

### USD Softer as Stocks Slip, Focus on Claims & \$ Liquidity

- USD weakens amid a turn lower in stocks despite Senate vote stimulus bill.
- CAD strengthens but under-performs as crude prices remain soft.
- EUR four-day streak lines up a move to 1.10.
- GBP choppy but strengthens ahead of 8am ET BoE meeting.
- JPY out-performs to cross below 110 in slight risk-off backdrop.
- AUD pushes back above 0.60 in broad USD weakness.
- MXN unchanged amid subdued risk sentiment.

**FX Market Update** - The USD is extending losses against its major currency peers this morning, even as global equity markets turn lower. The Senate passed the stimulus bill 96-0 last night and the House will vote on the package Friday. Markets appear, however, to be focusing a little more on the economic and human impact of the virus outbreak this morning and—needless to say—it would be hard for stocks to maintain the pace of gains seen earlier this week. Singapore reported a deeper than expected contraction in Q1 GDP last night; the economy fell 10.6% (on a SAAR basis) which serves as a warning for the rest of the world that some grim economic data are looming. Indeed, amid a whole whack of US data out this morning, the one number markets are really interested in is the initial claims data for the March 21st week. State data suggest jobless claims surged as companies moved quickly to lay off employees last week. California recorded 1mn in jobless claims this month alone, officials indicate. The Bloomberg consensus indicates economists expect around 1.5mn in initial claims—which would be more than double the previous record. The Bloomberg survey indicates there are plenty of forecasts above 2mn and one (outlier) at the 4mn point. Still, the USD is not picking up any support despite weaker risk assets and steady losses for the DXY suggests perhaps that the recent USD roller-coaster ride is continuing. Market conditions remain challenging, it should be noted. In an unusual move, the Global Foreign Exchange Committee issued a statement warning that month/quarter end may see unusually large market flows through the month-end benchmark fixings, driving “significant volatility and price movements”. The JPY is out-performing on the session, which does fit with the risk off tone in stocks, but commodity FX is also firm despite soft stocks and—mostly – weaker commodity prices. We continue to feel that the USD’s prospects are compromised by massive Fed QE and global central bank efforts to pump more USD liquidity into the global banking system.

**USDCAD (1.4121)** • The CAD retains a firmer undertone, helped to some extent by positive domestic headlines reflecting a sharp rebound in domestic stocks and the Federal government’s efforts to combat the effects of the COVID-19 outbreak. But there is really little else for market to focus on other than the broader market tone and the USD’s general direction in the short run. We do think the CAD is oversold and it remains—by our reckoning—quite significantly undervalued. But, with crude oil prices still soft and poised to remain relatively weak it would seem, scope for a significant rebound—beyond a correction from heavily oversold levels—appears limited at the moment.

**USDCAD short-term technicals:** Bearish—USDCAD’s decline is extending on the charts, with the USD sliding below support at 1.4150 defined by the March 20th low—this is the first significant lower low since late February for funds so the technical progress lower looks meaningful. We spot support at 1.4107 (38.2% Fib of the late Feb/March rally in the USD) and 1.3935—the 50% retracement point. Intraday, we see resistance at 1.4150 now and 1.4250/75.

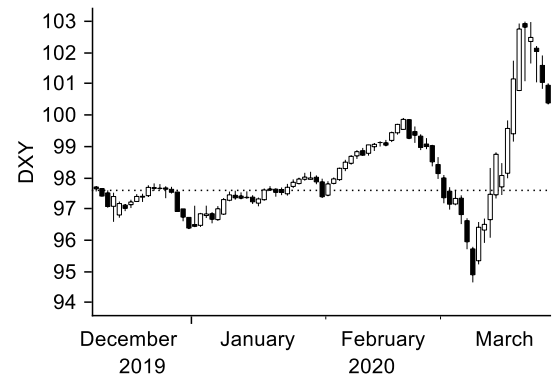
**EURUSD (1.0951)** • The EUR’s rebound is in full-swing with another gain for the day

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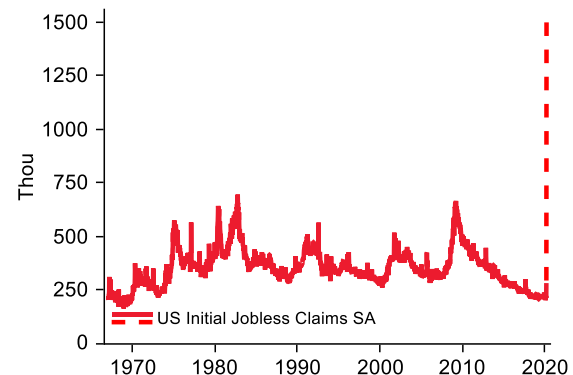
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### DXY Extends Losses



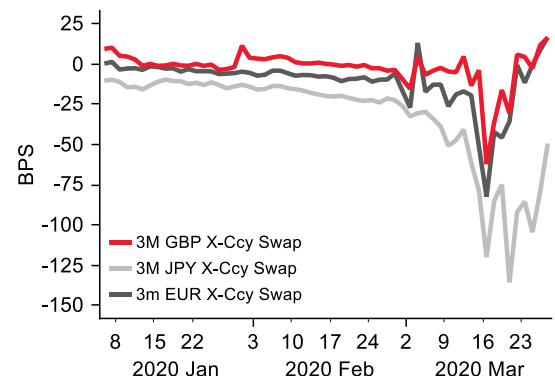
Source: Macrobond, Scotiabank FICC Strategy

