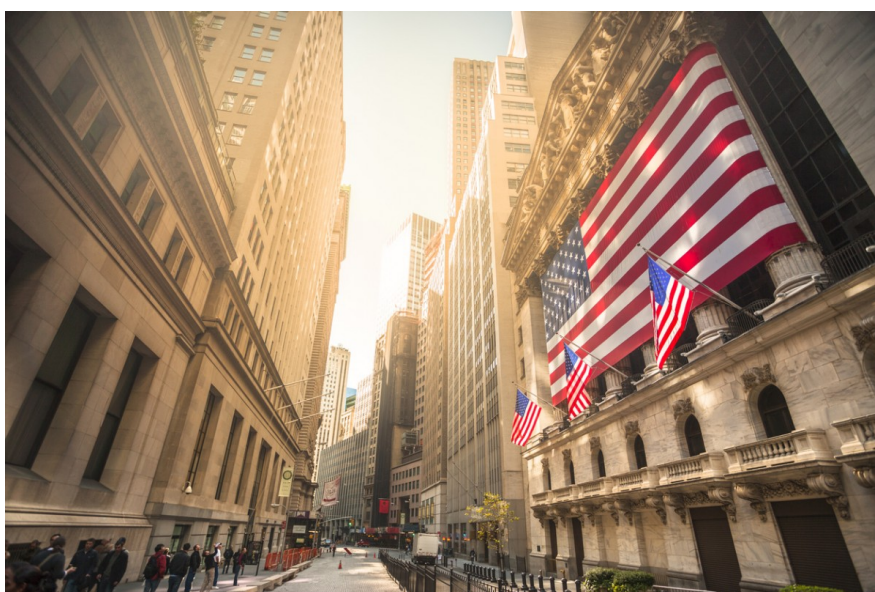


USD: Holding up well

Aside from the Mueller investigation, a House tax plan that lacks credibility and Powell confirmed as Fed Chair are potential dollar negatives, but its still holding up quite well



USD: Holding up well despite the political noise

Despite claims from indicted individuals that the Trump campaign knew and approved of meetings with Russian contacts in 2016, the dollar is holding up quite well. The highlight today will be the FOMC statement at 1900CET.

Our team's [preview](#) highlights key areas of interest in the statement. In light of strong growth and low inflation, there would seem little need for any substantive changes and even a hint that policy should be adjusted in 'coming months' may not have much of an impact on the USD rate curve since 23bp of a 25bp rate hike is already priced for the December 13th meeting.

Away from the Fed, we'll also see ADP and ISM data, both of which should be supportive for the activity story and a decent payrolls figure on Friday. Away from Mueller's investigation, potential dollar negatives are: Powell confirmed as Fed Chair and a House tax plan that lacks credibility or introduces phased tax reductions. Both of these events are now expected for tomorrow, leaving bullish dollar sentiment intact for today at least.

DXY looks mildly bullish as long as 94.15/25 support holds.

EUR: Pretty strong on the crosses

Eurozone 3Q17 GDP beat expectations yesterday and has provided some support to the EUR on the crosses. EUR/USD is still battling with a strong USD, however, and unless it can break back above 1.1670/80 area this week, the downside risks remain.

Elsewhere EUR remains strong against the Scandis. We would think that 9.55/60 proves the top of this EUR/NOK correction. Watch out for EIA crude inventories today (1530CET) which could see a big draw if the API data is to be believed and should keep Brent well supported.

GBP: Bullish momentum building

Both sides are talking a little more constructively on Brexit negotiations, suggesting they want to avoid the Dec 14/15 EU summit ending in recrimination and no progress.

Big EUR/GBP support at 0.8740/45 may hold ahead of tomorrow's crucial Bank of England day. We're still [positive GBP](#), however.

[Looking for the 'Carney Put' at the Bank of England meeting this week](#)

TRY: inflation report to show uphill battle ahead

The Central Bank of Turkey (CBT) releases its inflation report early today, and its forecasts are widely expected to echo those released in the government's three-year plan last month – namely 9.5% for 2017, 7% for 2018 and 6% for 2019.

Our Chief economist in Turkey, [Muhammet Mercan](#), notes that the CBT has turned more hawkish recently, planning to stay tighter for longer until the inflation outlook becomes consistent with targets, which at 5% +/- 2% clearly show the CBT has its work cut out. Turkey's stand-off with US and German authorities is not helping the Turkish Lira (TRY), but with overnight funding rates still above 12%, TRY remains a very expensive currency to short.

We certainly under-estimated the TRY sell-off in October, but are still minded to look for carry opportunities in the 3.80/85 area.

[Read everything else by Muhammet Mercan here](#)

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