

The FX Trader USD pushing higher ahead of US CPI

Saxo Bank · 2026-10-12 · English original

Summary: The USD rally saw a shallow consolidation last week and looks ready for more until proven otherwise, with the CPI release mid-week the next important event risk. USDJPY is challenging above the 200-day moving average that capped the action over the last couple of weeks. Meanwhile, Eurozone sovereign yield spreads remain a concern and the Euro is dipping to new lows for the year versus sterling, while even the Swedish krona firmed notably against the single currency last week.

USD consolidation has been shallow – testing higher again.

The US dollar has done little over the past week, but a tight consolidation after its steep rally suggests the up-trend remains very much in place until proven otherwise. Even ahead of the key US macro event risk of the week, Wednesday's September US CPI release, we have USDJPY pulling above the 200-day moving average today, a technical level that served as resistance on at least two occasions over the last two weeks, while EURUSD is pressing down well below 1.1200 again as Eurozone sovereign yield spreads still look troublesome. One key factor pressurizing the backdrop for both the US dollar higher and the euro lower is another surge in oil prices today to new local highs. Attacks on Saudi infrastructure and shipping through the Strait of Hormuz are a concern and Trump's attempt to lower diesel prices by extracting Russian export commitments is failing to impress the market.

The US has a bank holiday today in which bond markets are closed even as equity markets are open, preventing a fuller picture of intermarket forces.

Takeaway: There are three things at work here: first, the US dollar is rising, while second, the Euro has idiosyncratic and potentially explosive fragilities linked to the risk of a fire sale of French and secondarily Eurozone peripheral debt (read: Italy). The European situation is made worse by every uptick in energy prices (don't forget natural gas, which is back near the highs for the year and since late 2022) and any new surge in US treasury yields, which late last week offered a bit of relief. Third, the JPY would already be lower still without the overhang of the intervention threat. If Japanese officialdom decides to take a breather and retrench to much lower levels in the JPY before intervening again, volatility in JPY crosses could pick up sharply here, aggravating a potential USD rise. We look at the USDJPY chart below.

Chart focus: USDJPY USDJPY is pulling above the 200-day moving average again and key daily and weekly Ichimoku technical indicators are on tilt for a full reversal of the downtrend, a trend that was only ever inspired by official intervention in the first place. The obvious two levels to watch here are the 200-day moving average just above 158.50 and then the top of the Ichimoku cloud, which falls to below the former in the days ahead. Note that the last time around in the late September rally that the Ichimoku cloud was the more important resistance level. As well, the green lagging span indicator is set to cross above the price bars if we don't get an immediate sell-off. As noted above, if the pair continues to bull up into the 160.00 area with no signs of official intervention, the market could get uneasy.

Elsewhere, the euro remains weak on still elevated sovereign yield spreads (small dip Friday, but we're back at 141 basis points for the Germany-France 10-year yield spread, essentially matching the highest

daily close all though it spiked to the high 150's last week intraday). The weakness is not just showing up in the heavy EURUSD, but even more so over the last week in crosses with other European currencies, namely versus sterling and the Scandies. EURGBP is challenging the lows of the year and since well back into 2025, trading below 0.8450 as of this writing. A look at the chart suggests we could be opening up the range to the huge 0.8200 level, the post-2016 Brexit vote low of the range. EURSEK is in a far different place, having risen from the 10.70 area at the beginning of the Iran war to as high as 11.367 at the beginning of this month. It is possible that traders are reassessing the krona, placing less emphasis on the Riksbank's low policy rate relative to an ECB that was more responsive to the inflation outbreak. Now the euro-specific risks are more prominent, including risks to Eurozone growth from higher energy prices, but especially those linked to Eurozone sovereign debt strains. Last week, EURSEK reversed sharply and traded below 11.18 at one point on Friday before finding support.

While anticipation of the Wednesday US CPI release is high, given the FOMC's emphasis on inflation rather than the labour market, the release may carry far less weight if oil prices are hitting new highs.

FX Board of G10 and CNH trend evolution and strength. Note: If unfamiliar with the FX board, please see a video tutorial for understanding and using the FX Board.

The US dollar is strong and the Euro is weak, finally weaker than the Swedish krona in broad terms after last week's action saw SEK firming. Hard to believe that the JPY has any residual strength from its prior impulsive move higher, but the longer-term moving averages still have an echo of that early September surge. It wouldn't take much of a weakening move in the JPY to turn things around quickly from here. The kiwi is really suffering in this environment as well – it may be down to neglect and general macro risk as there is no yield differential angle justifying its weakness at the moment.

Table: NEW FX Board Trend Scoreboard for individual pairs.

EURSEK will flip to the negative soon if it stays near current level or heads lower, following EURNOK into a negative trend, which did so already a week ago. USDJPY is the only JPY pair besides CNHJPY to read JPY negative here, but watching other JPY pairs as the downtrends in other JPY pairs have stalled for weeks now.

Source: <https://www.home.saxo/content/articles/forex/the-fx-trader-usd-pushing-higher-ahead-of-us-cpi-12102026>