

Foreign Exchange Market Commentary

The broader US Dollar Index ended down 0.34% last week due to a variety of factors. Neither interest rate hawks nor the dollar was surprised by Fed Chairman Jerome Powell's long-awaited speech at the Jackson Hole symposium on Friday. Powell said a rate cut is likely by the end of the year with the economy still having a great deal of work to do. US interest rates have been near historic lows for 18 months or more due to the Federal Reserve's program to buy \$120 billion in government bonds and mortgage-backed securities every month. In August, the US economy posted its slowest growth in eight months according to Markit. Furthermore, orders for durable goods fell 0.1% in July, while the second-quarter GDP rose 6.6% versus expectations. Inflation in July was in line with market expectations at 3.6%. The most important event this week is the US non-farm payroll report, which is expected to decline to 750k after seeing 943k jobs created in July.

AUD: The Australian Dollar started the week with a gain near 0.7300, cutting most of the previous week's losses. In the wake of rumors that the US Federal Reserve would maintain financial support, Wall Street resumed its gains from record highs and spurred an increase in the Australian dollar. However, several Fed officials began to shift sentiment last Thursday when they made restrictive remarks about the tightening. It remains to be seen if Australia's GDP report will sway the RBA as the economy is projected to expand 9.2% per annum in the second quarter of 2021, marking the fastest pace of growth since the data series began in 1960. The economic calendar has few low impact events from Australia this week, with retail sales figures important to watch.

CAD: The Canadian dollar benefited from the rise in crude oil prices, gaining momentum and triggering the USD/CAD pair to fall with prices back to the lows near 1.2600. Although the US economic data has been more optimistic than Canadian data in recent months, the slightly more restrictive tone in the July FOMC minutes supporting the strengthening of the US dollar has faded. The economic calendar is light this week, though Canadian monthly GDP figures may provide some stimulus to the market.

EUR: The Euro opens the week at the 1.1793 level, as markets remained flat after the Jackson Hole summit last week. The Bank of France Head stated that low interest rates will continue for the near term and that there has been no discussion on taper talk for PEPP coming in September. This confirms the central bank's decision not to raise rates until it is clear that the rate of price rises will "persist." The macroeconomic calendar is loaded with events from Europe this week, with data on inflation and PMIs released.

GBP: The Great British Pound is off to a muted start, with a UK Bank Holiday kicking off the week. The Sterling is hovering around similar levels to Friday and looks to continue into the early portion of the week. Despite Boris Johnson's desire for an irreversible reopening, consumers may still be cautious about buying food and shopping. The negative impact of Brexit on supermarket shelves – both now and before Christmas – is also evident in the comments made by politicians on both sides of the English Channel. Additional volatility looks to be the driver later in the trading week, as a heavy US data week closes with the non-farm payroll report on Friday.

UPCOMING ECONOMIC RELEASES					EXCHANGE RATE	
Date	Country	Economic Event	Prior	Forecast	Currency	Rate
08/30	CNY	NBS Manufacturing PMI (AUG)	50.4	50.2	EUR/USD	1.1787
	EURO	German Inflation Rate YoY Prel (AUG)	3.8%	3.9%	GBP/USD	1.3747
08/31	AUD	GDP Growth Rate YoY (Q2)	1.1%	9.2%	AUD/USD	0.7292
	CAD	GDP Growth Rate Annualized (Q2)	5.6%	2.5%	NZD/USD	0.6995
	EURO	Core Inflation Rate YoY Flash (AUG)	0.7%	1.5%	USD/CAD	1.2607
	EURO	German Unemployment Change (AUG)	-91K	-40K	USD/MXN	20.1617
	USD	CB Consumer Confidence (AUG)	129.1	124	USD/CHF	0.9178
09/01	GBP	Nationwide Housing Prices YoY (AUG)	10.5%	8.6%	USD/JPY	109.9500
	USD	Markit Manufacturing PMI Final (AUG)	63.4	61.2	USD/SGD	1.3452
	USD	ISM Manufacturing PMI (AUG)	59.5	58.7	USD/THB	32.4340
09/02	CAD	Balance of Trade (JUL)	C\$3.23B	C\$1.4B	USD/CNY	6.4680
	EURO	Swiss GDP Growth Rate YoY (Q2)	-0.5%	9%		
	USD	Balance of Trade (JUL)	\$-75.7B	\$-71B		
09/03	USD	Non-Farm Payrolls (AUG)	943K	750K		
	USD	Unemployment Rate (AUG)	5.4%	5.2%		