



Securities

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# FOREX Newsletter

December 02, 2020

## Pulse of the Market

- The U.S dollar fell yesterday to its lowest level in more than 2-1/2 years
- Investors' appetite for risk increased on prospects of further fiscal stimulus from the United States
- Traders are looking for any reason to bid risk up and that comes at the cost of the dollar
- The euro was close to a three-month high yesterday as the U.S dollar fell

### Recent Interest Rates & US Treasury Yields

USD		0.25%
EUR		0.00%
GBP		0.25%
JPY		-0.10%
CAD		0.75%
AUD		0.10%
NZD		0.25%
	<b>Change</b>	<b>Yield</b>
2-yr Yield	+0.01	0.15%
5-yr Yield	+0.01	0.37%
10-yr Yield	+0.03	0.86%

Euro climbed to its strongest level versus the U.S dollar in more than two years. Not only was the single currency the day's best performer but it surge well above 1.20, rising to its highest level since May 2018. For many, the persistence of the euro's rally has been perplexing as there was only one down day in the last six. There's no coincidence that the euro's rally coincides with broad based U.S dollar weakness. The Dollar Index may be up today, but it is still trading near 2.5 year lows. Concerns about a spike in coronavirus cases after Thanksgiving and Federal Reserve Chairman Powell's promise to keep interest rates low until there are actual signs of inflation gives investors very little reason to buy dollars. We saw that clearly today as the greenback extended its slide against most of major currencies despite the whopping 11% rise in 10 year Treasury yields. Stronger than expected data also lent support to euro. Germany reported a surprise drop in unemployment rolls that helped ease the unemployment rate. Manufacturing PMI for the Eurozone was revised higher, offsetting the sting of lower inflation. While the European Central Bank is widely expected to add stimulus next week, this plan was clearly telegraphed allowing investors to fully discount the move. Therefore even though the prospect of ECB easing is negative for euro, the lack of surprise may actually be positive for the currency. Last month's aggressive lockdowns in Europe are finally bearing fruit as there are signs that Europe's COVID-19 outbreak is slowing. New virus cases in France fell to 4,005 on Monday from a peak above 86,000 in early November. Virus cases in Spain are just above 10,000, down from more than 25,000 on October 30th. In Italy, there were 16,370 new cases yesterday compared to 40,902 on November 13th. The numbers are better in Germany as well but more volatile. The U.S on the other hand is bracing for the worst as test results from Thanksgiving gatherings start to come in. Yet despite all of the worries about a second wave, the S&P 500 and NASDAQ hit a record high yesterday. With Europe gaining control of their outbreak and moving closer to easing restrictions, the region stands to recover at a faster pace. As a high beta currency, equity market gains and improvement in risk appetite plays a major role in euro's rally. If stocks continue to rise, so will the single currency.

Time(GMT)		Economic Release	IMP	Actual	Forecast	Prior
00:30		Australia GDP Growth Rate YoY (Q3)	High		-4.4%	-6.3%
07:00		Germany Retail Sales YoY (OCT)	Medium		5.9%	6.5%
07:30		Switzerland Inflation Rate YoY (NOV)	Medium		-0.5%	-0.6%
10:00		Euro Area Unemployment Rate (OCT)	Medium		8.4%	8.3%
12:00		U.S MBA Mortgage Applications (27/NOV)	Medium			3.9%
13:15		U.S ADP Employment Change (NOV)	Medium		400K	365K
15:30		EIA Crude Oil Stocks Change (27/NOV)	Medium		-2.358M	-0.754M

## Euro

The single currency was close to a three-month high yesterday as the U.S dollar fell on expectations of more monetary stimulus from the United States and a strengthening recovery elsewhere pushed up riskier currencies. Investors are short dollars as optimism about promising vaccine trials drives buying of riskier currencies and higher- yielding assets outside the United States. Overall, the EUR/USD traded with a low of 1.1925 and a high of 1.2075 before closing the day around 1.2069 in the New York session.



