



STERLING ENJOYS ABSENCE OF POLITICIANS AND MONEX EUROPE WISHES YOU A SPLENDID 2019

MORNING REPORT: 31ST DECEMBER 2018

GBP

Politicians can take holidays more often, that is at least according to the pound sterling which was among the top gainers on Friday and continues to advance this morning as silence sovereignly reigns over Westminster. The only thing bubbling today will be the champagne tonight as little data comes out today for the UK. More fireworks can be expected later in the week with the Manufacturing, Construction and Services Purchasing Manager Indices coming out on Wednesday, Thursday and Friday respectively.

EUR

On Friday it seemed the euro already decided at which level it wants to celebrate its 20th anniversary as the single currency traded within a narrow bandwidth. The year for the euro ended on a positive note as Italy and the European Union managed to strike truce on the Italian budget and this controversial budget law passed through the Italian Lower House without further difficulties on just before the December 31st deadline. However, further concerns lie ahead for the single currency as growth prospects for the Eurozone still look gloomy as suggested by leading indicators and markets sentiment. In addition, the outlook of global economic slowdown for 2019, along with trade uncertainties and Brexit headwinds are posed to deliver a challenging year for the currency. The Consumer Price Index figures for the bloc on Friday may well prove to be its first test of the new year.

USD

After a week that saw the sharpest rally in US stock markets in nearly the last decade, the dollar ended up the week as one of the poorest performers among the G10 currency board. Buyers still seem concerned

about partial government shutdowns as President Trump has yet failed in gaining parliament support to fund the wall in the Mexican border. More importantly, optimism around trade talks between the US and China does not seem to be dollar net positive, which indicates safe haven flows in and out of dollar markets still dominate on this topic. After a phone call with President Xi-Jinping was described as a "big progress", investor's reaction favored other currencies, as economic outlooks for emerging markets brighten due to this. The year will close with the print of the Dallas FED manufacturing Activity indicator at 13:30 GMT.

CAD

At the end of the week the loonie pared back some losses from previous US dollar strength but closed in the red zone on the back of tumbling oil prices. After reaching a 4-years high in October, concerns over glut and slowing demand has made crude prices to fall 37%, weighing in a 5% depreciation of the currency against the dollar since then. An agreed reduction of production levels from Russia and OPEC members in early December, has not, however, translated into a recovery of the market futures prices, which is playing as a downside risk for the currency ahead of the new year. The Bloomberg Nanos Confidence will be the last data release of the year at 15:00 GMT.