Weekly FX Newsletter

2024-04-21

RAD-FX

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Weekly economic and financial commentary

ANALYSIS | 04/19/2024 17:39:06 GMT

Summary

United States: Another Week, Another Strong Showing from the U.S. Consumer

- Robust retail sales data were the main story on the U.S. economic data front this week. Elsewhere, data for industrial production and jobless claims offered additional evidence that the U.S. economy remains on solid footing.
- Next week: New Home Sales (Tue.), GDP (Thu.), Personal Income & Spending (Fri.)

International: Israel-Iran Tensions Come to the Surface

- Recent tension between Israel and Iran shows that finding a steady state in the Israel-Hamas war remains elusive. We continue to believe military conflict will remain contained and not expand into Tehran or the broader Middle East. In England, inflation continues to ease, but perhaps not as quickly as policymakers may have hoped for.
- Next week: Middle East Geopolitical Tensions, India Prime Minister Election (Apr.-Jun.), Central Bank of Turkey (Thu.)

Interest Rate Watch: Will Home Buyers Ever Get Some Relief from Elevated Mortgage Rates?

- The 30-year fixed rate mortgage has risen recently, but it still remains below last autumn's high-water mark of 8%.

Topic of the Week: Steel Your Nerves, Biden Proposes Higher Tariffs on Chinese Imports

- This week, President Biden announced a plan to more than triple tariffs on Chinese aluminum and steel products. As stated in our recent special report, tariffs are often imposed to promote demand for local products and spur domestic production, but the effects of tariffs on Chinese-imported goods have been marginal for U.S. industrial production over the past six years. Will the same hold true with Biden's proposed policy?

Forecasting the Coming Week: Focus remains on central bank's policy divergence

NEWS | 04/19/2024 16:42:00 GMT | By Pablo Piovano

Another week dominated by bets regarding the most-likely timing of the Fed's start of the easing cycle saw the US Dollar rise to new highs, while conviction of an interest rate cut by the ECB in June remained on the rise... and dragged EUR/USD to as low as the 1.0600 neighbourhood.

It was a choppy week for the Greenback despite reaching new higher around 106.50 when measured by the USD Index (DXY). The Chicago Fed National Activity Index is due on April 22, seconded by flash PMIs and New Home Sales on April 23. In addition, Durable Goods Orders are expected on April 24, while the **GDP** Growth Rate, Initial Jobless Claims and Pending Home Sales are all due on April 25. The release of inflation tracked by the PCE, Personal Income, Personal Spending and the final Michigan Consumer Sentiment will close the week on April 26.

EUR/USD managed to regain some balance after bottoming out in five-month lows around 1.0600. The European Commission will publish its preliminary Consumer Confidence gauge on April 22, while advanced PMIs in the euro bloc are due on April 23 followed by Germany's IFO Business Climate on April 24. Still in Germany, Consumer Confidence measured by GfK is expected on April 25.

In quite an erratic week, **GBP/USD** dropped to yearly lows in the sub-1.2400 region just to regain some composure afterwards. In the UK, Public Sector Net Borrowing and flash PMIs are due on April 23 ahead of Gfk's Consumer Confidence on April 26.

USD/JPY extended its consolidative theme north of 154.00 amidst persistent market chatter around FX intervention. The Japanese calendar will see Foreign Bond Investment figures and the final Coincident Index and Leading Economic Index on April 25 prior to the BoJ interest rate decision and Quarterly Outlook Report on April 26.

Further losses saw AUD/USD clinch its second week in a row in the negative territory, breaking below the 0.6300 support for the first time since mid-November. Data-wise, In Australia, the flash Judo Bank PMIs are due on April 23 seconded by the Inflation Rate on April 24.

Anticipating Economic Perspectives: Voices on the Horizon

- BoE's Haskel and Pill along with ECB's Nagel, speak on April 23.
- ECB's Nagel speaks on April 24 and 25.
- SNB's Jordan speaks on April 26.

Central Banks: Upcoming Meetings to Shape Monetary Policies

- The Bank Indonesia (BI) is expected to hold rates at 6.0% on April 24.
- The BoJ is seen keeping its rate unchanged on April 26.

Nikolaos Akkizidis
LegacyFX

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Global economic resilience and prospects

ANALYSIS | 04/19/2024 13:16:00 GMT

Steady global growth amidst regional variations

As we look towards 2024 and 2025, the global economy is projected to sustain its growth rate at 3.2% annually, mirroring the growth pattern of 2023. According to the latest IMF report, this steady but moderate growth trajectory **highlights a stabilizing, albeit gradual, recovery** from the disruptive economic conditions of recent years.

Advanced vs. emerging economies – A diverging path

The growth forecasts reveal slight regional variations that highlight a diverging path between advanced and emerging economies.

Advanced economies: These economies are expected to **experience a slight acceleration in growth.** From achieving 1.6% growth in 2023, **they are forecasted to rise to 1.7% in 2024 and further to 1.8% by 2025**.

This gradual increase suggests a strengthening economic foundation, likely supported by:

- Continued monetary easing.
- Fiscal supports.
- Recovery in consumer and business confidence.

Emerging market and developing economies: Contrarily, these regions might see **a modest slowdown**. After growing at 4.3% in 2023, the growth rate is expected to **decelerate to 4.2% in both 2024 and 2025.**

This slowdown could be attributed to various factors including:

- Tighter monetary conditions.
- Structural bottlenecks.
- External financial pressures.
- Various socio-political challenges that could dampen economic momentum.

Long-term global growth prospects

Looking five years ahead, the global growth **forecast** at 3.1% stands at its lowest in decades, signaling **a long-term trend of subdued economic expansion.**

This diminished forecast reflects the lingering impacts of:

- The pandemic.
- Geopolitical tensions.
- Structural changes in the global economy including technological transformations and shifts in trade policies.

Inflation dynamics

Inflation rates are expected to see a steady decline across the globe.

2023 to 2025 forecast: Global inflation is anticipated to **decrease from 6.8% in 2023 to 5.9% in 2024, and further down to 4.5% by 2025.** This downward trend suggests that inflationary pressures, which have been a significant concern over recent years, are **starting to abate as supply chains stabilize and demand normalizes.**

Advanced economies: These economies **are likely to hit their inflation targets sooner** due to:

- More aggressive monetary interventions and
- Better-aligned fiscal policies.

Emerging markets and developing economies: Inflation in these regions is e**xpected to decline more slowly,** complicated by:

- Less flexible monetary tools.
- Higher food and energy dependencies.
- Various external and internal vulnerabilities.

