

PMI Data to Be Released Today as the Steel Tariff Fallout

Continues - German Retail Sales (YoY) (Jan) was released coming in at 2.3% v an expected 3.3%, from -1.9% previously, which was revised to -0.2%. Retail Sales (MoM) (Jan) was -0.7% v an expected 0.8%, from -1.9% previously, which was revised to -1.1%. This data is usually volatile but on this occasion, it has surprised to the downside marginally. EURUSD moved lower to eventually test 1.22512. UK PM May gave a prepared speech on Friday on Brexit progress and ongoing negotiations with the EU. Of particular interest was her policy on trade regulations and the Northern Irish border. In that regard, one of the takeaways from her statements was that there is an option for a customs partnership between the EU and the UK. She said that to avoid a hard border, an agreement on customs was needed. The best option involved a highly streamlined customs arrangement with simple requirements for the movement of goods. She promised that the UK would maintain the high standards of the EU including maintaining environmental standards to a level at least as high but also wanted flexibility on this and the fisheries policy. In her speech, she made it clear that the level and type of market access of some services will not be the same as pre-Brexit. Her key tests for Brexit success were: 1. Implementing the decision of the British people 2. Reaching an enduring solution 3. Protecting security and prosperity 4. Delivering an outcome consistent with the kind of country we want to be 5. Strengthening the Union "I want to be straight with people - we all need to face up to some hard facts' - 'in

certain ways our access to markets will be less than it is now' - we can't have all the benefits without all the obligations". Market reaction to her speech was indecisive with GBPUSD moving higher to 1.38017, then selling to 1.37604, before recovering to starting levels around 1.37880. EURGBP moved lower to 0.89155 but then rallied to 0.89488. FTSE traded around 7088.00. UK Construction PMI (Feb) was released and came in at 51.4 v an expected 50.5, with a prior number of 50.2. This data is based on a survey of purchasing managers, with a reading above 50 indicating expansion and below 50 indicating contraction. This number has been trending down since a high of 64.7 in February 2014. GBPUSD moved lower from 1.37876 to 1.37606 upon this data breaking. It can see a seasonal pick up around this time, heading into summer and due to increased construction activity but like-wise, any failure for this to take place could indicate a downturn in the sector. Eurozone Producer Price Index (YoY) (Feb) was 1.5% v an expected 1.6%, from 2.2% previously. This data represents the change in the price of finished goods and services sold by producers. A number lower than the consensus shows that the value of goods has decreased but represents a saving for consumers. EURUSD moved higher after this release from 1.22741 to 1.22979. Canadian Gross Domestic Product (MoM) (Dec) was as expected at 0.1% from a prior reading of 0.4%. The range of this data point since 2010 has been between +0.6% and -0.6% and a reading outside of this range would result in a larger market reaction. Gross Domestic Product Annualized (QoQ) (Q4) was

1.7% v an expected 2.1%, with a prior reading of 1.7%, which was revised down to 1.5%. USDCAD initially moved up to 1.23180 but then sold off to 1.22937 after this data was released, as the headline number was in-line with expectations. Baker Hughes US Rig Count numbers were released, with the headline number coming in at 800. The prior number last Friday showed that there were 799 Oil rigs in operation. WTI Oil traders pay close attention to this number as they look to the week ahead, with an increase from the prior week showing an expansion and indicating an increase in the volume of crude oil drilled. In the context of supply and demand, this would mean an increase in supply. The Number of operational rigs has not been at the 800 level since 2015.

- EURUSD is down -0.20% overnight, trading around 1.22917.
- USDJPY is down -0.16% in early session trading at around 105.543.
- GBPUSD is down -0.13% this morning, trading around 1.37816.
- Gold is up 0.24% in early morning trading at around \$1,325.50.
- WTI is up 0.16% this morning, trading around \$61.28.

Major data releases for today: PMI - Purchasing Managers Index Data will be released for various economies around the world today. The Index is used to gauge the level of business conditions including employment, production, new orders, prices, supplier deliveries, and inventories, by compiling surveyed data from purchasing managers. A reading below 50 indicates contraction in the industry while above 50

indicates growth. This data is important due to the link with interest rates. In the current stage of the economic cycle, it can be a warning for inflation increasing, which has caused selling in risk assets recently.

- At 08:15 GMT, Spanish Markit Services PMI (Feb) is expected to be 56.5, from a previous reading of 56.9.
- At 08:55 GMT, German Markit Services PMI (Feb) is expected to be unchanged at 55.3. Markit PMI Composite (Feb) is expected unchanged at 57.4. EUR crosses could be affected by this data.
- At 09:00 GMT, Eurozone Markit Services PMI (Feb) is expected to be unchanged at 56.7. Markit PMI Composite (Feb) is expected to be unchanged at 57.5. EUR crosses could be moved by this data.
- At 14:45 GMT, US Markit Services PMI (Feb) is expected to be unchanged at 55.9. Markit PMI Composite (Feb) is also expected to be unchanged at 55.9. USD crosses could be moved by this data.
- At 15:00 GMT, US ISM Non-Manufacturing PMI (Feb) will be out with a consensus of 58.9 expected, against a prior reading of 59.9.

Major data releases for the week ahead:

On Tuesday at 03:30 GMT, the RBA will release Australian Rate Statement and Interest Rate Decision. On Wednesday at 10:00 GMT,

Eurozone GDP data will be released. Later at 15:00 GMT, the BOC will release the Canadian Rate Statement and Interest Rate Decision. On Thursday at 12:45 GMT, the ECB will release the Eurozone Interest Rate Decision and Deposit Rate Decision with a press conference and the Monetary Policy Statement at 13:30 GMT. On Friday at 04:00 GMT, the BOJ will release the Japanese Interest Rate Decision and Monetary Policy Statement. They will also hold a press conference. At 13:30 GMT, US Jobs data will be released for February.

Today's important market news

Time: GMT

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- || 08:55  Markit PMI Composite

 - || 08:55  Markit Services PMI

 - || 09:00  Markit Services PMI

 - || 09:00  Markit PMI Composite

 - || 14:45  Markit Services PMI

 - || 14:45  Markit PMI Composite

 - || 15:00  ISM Non-Manufacturing PMI

 - || 18:15  Fed's Quarles speech

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