Laoise Ni Thighearnaigh AC
laoise.nithighearnaigh@jpmorgan.com
JPMorgan Chase Bank N.A, London Branch

Europe Non Research Other

18 March 2025

J.P.Morgan

G10 FX

EUR

Politics to the fore today, with the German vote in the Bundestag to try and pass new fiscal plans and a call between Trump and Putin to navigate. Delivery risk around the former shouldn't be too high as they, in theory, have the numbers; the Bundesrat may be a little trickier later in the week. The latter could be anything, as we all know these days when it comes to the US President, so we await the miraculous deal with bated breath! The dollar continued to trade soft yesterday, although the currency leadership changed with equity markets stabilising, for what reason I am unsure. Potential explanations could be some stories suggesting smoother implementation of the tariff process around April 2nd, given the instability the headline back and forth has injected thus far, or other murmurs that DOGE may be softened due to adverse reaction also.

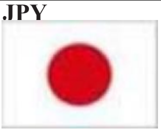
For me, this still remains an uncertain environment, so sticking with what I have, yesterday obviously proving a little less satisfactory given the risk relief in markets. Staying long euros, EURGBP, and have dipped the toe back into USDJPY cash shorts to add to the core downside, albeit slightly early into the overnight rally (!), adding bits more USDZAR as well, although also proving tricky.

Today's vote "should" be straightforward looking at the numbers and listening to the experts. The debate could drag into the afternoon, so no specific timing for a vote, so we just have to wait it out. The euro continues to trade well, albeit soft on the crosses yesterday with the bounce in equities, making new highs for the move against the dollar this morning as I type. The dips are shallow, and we continue to see a drip feed of medium-term type accounts buying, so all still points to higher as long as the politics don't throw up a curveball. If we can sustain above this 1.0940/50 area, the next target zone is the Q3 24 highs in and around 1.12. I would personally raise the reassessment level on longs now as we drift higher up to last week's lows in the 1.0800/10 area, as it would change the dynamic of the trend-like move.

GBP

Risk markets continue to trade well, leaving the USD sell-off to broaden out. This is not something I would be chasing other than tactically, given my view on April 2nd, and I am happy to see how it plays out into the end of the month (quarter) given potential positive rebalancing forces. We have the Bundestag vote today, which should dominate the headlines, and our confidence in its passage remains high, so we see little reason to trim here. RM were stellar buyers of EUR yesterday (3z), and the medium to long-term money should continue to flock to the single currency. Little to say about sterling either, as the market looks to test above 1.30 in cable. Maybe a big figure change will help to sharpen minds here that GBP should simply not be going along for the ride with EUR. I do expect more resistance for the pound going forward. EURGBP continues to coil ahead of 0.8450; a break through here should bring us to our initial target of 0.85 in short order. Stay long EURGBP. GBP net flows remain nowhere.

JPY



Cross JPY is having a very strong move here as risk markets stabilise ahead of the BoJ and EURJPY powers higher through the 200d (162.90) with the German backdrop. I must admit I was a little surprised that JPY was seemingly shaking off the GPIF news so easily, and it did make me start to dip my toe back in earlier than the 150 level I have been touting, but thankfully only marginally - I will continue to sell out bits of USDJPY 150/151. We get the BoJ overnight, and anyone expecting more solid hints at further progress will likely be disappointed. I think it will be straight down the fairway, and I feel comfortable continuing to fade should USDJPY pop on a classic 'no blinking sell JPY' reaction. We had a decent day of SHF JPY selling yesterday (1z), but positioning here remains an issue, especially if fixed income starts to roll over again, so we are keeping things relatively modest in the context of what we were running pre-GPIF announcement. Technically, 149.25/30 now turns support while 151.00/30 is the next big level on the topside with the 200d at 151.945, meanwhile 164.80/00 in EURJPY is a significant pivot over the last 8 months. Second-tier US data later, including IPI and IP.

