

CNY SHRUGS OFF GROWTH DOWNGRADE

MORNING REPORT: 5TH MAART 2019

GBP

Sterling pared back some of its recent gains yesterday, especially against the US dollar. Brexit will once again be back in focus today as Attorney General Geoffrey Cox will head to Brussels with Brexit Secretary du jour Stephen Barclay in a last ditch attempt to gain further concessions on the Irish backstop. Members of Parliament will vote on whatever the Government is able to put forward on the basis of any last minute concessions next week. This morning's major sterling data release will be the Markit Services Purchasing Managers Index at 09:30 GMT. Later in the afternoon, Bank of England Governor Mark Carney will testify to the House of Lords Economic Affairs Committee at 15:35.

EUR

A good day for global risk sentiment resulted in a bad day for European FX as the euro occupied the lower regions of the G10 FX ranks, finding company in yesterday's other outcasts; the Scandinavian currencies. Data was actually quite good, with the Sentix Investor Sentiment showing a nice uptick in expectations, lifting the headline reading to -2.2 in March, up from -3.7 in February. This could be a sign the worst is over for the slowdown in the Eurozone economy, although, of course, one swallow doesn't make a summer. Today will see the Final Services sector PMIs released for individual European Countries, adding up to a reading for the entire bloc at 9:00 GMT. Retail Sales figures follow at 10:00, with both figures giving us some inside in how domestic demand might throw a lifeline to the Eurozone economy now external demand appears to take the backseat.

USD

Higher treasury yields seemed to take the greenback by the hand yesterday after a decline earlier on Friday, which had the US dollar gain to slightly more than half of the currencies of its main trading partners. The US trade delegation conducting negotiations with China may have found some extra leverage this morning, as the Asian giant downgraded its growth forecasts to their lowest level since 1990. As the Chinese reluctantly admit the trade war is making itself felt in the economy, the US may be able to quickly strike a favourable deal, which can be a boost to US exports and the US economy. Today sees the ISM Non-Manufacturing PMI at 15:00 GMT, together with New Home Sales.

CAD

The loonie remained under pressure yesterday, extending its losses after being routed in the wake of Friday's dismal Gross Domestic Product data. Canada's ongoing political crisis deepened as a second Cabinet minister, Jane Philpott, resigned in protest of the government's response to allegations that officials pressured former Justice Minister Jody Wilson-Raybould regarding a corruption investigation. Although the scandal seems to have had little currency effect so far, they do raise the prospect of increased uncertainty heading into Federal elections later this year.

FX ELSEWHERE

The Chinese yuan appeared to have almost stoically accepted the downgrade of the Chinese their 2019 growth forecast to its lowest rates since 1990 at 6-6.5%, accompanied by the rare admission that trade tensions with the US are at least partially to blame for this. The fact the yuan didn't jolt on the downgrade at one hand can be explained by the fact this was widely expected, after Manufacturing PMIs sharply deteriorated earlier, pointing to a potential contraction in this vital sector in this year. Another explanation could be that markets appreciate the wisdom of Chinese policymakers to let go their growth target in favour of deleveraging their high debt. In the short run this may imply lower growth, but in the long run this may mean more financial stability " or at least the staving off of a hard landing after sudden debt crisis.