

## KEY HEADLINES:

- Heading into tomorrow's Bank of Canada interest rate decision, traders are not expecting much in terms of tweaks to monetary policy. In fact, the market-implied odds of a rate cut are near zero, so any market reaction is more likely to hinge on the central bank's forecasts for GDP and inflation over the coming year. Ostensibly, the outlook for the Canadian economy has improved in recent weeks. After all, the official signing of the USMCA trade deal and the trade war "truce" between the US and China have removed a big element of uncertainty for the export-dependent sectors of Canada's economy.
- The trade war is a headwind for China businesses, with nearly 60% of business leaders in one survey saying it's a negative for them. That won't stop the Chinese economy from doubling this year from where it was in 2010. That's "mission accomplished" for Beijing. For investors, China still looks to be in beast mode. This week, the National Bureau of Statistics (NBS) in China revised their real GDP growth rate higher by 0.1 percentage points per year between 2014 and 2018 while leaving it unchanged for other years. The revision was expected following their revision of 2018 nominal GDP in late November.
- US markets are coming back online after a long weekend and in the FX-space, the big item is the recent dearth of volatility and the question of when something may show. This week's economic calendar does offer some items of interest, with tomorrow highlighting Canadian markets with the 8:30 AM ET release of CPI numbers from December followed by the Bank of Canada rate decision at 10 AM. The European Central Bank offers a rate decision the morning after, and despite minimal expectations for any actual changes the focus will be on ECB President Christine Lagarde as she further puts her stamp on the bank with this being just her second rate decision at the helm. And in the backdrop, the Davos World Economic Forum is taking place, so this raises the possibility of surprise commentary evoking moves.
- It is entirely reasonable to have expected that the Index would have fallen during this period of devastating bushfires. Perhaps it is somewhat surprising that the fall in the Index was not more severe particularly in light of the 5.8% fall we saw during the Queensland floods in 2011. However the fall in the Index during the floods was from 111.0 to 104.6 – overall confidence levels during that period were very high – much higher than we are currently experiencing.

## Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Public sector net borrowing	GBP	4.5B	4.9B	MEDIUM
CBI Industrial Order Expectations	GBP	-25	-28	MEDIUM
CPI m/m	CAD	0.0%	-0.1%	HIGH
Overnight Rate	CAD	1.75%	1.75%	HIGH
Existing Home Sales	USD	5.43M	5.35M	MEDIUM

### **Support Resistance Levels – Currency Future:**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	71.26	71.15	71.00	71.35	71.50	Sideways
EURINR FUTURE	79.19	79.05	78.90	79.30	79.40	Sideways
GBPINR FUTURE	93.02	92.85	92.75	93.15	93.25	Sideways
JPYINR FUTURE	64.79	64.65	64.55	64.90	65.00	Sideways

#### **RESEARCH BONANZA FOREIGN CURRENCY SEGMENT**

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