

Americas FX Morning Bullets

5 June 2025

Currencies
Global

- ◆ EUR steady ahead of ECB with a focus on guidance
- ◆ Looming NFP tomorrow may limit market reaction to ECB
- ◆ SEK gains despite softer than expected Swedish CPI

The EUR is in a holding pattern ahead of today's likely 25bp cut from the ECB, with a focus on the outlook. While some of the hawks on the ECB have made the case for a steady hand on policy, slower growth and inflation should allow for another nudge lower in the policy rate. This is fully priced in by the market already, so the reaction should be determined by any guidance. ECB President Lagarde is likely to stress the high level of uncertainty around the economic projections given the lack of clarity on tariffs, when additional European fiscal spending might land, and how energy prices and the EUR might move from here. She is likely to sound non-committal on a further rate reduction. But the FX market may still get some hints on the underlying tone by looking at the new forecasts. If the current inflation projection for 2026 of 1.9% is revised down to 1.7% rather than 1.8%, this would suggest that risks are skewed towards further easing. How much the EUR would respond to this is questionable given the looser ties between FX and rate differentials in recent weeks.

The market reaction to the ECB meeting today may also be tempered by the proximity of tomorrow's US employment report. Yesterday's lowball ADP print has likely lowered the market's whisper consensus from Bloomberg's cited 126K. The dip in the employment component in the May ISM Services also points to greater softness in the labour market. The manufacturing equivalent remains well below 50. The Beige Book did not point to any clear signals of labour market weakening, noting instead that employment is little changed, although there are more applicants for a given position. Today will bring the next round of initial claims numbers, a key variable to see if things are changing in terms of job losses. A newly released survey (AICPA) showed only 14% of US corporates are looking to hire immediately, lower than the 20% reported in Q1. If tomorrow shows unexpectedly acute weakness in NFP, it could jolt the recent phase of consolidation in FX, but further resilience in the US labour market data would keep the FX market in limbo for another while yet.

The SEK is marginally stronger this morning despite dovish signals from Sweden's CPI data. Core inflation slowed to 2.0% in May from 3.1% in April. The consensus was 2.6%, and the Riksbank projected 2.7%. The CPIF measure was 2.3%, matching the pace seen in April but below consensus of 2.5%. The weak data has added to the market's expectation (70% likelihood) that the Riksbank will cut rates at its 18 June meeting. A cut is fully priced in for the August meeting, and an additional 25bp thereafter has a 70% likelihood. The dovish shift in recent weeks also reflects the prior release of Q1 GDP which showed a 0.2% contraction in output (consensus +0.1%, Riksbank +0.5%). But the SEK is stronger today alongside a better tone in equity markets. With many indices globally at or near historical highs, the "risk on" SEK remains the best performing G10 currency so far this year.

Daragh Maher

Head of Digital Assets Research, Sr FX Strategist
HSBC Bank plc
daragh.maher@hsbc.com
+44 20 7991 8888

Clyde Wardle

Senior EM FX Strategist
HSBC Securities (USA) Inc.
clyde.wardle@us.hsbc.com
+1 646 610 3260

HSBC Global Research Podcasts

Listen to our insights

Find out more

Disclaimer & Disclosures

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Issuer of report: HSBC Bank plc

View HSBC Global Research at:
<https://www.research.hsbc.com>

USD-CAD is back at yesterday's lows that were prompted mostly by softer than expected US ADP data. USD-CAD touched lows last seen in October 2024. However, the CAD's gains were capped despite the Bank of Canada holding rates unchanged. While mostly expected, there was a minority among economists and in the market who saw a possibility of a quarter point cut. This was a dovish hold, however, as the BoC noted that the outlook for both the labour market and growth remains weak. Policymakers also hinted that if tariff risks materialize the bank could look to cut rates in Q3 25. The BoC will reassess its stance on the tariff outlook at its meeting on 30 July, and markets are fully priced for a 25bp cut in September to support growth. The CAD, after underwhelming in 1Q25, has indeed rallied close to 6% against the USD so far this quarter. Relief that many Canadian exports were spared the headache of higher tariffs has helped the CAD so far. A grind higher in Canadian rate expectations for year-end 2025 may also have helped although the CAD remains significantly stronger against the USD than rate differentials would typically imply.

The MXN strengthened modestly yesterday and is steady overnight, even in the face of potential new trade tensions between Mexico and the US over steel tariffs. Indeed, apparent higher trade tensions between the US and China appears to be hurting the USD, helping to lift LatAm FX. Still, the decision by President Trump to raise US import tariffs on steel and aluminum to 50% (from 25%) last Friday has led to potential higher tensions between the US and Mexico. Yesterday President Sheinbaum announced she would protect the Mexican steel industry in response to the 50% steel tariffs (Bloomberg, 4 June). Mexican and US authorities are currently in negotiations to mitigate the imposition of some tariffs proposed by the US government, with the negotiations pertaining to the announced steel tariffs to begin on Friday (Reuters). Mexico has some leverage given its status as a member of USMCA, as well as via progress made on US demands concerning border encounters and fentanyl seizures. If Mexico can secure an exemption to the tariffs this may give local assets a small lift, although any gains could be limited given that postponement of tariffs may be viewed as the "status quo". For more information see [Mexican Tariffs Update: Steel tariff increase may create tension](#), 4 June 2025.

