










Pulse of the Market

- European Central Bank monetary policy announcement is the most important event risk this week
- The BOC left monetary policy unchanged and pledged to keep rates on hold for the next few years
- British Pound gave up earlier gains to end the day virtually unchanged against the greenback
- The Australian dollar shot higher in yesterday's session while the New Zealand dollar sank back

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	0.14%
5-yr Yield	-0.01	0.39%
10-yr Yield	-0.01	0.92%

Today's European Central Bank monetary policy announcement is the most important event risk this week. The ECB is widely expected to ease monetary policy, making them one of the few central banks actively fighting COVID-19's economic impact with fresh stimulus. Normally the prospect of new easing should be negative for a currency but investors bid EUR/USD sharply higher last month and there's serious risk of a post ECB euro rally. When the central bank last met in late October, ECB President Lagarde said they are looking to recalibrate all instruments at their next policy meeting. She warned that a contraction can't be ruled out for the fourth quarter and there's "little doubt" that more stimulus is needed as they "will be looking at (recalibrating) everything." Central banks consider a number of issues when deciding how to change monetary policy but the most important are usually inflation, unemployment, growth and the exchange rate. Inflation is running at a year over year rate of -0.3% which is very low. Price pressures are starting to move higher with gas prices rising to their highest level since March. In October, the ECB said risks are tilted to the downside but with the start of vaccine distribution, the outlook is brighter. There's still a high degree of uncertainty (a word used by the Fed) but recent data hasn't been terrible – in fact there's been more upside than downside surprises in Germany's reports. The expectations component of the ZEW survey, factory orders and industrial production rose more than expected. A brighter economic outlook from the central bank could drive the currency sharply higher. However the strong currency is a big problem. Since their last policy meeting, EUR/USD appreciated as much as 3%. It rose from 1.17 to a high of 1.2175 before pulling back this week. The central bank admitted they were watching the EUR/USD rate back in October when it breached 1.19 and now they should be even more concerned as a stronger currency offsets easing. The Bank of Canada left monetary policy unchanged today and pledged to keep rates on hold for the next few years. This decision was no surprise after a surge in new virus cases and nationwide lockdowns.

Time(GMT)		Economic Release	IMP	Actual	Forecast	Prior
00:00		Australia Consumer Inflation Expectations (DEC)	Medium			3.5%
07:00		U.K GDP 3-Month Avg (OCT)	High		10.1%	15.5%
07:00		U.K GDP YoY (OCT)	High		-8.3%	-8.4%
07:00		U.K Balance of Trade (OCT)	Medium			£0.6B
07:00		U.K Industrial Production YoY (OCT)	Medium		-6.5%	-6.3%
12:45		ECB Interest Rate Decision	High		0%	0%
13:30		ECB Press Conference	High			
13:30		U.S Inflation Rate YoY (NOV)	High		1.1%	1.2%
13:30		U.S Initial Jobless Claims (05/DEC)	Medium		725K	712K

Euro

The single currency picked up as global equities resumed their risk-on rally. The European Central Bank is expected to announce further monetary stimulus when it meets today. As rates markets turn gloomier, that ECB will have a hard time eliciting a dovish market reaction when it unleashes further stimulus tomorrow as widely expected even as we expect the package itself to be generous. Overall, the EUR/USD traded with a low of 1.1925 and a high of 1.2075 before closing the day around 1.2069 in the New York session.



Yen

The Japanese yen fell as the dollar rose for a fourth straight session, as selling momentum eased with stocks under pressure, but positive vaccine news and prospects of more U.S. fiscal stimulus next year should keep pressure. With U.S. coronavirus cases exceeding 15 million on Tuesday, regulators moved a step closer to approving a COVID-19 vaccine, while Britain started inoculating people on Tuesday. Overall, the USD/JPY traded with a low of 104.16 and a high of 104.56 before closing the day around 104.30 in the U.S session.



British Pound

The British Pound lost about 0.5% after British Prime Minister and European Commission President Ursula von der Leyen agreed they have until Sunday to take a “firm decision” about the future of trade talks. The European Commission and Britain remained far apart on Brexit trade deal, the bloc’s chief executive said after what she described as a “lively” dinner with the British Prime Minister. Overall, the GBP/USD traded with a low of 1.3313 and a high of 1.3439 before closing the day at 1.3416 in the New York session.



Canadian Dollar

The Canadian Dollar was little changed against its U.S. counterpart as Wall Street pulled back from record highs and the Bank of Canada gave less attention to recent gains for the currency than some investors expected. Canada’s central bank left its key interest rate unchanged at 0.25%, as expected, and said it would maintain its current policy of quantitative easing, in a regular rate decision statement. Overall, USD/CAD traded with a low of 1.2925 and a high of 1.3004 before closing the day at 1.2932 in the New York session.



Appendix

FOREX Closing Prices for December 09, 2020					
Currency	Open	High	Low	Close	Net Chg
EUR/USD	1.21022	1.21462	1.20576	1.20807	-0.0022
USD/JPY	104.156	104.388	104.034	104.213	0.0720
GBP/USD	1.33515	1.3476	1.33506	1.3399	0.0045
USD/CHF	0.88898	0.89127	0.8690	0.88928	0.0003
USD/CAD	1.28142	1.28312	1.27666	1.28129	-0.0003
EUR/JPY	126.065	126.496	125.761	125.902	-0.1500
GBP/JPY	139.077	140.304	139.069	139.668	0.5840
CHF/JPY	117.129	117.407	117.004	117.146	0.0280
AUD/JPY	77.154	77.911	77.078	77.561	0.4050
EUR/GBP	0.90622	0.90791	0.89815	0.90138	-0.0047
EUR/CHF	1.07595	1.07808	1.07398	1.07447	-0.0014
GBP/CHF	1.18735	1.19747	1.18598	1.19156	0.0042

Daily Pivot Points							
Trading Range							
Contract	S3	S2	S1	Pivot	R1	R2	R3
EURUSD	1.1955	1.2006	1.2043	1.2095	1.2132	1.2183	1.2221
USDJPY	103.68	103.86	104.04	104.21	104.39	104.57	104.74
GBPUSD	1.3216	1.3283	1.3341	1.3409	1.3466	1.3534	1.3592
USDCHF	0.8528	0.8609	0.8751	0.8832	0.8974	0.9055	0.9196
USDCAD	1.2711	1.2739	1.2776	1.2804	1.2841	1.2868	1.2905
EURJPY	124.88	125.32	125.61	126.05	126.35	126.79	127.08
GBPJPY	137.82	138.45	139.06	139.68	140.29	140.92	141.53
CHFJPY	116.56	116.78	116.96	117.19	117.37	117.59	117.77
AUDJPY	76.29	76.68	77.12	77.52	77.96	78.35	78.79
EURGBP	0.8873	0.8927	0.8971	0.9025	0.9068	0.9122	0.9166
EURCHF	1.0688	1.0714	1.0729	1.0755	1.0770	1.0796	1.0811
GBPCHF	1.1744	1.1802	1.1859	1.1917	1.1974	1.2032	1.2089

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

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