






Pulse of the Market

- EUR/USD catches fresh bids in early Asia after finding support near 1.1610.
- Focus on ECB and Fedspeak as poor US data tempers hawkish Fed's expectations.
- US dollar runs into fresh supply amid the risk-on market mood.

Recent Interest Rates & US Treasury Yields

| | | |
|-------------|---------------|--------------|
| USD | 0.25% | |
| EUR | 0.00% | |
| GBP | 0.25% | |
| JPY | -0.10% | |
| CAD | 0.75% | |
| AUD | 0.10% | |
| NZD | 0.25% | |
| | Change | Yield |
| 2-yr Yield | +0.01 | 0.22% |
| 5-yr Yield | +0.01 | 0.84% |
| 10-yr Yield | +0.02 | 1.33% |

The dollar index on Tuesday fell to a 3-week low. Strength in the Chinese yuan weighed on the dollar as the yuan rallied to a 4-month high Tuesday as Chinese property debt concerns eased after the PBOC said it can "contain" the risks posed to the Chinese economy and financial system from China Evergrande Group. A rally in the S&P 500 to a 5-week high on Tuesday curbed the liquidity demand for the dollar. The dollar was undercut after U.S. Sep housing starts and building permits fell more than expected. Comments on Tuesday from Fed Governor Waller were bearish for the dollar when he said the Fed should begin tapering its bond-buying program next month, though interest-rate increases are probably "still some time off." December gold on Tuesday closed up +4.80 (+0.27%), and Dec silver closed up +0.619 (+2.66%). Precious metals on Tuesday closed moderately higher, with silver climbing to a 5-week high. A fall in the dollar index to a 3-week low Tuesday boosted metals prices. Silver also garnered carry-over support from strength in copper and aluminum prices on supply concerns as soaring energy costs are forcing smelters around the world to close. Higher T-note yields and a rally in stocks on Tuesday limited gains in gold. The dollar and gold have continued safe-haven support from concern the worldwide spread of the delta Covid variant will crimp the global economic recovery. However, the pandemic in the U.S. has improved after the 7-day average of new U.S. Covid infections on Sunday fell to a 2-1/2 month low of 84,798. The U.S. Dollar Index has managed to get below the support level at 93.75 and is moving towards the next support which is located near the 50 EMA at 93.40. In case the U.S. Dollar index gets to the test of this level, GBP/USD will get more support. The greenback managed to erase a large portion of its losses on the back of recovering US Treasury bond yields on Tuesday but struggled to find demand against its risk-sensitive rivals with risk flows influencing the financial markets. The market mood seems to have turned cautious early Wednesday as investors await inflation data from the euro area and Canada. Later in the day, the Federal Reserve will release its Beige Book.

| Time(GMT) | | Economic Release | IMP | Actual | Forecast | Prior |
|-----------|---|---------------------------------|--------|--------|----------|--------|
| 01:30 |  | Westpac Leading Index MoM (SEP) | Medium | -0.02% | | -0.27% |
| 06:00 |  | Core Inflation Rate YoY (SEP) | High | | 3% | 3.1% |
| 10:00 |  | Inflation Rate YoY (SEP) | High | | 3.2% | 3.2% |
| 12:30 |  | Core Inflation Rate YoY (SEP) | High | | | 3.5% |
| 19:00 |  | Fed Quarles Speech | Medium | | | |

Euro

EUR/USD on Tuesday climbed to a 2-1/2 week high on dollar weakness. The upside in the euro was capped Tuesday on dovish comments from ECB Governing Council member Villeroy who said "there is no reason for the ECB to raise interest rates next year". The Euro has rallied significantly during the course of the trading session on Tuesday to break above the 1.1650 level. The market is likely to go looking towards 1.1750 level above, and the 50 day EMA in general



Yen

USD/JPY on Tuesday was little changed. Dollar weakness on Tuesday was positive for the yen, but an increase in the 10-year T-note yield to a 5-month high of 1.639% on Tuesday limited any gains in the yen. This is probably more about the yen than the dollar. In fact, the dollar has been very weak against most currencies during the day, so this shows just how poor the Japanese yen is performing. I believe that the ¥112.50 level continues to be an area that will be important, and therefore I think it offers a bit of a floor on any type of move lower.



