

USD Weakens Ahead of Fed Cut as Euro Strengthens and Gold Holds Firm.

08 December 2025

COVERAGE:

- The U.S. dollar faced broad weakness as softer ISM, ADP, retail sales, and consumer confidence data signaled continued deterioration in economic momentum ahead of the Fed's expected rate cut.
- Eurozone data supported the euro, with stronger CPI flash estimates and an improved GDP reading helping maintain a constructive outlook despite slightly higher unemployment.
- EUR/USD extended its upward bias, holding above the key 1.1490 level and staying aligned with its H4 uptrend structure, suggesting room for further gains.
- Gold remained range-bound but leaned bullish, supported by safe-haven demand and USD softness, with pullbacks toward \$4,130 viewed as potential buying zones.
- Market sentiment centers on the upcoming Fed Funds Rate decision, where high expectations for a cut keep downward pressure on the dollar and set the tone for FX and commodity moves.

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

Markets traded cautiously last week as mixed U.S. economic data and anticipation of the upcoming Fed rate decision kept volatility compressed. Weak labor market indicators, softer retail sales, and deteriorating confidence measures weighed on the U.S. dollar, while the euro gained ground supported by stronger inflation and GDP readings. Gold remained range-bound but continues to benefit from safe-haven flows and a weakening USD backdrop.

With **80% probability priced in for a Fed rate cut this week**, broad USD softness is expected to continue. EUR/USD maintains its bullish bias supported by improving Eurozone macro data, while gold's technical and fundamental structure continues to favor dip-buying.

Market Conditions

United States – Weakening Data Reinforces Dovish Expectations

Recent U.S. economic releases showed broad deterioration:

- **ISM Manufacturing PMI** weakened to **48.2**, missing expectations.
- **ADP Non-Farm Employment** posted a **32K decline**, signaling labor market softening.
- **Retail Sales** slowed to **0.2% m/m**, below expectations and prior month.
- **CB Consumer Confidence** dropped sharply to **88.7**, reflecting cautious households.
- **UoM Consumer Sentiment** improved slightly, but not enough to offset broader weakness.

The picture that emerges is a **cooling U.S. economy**, with hiring declines, weaker spending, and falling confidence. The market now anticipates an **80% probability of a Fed rate cut**, adding further downside pressure to the USD.

Eurozone – Macro Resilience Supports EUR Strength

Eurozone data has shown healthier momentum relative to the U.S.:

- **CPI Flash Estimate YoY** rose to **2.2%**, reducing expectations of ECB rate cuts.
- **Revised GDP q/q** improved to **0.3%**, beating forecasts.
- **Unemployment** ticked slightly higher but remains historically low.

Stronger inflation and better-than-expected GDP readings indicate that the Eurozone is stabilizing, and policymakers may maintain a steady stance. Combined with U.S. weakness, these dynamics reinforce a **bullish bias on EUR/USD**.

Gold – Supported by USD Weakness and Safe-Haven Demand

Gold traded in a tight range ahead of the Fed meeting but continues to find structural support:

- A weakening USD improves gold's appeal.
- Safe-haven demand remains intact amid slowing U.S. data and global uncertainty.
- Investors remain cautious but biased toward accumulation.

Technical view

USD Index (DXY)

The DXY has **closed below major resistance at 99.50**, confirming bearish continuation.

- Downside targets: **97.80**, then **96.00**.
- Bias: **Bearish**, especially if the Fed confirms easing this week.

EUR/USD

EUR/USD remains in a strong short-term uptrend:

- Rejection from **1.1490** confirmed structural support.
- Price has **closed above the H4 trendline at price 1.1640**, indicating momentum strength.
- Upside targets: **1.1720**, and extension to **1.1775**.
- Tactical long entries favored on pullbacks.

Gold (XAU/USD)

Gold shows strong underlying bullish structure:

- Major resistance: **\$4,250**, where sellers capped upside last week.
- Support zone for dip-buying: **\$4,130**, with stronger accumulation interest at **\$3,980–\$4,000**.
- Continuation above **\$4,250** opens the pathway toward **\$4,350** and **\$4,500**.

Key Risks

- **Fed decision surprise:** A smaller or delayed rate cut could strengthen USD and pressure risk assets.
- **Eurozone downside revisions:** Weak PMI trends could limit EUR upside if economic softness spreads.
- **Geopolitical volatility:** Conflicts or trade disruptions may trigger sudden safe-haven flows.
- **Labor market uncertainty in the U.S.:** Further deterioration may raise recession concerns

Event Watch

- **FOMC Rate Decision – High-impact event shaping USD trend.**
- **U.S. CPI & PPI – Crucial for inflation trajectory post-rate cut.**
- **Eurozone CPI (final) – Confirmation of recent stronger inflation.**

Sentiment & Positioning

Market sentiment remains cautious with a defensive tone.

- **Traders favor USD shorts, anticipating Fed easing.**
- **EUR benefits from relative macro strength and positive inflation momentum.**
- **Gold positioning steady, with investors preferring dip-buying strategies into structural supports.**

Recommendations

USD (Bearish Bias)

- Expect continued downside unless Fed surprises hawkish.
- Tactical sell rallies while price remains below **99.50**.

EUR/USD (Bullish Bias)

- Favor buying dips toward **1.1640–1.1620**.
- Upside targets: **1.1720 → 1.1775**.
- Protective stops below **1.1600**.

Gold (Bullish Medium-Term, Neutral-to-Bullish Short-Term)

- Favor accumulation near **\$4,130** and deeper supports at **\$3,980–\$4,000**.
- Upside levels to monitor: **\$4,250 → \$4,350**.
- Short-term pullbacks expected but remain opportunities to buy.





Disclaimer and copyright restrictions © 2025, ABCG RESEARCH. All rights reserved.

The information, recommendations, analysis and research materials presented in this document are provided for information purposes only and should not be considered or used as an offer or solicitation to sell or buy financial securities or other financial instruments or products, nor to constitute any advice or recommendation with respect to such securities, financial instruments or products. This document is produced for subscribers only, represents the general views of ABCG Research, and does not constitute recommendations or advice for any specific person or entity receiving it. The text, images and other materials contained or displayed on any ABCG Research products, services, reports, emails or website (including this report and its contents) are copyrighted materials proprietary to ABCG Research and may not be circulated without the expressed authorization of Alpine Macro. If you would like to use any graphs, text, quotes, or other material, you must first contact ABCG Research and obtain our written authorization. ABCG Research relies on a variety of data providers for economic and financial market information. The data used in this publication may have been obtained from a variety of sources including Bloomberg Finance L.P., CNBC, Investing.com, Euro news, BofA and others. The data used, or referred to, in this report are judged to be reliable, but ABCG Research cannot be held responsible for the accuracy of data used herein.