

DAILY FX UPDATE

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Overview

- USD mixed to slightly softer amid improved risk appetite.
- CAD retains a firm undertone on narrower spreads.
- EUR lags core peers as French bond stress weighs.
- GBP remains firm near yesterday's high on elevated inflation data.
- JPY steady, BoJ DG Himino cautions against delays in policy shifts.
- AUD supported by front-end rates after hawkish RBA remarks.
- MXN underperforms, consolidates around 18.50.

USD Mixed, AUD Firms on Hawkish RBA

FX Market Update—The USD is mixed to slightly lower in relatively quiet trade across the major currencies. Risk sentiment is a little firmer today, following strong SpaceX results last night which helped steady concerns about the broader AI complex. Asian stocks were mixed while European markets and US equity futures are firmer on the session. Major bond markets are slightly softer. Crude oil prices are a little firmer after the main benchmarks fell sharply from yesterday's intraday high. Commodity/high beta FX is outperforming somewhat on the session, with the AUD and NOK leading intraday gains on the USD. Australian front-end rates firmed following hawkish comments from RBA SG Hauser who commented that the domestic price outlook was “materially worse” than the central bank had predicted. Swaps are pricing in 13bps of tightening risk for the central bank's November 3rd policy decision. The EUR and the CHF are relative underperformers on the session among the core majors while the ZAR and MXN find themselves at the foot of the overnight performance league table for the major currencies. On the charts, the DXY retains a soft undertone. Intraday price patterns indicate firm, short-term support for the index in the mid-101 area but underlying momentum is negative. Broader price patterns are bearish following last week's net decline but a major move lower in the index is perhaps unlikely ahead of next week's FOMC. It's another slow day for data. There are no releases from the US or Canada this morning. Mexico releases Retail Sales data at 8.00ET. The results of a 20Y Treasury auction are at 13ET. NZ releases CPI data this evening (17.45ET).

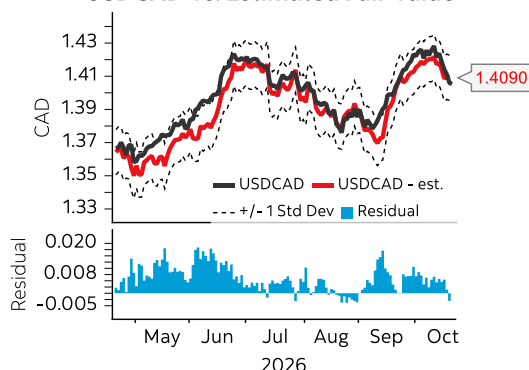
USDCAD (1.4053) The CAD is marginally firmer on the session, helped by firmer risk appetite and a mild gain for energy prices. Swaps continue to reflect elevated expectations that the BoC will tighten interest rates at next week's policy decision, driving front-end US/Canada swap spreads some 15bps narrower from the mid-October peak. Narrower short-term rate differentials constitute the primary driver of the CAD's recent gains, helping spot trade meaningfully below our fundamental fair value estimate (1.4090 currently) for the first time since August.

USDCAD short-term technicals: Neutral/bearish - The CAD is consolidating after losses yesterday based around the 50% retracement of the USD's September rally at 1.4030. We also noted 40- and 100-day MA support for the USD at 1.4045 which may also have slowed the CAD's rise. The short-term underlying trend remains bearish, however, and broader price signals remain USD-negative. A drop towards the mid-1.39s remains a possibility. Intraday resistance is 1.4070, with 1.4115 likely to represent firmer resistance to a USD rebound.

EURUSD (1.1220) The EUR is down marginally against the USD and underperforming its core G10 peers on the session. French fiscal stress remains the primary handicap for the EUR, with French government bonds weakening and driving the 10Y spread over German Bunds wider to 156bps. Eurozone data releases were mostly second-tier in nature but were soft, adding to headwinds. EURGBP losses have extended sharply over the past week, driving the cross to its lowest since mid-2025. ECB President Lagarde speaks in Germany at 12ET.

EURUSD short-term technicals: Neutral – The EUR remains stable in a tight trading range. Sentiment and momentum are soft, preventing the EUR from taking advantage of the generally weaker USD tone and leveraging the bullish impulse that developed on the weekly EURUSD chart last week – at least for now. Intraday support remains 1.1175/80. Resistance is 1.1275 still.

USDCAD Vs. Estimated Fair Value



GBPUSD (1.3397) Sterling is marginally firmer following this morning's UK data reports. UK CPI rose 0.4% M/M in September, a tenth above forecasts, pushing inflation to 3.5% in the year (from 3.1% in August). Core prices were also a warmer, rising 2.8% Y/Y while Services price gains were also stronger than forecast (3.7% Y/Y). PPI inputs rose a strong 1.5% in the month (versus 1.4% expected) while factory gate prices rose firmly to 4.6% Y/Y (against 4.4% expected and up from 3.8% in August). Meanwhile, government borrowing was GBP16.9bn in the September month. The BoE's Greene said yesterday that the risk of second round inflation effects was greater than that and urged policymakers to "lean against" them. BoE Governor Bailey speaks at 9.00ET. Swaps are pricing in 24bps of tightening for the November 5th MPC.

GBPUSD short-term technicals: Bullish – The GBP broke out of the bull flag consolidation yesterday to nudge just above 1.34 and sustain the bullish pattern of trade on the short-term charts. Spot remains firm, trading near yesterday's peak this morning. Intraday and daily trend momentum signals are bullish. After the solid GBP rise from last Wednesday's post-US CPI low drove a huge bullish weekly reversal on the chart (outside range week), we continue to think that spot can climb back towards the top of the broader trading range in pace in the past few weeks around 1.3650/75.

USDJPY (158.07) The JPY is little changed on the day. Speaking in parliament, BoJ DG Himino said that inflation was very close to the 2% target but cautioned that delays in policy adjustment could harm the economy – a mildly hawkish signal. Swaps indicate markets anticipate steady policy at the October 30th decision while 20-21bps of tightening is priced in for the December 18th BoJ meeting.

TODAY'S CALENDAR

Time (ET)	Country	Release	Period	Consensus	Last
8:00	MX	Retail Sales MoM	Aug	0.4%	-0.1%
9:00	UK	BOE's Bailey Speaks in Fireside Chat			
12:00	EC	ECB's Lagarde Speaks in Wiesbaden			
13:00	US	U.S. To Sell USD13 Bln 20-Year Bond Reopening			
17:45	NZ	CPI QoQ	3Q	0.8%	1.5%
17:45	NZ	CPI YoY	3Q	3.8%	4.1%
21:00	CH	Swift Global Payments CNY	Sep	--	3.26%

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