Weekly FX Newsletter

2024-04-07

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Wells Fargo Research Team
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Weekly economic and financial commentary

ANALYSIS | 04/05/2024 17:36:24 GMT

Summary

United States: Strong Jobs Numbers Diminish Urgency for Rate Cuts

- Nonfarm payrolls expanded 303K in March, surpassing all estimates submitted to Bloomberg. The continued strength in hiring suggests less urgency for policymakers at the Federal Reserve to lower the target range of the fed funds rate. Recent comments from FOMC members have homed in on the jobs market's underlying momentum as justification to wait and allow for more inflation data.
- Next week: Small Business Optimism (Tue.), Consumer Price Index (Wed.)

International: Springtime Sentiment Data in Asian Economies Show Buds of Optimism

- This week saw the release of important economic sentiment data from both G10 and emerging economies. In Japan, the Bank of Japan's Q1 Tankan survey—a closely watched measure of business sentiment—showed signs that Japan's economy may be able to gradually recover this year. In China, official March PMIs for the manufacturing and non-manufacturing sectors surprised to the upside, suggesting the economy started 2024 on a fairly solid note.
- Next week: Mexico CPI (Tue.), Bank of Canada Policy Rate (Wed.), European Central Bank Policy Rate (Thu.)

Credit Market Insights: Nothing But Net: Household Net Worth Climbed in the Fourth Quarter

- Household net worth climbed in the fourth quarter across all wealth cohorts. When indexed to 2000, household net worth is now at a fresh all-time high, sitting above its initial post-COVID peak from Q1-22. The biggest driver of the increase was a rise in corporate equities and mutual fund shares.

Topic of the Week: FY 2024 Budget Complete, but Fiscal Fights Still Loom

- On March 23, President Biden signed into law the last remaining appropriations bill for fiscal year 2024, completing a budget process that dragged on for nearly a year and included four short-term continuing resolutions to keep the government open and operating. That said, federal fiscal fights are anything but over.

Forecasting the Coming Week: Markets maintain focus on inflation

NEWS | 04/05/2024 16:39:00 GMT | By Pablo Piovano

Another positive week saw the Greenback reclaim the area beyond the 104.00 hurdle, advancing modestly on a weekly basis against the backdrop of the mixed performance in US yields and Fedspeak supporting a tighter-for-longer Fed's stance.

Stronger-than-expected NFP readings lent support to the Greenback at the end of the week. The RCM/TIPP Economic Optimism Index is due on April 9, seconded by the Inflation Rate, Wholesale Inventories, and FOMC Minutes, all expected on April 10. On the next day, Producer Prices are due, and the preliminary Michigan Consumer Sentiment will close the week on April 12.

EUR/USD managed to reclaim the area above 1.0800, mostly on the back of Dollar weakness and **risk appetite** trends in the first part of the week. Germany's Balance of Trade results are due on April 8, followed by the ECB meeting on April 11, and the final German Inflation Rate on April 12.

GBP/USD ended Friday's session on the defensive, coming under pressure in the second half of the week on the back of the late bounce in the Greenback. The UK docket will see the BRC Retail Sales Monitor on April 9 ahead of GDP readings, Balance of Trade, Construction Output, and Industrial and Manufacturing Production, all due on April 12.

USD/JPY maintained its consolidation range below the 152.00 region once again this past week, always amidst persistent FX intervention fears. On April 8, the Eco Watchers Survey is due, along with Consumer Confidence on April 9. Additionally, Bank Lending figures and Producer Prices are expected on April 10, while Foreign Bond Investment and final Industrial Production are due on April 11 and April 12, respectively.

In quite a volatile week, AUD/USD revisited the area above 0.6600 the figure, although it ran out of some upside impetus towards the end of the week. On April 8, Home Loans are due ahead of the Westpac Consumer Confidence Index on April 9. Additionally, **consumer inflation expectations** come on April 11.

Anticipating Economic Perspectives: Voices on the Horizon

- BoE's Breeden speaks on April 8.
- Fed's Kashkari speak on April 9.
- Fed's Goolsbee is due to speak on April 10.
- Fed's Williams, Collins and Bostic speak on April 11 along with BoE's Greene.
- BoE's Greene, Fed's Bostic and Daly all speak on April 12.

Central Banks: Upcoming Meetings to Shape Monetary Policies

- The BSP meets on April 8 (unch)
- The RBNZ and the BoT meet on April 10 (unch).
- The ECB will decide on rates on April 11 (unch).
- The BoK meets on April 12 (unch).

Kathleen Brooks
XTB UK

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US Payrolls surge pushing rate cut expectations back to autumn

ANALYSIS | 04/05/2024 13:55:57 GMT

The payrolls data for March was hot. At 303k, this was much higher than the expected 214k. This was the highest reading since May 2023, and was driven by a surge in private sector hiring, with private payrolls up by 232k, well above the 170k expected. The unemployment rate ticked lower to 3.8% from 3.9%, and wage growth moderated as expected, with the annual rate of average hourly earnings falling to 4.1% from 4.3%. The labour force participation rate also ticked higher to 62.7% from 62.5% in February, further reinforcing the strength of the US economy in Q1.

Service sector and government jobs remain strong

Strong jobs growth was recorded once again in **education** and health services, leisure and hospitality and in government, which has been creating a large number of jobs in recent months. The strong trend in government jobs could be linked to a hiring blitz before the election, thus it may not last. However, the trend in government jobs is worth watching, and if it shows signs of slowing then it might suggest that jobs growth overall will also slow.

Overall, this is an extremely strong report, and suggests that the US economy is firing on all cylinders, which is why the labour market is this strong. We have mentioned in recent notes that the establishment survey, which collates the **NFP** report, has been stronger than the household survey in recent months. However, even the household survey, which measures the unemployment rate, showed resilience last month. The unemployment rate fell, and the number of unemployed people was little changed, after a large increase in February. The US economy is currently in jobs growth mode, and is not shedding workers, which is a sign of strong demand in the US economy and is at odds with other countries including Europe. This labour market report is American exceptionalism in full swing.

Wages may have moderated, but the annual rate of growth is still 4.1%, over double the Fed's target rate for inflation. Thus, wage growth and a robust jobs market could still fuel inflation down the line.

Market reaction: Treasuries take the brunt of selling, as Dollar surges

Unsurprisingly, the market reaction was fierce. European stocks have extended losses; however, US stocks are slightly higher. The stock market reaction could be in response to the labour market indicating that the US economy is in a strong position, which is positive for corporate profits down the line. However, we expect stocks to be volatile in the short term as the market tries to figure out what it means for stocks if interest rate cuts aren't coming until Autumn. The biggest reaction was felt in Treasury market. The 2-year Treasury yield is higher by 6 basis points, while the 10-year yield is higher by 7 basis points so far on Friday. This has supported broad-based dollar strength, and the **dollar index** is higher across the board. The dollar is the strongest currency in the G10 so far **this week**, as US Treasury yields rise, and interest rate expectations get pushed back.

