

USD rally continues as White House and Democrats reach budget deal

23rd July 2019

USD

The dollar is well bid this morning and continues to make gains versus both developed and emerging market currencies. The morning's main news is a deal struck between the White House and Democratic party leaders to raise the US debt ceiling, a self imposed arbitrary limit on the amount of sovereign debt the US can issue and a regular feature of Republican Party opposition to Barack Obama. The deal was reportedly crafted by Democrat House speaker Nancy Pelosi and Treasury secretary Steve Mnuchin, and confirms the funding of the Government through to 2021. US data flow will be somewhat sparse today, with the main releases being the House Price Index at 14:00 BST, followed by Existing Home Sales and the Richmond Fed's Manufacturing index at 15:00.

CAD

The loonie began to retreat from last week's eight month highs in earnest yesterday, amid broad US dollar strength and a big miss from May's Wholesale Trade Sales. Sales contracted 1.8% in May, after five consecutive months of increases. Vehicles and auto parts were responsible for a significant chunk of the contraction, which fell well below the 0.5% median forecast for the release on Bloomberg.

GBP

Sterling followed the rest of the G10 currencies lower against the US dollar yesterday, and has extended its losses this morning. The main topic for sterling today will be Boris Johnson, who is all but certain to be announced as the next Prime Minister of the UK today, ushering in a new phase of Brexit. The exact nature of the new Prime Minister's Brexit strategy will be the topic of intense speculation over the coming days and weeks, given the narrow margin for error the current state of the UK economy offers the new Government. Johnson has pledged to remove the Irish backstop from the UK's withdrawal arrangements with the EU, while promising to be willing to leave with no deal by October 31st. At the same time, the Conservative Party's working majority in Parliament has dwindled down to two votes - raising the prospect of a wild card general election and the significant increase in uncertainty it would create for sterling.

EUR

The euro had a quiet day yesterday, weakening against USD as markets continue to brace for this week's European Central Bank meeting. No headline data will be released today, with the next major euro releases being tomorrow's Services and Manufacturing Purchasing Managers' Indices for eurozone economies including France, Germany and the Eurozone as a whole.