



Trading Desk Direct: 888.821.3600

Your Foreign FiX

Tuesday, November 20, 2018

Bearish sentiment continues with equities heading back to the recent October lows and US futures continuing lower. The Fed policy outlook is growing more dovish at the margins after the Clarida comments suggesting a less hawkish bias. All eyes will be on Fed Chair Powell who may moderate his language during his upcoming year end appearances but is still on track for a December rate hike. Market expectations have certainly re-priced since his "rates being far from neutral" comments. The APEC rancor from Sunday created less than favorable headlines and the base case for the upcoming Trump/Xi G20 meeting has moved from a trade tariff deal to just a ceasefire between the two superpower nations. The White House continues to press ahead with plans restricting the export of important US technologies to China before the widely anticipated Dec 1st meeting. Trump continues to push his administration for a comprehensive infrastructure spending package perhaps a sign bipartisan support with Democrats may be on the horizon? It was a quiet overnight with Asian indices closing lower and major Eurozone indices off by 80bps. GBP and EUR are both off by 30 bps as the US comes in on Tuesday. US Treasuries catch a small bid, the Bloomberg Dollar spot Index is also up a small 12bps and energy prices are partially re-tracing three days of gains.

Canada: USDCAD is up slightly from yesterday, currently testing the 1.3200 handle but remaining in a 45 pip range. Oil (WTI) is down a percent today at \$56.48 after hitting a high of \$57.44 yesterday evening. Bank of Canada Deputy Wilkins will be speaking in Montreal this afternoon. Traders are hoping Wilkins can provide some insight on future rate hikes. The market is currently pricing a BoC rate hike on December 5th at only 11.7% while a January hike is priced at 63.4%. With no significant economics on the docket the market should continue to remain subdued during the US holiday week. Support comes in today at 1.3145 then 1.3132. Resistance comes in today at 1.3226 then 1.3264.

China: Not much new with markets awaiting the G20 – vols capturing the event and other dates in Dec are quietly grinding higher with the 1mo vol now around 5.8%. In fact, the China data calendar also does not contain any releases before the G20. Sentiment amongst local SMEs (small and medium-sized corps) appears to have found a temporary bottom based on the SMEI index, no doubt in reaction to policy support to ease access to credit, etc. Several headlines that US sovereign yields in the 1yr tenor are now higher than the China equivalent for the first time at least a decade. Assuming this holds as the Fed hikes and China considers monetary easing, it can apply upward pressure in USD valuation, further threatening the 7.0 level. For now, USD/China quietly marks time in the mid 6.95s, well supported by the 50 day moving avg, and 7.0.

Percentage Change						
	1M	3M	6M	9M	12M	24M
USDCAD	0.73%	1.15%	3.19%	4.93%	2.94%	-2.28%
USDCNH	0.01%	1.50%	9.12%	9.71%	4.37%	0.47%
EURUSD	-0.38%	-0.54%	-3.15%	-7.09%	-2.67%	7.86%

Annualized Forward Differential						
	1M	3M	6M	9M	12M	24M
USDCAD	0.57%	0.76%	0.66%	0.62%	0.59%	0.55%
USDCNH	1.15%	1.09%	0.88%	0.75%	0.69%	0.62%
EURUSD	2.80%	3.39%	3.21%	3.23%	3.26%	3.19%

Implied Volatility						
	3M	6M	9M	12M	24M	6M-RR
USDCAD	6.71%	7.01%	7.23%	7.40%	7.78%	0.52%
USDCNH	6.48%	6.66%	6.77%	6.84%	7.07%	1.24%
EURUSD	7.35%	7.49%	7.58%	7.64%	8.01%	-1.03%

Europe: Although a little softer, EUR/USD has held on to a majority of its recent gains, and is still reasonably flat for the week. The USD is broadly stronger this morning as market sentiment has shifted towards 'risk-off' given the continued weakness in global equities. Despite this consolidation however, it still feels like upward momentum has some legs as there are questions developing regarding the Fed's resolve to continue hiking, as well diminishing concerns surrounding Italy's budget. Either way, the top end of the euro's range is only 100pips higher, so we may very well be in for a test of 1.1510.





Read our [technical documentation](#) to learn more about this data.

Questions, or thinking of trading? Contact the Foreign Exchange Trading Desk direct at 888.821.3600.

[Share with a colleague.](#)



[Download as PDF](#)

Get just the daily FiX information you want – set your preferences

- ☒ **Subscribe** to the Citizens Daily Foreign FiX email.
- ☒ **Send** us an email with a comment or question about the Citizens Daily FiX email.

This document has been prepared for discussion and informational purposes only by Citizens Bank, N.A. (Citizens). In the preparation of this document, Citizens has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources. Citizens makes no representation or warranty (expressed or implied) of any nature, nor does it accept any responsibility or liability of any kind, with respect to the accuracy or completeness of the information in this document. The information in this document is subject to change without notice and Citizens does not undertake a duty or responsibility to update these materials.

Citizens is not acting as an advisor or fiduciary in any respect in connection with providing this information, and no information or material contained herein is to be relied upon for the purpose of making or communicating investment or other decisions nor construed as either projections or predictions. In no event should the information be considered recommendations to enter into transactions. Citizens and its affiliates, connected companies, employees or clients may have an interest in the financial instruments mentioned in this document.

To ensure that you receive our emails, please add mail@citizenscommercial.com to your address book.

Privacy and Security:

Please do not reply to this email. For inquiries kindly call 877.550.5933. Keeping your financial information secure is one of our most important responsibilities. We will never ask you to send sensitive information via email or via a link in an email. If you receive a suspicious email claiming to be from Citizens Commercial Banking please forward it to: abuse@citizensbank.com. For an explanation of how we manage customer information, please read our [Privacy Notice](#).

To opt-out of future promotional emails, please [click here](#).

Citizens Bank | One Citizens Plaza | Providence, RI 02903

©2024 Citizens Financial Group, Inc. All rights reserved. Banking products and services are offered by Citizens Bank, N.A. Member FDIC. Securities products and services are offered through Citizens Capital Markets, Inc., Member FINRA, SIPC. Citizens Bank & Citizens Commercial Banking are brand names of Citizens Bank, N.A. Citizens Capital Markets is a brand name of Citizens Financial Group, Inc.