Rate cut expectations: September more likely for the first rate cut

The market is now expecting the first rate cut from the Fed to come in September, although the expectation of 2 rate cuts and a high chance of a third rate cut remains unchanged for now. This labour market data does shift the dial for the Fed. Although CPI data will also be watched closely, this supports the Fed holding off from rate cuts in H1, and potentially waiting until later in the year, as the economy remains extremely strong. It could also be a sign that the ECB and BOE will cut **rates** first, which is good news for the dollar. As mentioned, this report makes it less likely that the US stock market will experience the same rally that it did in Q1, however, it shows resilience and strength in the US economy, which is actually good news for stocks and could limit any downside in the short term.

ING Global Economics Team
ING Economic and Financial Analysis

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Key events in developed markets next week

ANALYSIS | 04/05/2024 11:57:12 GMT

The main focus in developed markets next week will be US CPI data for March, which we expect will still be running too hot for a return to the key 2% target. Meanwhile, GDP data takes the spotlight in the UK, and we expect to see signs pointing to a first-quarter rebound.

US: Core CPI print to be 0.3% MoM

The highlight over the week ahead in the US will be March consumer price inflation data. This has been running consistently hot in recent months, with housing components remaining particularly sticky while sharply higher insurance costs and portfolio management fees have been contributing to elevated supercore readings. We expect the core CPI print to be 0.3% month-on-month versus 0.4% in February – but this is still around double the 0.17% MoM rate that would, over 12 months, bring the YoY rate down to the 2% target.

There still remains a lot of uncertainty, though. The ISM prices paid, the NFIB prices charged and the employment cost index all suggest that price pressures will soften meaningfully through the year. Still, the Fed is worried about "residual seasonality" in some components – such as one-off annual insurance price hikes continuing to boost inflation. Uncertainty surrounding the all-important housing rent components is further clouding the outlook. In January, the BLS reweighted the components, so single-family homes are now more significant, and rent for these is running faster than for apartments. Due to the construct of the index and the methodology used, it could take another couple of months before we see the 0.2% MoM readings that the Fed wants to see. As such, the prospect of a June Federal Reserve cut will remain in the balance.

UK: February UK GDP figures to point to first quarter rebound

The UK economy entered a technical recession at the end of last year, albeit a shallow one. But a rebound in monthly GDP in January is likely to be followed by a small 0.1% gain in February, and that suggests we're heading for positive overall first quarter growth. These figures have admittedly been fairly volatile recently, but we do expect a gradual recovery in UK output this year. We think the majority of the mortgage squeeze is behind us in terms of the macro impact, while positive real wage growth should help consumer spending.

For the **Bank of England** though, this isn't what will determine the timing of the first rate. Instead, that'll be down to services inflation and wage growth, both due later this month. It's a close call between a June and August rate cut – though for now, we're narrowly sticking with the latter.

Marios Hadjikyriacos
XM

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Week ahead – ECB decision and US inflation to fuel FX volatility [Video]

ANALYSIS | 04/05/2024 13:14:00 GMT

- **Central bank decisions in Eurozone, Canada, and New Zealand.**
- **Highlight will be the ECB - likely to signal a rate cut in June.**
- **In US, the dollar will be driven by inflation stats and Fed minutes.**

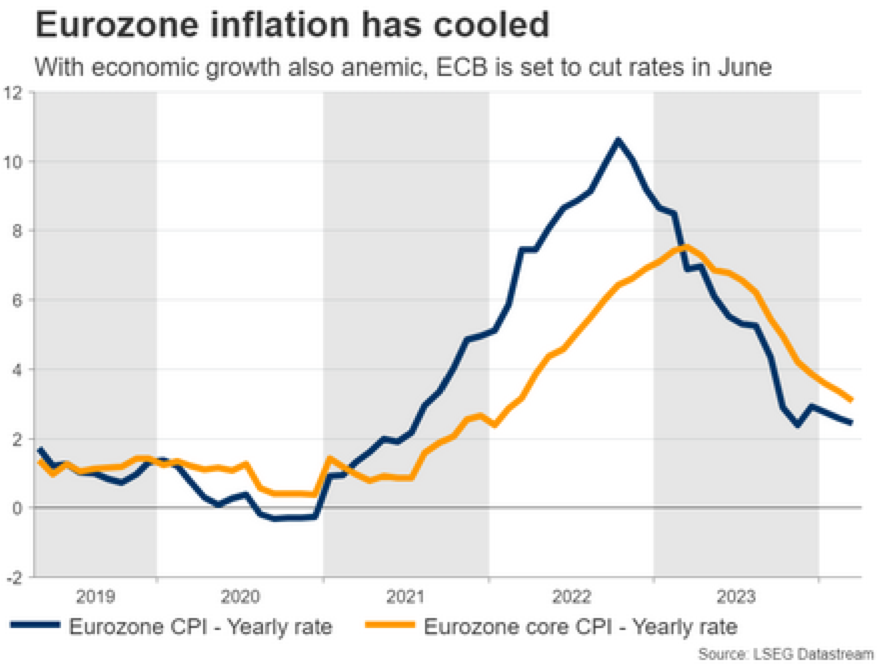
ECB meeting - Nearly time to cut

The **Eurozone** economy has gone through a rough patch over the last year. Growth has been almost stagnant, held back by Germany, which fell into contraction as a slowdown in global trade suppressed demand for exports and crippled the nation's manufacturing sector.

On the bright side, the economic stagnation has helped dampen inflationary pressures. Inflation fell to 2.4% in March, pushing the European Central Bank one step closer to cutting interest rates. Most ECB officials have pointed to a cut in June as the most likely scenario.

Investors share this view. A June rate cut is already fully priced into money markets, reflecting the slower growth pulse and the cooldown in inflation. The unemployment rate has also risen a touch this year, reinforcing hopes that inflation is headed lower.

Therefore, the ECB will likely use the meeting on Thursday as a stepping stone, setting the stage for summer rate cuts. President Lagarde could highlight the progress on inflation and argue that lowering rates soon would help minimize the risk of a recession.



As for the euro, its gloomy economic fundamentals paint a negative picture. One reason the single currency has been so resilient over the past year has been the collapse in natural gas prices, which benefited the euro through the trade channel. The euphoric tone in stock markets also helped, by pinning down the safe-haven US dollar.

So the euro has been kept afloat not by economic performance, but rather by developments in other financial markets. **This is a double-edged sword, because it implies that any change in these trends could remove a big pillar of support for the currency.**

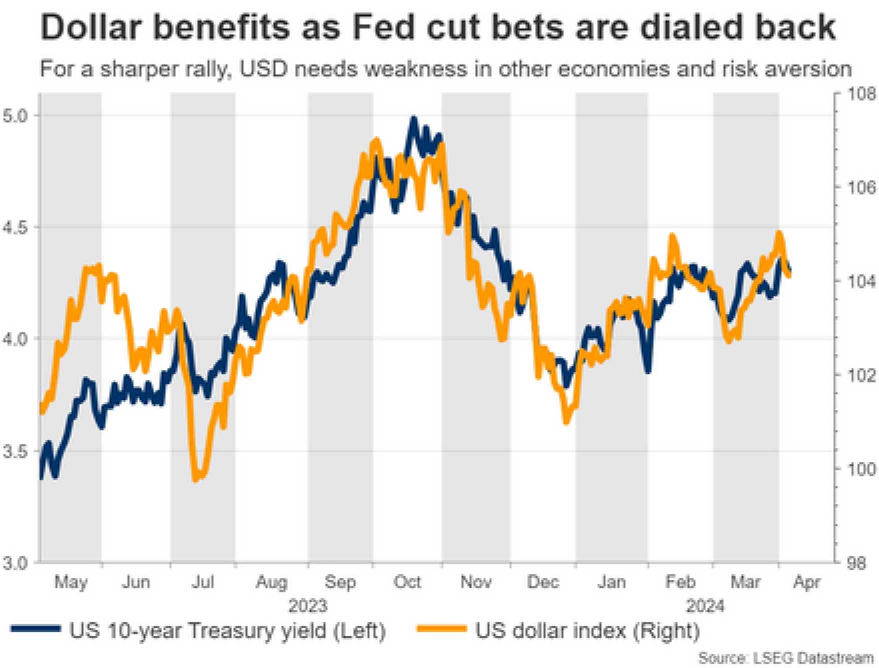
In other words, the euro needs low gas prices and rising stock markets to remain above water. Otherwise, traders might start focusing on the anemic growth outlook and rate cuts.

