

Foreign Exchange Market Commentary

The USD has posted impressive gains over the past few weeks, with the USD Index gaining around 2.8% to reach its highest level since early April. Most of the renewed strength has been a result of the Fed's decision in mid-June to raise interest rates and normalize monetary policy sooner than anticipated. This past week markets experienced some headwinds from various fronts: a freefall in bond yields concerned investors, crude oil prices came under pressure (sinking 5.9% at its lowest), and fears surrounding the Delta COVID variant. Looking to this week, markets will need to weather an economic calendar packed with potential pitfalls. The release of U.S. inflation will be a key data point, with CPI due out tomorrow. Inflation news is also due in the UK, eurozone, and New Zealand. We also have interest rate decisions due from the Bank of Canada, Japan, and Reserve Bank of New Zealand. Finally, we will look towards U.S. retail sales and consumer sentiment later in the week as well as Fed Chair Powell's congressional testimony that could provide insight on the Fed's latest leaning that could weigh on the dollar's direction.

NZD: The kiwi staged a rebound and rose toward .7000 to end last week's trading but failed to preserve its bullish move to start this week. The Reserve Bank will publish its policy statement and interest rate decision on Wednesday. Investors are expecting a hold on interest rates, but the latest upbeat data could force the RBNZ to signal tightening towards year's end.

EUR: The EUR is lower and trading into the mid-1.18s to start the session while resisting the broad risk-off tone that is lifting the USD against the majors. Overnight, ECB President Lagarde stated that the upcoming policy meeting will have some "interesting variations and changes." It is likely that Lagarde pointed to a transition into a new format once the ECB's asset purchase program expires in March 2022.

CAD: The loonie is being dragged lower by softer crude oil prices to start the week. Despite the softer tone this a.m., the Canadian dollar is supported by what remains a positive basic fundamental backdrop. The markets are anticipating the BoC will reveal a further tapering of asset purchases at its rate announcement later this week.

GBP: The Great British Pound is fairly flat in early Monday trading, and looks to continue that trajectory forward today with no major economic releases expected to move rates. The Pound is trading near the 1.3862 level near the US markets open, fresh off a 2-week high against the US Dollar after Friday's dollar sell off. The week is light from an economic release perspective, with UK inflation and employment numbers this week, while traders will be digging into the latest BOE FPC minutes and Financial Stability Report.

UPCOMING ECONOMIC RELEASES					EXCHANGE RATE	
Date	Country	Economic Event	Prior	Forecast	Currency	Rate
07/13	EUR	German inflation rate YoY (Jun)	2.5%	2/3%	EUR/USD	1.1852
	USD	Inflation Rate YoY (Jun)	5.0%	4.9%	GBP/USD	1.3848
	NZD	Interest Rate Decision	.25%	.25%	AUD/USD	0.7464
07/14	GBP	Inflation Rate YoY (Jun)	2.1%	2.2%	NZD/USD	.6968
	CAD	BoC Interest Rate Decision	.25%	.25%	USD/CAD	1.2494
	USD	Fed Chair Powell Testimony			USD/MXN	19.8922
07/15	GBP	Employment Change (Apr)	113k	90k	USD/CHF	0.9151
	JPY	Interest Rate Decision	-0.1%	-0.1%	USD/JPY	110.18
07/16	EUR	Core Inflation Rate YoY (Jun)	1.0%	.9%	USD/SGD	1.3523
	USD	Retail Sales MoM (Jun)	-1.3%	-0.4%	USD/THB	32.6670
	USD	Univ of Michigan Cons. Sentiment	85.5	86.5	USD/CNY	6.4755