

The dollar rose on Monday after a mixed U.S. jobs report on Friday sent the U.S. currency to a one-week low with market focus turning to inflation data from the world's two largest economies due this week. The U.S. dollar index was last 0.25% higher at 102.31, moving away from Friday's low of 101.73. The euro weakened after data on Monday showed German industrial production dropped more strongly than forecast in June, underlining the challenges faced by the manufacturing sector amid a downturn in Europe's largest economy. The Chinese yuan hovered near a two-week low, with its offshore counterpart last 0.2% lower at 7.2012 per dollar. The Japanese Yen fell 0.44% to 142.38 per dollar after hitting a one-week high of 141.52 per dollar in Asia trade. The Bank of Japan debated growing prospects of sustained inflation at their July meeting with one board member saying wages and prices could keep rising at a pace "not seen in the past." U.S. inflation data is due on Thursday, where expectations are for core inflation of 4.7% on an annual basis in July. Also, due this week is China's July inflation print on Wednesday, with traders on the lookout for further signs of deflation in the world's second-largest economy.

AUD: The Australian Dollar (AUD) stalls in its progress higher against the US Dollar on Monday as USD recovers on slightly higher probabilities that the Federal Reserve (Fed) will hike interest rates in September. Australia's largest export Iron Ore has recovered a little. Chinese Iron Ore (62%) Futures are up at \$105 per ton on Friday from \$104 on Friday. China's expressed policy of trying to diversify away from relying too heavily on Australian raw materials is a long-term negative for the Aussie, according to Clifford Bennet, Chief Economist at ACY Securities.

CAD: The Canadian Dollar has struggled of late despite an excellent rally in Oil markets. This obviously comes as a surprise given the relationship and correlation between Oil prices and the Canadian Dollar. Market Participants see 72% chance of no rate at the upcoming BoC Meeting on July 12th.

GBP: The Bank of England raised interest rates by a quarter-point last week, a move that markets had already priced in, but commentary has left the door open for another increase in September. It was the BoE's 14th back-to-back increase, but a step down in the pace of monetary tightening after rising by 50 bps in its previous meeting. The next move for the BoE is to look at increasing bond sales at its September meeting, which could also tighten monetary conditions as the UK continues to deal with inflationary pressures.

EUR: The euro slid to 1.1077 after PMI data showed euro zone business activity shrank much more than expected in July. Germany being the largest eurozone economy, serves as a proxy for the region and with similar figures reflected by the French release, EZ data to come will likely echo this sentiment. Joe Manimbo, a senior market analyst at Convera in Washington D.C. "the ECB may be closer to the end of its tightening cycle given the bloc's subpar performance."

EXCHANGE RATE	
Currency	Rate
EUR/USD	1.1000
GBP/USD	<u>1.2763</u>
AUD/USD	0.6564
NZD/USD	0.6100
USD/CAD	1.3374
USD/MXN	17.0427
USD/CHF	0.8749
USD/JPY	142.16
USD/SGD	1.3406
USD/THB	34.8520
USD/CNY	7.1900

UPCOMING ECONOMIC RELEASES				
Date	Country	Economic Event	Prior	Forecast
08/08	CNY	Inflation Rate YoY (Jul)	0%	
	EUR	German Inflation Rate YoY Final (Jul)	6.4%	6.2%
08/09	MXP	Inflation Rate YoY (Jul)	5.06%	4.78%
08/10	USD	Inflation Rate YoY (Jul)	3%	3.3%
	USD	Core Inflation Rate YoY (Jul)	4.8%	4.7%
8/11	CNY	New Yan Loans	CNY3050B	
	GBP	GDP Growth Rate YoY Prel (Q2)	0.2%	0.2%
	GBP	GDP 3-Month Avg (Jun)	0%	0%
	GBP	GDP YoY (Jun)	0.5%	-0.4%
	USD	PPI MoM (Jul)	0.1%	0.2%
	USD	Michigan Consumer Sentiment Prel (Aug)	71.6	71