

## Trump's policies play well in the polls

As President Trump's approval ratings continue to improve, the administration may well be feeling vindicated. That's a worrying sign for the ongoing trade tensions



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### USD: Trump's policies (worryingly) are playing well in the polls

The latest figures for President Trump's [approval ratings](#) show that only 51% disapprove versus 44% approving. This 7% spread to disapproval compares to a 20% spread in December 2017 and is the narrowest since March 2017. Clearly, Trump's team will feel they're doing something right. That's a worrying signal for Trump's protectionist battle, where the latest instalment suggests a new policy will be announced later this week to prevent Chinese prospective investment in strategic US technology industries. We suspect the Trump team will push ahead with these policies (which will elicit reciprocal tariffs from China and the EU) until US equities start to crumble and polls move against Trump. The latest dollar advance against Asia remains in full flow (another cut in the Reserve Requirement Ratio suggests [China might be a little fearful of trade](#)) and points to the dollar staying strong across the board. The US data calendar is pretty light this week, thus trade trends [should continue to dominate](#). The US dollar index should stay supported, but still favour the Japanese yen on the crosses. If US equities were to sell off harder (September SPX futures now off 0.5%) USD/JPY could start to lead a dollar retreat. DXY support 94.35/45.

## EUR: Focus builds towards Friday's EU summit

EUR/USD found a little support from some better eurozone PMIs on Friday, but gains were quickly reversed on a Trump tweet threatening retaliation against auto imports from the EU. That may well be the story for this week too, with today's German IFO only providing fleeting support to the euro. Focus through the week will also build towards Friday's EU summit. Can German Chancellor Angela Merkel score an agreement on migration controls to appease her CSU coalition partners? How will Italian leaders react? Expect EUR/USD to continue trading within the confines of a broad 1.15-1.18 range, but with a fragile bias.

## GBP: Friday could see a slight upward revision to UK GDP

Migration rather than Brexit will dominate Friday's EU summit. GBP could get a brief lift were 1Q18 GDP revised higher, but Cable upside could prove limited.

## TRY: Erdogan and the AKP remain in charge

Indications from the weekend election in Turkey are that President Recep Erdogan has retained his position with 53% of the vote, while his AKP party – with the help of the nationalist MHP – will have around 343 of the 600 parliamentary seats. The Turkish lira (TRY) has rallied around 2% on the familiarity of an AKP government, though investors will be looking for positive reassurance on the independence of the central bank and progress on fiscal imbalances. Were the external environment not better, we would say that USD/TRY could correct lower to the 4.45 area – but in the face of a global trade war and an ongoing Federal Reserve tightening cycle, we expect investors to remain cautious on rebuilding TRY exposure.

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