



MARKETS LOOK TO VIENNA FOR OPEC SUPPLY CUT

MORNING REPORT: 6TH DECEMBER 2018

GBP

Sterling continues to trade flat as the build-up to next week's vote continues. Yesterday the government released the full legal advisory text from Attorney General Geoffrey Cox on the Brexit draft deal, with the main area of note that Northern Ireland would remain in the EU single market for goods and the EU customs regime, while Great Britain will be treated as a third country, should the backstop be enforced. Nothing has materially changed, however, with familiar opinions and statements continuing to circle in the media. As a result, we expect sterling to remain within its recent ranges until the market starts to get a clearer sense of whether next week's vote on the European Union Withdrawal Act will pass.

EUR

The euro traded flat against the dollar yesterday despite European stocks getting hammered yet again. Conciliatory tones continue to be struck by Italian officials as tensions between Brussels and Rome ease, but to date, no formal adjustment of the draft budget has been made. Yesterday saw Eurozone Retail Sales surprise to the upside with 0.3% MoM growth, but September's downwards revisions dragged down the YoY figure. Today the single currency looks towards German Factory Orders that continues to try and fight a negative decline.

USD

The dollar took a day off yesterday to mourn previous President George HW Bush. Trump attended the ceremony, but that didn't stop him from hitting the Tweet button to pile on further pressure on OPEC by reiterating that low oil prices need to stay. Today's OPEC meeting could turn around the dollar's fortunes after it stemmed a steady decline when the crude market turned bearish. Meanwhile, on the data calendar,

Durable Goods Orders for October are released along with Factory Orders at 15:00 GMT today.

CAD

The loonie fell to a 17-month low yesterday when measured against the greenback after the Bank of Canada struck dovish tones. The main line the market grasped onto was the fact that the BoC saw room for non-inflationary growth after previously saying the economy was producing at full capacity. With oil prices stable around the \$52 a barrel mark ahead of today's OPEC meeting in Vienna, the loonie had little to grasp after it slipped back into its bearish trend channel. Today's meeting of the oil-producing countries could hold the key for the loonie, however. If production cuts prove sufficient and signal to the market that the glut of supply currently sloshing around will be reduced, prices in the futures market will prop up the loonie and may see it finish the year with a bang.