

## FX: Canada rates and German Ifo in view

The Bank of Canada is likely to stick to its dovish message today while Germany's Ifo survey could see a marginal improvement



Source: pexels

### ⬆️ USD: OPEC unlikely to allow persistent rise in oil prices

The dollar retains broad-based support and the higher oil price is weighing on Asian FX and oil importers. Short-term, our commodities team expects oil prices to remain supported but sees limited upside from here. This reflects the risk that demand destruction (given the high oil price and strong US dollar) is likely to translate into production cuts not being extended at the June OPEC meeting, in turn, limiting upside to oil. This means that the oil price should average around 70US\$/bbl this year, suggesting a supportive environment for oil exporting FX such as the Mexican peso. Overnight, the Australian dollar was the worst G10 FX performer following softer than expected 1Q CPI, which reinforced the case for eventual easing and justified the change in the central bank's bias (towards being more dovish).

### ➡️ EUR: Green shoots that continue to disappoint

Our economists look for a marginal improvement in the April German Ifo index against the backdrop of the Brexit 'flex-tension' and positive signals from China and trade. Still, the expected marginal improvement is unlikely to be enough to change near-term fortunes for the euro, which are constrained by the generally soft eurozone data (April PMIs last week, April consumer

confidence yesterday). Against the dollar, euro upside is also limited by solid US data. We continue to see EUR/USD at 1.10 within the next three months. In terms of sterling, we see speculation about a change in Conservative party rules to topple Prime Minister Theresa May as a negative for the pound because the next Conservative leader would likely be a eurosceptic.

### ⬇️ CAD: Risk of the BoC turning even more cautious

The Bank of Canada is likely to stick to its dovish message at its April policy meeting today and keep rates on hold at 1.75% ([see BoC Preview](#)). The downbeat outlook for both the domestic and global economy, as well as some slightly lower inflation figures, may even push policymakers towards a more cautious attitude when it comes to further rate hikes. With the Canadian dollar failing to benefit from rising oil prices and the US dollar exhibiting across-the-board strength, we see upside risks to USD/CAD today, with the cross moving decisively above the 1.3450 resistance level.

### ➡️ RUB: Limitless auction to add some support

The Russian Ministry of Finance holds a limitless auction of two fixed-coupon OFZ today. With Brent oil at six-month highs and a benign emerging market backdrop, the external environment seems favourable, although repeating last week's RUB125 billion placement might still be a challenge. Still, the near-term rouble outlook is positive, and also supported by local corporate flows, as RUB1.3 trillion tax payments (VAT, excise, UPT) are expected on 25 April and another RUB0.3 trillion (profit tax) on 29 April, concluding this month's tax period.