WHATEVER HAPPENS TO TRADE, THE DOLLAR KEEPS ON ROLLING, ROLLING, ROLLING.

MORNING REPORT: 11TH FEBRUARY 2019

GBP

Sterling gears up for another week of Brexit after broadly selling-off last week. The pound remains quite some distance from its 6-month high against the US dollar after weak Purchasing Managers Indices on Tuesday morning. The Bank of England's net-hawkish meeting on Thursday proved insufficient in clawing back prior losses and the pound ultimately ended the week a percentage point lower against its American counterpart. This week, Prime Minister Theresa May continues her uphill battle to get a Brexit deal over the line, but if no changes on the controversial backstop agreement are agreed by Wednesday, May is expected to lay another neutral motion in front of Parliament. This would be the second time in a matter of weeks that a neutral motion has been sparked in the Commons, opening debate and allowing amendments to take place. At present, the most likely amendment would come from the shadow Brexit Secretary Keir Starmer which would require a meaningful vote inside Parliament by the end of February. Should amendments take place, the likeliest outcome would see further buffers enforced by Parliament to stop the UK crashing out of the EU without a deal. On the data calendar today, UK Gross Domestic Product data is released for December and is expected to show no growth in the economy from November's reading.

EUR

The single currency staged a minor rally at midday on Friday, only to soften again afterwards as December's Italian Production figures showed how deep the economic woes of the country are currently. Industrial Production fell by 0.8% in December, while the November reading was also downwardly adjusted to a 1.7% contraction. This highlights that Italy is suffering from a weaker domestic economic momentum, while reduced global demand hurt the activity in the manufacturing sector of this export country as well.

Thursday will bring us the most important data for the week, with German preliminary Q4 GDP, as well as the Eurozone's second Q4 GDP reading. After Italy earlier, Germany's GDP release could show another core member of the Eurozone slipped into a technical recession in the second half of 2018.

USD

Trade talks or no trade talks, it all looks good for the dollar at the moment. The US dollar turned green last week and smashed all of the G10 currencies. The broad DXY index has crept back towards its 2019 high and continues its weakening upwards trend this morning. Today, US trade representative Robert Lighthizer and Treasury Secretary Steven Mnuchin are expected in Beijing for the latest round of trade talks after President Trump denied a deal would be in place before the March 1st deadline. Meanwhile, domestically Congress have until the end of the week to agree on a budget deal to avoid another US government shutdown. Republicans stated over the weekend that a standstill in negotiations has occurred over the number of detention beds that will be allocated to the controversial ICE agency.

CAD

The loonie closed on Friday on the top of the G10 currency board, supported by the release of strong employment data. A total of 66.8k net jobs were added to the economy in January, a massive positive surprise from 9.3k last month and only 5k expected by markets. The currency rallied half a percentage point on the back of this release although a quick correction followed. This data hardly makes a reason for further loonie strength, with the Bank of Canada signalling a cautious stance of the monetary policy and global trade talks stuck until further notice. Falling WTI oil prices since the beginning of the month also keep the currency trading on subdued levels. Today, the Bloomberg Nanos Confidence is to be released at 15:00 GMT.