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Turkish lira plunged as much as -7% overnight after Istanbul mayor Imamoglu, the main opposition candidate, was detained, potentially barring him from running in the 2028 presidential elections. Political risks have spilled into the EUR complex, with EURUSD attempting to break 1.09 and CEE FX the worst performers alongside TRY. BoJ was a non-event overnight; Ueda offered no new information though was interpreted slightly hawkish. It's a heavy ECB speaker calendar with the likes of Villeroy, Centeno, Guindos and Elderson today. NZD GDP prints at 17:45 EDT

FOMC risks skew slightly dovish with our economists expecting a revision to median dots for 2025, reflecting 75bps of cuts, with modest downside growth and higher inflation projections. Powell's commentary will be critical in assessing May cut risks and beyond. Elsewhere, Colombia MoF officially announced his resignation Tuesday night. BRL expects a 100bps Selic rate hike at 17:30 EDT though focus is on guidance. ARS GDP out at 15:00 EDT. Overnight, BI held rates. ZAR CPI printed weaker.

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In Focus

Waiting for the FOMC

Base case for 14:00 EDT. Citi Economics think risks skew dovish for March. The dot plot for 2025 should shift lower to show 75bps total rate cuts vs 50bps in December, followed by another 50bps of cuts in 2026 to 3-3.25%. Expect downward revisions to 2025 growth (1.7% vs 2.1%) but higher inflation projections (2.5% to 2.6% for 2025) reflecting stronger (projected) core PCE for February and tariff-related risks ahead. A QT pause, if seen (not our base case), could see risk assets (credit and equities) bounce.

Powell at 14:30. With May pricing at -5.5bps (as of Tuesday's close, Citi biased for a cut), markets will be watching Powell's guidance. Our economists expect Powell to focus more on the potential for downside growth risks to lead to rate cuts than for upside inflation risks. A Fed that "insists on being overly patient risks falling behind and possibly having to entertain 50bp, as they did last summer", our STIRT desk warns.

USD traded well overnight though we think its more on European political noise than anticipation into FOMC. Our strategists think that this week will not settle the 50bps vs 75bps of cuts argument this year and uncertainty will continue, reducing any follow-through into FX. Still, a risk-positive environment and already max short positioning could limit downside.

USTs trade flat. UST desk analyst David Bieber says bullish positioning dominates ahead of FOMC (long tactical and structural, systematics are longs, call skew is bid) but not as extreme. His analysis on event drift suggests adding to longs post the announcement. A policy rate pause could be slightly bullish for rates, our rates strategists write.

US equity futures gained modestly overnight. Implied moves are slightly higher than 1y average at +/- 1.2% vs +/-101bps for SPX, according to our CETS team. Our desk analyst David Bieber finds that SPX tends to drift richer post release, while cheaper into EOD. Therefore, he recommends taking profits on equity longs post press-release. NVDA GTC keynote takeaways from Citi Research here. Overall, the keynote reassured NVDA's leadership given the new product releases.

FEDLive Client Call at 15:30 EST. Our cross-asset experts and our economist provide their takeaways from the meeting. Livestream link | Add to calendar.

Top of mind too:

TRY saw a sharp slide, down -7% and a stock trading halt was triggered following the detainment of Istanbul's mayor Imamoglu, also the main opposition party's (CHP) presidential candidate. Moves stalled after USDTRY hit 39 with Bloomberg headlines from officials noting that Turkish lenders sold USD 8bn-9bn to support the currency. Our trader confirmed stops from clients are in play and NY flows should bring more HF stops. It's been panicky in the options space with no market.

Further unwinds of long TRY positions beyond today will continue as political risk premia is repriced. CHP are set to hold primary elections on March 23 but currently, their main candidate, Imamoglu, is set to be barred from running ahead of presidential elections in 2028. Treasury and Finance Minister Simsek attempted to relieve investors, saying "the economy program we have been implementing continues in a determined fashion".