### US Initial Jobless Claims Expected to Surge



Source: Macrobond, Scotiabank FICC Strategy

### Offshore USD Funding Pressure Eases



Source: Macrobond, Scotiabank FICC Strategy

taking it to ~1.0950 against the USD after yesterday's late-night passage of the US's \$2tn relief bill. European leaders will hold a call this morning to discuss a joint response to the COVID-19 outbreak, with the release of funds from the Eurozone's 'bailout' fund (ESM)—which would allow nations to borrow up to 2% of their GDP—a key issue up for deliberation. The activation of lending through the ESM is also a necessary condition for the ECB to launch its Outright Monetary Transactions programme that would allow it to buy sovereign bonds without concerns over issuer limits. The common currency has also likely gained ground on what appears to be a significant easing of USD funding pressures as reflected in a notable turnaround in EUR-USD cross-currency basis swaps.

**EURUSD short-term technicals:** Bullish—The EUR's four-day streak has left it within striking distance of its 40DMA at 1.0982 as its trend since the start of the week clearly sets up the EUR for a cross of the 1.10 level for the first time since last Monday. Were the common currency to continue on this line, it may breach the psychological barrier within the next day. The 1.10 mark will act as the only clear-cut resistance point for the EUR although its 38.2% Fib retracement at 1.0964 may act to limit the EUR's rally. Support is 1.0875/900.

**GBPUSD (1.1951) •** Cable is a middle-of-the pack performer within the G-10 as it moves between unchanged and 1% gains after yesterday's ~1% climb—in choppy trading. Markets may maintain a cautious stance on the GBP ahead of the BoE's decision at 8am ET where the bank is widely expected to stay put after last week's cut to 0.10% and a £200bn expansion in asset purchases. The BoE's decision may however shed light on the likelihood of additional easing in coming months (weeks?) if necessary, which would likely be focused on greater asset purchases rather than a Bank Rate cut to, or below, the zero-lower-bound. Chancellor Sunak will announce another wave of emergency measures today expected to include assistance for the self-employed, although the announcement is unlikely to have a significant impact on the GBP.

**GBPUSD short-term technicals:** Neutral/bullish—Sterling price action is generally constructive with the pound on track for a third day of gains as it builds on an upward trend from the 1.15 level despite volatile trading through yesterday's session that for a moment suggested that the GBP may re-test 1.15. Today's move is finding it difficult to touch yesterday's intraday high of 1.1973 which will act as first resistance before the GBP takes on the challenge of crossing the 1.20 mark, beyond which it could be gearing up for a cross of the 38.2% Fib retracement mark off last Friday's bottom at 1.2095. Support is 1.1775/80.

### TECHNICALS: BUY/SELL SIGNALS AND PIVOT LEVEL: Mar 26, 2020

	30 Day Hist Vol	Spot	MACD	9 & 21- day MA	DMI	RSI	Pivot 1st Support	Pivot 1st Resist.
USDCAD	13.8	1.4145	buy	buy	buy	74	1.4117	1.4352
EURUSD	13.3	1.0954	sell	sell	sell	41	1.0822	1.0987
GBPUSD	19.1	1.1940	sell	sell	sell	35	1.1638	1.2108
USDCHF	12.4	0.9710	buy	buy	buy	61	0.9669	0.9801
USDJPY	21.7	109.98	buy	buy	buy	61	109.48	111.10
AUDUSD	20.1	0.5977	sell	sell	sell	34	0.5835	0.6097
USDMXN	27.1	23.9840	buy	buy	buy	81	23.66	24.88
DXY (USD index)	13.3	100.24	buy	na	buy	63	100.98	102.14
EURCAD	17.8	1.5494	sell	buy	buy	61	1.5390	1.5696
GBPCAD	18.0	1.6889	sell	sell	sell	50	1.6663	1.7143
AUDCAD	16.6	0.8454	sell	sell	sell	49	0.8359	0.8619
CADMXN	18.9	16.96	buy	buy	buy	77	16.72	17.39

Source: Scotiabank & Bloomberg

### TODAY'S CALENDAR

Time (ET)	Country	Release	Period	Consensus	Last
08:00	UK	Bank of England Bank Rate	26-Mar	0.10%	0.10%
08:00	MX	Economic Activity IGAE YoY	Jan	-0.20%	0.68%
08:00	MX	Unemployment Rate SA	Feb	3.67%	3.66%
08:00	MX	Economic Activity IGAE MoM	Jan	0.2%	0.2%
08:30	US	Advance Goods Trade Balance	Feb	-\$63.4b	-\$65.5b
08:30	US	Wholesale Inventories MoM	Feb P	-0.2%	-0.4%
08:30	US	GDP Annualized QoQ	4Q T	2.1%	2.1%
08:30	US	Core PCE QoQ	4Q T	1.2%	1.2%
08:30	US	Initial Jobless Claims	21-Mar	1500k	281k
11:00	US	Kansas City Fed Manf. Activity	Mar	-10	5
17:00	NZ	ANZ Consumer Confidence Index	Mar	--	122.1
19:30	JN	Tokyo CPI YoY	Mar	0.3%	0.4%
21:30	CH	Industrial Profits YTD YoY	Feb	--	--

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