US inflation and Fed Minutes in focus

Over in the United States, the spotlight will fall on CPI inflation data and the minutes of the latest Fed meeting, both on Wednesday. These will help investors decide whether the Fed will cut rates in June, which markets currently assign a 70% probability to.

Forecasts suggest inflation reaccelerated, with the CPI rate seen at 3.4% in March from 3.2% previously. However, the core rate is anticipated to tick down to 3.7%. The difference most likely reflects the rally in oil during the month, as the core figure excludes the effects of energy prices.

This would translate into a mixed report for the Fed. A decline in the core rate would suggest the broader trend of disinflation continues, even if rising energy prices are keeping headline inflation elevated.



Meanwhile, the minutes will cover the March meeting, where FOMC officials upgraded their growth and inflation forecasts but still projected three rate cuts for this year. It will be interesting to see the discussions behind the scenes. **That said, this release is unlikely to contain any groundbreaking revelations, as most officials have spoken several times since this meeting.**

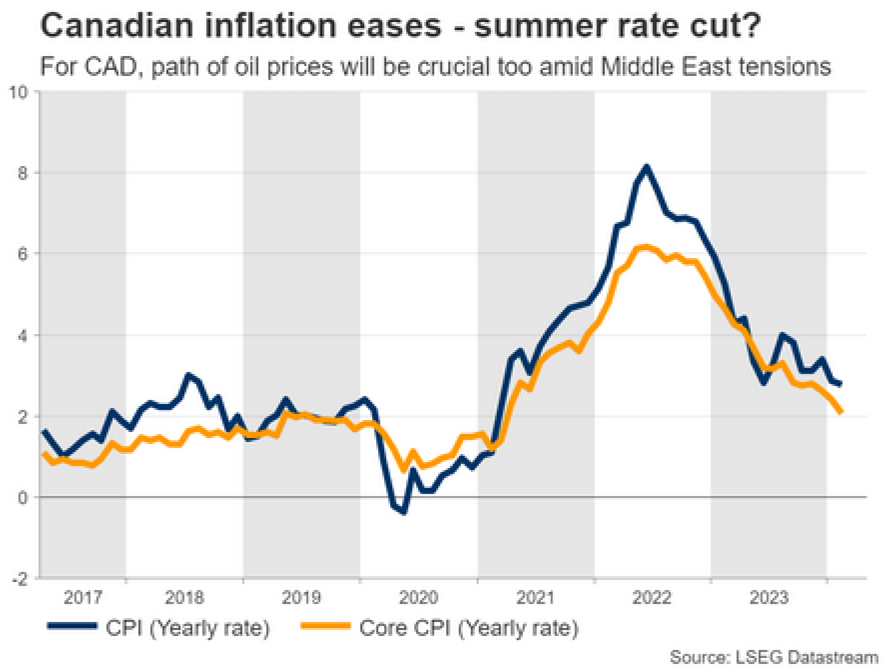
As for the dollar, it went for a wild ride **this week**, losing ground after a disappointing ISM services survey but then recovering with some help from risk aversion amid fears of an Iranian attack against Israel.

Overall, US economic fundamentals seem stronger than most regions. For instance, GDP growth is on track to hit 2.5% this quarter according to the Atlanta Fed. Therefore, the broader outlook seems positive, although for the reserve currency to stage a lasting rally, it might need more signs of weakness in foreign economies or a risk-off atmosphere that fuels demand for haven assets.

Rate decisions in Canada and New Zealand

In Canada, the central bank meets on Wednesday and markets assign a 15% chance for an immediate rate cut, as core inflation has declined steadily. Massive population growth has helped to loosen labor market conditions, dampening concerns about wage-fueled inflation. The negative side of that is housing shortages, which are keeping shelter inflation hot.

As such, the Bank of Canada is unlikely to slash **rates** at this meeting, although it might provide clearer signals that cuts are coming this summer. The **Canadian dollar** will also be driven by oil prices, with any escalation in the Middle East likely to benefit the oil-exporting currency.



Crossing into New Zealand, the local currency has been on the ropes this year, losing more than 4% against the US dollar. The economy fell into a minor technical recession late last year, which has weighed on consumer and business confidence. But inflation remains elevated, so markets don't expect any move from the Reserve Bank when it meets on Wednesday.

For the New Zealand dollar to mount a sustainable comeback, it will probably need a meaningful recovery in China that boosts demand for the nation's commodity exports.

In this sense, China's trade data for March will be closely watched on Friday for any signs of a rebound. Other notable releases on Friday include monthly GDP stats from the United Kingdom.

Danske Research Team
Danske Bank A/S

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Weekly focus – Decent data over Easter dampen rate cut expectations

ANALYSIS | 04/05/2024 11:30:00 GMT

Positive data surprises especially in the US have continued to mostly drive interest rates higher and the USD stronger over the last two weeks. Americans increased their consumption by 0.4% in February and reduced their savings rate to its lowest level since December 2022, while the ISM survey showed a clear positive surprise in March for US manufacturers who are now reporting expansion, also for the first time since 2022. While core PCE inflation (the Fed's preferred measure) came out as expected for February, 0.3% m/m price increase is still too much, and the January number was revised up to 0.5% m/m. All in all, the data does not support an early rate cut. Fed Chair Jerome Powell, among others, signalled over Easter that the direction of interest rates is still down, but that the strong data allows for waiting in order to gain more confidence about declining inflation before moving. The market is now pricing almost no chance of a May rate cut, instead looking for June. Key data to watch will be the jobs report later today (Friday) and March CPI on Wednesday next week.

In the euro area, inflation in March was slightly lower than expected, with the core price measure increasing 2.9% y/y. According to the ECB, that corresponds to a bit more than 0.2% m/m, so still to the high side in terms of reaching the 2% annual inflation target, especially as service inflation is 0.4% m/m. In other words, the concern remains that a tight labour market and high wage growth will keep inflation running. The euro area unemployment rate was 6.5% in February, and since earlier data was revised, that still means a record low. Euro area PMIs for March point to economic growth for the first time since May last year.

