

### USD Loses Broadly Ahead of FOMC and Powell

- USD declines against all majors ahead of the Fed and amid positive risk mood.
- CAD under-performs again as it sticks to recent trading channel.
- EUR gains in broad-based dollar-negative mood, erases yesterday's drop.
- GBP trades past 1.2950 mark in three-day winning streak; ignores trade tensions.
- JPY nears 105 mark amid bets against the dollar re: FOMC.
- AUD seeks to rise past yesterday's peak in positive risk tone.
- MXN gains from risk-on tone and crude oil prices; Mexican markets closed.

**FX Market Update** - The USD is trading weaker against all major currencies after a relatively quiet overnight session on the data and events front as markets brace for the FOMC's announcement and Powell's subsequent presser at 14ET and 14.30ET, respectively. Of note, China's central bank set the yuan daily reference rate 0.58% higher for the biggest change since early April, as it signals it is comfortable with the recent gains in the currency. Japan published Aug international trade data last night which showed yet another contraction in trade in year-on-year terms but continues to gain ground toward its pre-pandemic levels; the JPY is posting a modest gain but sits near the bottom of the majors as the positive risk tone counters bets ahead of the Fed. The CAD is lagging all other key currencies through the overnight session despite a solid 2%+ gain in crude oil prices as it continues to trade in a narrow channel; its crude oil peers, the MXN and NOK sit at the top of the majors league (after the ZAR) with respective gains of 0.5% and 0.6% (note that Mexican markets are closed today for Independence Day). Elsewhere, the EUR, GBP, and AUD are following the dollar-negative narrative, while the NZD gets an additional boost from upward revisions to the Treasury's economic outlook. European equities are up 0.4% for the day following a mixed session in Asia's main indices; US futures point to a ~0.5% gain at the open. The Fed's announcement will only provide marginal new information, the highlight will be the accompanying updated projections that will now run until 2023—and give us a sense of how FOMC members see the path for the Fed funds rate further out in the future, some may project a rate lift-off as early as late-2022. It will be Powell's presser that likely provides the highest degree of risk for markets with journalists set to ask for clarification on the bank's average inflation targeting framework, e.g. over what period is the average taken?, and on whether the Fed is nearing an update to its forward guidance. With the Fed ahead, it is tough to see a lot of movement taking place in markets upon the release of US Aug retail sales at 8.30ET, which normally would gather a fair degree of market attention as a gauge of household spending; the median estimate calls for a 1% increase in headline sales and a 0.9% gain in core (ex. auto and fuel) sales.

**USDCAD (1.3165)** • The CAD moved from a test of the 1.32 mark late last night to now track a ~0.2% gain for the day that leaves it under-performing all of its major currency peers as it continues to trade in the narrow channel it has been in over the past week or so. Yesterday's removal of US tariffs on Canadian aluminum imports had little to no impact on the currency but at the margin eliminates the tail risk of heightened trade tensions between the US and Canada; the latter was set to retaliate yesterday but backed down following the USTR's announcement. Today, Canada publishes inflation figures for Aug (consensus expects a 0.4% y/y increase, Scotia at 0.2% y/y) but the release will likely not move the needle on the CAD. Note that the PM's throne speech where he will lay out his recovery plan is a week away; markets will look for signs that the government has plans to eventually bring public finances under control. The recent increase in COVID-19 cases in Ontario is worth monitoring for the re-imposition of virus restrictions.

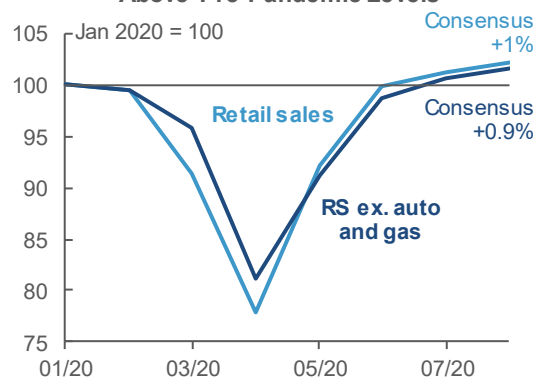
**USDCAD short-term technicals:** Neutral—USDCAD remains caught in a 1.3150-

 FOLLOW US ON TWITTER [@SCOTIABANKFX](https://twitter.com/SCOTIABANKFX)

**Shaun Osborne**  
Chief FX Strategist  
416.945.4538  
[shaun.osborne@scotiabank.com](mailto:shaun.osborne@scotiabank.com)

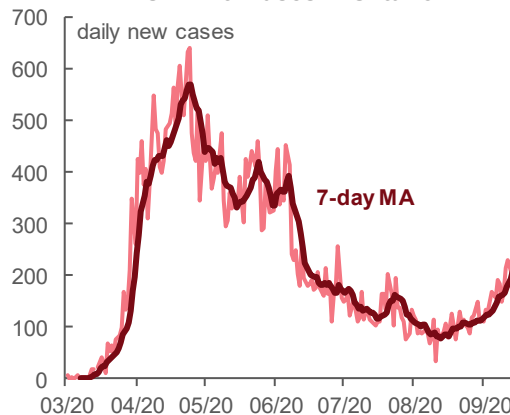
**Juan Manuel Herrera**  
FX Strategist  
416.866.6781  
[juanmanuel.herrera@scotiabank.com](mailto:juanmanuel.herrera@scotiabank.com)

### US Retail Sales Continue Their Rise Above Pre-Pandemic Levels



Source: Census Bureau, Scotiabank FICC Strategy.

