

Weekly Market Outlook: April 10th – 14th

Bank of Canada policy decision, key data in focus

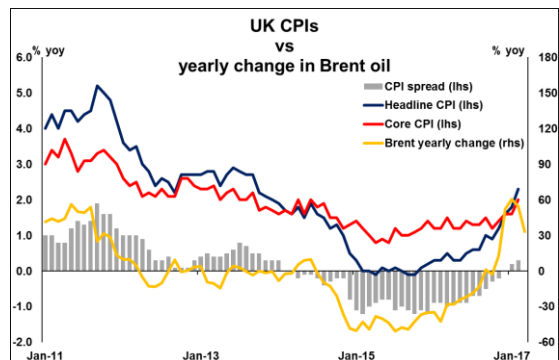
Next week's market movers

- In Canada, we expect the BoC to remain on hold and maintain its relatively dovish tone despite the latest improvements in the profile for economic growth.
- We also get key economic data from the US, the UK, Norway and Sweden.

On Monday, we have a relatively quiet calendar day. The only indicator that could attract market attention is Norway's CPI for March.

On Tuesday, we get the UK CPI data for March.

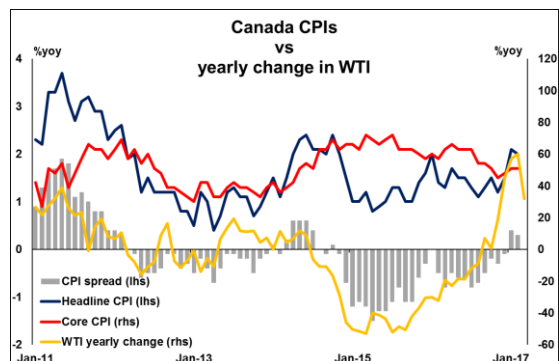
Without any forecast available, we see the case for both the headline and the core rates to have risen further. This view is based on the services PMI for the month, which showed that prices charged by service providers increased at the fastest rate for eight-and-a-half years. Considering that services account for the vast majority of UK GDP, a reasonable argument can be made that inflationary pressures in the overall economy continue to pick up rapidly. We expect a confirmation of that from the CPIs to fuel speculation regarding some future tightening by the BoE. Even though the latest commentary from BoE policymakers suggests that the Bank is in no hurry to raise rates, we believe that rapidly accelerating inflation could lead to some more hawkish dissents among the Committee.



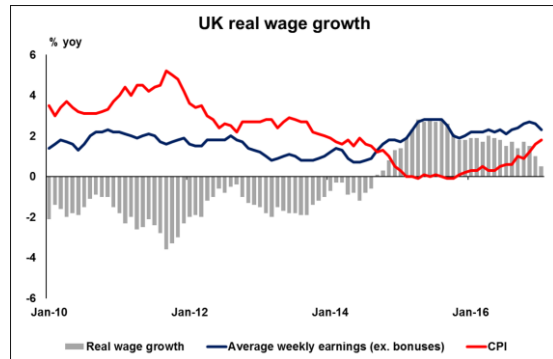
We also get Sweden's CPI figures for the same month.

On Wednesday, all eyes will be on the Bank of Canada rate decision, though no forecast is available yet.

The BoC has maintained a concerned tone in most of its recent communications. At the press conference following the January gathering, Governor Poloz unexpectedly said that another cut remains on the table should downside risks materialize, while in the latest policy statement, the Bank hinted that there are still "significant uncertainties" weighing on the outlook for exports. The Bank has also previously stressed that the strength of the Canadian dollar is muting that outlook. Even though economic data have improved somewhat since the latest meeting, particularly with regards to economic growth, we doubt that this is enough to lead to a change in the officials' dovish rhetoric. Our own view is that the Bank will probably remain on hold once again, but it will leave the door wide open for a near-term rate cut if needed. By providing dovish hints and essentially talking down the currency, the BoC can ensure that Canada's exports remain competitive. It is also worth noting that this meeting includes a press conference as well, so even in case the statement has a more or less neutral tone, we could still get some concerned comments from Governor Poloz.



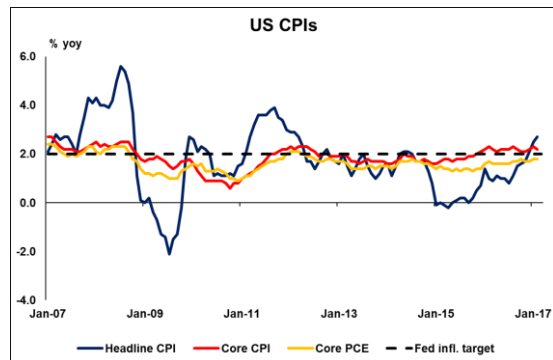
In the UK, employment data for February are due out. In the absence of a forecast, we see the likelihood for the unemployment rate to have held steady, while the average weekly earnings rate may have rebounded somewhat, following two consecutive months of declines. Our expectations emanate from the services PMI for the month, which showed that a moderate pace of job creation was maintained in the UK's largest sector, and that firms reported higher wage bills.



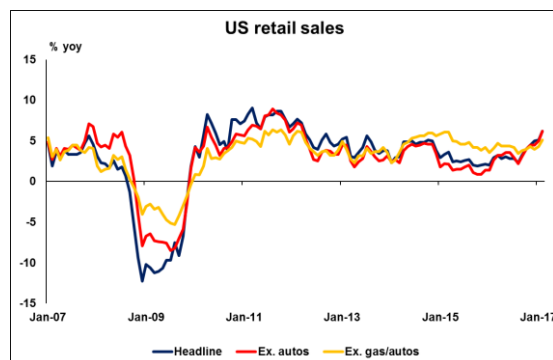
On Thursday, we have a relatively quiet day, without any major market moving events or indicators due to be released.

On Friday, markets will remain closed in all G10 nations, in celebration of the Good Friday holiday.

Nevertheless, there is no rest for the statistical services of the US, which will release the nation's CPI and retail sales data, all for March. With regards to the CPIs, without any forecast yet, we see the case for both the headline and the core rates to have remained unchanged, with risks skewed to the downside. The Price sub-indices of the nation's ISM manufacturing and non-manufacturing PMIs showed mixed results in the month. The manufacturing Prices index rose further, but its non-manufacturing counterpart tumbled notably. Considering though that the service sector accounts for a much bigger percentage of the US economy, we think that a slowdown in that price index may be more significant. What's more, the slowdown in the yearly change of oil prices enhances the likelihood for a pullback in the headline rate, in our view.



As for retail sales, both the headline and the core rates are expected to have risen, albeit slightly. We see the risks surrounding these forecasts as skewed to the upside, considering the nation's consumer confidence indices for the month. Even though the U of M index rose only slightly, the Consumer Board figure skyrocketed, reaching a level last seen in 2000. This suggests that US consumers may be feeling increasingly more optimistic, something that may show up in the retail sales figures too.



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