Core inflation trends

Core inflation, which excludes volatile food and energy prices, is generally projected **to decrease more gradually**. This suggests that underlying inflation pressures remain persistent, **reflecting entrenched inflation expectations** and the pass-through effects of previous price increases.

Navigating commodity prices

- **Trends and forecasts for 2024-2025.**

The global **commodity markets are expected to witness significant shifts** over the 2024-2025 period, influenced by a combination of:

- Macroeconomic factors.
- Technological advancements.
- Geopolitical dynamics.

Understanding these price movements is crucial for policymakers, investors, and industry stakeholders as they adjust to the evolving economic landscape.

- **Overview of commodity price trends.**

Commodity prices are forecasted to decline overall, reflecting changes in supply capacities, demand dynamics, and broader economic conditions:

Fuel Commodities: The prices for **fuel commodities, including oil,** are anticipated to see a noticeable **decrease**. This decline is attributed to **increased supply,** particularly from non-OPEC+ countries such as Russia, and high global spare capacity. For instance, **oil prices are projected to fall by about 2.5% in 2024.**

Coal and Natural Gas: These energy commodities are also expected to continue their downward trend from previous peaks. **Coal prices are forecasted to drop by 25.1%,** and natural gas prices by 32.6% in 2024, driven by **new supply channels coming online and a rebalancing of market demand.**

Base Metals: Prices for **base metals are set to decrease by 1.8% due to reduced industrial activity**, particularly in significant economies like Europe and China. This reduction stems from **slower economic growth prospects** and evolving industrial demands.

Food Commodities: Agricultural commodity prices, including those for essential crops like wheat and maize, **are predicted to decline by 2.2%**. This drop is expected due to abundant global supplies facilitated by favorable weather conditions and improved agricultural outputs.

Upside risks and potential boosts to the global economy in 2024-2025

As the global economy gears up for a phase of stable yet moderate growth, **understanding the potential upside risks and boosts** that could positively affect the economic landscape is crucial for policymakers, investors, and business leaders. These factors could lead to outcomes that surpass the basic growth forecasts, providing new opportunities and challenges for global economic management.

Potential upside risks

Upside risks are unexpected events or trends that could lead to better-than-anticipated economic outcomes. For 2024-2025, several key factors could serve as catalysts for enhanced economic performance:

Election-year fiscal policies: Many countries will undergo significant elections in 2024, often termed a "Great Election Year." **Historically, election years are associated with increased government spending** as incumbents aim to boost popularity through expansionary fiscal measures, such as tax cuts and increased public expenditures. These actions tend to **stimulate economic activity in the short term**, potentially elevating global growth rates above current projections.

Resolution of trade tensions: If major economies, particularly the U.S. and China, **successfully negotiate resolutions to ongoing trade disputes,** the resultant easing of trade tensions could lead to improved business confidence and investment. **Reductions in tariffs and clearer trade rules could enhance global trade flows,** boosting productivity and growth in involved economies.

Technological advancements in productivity: Recent breakthroughs in artificial intelligence and other digital technologies offer substantial opportunities to enhance productivity. **The integration of AI across various sectors,** including manufacturing and services, **can significantly reduce costs, improve operational efficiencies, and open up new markets.** These advancements could particularly benefit advanced economies, leading to **higher-than-expected GDP growth rates.**

Potential economic boosts

In addition to these risks, certain direct boosts could reinforce the global economic growth trajectory:

- **Supply-side improvements:** Improvements on the supply side, such **as increased commodity output or technological innovations** that streamline production processes, **can lower costs and enhance economic efficiency.**
    - For example, faster-than-anticipated increases in shale oil production or breakthroughs in renewable energy technologies **could reduce energy costs globally,** fostering lower inflationary pressures and stronger economic growth.
- **Accelerated global vaccination efforts:** Enhanced global vaccination efforts against COVID-19 and other potential health threats can lead to quicker-than-expected recoveries in consumer and business confidence. This boost could particularly impact **sectors like travel, hospitality, and services**, which have been disproportionately affected by the pandemic.
- **Structural reforms:** Several economies, particularly emerging markets, **have significant room to grow through structural reforms**. Reforms that enhance business environments, improve labor market dynamics, and strengthen financial systems could spur investment flows and technological adoption, boosting productivity and growth.

Implications for policymakers and businesses

The potential for these upside risks and boosts requires a proactive approach from policymakers and business leaders:

Policymaking: Governments and central banks might need to consider the implications of these risks when designing fiscal and monetary policies. For instance, **potential inflationary pressures from election-year fiscal expansions may require offsetting monetary tightening or more focused structural reforms to enhance economic efficiency.**

Business Strategy: Companies should prepare for scenarios where these boosts might materialize, potentially reshaping market dynamics. **Businesses could invest in technology and capacity building to capitalize on lower input costs and new market opportunities** presented by improved trade relations and technological advancements.

Investment Decisions: Investors should remain alert to the signs of these risks materializing, as they could affect market valuations and the relative attractiveness of different asset classes. **Diversification and strategic asset allocation will be key in managing potential volatility and capitalizing on new growth opportunities.**

Conclusion

As the global economy approaches 2024 and 2025, it stands at the cusp of a moderate yet steady growth phase, underpinned by declining inflation and significant shifts in commodity prices. Policymakers, investors, and business leaders must navigate these changes with agile and forward-thinking strategies to harness potential upside risks effectively. Key to this will be leveraging election-year dynamics, resolving trade tensions, and capitalizing on technological advancements to not only meet but exceed the modest growth forecasts. Embracing these opportunities with proactive and coordinated global efforts will be crucial in shaping a resilient and robust economic future.

Charalampos Pissouros
XM

Week ahead – US GDP and BoJ decision on top of next week's agenda [Video]

ANALYSIS | 04/19/2024 12:24:00 GMT

- **US GDP, core PCE and PMIs the next tests for the Dollar.**
- **Investors await BoJ for guidance about next rate hike.**
- **EU and UK PMIs, as well as Australian CPIs also on tap.**
- **Earnings season heats up as tech giants report.**

