

Foreign Exchange Market Commentary

The broader US Dollar Index ended up recording its biggest weekly gain since the June Fed meeting. US Dollar demand across the board of major currency pairs tracked the shift higher in Treasury yields with the ten-year spiking a noteworthy 17.3 basis points off its weekly low. The US Dollar benefited from the Fed's announcements because it would reduce its bond purchase of 120,000 billion per month, in addition to the performance of the country in reducing unemployment rates. The main focus this week will be US inflation data and the number of infections with the Delta variant of Covid-19. The United States will release three indexes of great importance. First, regarding the Consumer Price Index (CPI), economists are still not sure if inflation has already reached its peak. The core Consumer Price Index is expected to increase 0.5 % from 0.9% in the previous period. Finally, on Thursday, the Producer Price Index (PPI) will be released. It's expected to increase by 0.6%.

AUD: The Australian Dollar maintains its price level but attempts to reach above the 0.7400 level were collapsed by the results of the US labor indicators and by the statements of Fed Vice Chairman Richard Clarida, announcing the possibility of a change in monetary policy. The Reserve Bank of Australia positively surprised investors by leaving the cash rate at 0.1% and the 3-year bond yield target at the same level. The blockades in the country due to the increase in infections of the Delta variant of Covid-19 have put economic recovery at risk.

CAD: The contrast in the labor results of Canada and the United States drove the rise of the USD/CAD pair, achieving a weekly close above the 1.2550. Unemployment statistics improved but at a slower than the estimated rate. The Canadian unemployment rate decreased 0.3% to 7.5% compared to 7.8% in June. However, the number of jobs created during the last month was 94,000, far from the estimate of analysts who predicted 177,500 new jobs for July. The most relevant USD/CAD pair events will appear in the United States and are inflation-related.

EUR: The Euro looks to stay in its well-worn range this week as opposing factors, the growing Eurozone economy and the dovish ECB. Economic data shows that the Eurozone economy continues to recover from the COVID lockdowns, while the ECB is in no hurry to tighten monetary policy, creating a fairly stable currency for the week ahead. Retail sales increased 4.2% m/m in Germany, June factory orders increased 26.2% measured from June 2020 to June this year, far from the 54.9% previously. Industrial production also registered a slight advance, only 5.1% y/y, a low percentage compared to 16.6% in the previous period.

GBP: The Bank of England gave its monetary policy update last week that struck a familiar hawkish tone, announcing a reduction to its policy interest rate threshold for further unwinding its balance sheet. That helped fuel its strengths against the US Dollar early last week. Those gains were then surrendered after the news of the US nonfarm payroll data.

UPCOMING ECONOMIC RELEASES

Date	Country	Economic Event	Prior	Forecast
08/09	EURO	ITALY Inflation Rate YoY (JUL)	5.88%	5.77%
	JPY	Bank Lending YoY (JUL)	1.4%	
	USD	Fed Bostic & Barkin Speech's		
08/10	EURO	ZEW Economic Sentiment Index (AUG)	61.2	
	NZD	Westpac Consumer Confidence Index (AUG)	108.8	
	USD	MBA Mortgage Applications (06/AUG)	-1.7%	
08/11	CNY	New Yuan Loans (JUL)	CNY2120B	CNY1200B
	EURO	German Inflation Rate YoY Final (JUL)	2.3%	3.8%
	USD	Core Inflation Rate YoY (JUL)	4.5%	4.3%
	USD	Inflation Rate YoY (JUL)	5.4%	5.3%
08/12	GBP	GDP YoY (JUN)	24.6%	14.9%
	EURO	Industrial Production YoY (JUN)	20.5%	10.4%
	USD	Initial Jobless Claims (07/AUG)	385K	375K
08/13	CNY	FDI (YTD) YoY (JUL)	28.7%	
	USD	Michigan Consumer Sentiment Prel (AUG)	81.2	81.2

EXCHANGE RATE

Currency	Rate
EUR/USD	1.1762
GBP/USD	1.3879
AUD/USD	0.7354
NZD/USD	0.7019
USD/CAD	1.2532
USD/MXN	20.0270
USD/CHF	0.9173
USD/JPY	110.12
USD/SGD	1.3557
USD/THB	33.4400
USD/CNY	6.4795