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Your Foreign FiX

Friday, September 20, 2019

After a busy week that included several central bank rate decisions, the market turns to the impending quarter-end. For the fourth day in a row, the Fed added US Dollar liquidity to the market to prevent a spike in overnight interest rates. Historically, quarter-end turns see greater demand for Dollar funding and higher shorter-end dollar rates, that provide a boost to US Dollar strength. That boost is lifting the Dollar to the highs of the week despite the Fed's 25 bps cut on Wednesday. The Bloomberg Dollar Spot Index is trading just below the 1,210 level, up marginally from yesterday but up 28 bps from one week ago. The market is pricing a 95% chance for another Fed 25 bps cut by the end of the year.

Canada: The Canadian Dollar weakened after the country's July retail sales data was lower than expected at 0.4% MoM compared to the anticipated 0.6% MoM increase, while Auto Sales declined -0.1%. USDCAD is 20 bps higher to the -1.3300s, on pace for a weekly gain, as oil rises amid concerns about Saudi Arabia's ability to ramp up production after the recent attack on its industry. WTI crude oil advanced to $58.74 from yesterday's $58.13. The short-term target for bulls would be an intraday high of 1.3293 in response to the data; pair was +0.1% to ~1.3270 pre-data. Everything being equal, it is likely that the US Dollar will maintain the ascending channel today.

China: The Chinese Yuan has so far strengthened by 0.88% for CNY and 1.03% for CNH in September after an extended selloff caused the currency to depreciate by 3.95% and 3.00%, respectively, in August. The major driver for this recovery has been an easing of trade war tensions between the U.S. and China, such as China's move to exempted soybeans from tariffs last week**.** September's one-year Loan Prime Rate (LPR) was reported by the PBOC at 4.2%, down slightly from 4.25% in August. The five-year LPR, which is normally used in longer-term credit like mortgage loans, was kept unchanged at 4.85%. China's growth and economic data continues to slow and it's anticipated that more easing will be needed. USD/CNY is currently trading around 7.09 and, should trade negotiations between the U.S. and China progress in a positive manner, the USD/CNY rate should move toward or below 7.00 in the medium-term.

Europe: Despite attempting several times to get back to positive for the week, EUR/USD remains down 40bps amid very thin volumes. The pair has been gravitating towards 1.1050 over the last few sessions, but has been otherwise directionless as data has offered few surprises. Implied volatility is again illustrating this neutral sentiment as 1-year levels have dropped 0.85% in September alone, and are sitting at their 5-year lows of 5.80%. Next week is somewhat light from a macroeconomic perspective, so it doesn't appear the market will drift from the sidelines anytime

	Percentage Change					
	1M	3M	6M	9M	12M	24M
USDCAD	0.05%	1.49%	-0.70%	0.17%	1.42%	4.13%
USDCNH	-0.60%	3.21%	5.61%	4.86%	2.22%	6.81%
EURUSD	-1.09%	-3.09%	-1.73%	-3.90%	-4.27%	-6.51%

	Annualized Forward Differential					
	1M	3M	6M	9M	12M	24M
USDCAD	0.75%	0.54%	0.67%	0.30%	0.21%	0.07%
USDCNH	1.06%	1.02%	1.45%	0.90%	0.89%	0.98%
EURUSD	2.81%	2.62%	3.95%	2.54%	2.47%	2.30%

	Implied Volatilty					
	3M	6M	9M	12M	24M	6M-RR
USDCAD	5.39%	5.52%	5.73%	5.89%	6.21%	0.53%
USDCNH	5.96%	5.95%	5.99%	6.06%	6.25%	1.26%
EURUSD	5.39%	5.53%	5.69%	5.85%	6.11%	-0.05%

soon. Technical resistance sits firmly at 1.1110, which is where both the 50-day moving average and 2019 Fibonacci retracement levels show up, while support remains at the year's lows of 1.0970.

Loonie weaker on Retail miss

USD/CAD jumps to 1.3300 handle

EUR/USD Implied Volatility Back to 5yr Lows

The market is without direction here as September has completely reversed August's volatility gains

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

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