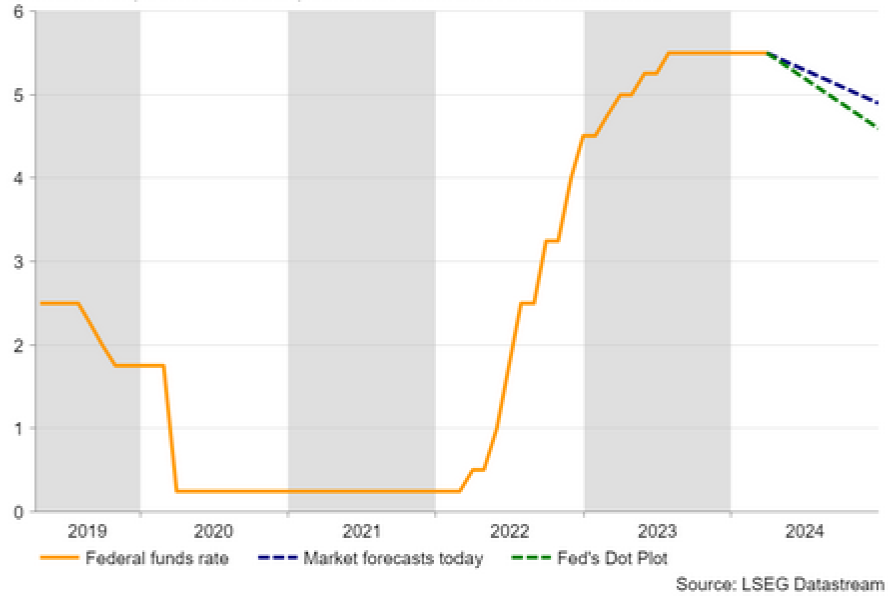
Will US data throw more Fed rate cuts off the table?

The dollar staged a strong recovery the last couple of weeks, with the bulls being encouraged to initiate long positions as soon as the US CPI data revealed that inflation in the world's largest economy reaccelerated in March.

With several Fed policymakers, including Chair Powell, signaling in the aftermath of the release that there is no urgency to ease **monetary policy** soon, and with retail sales coming in much stronger than expected on Monday, investors further reduced the amount of rate cuts they expect for this year. They are now expecting interest rates to be lowered by only 42bps, far fewer than the Fed's own projections of 75.

Market forecasts for the Fed Funds rate

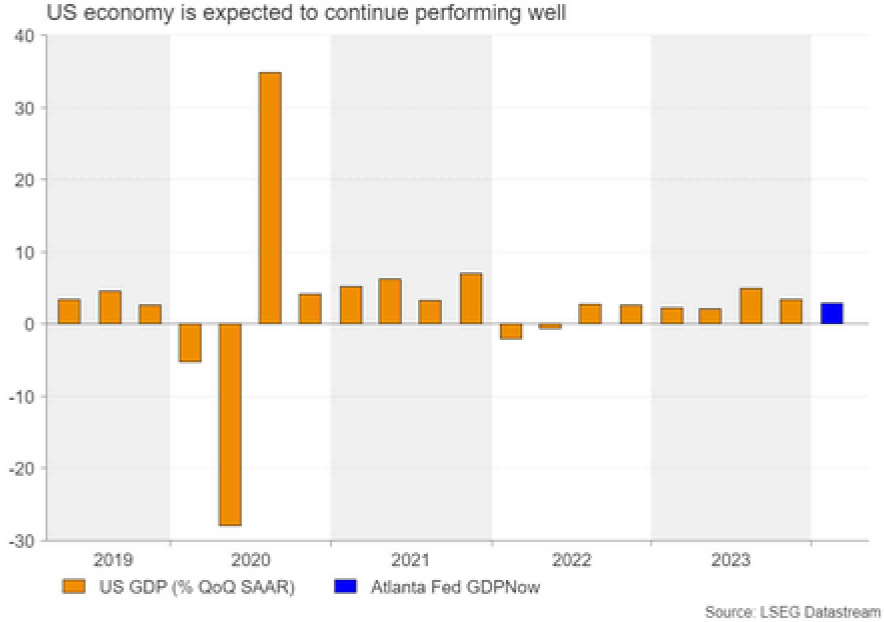
Market expects less basis points worth of rate cuts than the Fed



Attention next week is likely to fall on the first estimate of GDP for Q1 on Thursday, as well as on the core PCE index for March on Friday. The world's largest economy grew 3.4% q/q SAAR in the last three months of 2023 and according to the Atlanta Fed GDPNow model, it continued to fare strongly, growing by 2.9% in Q1. As for the core PCE index, the Fed's favorite inflation metric, the stickiness in consumer prices for the month likely tilts the risks to the upside. The preliminary S&P Global PMIs for April are also coming out on Tuesday and market participants will get a glimpse of how the US economy has entered Q2.

US GDP vs Atlanta and New York Fed models

US economy is expected to continue performing well



Another week packed with strong US data may weigh more on Fed rate cut expectations, and the question could well change from how many basis points could the Fed cut to whether it will cut at all this year. Such a development is is likely to allow the US dollar to continue marching north.

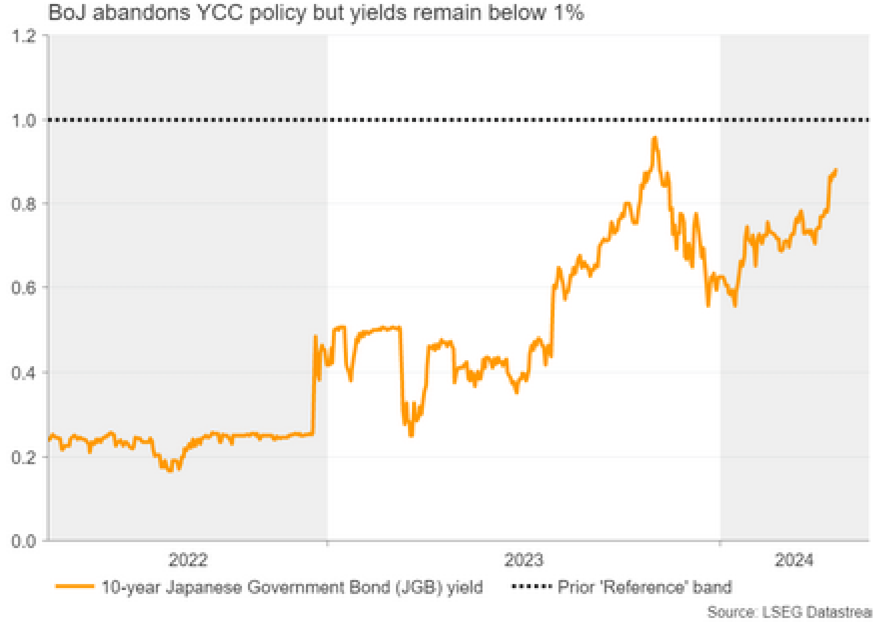
BoJ meets amid intervention alerts

Another major event on next week's agenda is Friday's Bank of Japan (BoJ) decision. When they last met, Japanese officials decided to end years of negative interest rates, raising them by 10bps, and abolished its yield curve control policy.

That said, with the Bank saying that they will continue buying **bonds** with broadly the same amounts as before, and with Governor Ueda noting that they will maintain accommodative policy conditions, investors continued to believe that any subsequent hikes will be very gradual and slow.

