

Foreign Exchange Market Commentary

It appears for now that the solid U.S. jobs data from Friday silences some recessionary fears, while still contending with rising wages that will add fuel to the Fed inflation concerns. The market is now positioning in a stronger chance of a 75bp hike next month with some hedging on an inter-meeting move from the Fed. Later this week, the market will eye U.S. CPI data which could provide an earlier move on rates than the next Fed meeting 6 weeks away. To start the week the USD is consolidating some of its gains from late last week, enabling the majors to catch their breath or strengthen somewhat. The AUD and NZD are the top performing currencies over the weekend on the wake of a stronger than expected Chinese trade surplus release and lifts iron-ore prices, a top export for Australia/New Zealand. As mentioned, the top data point to eye this week is the release of U.S. CPI on Wednesday. Other fundamentals to watch includes U.S. PPI on Thursday along with UK GDP and U of Michigan Consumer sentiment on Friday. Have a great week!

GBP: The Great British Pound opens the week stronger as the Prime Minister race takes shape, with both conservative leaders discussing some forms of economic stimulus. Markets will be looking at GDP figures, which are to be released later this week, as the fears of a technical recession are in focus.

AUD: The Aussie dollar was the biggest mover of the G10 currencies vs. the USD, gaining close to 1% at the North American opening. A report showing China recorded a record rise in its trade surplus (18% vs. expected 14.1%) due to a significant rise in exports helped the AUD's cause as a main commodity trading partner with China.

EUR: The euro opens the week in familiar territory, currently trading near the 1.01 handle. News showed an improved investor sentiment despite a bleak outlook, as consumer sentiment remains the biggest economic hurdle. Investors are still pricing in a September rate hike from the ECB.

CAD: The loonie has gained back most of its Friday losses following lackluster Canadian economic data. The underlying trend around Canadian jobs remains strong and a couple of softer than expected reports will likely do little to alter the BoC's concerns on what it states as an extremely tight labor market. The CAD does start this week stronger vs. the USD but does not reverse the overall buck trajectory to the upside.

UPCOMING ECONOMIC RELEASES					EXCHANGE RATE	
Date	Country	Economic Event	Prior	Forecast	Currency	Rate
08/09	MXN	Inflation Rate YoY (Jul)	7.99%	8.13%	EUR/USD	1.0207
	JPY	PPI MoM (Jul)	9.2%	8.4%	GBP/USD	1.2125
	CNY	Inflation Rate YoY (Jul)	2.5%	2.9%	AUD/USD	0.6989
08/10	EUR	German Inflation Rate YoY (Jul)	7.6%	7.5%	NZD/USD	0.6295
	USD	Core Inflation Rate YoY (Jul)	5.9%	6.1%	USD/CAD	1.2853
08/11	USD	PPI MoM (Jul)	1.1%	0.3%	USD/MXN	20.2725
	NZD	Business NZ PMI (Jul)	49.7		USD/CHF	0.9560
08/12	GBP	GDP YoY (Jun)	3.5%	1.2%	USD/JPY	134.76
	GBP	Balance of Trade (Jun)	GBP9.747B		USD/SGD	1.3778
	EUR	Industrial Production YoY (Jun)	1.6%	0.8%	USD/THB	35.5810
	USD	Michigan Consumer Sent (Aug)	51.5	52.2	USD/CNY	6.7579