

Foreign Exchange Market Commentary

Global markets came under duress last week as recession fears inundate market sentiment, dragging commodities, equity indexes and risk sensitive currencies down. The USD starts this week's session down vs. the G10 on continued momentum. Friday's inflation expectations for July dropped to 2.8% after a June reading of 3.1%, causing investors to reassess the Fed's rate outlook. The CME Group's FedWatch tool now indicates the probability of a 100bp hike this month, July 27th to be exact, declined below 30% from nearly 90% on Thursday. In addition, some cautious comments from Fed officials did little to stop the current USD selloff. From a fundamental perspective there is a surprising lack of key U.S. data, as the market's focus will look to the ECB rate announcement this Thursday. We also will keep an eye on tomorrow's Reserve Bank of Australia's meeting minutes, UK and Canadian CPI on Wednesday and the Bank of Japan's interest rate decision on Thursday. Have a great week!

GBP: The Great British Pound opens the week higher, jumping above the 1.1980 handle as the US Dollar has slid to open the week. The UK's conservative leadership contest looks to be slimming this week as the replacement for PM Johnson is selected. Investors will also look to the UK jobs, wages and inflation figures, as the BoE expects inflation data to jump into the double-digits before year end.

JPY: The yen holds its current position as the worst performing currency YTD. The BoJ meets on Thursday and is expected to maintain its current loose monetary policy. There has been some concern from policymakers on the JPY's current levels, with some believing that the 140 figure may cause some type of intervention.

EUR: Last week the Euro broke the parity barrier briefly but has started the trading week higher, currently at the 1.0139 handle. The interest rate futures show investors are anticipating the ECB will raise rates for the first time in 10 years this week after inflation figures for June topped out at 8.1%, with the war in Ukraine amplifying things.

CAD: Despite stronger crude oil and current risk on sentiment, the loonie can't seem to find much traction. Growth concerns domestically likely account for some of the CAD's performance. In the near-term, USD/CAD is significantly lower from last week's peak around 1.3225 and is currently trading at 1.2985. USD gains will likely be capped around the upper 1.29s.

UPCOMING ECONOMIC RELEASES					EXCHANGE RATE	
Date	Country	Economic Event	Prior	Forecast	Currency	Rate
07/19	GBP	Employment Change (Apr)	177k	170k	EUR/USD	1.0146
	EUR	Core Inflation Rate YoY (Jun)	3.8%	3.7%	GBP/USD	1.1992
07/20	GBP	Core Inflation Rate (Jun)	5.9%	5.8%	AUD/USD	0.6836
	EUR	Consumer Confidence Flash (Jul)	-23.6	-24.9	NZD/USD	0.6179
	NZD	Trade Balance (Jun)	NZ\$263M		USD/CAD	1.2944
	JPY	BoJ Rate Decision	-0.1%	-0.1%	USD/MXN	20.3993
7/21	EUR	ECB Interest Rate Decision	0.00%	0.25%	USD/CHF	0.9762
	USD	Initial Jobless Claims	244k	240k	USD/JPY	138.22
7/22	JPY	Inflation Rate YoY (Jun)	2.5%	1.25%	USD/SGD	1.3961
	GBP	Retail Sales YoY (Jun)	-4.7%	-5.3%	USD/THB	36.579
	CAD	Retail Sales MoM (May)	0.9%	1.6%	USD/CNY	6.7409