BoJ Yield Curve Control Policy

BoJ abandons YCC policy but yields remain below 1%



Since then, despite the market bringing forward the timing of a second hike and assigning an 86% chance to July, the yen continued to tumble, triggering intense intervention warnings by Japanese officials. That didn't stop the yen's slide either, with dollar/yen getting very close to the 155.00 level this week.

Commenting on the yen's fall, Governor **Ueda** recently said that the central bank would not directly respond to currency moves, brushing aside speculation that the yen's tumble could force them to hike sooner, although he added that if inflation continues to accelerate, another hike is likely later this year.

With all that in mind, and with inflation picking up notably since the BoJ's last gathering, investors may be on the lookout for hints on whether a hike during summer months is indeed more likely now. This means that another dovish appearance could result in further yen selling, increasing dramatically the chances for intervention if Japanese authorities do not step in even before of course.

Traders may get an idea of where inflation is headed in April a few hours ahead of the meeting, when the Tokyo CPIs are scheduled to be released.

Euro and Pound traders await PMIs

Apart from the flash S&P Global PMIs for the US, the Eurozone and UK prints will also be released on Tuesday.

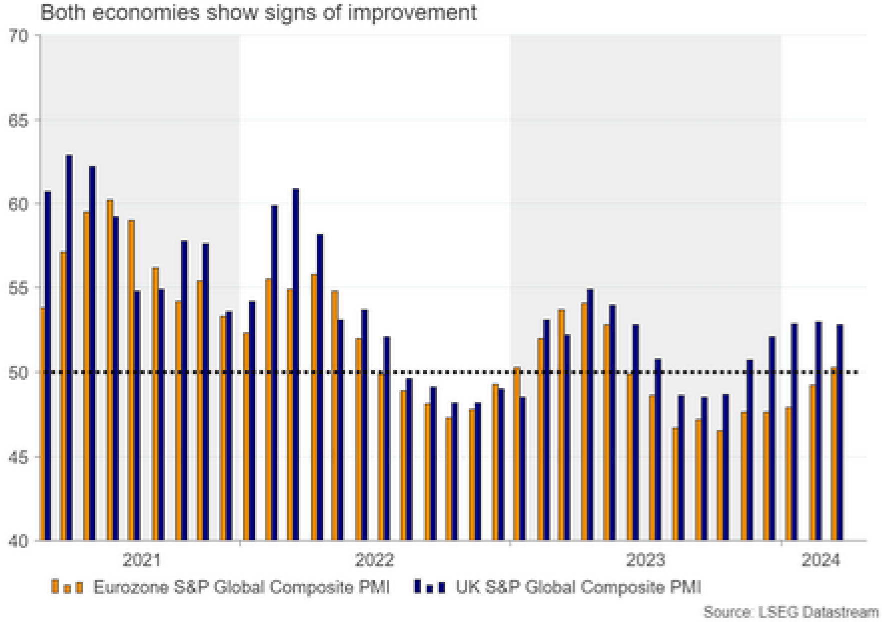
At its latest gathering last week, the **European Central Bank** (ECB) kept interest rates untouched but sent clearer signals that it may start lowering interest rates soon, with reports after the decision saying that policymakers still expect the first quarter-point reduction in June.

As for the **Bank of England** (BoE), following this week's better than expected jobs data and the higher-than-forecast inflation prints, a 25bps rate cut is fully priced in for September.

Both the Eurozone and UK economies have been showing some signs of improvement lately, at least according to their recent PMI numbers, but inflation in both areas seems to be headed towards the ECB's and BoE's objectives. Thus, even if these releases surprise to the upside, market expectations with regards to the ECB's and BoE's actions are unlikely to be dramatically altered and thereby, the euro and the pound are unlikely to stage a strong comeback against the almighty greenback.

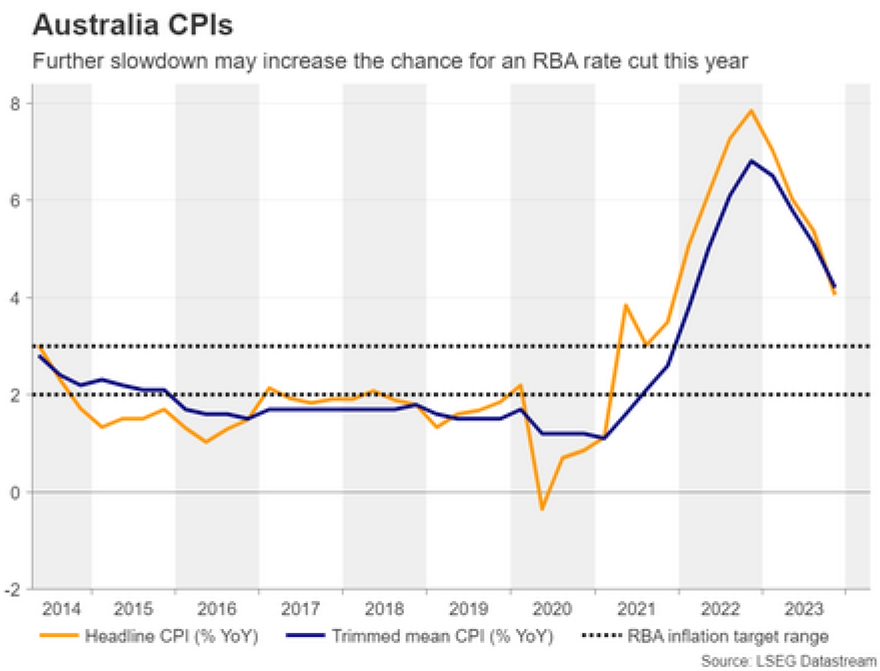
Eurozone and UK S&P Global Composite PMIs

Both economies show signs of improvement



Does Australia's inflation continue to slow?

In Australia, although there is a nearly 10% chance for a rate cut by the RBA at its upcoming gathering in May, a quarter-point reduction is not fully priced in for this year. With the Bank not giving clear indications of where it may be headed next, aussie traders will pay close attention to Wednesday's CPI data for signs of whether inflation continues to slow.



The monthly seasonally adjusted y/y rate rebounded somewhat in March, but this was after it declined notably in February from January, which means that, overall, inflation may have continued cooling in Q1. This could increase the likelihood for a 25bps RBA rate cut by December.

Tech earnings enter the spotlight as well

On Wall Street, all three of its major indices have been in a corrective phase lately due to increasing tensions in the Middle East and due to the diminishing **Fed** rate cut expectations.

