US: As forecasters continue to adjust their interest rate projections to potentially one Fed rate hike this year or pushing that expectation out to next year, some of the rationale for the US dollar’s strength is fading. Inflation data has recently been under the Fed’s 2% target level, and recent economic reports have been coming in on the weaker side. This includes this morning’s release of the Fed’s regional manufacturing Empire State index for March which came in at the lowest level in almost two years, falling to 3.7 from 8.8 the prior month. This has resulted in a moderately weaker dollar, narrow ranges and low volatility in the US dollar’s relationship to a trade-weighted basket of currencies.

EUR: The EUR is moderately stronger this morning but remains constrained by low inflation, weak economic data and continued European Central Bank policies of negative interest rates and quantitative easing. The uncertain outcome of Brexit negotiations are also weighing on the EUR, along with potentially pending retaliatory tariffs on US exports as a result of US steel and aluminum tariffs imposed last year.

GBP: The British pound had its most volatile week in two years as competing proposals and amendments were voted on by Parliament. The outcome of yesterday’s votes was that the House of Commons supported Prime Minister May’s motion that she will ask the European Union to extend the Brexit deadline from March 29 to June 30 if Parliament can agree on a deal by next Wednesday. If Parliament does not pass a Brexit agreement on March 20, a longer extension is likely, which could result in the UK taking part in European Parliamentary elections in May. Participation in those elections is considered beneficial to those who oppose Brexit, so Prime Minister May’s strategy seems to be to have Brexit supporters in Parliament vote in favor of her agreement to avoid having to participate in the European elections.

CAD: The CAD is being supported by recent increases in crude oil prices as we approach this weekend’s meeting of oil exporting nations to decide whether to extend supply cuts. Weighing against the CAD is this morning’s report of a fall in Canadian home prices last year for the first time since 1990 and a 0.1% decline in January, along with rising debt levels.

INR: The Indian Rupee rose for a fifth week in a row on in increase in global fund flows and an improving equity market.

Have a good day and weekend. Hilary