

Fed Easing Expectations Grow Amid U.S. Weakness — Euro Gains, Gold Holds Steady.

10 November 2025

COVERAGE:

- **U.S. Dollar:** Weakens as manufacturing, labor, and consumer sentiment data reveal deepening cracks in the U.S. economy; downside risks build ahead of CPI release.
- **Federal Reserve:** Rising probability of near-term rate cuts as inflation expected to ease, though safe-haven demand persists due to the prolonged government shutdown.
- **Euro (EUR/USD):** Gains traction amid improving Eurozone data—particularly German Factory Orders and upbeat ZEW sentiment outlook—supporting a bullish bias.
- **Gold (XAU/USD):** Holds firm within a tight range; a breakout above \$4,100 could trigger renewed upside momentum toward \$4,300–\$5,000.
- **Macro Landscape:** Investor focus shifts to U.S. CPI, Fed commentary, and ongoing fiscal uncertainty as key catalysts shaping near-term volatility and positioning.

WEEKLY

OVERVIEW:

ABCG Research delivers high-quality financial analysis, focusing on macroeconomic trends, market forecasting, and sector insights. Our expert team integrates fundamental and technical analysis to provide actionable intelligence for institutional investors and financial professionals. We aim to support precise decision-making and drive alpha generation.

Executive Summary

The U.S. dollar lost momentum last week as signs of economic strain emerged across manufacturing, labor, and consumer sectors. The latest data confirmed weakening activity, fueling expectations that the Federal Reserve may have increased flexibility to cut rates in the months ahead. The ongoing government shutdown continues to dampen sentiment, sustaining modest safe-haven flows into the dollar but limiting upside potential.

Meanwhile, the euro found support amid improving Eurozone data, with Germany's factory orders showing renewed strength. Gold traded in a narrow range but remains well-positioned for upside if upcoming U.S. inflation figures undershoot expectations. Overall, markets enter the new week cautiously, with inflation data in focus as a key catalyst for near-term direction across FX and commodities.

US Dollar Dynamics

The U.S. dollar's underlying strength began to fade last week as data pointed to growing economic cracks. The **ISM Manufacturing PMI** fell from **49.4 to 48.7**, signaling contraction for the **eighth consecutive month**. The decline reflected sustained weakness in factory output and new orders, highlighting the strain on U.S. industry.

Labor data provided little relief. **ADP private payrolls** rose by only **42,000 in October**, roughly one-third of typical monthly gains and far below prior-year trends. The slowdown extends a nine-month pattern of weak hiring, with professional services and technology sectors hit hardest—partly attributed to AI-related job displacement and the impact of the government shutdown.

Adding to the downbeat tone, **U.S. consumer sentiment** dropped sharply from **53.6 to 50.3**, underscoring rising economic unease and restrained household spending. Together, these indicators suggest the U.S. economy is losing steam.

Markets now await **next week's inflation data**, expected to show a further cooling in price pressures. A weaker CPI print could strengthen the case for a **Fed rate cut**, potentially weighing on the dollar further. However, risk-off sentiment tied to the prolonged fiscal impasse continues to provide a cushion through safe-haven demand.

Technical view:

The **Dollar Index (DXY)** closed the week below a key level of **99.38** (as marked by ABCG Research). Sustained weakness below this threshold exposes downside potential toward **98.00**. On the upside, a daily close above **99.86** would re-establish short-term bullish momentum, opening room for a retest of **101.00**.

EUR/USD Outlook

In contrast to the softening dollar, the euro posted mild gains supported by encouraging macro data. The **Eurozone Manufacturing PMI** showed expansion, and **German Factory Orders** rose by **1.1% month-over-month**, reflecting steady industrial resilience.

Market sentiment around the euro is also supported by improving expectations ahead of the **ZEW Economic Sentiment** release, where forecasts point to a stronger reading. If confirmed, this could reinforce the view of a modest recovery across the Eurozone and support further gains in EUR/USD—particularly if U.S. inflation data undershoots.

Technical View:

The pair has closed above a key level of **1.1480**, identified by ABCG Research as a pivotal zone. A sustained break above **1.1600** could validate a **bullish continuation pattern**, with upside targets at **1.1670** and **1.1722**. On the downside, **1.1500** offers a well-defined area for risk-managed long entries.

Overall, the macro backdrop and technical setup both favor a **gradual bullish bias** for EUR/USD in the week ahead, contingent on continued dollar softness and constructive Eurozone data.

Gold Market Overview

Gold traded range-bound last week as investors awaited clearer signals from the U.S. economy. The persistent government shutdown and weaker data releases underscore gold's enduring **safe-haven appeal**, even as short-term flows remain cautious.

If the **upcoming inflation report** comes in softer than expected—as current forecasts suggest—it could **revive buying interest** and push gold toward new highs. Lower inflation expectations would enhance gold's relative attractiveness against a less aggressive Fed backdrop, while ongoing geopolitical and fiscal risks provide structural support.

Technical View:

Gold remains confined within a well-defined range. A **break and close above \$4,100** would likely accelerate bullish momentum, paving the way toward **\$4,300** and the **psychological \$5,000** level. On the downside, **\$3,850** remains a strong support and a favorable **risk-managed buying zone** for accumulation.

In the broader context, gold's long-term outlook remains bullish amid persistent uncertainty and shifting central bank dynamics.



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