

FX Daily: Canada's labour data to fuel easing bets

Markets are pricing in only a very small probability of a rate cut in Canada over the next three months. We think the chances are higher than that- and today's labour data could prove us right



➔ USD: Not enough catalysts for a correction

The US and China have announced that a reciprocal lifting of tariffs will likely be part of a trade deal, but markets seem to be questioning the timing of such a deal and whether the optimism is valid. This has triggered a small correction in global risk sentiment overnight, hitting activity currencies and further strengthening the dollar momentum. The only data release on today's agenda is the University of Michigan Sentiment Index, our economics team expects this to disappoint, but this will hardly undermine the well-cemented notion that the Federal Reserve will stay put in December. In light of this, we see little reason to call for a US dollar correction today. USD should consolidate recent gains.

➔ EUR: The 1.10 resistance increasingly weak

The lack of a clear catalyst (empty calendar in the eurozone) for EUR/USD today may allow the pair to trade in a fairly tight range or, if anything, come under some mild pressure thanks to good USD momentum. The 1.10 resistance should hold today but will likely be progressively tested in coming days, as the euro increasingly looks like an attractive funding currency and is failing to benefit from positive trade-related sentiment.

⬆️ GBP: BoE negatives to fade quickly

We were expecting quite an uneventful Bank of England meeting, but markets were taken by surprise as two members voted for a cut. As per "[Three thoughts on the Bank of England's November decision](#)", our economists continue to advise caution before pencilling in rate cuts. For now, the negative impact on sterling is unlikely to last long, with markets almost exclusively focused on the elections. With recent polls still suggesting a (market-friendly) Conservative win, a small upside correction in sterling may be on the cards today.

⬇️ CAD: Labour data, trouble in paradise?

The positive newsflow on trade negotiations has kept USD/CAD from breaking back above 1.32 (a level last seen in mid-October), but we see the level as a weak resistance today as Canadian labour data for October is released. Our economists are looking at a -10k change in the (quite volatile) headline employment gauge, with some upside risk to the unemployment rate. The consensus is indeed expecting a slowdown in hiring (15k, according to a Bloomberg survey) after the very strong September print, but a negative sign may asymmetrically exacerbate expectations for BoC easing. As of now, markets are pricing in only 9 basis points of easing for the next three months, but we flag a higher-than-perceived risk that the Bank will deliver a one-off cut in the near future.

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