

Loonie benefits from soggy US dollar

30th December 2019

GBP

Sterling was among the biggest winners from last week's broad US dollar weakness, and regained much of its recent losses since the general election. The UK data calendar begins to pick up today after an empty past week, with the release of high street lending figures from UK Finance. Later in the week, on Friday, Bank of England Money Supply data will be released.

EUR

A lack of domestic news and data did not stop the euro from joining most other currencies in a rally against the US dollar last week. The dollar-led nature of Friday's price action in particular meant that major crosses such as EURGBP and EURNOK remained relatively unchanged. The New Year holidays will break the trading week up for the euro, but when banks open again on Thursday markets will have manufacturing purchasing managers indices to digest, followed by German and Spanish unemployment on Friday.

USD

The US dollar was looking shaky for all of last week, and fell into outright collapse on Friday, with the broadly weighted Bloomberg Dollar Index at its weakest level since July, for example. Broad risk-on sentiment was the most plausible overall driver, after Chinese officials reiterated that a trade deal with the US was close at hand, and Chinese economic data improved. Broad global risk sentiment will therefore remain in focus for the dollar this week, although with the end of the year fast approaching there is also the prospect of additional volatility as portfolios are re-balanced. This morning's news has included some comments from Cui Tiankai, the Chinese ambassador to the US, who urged the US to respect previous commitments made on issues such as Taiwan. Today at 13:30 GMT goods trade balance data will be released alongside wholesale inventories, and at 14:45 the Chicago purchasing managers' index will be released. Meeting minutes from the Federal Open Market Committee will be released on Friday.

CAD

The loonie also benefited from Friday's dollar weakness, reaching its strongest levels since October. This week's data calendar is looking somewhat sparse, with the Markit manufacturing purchasing managers' index due to be released on Thursday. Trends in the broad US dollar, however, mean that the week may prove to be eventful for the loonie nonetheless.