USD weakness / EM FX strength.

EUR: Stuck around the 1.1600 level

EUR/USD is set to continue trading water, broadly hovering around the 1.1600 level. Despite the

expected solid US labour market report today, its impact on EUR/USD should be limited (as the outcome won't affect pricing of the Fed). EUR/SEK continues to test the 10.60 resistance after yesterday's Riksbank meeting (where the central bank yet again [delayed the timing of the first rate hike](#)) and ahead of this weekend's election ([see our preview](#)). We remain bearish on the Swedish krona.

CAD: External factors keeping USD/CAD above 1.32 likely to abate

Although the Bank of Canada did not deliver a hawkish surprise this week, the statement effectively flagged an October rate hike (albeit conditional on data and NAFTA risks). But the Canadian dollar remains under pressure from external factors – with both the tumble in crude prices and uncertainty over US-Canada trade sending the pair above 1.32. As for the local jobs report today, look for wage growth to stabilise after a couple of big misses.

MXN: Elevated CPI delaying rate cuts rather than prompting rate hikes

In Mexico, inflation has been coming in a little higher than expected. However, our Chief LatAm Economist Gustavo Rangel thinks another surprise is unlikely to translate into additional rate hikes. Instead, it will more likely just delay rate cuts. Still, with peso rates still attractive, optimism among investors and consumers with the new administration and with favourable developments vis-a-vis NAFTA, the peso should remain well behaved (in terms of a spillover from domestic drivers). The focus remains on the external environment, which is currently the key downside risk to the Mexican peso.