

USD Little Changed in Quiet Trading

- USD mixed in thin trading, US market closure to keep trading subdued.
- CAD holds range as oil prices decline.
- EUR steady in its range as spot ignores PMIs.
- GBP lags as Merkel highlights no-trade-deal Brexit risks.
- JPY unchanged despite risk-off blush to equity markets.
- AUD gains slightly on strong retail sales.
- MXN falls behind on risk-off tone and weaker crude.

FX Market Update - The USD is little changed against the major currencies in quiet trade. With US markets closed and no economic data releases today—note also that the CFTC data will be released on Monday—there is likely to be little movement in our session, especially after European trade winds down for the weekend. G10 currencies are mixed against the USD leaving the DXY just about holding on to the parameters of the June consolidation range. Slightly better Australian retail sales for May (+16.9% m/m) and stronger Caixin PMI data for China in June (services rising to 58.4, from 55.0 and the composite index strengthening to 55.7, from 54.5) lifted risk sentiment somewhat overnight but European PMI data chilled the mood somewhat as most bettered expectations but held below the 50 level. European stocks have slipped into the red and US futures are modestly lower. The NZD and AUD are struggling to hold modest gains on the USD at writing while the JPY is flat on the day. The GBP is under-performing in the G10 space as UK PMI services data barely improved in June. The MXN is the weakest among the major currencies, falling 0.3% on the day. We still expect the recent consolidation in the USD to be resolved bearishly as the virus situation has erased the support the USD has found in the past couple of years from superior growth dynamics and interest rate differentials while positive risk appetite—backstopped by central bank policy for now—should also weigh on USD sentiment. The resurgence of the coronavirus in the US (40 of 50 states are now showing higher trends in new cases) does, however, suggest the risk of stronger headwinds developing for risk assets later in the summer.

USDCAD (1.3571) • The CAD once again finds itself lagging even modest gains made by its commodity peers in the overnight session although in line with the somewhat less constructive mood for risk assets on the day and softer oil prices. The CAD appears to be stuck in a range—supported near 1.37 but better offered near 1.35—in the absence of any major domestic developments (Canada releases the BoC Business Outlook Survey and employment data next week). We still rather think the CAD looks a little undervalued, given the generally soft USD tone, positive risk assets and crude oil prices that have rallied and held around the \$40/bbl level but slow summer markets may be holding the CAD back somewhat. We expect the CAD to remain well supported on modest softness at least for now.

USDCAD short-term technicals: Neutral/bearish—USDCAD has softened below noted, short-term consolidation support and looks poised to close out the week with a small loss but there is little sign of downward momentum in spot developing to any significant extent at this point. The USD is finding support in the mid 1.35s again, near the low seen at the start of the week, which coincides with the 21-day MA (1.3559) on the daily chart. A break below here targets a drop to the 1.3350/1.34 range. We spot resistance at 1.3635/40 and (stronger) at 1.3665.

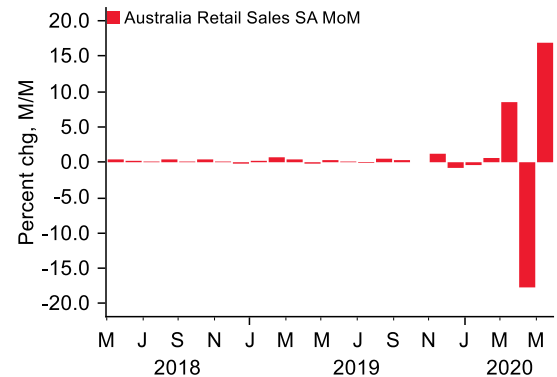
EURUSD (1.1230) • The common currency is practically unchanged for the day amid thin range-bound trading. Overnight developments—which were shrugged off by markets—included the release of composite and services PMI updates for the Eurozone/Germany/France and new figures for Italy and Spain (all readings

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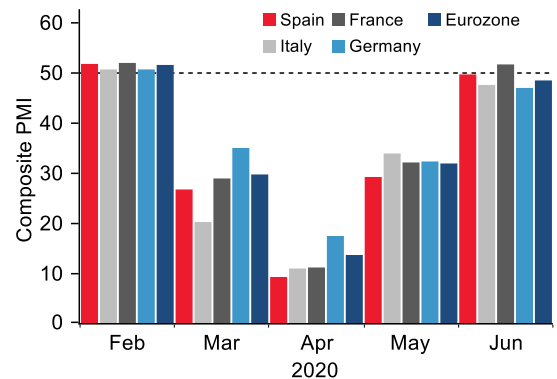
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Australia Retail Sales



