

Foreign Exchange Market Commentary

Stocks on Wall Street ended last week on a positive note, with the S&P and Dow rising nearly 1%. The US economic indicators were also mixed, with consumer sentiment dropping to its lowest reading since 2011 which casts a long shadow over the viability of the US economic recovery. The markets were raised on Friday with the release of the non-farm payroll report, which showed a better than expected jump of 943,000 and a revised June figure increased by 88,000. Remarks from members of the Fed continued their belief that they are confident in the economic recovery, with some hinting that tapering of quantitative easing could begin this year. Rising COVID-19 cases worldwide has traders dimming global growth prospects for the remainder of the year. The week ahead has a few “market-moving” events, Fed Chair Powell is set to speak on Tuesday, while the FOMC minutes will be released on Wednesday. This will be a key insight into the central bank’s confidence in the medium-term economic outlook.

CAD: The loonie is being dragged down by soft crude oil prices and a lack of global risk appetite. There is a snap election call by PM Trudeau that is set for September 20. This may also be weighing on the CAD but not to a large extent. The CAD does have some data to focus on this week including manufacturing and wholesale trade data today, CPI on Wednesday and finally, retail sales on Friday. For now, look for the USD/CAD to trade within a 1.24-1.26 range.

AUD: The Aussie dollar lost the most of the G10 currencies overnight; falling .40% vs. the USD; as a sell-off in equity futures and crude oil prices weigh on commodity currencies. Despite new lockdown measures, COVID cases in Australia continue to rise and may cause some downside pressure on AUD. Of note from the data front this week will be Wednesday’s Aussie employment change data.

EUR: The Euro has lost some of its most recent gains, dropping below the 1.18 handle as the safe-haven dollar has appreciated to start the week. The decline is closely related the disappointing economic data out of China, again fueling concerns about the global growth prospects. With little on the Eurozone economic calendar, leaving the Euro reacting to market data and sentiment.

GBP: The Great British Pound has continued to erase some of its recent gains against the US Dollar as the dollar strength has been the result of fears of a halt to global growth. The Pound’s weakness is also due to the bet that traders believe the US will reduce QE sooner than expected.

UPCOMING ECONOMIC RELEASES					EXCHANGE RATE	
Date	Country	Economic Event	Prior	Forecast	Currency	Rate
8/17	GBP	Employment Change	25K	75K	EUR/USD	1.1787
	USD	Retail Sales	0.6%	-0.2%	GBP/USD	1.3851
	NZD	Interest Rate Decision	0.25%	0.5%	AUD/USD	0.7336
8/18	GBP	Inflation Rate YoY	2.5%	2.3%	NZD/USD	0.7023
	EUR	Core Inflation	0.9%	0.7%	USD/CAD	1.2680
	USD	FOMC Minutes	2.3%	3.3%	USD/MXN	19.8773
	AUD	Employment Change	29.1K	-46.2K	USD/CHF	0.9115
	AUD	Unemployment Rate	4.9%	5%	USD/JPY	109.14
8/19	CAD	Inflation Rate YoY	3.1%	3.4%	USD/SGD	1.3553
	JPY	Inflation Rate YoY	0.2%		USD/THB	33.3960
					USD/CNY	6.4770