

Foreign Exchange Market Commentary

Global market sentiment mostly deteriorated this past week with major benchmark indices underperforming in North America and Europe. The haven-linked US Dollar was a clear benefactor, outperforming most of its major counterparts. In last week's Fed meeting, Jerome Powell said that while inflation is expected to continue high for several months, it is temporary and will subside. Furthermore, he stated that the economy is still "a ways off" from making "substantial further progress" — the Fed's euphemism for assessing whether to cut its bond-buying strategy. Given that the Fed is still printing \$120 billion each month, the dollar has lost ground. The Core CPI for the US increased by 5.4 percent year on year in June, while Core CPI increased by 4.5 percent, both above expectations and rose to a 30-year high in June. This week we will see the US housing market is expected to show strong figures in an unusually slow news week for the US.

AUD: The Australian Dollar's recent descent against most of its major currency counterparts is likely to continue, particularly against the US Dollar, which is seeing support from haven-seeking bids. The pace may slow however, with several weeks of decline having already reflected the pricing-in. Australia tightened lockdown measures in Sydney, the country's most populated city, over the weekend. The New South Wales (NSW) capital city saw a range of added restrictions since Friday, including a shutdown of non-essential retail storefronts. If the daily case count begins to tick lower, that may offer the Aussie Dollar a lifeline. Australia will see minutes from the latest RBA meeting cross the wires, as well as June retail sales and July PMIs.

CAD: The Canadian dollar continues to firm against the US Dollar, however risk sentiment and oil prices will still act as catalysts. The divergence between BOC and Fed is obvious, and it may support a stronger Canadian dollar. The Bank of Canada kept the base rates unchanged at 0.25% this week. BOC decided to taper the bond-buying program from C\$3 billion per week to C\$2 billion per week. Slow economic recovery in Canada has eased inflationary pressure. As a result, the estimate for the GDP growth of 2022 was highly offset from 4.6% to 3.7%. The next week comes up with mostly low-tiered USD data that has potentially no impact. However, the Canadian retail sales and core retail sales data are due on Friday, leaving a mild impact.

EUR: The Euro has hit fresh lows to open the week, currently opening the US session at the 1.1791 handle as the currency continues to decline against the US Dollar. The Euro was hurt by data that suggests there is some doubt about the speed of the economic recovery, as the Eurozone saw a GDP contraction over the last two quarters. According to Eurostat, the consumer price index rose 0.3% in June. As a result, annual inflation in June slowed to 1.9% from 2% a month earlier. The core consumer price index (excluding food and energy) was 0.3% m/m and 0.9% y/y, in line with market expectations. We have two important events this week, the ECB refinancing rate and monetary policy statement followed by ECB press conference.

GBP: The British Pound is under hard selling pressure as the market's fear of the unwinding of lockdown measures in the UK will add further to the sharp rise in COVID cases. The Pound opens the week under the 1.37 handle, a rate that has not been seen since April. Traders will be keeping an eye on new COVID cases, hoping that the country will not need to take back some of the freedoms that the UK has gained this morning. Looking ahead to this week's UK calendar, we'll get another BOE member, Haskel, speaking on Monday, and then little else until the June retail sales and PMIs are released on Friday.

UPCOMING ECONOMIC RELEASES					EXCHANGE RATE	
Date	Country	Economic Event	Prior	Forecast	Currency	Rate
07/19	AUD	RBA Meeting Minutes			EUR/USD	1.1814
	GBP	BoE Haskel Speech			GBP/USD	1.3674
	JPY	Inflation Rate YoY (JUN)	-0.1%		AUD/USD	0.7334
07/20	JPY	Balance of Trade (JUN)	¥-187.1B	¥460B	NZD/USD	0.6931
	JPY	BoJ Monetary Policy Meeting Minutes			USD/CAD	1.2322
	NZD	Westpac Leading Index MoM (JUN)	-0.06%	A\$10B	USD/MXN	19.9837
07/21	USD	Building Permits MoM (JUN)	-2.9%		USD/CHF	0.9173
	CAD	New Housing Price Index YoY (JUN)	11.3%		USD/JPY	109.25
	GBP	Public Sector Net Borrowing (JUN)	£-24.3B	£-21.5B	USD/SGD	1.3629
	JPY	Foreign Bond Investment (17/JUL)	¥-1217.8B		USD/THB	32.8540
	USD	MBA Mortgage Applications (16/JUL)	16%		USD/CNY	6.4888
07/22	EURO	ECB Interest Rate Decision	0%	0%		
	USD	Continuing Jobless Claims (10/JUL)	3241K	3100K		
	EURO	Markit Composite PMI Flash (JUL)	59.5	60		
07/23	USD	Markit Manufacturing PMI Flash (JUL)	62	62.5		