



Securities

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FOREX Newsletter

October 28, 2021

Pulse of the Market

- U.S. dollar index down 0.2%.
- U.S. dollar down 0.6% against Canadian dollar.
- The U.S. dollar lost value against major currencies

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 Wednesday fell mildly by -0.147 (-0.16%). The main bearish factor was Wednesday's sharp decline in U.S. T-note yields, which reduces the dollar's interest rate differentials. The 10-year T-note yield on Wednesday fell by -7 bp to a 2-week low of 1.54%. T-note yields fell on a -2 bp decline in the 10-year breakeven inflation expectations rate and on long liquidation pressure as next week's expected QE tapering by the Fed seems to already be baked into the market. The dollar saw some support from Wednesday's better-than-expected U.S. durable goods orders report. U.S. Sep durable goods orders fell by only -0.4% m/m, which was better than expectations for a -1.1% decline. Sep durable orders ex-transportation rose +0.4%, which was in line with market expectations. Sep core capital goods orders rose +0.8% m/m, which was better than expectations of +0.5% and was a positive sign for capital spending. December gold on Wednesday closed +5.40 (+0.30%), and Dec silver closed +0.103 (+0.43%). Precious metals saw support from the mildly weaker dollar, lower T-note yields, and some increased safe-haven demand after crypto assets fell sharply. The dollar index on Tuesday rose +0.14%. The dollar index on Tuesday climbed to a 1-week high on better-than-expected U.S. economic data. Gains in the dollar were limited by lower T-note yields and a rally in the S&P 500 to a new record high, which curbed the liquidity demand for the dollar. 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 Tuesday fell to a 3-month low of 68,274. The yield of 10-year Treasuries is currently trying to settle back above 1.65% after the significant pullback. In case this attempt is successful, the yield of 10-year Treasuries will move towards the recent highs near 1.70% which will be bullish for the American currency. GBP/USD failed to settle below the support level at 1.3745 and is trying to get back above the resistance level at 1.3780. Tuesday's U.S. economic data was bullish for the dollar. Monday's U.S. economic data was mixed for the dollar. On the bullish side, the Oct Dallas Fed manufacturing activity rose +10.0 to 14.6, stronger than expectations of 6.0.

Time(GMT)		Economic Release	IMP	Actual	Forecast	Prior
01:30		RBA Debelle Speech	Medium	-0.02%		
06:00		BoE Tenreyro Speech	Medium			-27%
10:00		Inflation Rate YoY (SEP)	High		3.2%	3.2%
12:30		Average Weekly Earnings YoY	Medium			1.77%
19:00		Pending Home Sales YoY (SEP)	Medium			

Euro

EUR/USD on Tuesday fell by -0.09%. EUR/USD on Tuesday dropped to a 1-week low on lower German bund yields after the 10-year German bund yield fell to a 1-week low of -0.140%. Losses in the euro were limited by short-covering in EUR/USD ahead of Thursday's ECB meeting. EUR/USD on Monday fell by -0.28%. Eurozone economic concerns undercut the euro on Monday. The Bundesbank in Monday's monthly report, said total German 2021 growth would be "significantly" lower than the 3.7% predicted in June.



Yen

USD/JPY on Tuesday rose by +0.38%. A sharp +1.77% rally in Japan's Nikkei Stock index on Tuesday curbed safe-haven demand for the yen. Also, slack price pressures that are dovish for BOJ policy undercut the yen after the Japan Sep PPI services prices rose +0.9% y/y, weaker than expectations of +1.1% y/y and the smallest increase in 6 months. The Bank of Japan meets on Thursday and is widely expected to downgrade its economic assessment. Markets have been betting on no rate hike in the foreseeable future.



British Pound

The GBP/USD pair witnessed heavy selling during the early European session and dropped to one-and-a-half-week lows, around the 1.3720-15 region in the last hour. GBP/USD extended the previous day's sharp pullback and lost additional ground on Wednesday. A turnaround in the global risk sentiment benefitted the safe-haven USD and exerted pressure. The downside remains cushioned amid expectations for an imminent BoE rate hike next week. GBP/USD pair met with a fresh supply and extended the previous day's slide.



Canadian Dollar

USD/CAD is currently trying to settle back above the resistance at 1.2340 while the U.S. dollar is flat against a broad basket of currencies. USD to CAD is currently testing the resistance level at 1.2340. In case this test is successful, USD to CAD will move towards the next resistance which is located at 1.2380. On the support side, USD to CAD needs to get back below 1.2340 to have a chance to develop downside momentum in the near term. The next support level for USD to CAD is located at 1.2320.



Appendix

FOREX Closing Prices for October 27, 2021					
Currency	Open	High	Low	Close	Net Chg
EUR/USD	1.1594	1.1624	1.1583	1.1603	0.0005
USD/JPY	114.125	114.204	113.369	113.809	-0.326
GBP/USD	1.3765	1.3779	1.3707	1.3743	-0.0022
USD/CHF	0.92	0.9208	0.9162	0.9179	-0.0022
USD/CAD	1.2386	1.2429	1.2298	1.2355	-0.0032
EUR/JPY	132.35	132.503	131.556	132.052	-0.3
GBP/JPY	157.106	157.243	155.676	156.368	-0.777
CHF/JPY	123.021	124.19	123.551	123.945	-0.125
AUD/JPY	85.586	86.026	85.013	85.533	-0.052
EUR/GBP	0.8417	0.8463	0.8416	0.844	0.002
EUR/CHF	1.067	1.0674	1.0634	1.0647	-0.0018
GBP/CHF	1.2665	1.2672	1.2576	1.2617	-0.0048

Daily Pivot Points							
Contract	Trading Range						
	S3	S2	S1	Pivot	R1	R2	R3
EURUSD	1.15	1.1562	1.1583	1.1603	1.1624	1.1644	1.1665
USDJPY	112.55	112.96	113.38	113.79	114.22	114.63	115.05
GBPUSD	1.3635	1.3671	1.3707	1.3743	1.3779	1.3815	1.3851
USDCHF	0.9112	0.9137	0.9158	0.9183	0.9204	0.9229	0.9250
USDCAD	1.2161	1.2230	1.2292	1.2361	1.2423	1.2492	1.2554
EURJPY	130.62	131.09	131.57	132.04	132.52	132.98	133.47
GBPJPY	154.05	154.86	155.62	156.43	157.18	158.00	158.75
CHFJPY	122.96	123.26	123.60	123.90	124.24	124.53	124.88
AUDJPY	84.01	84.51	85.02	85.52	86.04	86.54	87.05
EURGBP	0.8369	0.8393	0.8416	0.8440	0.8463	0.8487	0.8510
EURCHF	1.0589	1.0612	1.0629	1.0652	1.0669	1.0692	1.0709
GBPCHF	1.2475	1.2526	1.2571	1.2622	1.2667	1.2718	1.2763

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

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