Foreign Exchange Market Commentary

The USD took a hit after last week's Fed decision. Fed Chair Powell balked at the hawkish undertones by stating that long-term inflation expectations and indicators look to be in line with the Fed's inflation expectations. In addition, indicators look to be in-line with the central bank's long-term goal of 2.0%. Markets took this as a "risk-on" indication to the USD's detriment. That-being-said, there was signaling that the tapering off of asset backed securities is closer. This a.m., the USD is slightly lower, continuing last week's 2% decline as the risk on sentiment continues. Besides economic data, the Delta variant still dominates much of the world's news as a new round of lockdowns around the world casts a shadow on global recovery. On the data front, this a.m. U.S. ISM manufacturing is expected to come in at 60.9 vs. 60.6 prior. On Tuesday, the Reserve Bank of Australia will announce interest rates and is expected to leave rates steady at 0.1%. Wednesday, the market will look towards U.S. Market and ISM Services PMI for direction as well as a much- anticipated ADP Employment Change reading. The consensus is looking for a 700k reading vs. 692k the prior period. Finally, to end the week, U.S. Non-farm payrolls are expected to increase by 50k to a 900k headline. Have a safe week!

JPY: USD/JPY came under renewed bearish pressure in the new week's N. American session; trading around 109.50. Falling U.S. Treasury yields seem to be the primary culprit ahead of some much-anticipated macro data releases from the U.S.

CAD: USD/CAD struggled to take advantage on Friday's slight recovery from 2.5-week lows. It appears that investors are convinced that the Fed would keep its lose monetary policy stance for a longer period. That and a positive tone on equities have dragged the USD back to around its 1-month lows.

EUR: The EUR is little changed this a.m. following last week's strong recovery. Q2 Eurozone GDP rose 2%; a solid improvement over Q1's slight contraction. This is a good sign for the EU recovery but it should be noted that restrained fiscal stimulus by the ECB was tempered the full recovery of the economy and is still behind growth from pre-COVID days.

AUD: Aussie restrictions have become more widespread and longer-lasting which has caused some bearishness on the AUD. It does appear that negative risks look to be priced into the currency and the greater focus is on external factors, in particular Chinese lockdown risk. The market is now pushing back on the view that the RBA will taper QE in September due to the aforementioned lockdowns.

UPCOMING ECONOMIC RELEASES				
Date	Country	Economic Event	Prior	Forecast
08/02	USD	ISM Mfg PMI (Jul)	60.6	60.9
08/03	AUD	RBA Interest Rate Decision	0.1%	0.1%
	NZD	Employment Change Q2	0.6%	0.7%
08/04	AUD	Retail Sales MoM (Jun)	-1.8%	-1.8%
	EUR	Retail Sales YoY (Jun)	9.0%	4.5%
	USD	ADP Employment Change (Jul)	692k	700k
	USD	ISM Services PMI (Jul)	60.1	60.4
08/05	GBP	BoE Interest Rate Decision	0.1%	0.1%
	USD	Initial Jobless Claims	400k	380k
08/06	USD	Non-farm Payrolls (Jul)	850k	900k
	CAD	Unemployment Rate (Jul)	7.8%	7.4%

EXCHANGE RATE	
Currency	Rate
EUR/USD	1.1884
GBP/USD	1.3912
AUD/USD	0.7376
NZD/USD	.6985
USD/CAD	1.2458
USD/MXN	19.8327
USD/CHF	0.9050
USD/JPY	109.47
USD/SGD	1.3519
USD/THB	32.9470
USD/CNY	6.4614