None of this will likely have changed the quite clearly communicated view from the ECB that there will be no rate change at next week's meeting but that a rate cut in June is to be expected. This means that the meeting on Thursday is unlikely to be a major market mover. We expect the ECB to restate the outlook for a June cut provided that the disinflation process continues, and to clarify that it is a 25bp rate cut and not 50bp, as some market participants have been speculating lately. We do not expect them to give strong guidance as to what will happen after June.

The 2023 budget deficit in France was 5.5% of GDP, significantly higher than expected, drawing negative comments from rating agency Moody's. S&P already has France on negative outlook and there is clearly risk of a downgrade.

Not only US manufacturers reported progress in March. In China, manufacturing PMIs also rose and especially the official version delivered a strong positive surprise. The manufacturing upswing is supporting commodity prices which are generally rising, not least the oil price which is also affected by the conflicts in the Middle East and the war between Russia and Ukraine. However, we are starting to see signs that the manufacturing sector has stopped improving, for example in export data from Asian countries that are usually leading indicators. This includes Japan where the Tankan business survey showed weaker (but still strong) manufacturing - but also the best sentiment among large non-manufacturers since the early 1990s.

Wells Fargo Research Team
Wells Fargo

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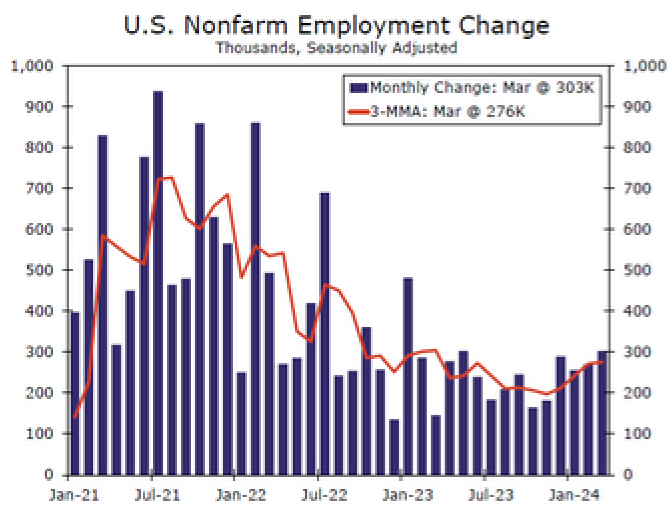
March employment: New data, same story

ANALYSIS | 04/05/2024 14:03:11 GMT

Summary

Hiring plowed full steam ahead in March, with **nonfarm payrolls** once again blowing past expectations with an increase of 303K. Along with minimal revisions to prior months' data, the three-month average pace of payroll gains (276K) is running at its strongest pace in a year. The unemployment rate ticked down to 3.8% amid a rebound in the household measure of employment. Labor supply growth also looked strong in March, with the participation rate moving up to a four-month high of 62.7%. Robust labor supply growth over the past year has helped support the overall pace of hiring while reducing the inflationary pressures stemming from the jobs market. While average hourly earnings picked up in March with a 0.3% monthly increase, year-over-year growth slowed to nearly a three-year low of 4.1%.

In our most recent **economic forecast update** released on March 14, we laid out a base case of 100 bps of easing by the FOMC this year. That said, we made the case at the time that the risks were skewed towards less easing rather than more. Today's report further confirms that distribution of risks. We will update our Fed outlook after next Wednesday's CPI report, but based on what we know now, the strength of the labor market suggests the FOMC can continue to await further improvement on the inflation front before easing policy.



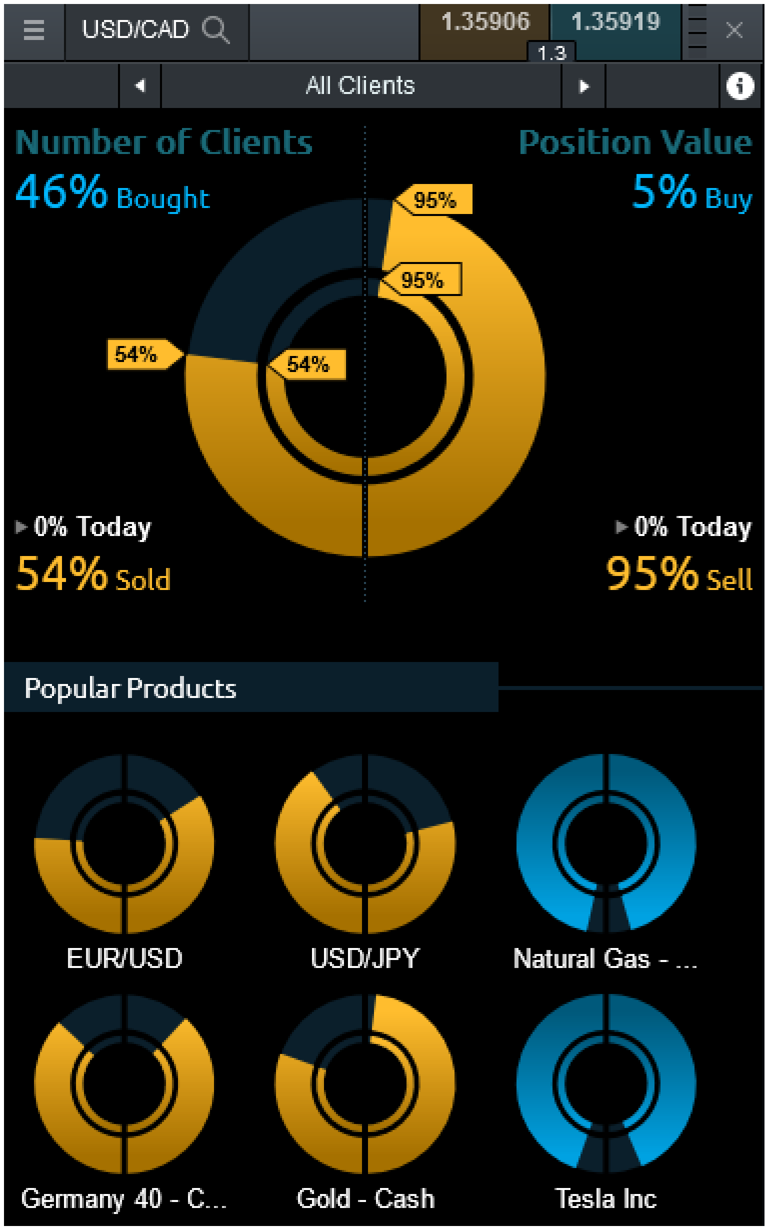
Source: U.S. Department of Labor and Wells Fargo Economics

