



Trading Desk Direct: 888.821.3600

Your Foreign FiX

Wednesday, December 11, 2019

The US Dollar is trading higher ahead of the FOMC rate decision later today and is being lifted by slightly stronger than expected consumer inflation. Fed policy makers have suggested they would be willing to let inflation run a little hotter in exchange for stronger economic growth. After three cuts this year, the Fed is expected to keep interest policy on hold. Fed Chair Powell has a press conference after the decision and will likely be asked about the Fed adding liquidity to the market. The Bloomberg Dollar Spot index is trading just below the 1,199 level, marginally higher from yesterday but down 24 bps from one week ago. The December 15 tariff deadline is approaching, and Trump adviser Navarro said he has no indication the US is considering a delay to the 15th deadline.

Canada: USDCAD stayed range-bound in the low-to-mid 1.3200s ahead of US CPI and the FOMC. The pair has remained in a tight 12 pip range since yesterday's close. Overall the loonie was mixed against its G-10 peers, showing the greatest weakness against the Swedish krona and Aussie dollar. Oil (WTI) is off of yesterday's high of \$59.52 down to \$59.00. The US-Canada 2-year yield spread narrowed slightly to -0.028bps. With the US Fed expected to keep rates on hold, USDCAD traders will be focused on a speech by Bank of Canada Governor Poloz at 12:30PM EST for direction. Support comes in at 1.3233 (100-DMA) then 1.3191. Resistance comes in at 1.3278 (200-DMA) then 1.3328.

China: CNH weakened slightly (~10bps) this morning against the USD after White House Trade Adviser Navarro indicated that the US is not likely to postpone the Dec. 15th fresh round of tariffs on Chinese goods, which in turn spooked market participants from the recent bullish rhetoric surrounding the overall trade deal. Without a clear signal from the US on its willingness to delay tariffs worth approximately \$160 billion of imports, both parties will likely brace for some regressions in current talks and subsequently pushing the "phase one" deal back even further. The rest of the day will be centered around the Federal Reserve's policy meeting this afternoon, with the central bank expected to leave short term rates unchanged. Some volatility may appear as the associated statement and press conference potentially provides clues to the future trajectory of rates.

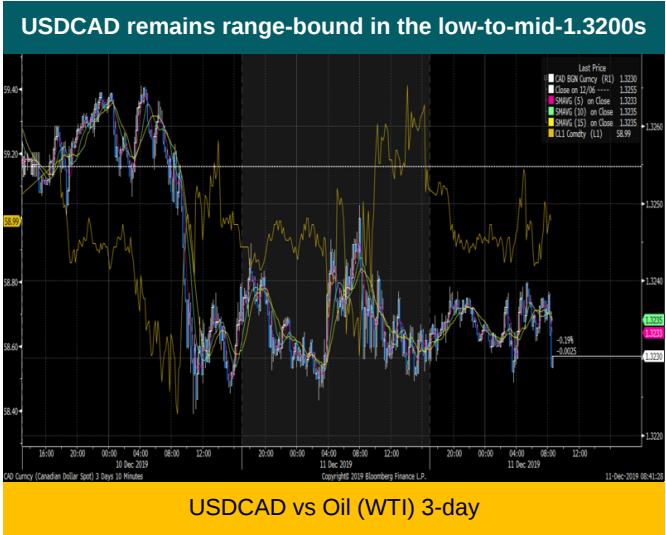
Europe: EUR/USD price action looks to be curling over after yesterday's highs of almost 1.1100, although the pair remains up 20bps for the week and 60bps for the month. This morning's release of inflation numbers from the US, which came in slightly above expectations at 2.1% YoY, did little impact to exchange rates at the moment as market participants position themselves for further action following this afternoon's FOMC meeting. Euro investors are also looking to tomorrow's ECB meeting, with all ears turned to Lagarde's messaging for further central bank action especially in light of the mixed data of late. Technical

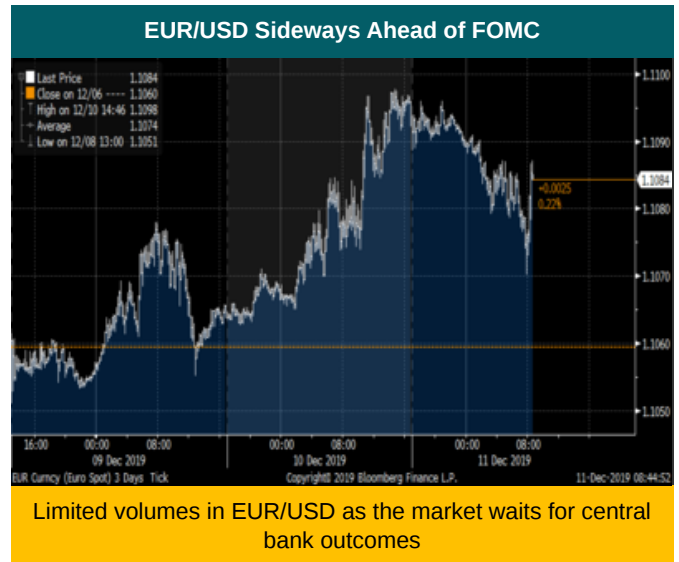
	Percentage Change					
	1M	3M	6M	9M	12M	24M
USDCAD	-0.10%	-0.38%	0.85%	-0.80%	0.22%	5.33%
USDCNH	0.10%	-0.66%	2.17%	4.81%	3.30%	11.35%
EURUSD	0.65%	0.44%	-2.55%	-1.37%	-4.02%	-9.66%

	Annualized Forward Differential					
	1M	3M	6M	9M	12M	24M
USDCAD	0.49%	0.23%	0.19%	0.06%	0.01%	0.10%
USDCNH	1.19%	1.18%	1.60%	1.03%	1.01%	1.09%
EURUSD	3.12%	2.53%	3.62%	2.33%	2.27%	2.14%

	Implied Volatility					
	3M	6M	9M	12M	24M	6M-RR
USDCAD	4.40%	4.58%	4.70%	4.96%	5.27%	0.35%
USDCNH	5.26%	5.17%	5.18%	5.22%	5.33%	1.10%
EURUSD	4.85%	5.18%	5.36%	5.67%	5.84%	0.35%

levels continue to suggest tight ranges as moving averages provide a band from 1.1060 to 1.1100, and 2019 trendline resistance sits right at current levels.





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

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