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Your Foreign FiX

Friday, August 16, 2019

The US Dollar is making new highs for the year this morning amid news that the ECB is reading a massive stimulus package that should include substantial and sufficient bond purchases as well as cuts to the bank's key interest rate. The EUR is trading lower against the US Dollar, dropping 30 bps today and making a new low for the year. Additionally, the entire EUR swap curve now trades in negative yields. US interest rates are trading slightly higher, after making new cycle lows yesterday. The market is pricing a 28% chance for a 50 bps cut at the September meeting, ahead of the Jackson Hole symposium next week. The Bloomberg Dollar Spot Index is trading just above the 1,209 level, up 9 bps from yesterday's close and up 55 bps from one week ago. As the trade war drags on, the weakness in the global macro economy continues to be a tailwind for USD.

Canada: USDCAD starts the session holding steady around the 1.3300 figure to trade near its 100-DMA (1.3299). Overall the loonie is up against its peers, save for the British pound, on the back of slightly stronger oil and easing of global trade concerns. With another light day of economics, traders are expecting a quiet session. The loonie will continue to be driven by the oil market and trade news. Support comes in today at 1.3196 then 1.3184 (50-DMA). Resistance comes in at 1.3310 (200-DMA) then 1.3345.

China: Continuing yesterday's rally, USD/China consolidated around the 7.04 handle overnight as optimism in trade negotiations and a delay in additional US tariffs prevent the pairs from lifting higher for now. A lack of macroeconomic indicator data overnight also helped keep the pairs in line with bearish news in the beginning of the week, which appears to be mostly digested by market participants. US equity markets are slated to rally to finish off the week and could drive broad USD strength to pull CNH weaker. However, weak housing start data could weigh on the pair and allow to Chinese currencies to net gain against the US Dollar for the first time in three weeks.

Europe: The Euro moves to trade 30 bps weaker this morning as a week of economic softness weighs on Europe's common currency. Today's decline can be attributed to yesterday's report that the ECB is considering a stimulus package that should include substantial bond purchases and rate cuts to already negative rates. The entire EUR swap curve now trades in negative yields. Mixed overnight economic data releases may have also provided some momentum to the EURUSD pair in the London open, as PPI met expectations to contract by 2.1% YoY in July from 2.5% YoY in June while the trade balance shrunk below expectations. The Eurozone's CPI also decreased in July by 0.5% MoM, although it increased to 1.1% YoY on an annualized basis while Core CPI increased above the ECB's 2% target to 2.2%. Today marks the currency's fourth day of EURUSD decline

Percentage Change						
	1M	3M	6M	9M	12M	24M
USDCAD	1.81%	-1.06%	-0.02%	-0.20%	1.99%	6.63%
USDCNH	2.41%	1.92%	5.00%	2.39%	2.54%	7.32%
EURUSD	-1.30%	-1.14%	-2.55%	-2.67%	-4.73%	-6.30%

Annualized Forward Differential						
	1M	3M	6M	9M	12M	24M
USDCAD	0.69%	0.52%	0.65%	0.32%	0.25%	0.11%
USDCNH	0.97%	0.91%	1.26%	0.80%	0.78%	0.99%
EURUSD	2.89%	2.74%	4.05%	2.56%	2.48%	2.29%

Implied Volatilty						
	3M	6M	9M	12M	24M	6M-RR
USDCAD	5.85%	5.92%	6.06%	6.14%	6.43%	0.57%
USDCNH	6.12%	5.98%	5.94%	5.91%	6.09%	1.23%
EURUSD	6.74%	6.63%	6.68%	6.78%	7.11%	-0.22%

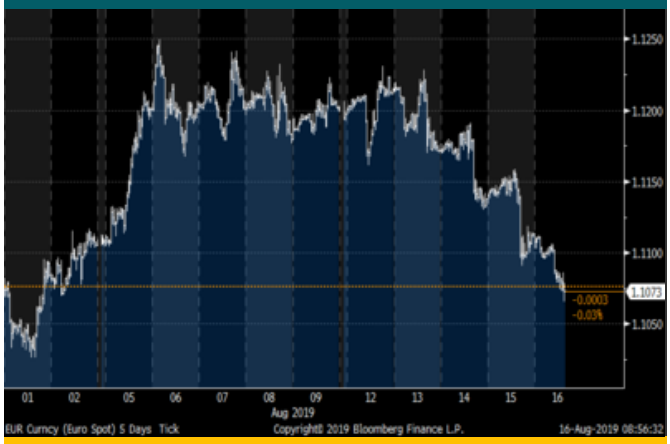
as the currency pair looks to close the week 1.15% lower since Monday, its largest one week loss in six weeks. Downward pressure emerged earlier this week amid yield curve inversion in the United States and Germany's 0.1% economic contraction in Q2—the country's first since the financial crisis. Next week, market participants will look ahead to July Inflation and August PMI and consumer confidence data. EUR trades at its lowest level since August 1st as the currency remains below the 1.11 handle.

USDCAD looking range-bound



USDCAD vs Oil

EUR/USD Continues Lower



EUR/USD weaker by 1.15% this week

Read our **technical documentation** to learn more about this data.

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