Calendar

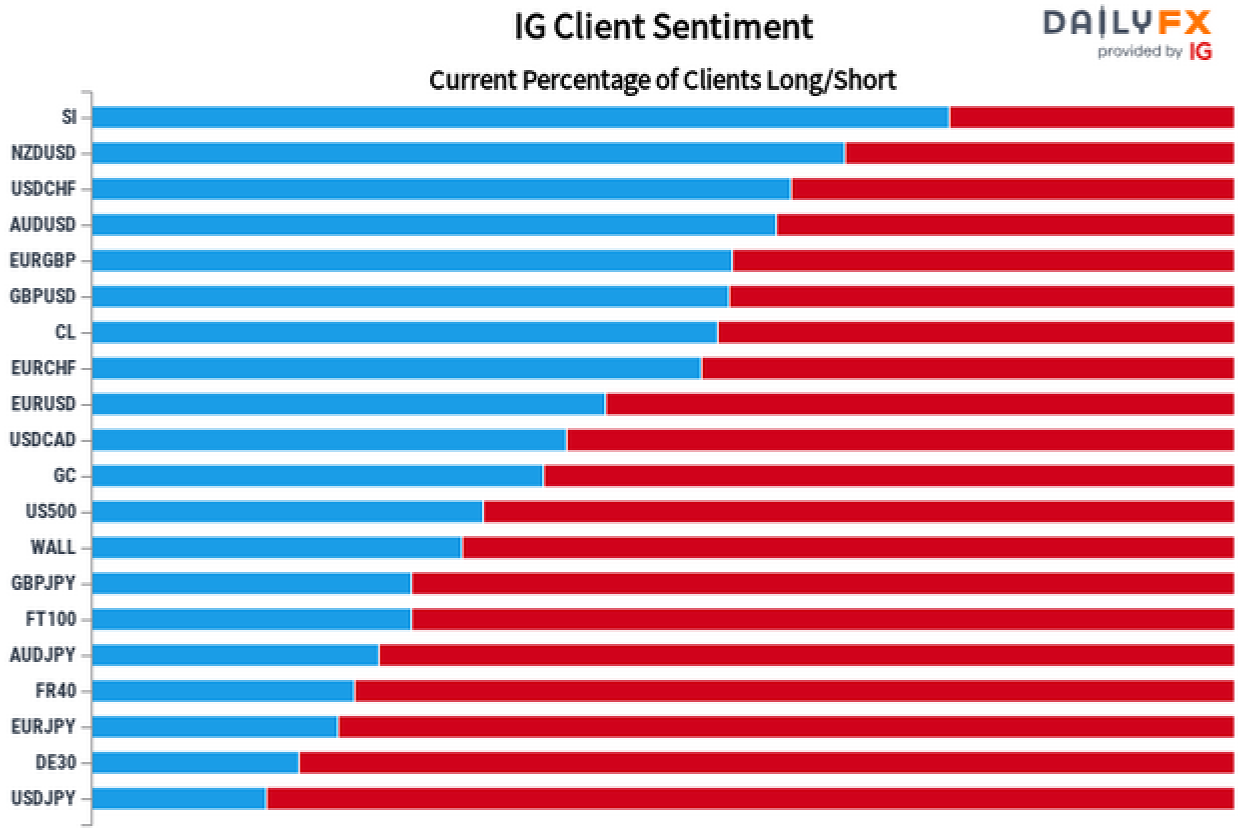
Market Calendar

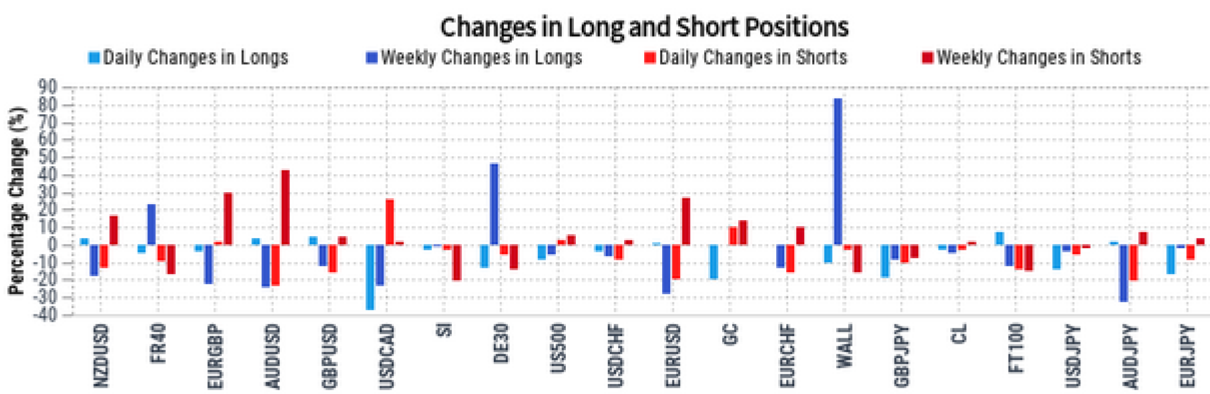
Day | Week | Month | W/E Fri 12 Apr | Market Impact | Event Type | Country | Alerts only | Search | Reset

DATE		IMPACT	EVENT	FORECAST	ACTUAL	SURPRISE	ACTIONS	PREVIOUS
Sunday 07 April 2024								
07 Apr	19:50		Current Account - Account Balance Total in YEN	3,112.5B	-	-		438.2B
Monday 08 April 2024								
08 Apr	02:00		Industrial Production - Industrial Output - MoM	0.3%	-	-		1%
Tuesday 09 April 2024								
09 Apr	19:50		Corporate Good Price Index - Corporate Goods Price - MoM	0.3%	-	-		0.2%
09 Apr	19:50		Corporate Good Price Index - Corporate Goods Price - YoY	0.8%	-	-		0.6%
Wednesday 10 April 2024								
10 Apr	08:30		Consumer Price Index - CPI (Not Adjusted)	312.18	-	-		310.32
10 Apr	08:30		Consumer Price Index - CPI - MoM (Seasonally Adjusted)	0.3%	-	-		0.4%
10 Apr	08:30		Consumer Price Index - CPI - YoY (Not Adjusted)	3.4%	-	-		3.2%
10 Apr	08:30		Consumer Price Index - Core CPI (Seasonally Adjusted)	-	-	-		(R) 315.56
10 Apr	08:30		Consumer Price Index - Core CPI - MoM (Seasonally Adjusted)	0.3%	-	-		0.4%
10 Apr	08:30		Consumer Price Index - Core CPI - YoY (Not Adjusted)	3.7%	-	-		3.8%
10 Apr	09:45		Interest Rate Announcements - Bank of Canada - Rate Decision	5%	-	-		5%
10 Apr	10:30		EIA/DOE Weekly Petroleum Status Report - Crude Oil Stocks (Net Change)	-	-	-		3.21M
Thursday 11 April 2024								
11 Apr	08:15		Interest Rate Announcements - ECB - Refinancing Rate	4.5%	-	-		4.5%
11 Apr	08:30		Employment - Unemployment Claims - WoW	215K	-	-		221K
11 Apr	08:30		Producer Price Index - Core PPI - Final Demand - MoM	0.2%	-	-		0.3%
11 Apr	08:30		Producer Price Index - Core PPI - Final Demand - YoY (Not Adjusted)	2.3%	-	-		2%
11 Apr	08:30		Producer Price Index - PPI - Final Demand - MoM (Seasonally Adjusted)	0.3%	-	-		0.6%
11 Apr	08:30		Producer Price Index - PPI - Final Demand - YoY	2.3%	-	-		1.6%
Friday 12 April 2024								
12 Apr	02:00		Consumer Price Index - EU Harmonized CPI - Final - YoY	2.3%	-	-		2.7%
12 Apr	10:00		Consumer Sentiment Survey - University of Michigan - Sentiment Index - Preliminary	79	-	-		76.5