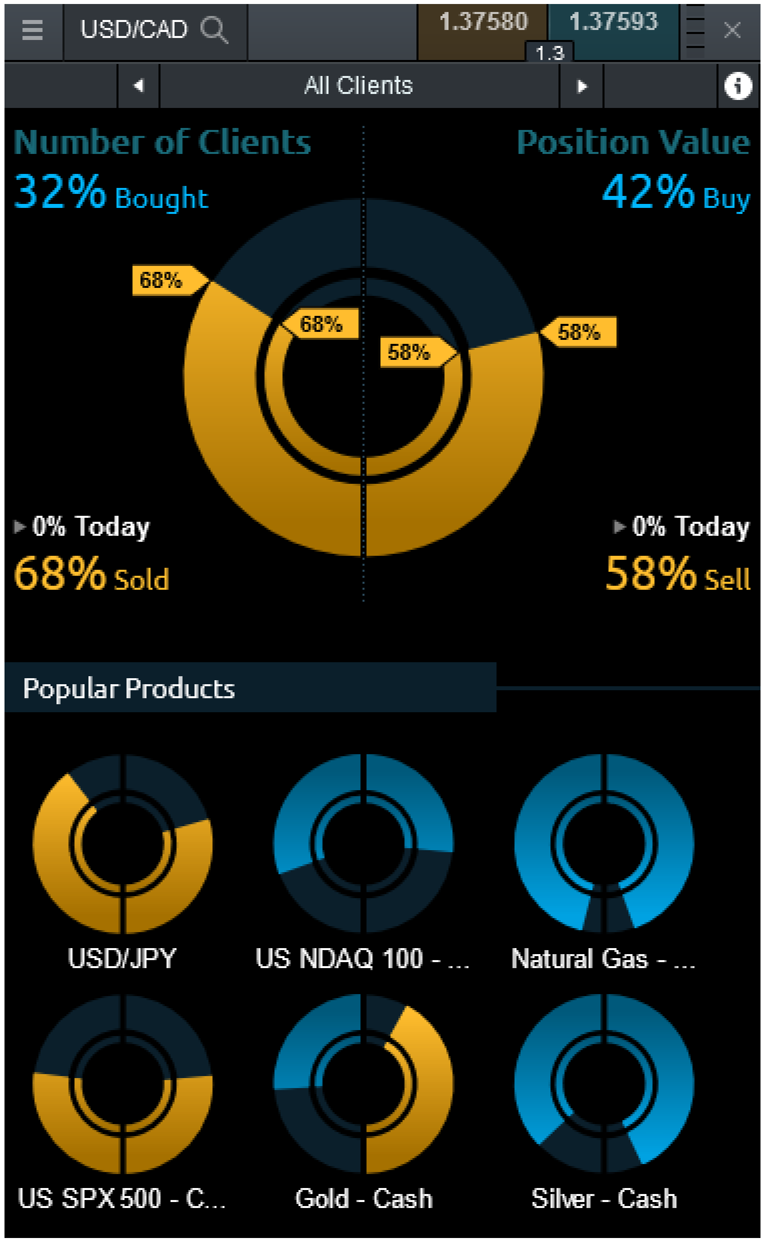
That said, besides those two major themes, equity investors are likely to also keep their attention locked on the earnings season as several high-growth tech giants announce their results next week. On Tuesday, the spotlight will fall on Alphabet and Tesla, while on Wednesday, it will be Meta's turn. On Thursday, the torch will be passed to Microsoft and Amazon.

Calendar

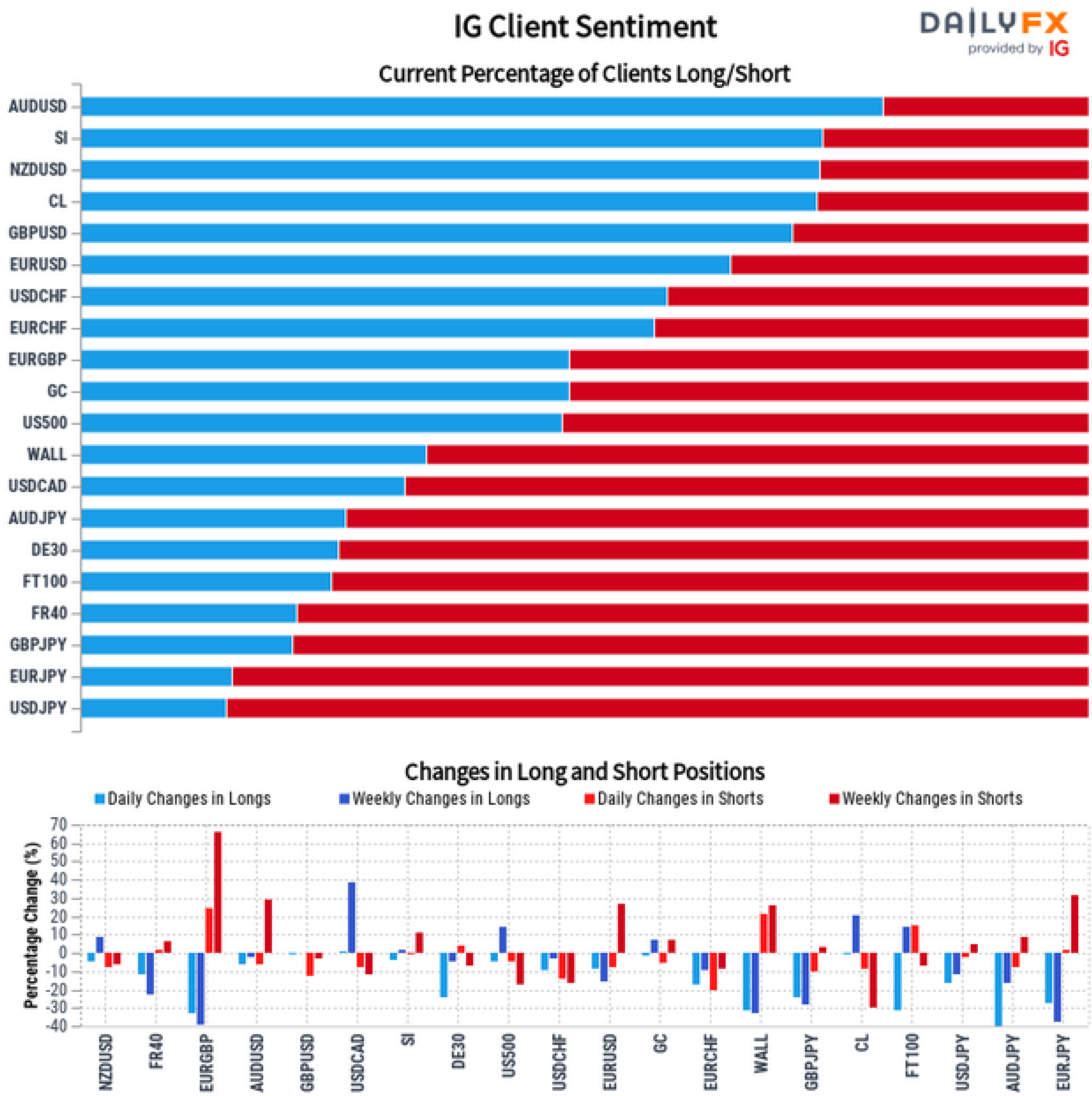
Market Calendar

Day | Week | Month | W/E Fri 26 Apr | Market Impact | Event Type | Country | Alerts only

