

### USD Posts Broad Gains on Month-End Rebalancing

- USD rises on month- and quarter-end flows.
- CAD weakens but out-performs on \$1.50 increase in crude prices.
- EUR posts ~1% loss in broad USD strength.
- GBP goes with USD mood; UK DMO to issue £45bn in bonds in April.
- JPY heads toward 109; government plans record stimulus package.
- AUD and NZD under-perform after minor gains on Chinese PMIs.
- MXN steady in high 23s with Banxico set to tap Fed swap line.

**FX Market Update** - Risk appetite strengthened again in early dealing ahead of month and quarter-end, although European markets and US futures are off their highs. Markets are mulling the prospect of yet another round of stimulus from the US while the Japanese government indicated it was planning its largest ever stimulus package (JPY60tn or around USD555bn). USD funding markets are showing further signs of easing, amid a flood of USD liquidity. China's PMI data reflected stronger than expected manufacturing activity in March, suggesting there is economic life after the coronavirus; the manufacturing index rose to 52 this month, from a record low in February of 35.7. International economies need to come back on stream relatively quickly to sustain a positive demand loop, clearly, however, and news on the virus front overnight has been mixed at best. Italy's rate of new infections fell to its lowest in two weeks but Spain has experienced its deadliest day so far and incidences in NYC are rising. Concerns are rising that the US economy might also experience a yet sharper than anticipated fall in Q2 (we expect GDP to contract some 20% on an annualized basis) as the virus impact bites. Energy prices have steadied on the day, with WTI currently more than 6% higher while Brent is around 3% up on the session; supply/demand conditions remain highly adverse but Trump/Putin remarks on hopes for "stability" in oil markets has helped steady sentiment. The USD is trading broadly higher again as we head into month end; position adjustment and rebalancing is expected to provide the USD with some support but it is not clear how much and illiquid market conditions may exacerbate near-term trends. USD demand was evident into the Tokyo fix earlier today. Pro-risk sentiment is not helping the AUD, or NZD (both down around 1% on the day and under-performing) whereas the NOK has popped 0.6% higher while the MXN has gained a little more than 0.5%. The USD has been rising with US equity markets in the past few days but that is a relatively rare event these days and we note that broader G10 FX correlations with (US) stocks is weakening. We think the development may be coincidental, rather than an expression of confidence in the USD outlook, and may not endure. We remain generally negative on the USD given reduced funding pressures, the aggressive leveraging of the Fed's balance sheet and valuation (the USD is rich against a number of currencies in the short and longer term). Economic data reports remain mostly irrelevant for currencies but today's Chicago PMI and Consumer Confidence data may attract some attention.

**USDCAD (1.4239)** • The CAD, which has generally tracked WTI prices closely over the recent past, is entirely oblivious to the sharp squeeze higher in the energy prices so far today, it seems, even if that still means that a barrel of Canadian heavy crude is cheaper than a latte. A government official indicated that around 1.55mn Canadians applied for unemployment benefits in a 10-day period between March 16-25th as the economy ground to a halt. But the CAD showed little reaction to the news and is hardly master of its own fate at the moment and remains subject to markets flows, headline risk even if there is apparently little pull from crude prices at the moment.

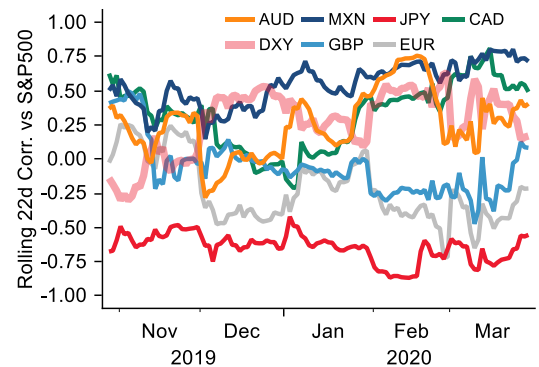
**USDCAD short-term technicals:** Bullish—USD gains through 1.4150/1.4190

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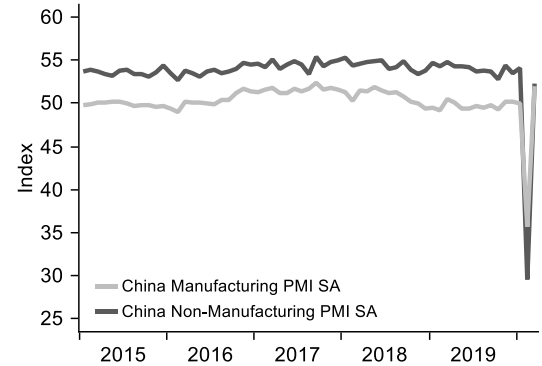
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### G10 FX Correlation with Stocks Eases



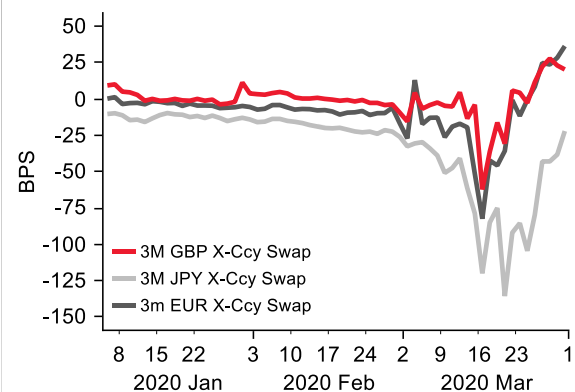
Source: Macrobond, Scotiabank FICC Strategy

### China's Manufacturing PMI Rebounds



Source: Macrobond, Scotiabank FICC Strategy

### Offshore USD Funding Pressure Eases



Source: Macrobond, Scotiabank FICC Strategy

confer a little more technical strength still on the short run technical outlook for the USD after last Friday's rebound from retracement support in the low 1.39s. We still rather view USD developments as a consolidation after funds peaked just under 1.47 earlier this month so we do not look for USD gains to extend significantly. However, we do think the mid 1.43 area is reachable in the relatively short term if USD demand persists. Flat trend strength oscillators across the intraday and daily support the idea of a range trade developing here rather than a new, dynamic directional break out for the USD. Support is 1.4190/00.

