

## USD: Trump's pedal to the metal

President Trump says he is "not thrilled" with Fed rate hikes. Are his comments enough to turn the bull trend in the dollar?



### USD: Trump wants it all: US economic dominance and a weaker dollar!

At least he's consistent. President Trump wants maximum stimulus for the US economy from all quarters – trade, fiscal, monetary and the dollar. So while he does revel in the economic pain caused to others by US trade policy (e.g. asset market weakness in the likes of China and Turkey) he still wants US stimulus dialled up to the max, including a weaker dollar. That's the context of Trump's [interview with Reuters](#), where he outlines that he's 'not thrilled' with Fed Chair Jay Powell's raising of rates and also lobs in criticism that both the renminbi and the euro are being manipulated weaker. Are the Chinese worried? What if the US Treasury declares China a currency manipulator in its October report and threatens sanctions? Well, Trump looks to be already well on the way to dialling sanctions up to the max, too.

It looks as though Trump's comments have had an impact on the market, which is very long dollar after last week's emerging market rout. But are they enough to turn the bull trend? Probably not – unless it looks like the Fed has independently assessed that there has been an unwarranted tightening of financial conditions and wants to slow the pace of rate hikes. We'll hear more from the Fed later this week in the form of 1 August FOMC minutes (released tomorrow) and Powell

speaking at Jackson Hole on Friday. A quiet week for emerging markets (Turkey is now on holiday for the rest of the week) suggests a lid on the dollar until Friday. The dollar index could edge a little lower to 95.00 in thin markets.

## EUR: Reprieve from Trump

It's not clear why Trump feels the euro is being manipulated lower. Has the European Central Bank set its inflation target too high and that's why policy is too loose? As [Viraj Patel noted yesterday](#) there has been some convergence in the economic surprise indicators of the US and the eurozone which could be EUR/USD supportive. And a break of 1.1530 could carry EUR/USD to 1.1600 in thin markets – but as noted above, a sustained turnaround in the bear trend probably requires a less hawkish Fed or a surprisingly upbeat ECB – neither of which seems imminent. At the same time, the emerging market environment looks challenging into November mid-term elections, with the big beasts of China, Russia and Turkey all under sanctions pressure. So we'll watch this EUR/USD carefully, but probably need several more factors to fall into place before calling 1.13 a major low.

## JPY: Is the JPY now the preferred safe haven?

Trump's remarks may also see investors have greater appetite for the Japanese yen as their safe haven of choice. Both USD and JPY had performed well during the recent emerging market sell-off, but investors may not like the fact that Trump is leaning on the Fed.

## HUF: NBH sticking to what it knows

The National Bank of Hungary is widely expected to keep interest rates and its dovish bias unchanged at today's meeting. Such a stance is supported by the relatively well-behaved exchange rate of late, with the EUR/HUF still fluctuating below the central bank's pain threshold (which we estimate to be above the EUR/HUF level 330 in terms of raising concern about the inflation outlook) despite the recent turmoil in Turkey. Look for a fairly limited impact on the forint, with EUR/HUF primarily being driven by the risk environment today.

### Author

#### Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

[chris.turner@ing.com](mailto:chris.turner@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person

for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.