### COVID-19 Cases in Ontario



Source: Health Canada, Scotiabank FICC Strategy.

1.3200 trading channel for the most part. Yesterday's session saw the cross briefly push down to 1.3135 but the mid-range figure still stands as the main sticking point for the USD on dips. A move below 1.3135 may then be halted by ~1.3120 and then the big figure before the USD faces a clear shot at the 1.3050 mark. Resistance is ~1.3185 and 1.32.

**EURUSD (1.1880)** • The EUR is picking up a 0.3% gain for the day that recovers the ground lost yesterday on option-related flows (it appears) and today is simply following the broad dollar move amid no notable developments at home. The ECB's Lane is scheduled to speak at writing but the focus of the speech on the Irish economy means the subject of the EUR's appreciation may only be glossed over. The remainder of the week will be fairly quiet from a domestic perspective with no major data scheduled for release. Next week's release of Markit PMIs for Germany, France, and the Eurozone may mark a break-out of the Aug-Sep trading channel for the EUR. Today, it's all about the Fed.

**EURUSD short-term technicals:** Neutral—The EUR is trading in the upper 1.18s as it nears yesterday's intraday peaks at the 1.19 mark that looks set to act as a firm ceiling for the shared currency in the near term as it trades around the mid-point of its Aug-Sep trading channel. The EUR may have to make up ground quicker in the coming days toward the top of its channel at ~1.20 lest it risks a downside break that finds little support until around the 1.15 level. Support is 1.1825/30 followed by 1.18 and then 1.1750. Resistance is 1.19 followed by 1.1917 and only the 1.20 mark beyond that acting as an obvious ceiling.

**GBPUSD (1.2956)** • Cable is tacking on another 0.5% increase to yesterday's gains in spite of continued trade frictions with the EU and a gloomy economic outlook. Reports surfaced yesterday that France is unwilling to compromise on the matter of fishing rights and that trade talks between the EU and the UK are 'going badly'. At home, the PM continues to succeed in his push to get approval of his internal market bill with within-party opposition still not enough to derail his aspirations. Chancellor Sunak also noted yesterday that support for workers is in the works beyond the end-October lapse of the government's furlough scheme. The measures could avoid a cliff edge in financial support for firms to retain their employees, but whatever measures are announced they will still ultimately not be enough to avoid a large drop in jobs toward year-end. With or without fiscal support, it seems likely that the Bank of England will be motivated to boost its monetary stimulus—via a higher asset purchase target and a symbolic 10bps cut to its policy rate. The BoE will probably not roll out additional accommodation at its Thursday meeting but the statement may tee up action at its Nov meeting.

**GBPUSD short-term technicals:** Neutral—The pound is now on a three-day winning streak that has left the currency on track to test its 50-day MA at 1.2986 and moving past the 23.6% Fib retracement point of its recent drop at 1.2933. The 50DMA will act as the first mark to beat on the way to 1.30 with the big figure set to stand as a solid barrier in the near term before the GBP possibly extends its rebound from its sharp decline off 1.3482 on Sep 1; Cable does face firm resistance at the 1.31 and 1.32 marks, however. Support is ~1.2775/800

### TECHNICALS: BUY/SELL SIGNALS AND PIVOT LEVEL: Sep 16, 2020

	30 Day Hist Vol	Spot	MACD	9 & 21- day MA	DMI	RSI	Pivot 1st Support	Pivot 1st Resist.
USDCAD	6.3	1.3165	buy	buy	sell	47	1.3133	1.3200
EURUSD	5.8	1.1869	sell	sell	buy	57	1.1832	1.1903
GBPUSD	10.7	1.2955	sell	sell	sell	45	1.2859	1.3006
USDCHF	6.7	0.9061	buy	buy	sell	41	0.9044	0.9086
USDJPY	6.4	105.06	sell	sell	sell	37	104.79	105.57
AUDUSD	9.0	0.7336	sell	buy	buy	61	0.7288	0.7364
USDMXN	10.9	21.0196	sell	sell	sell	30	20.93	21.14
DXY (USD index)	5.8	92.83	buy	na	sell	44	92.68	93.08
EURCAD	6.1	1.5625	buy	buy	buy	53	1.5597	1.5652
GBPCAD	8.2	1.7055	sell	sell	sell	42	1.6939	1.7115
AUDCAD	6.4	0.9658	buy	buy	buy	64	0.9607	0.9683
CADMXN	11.0	15.97	sell	sell	sell	29	15.91	16.04

