

KING DOLLAR STILL REIGNS

MORNING REPORT: 30TH AUGUSTUS 2019



GBP

After Wednesday's history events and choppy sterling price action, yesterday looked rather tame. Sterling sold off slightly against USD, and traded as flat as a pancake against the euro. The outlines of next week's Parliamentary battles became clearer, with Opposition MPs and Conservative Party rebels seemingly settling on a strategy of passing legislation to prevent no deal on October 31st. Their odds of success are uncertain, as the Government has a myriad of options to delay and resist the passage of commons, including attempting to maintain control of Commons business, delaying any motions or bills in the Lords, or even not sending finished legislation to the Queen for assent. Today's sole data release of note will be Money and Credit figures from the Bank of England at 09:30 BST. Reports of Boris raising the "tempo" of

talks with Brussels are doing the rounds this morning, to little cheer for sterling.

EUR

It was another day, another low for the euro yesterday, as the single currency continued to slide against the US dollar. Its losses were matched by sterling's own against the greenback, so EURGBP traded flat. Relatively hawkish comments from ECB policy maker Klaas Knot did nothing to support the euro. The Dutch Central Bank Governor did say that although he was open to a rate cut and asset purchases, there was "no need" for it in his reading of the current inflation outlook. Data flow was mixed, with French Consumer Spending and Gross Domestic Product both printing at satisfactory growth rates for July and Q2 respectively, but Spanish and German inflation missing expectations. Today's calendar has already seen a huge miss for German Retail Sales, which contracted 2.2% in July after a big 3% jump in June. Later in the morning at 10:00 BST Eurozone Inflation and Unemployment figures will be released.

USD

The US dollar index DXY is within spitting distance of the two year highs seen earlier in the month this morning, as Hurricane Dorian bears down on the East Coast. The US-China trade narrative was broadly optimistic yesterday, after Chinese authorities said they would not immediately respond to the latest US tariff increase, and called for de-escalation. Yesterday US Gross Domestic Product was left unrevised at 2% annualised quarterly growth in Q2, while weekly Unemployment Claims were low as expected at 215,000 and Pending Home Sales reversed most of June's 2.8% jump in July. Personal Spending data will be released alongside the Fed's preferred inflation measure, the Core Personal Consumption Expenditures Price Index, at 13:30 BST.

CAD

The loonie remained under pressure yesterday, with yet another attempted rally ending in failure with the loonie selling off this morning. Canada's current account deficit narrowed to \$6.4 billion in the second quarter, as the goods deficit was lower than expected. The loonie has yet to benefit from this week's cooling of trade tensions, but with Trump likely busy with Hurricane Dorian, continued calm next week could offer global commodities " and the loonie " an opportunity for a rally. Today at 13:30 BST, monthly Gross Domestic Product figures will be released.

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