**EURUSD (1.0951)** • The EUR has moved below 1.10 amid a widespread weakening against the USD with a ~0.6% drop for the session, with no specifically endogenous factor driving the common currency lower. Yesterday, Italy reported its lowest one-day rise in new cases since March 17 at just over 4k which suggests that the country may have passed the peak in new infections thanks to stringent containment measures. Spain, on the other hand, reported its highest one-day death tally this morning. Italy's health minister has indicated that restrictions will remain in place at least until after Easter, although Italian journals have reported that these may be extended past early-May—a more likely scenario. The EUR is likely to remain bound by broad-based USD moves in the near-term until the economic recovery takes hold and relative growth dynamics are taken into account as a valuation metric for the common currency

**EURUSD short-term technicals:** EURUSD technical: Neutral/bearish—the EUR's trip above each of its 40, 100, and 200DMAs was very short-lived after only lasting a session above the trifecta with today's move now taking it below the 40DMA at 1.0983, to the 38.2% Fib retracement mark at 1.0962 off its late-Sunday high—the EUR also crossed through the bottom of an upward trend channel that had built over the last week. A clear move below the 1.0955/60 range may propel the EUR toward a retest of 1.0900 (support) which also marks the halfway reversal point of its recent climb. Resistance is 1.0960/65.

**GBPUSD (1.2371)** • GBPUSD-Month- and quarter-end flows have also pushed the GBP lower for the session all the while maintaining most of its gains over the last week or so to trade above the 1.23 mark, despite a blip that took it to as low as 1.2245 late last night. Yet, Cable is still on track for its weakest quarterly performance since Brexit, though this time around it is not the only currency that has suffered steep losses to start the year. Britain's COVID-19 new cases count curve may be showing signs of inflection with the daily rate of new contagions stabilising roughly between 2.5k and 3k cases for the past four days. No. 10 is readying up the government's coffers for the incoming surge in spending to tackle the damage of the outbreak with an announcement by the DMO that it will issue £45bn of bonds in April.

**GBPUSD short-term technicals:** Neutral—The pound's rally crested during yesterday's session although with few signals pointing to a marker reversal of the GBP's gains since its multi-decade low of 1.1412 just eleven days ago. Sterling may be very slowly heading toward the 1.23 mark which roughly matches the mid-point of the mid-March decline although a close above 1.24 today may augur that the pound is merely in a consolidation period before it resumes an upward trend and targets a cross of 1.25. Support is 1.2286 with resistance at 1.2390/400.

### TECHNICALS: BUY/SELL SIGNALS AND PIVOT LEVEL Mar 31, 2020

	30 Day Hist Vol	Spot	MACD	9 & 21- day MA	DMI	RSI	Pivot 1st Support	Pivot 1st Resist.
USDCAD	14.6	1.4197	sell	buy	buy	60	1.4048	1.4277
EURUSD	14.4	1.0981	buy	sell	buy	49	1.0915	1.1105
GBPUSD	22.1	1.2341	buy	sell	sell	49	1.2235	1.2457
USDCHF	13.7	0.9639	buy	buy	sell	50	0.9546	0.9688
USDJPY	22.0	108.40	buy	buy	sell	49	107.44	109.04
AUDUSD	21.9	0.6144	buy	sell	sell	44	0.6077	0.6213
USDMXN	31.1	23.9334	sell	buy	buy	66	23.43	24.50
DXY (USD index)	14.6	99.56	sell	na	buy	51	98.69	100.03
EURCAD	17.8	1.5590	sell	buy	buy	59	1.5529	1.5657
GBPCAD	19.4	1.7520	buy	sell	buy	58	1.7374	1.7641
AUDCAD	17.9	0.8723	buy	sell	sell	53	0.8613	0.8820
CADMXN	22.1	16.86	sell	buy	buy	67	16.62	17.21

Source: Scotiabank & Bloomberg

### TODAY'S CALENDAR

Time (ET)	Country	Release	Period	Consensus	Last
08:30	CA	GDP MoM	Jan	--	0.3%
08:30	CA	GDP YoY	Jan	--	1.9%
08:30	CA	Industrial Product Price MoM	Feb	--	-0.3%
09:00	US	S&P CoreLogic CS 20-City MoM SA	Jan	0.40%	0.43%
09:45	US	MNI Chicago PMI	Mar	44	49
10:00	US	Conf. Board Consumer Confidence	Mar	118	130.7
10:00	US	Conf. Board Expectations	Mar	--	107.8
10:00	US	Conf. Board Present Situation	Mar	--	165.1
11:00	MX	International Reserves Weekly	27-Mar	--	\$184175m
12:00	NZ	QV House Prices YoY	Mar	--	5.3%
18:00	AU	CBA Australia PMI Mfg	Mar F	--	50.1
19:01	UK	BRC Shop Price Index YoY	Mar	--	-0.6%
19:50	JN	Tankan Large Mfg Index	1Q	-11	0
19:50	JN	Tankan Large Mfg Outlook	1Q	-15	0
20:30	AU	Building Approvals MoM	Feb	10.0%	-15.3%
20:30	AU	RBA Minutes of March 18 Policy Meeting			
20:30	JN	Jibun Bank Japan PMI Mfg	Mar F	--	44.8
21:45	CH	Caixin China PMI Mfg	Mar	46	40.3

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