British Pound

GBP/USD is making headway at the start of the week towards daily highs and there are prospects of a higher high for the forthcoming sessions at this rate of momentum. The British pound rallied quite significantly to go looking towards the 1.3850 level, an area that features a bit of selling pressure previously. GBP/USD is currently trying to settle above the resistance at 1.3780 while the U.S. dollar is losing ground against a broad basket of currencies.



Canadian Dollar

The Canadian dollar rose to its highest level in more than three months against its broadly weaker U.S. counterpart on Tuesday, before giving up some gains as investors took profits ahead of a key Canadian inflation report on Wednesday. The loonie was trading 0.1% higher at 1.2363 to the greenback, or 80.89 U.S. cents, after touching its strongest intraday level since July 6 at 1.2312. The gap between Canadian and U.S. 2-year yields widened by 3 basis points to 44.3 basis points in favor of the Canadian bond, its widest gap since January 2015.



Appendix

| FOREX Closing Prices for October 19, 2021 | | | | | |
|---|---------|---------|---------|---------|---------|
| Currency | Open | High | Low | Close | Net Chg |
| EUR/USD | 1.1609 | 1.1667 | 1.1607 | 1.1632 | 0.0023 |
| USD/JPY | 114.29 | 114.38 | 113.865 | 114.357 | 0.053 |
| GBP/USD | 1.3725 | 1.3831 | 1.3721 | 1.3793 | 0.0069 |
| USD/CHF | 0.9238 | 0.924 | 0.9183 | 0.9228 | -0.0008 |
| USD/CAD | 1.2376 | 1.238 | 1.2308 | 1.236 | -0.0016 |
| EUR/JPY | 132.697 | 133.167 | 132.603 | 133.035 | 0.329 |
| GBP/JPY | 156.901 | 158.03 | 156.847 | 157.749 | 0.857 |
| CHF/JPY | 123.678 | 124.27 | 123.608 | 123.887 | 0.17 |
| AUD/JPY | 84.684 | 85.508 | 84.627 | 85.442 | 0.751 |
| EUR/GBP | 0.8453 | 0.8461 | 0.8421 | 0.8431 | -0.0024 |
| EUR/CHF | 1.0722 | 1.0738 | 1.0708 | 1.0734 | 0.0016 |
| GBP/CHF | 1.2681 | 1.2739 | 1.2664 | 1.273 | 0.0053 |

| Daily Pivot Points | | | | | | | |
|--------------------|---------------|--------|--------|---------------|--------|--------|--------|
| Contract | Trading Range | | | | | | |
| | S3 | S2 | S1 | Pivot | R1 | R2 | R3 |
| EURUSD | 1.15 | 1.1575 | 1.1604 | 1.1635 | 1.1664 | 1.1695 | 1.1724 |
| USDJPY | 113.51 | 113.69 | 114.02 | 114.20 | 114.54 | 114.72 | 115.05 |
| GBPUSD | 1.3622 | 1.3672 | 1.3732 | 1.3782 | 1.3842 | 1.3892 | 1.3952 |
| USDCHF | 0.9137 | 0.9160 | 0.9194 | 0.9217 | 0.9251 | 0.9274 | 0.9308 |
| USDCAD | 1.2247 | 1.2277 | 1.2319 | 1.2349 | 1.2391 | 1.2421 | 1.2463 |
| EURJPY | 132.14 | 132.37 | 132.70 | 132.94 | 133.27 | 133.50 | 133.83 |
| GBPJPY | 155.87 | 156.36 | 157.05 | 157.54 | 158.24 | 158.73 | 159.42 |
| CHFJPY | 122.91 | 123.26 | 123.57 | 123.92 | 124.24 | 124.58 | 124.90 |
| AUDJPY | 84.00 | 84.31 | 84.88 | 85.19 | 85.76 | 86.07 | 86.64 |
| EURGBP | 0.8374 | 0.8398 | 0.8414 | 0.8438 | 0.8454 | 0.8478 | 0.8494 |
| EURCHF | 1.0685 | 1.0697 | 1.0715 | 1.0727 | 1.0745 | 1.0757 | 1.0775 |
| GBPCHF | 1.2608 | 1.2636 | 1.2683 | 1.2711 | 1.2758 | 1.2786 | 1.2833 |

Sources: News, Charts & Quotes (Courtesy: Reuters, US Department Of Treasury)

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