

Foreign Exchange Market Commentary

Overall market sentiment improved last week as traders across the world rolled back bets after the Federal Reserve's 75 basis point increase, and subsequent commentary, put a damper on the Fed's rate hike potential for the rest of 2022. Market sentiment remains in a fragile spot after the Fed's interest rate hike of 75 basis points last week, with the fight to curb inflation being the Fed's stated objective. The Fed also hinted that they are shifting into a less aggressive stance moving forward. From an equities perspective the S&P 500 gained over 9% in July, its best month since late 2020, helped by earnings reports from Amazon and Apple. In currency markets the US Dollar weakened across the board as traders moved into US Treasuries, as worries about a potential recession have signaled stagflation in the economy. Crude oil prices have slipped to start the trading week after Chinese manufacturing PMI data came in below expectations. The week ahead will be highlighted by the US unemployment rate and non-farm payroll release on Friday, with other notable central bank meetings in the UK and Australia will gauge the world's economic health.

CAD: USD/CAD dropped to its lowest level since the 2nd week of June on a USD selloff, marking the fifth day of a downward move from the previous six. Diminishing odds for a more aggressive Fed rate hike schedule continue to weigh on the USD. However, weaker oil prices could undermine the loonie and help limit the depth of the current selloff for the pair.

AUD: The pair jumped to a 1.5 month high, around the .7035 level, to start the week as a USD selloff permeates market participants. The USD Index has dropped to its lowest since July 5th on the wake of advance U.S. Q2 GDP data from last Thursday that confirms a technical recession is our current reality, fueling speculation the Fed would adopt a more gradual approach on raising rates thus undermining USD momentum.

EUR: The Euro is trying to find some short-term support to start the week, currently trading above the 1.025 handle as the US Dollar continues to "lose its luster". Economic data out of the Eurozone was less than flattering as German retail sales were down 1.6% month over month, and down 8.8% year over year, the largest decline since 1994.

GBP: The Great British Pound starts the week a bit higher at the 1.2261 handle, after gaining 1.5% against the US dollar last week. More movement is possible this week as the Bank of England rate decision looms. Investors are expecting at a minimum a 25bps increase, with some building in a 50bps jump.

UPCOMING ECONOMIC RELEASES					EXCHANGE RATE	
Date	Country	Economic Event	Prior	Forecast	Currency	Rate
8/2	NZD	New Zealand Unemployment Rate	3.2%	3.1%	EUR/USD	1.0262
8/3	GBP	UK Services PMI	54.3	53.3	GBP/USD	1.2265
	USD	IS Non-Manufacturing PMI	55.3	53.5	AUD/USD	0.7023
8/4	GBP	BoE Interest Rate Decision	1.25%	1.75%	NZD/USD	0.6108
	CAD	Balance of Trade	5.32B	\$4.8B	USD/CAD	1.2826
	AUD	RBA Monetary Policy Statement			USD/MXN	20.3326
	INR	RBI Interest Rate Decision	4.9%		USD/CHF	0.9499
8/5	CAD	Canadian Unemployment Rate	4.9%	5%	USD/JPY	131.95
	USD	Non-Farm Payrolls	372K	250K	USD/SGD	1.3768
	USD	Unemployment Rate	3.6%	3.6%	USD/THB	36.1250
					USD/CNY	6.7677