

USD Firmer on Fed, Safe Haven Demand

- USD strengthens despite Fed statement offering nothing new.
- CAD weakens on soft oil, renewed trade concerns.
- EUR weakness slows in low 1.13s ahead of key support at the figure.
- GBP soft as Brexit overshadows decent trade and GDP data.
- JPY out-performs on safe-haven demand as global stocks slide.
- AUD softer as commodity FX under-performs broadly.
- MXN little changed despite risk off sentiment; Sep IP data at 9.00ET.

FX Market Update - The outcome of the FOMC was much as markets had expected—unchanged rates and a nod towards the need for further “gradual increases” in the Fed funds target rate. Traders warmed to the fact that the Fed had not been cowed by President Trump’s recent criticism and lifted the USD but the decision has added nothing to the rate outlook in the near-term—markets are still pricing in around 80% chance of a Dec hike and remain reluctant to price in more than two additional rate hikes overall for next year—making the market’s reaction a little hard to fathom. We remain dubious about the USD’s ability to sustain gains but the firm trend is poised to extend into the end of the week at least, helped by safe-haven demand as global stocks slide in response to the prospect of more Fed tightening and increasing concern about the Chinese economy following softer PPI data and a sharp (13% Y/Y) fall in passenger car sales. The JPY is out-performing while the commodity block and Scandinavian currencies are under-performing amid risk off sentiment and a further drop in crude oil (WTI below \$60). On the data front, the US reports PPI, Wholesale Inventories and U. Michigan Sentiment data while Williams, Harker and Quarles have speaking engagements.

USDCAD (1.3196) • The CAD is weak after getting whacked by soft oil (on reports that the Saudi’s were studying break up of OPEC), a stronger USD following the Fed decision and reports suggesting USMCA talks had hit a bump in the road. This is not unusual perhaps in the context of a complex agreement that is now being turned into legal text but the risk of renewed trade tensions (and the prospect of a delay in lifting of steel and aluminum tariffs) is clearly unhelpful for CAD sentiment, with investors having thought this issue had been put to rest.

USDCAD short-term technicals: Bullish—USDCAD is nosing out of the top of the recent range in the upper 1.31s a little more convincingly this morning and may be heading for its strongest weekly close since Jun, a development which—after a series of weekly closes a round 1.31 – would be hard to ignore. Trend strength signals remain weak on all but the hourly oscillator study, however, suggesting that a sustained rally is still a big ask at this point. We see resistance at 1.3325 (Sep high) but then little until the mid-year peaks (1.3290 and 1.3384). Support is 1.3155/65.

EURUSD (1.1352) • Spot is down half a cent from this time yesterday with the renewed volatility in stocks the only new factor for the EUR to contend with. France reported weaker than expected industrial production data for Sep earlier but those data points are not typically market moving. There are some large option expiries today—EUR6.5bn of 1.15s and 3.6bn of 1.1425s—which look less relevant for the market this morning than they did yesterday. Large strikes rolling off today also noted at 1.1400.

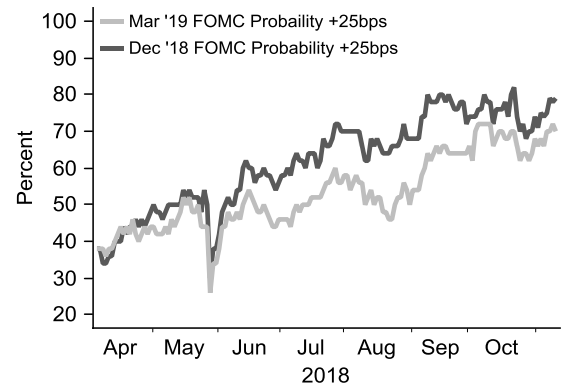
EURUSD short-term technicals: Neutral/bullish—EURUSD traded softly through

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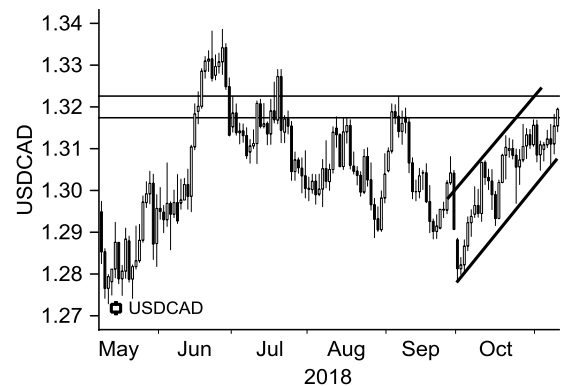
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Market Confidence in Dec Hike Intact



