

Loonie brushes off OPEC+ risks ahead of big BoC meeting on Wednesday

13th July 2020

CAD

The loonie remained relatively stable this morning, floating in the middle of its recent range, despite oil starting the week lower ahead of the OPEC+ meeting on Wednesday during which the cartel may announce plans to start tapering the current production cuts of 9.6 million barrels a day. The majority of the Joint Ministerial Monitoring Committee which reviews OPEC+'s progress foresees a cutback to 7.7 million barrels a day as was originally planned. This week, focus for the loonie will be on the upcoming Bank of Canada meeting, where a central forecast scenario will be outlined. This is a big shift from the central bank after it previously outlined two polar scenarios due to the uncertainty around the outbreak, highlighting that the economy could progress in a number of ways between them. We don't expect the central bank to stop there and in fact anticipate more forward guidance on the accumulation in their balance sheet, which as of last week sits at around 23% of nominal GDP. Tiff Macklem's first meeting as chair of the BoC may provide some volatility for USDCAD this week, with the meeting set to take place on Wednesday at 10:00ET.

USD

The dollar has started the week on the back foot in both G10 and EM spaces this morning after news from Florida ripped through markets. On Sunday, data from Florida showed the largest increase in new cases nationally since the outbreak began, with the 15,000 reported in Florida surpassing the previous record of 11,434 in New York recorded in mid-April. The numbers from the sunshine state are staggering and put Florida in fourth place internationally for the largest daily increase in cases, behind the US, Brazil and India. Although increased testing has a place to play in the increase in reported cases, the daily positive test rate, which we regard as a truer measure, also rose to above 19% over the last week. This is compared to a positive test rate below 5% in Florida a little over a month ago. Concerns remain after Disneyland Orlando opened its doors, however, as the US sunbelt remains far from meeting the CDC's four loosening criteria. In this vein, the dollar has sold off as markets seek safety in assets not necessarily linked to the embattled US economy. Relative success cases such as Norway and Australia are seeing their currencies gain the most in the G10 space this morning. Also over the weekend, the US announced a 25% tariff on around \$1.3bn French imports including handbags and makeup, but not wine and cheese, in response to the French digital tax. This week, focus will be on US businesses as earnings season

kickstarts and US retail sales data for June is released, while the daily case data released around 15:00BST will dictate market risk sentiment.

EUR

The euro joined the broad G10 rally against the dollar this morning as US equities extended gains and risk sentiment dampened. Just before heading into the weekend, the US announced a delay on the 25% tariffs on \$1.3 billion worth of French goods in a long-running quarrel between the two nations over taxes on technology giants. The implementation of the levies is delayed for up to 180 days until France starts collecting its digital tax, according to the Office of the US Trade Representative. French Finance Minister Bruno Le Maire repeated that if there is no international solution by the end of 2020, he will apply the national tax. Within their own borders, France will announce a massive jobs plan for youth employment this week and unveil a broader stimulus package including company tax cuts in late August. Le Maire also repeated a pledge not to raise taxes between now and the end of 2022 when President Emmanuel Macron's mandate ends, as there would be no support for low-income households. Though today is a light day on the eurozone calendar, the remainder of the week surely is packed, with the European Central Bank holding its monetary policy meeting on Thursday and the EU leaders scheduled to hold their summit on Friday and Saturday to discuss the bloc's proposal of the 2021-2027 budget and the proposed €750bn recovery plan, with the biggest obstacle being the objections by the frugal four on the size, composition and conditions of the emergency recovery plan. For today, the video conference with the ECB's Executive board member Fabio Panetta at 10:30 BST is eyed.

GBP

Along with macro markets in general, sterling is staring down the barrel of an unusually active week of economic and geopolitical events. This morning's news includes reports of potential controversial legislation regarding state aid, with the Government reportedly planning to centralise state aid decisions as opposed to giving some control to the Welsh and Scottish parliaments. The issue is already a contentious one in trade negotiations with the EU. Later today, Bank of England Governor Andrew Bailey will speak on the "endgame" for the Libor interbank lending benchmark at 04:30. The OBR will release its assessment of the UK's fiscal outlook tomorrow, with several key judgements around things like trading relations with the EU and the productivity loss of leaving the EU carrying the potential to be interesting. Monthly Gross Domestic Product for May will also be released tomorrow, and is expected to show a relatively modest improvement after April's historic 20% decline. Later in the week, labour market data will be out on Thursday, and Bailey will speak again on Friday.

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