USD: All about three

US 10-year yields are nearing the key 3% mark. A breach of that level this week would be a watershed moment and could generate some problems for the most vulnerable in the emerging market space

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USD: 10-year Treasuries close in on 3%

The recent rise in US Treasury yields looks to have been a function of rising inflation expectations, where presumably the Russian sanctions-related surge in metal prices has played a part. San Francisco Fed bank president John Williams also made some pretty candid comments on Friday that the Treasury curve would re-steepen from the long end as the Fed shrinks its balance sheet and the US government issues more debt to fund stimulus. US 10-year yields pushing through 3.00% this week will be a watershed moment and could generate some problems for the most vulnerable in the emerging market space – although we note that the Turkish lira could receive some temporary support from a rate hike on Wednesday. Please see our G10 FX Week Ahead for our full preview of events, in which the US macro highlight for the week will be Friday's release of 1Q18 GDP. The US dollar index is pressing good resistance near 90.60 and even though we are dollar bears, we are a little fearful of some upside this week.

EUR: How much will business confidence dip in April?

Before the main event of Thursday's ECB meeting, today and tomorrow will see updates on

Eurozone, German and French business confidence. All of these have fallen markedly from highs in January, but are still well in positive territory. It may be too early for the latest round of Russian sanctions to play a role here, but it does seem the auto industry is starting to feel the pain from the rise in aluminium prices in addition to the collapse in diesel car sales. We think EUR/USD probably drifts towards the lower end of ranges early this week, although support in the 1.2150/2200 area should hold if ECB president Mario Draghi sticks to the script on Thursday. As an aside, we think EUR/Norwegian krone can edge a little lower this week helped by a weaker Swedish krona and also Norway potentially taking advantage of Russia's travails in the aluminium sector.

GBP: House vote causes problems on Thursday?

The market has now cut the probability of a May Bank of England rate hike to 42% from 80% early last week following BoE Mark Carney's remarks on Thursday. As per our week ahead, we think the UK data this week (1Q18 GDP on Friday) may be enough to re-kindle rate hike expectations. That said, UK politics could play a role as always, with a potential cross-party party technical vote on Brexit taking place on Thursday – even though the vote is non-binding, a defeat for the government could threaten May's leadership. GBP/USD support at 1.3950 looks to be tested.

CHF: Factors keeping the Swiss franc soft

EUR/CHF is consolidating below 1.20, but several of the factors that have driven the recent move look set to stay in place over coming months.

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