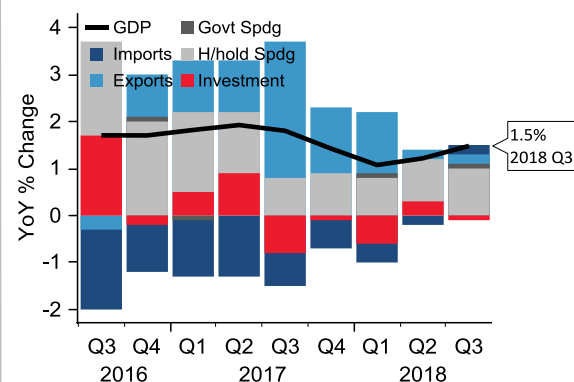
Source: Macrobond, Scotiabank FICC Strategy

USDCAD Firm, Tests Resistance Near 1.32



Source: Macrobond, Scotiabank FICC Strategy

UK GDP Strengthens Slightly



Source: Macrobond, Scotiabank FICC Strategy

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the overnight session but there are tentative signs on the hourly and 6-hour chart that the EUR is finding a bid in the low 1.13s (bullish price action evident on both). Key support remains 1.1300/05. We see minor resistance at 1.1375 on the hourly chart and (stronger) at 1.1400.

GBPUSD (1.3018) • UK data reports today were quite positive overall—Sep visible trade reported a much narrower deficit (GBP9.7bn) and while Sep industrial production was flat on the month, manufacturing and construction were strong. Sep GDP was flat on the month but the quarterly figures reflected 0.6% growth in the economy for a 1.5% gain in the year on consumer spending and net trade. The GBP had no opportunity to enjoy the data, however, as PM May's Brexit plans are coming undone amid indications that the Northern Irish DUP, which supports May's government in parliament, does not back her compromise plans with Brussels.

GBPUSD short-term technicals: Neutral/bearish—GBPUSD has struggled to hold gains this week and looks poised to close out Friday back under the 40-day MA (1.3048). Intraday price action suggests a modest bid off the European low may be developing but short-term trend momentum signals are bearish on the intraday studies. We see resistance around 1.3050 this morning and expect more pressure on the 1.2950 support area.

TECHNICALS: BUY/SELL SIGNALS AND PIVOT LEVELS
Nov 09, 2018

	30 Day Hist Vol	Spot	MACD	9 & 21- day MA	DMI	RSI	Pivot 1st Support	Pivot 1st Resist.
USDCAD	5.7	1.3195	sell	buy	sell	54	1.3114	1.3217
EURUSD	5.9	1.1352	buy	sell	sell	45	1.1331	1.1436
GBPUSD	9.6	1.3025	buy	sell	buy	57	1.3008	1.3109
USDCHF	4.9	1.0060	sell	buy	buy	61	0.9992	1.0090
USDJPY	5.9	113.84	buy	buy	buy	61	113.25	114.12
AUDUSD	9.4	0.7242	buy	buy	buy	66	0.7203	0.7290
USDMXN	16.8	20.2203	buy	buy	buy	58	19.89	20.25
DXY (USD index)	5.2	96.77	sell	na	sell	53	96.14	96.93
EURCAD	7.3	1.4979	buy	sell	sell	48	1.4929	1.5039
GBPCAD	10.2	1.7186	buy	buy	buy	58	1.7136	1.7247
AUDCAD	7.5	0.9556	buy	buy	buy	71	0.9501	0.9588
CADMXN	15.7	15.32	buy	buy	buy	58	15.11	15.38

Source: Scotiabank & Bloomberg

TODAY'S CALENDAR

Time (ET)	Country	Release	Period	Consensus	Last
08:30	US	Fed's Williams and Harker Speak			
08:30	US	PPI Final Demand MoM	Oct	0.2%	0.2%
08:30	US	PPI Final Demand YoY	Oct	2.5%	2.6%
08:30	US	PPI Ex Food and Energy YoY	Oct	2.3%	2.5%
09:00	MX	Industrial Production SA MoM	Sep	0.6%	-0.5%
09:00	MX	Industrial Production NSA YoY	Sep	1.8%	0.2%
09:00	US	Fed's Quarles to Speak on Stress testing			
10:00	US	Wholesale Inventories MoM	Sep F	0.3%	0.3%
10:00	US	U. of Mich. Sentiment	Nov P	98	98.6
12:00	US	Fed Inaugural Supervision and Regulation Report			

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