DATE		IMPACT	EVENT	FORECAST
Monday 22 April 2024				
22 Apr	10:00		Consumer Confidence - Flash - Consumer Confidence Index	-
22 Apr	20:30		Purchasing Managers Index - Flash Estimates - PMI - Manufacturing	-
Tuesday 23 April 2024				
23 Apr	03:30		Purchasing Managers Index - Flash Estimates - PMI - Markit - Manufacturing	-
23 Apr	04:00		Purchasing Managers Index - Flash Estimates - PMI - Markit - Composite	-
23 Apr	04:00		Purchasing Managers Index - Flash Estimates - PMI - Markit - Manufacturing	-
23 Apr	04:00		Purchasing Managers Index - Flash Estimates - PMI - Markit - Services	-
23 Apr	10:00		New Home Sales - Overall Sales - MoM	670K
Wednesday 24 April 2024				
24 Apr	04:00		Business Survey - IFO - Business Sentiment Index	-
24 Apr	08:30		Retail Sales - Retail Sales - MoM	-
24 Apr	08:30		Durable Goods - Total Orders	2%
24 Apr	10:30		EIA/DOE Weekly Petroleum Status Report - Crude Oil Stocks (Net Change)	-
Thursday 25 April 2024				
25 Apr	08:30		Employment - Unemployment Claims - WoW	-
25 Apr	08:30		Gross Domestic Product - GDP - Advanced	2.1%
25 Apr	19:30		Consumer Price Index - Tokyo CPI - YoY	-
25 Apr	19:30		Consumer Price Index - Tokyo Core CPI - YoY	-
Friday 26 April 2024				
26 Apr	08:30		Personal Income - Personal Consumption - MoM (Seasonally Adjusted)	0.4%
26 Apr	10:00		Consumer Sentiment Survey - University of Michigan - Sentiment Index - Final	-


USD/CAD
1.37580
1.37593
1.3
All Clients
Number of Clients
32% Bought
Position Value
42% Buy
68%
68%
58%
58%
0% Today
68% Sold
0% Today
58% Sell
Popular Products
USD/JPY
US NDAQ 100 - ...
Natural Gas - ...
US SPX 500 - C...
Gold - Cash
Silver - Cash

SUMMARY TABLE



USD/CAD		Q2	Q3	Q4	Q1	Q2	Q3	Q4
MARKET PRICE **1.3749**	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	Apr 12	1.3460	1.3350	1.3240	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	Apr 19	1.3400	1.3200	1.3000	1.3000	1.3000	1.3000	1.3000
Citi	Apr 12	1.3300	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	Apr 17	1.3400	1.3200	1.3200	1.3200			1.3000
MUFG	Apr 2	1.3500	1.3200	1.3000	1.3200			
Nomura	Feb 21	1.3500	1.3500	1.3500				1.3200
Nordea	Apr 12	1.3500		1.3200		1.3000		1.2800
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	Mar 25	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		1.3453	1.3338	1.3286	1.3214	1.3012	1.2914	1.2864
Std Deviation		0.0234	0.0388	0.0516	0.0569	0.0281	0.0346	0.0328
n =		18	17	18	16	11	9	13

APR
19
1:30 PM

ING: FX and Oil Market Reactions to Potential Iran-Israel Escalation

By eFXdata

Synopsis:

ING assesses potential impacts on the FX and oil markets in response to escalating tensions between Iran and Israel. Key currencies and their movements are highlighted, with a particular focus on how geopolitical developments could influence market dynamics.

Key Points:

- **Vulnerability of Certain Currencies:** ING predicts that in the event of further escalation, currencies such as the New Zealand Dollar (NZD), Australian Dollar (AUD), Swedish Krona (SEK), and Norwegian Krone (NOK) might lead losses in the G10 group. Despite their correlations with rising commodity prices, these currencies are likely to be adversely affected due to prevailing risk sentiment.
- **Relative Strength of the Canadian Dollar (CAD):** The CAD is expected to perform relatively better among high-beta currencies, potentially benefiting from an increase in oil prices due to Canada's status as a major oil exporter, coupled with its geographical distance from the Middle East.
- **Safe-Haven Currencies:** The Japanese Yen (JPY) and Swiss Franc (CHF) are likely to gain from a flight to safety driven by lower interest rates and heightened risk aversion. The JPY could also see support from potential shifts in the Bank of Japan's policy if escalating energy prices stoke inflation concerns.
- **Dollar's Positioning:** While JPY and CHF could initially outperform the USD in a risk-off environment triggered by geopolitical tensions, the USD might retain its strength or recover losses more robustly. This resilience could be due to increasing bullish sentiment on the dollar, driven by recent strong US data and a divergence in monetary policy compared to other central banks.
- **Impact on Oil Prices:** A significant escalation could push oil prices back above $100 per barrel, influencing the Federal Reserve's monetary policy outlook by diminishing the likelihood of near-term easing.
- **Emerging Markets and Carry Trades:** Emerging Market (EM) currencies could face significant pressures if geopolitical risks intensify, potentially reversing recent strengths that were bolstered by popular carry trades. These currencies are vulnerable as the Fed continues on a path divergent from other more dovish central banks.

Conclusion:

As tensions between Iran and Israel threaten to escalate, ING highlights potential shifts in currency and oil markets, with specific impacts expected across various G10 and EM currencies.

Source: ING Research/Market Commentary

APR
19
12:15 PM

Goldman: Here is Our Updated Ceiling and Floor Targets for Brent Crude

By eFXdata

Synopsis:

Goldman Sachs has updated its price targets for Brent crude oil, maintaining a ceiling of $90 per barrel and raising its floor from $70 to $75. The firm outlines several factors influencing these targets, including geopolitical risks, OPEC+ production strategies, and global inventory levels.

