

USD Mixed in Tight Ranges as Risk Appetite Remains Soft

- USD edges off lows versus majors in tight ranges into month-end.
- CAD ignores weaker crude, soft stocks to probe low 1.24s.
- EUR helped by data and soft USD tone to test 1.19.
- GBP firm but struggling to extend through yesterday's high near 1.3980.
- JPY eases marginally despite weaker risk mood.
- AUD underperforms on weaker iron ore prices.
- MXN little changed near 19.85.

FX Market Update - The USD retains an offered tone into the end of the week and end of the month. Risk appetite is weaker following yesterday's late sell-off in US equity markets around the poor AMZN sales outlook while Chinese and HK stocks fell heavily again as the Chinese government's efforts to stem weakness wears off. Delta variant concerns persist, meanwhile. US equity futures are weaker, with NASDAQ contracts down more than 1%. Treasuries are better supported but European bonds are underperforming, following stronger than expected Eurozone growth and inflation data. Crude and iron ore prices are lower while copper has firmed intraday. Iron ore fell sharply today and losses since mid-month are nearing 18% on concerns that China may slow steel production in a bid to curb pollution. Weaker crude energy prices are hurting the NOK while the AUD is reflecting weaker iron ore prices but risk aversion is failing to provide the USD with any support. The JPY is one of the weaker major currency performers on the day and the CAD—which has one of the strongest, positive correlations with risk appetite at the moment—is trading marginally higher. G10 FX moves are extremely limited but trends generally do not “fit” particularly well with the broader market tone at the moment. Recall that August typically sees volatility increase while equity market returns in the month are among the weakest of the calendar year. The US releases Personal Income and Spending data, ECI, the Chicago PMI and final U. Michigan Sentiment data this morning. Bullard (non-voter, hawk) speaks at 9.00ET.

USDCAD (1.2438) · The CAD extended its recovery against the USD overnight and while spot has edged off the lows seen in European trade, the CAD retains a relatively firmer profile against the USD—and versus its G10 peers on the day. The CAD is ignoring weaker commodity prices generally and the negative, knee-jerk response to weaker equities has failed to emerge. Spreads remain CAD supportive but the immunity to the broader risk mood is a little odd and should restrain the CAD's rebound somewhat if it persists. Canada's May GDP report is expected to show a similar 0.3% drop in output as the April data (forecasts generally reflect the “flash” estimate released last month). Local activity is likely to drop significantly after the morning session ahead of the long weekend.

USDCAD short-term technicals: Neutral/bearish—While the CAD has strengthened a little overnight, progress has been limited through the low 1.24 zone where some signs of better USD demand are emerging. However, short term trend momentum is clearly tilting bearish for the USD and USDCAD is set for a negative close on the week (forming a weekly “evening star” reversal) which augurs for a further recovery in the CAD. Support is 1.2400/05 (40-day MA at 1.2403). Intraday resistance is 1.2455/65.

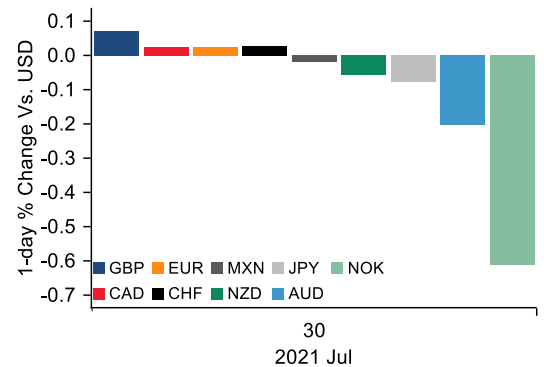
EURUSD (1.1901) · The EUR regained the 1.19 handle for the first time since the start of the month, reflecting the broader USD softness and stronger than expected Eurozone growth data. German Q2 GDP disappointed, rising 1.5% Q/Q, against

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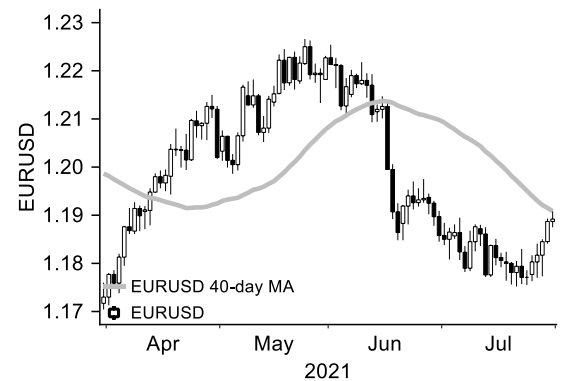
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USD Narrowly Mixed Amid Weak Risk Mood