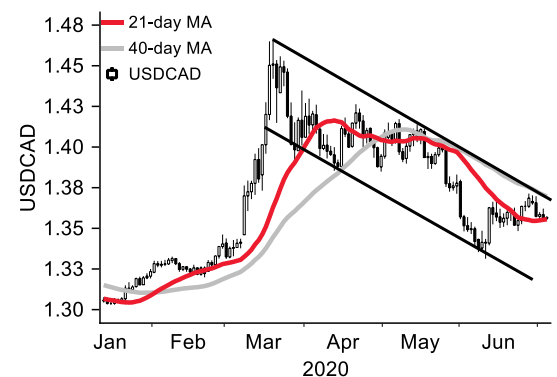
Source: Macrobond, Scotiabank FICC Strategy

Eurozone PMIs Near 50



Source: Macrobond, Scotiabank FICC Strategy

USDCAD Support Near 1.3550



Source: Macrobond, Scotiabank FICC Strategy

exceeded the median consensus estimate with the exception of Italian services) and a speech by Merkel where she highlighted that negotiations over the EU's recovery fund are "rocky" and time is pressing; the Eurogroup meets next Thursday to discuss a deal. France's PM Philippe resigned earlier today—with his replacement Castex announced in the past hour—as President Macron seeks a "new path" in the economic recovery. We expect range trading to persist for the rest of the day with US markets closed.

EURUSD short-term technicals: Neutral—The EUR's minor drop for the session has done little to suggest that the currency will not remain in a narrow trading band between 1.12 and 1.13 amid an absence of technical signals that would suggest the EUR is on the verge of breaking out of its wider 1.12-1.14 consolidation band to prolong its gains since mid-May. Resistance and support are at the 1.13 and 1.12 marks respectively while the 1.1250 level will likely act to rein in EUR fluctuations.

GBPUSD (1.2450) • The GBP sits at the bottom of the G10 league with a relatively minor decline of 0.1/2% after taking a hit from comments by Merkel stating that Germany is preparing for a no-deal Brexit on every level. Her remarks follow this week's EU-UK trade talks being cut short by a day yesterday with the two sides still far apart on key issues. Aside from the Chancellor's comments, it was a rather uneventful overnight session for the pound and will likely remain so through North American trading hours and even through next week in terms of domestic developments with only second-tier data on the calendar and no BoE speakers scheduled.

GBPUSD short-term technicals: Neutral—The GBP is partially unwinding some of its gains since Tuesday that suggested a bullish reversal of its steady decline since early June but with the day's losses still fairly contained in the mid-1.24s (100DMA at 1.2456) ahead of little in terms of support prior to a test of the big figure while the high 1.23s should prevent a further decline. Resistance is 1.25 followed by 1.2530/45.

TECHNICALS: BUY/SELL SIGNALS AND PIVOT LEVELS Jul 03, 2020

	30 Day Hist Vol	Spot	MACD	9 & 21- day MA	DMI	RSI	Pivot 1st Support	Pivot 1st Resist.
USDCAD	9.3	1.3571	buy	buy	sell	45	1.3542	1.3612
EURUSD	6.9	1.1230	sell	sell	buy	53	1.1198	1.1282
GBPUSD	10.0	1.2451	sell	sell	sell	50	1.2416	1.2508
USDCHF	6.5	0.9463	buy	sell	sell	42	0.9437	0.9480
USDJPY	6.4	107.49	buy	sell	sell	51	107.31	107.70
AUDUSD	12.8	0.6930	sell	sell	buy	61	0.6904	0.6954
USDMXN	20.8	22.5660	buy	buy	sell	49	22.38	22.75
DXY (USD index)	6.9	97.33	buy	na	sell	47	96.98	97.53
EURCAD	9.0	1.5240	sell	buy	buy	48	1.5194	1.5321
GBPCAD	6.8	1.6898	buy	sell	sell	45	1.6841	1.6991
AUDCAD	6.6	0.9405	sell	buy	buy	62	0.9384	0.9428
CADMXN	15.9	16.63	buy	buy	sell	51	16.52	16.73

Source: Scotiabank & Bloomberg

TODAY'S CALENDAR

Time (ET)	Country	Release	Period	Consensus	Last
08:00	EC	ECB's Knot Speaks at Bloomberg EU Policy Series			

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