Source: Scotiabank & Bloomberg

### TODAY'S CALENDAR

Time (ET)	Country	Release	Period	Consensus	Last
07:00	US	MBA Mortgage Applications	11-Sep	--	2.90%
07:00	EC	ECB Chief Economist Lane Speaks in Webinar			
08:30	CA	Int'l Securities Transactions	Jul	--	-13.52b
08:30	US	Retail Sales Advance MoM	Aug	1.00%	1.20%
08:30	US	Retail Sales Ex Auto and Gas	Aug	0.90%	1.50%
08:30	CA	CPI YoY	Aug	0.40%	0.10%
10:00	US	Business Inventories	Jul	0.10%	-1.10%
10:00	US	NAHB Housing Market Index	Sep	78.0	78.0
11:00	EC	ECB's Holzmann Speaks at Virtual Roundtable			
14:00	US	FOMC Rate Decision (Upper Bound)	16-Sep	0.25%	0.25%
14:30	US	Powell Holds Post-FOMC Meeting Press Conference			
16:00	US	Net Long-term TIC Flows	Jul	--	\$113.0b
16:00	US	Total Net TIC Flows	Jul	--	-\$67.9b
18:45	NZ	GDP SA QoQ	2Q	-12.5%	-1.6%
18:45	NZ	GDP YoY	2Q	-12.8%	-0.2%
21:30	AU	Employment Change	Aug	-35.0k	114.7k
21:30	AU	Unemployment Rate	Aug	7.70%	7.50%

#### IMPORTANT NOTICE and DISCLAIMER:

This report is prepared by Scotiabank as a resource for clients of Scotiabank for information and discussion purposes only. This report should be considered a marketing communication and has not been prepared by a member of the research department of Scotiabank, it is solely for the use of sophisticated institutional investors, and this report does not constitute investment advice or any personal recommendation to invest in a financial instrument or "investment research" as defined by the UK Prudential Regulation Authority or UK Financial Conduct Authority. This document has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and the information contained in this publication is not subject to any prohibition in the EU on dealing ahead of the dissemination of investment research. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from publically available sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness and neither the information nor the forecast shall be taken as a representation for which Scotiabank or any of its employees incur any responsibility. Neither Scotiabank nor its representatives accept any liability whatsoever for any loss arising from any use of this report or its contents. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instruments and has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It is not intended to provide legal, tax, accounting or other advice. Scotiabank and/or its respective officers, directors or employees may from time to time take positions in the products mentioned herein as principal or agent. Directors, officers or employees of Scotiabank may serve as directors of corporations referred to herein. Scotiabank may have acted as financial advisor and/or underwriter for certain of the corporations mentioned herein and may have received and may receive remuneration for same. This report may include forward-looking statements about the objectives and strategies of Scotiabank. Such forward-looking statements are inherently subject to uncertainties beyond the control of Scotiabank including but not limited to economic and financial conditions globally, regulatory development in Canada and elsewhere, technological developments and competition. The reader is cautioned that the member's actual performance could differ materially from such forward-looking statements. Past performance or simulated past performance is not a reliable indicator of future results. Forecasts are not a reliable indicator of future performance. You should note that the manner in which you implement any of strategies set out in this report may expose you to significant risk and you should carefully consider your ability to bear such risks through consultation with your legal, accounting and other advisors. Information in this report regarding services and products of Scotiabank is applicable only in jurisdictions where such services and products may lawfully be offered for sale and is void where prohibited by law. If you access this report from outside of Canada, you are responsible for compliance with local, national and international laws. Not all products and services are available across Canada or in all countries. All Scotiabank products and services are subject to the terms of applicable agreements. This report and all information, opinions and conclusions contained in it are protected by copyright. This report may not be reproduced in whole or in part, or referred to in any manner whatsoever nor may the information, opinions and conclusions contained in it be referred to without in each case the prior express consent of Scotiabank. Scotiabank is a Canadian chartered bank.

If you are affected by MIFID II, you must advise us in writing at [trade.supervision@scotiabank.com](mailto:trade.supervision@scotiabank.com).

<sup>TM</sup>Trademark of The Bank of Nova Scotia. Used under license, where applicable. Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotia Capital Inc. and Scotia Capital (USA) Inc., Scotiabank Europe plc, Scotiabank (Ireland) Limited - all members of the Scotia-bank Group and authorized users of the mark. The Bank of Nova Scotia is incorporated in Canada with limited liability. Scotia Capital Inc. is a member of the Canadian Investor Protection Fund. Scotia Capital (USA) Inc. is a broker-dealer registered with the SEC and is a member of FINRA, NYSE, NFA and SIPC. The Bank of Nova Scotia is authorized and regulated by the Office of the Superintendent of Financial Institutions in Canada. The Bank of Nova Scotia is authorized by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

To unsubscribe from receiving further Commercial Electronic Messages click this link: [www.unsubscribe.gbm.scotiabank.com](http://www.unsubscribe.gbm.scotiabank.com).