

## LOONIE TIED TO OIL MOVES

### MORNING REPORT: 8TH OCTOBER 2019

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## CAD

The loonie closed slightly higher against the USD yesterday as oil markets began to regain some of their recent losses. The rally has continued this morning with a positive mood for risk assets helping crude markets rally. Positive data from China and Germany's industrial sectors have helped soothe fears of a more entrenched slowdown in demand for crude oil but any sustained rally will be dependent on US-China trade talks that begin on Thursday in Washington. Housing data is released this afternoon but is unlikely to have market impact as more pressing global factors dominate FX and commodity pricing.

## USD

The dollar index DXY regained some of last week's losses yesterday in a volatile session that featured some of the most unusual statements of Donald Trump's storied tenure as the US Tweeter-In-Chief. Trump made extraordinary statements on Twitter about Turkey's imminent invasion of Northern Syria, which has been enabled by the withdrawal of US support from local Kurdish forces that took the area from Isis. Trump threatened to "totally destroy and obliterate the Economy of Turkey" if they did act in a way that he perceived as being off limits in his "great and unmatched wisdom". The comments came following an unusually bipartisan domestic outcry at the US withdrawal from Syria and possible Turkish persecution of Syrian Kurds, who have been US allies in the war against ISIS. On the data front, we have the NFIB Small Business Index at 11:00 BST - a widely followed measure of optimism in an important sector of the economy that is responsible for significant amounts of job creation and wage growth. Core Producer Prices will be released at 13:30 BST, and Fed Chair Jerome Powell will speak at 18:50 BST. As Chinese markets reopen this morning after a holiday celebrating the Communist parties 70-year anniversary, there is some semblance of a risk-on move in markets. US treasuries are higher, haven assets are marginally lower while risk-sensitive assets such as oil and commodity currencies trade higher.

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## GBP

Sterling continued to trade without a clear trend yesterday, as markets nervously await firm news on the tone of this week's crunch Brexit talks. Scotland's Court of Sessions declined to issue a court order compelling Boris Johnson to comply with the Benn Act, accepting the Government's arguments that it would follow the law as a matter of course. A paper from HM Revenue & Customs warned yesterday that

UK businesses would face cost increases of £15 billion relating to customs processes in the event of no-deal Brexit. Separately, an updated list of what tariffs the UK would apply in the event of no-deal will be released today and is expected to exclude 90% of UK imports from the EU. Bank of England policymakers Haldane and Tenreyro will speak today at 09:20 and 10:30 respectively, with the latter participating in a panel on monetary policy at the European Central Bank.

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