

USD Broadly Firmer as CAD Awaits CPI, Retail Sales

- USD firms for a fourth consecutive day as yields rise, curve steepens.
- CAD steadies in upper 1.26s ahead of key data round.
- EUR softer on long liquidation but finding bids around 1.23.
- GBP lower, and vulnerable, as Carney torpedoes May rate hike speculation.
- JPY softer but USD gains perhaps limited to high 107s/low 108s.
- AUD softer after heavy losses from 200-day MA, undertone soft.
- MXN losses steady as USD tests 200-day MA on poll jitters.

FX Market Update - Markets turned more volatile yesterday, with bonds selling off, commodity prices backtracking and the USD firming up—mainly in response to headlines rather than actual fundamental developments, it seemed. Today might be more of the same—there are some key Canadian data points this morning but, beyond that, very little for the broader markets to focus on. The USD is sustaining gains into the end of the week, rising broadly against its G-10 peers whilst remaining little changed on the day versus the CNY/CNH and the MXN. European stocks are up, after Asian markets fell and developed market bonds are mostly weaker. After ripping higher earlier this week, metals prices fell yesterday but are steadier today. WTI is firmer. Rising US yields and a somewhat steeper yield curve are supporting the USD in the short run, although we note that the USD has not been especially attached to diverging spreads for a significant period of time. Our DXY FV model based on regressions with DXY-weighted spreads suggests the DXY is some 3 standard deviations below estimated equilibrium. We still rather see the USD in a broader range and consolidating late 2017/early 2018 gains. Look for USD gains to fade. Note an early tweet from President Trump took aim at OPEC and “artificially” high oil prices.

USDCAD (1.2673) • USDCAD has steadied overnight but data releases from Canada this morning represent obvious risks for the market, given the focus on the BoC policy outlook. Retail sales are expected to advance 0.4% in Mar, following a 0.3% gain in Feb (Scotiabank is at 0.3%) while inflation is expected to advance 0.4% M/M and 2.4% Y/Y (Scotia on +0.5% M/M and +2.5% in the year, reflecting a slight upside skew to the range of calls in the Bloomberg consensus). A 2.5% print would be the highest rate of inflation in Canada since 2012 and, after the CAD-negative reaction to the BoC policy statement earlier this week, might well persuade markets that a May tightening is perhaps a greater risk than currently seen.

USDCAD short-term technicals: Neutral/bearish—the USD made a marginal new high for the move up overnight but USD gains—at this point—are not especially convincing. Rather, the USD is trading towards the upper end of its short-term consolidation range (potential bear flag) and starting to struggle to gain. Hourly patterns are, in fact, negative and suggest a better offered tone for the USD in the early part of our session at least. Resistance is 1.2680/90, key short-term support is 1.2595 and 1.2545.

EURUSD (1.2301) • German PPI data rose 0.1% M/M in Mar, below forecasts for a 0.2% advance, leaving the Y/Y pace of growth at 1.9%, up fractionally from Feb’s 1.8%. EURUSD is softer as long positions are cut back after the EUR failed to progress above 1.24. ECB policy meeting next week in focus but no change is likely.

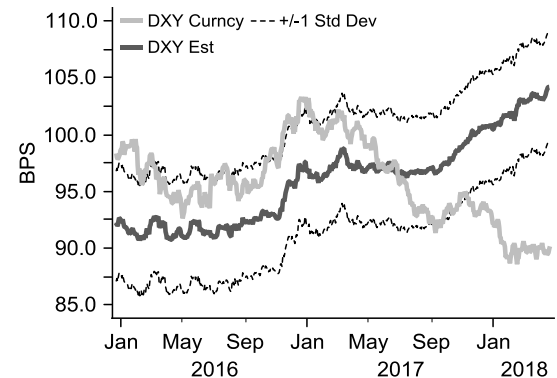
EURUSD short-term technicals: Neutral/bearish—loss of support in the low 1.23

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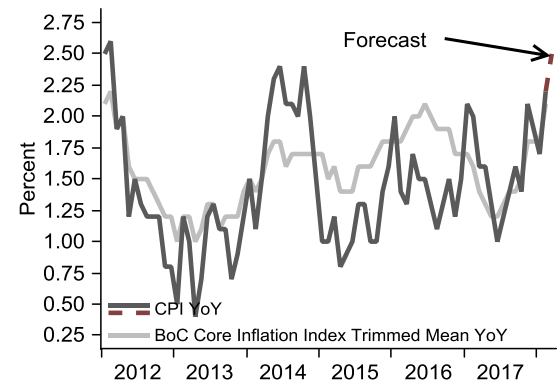
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DXY FV Detached From Weighted Spreads



