



CITIZENS GLOBAL MARKETS

Daily FiX



Trading Desk Direct: 888.821.3600

Your Foreign FiX

Tuesday, April 16, 2024

The US Dollar is extending higher this morning, as markets remain on edge, waiting for a potential counterattack from Israel and the several Fed speakers today, including Powell. Despite the heightened tensions, US interest rates are trading higher across the curve, lifting real yields. The combination of NFP, CPI and retails sales has ostensibly taken a June Fed rate cut off the table, with attention turning to September as a possible pivot date. The OIS market is pricing a 48% chance for a 25-bps cut in July and a 96% chance for a cut in September. The market is leaning towards two 25-bps cuts this year. Housing starts missed expectations this morning, up 1.321 million well below the 1.485 million expected but it was offset slightly by a higher revision in February. The Bloomberg Dollar index is trading just above the 1,263 level, up marginally from yesterday and 1.8% from one week ago. The Dollar remains strong but it is technically overbought and with all the Fed speakers today, expect some periods of volatility during the day.

Canada: USDCAD began the US session down just 5bps ahead of the all-important Canadian CPI data. The pair was trading in the high-1.3700s ahead of the print. Against its G-10 peers overnight the loonie was mainly stronger, showing the most strength against that Swedish krona (+0.36%) while showing the most weakness against the EUR (-0.09%). In economics, Canada released CPI (Mar) which came in slightly below expectations on a MoM basis (+0.7% survey vs +0.6% actual) while coming in on the mark on a YoY basis at +2.9%. CPI Core data also came in below expectations. The softer than expected data sent USDCAD to a YTD high of 1.3822 before retracing slightly. With the data tilting dovish, it remains to be seen if the Bank of Canada will cut rates at an upcoming meeting. Governor Macklem will be speaking at 1:15PM EST which may provide some insight. Oil (WTI) remains near the \$85 level. Fallout from the Canadian CPI data will provide direction. Support comes in at 1.3712 with resistance coming in at 1.3844.

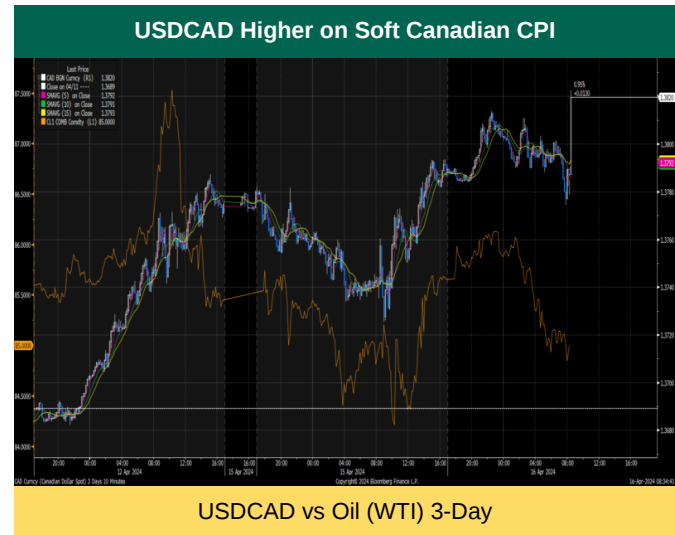
China: The offshore yuan is ~0.1% lower off a broad bid for the dollar, with much focus on the slew of economic data released overnight. China GDP came in hot for the first quarter – 5.3% YoY versus the consensus 4.8% estimate. As Bloomberg points out, however, much of the bounce in GDP came from January and February as evidenced by weaker-than-expected Retail Sales and Industrial Production data. Retail Sales for March came in at 3.1% YoY versus the 4.8% consensus estimate; likewise, industrial production missed the 6.0% YoY estimate, with a 4.5% print. The collection of data isn't enough to convince the market that China's economic woes are in the rearview mirror, although some economists are revising their full year GDP forecasts higher.

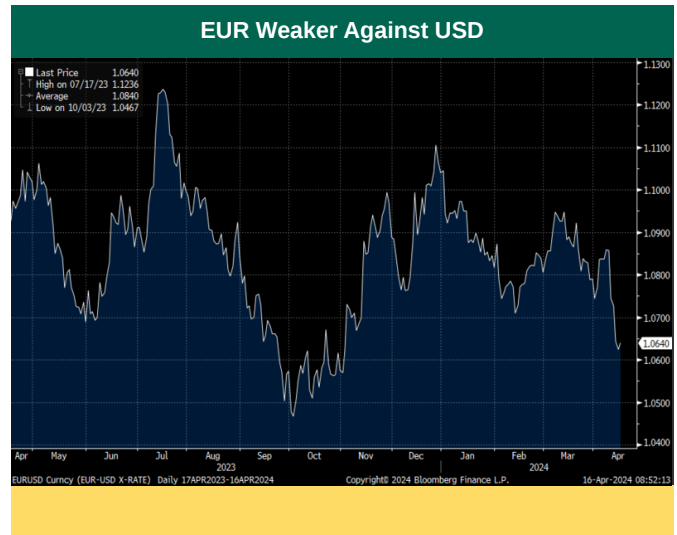
	Percentage Change					
	1M	3M	6M	9M	12M	24M
USDCAD	1.56%	2.35%	-0.69%	2.68%	2.20%	6.40%
USDCNH	0.77%	1.39%	-1.01%	0.42%	3.84%	7.58%
EURUSD	-2.07%	-1.96%	0.62%	-2.88%	-2.03%	2.16%

	Annualized Forward Differential					
	1M	3M	6M	9M	12M	24M
USDCAD	0.48%	0.56%	0.91%	0.65%	0.65%	0.60%
USDCNH	0.27%	1.07%	2.53%	1.99%	2.09%	2.04%
EURUSD	1.49%	1.52%	2.45%	1.78%	1.82%	1.86%

	Implied Volatility					
	3M	6M	9M	12M	24M	6M-RR
USDCAD	5.64%	5.70%	5.87%	5.87%	5.99%	0.76%
USDCNH	4.45%	5.11%	5.81%	6.10%	6.48%	0.71%
EURUSD	6.70%	6.73%	7.00%	7.00%	7.14%	-0.95%

Europe: The euro continues to probe fresh year to date lows as markets remain risk off as geopolitical tensions escalate. The conflict between Iran and Israel risks provoking a wider war as Israel vows to retaliate to Iran after this past weekend's drone attack. US data is also proving to be a key driver for USD near-term strength as the economy fares better than its peers. Yesterday's retail sales suggested a stronger consumer. In the eurozone, German ZEW expectations was better than expected at 43.9 versus 33.5 prior. Several ECB policymakers are calling for a cut as soon as June; ECB's Rehn says geopolitics is posing the biggest risk to rate cuts. Higher energy prices could setback inflation and increase pressure on prices in the EU.





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