

USD Weakens Broadly in Thin Trading

- USD loses ground against most majors with minor risk-on tone.
- CAD rises alongside commodity peers, bobs around 1.30.
- EUR follows broad gains versus dollar; business confidence drops.
- GBP under-performs as time runs out on Brexit talks with little progress.
- JPY rises slightly versus risk-on mood but climbs back above 104.
- AUD ignores Chinese tariffs to post minor gains into high 0.73s.
- MXN oscillates around 20 mark with mixed crude oil prices.

FX Market Update - The risk tone in markets is slightly positive to close out the week amid thin trading owing to US Thanksgiving as US markets (early close) return today to a broadly weaker USD with the main exception among the majors being the GBP, weakened by Brexit anxiety. The AUD (up 0.2% on the day) is shrugging off the imposition of tariffs on Chinese imports of Australian wine (from 107.1% to 212.1%) on the basis of anti-dumping claims as tensions between the two countries continue to build after PM Morrison called for an investigation into the origins of the COVID-19 outbreak in April. The dollar's losses today still leave most currencies trading within their weekly ranges and the DXY dollar index still trading very near the 92 mark. WTI crude oil is trading about 1% weaker on the day compared to a modest gain for Brent crude, with both benchmarks heading for their fourth consecutive weekly gain on the back of vaccines optimism. Commodity currencies are leading the majors with the NOK and MXN at the top of the leaderboard while the CAD, AUD, and NZD follow closely behind. The JPY is also trading marginally higher with no obvious reaction to the risk mood in markets, with month-end-related flows possibly playing a larger role. European equity markets are tracking the slight increases seen in Asia while US futures are pointing to a minor gain at the open. Headline risk will be the main and only driver of price action today with nothing notable on the calendar.

USDCAD (1.2993) • The CAD is following the broad bid for commodity currencies to trade about 0.2% higher on the session with USDCAD sitting in the upper 1.29s but with insufficient conviction to suggest a high degree of negative momentum in the dollar. Yesterday's appearance by Gov Macklem and SDG Wilkins in the House of Commons did not deliver anything major nor did the CAD react to the opening statement or Q&A session; rates will be "very low for a long time". Canada's release of Q3 GDP (rather stale, we think) may have a minor impact on the CAD next Tuesday, but next Friday's Labour Force Survey/US nonfarm payrolls release is the main on-calendar risk for the CAD in the near-term (followed by the BoC decision on the 9th).

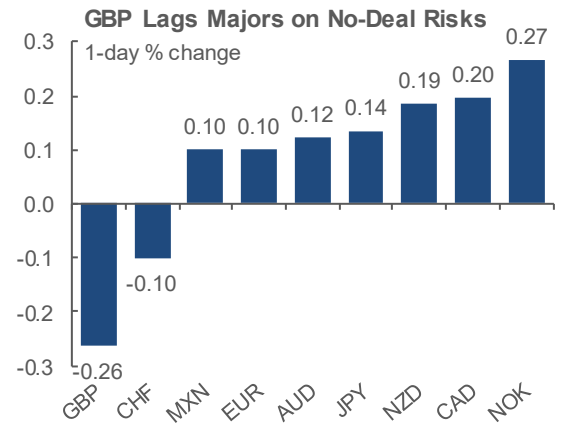
USDCAD short-term technicals: Neutral/bearish—The USD's decline for the day still leaves it trading roughly around yesterday's and Wednesday's intraday lows as the high 1.29s area continues to act as a near-term floor for the dollar. The currency's drop still shows rather limited signs that it will test key support at 1.2929 (its Nov 9 low) in the very near term but it may not be able to resist its clear downward trajectory since mid-March. Resistance is 1.3025/30.

EURUSD (1.1924) • The EUR is merely following the broad dollar tone in markets to gain only marginally by 0.1% against the USD as its recent push above the 1.19 mark is reined in by markets. The overnight session delivered little of note with business and consumer confidence readings for the Eurozone and Italy reflecting anxiety over the latest wave of virus restrictions. Germany also surpassed the 1mn cases mark last night as contagions continue to climb at a high (but steady) pace. The EUR will trade in line with the broad USD tone during today's session.

