



Trading Desk Direct: 888.821.3600

Your Foreign FiX Monday, January 29, 2018

US interest rates are trading much higher this morning, with the 10 year note yield trading above 2.70%, for the first time since 2014. Perhaps surprisingly, considering the move lower in the dollar, the US 10 year note has increased the most this year, compared to German, Canada, Japan and the UK (see chart). Higher US yields are helping the dollar today, with the Bloomberg dollar index bouncing off the 12 month lows set on Friday.

Ahead of some key economic data, equity futures are pointing to a lower open, after closing at all-time records on Friday. The week is full of key events including, Fed Chair Yellen's last FOMC meeting, SOTU, key earnings reports and the job report of Friday. US markets continue to gain momentum feeding off the optimism from tax reform.

Canada: USDCAD remains in the 1.2300 range as we start the week. Friday's Canadian CPI was a slight disappointment, however the Loonie recovered later in the session. This week Canada releases GDP on Wednesday. The 6th round of NAFTA talks wrap up today in Montreal with US participants indicating that they are optimistic for a deal while recognizing that there is a great deal of work still to do. Quebec negotiator Bachand stated "Anything can happen. Normally This is a long process, because there's a lot of technical things, so it could be settled quickly but it could certainly continue in '18 and '19 before there's a conclusion." We'll know more after post-talk comments later today. Support comes in today at 1.2300 then 1.2256. Resistance comes in at 1.2400 then 1.2476.

Europe: EURUSD has begun to pare down some of the gains from last week with the common currency now trading just below the open on Friday (1/26). Economic data out of the Eurozone will be in focus this week as a plethora of new data points including 4th quarter advanced GDP figures, Consumer Confidences numbers, Markit Manufacturing, and both CPI/PPI inflation data are scheduled to be released throughout the week, all of which currently are expected to remain roughly in line with the previous reading, making price action more dependent on surprises. In addition to closely watching inflation data, the ECB will likely take queues from the FED this week as a regime shift begins to take place in the Governors Chair. Overnight some news reports show that Germany's SPD party may need some concessions from Chancellor Angela Merkel to strike a deal during the quickly closing coalition negotiations expected to end this week.



Thinking of trading? Key intraday levels	S1	S2	Pivot	R1	R2
USDCAD ▼ -0.34%	1.2233	1.2270	1.2331	1.2368	1.2429
EURUSD ▼ -0.39%	1.2306	1.2367	1.2430	1.2491	1.2554
USDMXN ▼ -0.72%	18.2985	18.3943	18.5095	18.6053	18.7205

Annualized Cost of Forward Points						
	1M	3M	6M	9M	12M	2Y
USDCAD	-0.32%	-0.38%	-0.37%	-0.37%	-0.37%	-0.36%
EURUSD	2.09%	2.36%	2.50%	2.60%	2.72%	2.82%
USDMXN	5.54%	5.95%	6.08%	6.08%	5.99%	5.58%

HEAT MAPS	Cheap	Moderate	Fair Value	Moderate	Rich

Tenor 3M / 1Y	Forward Point Valuation HEAT MAP					
	1M Pts	3M Pts	6M Pts	9M Pts	12M Pts	2Y Pts
USDCAD						
EURUSD						
USDMXN						

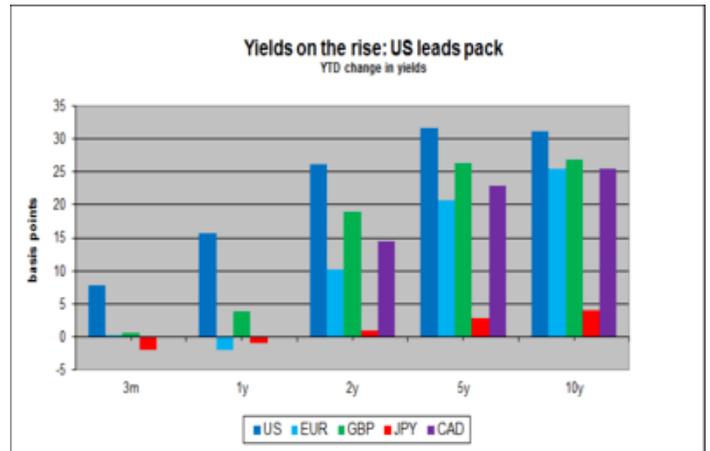
Tenor 3M / 1Y	Implied Volatility Valuation HEAT MAP					
	1M Vol	3M Vol	6M Vol	9M Vol	12M Vol	2Y Vol
USDCAD						
EURUSD						
USDMXN						

5Y Avg	Seasonality Trends - Average Change in the CURRENCY					
	Feb	Mar	Apr	May	Jun	Jul
USDCAD	0.05%	0.81%	1.59%	-1.57%	1.08%	-0.26%
EURUSD	-0.80%	-0.17%	2.19%	-0.93%	0.67%	0.57%
USDMXN	0.78%	3.08%	0.20%	-1.93%	-0.06%	-0.67%

Yields move higher

Mexico: The Peso trimmed gains as U.S treasury yields rise and NAFTA speculation continues. The pair is still on track for the 5th week of advance which is the longest winning streak since April of last year. The 200-DMA at 18.45 remains an important level for the pair as investors speculate whether the pair can close below the moving average, something that has not been done since October.

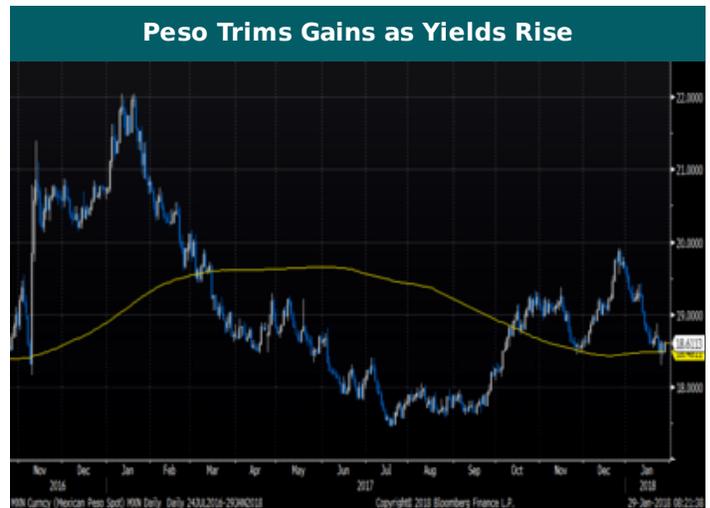
Mexico’s central bank expects positive dialogue will continue with the newly confirmed Fed Chair Jerome Powell. Comments by Gov. Diaz were also positive regarding Mexico’s position against adverse shocks and monetary policy. However, concerns are still prevalent in terms of NAFTA negotiations and how it will affect growth and productivity. Focus will turn towards Mexico’s Q4 GDP tomorrow and figures are likely to show weak and uneven economic growth at year end along with evidence of the negative impact from uncertainty over the future of NAFTA.



US 10 year yields move the highest this year



Euro stalls after hitting a high of 1.2537 last Thursday, its strongest level since 2014



Short Term Volatility Continues

Read our [technical documentation](#) to learn more about this data.

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