

Trump risks mean another tricky week for the dollar

Trump's budget and Fed minutes are key event risks for the dollar this week



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It is no easy feat to stay on top of the spectrum of noise coming out of the White House these days and the default option for an investor might have been to turn a blind eye, were it not for the simple fact that both US and global asset prices have been – and continue to be – driven by the actions of an unpredictable US administration. Expect more of the same, with the White House front and centre of another politically charged week:

- **'Trumpeachment' talk continues to linger:** Former FBI director Comey has agreed to testify to the Senate next week, meaning Trump impeachment noise is unlikely to blow over easily. Expect the \$ to remain on the defensive, despite the potential positives stemming from Trump's budget and the FOMC minutes.
- **Trump on tour:** The President is currently on his first foreign trip since taking office and over the weekend gave a speech in Saudi Arabia – offering a more moderate and disciplined tone on US-Middle Eastern ties. After a visit to Israel, the President will be attending his first G7 leaders' meetings on Friday; one could expect more diplomacy from Trump, but there is always the unknown.

- **President's 2018 budget proposal (Tue):** Trump's long-awaited budget is set to be released tomorrow, though markets are likely to see this as a non-starter given the administration's political woes. Expect to see a collection of already pledged fiscal promises (including tax cuts and some infrastructure spending); in theory this would be positive for US growth – and therefore stocks and the dollar – if investors saw even the slightest chance of Trump's budget passing through Congress. Although it looks like the budget will be balanced over a 10-year time horizon, it is notwithstanding big cuts to mandatory spending and the inclusion of dynamic scoring (ie, a 3% growth rate assumption); this is likely to test the resolve of both the fiscal hawks and moderates within the GOP. Watch for how the CBO scores the budget, but it's likely the \$ will remain grounded.
- **FOMC minutes (Wed):** The focus will be on whether there were discussions over the balance sheet, but it's worth noting that a solid economy is a pre-requisite for any balance sheet shrinking. Fed talk this week may look to tone down expectations given that (political) uncertainty risks weighing on activity.

The dollar will certainly be hoping for more poise and less noise from Trump this week. But weighing up impeachment speculation, geopolitical risks and limited upside catalysts from the Budget and Fed minutes – it's hard not to see the \$ staying on the back foot, while trying to recoup some of its recent losses.