



Good day,

Here is what has happened in the currency markets in April:

Most currencies are on the rise against the USD! Thanks to the expectation of strong economic recoveries, the main ongoing theme. Leading the pack are the CAD and the CNY, lifted by rising demand. The GBP and the EUR also are on the upswing but remain marred by political uncertainties. As for the USD, it is losing ground whilst the country is trying to regain its economic footing.

CAD

The loonie has taken flight against the USD in April, gaining over 2.3 % for the month. The Bank of Canada (BoC) comment lifted the currency since they officially start reducing its bond-purchasing program well ahead of its peers. The Canadian economy is in full recovery mode and Canada's AAA credit rating by S&P Global was maintained.

This paves the way for a potential rate hike by mid-2022, further propelling the currency. The USDCAD pair marches into May at its highest level since 2018, under the 1.2300 mark, as other factors such as increases in commodity prices— Lumber, Energy and Agriculture —benefit the CAD. The loonie should trade range-bound, maybe even strengthen, as exports are on the rise and as we can see the light at the end of the Covid tunnel.



USD

Uncle Sam, meanwhile, battles against inflation expectations and lagging job performance, all of which are pressuring the greenback down. The DXY US Dollar Index lost over 2 % in April, entering May slightly above the 91.000 mark. The Fed reiterated that it is still marching to the now-familiar drumbeat that interest rates will stay low so long as the US economy remains in the choppy pandemic waters. Furthermore, the large deficit of approximate 5 trillion dollars of President Biden will maintain downward pressure on the greenback in the short term.



EUR

As the Old Countries have moved into a technical recession, following two consecutive quarters of negative growth, the single currency still managed to gain over 2 % in April against the USD, with the EURUSD pair entering May above the 1.2000 mark. Tagged as the laggard earlier this year as it struggled with vaccine shortages and stubbornly high Covid infections, the EURO looks like it's now on the rebound.

The euro zone's vaccination program is in full swing, and the latest economic data, although negative, is still beating expectations. Though, the upbeat European mood is unlikely to change Europe's chronically lower inflation and growth rhetoric. In fact, the European Central Bank says it's not yet ready to move on rates and reduce its bond-purchasing program.



Source: Refinitiv Datastream

GBP

Everything is politics, wrote Thomas Mann, and the Pound sterling reacts very strongly to it. May elections in Scotland, which are expected to show strong support for the Scottish National Party, pressure the GBP down. The SNP wants to go ahead with an independence referendum and a subsequent move back into European Union, shattering what progress had been made on the Brexit front and threatens political stability. Speaking of which, the GBP is still vulnerable to the final Brexit deal that could end in a no-trade accord.

Surprisingly, the GBPUSD pair still showed strength, with the pound sterling punching above the 1.3800 mark against the USD. Also, the Bank of England could reduce the pace of its quantitative easing program, as the economy improves. Be it up or down, the GBP should move into volatile territory in the coming weeks.



