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**Overview**

- USD consolidates in quiet trade, seasonal demand may ease shortly.
- CAD losses capped in the mid-1.27s, USD pressures support ~ 1.2660.
- EUR corrects oversold condition but undertone remains bearish.
- GBP pressures 1.33 ahead of BoE talk.
- JPY retains weak tone amid elevated US yields.
- AUD, NZD trade modestly lower in quiet trade; Aus Retail Sales due tonight.
- MXN retains soft tone ahead of data on Banxico leadership focus.

**USD Consolidation in Store in Quiet Trade**

**FX Market Update**—The USD is consolidating in quiet trade and that is likely to be the market's steady state over the course of this Thanksgiving session. The USD has advanced solidly over the course of the week and through November overall, reflecting relatively better data outcomes, signs that Fed policy makers are turning a little more hawkish (with yesterday's FOMC minutes confirming that a faster taper may be under consideration—which would pave the way for earlier rate hikes) as well as strong, seasonal demand for dollars generally. Those trends should continue to provide the USD with a solid backstop in the coming weeks, even if—as we suspect might be the case—trends do turn a little choppy for the USD ahead of year-end, given that seasonal gains in the DXY typically start to ease or reverse in early December. We remain broadly bullish on the USD outlook, however, with continental European central banks and the BoJ liable to remain on hold well beyond 2022. The SEK has caught a mild bid this morning after the Riksbank left policy on hold as expected but provided a little more precision on when it envisaged rates starting to rise—not until late 2024.

**USDCAD (1.2667)** The CAD is little changed on the session and seems very likely to remain relatively stable over the course of the day ahead. Liquidity will, of course, thin significantly after European markets close later this morning. The CAD remains at the mercy of external factors and sentiment to a large extent at the moment we believe; the broader risk backdrop looks a little more constructive this morning as global stocks are trading in the green. Oil prices have softened somewhat again, however. We think USD demand may serve to keep USDCAD better supported in the short run but fundamental factors—supportive spreads and generally firm commodity prices—still rather suggest that the CAD offers some value here and should be able to progress once markets refocus on the supportive domestic developments.

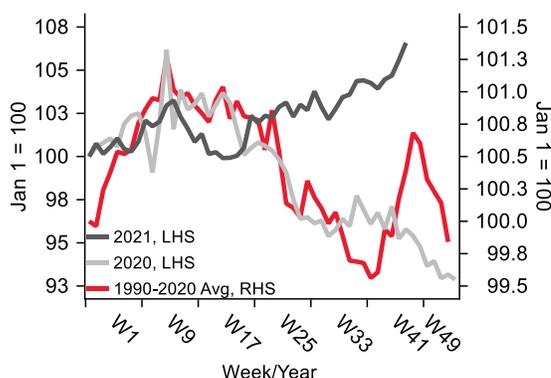
**USDCAD short-term technicals:** Neutral/bearish—The technical picture has evolved a little more negatively for the USD over the course of the week, with spot gains capped by the 76.4% Fib retracement of the 1.29/1.23 move down at 1.2750. The USD has traded well back from the early week test of the mid-1.27s and a low close on the week (current levels or lower) would rather suggest a short run technical peak at least might be in place. The USD has put a little pressure overnight on support around 1.2660 that had propped up the market earlier this week but losses have reversed ahead of the Canadian open. A push under 1.2625/30 into the end of the week would also be a technical plus for the CAD.

**EURUSD (1.1220)** The EUR is recording a 0.2% gain overnight as its decline under 1.12 is pared from oversold conditions. In data released this morning, German GfK consumer confidence fell amid the latest virus wave to its lowest since summer to -1.9 from 0.9. Incoming chancellor Scholz said yesterday that his government will consider vaccine mandates for certain workers that come into contact with vulnerable people—a measure far removed from national or localised lockdowns. According to Bild, Merkel's proposal of a two-week lockdown was rejected by the Scholz coalition on Tuesday, but lockdowns may still be imposed soon if the current trajectory holds. Portugal recorded yesterday its highest daily cases increase since July and will announce today new virus restrictions after practically scrapping all of them seven weeks ago. Macron's government is seeking to avoid harsh limits as it looks to the April 2022 elections with a tightening race set to weigh on the EUR. Polls are showing a narrowing lead in runoff elections against Le Pen (far right) from 58% vs 42% in late-October to 55% vs 45% according to Elabe survey results published yesterday. The ECB's minutes at 7.30ET are the main event left in the Eurozone calendar today with market attention centered on expectations for rate hikes in 2023 and/or the inflation path in the latter years of the forecast.