Ukraine President Zelensky said that he will talk to Trump today which is not on the official Trump schedule yet. Bloomberg notes discrepancies between the US and Russian readouts of the call on Tuesday: The US version had a "energy and infrastructure" ceasefire, while Russia agreed to pause attacks on "energy infrastructure". Truce relates to energy, not all infrastructure, Russian press secretary Peskov confirmed overnight.

EUR also slid given the spillover from Turkey. eTrading volumes were 15% higher than 30d averages in London early morning. While we are briefly breaking 1.09 at print, we discussed yesterday that any pullbacks will be more shallow. Beyond 1.09, support is likely at 1.0823 (March 13 low) followed by 1.0725 (200dMA). Downside risks to the FOMC should help provide a bottom in EURUSD.

Ahead, heavy ECB calendar with Villeroy speaking imminently, followed by Centeno (07:30), Guindos (08:00) and Elderson (09:00). We discussed here that the lack of pushback from ECB doves on a potential hold in April is interesting, despite risks skewing dovish beyond. Ultimately, speakers may remain non-committal about Apr and keep options open.

JPY: BoJ was a non-event, as expected. Rates were kept unchanged at 0.50%. though Ueda skewed slightly hawkish after he noted that recent Rengo estimates were a bit high. This caused a selloff in JGBs, though ultimately, our salesperson writes that there was overall not much new in Ueda's comments. He effectively dodged a question that pointed out that if neutral is indeed towards the higher end of estimates, then they'd need to accelerate their hike pace. It's a JPY holiday on Thursday. USDJPY uptick appears to be a positioning squeeze and broad USD strength.

NZD: GDP YoY prints this evening at 17:45 EDT for Q4. Citi Economics forecasts an acceleration towards 0.3% QoQ vs -1% prior, which would shift yearly GDP from -1.5% YoY to -1.4%. Slow growth last year would mean the OCR needs to be lowered further - Citi base case is for 4 more 25bps cuts by the Aug MPC, taking rates to 2.75%.

Elsewhere

COP: Colombia's Finance Minister Diego Guevara confirmed his resignation Tuesday night on social media. The decision, he said, followed a "calm and friendly personal conversation" with President Gustavo Petro. MoF has influence on monetary policy (chair, voting member) and the next policy meeting is on March 31. On the fiscal side, the outgoing MoF had already announced a COP12tn postponement in expenditures and recently signaled a second postponement of a similar amount was being considered.

USDCOP closed +1.3% at 4118, With Guevara's exit, markets will be focused on his replacement. Sources suggest Guevara will be replaced by German Avila Plazas, an economist who graduated from Universidad Nacional, has over 30

years of experience in the financial and public sectors, and most recently served as president of Grupo Bicentenario. See [here](#) for more. Trade Balance prints at 11:00 EDT for January and will unlikely move markets.

BRL: Copom is widely expected to hike another 100bps at 17:30 EDT though guidance on the path beyond will be critical. No additional hints on next moves could be taken a tad dovish, which could imply more flexible monetary policy ahead, say to our economists. Market pricing implies a deceleration of hikes with only 50bps priced for May and terminal rates at 15-15.25%. Global Macro Strategy holds a Brazil receiver Jan 2028 into the meeting. BRL will remain a function of risk sentiment, our trader expects USDBRL to move lower still.

ARS: GDP YoY out at 15:00 EDT for Q4. Economic activity for the month of December expanded 0.5% MoM, above market consensus, which suggests Q4 GDP may be equally resilient. There is no Bloomberg consensus estimate for Q4 GDP, but Q3 GDP was at 3.9% QoQ, -2.1% YoY. In the background, keep an eye on trends within trade balance, printing simultaneously.

Don't miss:

IDR: Choppy trading overnight following political noise on Tuesday. BI held rates at 5.75% as expected, but gave little clues in terms of forward guidance which could have benefited bonds. Hence, our strategists take profit in their long 10y IndoGBs (FX hedged) trade initiated February 4. We continue to see IndoGBs as more attractive from a valuations perspective and with scope for further BI easing down the road but we turn neutral before reassessing the situation. Our FX traders think USDIDR will move between 16525-16575 provided no surprises from the FOMC.