CNY

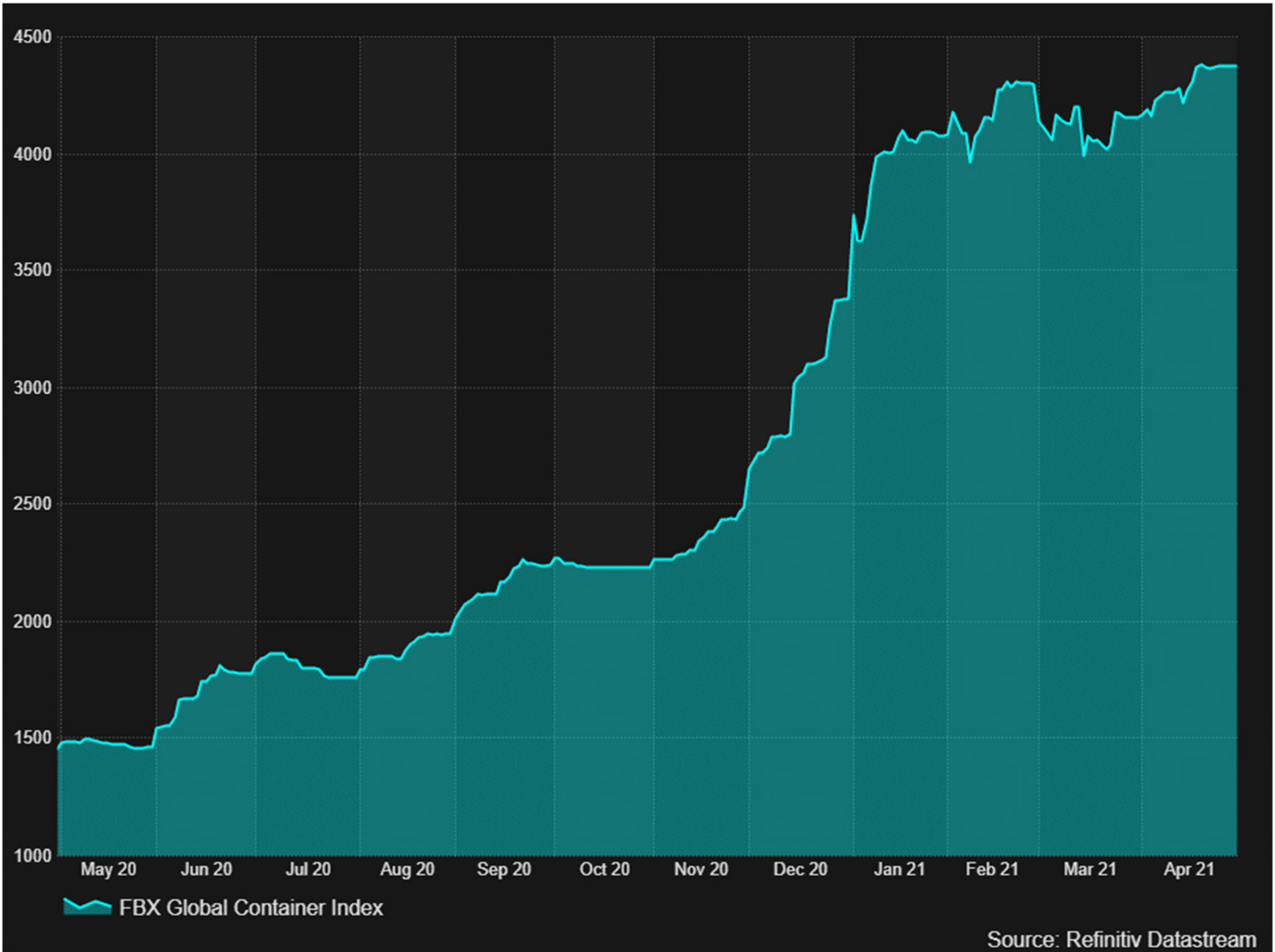
China is one of the first economies to emerge from the pandemic, with industrial profits growing 92 % in the past year. A unique pandemic strategy helped strengthen the CNY, which has gained more than 1.4 % against the USD in April. The USDCNY pair is starting May in the 6.470 zone, a far cry from the 7.100 level seen during the Trumpian trade wars.

Moreover, the Middle Kingdom is now relying more and more on its exports—and a strong currency—to help fuel its economic gains. The pandemic incited many Western Economies to reduce their reliance on China for their supply chain, one of the reasons behind the People’s Bank of China (PBOC) support for a stronger yuan. Indeed, in April, the PBOC has fixed the CNY above expectations 16 out of 20 days.



INTERNATIONAL FREIGHT INDEX

If the Baltic Exchange Dry Index is any indication, expect commodity prices to remain elevated. The benchmark for the price of moving major raw materials by sea—such as coal, iron ore, grains and many other commodities—has more than doubled since the beginning of the year, and nearly quintupled in the past year, yielding a rise of almost 400 %! The Suez Canal glut in late March didn't help those hoping for cheap imports, nor will the general strike that was recently called at the Port of Montreal...



OUR MONTHLY READS

COPPER ON THE RISE

If you were wondering where the economy is headed, look no further than to Copper's price direction. Credited with having a PhD in economics, it is used as a proxy for where the markets are headed. Therefore, its price movements are a good indicator for what lies ahead. Having recently breached US\$10,000 a ton, a historic milestone, underscores the strength of demand recovery seen across global markets, writes The Northern Miner.

<https://www.northernminer.com/fast-news/copper-nears-record-high-prices/1003830525/>

THE OFFICE IS NOT A THING OF THE PAST

Demand for office space across the U.S. is closer to historical norms, throwing cold water on the argument that the pandemic could permanently destroy the country's office culture. While demand cratered 85% last spring due to Covid, it now sits pretty, just 9% lower than the overall pre-crisis demand. There lies a sentiment of "cautious optimism" for landlords and tenants that could push demand back to pre-pandemic levels, writes Forbes.

<https://www.forbes.com/sites/noahkirsch/2021/04/28/the-office-is-dead-long-live-the-office-demand-is-back-but-its-still-a-tenants-market/?sh=66c8f6be23cd>

VIRTUAL CONSULTATIONS FOR SMES

To help support Quebec SMEs, FINMETRIX is giving confidential consultations, free of charge and without obligation, every Friday. The objective is to assess the current situation and find a suitable currency risk management solution. Do not hesitate to share this with companies in need.

Duration: 30-minute videoconference session

To register, please send an e-mail: strategie@finmetrix.com

If you have any questions, please contact us.

Have a great day.

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