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Foreign Exchange Market Highlights

Good morning,

US banks and most markets are closed today in observation of Martin Luther King Day. The foreign exchange markets are open and we are here if you need to do any transactions. Overall the dollar is mostly unchanged against most currencies with light trading volume. Just a reminder, since banks are closed, you will not be able to settle a USD transaction with a value date of today. While today may be quiet, the rest of the week will be busy with central bank decisions coming in Japan, Canada, the EU and several other countries.

The Bank of Japan (BoJ) is up first with its rate decision announcement Tuesday. As you may recall, the Bank of Japan has kept rates in negative territory since 2016 in an attempt to boost lending to spur economic growth. Expectations are for rates to stay at -0.10% so the focus will be on the Bank of Japan's growth forecasts. In October a consumption tax rate was increased from 8% to 10% so it will be interesting to see if the BoJ believes this will drag on growth moving forward.

Next up will be the Bank of Canada (BoC) on Wednesday and it is likely to follow the BoJ's lead and keep rates on hold. Canada, however, has its benchmark rates in positive territory at 1.75%. Looking beyond Wednesday and farther into 2020 many economists are predicting the BoC will need to cut rates to combat slowing economic growth and a weakening labor market. This morning the Canadian dollar is trading in a tight range close to where it was on Friday.

The European Central Bank (ECB) announces its decision on Thursday. It will be Christine Lagarde's second meeting as ECB President, but don't expect any drastic changes in policy for now. The ECB's deposit rate will likely remain at -0.50% while Lagarde focuses on tackling the strategic review for the ECB she previously announced. The euro is slightly weaker than Friday.

If you are looking for a Bank of England (BoE) rate decision as well, you will have to wait until next week. Unlike the central banks noted above, we may see action taken by the BoE. Weak economic data and the overhang of trade disruption caused by the UK exiting the EU have many traders betting a cut will happen. The pound is again slightly weaker against the dollar as those bets seem to be increasing.

Have a great day!

Jason Sandusky

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