USD/CAD
1.35906
1.35919
1.3
All Clients
Number of Clients
46% Bought
Position Value
5% Buy
95%
95%
54%
54%
0% Today
54% Sold
0% Today
95% Sell
Popular Products
EUR/USD
USD/JPY
Natural Gas - ...
Germany 40 - C...
Gold - Cash
Tesla Inc

SUMMARY TABLE





USD/CAD		Q2	Q3	Q4	Q1	Q2	Q3	Q4
MARKET PRICE **1.3589**	LAST REVISED	**'24** JUN	**'24** SEP	**'24** DEC	**'25** MAR	**'25** JUN	**'25** SEP	**'25** DEC
ANZ	Apr 2	1.3000	1.2800	1.2800	1.2600	1.2600	1.2600	
BMO	Mar 29	1.3430	1.3330	1.3230	1.3130	1.3030	1.2930	1.2830
BNP Paribas	Mar 18	1.3500	1.3500	1.3500	1.3400	1.3400	1.3400	1.3400
Bank of America	Mar 28	1.3400	1.3200	1.3000	1.3000	1.3000	1.3000	1.3000
Citi	Mar 22	1.3600	1.4000	1.4000	1.4000			1.2500
Crédit Agricole	Mar 28	1.3700	1.3400	1.3600	1.3400	1.3200	1.3000	1.2800
Danske	Feb 14	1.3700	1.3900	1.4400	1.4400			
Goldman Sachs	Mar 25	1.3400	1.3200	1.3000	1.3000			1.3000
HSBC	Feb 13	1.3200	1.3100	1.3000	1.3000	1.3000		
ING	Feb 16	1.3300	1.2900	1.2800				1.2700
MUFG	Apr 2	1.3500	1.3200	1.3000	1.3200			
Nomura	Feb 21	1.3500	1.3500	1.3500				1.3200
Nordea	Jan 26	1.3200		1.3000				1.2500
RBC	Feb 28	1.3600	1.3300	1.3100	1.3100	1.3000	1.3000	1.2900
SEB	Feb 27	1.3400	1.3200	1.2900	1.2800			
Scotiabank	Feb 15	1.3300	1.2800	1.2800	1.2700	1.2700	1.2500	1.2500
TD Bank	Feb 28	1.3800	1.3700	1.3600	1.3300	1.3100	1.2800	1.2500
UniCredit	Feb 12	1.3500	1.3400	1.3300	1.3200	1.3100	1.3000	1.2800
		'24 JUN	**'24** SEP	**'24** DEC	**'25** MAR	**'25** JUN	**'25** SEP	**'25** DEC
Max		1.3800	1.4000	1.4400	1.4400	1.3400	1.3400	1.3400
Min		1.3000	1.2800	1.2800	1.2600	1.2600	1.2500	1.2500
Average		1.3446	1.3319	1.3252	1.3215	1.3013	1.2914	1.2818
Std Deviation		0.0243	0.0401	0.0534	0.0589	0.0296	0.0346	0.0344
n =		18	17	18	15	10	9	13

APR
05
3:20 PM

MUFG: USD Poised for Bullish Break-Out?

By eFXdata

Synopsis:

MUFG discusses the recent volatility in the USD and its failure to sustain a breakthrough above the 105.00 level, despite a strong US employment report for March raising questions about the necessity for Fed rate cuts as early as June. The upcoming US CPI and PPI reports for March could be critical in determining the USD's direction for the remainder of the month, with previous inflation surprises having significantly influenced USD movement.

Key Points:

- **Recent USD Volatility:** The USD has shown increased volatility over the past week but has remained within narrow ranges against major currencies. A potential bullish breakout was hinted at but not sustained beyond the 105.00 level.
- **Impact of Strong US Employment Report:** March's robust employment figures cast doubt on the immediate need for Fed rate reductions, potentially altering expectations for a June start.
- **Crucial Economic Reports Ahead:** The US CPI and PPI reports for March, scheduled for release in the coming week, are anticipated to be decisive for the USD's trajectory through April. Inflation data in recent months have served as significant turning points for the currency.
- **Inflation Data as Key Influence:** Given the surprising upticks in US inflation in January and February, another unexpected rise in March could challenge the prevailing narrative around Fed rate cuts and influence USD dynamics.

Conclusion:

The USD's position at a potential bullish breakout threshold is being closely watched by MUFG, with upcoming US inflation reports identified as pivotal moments. The strength of the US labor market has already introduced uncertainty regarding the Fed's rate cut timeline. The forthcoming CPI and PPI data for March are now seen as key determinants of whether the USD can sustain a rally or will remain bound by recent trading ranges.

Source: MUFG Research/Market Commentary

APR
05
8:56 AM

CIBC: Analysis of US and Canada Jobs Reports; Contrasting Trajectories

By eFXdata

Synopsis:

CIBC provides an analysis of the recent jobs reports from the US and Canada, highlighting a robust job market in the US with employment figures surpassing expectations, while Canada shows signs of a weakening labor market with unexpected employment declines and a sharp rise in the unemployment rate.

Key Points:

- **US Jobs Market Strength:** The US employment report for March exceeded consensus expectations, with a 303K increase in employment and a slight reduction in the unemployment rate to 3.8%. The report suggests that immigration and mild weather may have contributed to the job market's strength. Additionally, wage growth remained steady, underscoring a robust labor market that supports the Federal Reserve's stance on economic growth driven by an increase in labor supply.
- **Canada's Labor Market Weakness:** Contrarily, Canada's labor market showed signs of strain with a marginal decline in employment and a significant jump in the unemployment rate to 6.1%. The report indicates consumer spending sluggishness affecting hiring plans, particularly in accommodation, food services, and retail sectors. The data suggests an economic softening that could prompt the Bank of Canada to consider interest rate cuts sooner than anticipated.

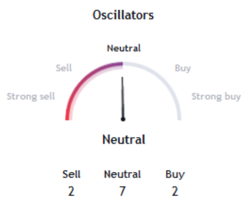
Conclusion:

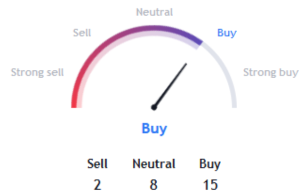
The contrasting jobs reports from the US and Canada underline different economic trajectories in the two countries. While the US labor market exhibits resilience, potentially delaying Fed rate cuts, Canada's labor market challenges highlight emerging economic vulnerabilities, likely influencing the Bank of Canada's policy decisions. The divergent trends emphasize the complex dynamics at play in North American economies, with immigration playing a crucial role in shaping labor market outcomes in the US, and consumer spending trends impacting employment in Canada.

