



CITIZENS GLOBAL MARKETS

Daily FiX



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Your Foreign FiX

Thursday, March 28, 2024

The US Dollar is trading higher this morning, following hawkish comments from Fed's Waller expressing concerns over recent economic reports and the level of inflation adding, "it is appropriate to reduce the overall number of rate cuts or push them further into the future in response to recent data". He did not rule out a June cut however, suggesting better inflation reports would make him more confident to support a rate cut. US interest rates jumped following his comments and are holding on to those gains. A stronger third look at Q4 GDP, is also putting pressure on US interest rates. Jobless claims remains low at 210,000, but continuing claims ticked up slightly to 1.819 million. The Bloomberg Dollar index is trading just above the 1,245 level, up 14-bps from yesterday and 31-bps from one week ago. The Dollar is trading near the high for the month, supported by quarter-end flows and a less dovish Fed.

Canada: Canadian economic output increased slightly more than expected in January thanks to a recovery following the end of public-sector strikes in Quebec and a rebound in manufacturing activity. Gross domestic product grew 0.6% from the month before to 2.218 trillion CAD. The increase was the strongest monthly advance in GDP by industry in a year and beat the 0.4% consensus expectation of economists. On a one-year basis, GDP rose 0.9%. The Canadian dollar is testing its year-to-date low after Federal Reserve Governor Christopher Waller said the central bank should not rush to cut interest rates. Trader focus turns to Canadian and US data Friday and quarter-end flows. USDCAD moved to just below 1.3580 as of 8:41 am EST; poised to break a 3-day losing streak. WTI crude futures climbed 1.5% to \$82.56 per barrel. The US two-year yield exceeds its Canadian counterpart by 44.2bps, up from 42.9bps on Wednesday. The 10-year yield spread is 74.5bps in favor of US vs 75bps in favor of US the previous session. Support comes in at 1.3448 and resistance at 1.3627.

China: CNH is down just over 0.1% as CNH shows its susceptibility to the broad dollar bid. China's overnight repo rate is down 4 bps as the PBOC injects cash to help with quarter-end demand. According to Bloomberg, Chinese leader Xi Jinping said "China should enrich its toolbox of monetary policies and the central bank should gradually increase the buying and selling of government bonds in its open-market operations." Once again, the PBOC set its yuan reference rate stronger than estimate (7.0948 vs. 7.2272).

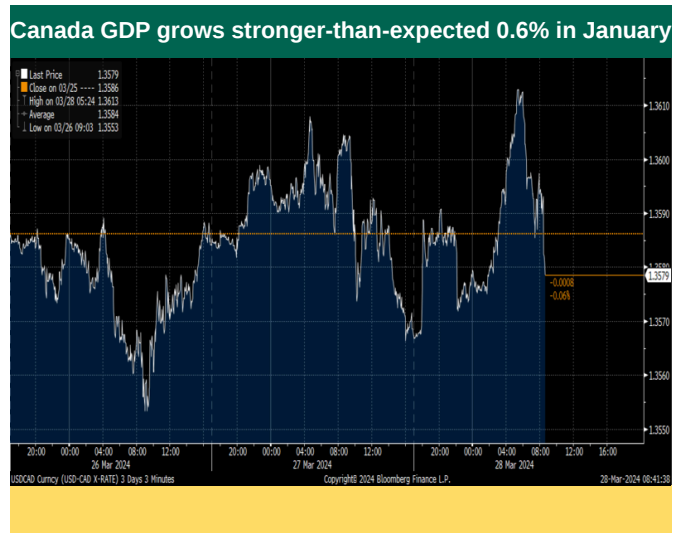
Europe: On the last trading day of the quarter, the euro made it way below the 1.08 level nearly 2% lower from its March peak but roughly 20bps lower month to date. The dollar is bid after Fed's Waller made hawkish comments on

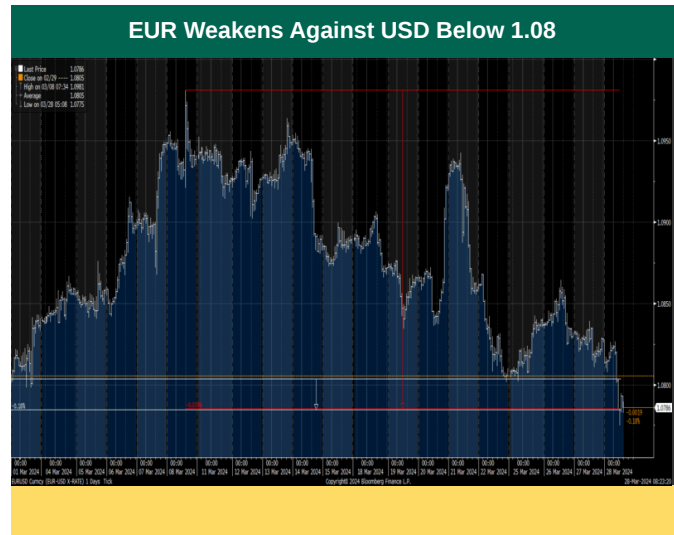
Percentage Change						
	1M	3M	6M	9M	12M	24M
USDCAD	0.10%	1.82%	-0.71%	3.20%	0.01%	6.42%
USDCNH	0.80%	1.26%	-0.60%	1.26%	4.84%	7.36%
EURUSD	-0.18%	-1.45%	2.45%	-3.09%	-2.19%	0.57%

Annualized Forward Differential						
	1M	3M	6M	9M	12M	24M
USDCAD	0.57%	0.54%	0.82%	0.56%	0.55%	0.48%
USDCNH	1.40%	1.79%	3.28%	2.26%	2.26%	2.01%
EURUSD	1.50%	1.51%	2.36%	1.65%	1.66%	1.65%

Implied Volatility						
	3M	6M	9M	12M	24M	6M-RR
USDCAD	4.90%	5.13%	5.48%	5.54%	5.65%	0.45%
USDCNH	3.96%	4.65%	5.46%	5.77%	6.06%	0.47%
EURUSD	5.44%	5.71%	6.15%	6.25%	6.40%	-0.60%

US inflation and market appetite is seemingly resilient. His view is that inflation is “disappointing” and prompted him to back 2 of the 3 rate cuts this year and that the Fed should be more patient to easing since the economy is still broadly strong. Today, the PCE index reports which could cause intraday volatility if prices are indeed higher, and markets adjust their expectations of future Fed rate cuts. The euro is also being underpinned by softer German retail sales data that dropped 1.9% MoM versus 0.4% previously, marking its fourth monthly dip in a row. Labor data was also weaker as unemployment holds near a 2.5 year high of 5.9% and the jobless number rose for a 15th month in a row. Expect liquidity and flows to subside heading into the weekend as the US and EU take a holiday break.





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