Good Morning,

The US dollar is higher across the board with the Dollar Index trading up about 0.20% in the early session. Equities moved higher yesterday after positive economic data out of China with the S&P 500 closing up 1.16%. Overnight, Asian and European indices are modestly higher with futures indicating a flat US open. US treasury yields have eased their march lower after hitting 2.35% on the 10-year. US durable goods orders decreased 1.60% in February, slightly better than the -1.80% expected by economists. Market reaction was muted with more important releases, including employment data, later this week. The Canadian dollar is lower by 0.20% while the Mexican peso is higher by 0.10%.

Yesterday, another round of Parliamentary indicative votes (IV) on Brexit alternatives failed to provide a path forward. None of the options managed to garner a majority and as things stand the UK will still leave the EU on April 12th. PM May is currently meeting with her cabinet to arrive at a plan forward. While the risk of a no deal exit remains, the likelihood of it happening is low. During the first IV on March 27th, Parliament rejected this 400 to 160 which is one of the more decisive results we have seen; but to prevent this Parliament will have to agree on an alternative. May’s deal is still on the table, however, absent any changes Speaker Bercow may refuse to allow another vote on it. Indicative votes round 3 could be on the docket for tomorrow. Everything from an Article 50 revocation to a general election is possible as we near Brexit day. An emergency EU Summit is penciled in for April 10th and 11th to discuss any alternative arrangements. The pound is 0.40% weaker this morning with one month option skew indicating increased demand for protection against a weaker GBP.

The Australian dollar is lower by 0.55% after the Royal Bank of Australia (RBA) left interest rates unchanged but was more dovish than expected in its accompanying statement. The acknowledgment of weakness in the global economy with a shift of risks to the downside mirrors recent comments from other central banks. The Government budget was also released last night with no major surprises. Across the Tasman Sea, the New Zealand dollar is 0.70% weaker today after business confidence slipped from -17 in Q4’18 to -29 in Q1’19. On March 27th, New Zealand’s central bank had also joined the dovish shift and today’s data looks to confirm the weaker economic outlook. Market implied probabilities show an 80% chance of a rate cut by the September meeting.

The euro is trading near levels last seen in the middle of 2017 and about 2.30% weaker year-to-date. Today’s slight move lower this morning (-0.10%) is likely spillover from yesterday’s positive US ISM Manufacturing data. Euro option premiums have collapsed to begin the year with 3-month implied volatility trading towards levels last seen in 2014. This may be partially due to the narrow range in which the euro has stayed recently.

Have a great day,
Adrian Eckstein - Philadelphia