PNC

Daily Foreign Exchange Market Commentary as of December 07, 2018

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Foreign Exchange Market Highlights

Good Morning,

The highlight this morning is US jobs data which will be released at 8:30am EST. The median forecast is for Nonfarm Payrolls to have added 198k jobs in November; although down from 250k in October this is still a solid print. The unemployment rate is forecasted to remain steady at 3.7 percent. The dollar is mixed amongst the majors this morning ahead of the data release, but has remained firm after a volatile week in the equities market. European stocks rebounded from the worst day in more than two years and Asian equities posted modest gains. US equities, however, still remain under pressure as futures declined and treasuries rose.

Canada will also release jobs data at 8:30am EST, with expectations for an increase of 10k jobs and for the unemployment rate to remain steady at 5.8 percent. Hourly wage data is forecasted to have slowed from 1.9 percent to 1.8 percent. While the unemployment rate is hovering at a four-decade low, sluggish wage increases and a slump in exports in Canada are creating headwinds while policy makers discuss whether the economy is strong enough to warrant and sustain accelerated interest rate hikes. The Canadian dollar has come under increased pressure since the end of September. Much of the depreciation has been attributed to trade tensions and widening monetary policy divergence between the US and Canada. As Mike touched on yesterday, the Bank of Canada delivered a dovish hold on interest rates at the conclusion of their final monetary policy meeting for the year. The Canadian dollar dipped nearly 0.9 percent immediately following the release and has continued to trend lower. Investors will be attentive to today’s jobs numbers to determine how the economy is fairing and to see if this adds further pressure on the Bank of Canada to keep rates on hold.

The Organization of Petroleum Exporting Countries (OPEC) has entered a second day of talks in an attempt to agree on a plan for production cuts. WTI crude oil rose above $51 a barrel this morning although some members stated they are not confident an agreement will be reached today. Oil has plunged more than 30 percent since reaching a four-year high in October, fueled by concerns of oversupply. OPEC is discussing a plan that would cut output by 650,000 barrels a day, with an additional 350,000 barrel a day contribution from allies, including Russia. Oil dependent currencies such as the Canadian dollar, Australian dollar, and Russian ruble have been adversely impacted from the move in oil. If a deal can be reached to curb output, we may see a correction in these currencies. However, the magnitude can depend on several other factors, especially trade tensions.

Have a great weekend!

Anna Fister