**EURUSD short-term technicals:** Bearish—After its decline past 1.12, the EUR has seen steady (but relatively minor) buying momentum since the late North American session that is close to taking it out of oversold conditions. The overall trend in the EUR remains clearly bearish and it would take a cross of 1.13 to at least suggest that the EUR will not continue its drop to 1.10/11. After the 1.12 zone, yesterday's low of 1.1186 is support followed by 1.1165/70 (summer 2020 lows). EURGBP support is 0.84 followed by 0.8380/85.

**GBPUSD (1.3320)** Cable traded at a marginal new low shortly before writing, closing in on 1.33 with a 0.1% decline, ahead of speaking appearances by the BoE's Haskel

**DXY - Seasonal Profile**



Source: Macrobond, Scotiabank FICC Strategy

and Bailey (9.05ET and 12.30ET, respectively). Yesterday, Tenreyro’s comments signaled that she will remain a ‘hold’ vote at the December meeting, joining Haskel at the dovish end of the spectrum. The deciding votes still fall with Broadbent, Bailey, and Pill, with comments from the latter two signaling that they are leaning ‘hold’ next month as well. Markets will have limited information to trade the GBP on from a domestic standpoint over the coming weeks with no key data due for release until the 10th (GDP) and the communications blackout starting the day prior. If BoE communications don’t signal a rate hike more clearly in the coming days, then only very strong CPI and jobs numbers in mid-month ahead of the decision would lock in a rate increase with full confidence. Until then, expect cautious GBP trading with upside limited to 1.35.

**GBPUSD short-term technicals:** Bearish—The GBP’s slide from its failed break of 1.35 last week is on track to a test of 1.33 as it reached a new low overnight. The five-day losing streak in the pound has left it trading just shy of oversold in the RSI with the eventual move likely to prevent a test of 1.32 in the coming days if losses past 1.33 extend. Technical signals are still pointing to further losses ahead toward 1.30. Overnight, selling pressure in the GBP emerged in the 1.3350/55 range that will stand as resistance ahead of the 1.3380 zone and then the figure.

TECHNICALS: BUY/SELL SIGNALS AND PIVOT LEVELS							Nov 25, 2021	
	30 Day Hist Vol	Spot	MACD	9 & 21- day MA	DMI	RSI	Pivot 1st Support	Pivot 1st Resist.
USDCAD	4.5	1.2669	buy	buy	buy	65	1.2637	1.2706
EURUSD	6.8	1.1221	sell	sell	sell	28	1.1186	1.1255
GBPUSD	7.2	1.3322	sell	sell	sell	33	1.3295	1.3369
USDCHF	6.0	0.9339	buy	buy	buy	65	0.9315	0.9369
USDJPY	5.7	115.35	buy	buy	buy	65	114.95	115.64
AUDUSD	7.7	0.7187	sell	sell	sell	30	0.7169	0.7217
USDMXN	10.9	21.4478	buy	buy	buy	73	21.21	21.65
DXY (USD index)	5.8	96.73	buy	na	sell	72	96.47	96.97
EURCAD	5.6	1.4216	sell	sell	sell	38	1.4163	1.4270
GBPCAD	5.9	1.6878	buy	buy	sell	44	1.6834	1.6951
AUDCAD	5.3	0.9105	sell	sell	sell	36	0.9077	0.9149
CADMXN	10.9	16.93	buy	buy	buy	67	16.75	17.06

Source: Scotiabank & Bloomberg

## TODAY'S CALENDAR

Time (ET)	Country	Release	Period	Consensus	Last
07:00	MX	GDP NSA YoY	3Q F	4.5%	4.6%
07:00	MX	Economic Activity IGAE YoY	Sep	2.50%	4.28%
07:00	MX	Economic Activity IGAE MoM	Sep	0.30%	-1.57%
07:30	EC	ECB Publishes Account of October Policy Meeting			
08:30	EC	ECB's Lagarde Speaks at Legal Conference			
09:05	UK	BOE's Haskel BOE/Niesr workshop			
10:00	MX	Current Account Balance	3Q	-\$4950m	\$6286m
10:00	MX	Central Bank Monetary Policy Minutes			
12:15	EC	ECB's Villeroy speaks in Paris			
12:30	UK	BOE Governor Bailey at Cambridge Union event			
18:30	JN	Tokyo CPI YoY	Nov	0.4%	0.1%
18:30	JN	Tokyo CPI Ex-Fresh Food YoY	Nov	0.3%	0.1%
19:30	AU	Retail Sales MoM	Oct	2.2%	1.3%

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