CHF

Maintain the bias to be long EURCHF, although yesterday's price action was pretty uninspiring as the euro broke back onto a 1.09 handle whilst EURCHF actually went slightly lower. Again, I put this down to the various crosswinds in CHF, given USDCHF is pushing lower on a softer dollar, whilst CHFJPY is finding demand on XXXJPY short unwinds. With EURUSD making new highs this morning, I would like to see EURCHF move back above the Friday highs, especially if the fiscal package passes successfully through the Bundestag. We also get the SNB Thursday, where expectations are for a 25bps cut. Focus will be on the presser given the terminal has moved to 0.2% (40bps from this year's lows). I think the scope for them to sound overly hawkish and move the terminal higher is therefore quite high; however, with inflation printing higher than expected in the last few prints, perhaps the market is worried about being short CHF into it.

AUD

NZD

Both were marginally higher from where I left them 4 days ago, before a rally in equities yesterday has seen both accelerate higher over the last 24 hours. The bird was the clear outperformer, taking AUDNZD back below 1.1000, while it's been interesting to note that SHFs have now bought NZD for 9 out of the last 11 sessions and may finally be having an impact. I am not sure that this is something to get too excited about, though, outside of a positioning adjustment, as the uncertainty regarding tariffs still remains, and if we buy into the equity rotation narrative as a key reason for the US underperformance and outperformance elsewhere, then the negative returns from both the ASX and NZX YTD should be a concern. So I find myself still on the sidelines in both, looking towards the FOMC, OZ Employment, and NZD GDP data for inspiration, although buying EURAUD back towards 1.7000/10 fib support makes sense.

Laoise Ni Thighearnaigh [AC]
laoise.nithighearnaigh@jpmorgan.com
JPMorgan Chase Bank N.A, London Branch

CAD 	Focus will be on the Canadian inflation print this afternoon, where the YoY measure is expected to rise to 2.2% from 1.9% earlier, whereas the BOC preferred core measure should tick only marginally higher. That being said, dollar sentiment and tariff headline risk will continue to dominate price action in USDCAD this week, but I must admit it's frustrating to see the loonie underperform on crosses yesterday. Regular readers will know I am bearish on the Canadian economy and think CAD should remain an underperformer in the medium term, so I continue to run short of the loonie for now. Flows in CAD were muted yesterday, with the desk seeing only some demand for the currency by HF accounts.
SEK  **NOK** 	Back from a mini break to find EURSEK ~0.6% higher from where I left it, while EURNOK is ~1.25% lower. In my last commentary, I had expressed concerns around a pullback in EURSEK, although the bias remained to sell the rally, and the move to 11.08 gave us an opportunity to do just that ahead of key resistance in the 11.10/12 zone. The view that the new world order (Germany/EU fiscal support) will be an enduring one and should continue to support SEK, while also finding domestic fiscal and regional growth support, together with a boost to consumption on the back of lower rates and finally equity rotation, which is arguably the bigger theme here, remains. With our own JPM economists upgrading Swedish growth, buying/adding on SEK weakness, that could potentially come from the upcoming dividend season, culminating in the first week of April, remains the game plan. As mentioned, NOK has been the outperformer while I was away, and while you could argue similar support narratives for Norway, especially domestic fiscal support and valuation, I haven't embraced the theme as enthusiastically, due to lower energy prices impacting ToT and, of course, the BOP headwinds, but there is no denying the price action is supportive and while below 11.69/72, where we find the 50, 100, and 200 DMAs and above 0.9500 in NOKSEK, technically buying NOK on pullbacks makes sense. But full disclosure, I haven't embraced the idea, unlike my JPM strat colleagues who admittedly have called it very well and published a further update yesterday. In summary then, looking to buy/add to weakness in both.

Laoise Ni Thighearnaigh [AC]
laoise.nithighearnaigh@jpmorgan.com

Completed 18 Mar 2025 09:15 AM GMT Disseminated 18 Mar 2025 09:15 AM GMT