

Analyst Team

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Overview

- USD weaker as Pres. Trump threatens reciprocal and sectoral tariffs April 2.
- CAD firms modestly, retests key USD 1support at 1.4350.
- EUR snaps higher through low 1.09s after idling in tight range overnight.
- GBP firmer as markets anticipate BoE hold decision Thursday.
- JPY little changed as USD advance is capped near 149.
- AUD, NZD firmer as China pushes ahead with stimulus plans.
- MXN steady, holds gains on USD through 20.

USD Softer as Tariff Concerns Persist

FX Market Update—The USD is weaker as US equity futures dip in response to Treasury Sec. Bessent expressing no concern about recent equity market volatility and President Trump saying that reciprocal *and* sectoral tariffs will be announced on April 2, apparently upping the tariff ante yet again. It was not clear from the remarks whether reciprocal tariffs will be added on top of sectoral tariffs or not. Stocks perked up nicely on Friday but these comments suggest there is still immense uncertainty ahead for investors to contend with and that there is little chance of a significant pick up in risk appetite for now. US equity futures are weaker on the session currently. International investors may be looking hard at US returns and allocations amid signs of slowing global growth around US tariff action given that, since the election, the USD, US corporate high yield bonds and stocks have underperformed relative to Treasuries and other, foreign assets. Meanwhile, policymakers in Europe and China are channeling policy efforts to provide more stimulus (China outlined plans to boost incomes and consumption earlier today). More weakness in the USD looks quite likely moving forward. It's a busy week for central banks but many policy decisions are expected to result in unchanged rates (the Fed, BoE, BoJ, BCCh). The SNB may ease 25bps while the consensus expects a 100bps increase in Brazil's Selic rate. On the charts, the DXY appears to be breaking down from the consolidation range that held for most of last week when DXY rebounds were capped around 104.05/10. Index losses below 103.7 are bearish on the short-term chart and point to a push to test key support at 103.2; broader points still suggest a drop to the 100/102 range. US March Empire survey and February Retail Sales data are due this morning.

USDCAD (1.4352) The CAD is little changed over the weekend. There has been scant news on US/Canada tariff issues but PM Carney did remark Friday that there was progress in talks, without specifying what that progress was. The CAD is catching a bit of a bid off the generally softer USD tone to press up against the recent range low (and technical support) for the USD in the mid-1.43s. The USD continues to trade significantly above our fair value estimate (1.4109 currently), suggesting ample downside potential in spot at least.

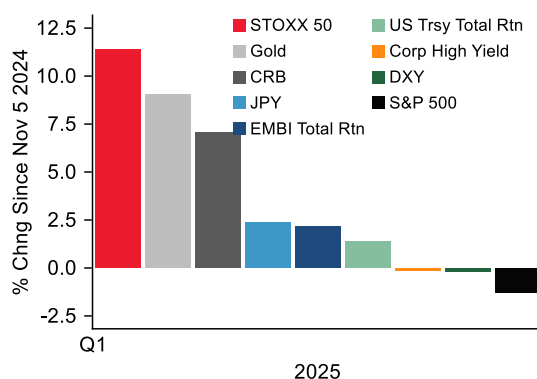
USDCAD short-term technicals: Neutral/bearish—Technical signals are mixed. On the one hand, price moves last week indicated a short-term top/reversal (bearish “evening star” candle pattern) developed around Tuesday's spot high. Firm resistance sits at 1.4515/20 now and a little higher still at 1.4545/50. However, the USD enjoys the support of solidly bullish trend momentum across the intraday, daily and weekly charts now which will bolster support around 1.4340/50 (40-day MA and last week's low). A push under 1.4350 may see spot ease back to 1.4225/50.

EURUSD (1.0907) The EUR traded narrowly for most of the overnight session before rallying from the upper 1.08s to retest Friday's intraday high in the low 1.09 area in a spurt of gains through late morning European trade. Markets are turning more constructive on the EUR outlook on the back of Germany's fiscal plans. Solid economic data from China, a key export market for Germany, to start the year plus Beijing's ongoing efforts to boost consumption may be having some positive spillover impact on EUR sentiment.

EURUSD short-term technicals: Neutral/bullish—EURUSD is nudging higher to test minor bull breakout resistance around the 1.09 point in early trade. Spot has found firm support on dips top the low 1.08 area, as expected, over the past week. A “natural” progression for price is to now test the topside of the range. A push through 1.0900/10 should see gains extend to retest 1.0950/60—the last, major resistance point ahead of a full retest of 1.12.

GBPUSD (1.2970) Sterling retains a firm undertone. Investors are looking ahead to this

US Stocks Underperform Since Election



week's BoE policy decision and expecting a hold amid still sticky UK price trends. A split decision is possible, but market pricing is firmly in the camp of no change amid clear messaging from senior policy makers that slow and cautious adjustments in policy are likely moving forward.

GBPUSD short-term technicals: Bullish—Sterling has been carving out a running consolidation just below the 1.30 level over the past week. The pound's push higher so far today suggests a retest of last week's 1.2990 high is developing ahead of a push on to the "real" top of the range at the moment at 1.3035. Support is 1.2925/30.

TODAY'S CALENDAR

Time (ET)	Country	Release	Period	Consensus	Last
8:15	CA	Housing Starts	Feb	248.8k	239.7k
8:30	CA	Int'l Securities Transactions	Jan	--	14.37b
8:30	US	Empire Manufacturing	Mar	-2	5.7
8:30	US	Retail Sales Advance MoM	Feb	0.7%	-0.9%
8:30	US	Retail Sales Ex Auto MoM	Feb	0.4%	-0.4%
9:00	CA	Existing Home Sales MoM	Feb	--	-3.3%
10:00	US	Business Inventories	Jan	0.3%	-0.2%
10:00	US	NAHB Housing Market Index	Mar	42	42
19:20	AU	RBA's Hunter-Speech			

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