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Daragh Maher and Clyde Wardle

Important disclosures

Foreign exchange: Basis for financial analysis

This document has been prepared and is being distributed by the Research Department of HSBC and is intended solely for the clients of HSBC and is not for publication to other persons, whether through the press or by other means.

This document is for information purposes only and it should not be regarded as an offer to sell or as a solicitation of an offer to buy the securities or other investment products mentioned in it and/or to participate in any trading strategy. Advice in this document is general and should not be construed as personal advice, given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. If necessary, seek professional investment and tax advice.

Certain investment products mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. Investors should consult with their HSBC representative regarding the suitability of the investment products mentioned in this document and take into account their specific investment objectives, financial situation or particular needs before making a commitment to purchase investment products.

The value of and the income produced by the investment products mentioned in this document may fluctuate, so that an investor may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Value and income from investment products may be adversely affected by exchange rates, interest rates, or other factors. Past performance of a particular investment product is not indicative of future results.

HSBC believes that investors utilise various disciplines and investment horizons when making investment decisions, which depend largely on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations. HSBC's currency trade ideas on deliverable FX forwards (DF) or non-deliverable FX forwards (NDF) are usually identified on a time horizon of up to three months, although HSBC reserves the right to extend this time horizon on a discretionary, trade-by-trade basis.

HSBC believes an investor's decision to buy or sell an instrument should depend on individual circumstances such as the investor's existing holdings and other considerations. Different securities firms use a variety of terms as well as different systems to describe their recommendations. Investors should carefully read the definitions of the recommendations used in each research report. In addition, because research reports contain more complete information concerning the analysts' views, investors should carefully read the entire research report and should not infer its contents from the recommendation. In any case, recommendations should not be used or relied on in isolation as investment advice.

Definitions for currency trades on DFs and NDFs

Buy: refers to buying the first currency in the named pair in exchange for the second currency in the named pair.

Sell: refers to selling the first currency in the named pair in exchange for the second currency in the named pair.

The tenor of the instrument will be denoted and will refer to a settlement date relative to the opening date of the trade idea e.g. 1m refers to a settlement date 1 month forward from the open date of the trade idea. NDF trades normally fix two working days prior to the settlement date.

Distribution of currency trades

The nature of foreign exchange forward trade ideas is such that there will always be an equal number of buy and sell trades (buying one currency in exchange for selling another), both outstanding and historically.

For the distribution of non-independent ratings published by HSBC, please see the disclosure page available at <http://www.hsbcnet.com/gbm/financial-regulation/investment-recommendations-disclosures>.

To view a list of all the independent fundamental ratings/recommendations disseminated by HSBC during the preceding 12-month period, and the location where we publish our quarterly distribution of non-fundamental recommendations (applicable to Fixed Income and Currencies research only), please use the following links to access the disclosure page:

Clients of HSBC Private Banking: www.research.privatebank.hsbc.com/Disclosures

All other clients: www.research.hsbc.com/A/Disclosures

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments, both equity and debt (including derivatives) of companies covered in HSBC Research on a principal or agency basis or act as a market maker or liquidity provider in the securities/instruments mentioned in this report.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking, sales & trading, and principal trading revenues.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

Non-U.S. analysts may not be associated persons of HSBC Securities (USA) Inc, and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts.

Economic sanctions laws imposed by certain jurisdictions such as the US, the EU, the UK, and others, may prohibit persons subject to those laws from making certain types of investments, including by transacting or dealing in securities of particular issuers, sectors, or regions. This report does not constitute advice in relation to any such laws and should not be construed as an inducement to transact in securities in breach of such laws.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at www.hsbcnet.com/research. HSBC Private Banking clients should contact their Relationship Manager for queries regarding other research reports. In order to find out more about the proprietary models used to produce this report, please contact the authoring analyst.

Additional disclosures

- 1 This report is dated as at 05 June 2025.
- 2 All market data included in this report are dated as at close 05 June 2025, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.

Production & distribution disclosures

1. This report was produced and signed off by the author on 05 Jun 2025 10:49 GMT.
2. In order to see when this report was first disseminated please see the disclosure page available at <https://www.research.hsbc.com/R/34/GHINCgH>

Disclaimer

Legal entities as at 7 December 2024:

HSBC Bank plc; HSBC Continental Europe; HSBC Continental Europe SA, Germany; HSBC Bank Middle East Limited, DIFC; HSBC Bank Middle East Limited, UAE branch; HSBC Yatirim Menkul Degerler AS, Istanbul; The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch; HSBC Qianhai Securities Limited; HSBC Securities (Taiwan) Corporation Limited; HSBC Securities and Capital Markets (India) Private Limited, Mumbai; HSBC Bank Australia Limited; HSBC Securities (USA) Inc., New York; HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC; Banco HSBC SA

