

USD Extends Weakness, Retraces Half Of Rally From Sept.

- USD under pressure following most recent FOMC minutes w/ risk for 2018 path.
- CAD extending recent rally into retail sales at 8:30am ET; neutral-bullish.
- EUR threatening November 15 high, supported by fresh highs in PMI's.
- GBP consolidating recent rally; GDP as expected & near-term risk limited.
- JPY quiet at fresh two month high; spreads adding to recent support from tone.
- AUD extending gains following Tuesday's bullish reversal; technicals shifting.
- MXN consolidating recent rally; near-term risk in Banxico minutes 10am ET.

FX Market Update - The USD remains weak in the aftermath of Wednesday's FOMC minutes as market participants consider the outlook for the Fed's 2018 tightening path in light of ongoing concerns relating to low inflation. Specifically, expectations for March appear vulnerable (top chart). The DXY is threatening the midpoint of its rally from early September (middle chart) and the balance of risk favors further weakness. The broader tone is quiet, reflecting the U.S. Thanksgiving holiday. Overnight developments have been limited to an unexpected, violent decline in Chinese equities with the Shanghai Composite down over 2% and the CSI300 down nearly 3%. European equities are quiet, the U.S. Treasury market is closed, and German bond yields are flat. Gold is consolidating Wednesday's rally toward the upper end of its one month range and WTI is quiet near Wednesday's multi-year high. There are no U.S. releases scheduled for Thursday's NA session with risk limited to Canada's retail sales and the latest Banxico minutes. SNB President Jordan is set to speak at 11:30am ET and New Zealand releases trade figures at 4:45pm ET. Liquidity should decline materially through the latter half of the NA session. E.T.

USDCAD (1.2676) • CAD is up a modest 0.2% from Wednesday's close, extending its recent rally toward the November 10 high. Near-term domestic risk lies with the release of retail sales figures with expectations of a 1.0% m/m gain for September. CAD remains well supported by strength in broader, CAD-relevant commodities, offsetting the recent widening in yield spreads. Domestic rate expectations appear to have stabilized, with OIS pricing roughly 10bpts of BoC tightening for January and nearly 50bpts by September 2018. The outlook for relative central bank policy appears set to offer modest CAD support, given the risk to Fed expectations and implications for the broader USD. E.T.

USDCAD short-term technicals: neutral-bearish—trend and momentum indicators remain remarkably muted, with the RSI having just dropped into bearish territory below 50. USDCAD has broken below both the 21 day MA and the ascending trend line drawn from the September lows. Short-term MA's are bearishly aligned, and near-term support is expected around the November 10 low in the mid-1.26 area. Further support appears limited ahead of 1.2620. We look to near-term resistance between 1.2720 and 1.2750. E.T.

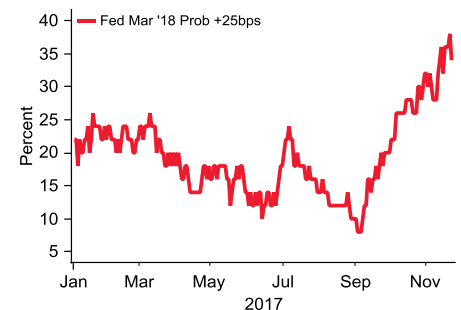
EURUSD (1.1850) • EUR is up 0.2% vs. the USD, extending its recent rally in an environment of broad-based USD weakness and threatening a push through the November 15 high. Fundamental releases are providing support as market participants consider stronger than expected—and fresh highs (bottom chart)—in the preliminary PMI's for France, Germany, and the euro area. The ECB minutes are scheduled for release at 7:30am with risk centered around the topic of rate guidance for 2018. The outlook for relative central bank policy appears set to provide medium-term support as market participants consider downside risks to the Fed's 2018

 FOLLOW US ON TWITTER [@SCOTIABANKFX](https://twitter.com/SCOTIABANKFX)

Shaun Osborne
Chief FX Strategist
416.945.4538
shaun.osborne@scotiabank.com

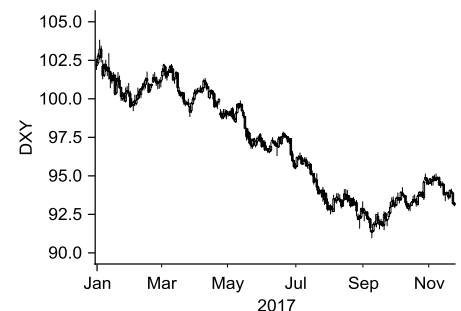
Eric Theoret, CFA, CMT
FX Strategist
416.863.7030
eric.theoret@scotiabank.com

March Fed Hike Expectations At Risk



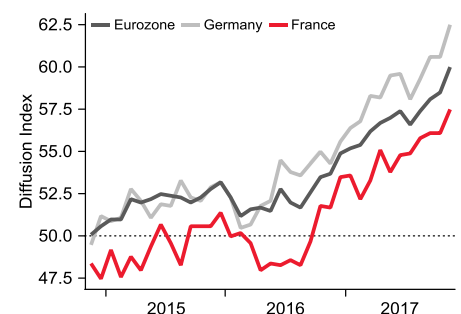
Source: Macrobond, Scotiabank FICC Strategy

DXY Retracing Rally From September



Source: Macrobond, Scotiabank FICC Strategy

Fresh Highs In euro area PMI's



Source: Macrobond, Scotiabank FICC Strategy

tightening path. E.T.

