

Dollar weakness taking a breather (2015.10.19) Source:

[FxPro\(Review and Forex Rebate\)](#) The dollar weakness story took a bit of a breather towards the end of last week, brining EURUSD off from the highs just below the 1.15 area, whilst cable has pulled back from the 1.55 area. As with the UK, there has been a gap emerging between what surveys of bank/economists suggest (Fed tightening before year end) and what markets are pricing (no pricing of rate hike). I've maintained the view that the Fed will not hike in 2015 for all of the year and still believe that will be the case. As such, it seems likely that the dollar will resume its downtrend before long, but with the market pricing no move on balance, it does not suggest that we are in a period of strong dollar gains into year end. The overnight focus was with the release of data from China on GDP, retail sales and industrial production. GDP edged slightly lower on the YoY measure to 6.9%, marginally firmer than the 6.8% anticipated. Retail sales were also better than expected at 10.9% YoY, whilst production was weaker at 5.7% on the same measure. The main focus for this week will be with the ECB policy meeting on Thursday, although recent comments appear to have been playing down the prospect of further quantitative easing. So the question is whether Draghi is going to hint at any measure (such as further cut in the deposit rate) which could push the single currency lower. This is also a major week for Canada, with a policy meeting on Wednesday, tougher with retail sales and CPI data towards the end of the week. USDCAD has moved back below the 1.30 level, performing comparatively well on the

majors over the past 3 weeks.