Key Points:

- **$90 Ceiling on Brent Crude:** Goldman Sachs holds to its view that Brent crude will not surpass $90 per barrel in scenarios devoid of geopolitical supply disruptions. This ceiling is supported by factors such as high spare capacity within OPEC+, which may prompt increased production in the third quarter, and the stabilizing effects of current price levels, which have already triggered increases in OPEC exports and reductions in crude demand from U.S. Strategic Petroleum Reserves (SPR) and refineries.
- **Price Consolidation Expected:** The firm anticipates that Brent prices will consolidate in the coming months. This expectation is based on a projected demand-driven boost from inventory declines in the third quarter, which should offset any moderation in the geopolitical risk premium currently factored into prices.
- **Value in Geopolitical Hedging:** Despite potential price stabilization, Goldman continues to see value in maintaining long positions in oil as a hedge against geopolitical risks. Additionally, these positions are attractive due to a 10% annualized roll yield, offering significant portfolio benefits.
- **Raised Floor for Brent Prices:** Reflecting improved market sentiment influenced by OPEC's strategic management and updated base case forecasts, Goldman has raised its floor price for Brent from $70 to $75 per barrel. This adjustment accounts for the more robust grip of OPEC on market dynamics and slightly adjusted price expectations.

Conclusion:

Goldman Sachs' updated analysis on Brent crude oil suggests a controlled price environment influenced by strategic production decisions by OPEC+, geopolitical factors, and market responses to current price levels. While the ceiling remains capped at $90 per barrel, the revised floor indicates a higher baseline for prices, reflecting a more optimistic outlook on market management and geopolitical influences.

Source: Goldman Sachs Research/Market Commentary

APR
18
12:00 PM

Credit Agricole: USD and the Limits of Policy Divergence

By eFXdata

Synopsis:

Credit Agricole discusses the evolving dynamics of policy divergence that have recently favored the USD but notes potential limits to these trends. As markets adjust expectations for Fed rate cuts due to strong U.S. economic indicators and sustained oil prices, similar reassessments are occurring in the Eurozone and UK, potentially capping USD gains.

Key Points:

- **Persistence of US Economic Strength:** The strength of the U.S. economy and ongoing inflation have led to pared-back expectations for immediate Fed rate cuts. This shift has supported the USD, especially as geopolitical tensions bolster oil prices, further emphasizing the economic divergence from commodity-importing regions like the Eurozone and the UK.
- **Fading Momentum in U.S. Rates:** Despite the initial surge in U.S. Treasury yields and rate expectations, there has been a noticeable slowdown in this upward momentum. This change is partly due to global economic adjustments and market perceptions.
- **Revised Outlooks in the Eurozone and UK:** Recent comments from European Central Bank (ECB) and Bank of England (BoE) officials have indicated a more cautious approach to rate cuts, responding to the negative effects of policy divergence on their respective currencies. This shift suggests a more synchronized global monetary policy outlook than previously anticipated.
- **Inflation Concerns:** The Fed's recognition of persistent U.S. inflation suggests that rate cuts could be further out than expected. Simultaneously, the weakening of the Euro and British Pound, coupled with high oil prices, may reignite inflationary pressures in Europe and the UK, prompting markets to reconsider the extent and timing of ECB and BoE rate adjustments.

Conclusion:

Credit Agricole highlights the limits of policy divergence as a driver for continued USD strength, pointing to a potential stabilization or realignment in global monetary policies. The reassessment of rate cut timelines in both the U.S. and major European economies could reduce the scope for significant USD gains in the near term. Investors should monitor forthcoming economic data and central bank communications closely, as these will be crucial in shaping the FX market's direction amidst shifting policy landscapes.

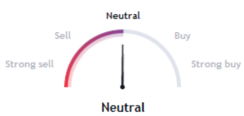
Source: Crédit Agricole Research/Market Commentary

USD/CAD Weekly Technicals

Summary

Sell	Neutral	Buy
1	10	14

Oscillators



Sell	Neutral	Buy
1	9	1

Moving Averages

Sell	Neutral	Buy
0	1	13

Oscillators ›

Name	Value	Action
Relative Strength Index (14)	61.12626	Neutral
Stochastic %K (14, 3, 3)	86.91688	Neutral
Commodity Channel Index (20)	211.39312	Neutral
Average Directional Index (14)	15.00486	Neutral
Awesome Oscillator	0.00711	Neutral
Momentum (10)	0.02882	Sell
MACD Level (12, 26)	0.00452	Buy
Stochastic RSI Fast (3, 3, 14, 14)	91.71558	Neutral
Williams Percent Range (14)	−20.73071	Neutral
Bull Bear Power	0.04026	Neutral
Ultimate Oscillator (7, 14, 28)	57.88818	Neutral

Moving Averages ›

Name	Value	Action
Exponential Moving Average (10)	1.36041	Buy
Simple Moving Average (10)	1.35807	Buy
Exponential Moving Average (20)	1.35571	Buy
Simple Moving Average (20)	1.34913	Buy
Exponential Moving Average (30)	1.35372	Buy
Simple Moving Average (30)	1.35531	Buy
Exponential Moving Average (50)	1.34993	Buy
Simple Moving Average (50)	1.34955	Buy
Exponential Moving Average (100)	1.33828	Buy
Simple Moving Average (100)	1.34124	Buy
Exponential Moving Average (200)	1.32276	Buy
Simple Moving Average (200)	1.30808	Buy
Ichimoku Base Line (9, 26, 52, 26)	1.35380	Neutral
Volume Weighted Moving Average (20)	—	—
Hull Moving Average (9)	1.37192	Buy

usdcad → is it the end of an upward?

U.S. Dollar / Canadian Dollar (OANDA:USDCAD) 1.37490 −0.00186 −0.14%

melikatrader94 PREMIUM Updated 11 hours ago

Trend Analysis Chart Patterns Beyond Technical Analysis USDCAD Crude Oil WTI Oil Forex

7 15

correction SHORT

U.S. Dollar / Canadian Dollar (FX:USDCAD) 1.37469 −0.00202 −0.15%

STPFOREX Apr 19

Neo Wave

2 5

Given that the price has broken out of the uptrend, the corrective trend is expected to move along the specified path.
After the completion of the corrective pattern, it is expected that the upward trend will continue

Will The Loonie SELL OFF Again, Or Break Up to 1.40?? SHORT

U.S. Dollar / Canadian Dollar (FOREXCOM:USDCAD) 1.37494 −0.00176 −0.13%

TheFxAce PREMIUM Apr 16

Support and Resistance · Supply and Demand · Multiple Time Frame Analysis · USDCAD · usdcadsell · usdcadanalysis · usdcadshort

