Article | 28 October 2026 FX

FX Daily: Abatement in AI risk helps the dollar

Fears of an AI bust have receded slightly, and the AI story has been helped overnight by impressive 3Q results from Korean chipmaker SK Hynix. This has allowed the market to focus on the core story of resilient growth, high inflation and the prospect of higher energy prices – all dollar-positive. Look out for the Fed, the Bank of Canada and the UK budget today



Better news from the AI sector is softening a key threat to the dollar

USD: AI risks recede, hawkish Fed to dominate dollar

In an otherwise bullish dollar environment, one of the key threats in recent weeks has been the AI-driven equity correction, as higher borrowing costs questioned business models – particularly those of high-yield issuers. Those fears are slowly being assuaged as the big beasts in this space continue to deliver. Overnight, SK Hynix announced strong third-quarter earnings, strong order books and an attractive distribution to shareholders. Nasdaq futures are up another 0.6% overnight and continue their 3% correction from last week's low. Focus now turns to Alphabet and Microsoft, who report 3Q earnings after the market today.

A little stability on the AI side has allowed the FX market to re-focus on the clearer and more

present danger of higher energy, higher inflation and the central bank response. The Reserve Bank of New Zealand demonstrated overnight what failure to tighten can do to your currency. A hike was 95% priced in, but the RBNZ voted 4-3 for a hold, citing weak domestic demand. NZD/USD fell 1.6% instantly. It is a very close call, but something similar could happen with the Bank of Canada today (see below).

But the main event today is tonight's FOMC meeting (see our preview here). We suspect Chair Warsh will not want to tie himself in knots by citing a tightening in financial conditions, having learnt from the unruly market response to his press conference in July. Focus on restoring monetary stability should remain the dominant message and keep the dollar supported.

DXY is edging back towards its highs of the year, where a move through 102.50 opens up 103.00.

Chris Turner

EUR: First signs of weaker lending growth

EUR/USD remains at the lows of the year as broad dollar strength and an unresolved French budget crisis dominate. Energy prices are at their highs and look to go higher on the prospect of the US and Israel attacking Iran after next week's US midterms. On the eurozone side, activity remains resilient and Friday's release of 3Q26 GDP data should be relatively encouraging. However, yesterday's ECB bank lending survey showed tighter lending conditions and an unexpected fall in corporate loan demand.

It may be too early for the ECB to pour cold water on market tightening expectations at tomorrow's press conference, but the risks look to be building in that direction.

This 1.1065/1110 area is quite important support for EUR/USD, below which technical analysts will be dusting off targets at 1.0880. Even though the market is reasonably long dollars already, the reasons for EUR/USD to bounce from these levels are conspicuous by their absence.

Chris Turner

GBP: Taking its budget cue from gilts?

ING's Rates Strategist, Michiel Tukker, estimates that there is a 20bp risk premium in 10-year UK gilt yields – some of which could come out of the market during today's UK budget release. The budget itself is not expected to have too much say on the Bank of England's tightening prospects, although any upside surprises on minimum wage adjustments could hawkishly ripple through money markets.

Some narrowing in the gilt-bund spread today could be a reminder that the UK looks to be one

of the few G7 economies heading in the right fiscal direction into 2027, with forecasts for the budget deficit heading inside 4% of GDP as higher inflation drags more income tax payers into higher tax brackets.

EUR/GBP is holding above 0.8350 support and is looking heavy. Barring any surprise budget giveaways that hit gilts, it looks as though EUR/GBP can stay heavy and potentially nudge down to the 0.8315 area. Or, just like EUR/USD, we do not see any clear reasons why EUR/GBP needs to bounce at the moment.

Chris Turner

CAD: A very close call on BoC today

We think the Bank of Canada will wait until December to deliver its first rate hike. But speculative bets on a move today have built materially over the past few days. The trigger was the jump in inflation expectations in the 3Q BoC Business Outlook report on 19 October. Pricing for today's meeting rose from 9bp to 20bp and remains there as of this morning. That more than offset a softish September CPI print, with headline inflation rising less than expected to 3.1% and core measures staying well anchored around 2.0%.

Our call for a hold today stems from those relatively muted inflation figures and softening jobs market. But we admit there is an increasingly higher chance that policymakers will hike given concerns about inflation expectations de-anchoring and seek to avoid an adverse reaction in back-end yields, given how much is priced in. If they do hold, expect a very hawkish statement signalling a move in December.

Judging by the evenly split consensus, CAD faces downside risks today given the 20bp priced in. A hike should, however, come with indications that more tightening is coming and could send USD/CAD back below 1.40. Beyond the near term, we don't see USD/CAD trading sustainably below 1.40. We think markets are overestimating BoC tightening in 2027 and we expect lower oil prices to leave the loonie exposed to a not-so-attractive domestic backdrop. A return to 1.420 remains a risk in our view.

Francesco Pesole

Author

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@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 www.ing.com.