EURUSD short-term technicals: neutral-bullish—EUR is extending Wednesday's rally and threatening the November 15 high, opening up the risk of a push to levels last seen in mid-October. Momentum signals are bullish, DMI's are bullishly aligned, and short-term MA's are confirming. Resistance is expected at 1.1880 and 1.1950. E.T.

GBPUSD (1.3311) • GBP is consolidating its recent rally following a run of seven consecutive daily gains capped by Wednesday's 0.6% rally. The preliminary (2nd) release of Q3 GDP was in line with expectations, at 0.4% q/q. There are no major releases ahead of the November PMI's scheduled for release in early December, and Brexit related-risks appear limited ahead of PM May's meeting with EC President Juncker on December 4. E.T.

GBPUSD short-term technicals: neutral-bullish—GBP is testing fresh one month highs in the mid-1.33s at levels last seen in mid-October. Trend and momentum indicators are modestly bullish and short-term MA's are providing confirmation. GBP appears set to break through the midpoint of its range from late September, and resistance limited ahead of the 1.3400-1.3420 area. E.T.

USDJPY (111.21) • JPY is quiet, consolidating its recent rally to fresh two month highs at levels last seen in mid-September. Spreads appear somewhat vulnerable in the aftermath of Wednesday's Fed minutes, as market participants consider the outlook relative central bank policy. Domestic risk is limited ahead of next week's retail sales, and risk reversals are suggestive of a modest rise in the premium for protection against near-term JPY strength. Technicals are bullish but not yet overbought. E.T.

TECHNICALS: BUY/SELL SIGNALS AND PIVOT LEVEL **Nov 23, 2017**

	30 Day Hist Vol	Spot	MACD	9 & 21- day MA	DMI	RSI	Pivot 1st Support	Pivot 1st Resist.
USDCAD	6.9	1.2677	sell	sell	buy	47	1.2637	1.2752
EURUSD	7.4	1.1848	buy	buy	buy	61	1.1769	1.1892
GBPUSD	8.0	1.3310	buy	buy	buy	59	1.3237	1.3360
USDCHF	7.3	0.9803	sell	sell	sell	41	0.9760	0.9882
USDJPY	6.9	111.21	sell	sell	sell	34	110.69	112.12
AUDUSD	7.0	0.7632	buy	sell	sell	45	0.7578	0.7662
USDMXN	11.3	18.6496	sell	sell	sell	40	18.56	18.79
DXY (USD index)	5.7	93.11	sell	na	sell	38	92.80	93.69
EURCAD	8.4	1.5019	buy	buy	buy	59	1.4975	1.5050
GBPCAD	11.2	1.6873	buy	buy	buy	56	1.6830	1.6930
AUDCAD	4.8	0.9675	sell	sell	sell	37	0.9642	0.9702
CADMXN	10.9	14.71	sell	sell	sell	38	14.65	14.78

Source: Scotiabank & Bloomberg

TODAY'S CALENDAR

Time	Country	Release	Period	Consensus	Last	Significance
08:30	CA	Retail Sales MoM	Sep	0.9%	-0.3%	HIGH
08:30	CA	Retail Sales Ex Auto MoM	Sep	1.0%	-0.7%	HIGH
11:30	SZ	SNB's Thomas Jordan speaks				med-high
13:30	FR	ECB's Villeroy speaks				med
16:45	NZ	Trade Balance NZD	Oct	-760m	-1143m	med-high
04:00	GE	IFO Business Climate	Nov	116.7	116.7	HIGH
04:00	GE	IFO Expectations	Nov	108.8	109.1	med-high
04:00	GE	IFO Current Assessment	Nov	125	124.8	med-high

IMPORTANT NOTICE and DISCLAIMER:

This publication has been prepared by The Bank of Nova Scotia (Scotiabank) for informational and marketing purposes only. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable, but no representation or warranty, express or implied, is made as to their accuracy or completeness and neither the information nor the forecast shall be taken as a representation for which Scotiabank, its affiliates or any of their employees incur any responsibility. Neither Scotiabank nor its affiliates accept any liability whatsoever for any loss arising from any use of this information. This publication is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any of the currencies referred to herein, nor shall this publication be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The general transaction, financial, educational and market information contained herein is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. You should note that the manner in which you implement any of the strategies set out in this publication may expose you to significant risk and you should carefully consider your ability to bear such risks through consultation with your own independent financial, legal, accounting, tax and other professional advisors. Scotiabank, its affiliates and/or their respective officers, directors or employees may from time to time take positions in the currencies mentioned herein as principal or agent, and may have received remuneration as financial advisor and/or underwriter for certain of the corporations mentioned herein. Directors, officers or employees of Scotiabank and its affiliates may serve as directors of corporations referred to herein. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. This publication and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced in whole or in part, or referred to in any manner whatsoever nor may the information, opinions and conclusions contained in it be referred to without the prior express written consent of Scotiabank.

™Trademark of The Bank of Nova Scotia. Used under license, where applicable. Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, all members of the Scotiabank group and authorized users of the mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorized and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia and Scotiabank Europe plc are authorized by the UK Prudential Regulation Authority. The Bank of Nova Scotia is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available on request. Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities. Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.