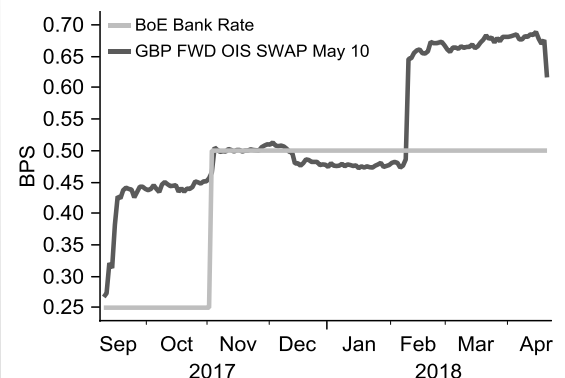
Source: Macrobond, Scotiabank FICC Strategy

Canadian Inflation Pressures Edge Higher



Source: Macrobond, Scotiabank FICC Strategy

Carney Comments Cut May Tightening Risks



Source: Macrobond, Scotiabank FICC Strategy

area leaves the short-term chart looking a little softer for the EUR but the broader market consolidation remains intact. Intraday patterns suggest a bid for the EUR emerging around the 1.23 area currently and we see firm support in the mid/upper 1.22s.

GBPUSD (1.4077) • BoE Gov. Carney’s suggestion that policy makers will discuss the economic backdrop in May but there were “other meetings” in the year at which monetary policy might be adjusted possibly reflected a concern that there was not a consensus among policy makers to tighten rates so soon after the recent run of soft—but weather-affected—UK data. Rate probabilities softened dramatically. Somewhat hawkish comments from MPC member Saunders today (economy does not need as much stimulus) have steadied the GBP but had little impact on OIS.

GBPUSD short-term technicals: Neutral/bearish—Cable slipped sharply yesterday and weekly patterns look frankly terrible now (potential outside range week lower). Short-term price signals are a little more constructive for the pound at the moment as the market seems to be getting a decent lift intraday from the 40-day MA (1.4038—right on the earlier low). Sterling may gain a little ground into the end of the week but losses overall since Monday give the broader picture a more negative flavor now.

TECHNICALS: BUY/SELL SIGNALS AND PIVOT LEVEL								Apr 20, 2018
	30 Day Hist Vol	Spot	MACD	9 & 21-day MA	DMI	RSI	Pivot 1st Support	Pivot 1st Resist.
USDCAD	7.7	1.2663	sell	sell	sell	44	1.2604	1.2703
EURUSD	6.3	1.2299	buy	buy	buy	47	1.2261	1.2368
GBPUSD	7.3	1.4074	sell	buy	sell	47	1.3991	1.4201
USDCHF	6.1	0.9741	buy	buy	buy	71	0.9692	0.9767
USDJPY	7.4	107.66	buy	buy	buy	58	107.32	107.87
AUDUSD	8.4	0.7695	buy	buy	sell	43	0.7649	0.7777
USDMXN	11.0	18.4613	buy	sell	buy	56	18.18	18.62
DXY (USD index)	5.8	90.15	buy	na	buy	55	89.70	90.39
EURCAD	7.8	1.5575	sell	sell	sell	42	1.5546	1.5625
GBPCAD	7.8	1.7822	sell	sell	sell	42	1.7747	1.7933
AUDCAD	6.3	0.9744	sell	sell	sell	37	0.9702	0.9822
CADMXN	9.3	14.58	buy	buy	buy	60	14.38	14.69

Source: Scotiabank & Bloomberg

TODAY'S CALENDAR

Time (ET)	Country	Release	Period	Consensus	Last
08:30	CA	Retail Sales MoM	Feb	0.4%	0.3%
08:30	CA	Retail Sales Ex Auto MoM	Feb	0.4%	0.9%
08:30	CA	CPI NSA MoM	Mar	0.4%	0.6%
08:30	CA	CPI YoY	Mar	2.4%	2.2%
08:30	CA	CPI Core- Common YoY%	Mar	2.0%	1.9%
08:30	CA	CPI Core- Median YoY%	Mar	2.2%	2.1%
08:30	CA	CPI Core- Trim YoY%	Mar	2.1%	2.1%
09:40	US	Fed's Evans (dove, non-voting) speaks on economy & policy; Q&A			
10:00	EC	Consumer Confidence	Apr A	-0.1	0.1
11:00	SW	Riksbank's Gov. Ingves speaks			

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