



Trading Desk Direct: 888.821.3600

Your Foreign FiX

Monday, March 18, 2019

The dollar is trading lower once again, following a recent trend, ahead of the much anticipated Fed meeting this week. While the Fed has taken a hike at this meeting off the table earlier this year, the direction of future rate moves is still being debated in the market and by the Fed itself. Many shops and a few Fed members are still forecasting another hike this year but the market has slowly been increasing the chance of a Fed cut later this year. The 2 year note yield is trading at 2.45%, up marginally from Friday but down 3 bps from one week ago and near the lows for the year. The 2.45% level is just 5 bps above the Fed fund effective rate. Lower U.S. yields are weighing on the dollar. The Bloomberg dollar index is trading at 1,191, down 16 bps from Friday and down 67 bps from one week ago. The EUR continues its slow climb, trading at 1.1350, after trading just below the 1.1200 level the first week of the month.

Canada: USDCAD is holding in the low 1.3300s after making a failed run at breaking the figure in European trading. The pair traded as low as 1.3302 before rebounding modestly. Currency drivers for the early part of the week will be Canadian PM Trudeau's budget tomorrow, his fourth and final before the next election, and the FOMC rate decision Wednesday. Later in the week Canada is data-heavy releasing Wholesale Trade, Retail Sales and CPI. The US-Canada 2-year yield spread remains near a decade high at ~81bp. Traders are expecting the pair to remain range-bound short-term. Support comes in today at 1.3298 (100-DMA) then 1.3242. Resistance comes in at 1.3386 then 1.3457.

China: Another session of very modest moves, with the range today the narrowest of the past year. Trade fatigue continues on headlines that the much anticipated end has been further delayed, first announced for March, then April, and now June. The reaction was muted and China equities actually rallied by over 2%. Beyond the many new policies from the NPC is an expectation that onshore capital markets should play a larger role in providing financing for companies. The so-called "direct financing" which comprises both the debt and equity markets will replace state-owned banks and shadow banking as sources of capital. The former comprises only 10-15% of the approx USD 3 trillion of financings in 2018.

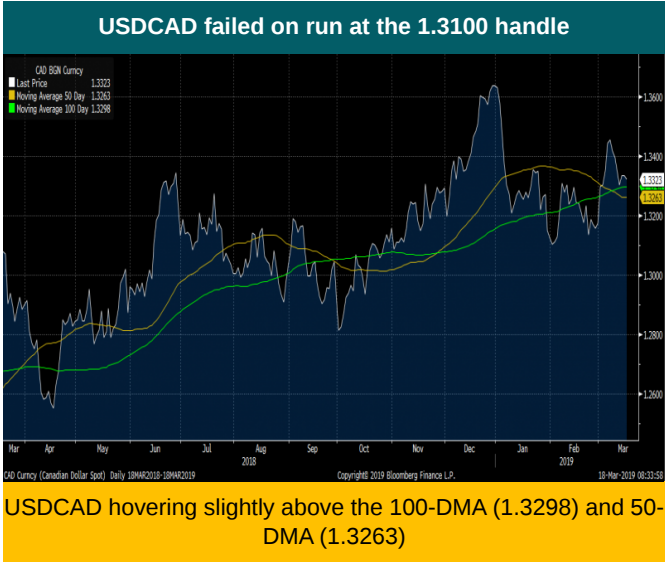
Europe: EURUSD continues to trend higher this morning, trading near a two week high at the 1.1360 level as risk on sentiment plows back into the common currency. Positive sentiment can be seen from several sources, such as the delay of the Brexit vote, stronger than expected economic figures in China, and this week's FOMC meeting will likely affirm previous dovish statements from FED officials, all of which help support EUR strength. EU aggregate trade data was released this morning and showed balances were greater than expected however this had little impact on price action in light of strong sentiment. In the US

	Percentage Change					
	1M	3M	6M	9M	12M	24M
USDCAD	0.62%	-1.07%	2.68%	1.64%	1.87%	-0.21%
USDCNH	-0.87%	-2.59%	-2.13%	1.38%	6.26%	-2.49%
EURUSD	0.40%	-0.04%	-2.67%	-3.36%	-7.94%	5.76%

	Annualized Forward Differential					
	1M	3M	6M	9M	12M	24M
USDCAD	0.95%	0.85%	0.85%	0.84%	0.85%	0.77%
USDCNH	0.15%	0.18%	0.18%	0.20%	0.24%	0.36%
EURUSD	3.45%	3.06%	3.04%	3.01%	3.01%	2.85%

	Implied Volatility					
	3M	6M	9M	12M	24M	6M-RR
USDCAD	5.48%	5.85%	6.15%	6.27%	6.69%	0.50%
USDCNH	4.53%	4.87%	5.17%	5.33%	5.68%	0.47%
EURUSD	5.45%	5.93%	6.28%	6.45%	6.98%	-0.32%

today, a virtually empty macroeconomic calendar will leave the pair trading alongside equity market movements and continued risk-on sentiment.





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

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