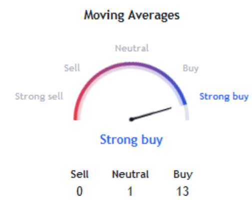
Source: CIBC Research/Market Commentary

USD/CAD Weekly Technicals

Summary







Oscillators ›

Name	Value	Action
Relative Strength Index (14)	54.72091	Neutral
Stochastic %K (14, 3, 3)	88.77145	Neutral
Commodity Channel Index (20)	81.35256	Neutral
Average Directional Index (14)	13.08193	Neutral
Awesome Oscillator	−0.00045	Sell
Momentum (10)	0.01400	Buy
MACD Level (12, 26)	0.00145	Buy
Stochastic RSI Fast (3, 3, 14, 14)	87.40119	Sell
Williams Percent Range (14)	−14.19355	Neutral
Bull Bear Power	0.00829	Neutral
Ultimate Oscillator (7, 14, 28)	56.97821	Neutral

Moving Averages ›

Name	Value	Action
Exponential Moving Average (10)	1.35293	Buy
Simple Moving Average (10)	1.35209	Buy
Exponential Moving Average (20)	1.35130	Buy
Simple Moving Average (20)	1.34719	Buy
Exponential Moving Average (30)	1.35059	Buy
Simple Moving Average (30)	1.35360	Buy
Exponential Moving Average (50)	1.34779	Buy
Simple Moving Average (50)	1.34835	Buy
Exponential Moving Average (100)	1.33676	Buy
Simple Moving Average (100)	1.33947	Buy
Exponential Moving Average (200)	1.32169	Buy
Simple Moving Average (200)	1.30791	Buy
Ichimoku Base Line (9, 26, 52, 26)	1.35380	Neutral
Volume Weighted Moving Average (20)	—	—
Hull Moving Average (9)	1.35866	Buy

USDCAD - DOUBLE TOP SHORT

U.S. Dollar / Canadian Dollar (OANDA:USDCAD) 1.35898 0.00459 0.34%

Hsan_Benhmed PREMIUM Updated Apr 4

Support and Resistance | Chart Patterns | Double Top or Bottom | USD | canadiandollar | Forex | signal | forexsignals | Double Top | neckline | breakout | Contains image

10 | 20

Sell USDCAD Channel Breakout SHORT

U.S. Dollar / Canadian Dollar (FX:USDCAD) 1.35889 0.00463 0.34%

KABHI_FOREX_TRADING PREMIUM Updated Apr 3

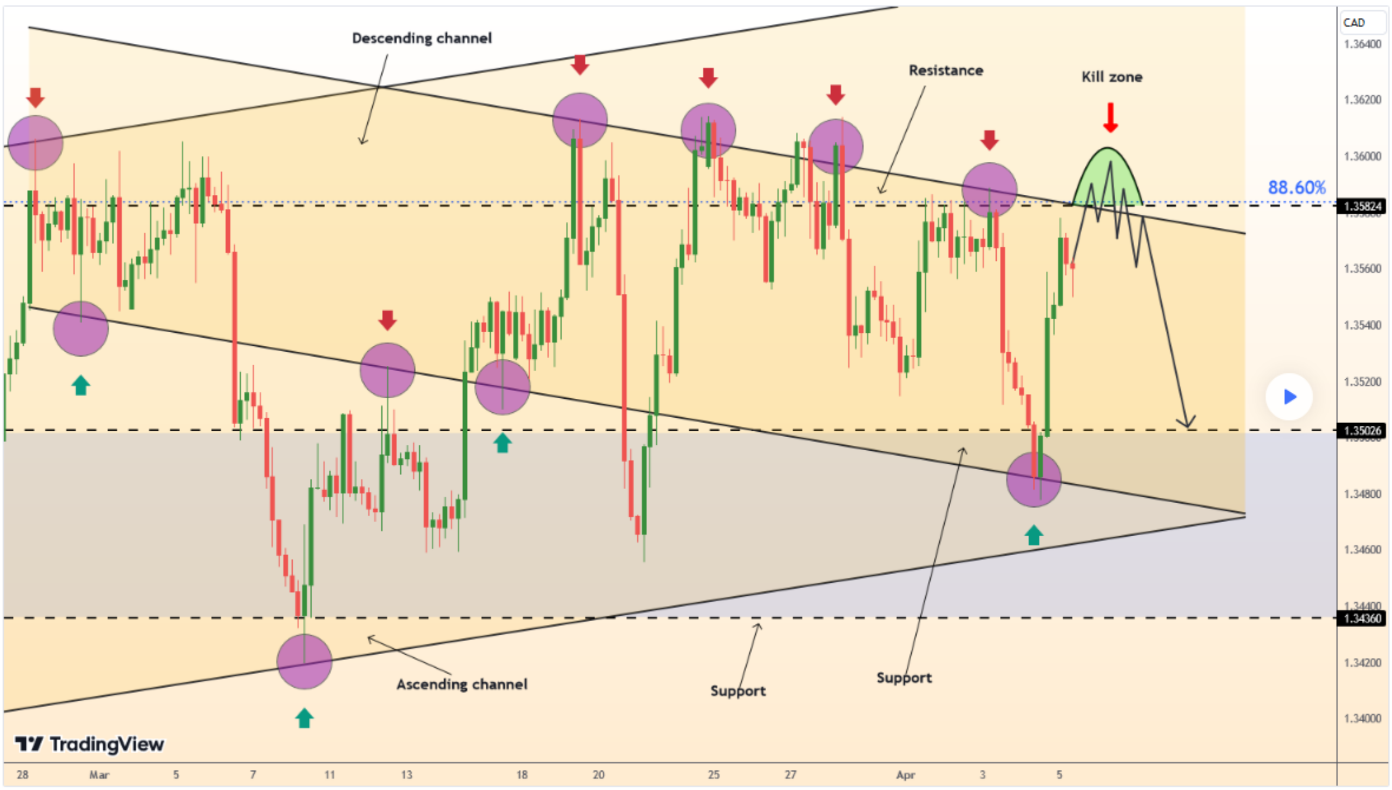
Trend Analysis · Chart Patterns · Technical Indicators · USD · CAD · USDCAD · usdcadshort · DXY · DJ FXCM Index · channelbreak · supply_and_demand · supportandresistancezones

17 · 35

DeGRAM | USDCAD correction in the local channel SHORT

U.S. Dollar / Canadian Dollar (FX:USDCAD) 1.35889 0.00463 0.34%

DeGRAM EXPERT Apr 5



Trend Analysis Support and Resistance Chart Patterns usdcadanalysis usdcadsignal

4 14

USDCAD is moving in the local descending channel.

The chart reacted 4 times with an immediate decline on reaching the upper boundary of the channel.

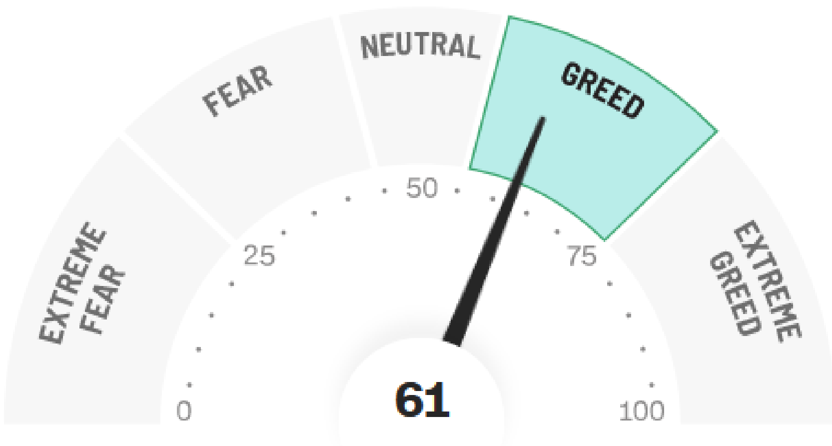
The price is still under strong resistance coinciding with the 88.6% retracement level.