## Yen

The Japanese yen gained against the Dollar in yesterday's trading session as investors cautiously eyed developments in talks about further fiscal stimulus from the United States, while risk currencies held onto gains on improving risk appetite. U.S Treasury Secretary Steve Mnuchin and House of Representatives Speaker Nancy Pelosi held stimulus talks for the first time since the election. Overall, the USD/JPY traded with a low of 104.16 and a high of 104.56 before closing the day around 104.30 in the U.S session.



## British Pound

The British Pound crossed \$1.34 for the first time in three months yesterday, as market participants remained optimistic about the chances of a Brexit deal being reached, despite a lack of tangible progress in negotiations. With just weeks to go before Britain's transition period of informal EU membership ends, the two sides are struggling reach an agreement on their future relationship. Overall, the GBP/USD traded with a low of 1.3313 and a high of 1.3439 before closing the day at 1.3416 in the New York session.



## Canadian Dollar

The Canadian Dollar strengthened against its U.S counterpart yesterday as the potential for U.S economic stimulus and approval of a coronavirus vaccine bolstered investor sentiment, while domestic data showed the economy growing at a record pace. Canada sends about 75% of its exports to the United States. Canada's economy notched record annualized growth of 40.5% in the third quarter. Overall, USD/CAD traded with a low of 1.2925 and a high of 1.3004 before closing the day at 1.2932 in the New York session.



## Appendix

FOREX Closing Prices for December 01, 2020					
Currency	Open	High	Low	Close	Net Chg
EUR/USD	1.19259	1.20753	1.19251	1.20693	0.0144
USD/JPY	104.29	104.564	104.164	104.307	0.0140
GBP/USD	1.33293	1.34393	1.33136	1.34161	0.0096
USD/CHF	0.9081	0.90887	0.89922	0.89959	-0.0091
USD/CAD	1.30022	1.30047	1.29252	1.29326	-0.0067
EUR/JPY	124.394	125.932	124.381	125.902	1.5080
GBP/JPY	139.017	140.272	138.936	139.967	1.0260
CHF/JPY	114.798	115.957	114.711	115.91	1.1580
AUD/JPY	76.591	76.944	76.574	76.868	0.3050
EUR/GBP	0.89451	0.90055	0.8927	0.89925	0.0042
EUR/CHF	1.08309	1.0863	1.08295	1.08583	0.0022
GBP/CHF	1.21047	1.21512	1.20313	1.20704	-0.0035

Daily Pivot Points							
Contract	Trading Range						
	S3	S2	S1	Pivot	R1	R2	R3
EURUSD	1.1821	1.1873	1.1971	1.2023	1.2121	1.2173	1.2272
USDJPY	103.73	103.95	104.13	104.35	104.53	104.75	104.93
GBPUSD	1.3214	1.3264	1.3340	1.3390	1.3466	1.3515	1.3591
USDCHF	0.8866	0.8929	0.8963	0.9026	0.9059	0.9122	0.9156
USDCAD	1.2824	1.2875	1.2904	1.2954	1.2983	1.3034	1.3063
EURJPY	123.33	123.85	124.88	125.41	126.43	126.96	127.98
GBPJPY	137.84	138.39	139.18	139.73	140.51	141.06	141.85
CHFJPY	113.85	114.28	115.10	115.53	116.34	116.77	117.59
AUDJPY	76.28	76.43	76.65	76.80	77.02	77.17	77.39
EURGBP	0.8866	0.8897	0.8945	0.8975	0.9023	0.9054	0.9102
EURCHF	1.0804	1.0817	1.0838	1.0850	1.0871	1.0884	1.0905
GBPCHF	1.1898	1.1964	1.2017	1.2084	1.2137	1.2204	1.2257

Sources: News, Charts & Quotes (Courtesy: Reuters, US Department Of Treasury)

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