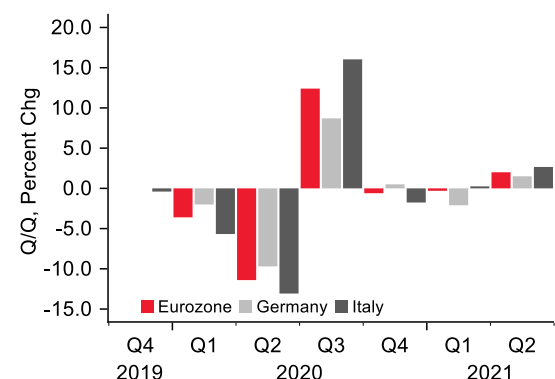
Source: Macrobond, Scotiabank FICC Strategy

EURUSD Rebound Slows Near 40-day MA



Source: Macrobond, Scotiabank FICC Strategy

Italy Helps Lift Eurozone Q2 Growth



Source: Macrobond, Scotiabank FICC Strategy

expectations of a 2% gain but French growth bettered expectations slightly (+0.9% Q/Q) while Italian GDP doubled forecasts (+2.7%). Eurozone growth overall rose 2.0% Q/Q, better than the 1.5% consensus. Eurozone CPI rose a stronger than expected 2.2% Y/Y in July, although core price growth eased to 0.7% Y/Y, in line with expectations.

EURUSD short-term technicals: Neutral/bearish—Spot is edging back from its intraday high as we go to print and losses from the 1.19 zone may turn out to have more significant implications in the short run. The EUR has rallied hard over the past week from the 1.1785 area—key support on the weekly chart—but gains look to be slowing or perhaps reversing as spot tests the 40-day MA (1.1908). Intraday supports are 1.1875 and 1.1850

GBPUSD (1.3971) • Sterling is knocking on the door of 1.40 again, effectively retesting Thursday's intraday high. There were no UK economic reports today and the GBP is essentially trading in line with the softer USD tone ahead of month-end. Markets participants are likely focusing on next week's BoE policy meeting for guidance on the pound's direction (although the consensus is for no change in policy settings, particularly as the delta variant adds a little more risk to the outlook).

GBPUSD short-term technicals: Neutral/bullish—The GBP's clear rejection of key support on the weekly chart last week at 1.3670 and additional gains this week towards the 1.40 area suggest broader trends are tilting more positively for the GBP again—and potentially point to a retest of the low 1.42s. Intraday patterns are less decisive, however, with gains stalling somewhat and signs of better GBP supply emerging around 1.3880/90 again (yesterday's high). Key support intraday is 1.3935 now (yesterday's low and a minor double top trigger for a drop of around 50 ticks in spot).

TECHNICALS: BUY/SELL SIGNALS AND PIVOT LEVELS Jul 30, 2021

	30 Day Hist Vol	Spot	MACD	9 & 21- day MA	DMI	RSI	Pivot 1st Support	Pivot 1st Resist.
USDCAD	8.3	1.2442	sell	buy	buy	47	1.2403	1.2506
EURUSD	4.2	1.1889	buy	sell	buy	54	1.1850	1.1918
GBPUSD	6.1	1.3969	buy	buy	buy	59	1.3917	1.4002
USDCHF	5.4	0.9059	sell	sell	sell	37	0.9032	0.9094
USDJPY	5.8	109.58	sell	sell	sell	44	109.31	109.90
AUDUSD	6.9	0.7382	buy	sell	sell	41	0.7356	0.7410
USDMXN	9.8	19.8607	sell	buy	sell	44	19.81	19.93
DXY (USD index)	4.0	91.93	sell	na	sell	44	91.71	92.22
EURCAD	7.5	1.4792	sell	buy	buy	49	1.4767	1.4831
GBPCAD	6.4	1.7379	buy	buy	buy	56	1.7342	1.7426
AUDCAD	4.9	0.9184	sell	sell	sell	34	0.9162	0.9224
CADMXN	9.3	15.96	buy	buy	sell	47	15.90	16.01

Source: Scotiabank & Bloomberg

TODAY'S CALENDAR

Time (ET)	Countr	Release	Period	Consensus	Last
07:00	MX	GDP NSA YoY	2Q P	19.8%	-3.6%
08:30	CA	GDP MoM	May	-0.3%	-0.3%
08:30	CA	GDP YoY	May	14.8%	20.0%
08:30	CA	Industrial Product Price MoM	Jun	-0.4%	2.7%
08:30	US	Employment Cost Index	2Q	0.9%	0.9%
08:30	US	Personal Income	Jun	-0.3%	-2.0%
08:30	US	Personal Spending	Jun	0.7%	0.0%
09:00	US	Fed's Bullard to Speak on U.S. Economy			
09:45	US	MNI Chicago PMI	Jul	64.1	66.1
10:00	US	U. of Mich. Sentiment	Jul F	80.8	80.8

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