Issuer of report

HSBC Bank plc
 8 Canada Square, London
 E14 5HQ, United Kingdom
 Telephone: +44 20 7991 8888
 Fax: +44 20 7992 4880
 Website: www.research.hsbc.com

In the UK, this publication is distributed by HSBC Bank plc for the information of its Clients (as defined in the Rules of FCA) and those of its affiliates only. Nothing herein excludes or restricts any duty or liability to a customer which HSBC Bank plc has under the Financial Services and Markets Act 2000 or under the Rules of FCA and PRA. A recipient who chooses to deal with any person who is not a representative of HSBC Bank plc in the UK will not enjoy the protections afforded by the UK regulatory regime. HSBC Bank plc is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. If this research is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate. In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (ABN 48 006 434 162, AFSL No. 232595). These respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient.

In the European Economic Area, this publication has been distributed by HSBC Continental Europe or by such other HSBC affiliate from which the recipient receives relevant services.

The document is distributed in Hong Kong and Japan by The Hongkong and Shanghai Banking Corporation Limited and has been prepared for the New York office of HSBC Bank USA, National Association. In Korea, this publication is distributed by either The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") or The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch ("HBAP SEL") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. Both HBAP SLS and HBAP SEL are regulated by the Financial Services Commission and the Financial Supervisory Service of Korea.

Each of the companies listed above (the "Participating Companies") is a member of the HSBC Group of Companies, any member of which may trade for its own account as Principal, may have underwritten an issue within the last 36 months or, together with its Directors, officers and employees, may have a long or short position in securities or instruments or in any related instrument mentioned in the document. Brokerage or fees may be earned by the Participating Companies or persons associated with them in respect of any business transacted by them in all or any of the securities or instruments referred to in this document.

The information in this document is derived from sources the Participating Companies believe to be reliable but which have not been independently verified. The Participating Companies make no guarantee of its accuracy and completeness and are not responsible for errors of transmission of factual or analytical data, nor shall the Participating Companies be liable for damages arising out of any person's reliance upon this information. All charts and graphs are from publicly available sources or proprietary data. The opinions in this document constitute the present judgement of the Participating Companies, which is subject to change without notice. From time to time research analysts conduct site visits of covered issuers. HSBC policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits. This document is neither an offer to sell, purchase or subscribe for any investment nor a solicitation of such an offer.

HSBC Securities (USA) Inc. accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. The information contained herein is under no circumstances to be construed as investment advice and is not tailored to the needs of the recipient. All US persons receiving and/or accessing this report and intending to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. Only Economics or Currencies reports are intended for distribution to a person who is not an Accredited Investor, Expert Investor or Institutional Investor as defined in SFA. The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch accepts legal responsibility for the contents of reports. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. Recipients in Singapore should contact a "Hongkong and Shanghai Banking Corporation Limited, Singapore Branch" representative in respect of any matters arising from, or in connection with this report. Please refer to The Hongkong and Shanghai Banking Corporation Limited Singapore Branch's website at www.business.hsbc.com.sg for contact details. HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC is authorized and regulated by Secretaría de Hacienda y Crédito Público and Comisión Nacional Bancaria y de Valores (CNBV).

In Brazil, this document has been distributed by Banco HSBC SA ("HSBC Brazil"), and/or its affiliates. As required by Resolution No. 20/2021 of the Securities and Exchange Commission of Brazil (Comissão de Valores Mobiliários), potential conflicts of interest concerning (i) HSBC Brazil and/or its affiliates; and (ii) the analyst(s) responsible for authoring this report are stated on the chart above labelled "HSBC & Analyst Disclosures".

The document is intended to be distributed in its entirety. Unless governing law permits otherwise, you must contact a HSBC Group member in your home jurisdiction if you wish to use HSBC Group services in effecting a transaction in any investment mentioned in this document. HSBC Bank plc is registered in England No 14259, is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange. (070905)

If you are a customer of HSBC Wealth & Personal Banking ("WPB"), including Global Private Banking, you are eligible to receive this publication only if: (i) you have been approved to receive relevant research publications by an applicable HSBC legal entity; (ii) you have agreed to the applicable HSBC entity's terms and conditions and/or customer declaration for accessing research; and (iii) you have agreed to the terms and conditions of any other internet banking, online banking, mobile banking and/or investment services offered by that HSBC entity, through which you will access research publications (collectively with (ii), the "Terms"). If you do not meet the above eligibility requirements, please disregard this publication and, if you are a WPB customer, please notify your Relationship Manager or call the relevant customer hotline. Distribution of this publication is the sole responsibility of the HSBC entity with whom you have agreed the Terms. Receipt of research publications is strictly subject to the Terms and any other conditions or disclaimers applicable to the provision of the publications that may be advised by WPB.

© Copyright 2025, HSBC Bank plc, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Bank plc. MDDI (P) 005/01/2025, MDDI (P) 006/09/2024, MDDI (P) 004/10/2024, MDDI (P) 020/10/2024

[1259900]