Good Morning,

President Trump is meeting with China’s Vice Premier Liu He today at 2:30 PM EST to further discuss a trade deal between the two countries. Trade negotiations have been trending in a positive direction and this meeting further signals a level of positive progress between the two countries. The March 1st deadline is rapidly approaching, meaning negotiations should accelerate within the coming days.

Governor Lowe of the Reserve Bank of Australia (RBA) testified overnight to Parliament regarding the state of the Australian economy. He warned that the economy may be softer than the RBA previously predicted, opening the door to possible interest rate cuts in the near future as well as a weaker Australian Dollar. He added his concerns about the Chinese economy and Australia’s deteriorating trade relationship with China. Despite this, the Australian Dollar is stronger in early trading this morning, most likely due to end of week position-squaring.

European economic data released this morning gave further insight on the direction of the European economy. Eurozone month over month CPI decreased by 1.0 percent, versus an expected decrease of 1.1 percent. German private consumption came in at 0.2 percent, beating expectations of 0.1 percent, and the IFO Business Climate came in at 98.5, missing expectations of 98.9. These mixed signals, along with no significant progress on Brexit negotiations, have left the Euro unchanged in early trading this morning.

The pound is under pressure this morning as UK officials are indicating that no breakthrough was achieved at this week’s meeting between UK Brexit Secretary Barclay, UK Attorney General Cox, and EU Secretary Barnier, but negotiations are continuing. They all concluded that a successful deal must be reached as soon as possible and that negotiations on the technical level should become more frequent and aggressive. The group planned another meeting for next week. If negotiations do not show positive progress soon, Prime Minister May is expected to request a three-month extension to the March 29th deadline.

The Canadian dollar is stronger this morning as oil prices reached a three month high. The markets are also focusing on interest rate differentials as the Bank of Canada Governor Poloz reiterated that interest rates must rise to neutral over time. However, the timing of any increases remains uncertain. He added that the path toward higher interest rates is highly uncertain due to lingering questions about housing and investment in the country. Consensus views see at least one more rate increase this year, with the next Bank of Canada rate decision being March 6.

Have a great weekend!

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