We expect a pullback from the upper boundary of the channel.

Fear & Greed Index

What emotion is driving the market now?
Learn more about the index

Overview Timeline



Previous close
Neutral 48

1 week ago
Greed 69

1 month ago
Greed 73

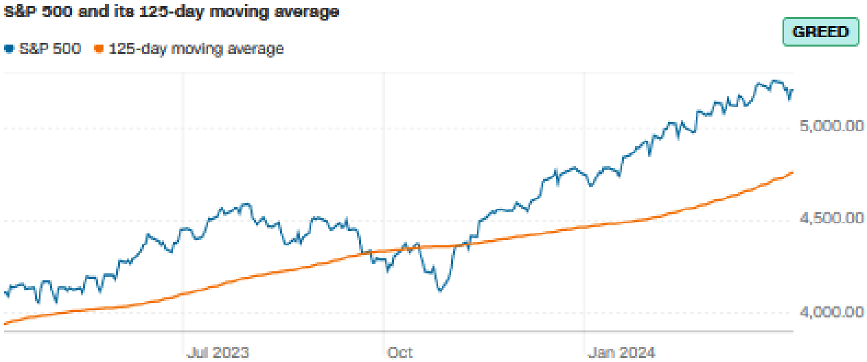
1 year ago
Neutral 52

Last updated Apr 5 at 7:59:53 PM ET

7 FEAR & GREED INDICATORS

MARKET MOMENTUM

S&P 500 and its 125-day moving average



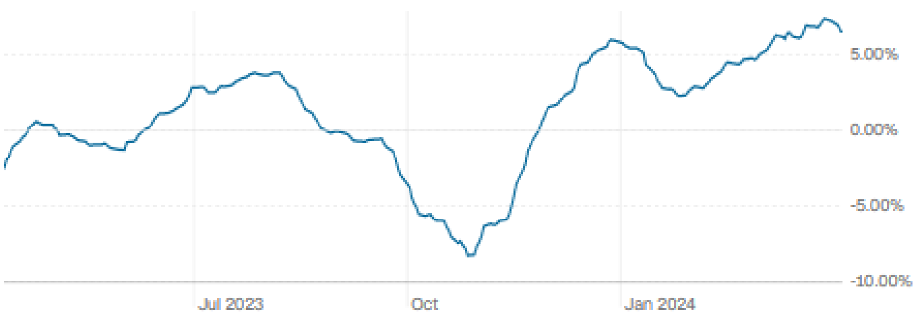
Last updated Apr 5 at 5:39:12 PM EDT

It's useful to look at stock market levels compared to where they've been over the past few months. When the S&P 500 is above its moving or rolling average of the prior 125 trading days, that's a sign of positive momentum. But if the index is below this average, it shows investors are getting skittish. The Fear & Greed Index uses slowing momentum as a signal for Fear and a growing momentum for Greed.

STOCK PRICE STRENGTH

GREED

Net new 52-week highs and lows on the NYSE



Last updated Apr 5 at 7:59:53 PM EDT

A few big stocks can skew returns for the market. It's important to also know how many stocks are doing well versus those that are struggling. This shows the number of stocks on the NYSE at 52-week highs compared to those at 52-week lows. When there are many more highs than lows, that's a bullish sign and signals Greed.

STOCK PRICE BREADTH

EXTREME GREED

McClellan Volume Summation Index

Last updated Apr 5 at 7:59:50 PM EDT

The market is made up of thousands of stocks. And on any given day, investors are actively buying and selling them. This measure looks at the amount, or volume, of shares on the NYSE that are rising compared to the number of shares that are falling. A low (or even negative) number is a bearish sign. The Fear & Greed Index uses decreasing trading volume as a signal for Fear.

PUT AND CALL OPTIONS

NEUTRAL

5-day average put/call ratio

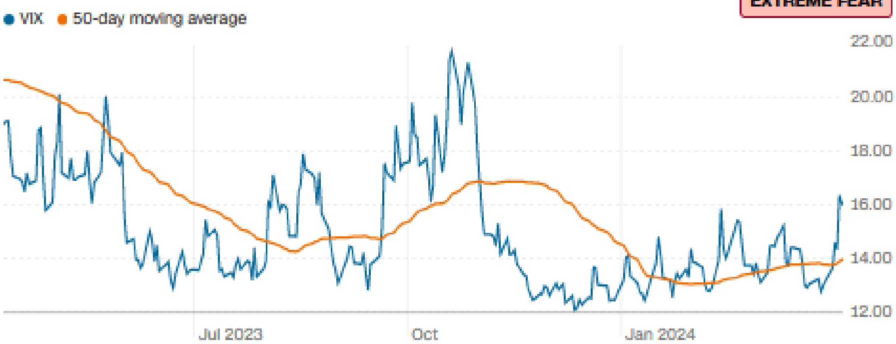
Last updated Apr 5 at 4:18:27 PM EDT

Options are contracts that give investors the right to buy or sell stocks, indexes or other financial securities at an agreed upon price and date. Puts are the option to sell while calls are the option to buy. When the ratio of puts to calls is rising, it is usually a sign investors are growing more nervous. A ratio above 1 is considered bearish. The Fear & Greed Index uses a bearish options ratio as a signal for Fear.

MARKET VOLATILITY

VIX and its 50-day moving average

EXTREME FEAR



Last updated Apr 5 at 4:15:01 PM EDT

The most well-known measure of market sentiment is the CBOE Volatility Index, or VIX. The VIX measures expected price fluctuations or volatility in the S&P 500 Index options over the next 30 days. The VIX often drops on days when the broader market rallies and soars when stocks plunge. But the key is to look at the VIX over time. It tends to be lower in bull markets and higher when the bears are in control. The Fear & Greed Index uses increasing market volatility as a signal for Fear.

SAFE HAVEN DEMAND

GREED

Difference in 20-day stock and bond returns

Last updated Apr 5 at 3:59:59 PM EDT

Stocks are riskier than bonds. But the reward for investing in stocks over the long haul is greater. Still, bonds can outperform stocks over short periods. Safe Haven Demand shows the difference between Treasury bond and stock returns over the past 20 trading days. Bonds do better when investors are scared. The Fear & Greed Index uses increasing safe haven demand as a signal for Fear.

JUNK BOND DEMAND

EXTREME GREED

Yield spread: junk bonds vs. investment grade

Note: The frequent drops of the yield spread on the Junk Bond Demand chart usually appear on the ex-dividend date. The spread typically bounces back after the dividend is paid and normalizes over time.

Last updated Apr 5 at 6:30:00 PM EDT

Junk bonds carry a higher risk of default compared to other bonds. Bond yields – or the return you get on investing in a bond - dip when prices go up. If investors crave junk bonds, the yields drop. Likewise, yields rise when people are selling. So a smaller difference (or spread) between yields for junk bonds and safer government bonds is a sign investors are taking on more risk. A wider spread shows more caution. The Fear & Greed Index uses junk bond demand as a signal for Greed.