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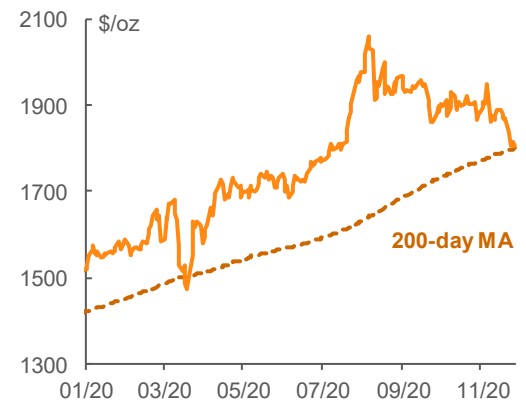
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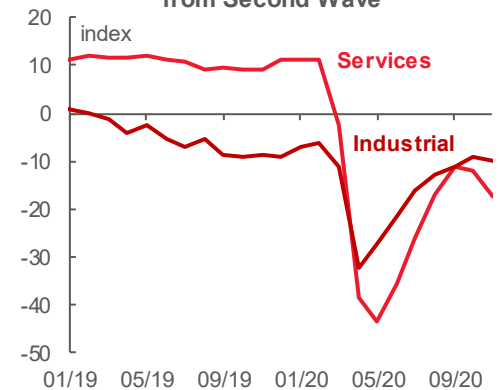
Source: Bloomberg, Scotiabank FICC Strategy.

Gold Drop Stalls Near 200DMA/\$1,800 mark



Source: Bloomberg, Scotiabank FICC Strategy.

European Business Confidence Takes Hit from Second Wave



Source: EC, Scotiabank FICC Strategy.

EURUSD short-term technicals: Neutral—The EUR currently sits in the low 1.19s that have acted as a short-term consolidation band of the EUR’s ascent to its highest point since early-Sep which still shows limited signs of extending further for a test of its Sep 1 high of 1.2011. Given the near-term lack of direction in the EUR, we anticipate more range-trading to persist today between the upper 1.18s and resistance at yesterday’s high of 1.1941, with support sitting at ~1.1880.

GBPUSD (1.3324) • The GBP is the among the few major currencies losing ground against the dollar through the overnight session as both sides of the English channel express doubts over the possibility of a trade agreement between the UK and the EU as negotiators prepare for talks over the weekend—with time running out. PM Johnson said this morning that there are “substantial and important differences to be bridged” and noted that it is up to the EU to make the necessary concessions to come to a deal—a sentiment that is echoed by the EU’s Barnier, but in the opposite direction. Barnier travels to London today for another round of discussions. Ultimately, we believe a full-fledged agreement is a remote possibility and see the GBP underperforming through year-end. Today, Brexit reports will remain the key driver of GBP fluctuations.

GBPUSD short-term technicals: Neutral—Cable is trading well within its 1.33-1.34 weekly range with overnight price action limited by ~1.3320 on the downside while the ~1.3380 area limited the GBP’s gains in the early hours, The pound is showing limited signs that it will attempt a clear breach of the 1.34 level any time soon, where a cross of the level would leave the GBP with a clear runway ahead of its year-to-date high of 1.3492. Support is 1.3300/05 followed by the mid 1.32s.

TECHNICALS: BUY/SELL SIGNALS AND PIVOT LEVEL: Nov 27, 2020

	30 Day Hist Vol	Spot	MACD	9 & 21- day MA	DMI	RSI	Pivot 1st Support	Pivot 1st Resist.
USDCAD	6.5	1.2991	sell	sell	sell	38	1.2975	1.3016
EURUSD	5.7	1.1923	buy	buy	buy	62	1.1892	1.1948
GBPUSD	8.7	1.3325	buy	buy	buy	61	1.3295	1.3377
USDCHF	6.7	0.9075	sell	sell	sell	43	0.9056	0.9094
USDJPY	8.0	104.15	buy	sell	sell	44	103.88	104.45
AUDUSD	9.3	0.7375	buy	buy	buy	66	0.7357	0.7390
USDMXN	10.9	20.0090	sell	sell	sell	33	19.94	20.07
DXY (USD index)	5.5	91.98	sell	na	sell	36	91.83	92.16
EURCAD	6.4	1.5489	buy	buy	buy	49	1.5463	1.5519
GBPCAD	9.1	1.7310	buy	buy	buy	52	1.7267	1.7384
AUDCAD	6.5	0.9581	buy	buy	buy	62	0.9562	0.9601
CADMXN	9.2	15.40	sell	sell	sell	35	15.35	15.44

Source: Scotiabank & Bloomberg

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