ZAR: CPI eases more than expected with February headline coming at 3.2%, unch from prior vs 3.4% cons., and core a tad lower at 3.4% vs 3.5%. Deceleration will be welcome for SARB, but given budget uncertainties, the bank will likely hold rates at 7.50% at Thursday's decision. Full preview

Charts

Chart of the Day

From RPM Dials: Positioning Drifts into FOMC:



Source: Citi Global Markets, Bloomberg

London Ranges

11:06 GMT	CURRENT	OPEN	HIGH	LOW	1D CHANGE
FX					
EURUSD	1.0894	1.0945	1.0947	1.0874	-0.47%
USDJPY	149.84	149.27	150.02	149.14	0.38%
NZDUSD	0.5784	0.582	0.5821	0.5779	-0.62%
AUDUSD	0.6329	0.6361	0.6367	0.6322	-0.50%
USDCOP	4118.11	4072.29	4142.61	4072.29	1.12%
USDIDR	16525	16500	16537.5	16496.5	0.61%
Equities					
S&P Futures	5681	5671	5690	5658	0.21%
Nasdaq Futures	19755	19705	19798	19660	0.27%
Nasdaq	19483.36	19657.10	19676.05	19397.07	-1.66%
S&P 500	5615	5655	5655	5598	-1.07%
VIX	21.5	21.84	22.1	21.41	-0.92%
Fixed Income					
10y UST	4.2907	4.2908	4.2985	4.2696	1.4bp
2s10s UST	23.844	24.469	25.1	23.287	0.1bp
10y Bund	2.791	2.79	2.793	2.745	1.9bp
10y BTP	3.902	3.904	3.904	3.883	2.4bp
10y Gilt	4.632	4.622	4.643	4.615	2.3bp
Commodities					
Brent	70.4	70.47	70.51	69.9	-0.23%
WTI	66.73	66.72	66.86	66.21	-0.25%
EU Nat Gas (TTF)	42.42	41.29	42.885	41.29	4.09%
US Nat Gas	4.139	4.052	4.139	4.046	2.15%
Credit					
iTraxx Main	55.7907	55.939	56.52	55.67	-0.16%
iTraxx Xover	303.6825	304.142	306.566	303.137	-0.01%
Markit IG CDX	54.275	53.941	54.721	53.79	0.0bp
Markit IG HY	105.984	106.174	106.185	105.914	0.0bp
iTraxx Japan	50.7496	51	51.032	50.703	-0.2bp

*CLOSED markets

Source: Citi, Bloomberg

Major Releases Ahead

COUNTRY	GMT	PERIOD	EVENT	SURVEY	HIGH	LOW	PRIOR
Eurozone	10:45		ECB's Villeroy speaks in Paris				
Eurozone	11:30		ECB's Centeno Speaks at Financial Education Event in Lie				
Eurozone	12:00		ECB's Guindos Speaks				
Eurozone	13:00		ECB's Elderson Speaks in London				
United States	18:00		FOMC Rate Decision (Upper Bound)	4.50%	4.50%	4.25%	4.50%
United States	18:00		Fed Interest on Reserve Balances Rate	--	--	--	4.40%
United States	18:00		FOMC Median Rate Forecast: Current Yr	--	--	--	4.38%
United States	18:00		FOMC Median Rate Forecast: Next Yr	--	--	--	3.88%
United States	18:00		FOMC Median Rate Forecast: +2 Yrs	--	--	--	3.38%
United States	18:00		FOMC Median Rate Forecast: Long-Run	--	--	--	3.00%
New Zealand	21:45	4Q	GDP YoY	-1.40%	0.50%	-1.50%	-1.50%
Colombia	15:00	January	Trade Balance	--	--	--	-\$835.9m
Argentina	19:00	4Q	GDP YoY	--	--	--	-2.10%
Argentina	19:00	February	Trade Balance	--	--	--	\$142m
Brazil	21:30		Selic Rate	14.25%	14.25%	14.25%	13.25%
Israel		March	CPI Forecast	--	--	--	2.40%

Source: Bloomberg

(Click image to enlarge)

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