

FX Alpha

Tactically short EUR/USD

Key takeaways

- We buy a 2-week EURUSD put spread to tactically hedge our medium-term bullish EURUSD view.
- Range of outcomes ahead of 2nd April US tariff announcement is wide, but we see risks EURUSD consolidation amid uncertainty.
- The trade: buy 2-week 1.0850/1.0750 EURUSD put spread, 31.5 pip (spot 1.0885, expiry Apr 2, vol refs 8.516 and 8.413)

The trade

We buy 2-week 1.0850/1.0750 strike EURUSD put spread for 31.5 pip (spot ref 1.0885, expiry Apr 2 2025, vol refs 8.516 and 8.413).

We want to “hedge” our structurally bullish EURUSD view (see our report, [Global FX Weekly: New EUR era 7 Mar '25](#)) and position ahead of the April 2nd tariffs announcements.

The trade covers both this afternoon’s FOMC meeting, the upcoming April 2nd tariff announcement date, and what we expect to be an active month-end for FX (see below). While the range of announced tariff outcomes is wide, there is a risk the administration comes with an aggressive proposal even if the end game remains a more negotiated outcome. Given how far and fast EURUSD has moved this month and the slightly long positioning from very short at the start of the year (see our report, [LCBF 17 Mar '25](#)), we would expect some pullback going into this risk event. In the near term, as noted in our report, [Liquid Insight: Watching, waiting, not commiserating 17 March 2025](#), we see a risk of the Fed sounding hawkish today, amid sticky inflation and resilient hard data.

Risks to this trade: tariffs announcements getting postponed, investors positioning in reaction to rather than anticipation of them, a dovish Fed, and potentially softer US data.

Quant signal see near-term bullish retracement for USD

Historically following sharp weekly USD selloffs like we saw at the start of March, a downtrend would form at a more medium-term 3-months horizon. However, we believe the USD is more likely to face a short-term bullish retracement before more downside (see our report, [FX Quant Insight, 10 March 2025](#)). Our latest quant signals still shows a bullish bias for the USD (see our report, [FX Quant Insight 17 March 2025](#)), driven by persistent equity risk-off and expectation for trend-followers to tactically unwind short USD positions before month-end. Given diverging EU-US equity directions and stronger EURUSD month-to-date, month-end rebalancing is likely to support the USD, similar to the flows we saw in February.

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