7 16

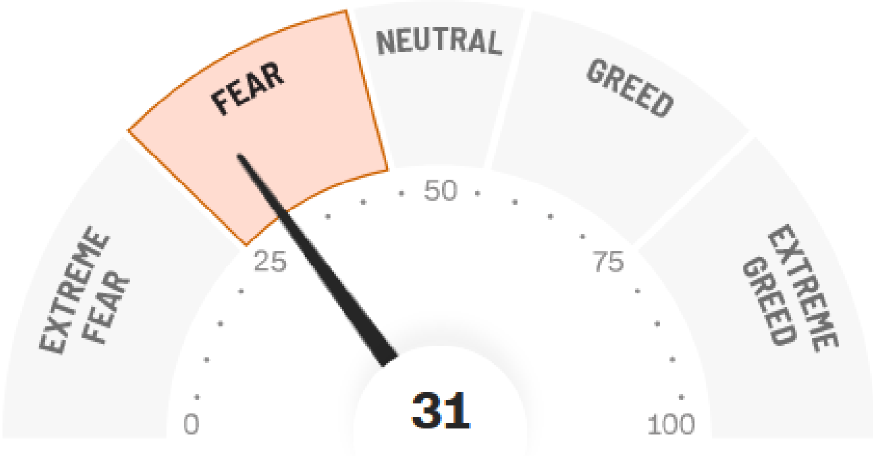
The Loonie has been hovering between 1.31 and 1.39 for the past two years, and we're quickly approaching the upper boundary of this weekly range. Will there be another sell-off?

Let's dive into what the price charts reveal. We're riding a 17-week uptrend on the weekly chart, with last week's candle showing an especially bullish move—over 200 pips—pushing us near the top of the range. Historically, the final push to the range's peak tends to be the most bullish, as shown in the chart below.

Fear & Greed Index

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

Overview Timeline



Last updated Apr 19 at 7:59:49 PM ET

Previous close
Fear 34

1 week ago
Neutral 46

1 month ago
Greed 69

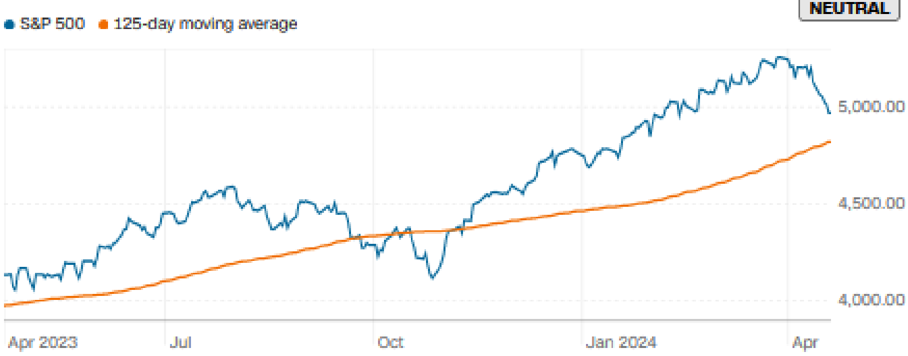
1 year ago
Greed 67

7 FEAR & GREED INDICATORS

MARKET MOMENTUM

S&P 500 and its 125-day moving average

NEUTRAL



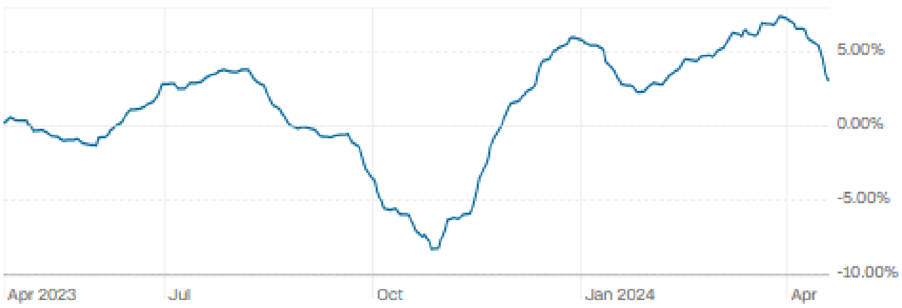
Last updated Apr 19 at 5:23:18 PM EDT

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

FEAR

Net new 52-week highs and lows on the NYSE



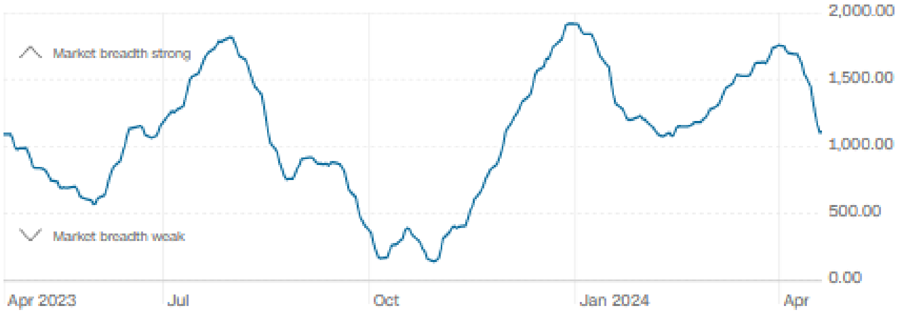
Last updated Apr 19 at 7:59:49 PM EDT

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

FEAR

McClellan Volume Summation Index



Last updated Apr 19 at 7:59:41 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

EXTREME FEAR

5-day average put/call ratio

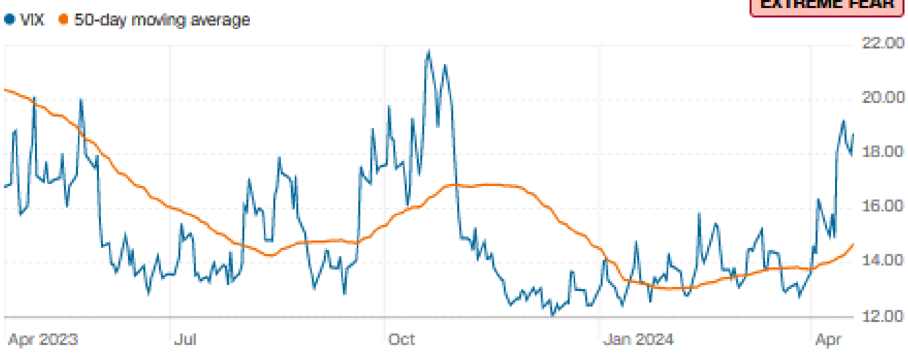
Last updated Apr 19 at 5:37:17 PM EDT

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 19 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

Difference in 20-day stock and bond returns

EXTREME FEAR

Last updated Apr 19 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

Yield spread: junk bonds vs. investment grade

EXTREME GREED

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 19 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.