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# FOREX Newsletter

October 12, 2020

## Pulse of the Market

- Aside from stimulus headlines, focus will be on the how the U.S recovery is faring
- This week's German ZEW survey could be the perfect catalyst for the move
- Sterling will be at the whim of Brexit talks, which will continue this week
- Home loans from Australia was strong and the Canada reported stunning jobs data

### Recent Interest Rates & US Treasury Yields

USD	0.25%	
EUR	0.00%	
GBP	0.25%	
JPY	-0.10%	
CAD	0.75%	
AUD	0.25%	
NZD	0.25%	
	<b>Change</b>	<b>Yield</b>
2-yr Yield	+0.02	0.15%
5-yr Yield	+0.04	0.27%
10-yr Yield	+0.05	0.70%

With less than four weeks before the November 3rd US Presidential Election, it has become very clear that investors believe that regardless of who wins, the economy will do better in 2021 than 2020. Barring another full U.S lockdown this is almost a certainty. Looking back, 2020 will be one of the darkest times in recent history but medical advances over the past year will make 2021 a year of recovery. More importantly Trump and Biden are prepared to pump the economy with major stimulus in the New Year. Even so in the next few weeks volatility should increase with bigger trading ranges and wild swings in currencies and equities. U.S fiscal stimulus talks and Brexit negotiations are still in start stop mode and until an agreement is reached, headlines are the greatest risk. A vaccine is also around the corner but a pre-election vaccine announcement is still on the table. In this week, aside from stimulus headlines and any other left field tweets from President Trump, our focus will be on the how the US recovery is faring. Retail sales are scheduled for release along with the Empire State and Philadelphia manufacturing surveys. Many Americans received fewer jobless benefits in the month of September so will be important to see how that impacted spending. Chances are, consumption declined especially with equity market and election volatility. The manufacturing surveys will also provide an important look at the momentum of the economy but in many ways, the University of Michigan's consumer sentiment index will be the most telling with regards to how Americans feel. Inflation numbers are also scheduled for release but the Fed has made it clear that inflation is too low and the latest data should reflect that. The dollar fell against most of the major currencies on Friday and while it may strengthen on safe haven flows next week, USD/JPY and USD/CHF are prime for losses. Sterling will be at the whim of Brexit talks, which will continue this week. The EU Summit on October 15th has been the deadline set by the UK to agree on a Brexit deal and Prime Minister Johnson feels that both sides should "move on" if there is no agreement by then. Unfortunately a deal is looking elusive as the EU's Barnier left talks early for Brussels on Friday. All three of the commodity currencies traded higher on Friday.

Time(GMT)		Economic Release	IMP	Actual	Forecast	Prior
06:00		Germany Wholesale Prices MoM (SEP)	Medium			-0.4%
07:00		China FDI (YTD) YoY (SEP)	Medium			2.6%
09:00		China New Yuan Loans (SEP)	High		CNY1700B	CNY1280B
11:00		ECB President Lagarde Speech	Medium			
12:00		IMF/World Bank Virtual Annual Meeting	Medium			
15:00		ECB Guindos Speech	Medium			
23:00		Japan Reuters Tankan Index (OCT)	Medium			-29

## Euro

The single currency fell as rising coronavirus cases in Europe and longer-term uncertainty kept sentiment subdued, while equity markets were lifted by expectations for more U.S stimulus and lower-for-longer rates. U.S President Donald Trump saying there is a good chance to reach a deal on a fresh stimulus package did not trigger much action in European markets. Overall, the EUR/USD traded with a low of 1.1730 and a high of 1.1806 before closing the day around 1.1732 in the New York session.



## Yen

The Japanese yen traded lower as the U.S Dollar edged higher, but held in its recent range as investors waited for fresh news on whether new U.S fiscal stimulus is likely in the near term. There was little new information yesterday to move the dollar strongly in either direction. The greenback was little changed against the Japanese Yen. Investors seem to be focusing more on the increasing odds of a Biden win Overall, the USD/JPY traded with a low of 105.45 and a high of 105.76 before closing the day around 105.61 in the U.S session.



## British Pound

The British Pound stabilized as prospects for a Brexit deal appeared to improve, with Britain giving it a 66% chance of success. The pound inched up in early session, before giving back those gains. Against the euro, sterling strengthened slightly. British Prime Minister Boris Johnson and European Council President Charles Michel agreed on Wednesday that some progress had been made in talks on a trade deal. Overall, the GBP/USD traded with a low of 1.2864 and a high of 1.3005 before closing the day at 1.2875 in the New York session.



## Canadian Dollar

The Canadian Dollar rose to a more-than two-week high against the greenback as higher oil prices and the potential for U.S stimulus offset comments from Bank of Canada Governor Tiff Macklem, leaving negative interest rates on the table. The price of oil, one of Canada's major exports settled 3.1% higher at \$41.19 a barrel on support from output shutdowns ahead of a storm in the U.S Gulf of Mexico. Overall, USD/CAD traded with a low of 1.3239 and a high of 1.3314 before closing the day at 1.3308 in the New York session.



## Appendix

FOREX Closing Prices for October 09, 2020					
Currency	Open	High	Low	Close	Net Chg
EUR/USD	1.17569	1.18275	1.17533	1.18264	0.0068
USD/JPY	106.014	106.024	105.563	105.593	-0.4150
GBP/USD	1.29303	1.30446	1.29161	1.30436	0.0107
USD/CHF	0.91675	0.9177	0.90932	0.90942	-0.0073
USD/CAD	1.31959	1.31981	1.31064	1.31105	-0.0084
EUR/JPY	124.646	125.072	124.494	124.894	0.2270
GBP/JPY	137.009	137.771	136.772	137.752	0.6070
CHF/JPY	115.604	116.145	115.446	116.08	0.4970
AUD/JPY	75.969	76.495	75.898	76.441	0.5200
EUR/GBP	0.90933	0.91304	0.90625	0.90649	-0.0023
EUR/CHF	1.07803	1.07875	1.07524	1.07564	-0.0024
GBP/CHF	1.18479	1.18785	1.17893	1.18635	0.0002

Daily Pivot Points							
Contract	Trading Range						
	S3	S2	S1	Pivot	R1	R2	R3
EURUSD	1.1703	1.1728	1.1777	1.1802	1.1852	1.1877	1.1926
USDJPY	104.97	105.27	105.43	105.73	105.89	106.19	106.35
GBPUSD	1.2830	1.2873	1.2958	1.3001	1.3087	1.3130	1.3215
USDCHF	0.8982	0.9038	0.9066	0.9121	0.9150	0.9205	0.9234
USDCAD	1.2987	1.3047	1.3079	1.3138	1.3170	1.3230	1.3262
EURJPY	123.99	124.24	124.57	124.82	125.15	125.40	125.72
GBPJPY	136.09	136.43	137.09	137.43	138.09	138.43	139.09
CHFJPY	114.94	115.19	115.64	115.89	116.33	116.59	117.03
AUDJPY	75.46	75.68	76.06	76.28	76.66	76.88	77.26
EURGBP	0.8974	0.9018	0.9041	0.9086	0.9109	0.9154	0.9177
EURCHF	1.0708	1.0730	1.0743	1.0765	1.0778	1.0801	1.0814
GBPCHF	1.1720	1.1755	1.1809	1.1844	1.1898	1.1933	1.1987

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

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