

Foreign Exchange Market Commentary

The US Dollar (via the DXY Index) fell last week for the first time in a month, posting its worst weekly performance in two months with a loss of -1.33%. The two largest components of the dollar gauge led the way, with EUR/USD rates climbing +1.27% and USD/JPY rates dropping by -1.75%. GBP/USD rates posted a solid gain as well, adding +1.16%. The busiest and what could be the most important week of the summer is coming up, with the Federal Reserve expected to deliver another three-quarter point rate hike. Second-quarter GDP and other economic reports could provide more clues as to whether the economy is heading for recession, as earnings are expected from Apple, Microsoft, and Alphabet, among others. For Europe, the worst-case scenario was avoided last week as Russia resumed gas flows via the Nord Stream 1 pipeline after annual maintenance. Gas flows are only back to pre-maintenance levels of 40%, which could remain a drag on the Euro area in the months ahead.

AUD: AUD/USD started the week on a relatively positive note at 0.6954, despite Australian manufacturing and services PMI's declining in July. Both reports remained above the midpoint 50 level (expansionary territory), but the deterioration highlights the impact of inflation and recession fears on Australian economic data. This week, the economic calendar is dominated by U.S. centric data with Australian inflation on Tuesday the only high impact event relating to AUD.

CAD: USD/CAD surged to 1.2856, more than 1% last week, with USD/CAD plunging nearly 2.8% off the yearly high in just five days. For the near-term as global equity markets continue to rally and (relative) stability in energy markets, the Canadian Dollar is on stable enough footing to continue to build on its strong performance in recent days. Very little meaningful economic news this week for Canada as all eyes will be focused on the Federal Reserve rate decision Wednesday.

EUR: The Euro held its gains to start the week, currently trading at the 1.0236 level. Despite the ECB's surprise 50bps hike to end the era of negative interest rates, the current narrative surrounding Europe remains bleak. This week will have some high-importance data releases, with the FOMC rate decision and Euro area inflation rates impacting traders.

GBP: The GBP/USD opens the week trading right around the 1.20 level, as UK politics dominate the news. The race for Prime Minister is down to two candidates, Liz Truss and Rishi Sunak. Some preliminary polling shows Foreign Secretary Truss leading among Conservative voters, giving added weight to the series of televised head-to-head debates this week.

EXCHANGE RATE		UPCOMING ECONOMIC RELEASES				
Currency	Rate	Date	Country	Economic Event	Prior	Forecast
EUR/USD	1.0211	7/25	EURO	German Ifo Business Climate (JUL)	92.2	90.2
GBP/USD	1.2045	7/26	AUD	Inflation Rate YoY (Q2)	5.1%	6.2%
AUD/USD	0.6954		USD	CB Consumer Confidence (JUL)	98.7	97.2
NZD/USD	0.6261	7/27	EURO	German GfK Consumer Confidence (AUG)	-27.4	-28.9
USD/CAD	1.2856		USD	Durable Goods Orders MoM (JUN)	0.7%	-0.4%
USD/MXN	20.4561		USD	Fed Interest Rate Decision	1.75%	2.5%
USD/CHF	0.9653	7/28	EURO	German Inflation Rate YoY Prel (JUL)	7.6%	7.4%
USD/JPY	136.6900		USD	GDP Growth Rate QoQ Adv (Q2)	-1.6%	0.5%
USD/SGD	1.3866	7/29	EURO	French Inflation Rate YoY Prel (JUL)	5.8%	6.0%
USD/THB	36.7310		EURO	Spanish GDP Growth Rate YoY Flash (Q2)	6.3%	5.5%
USD/CNY	6.7509		EURO	German Unemployment Rate (JUL)	5.3%	5.4%
			EURO	GDP Growth Rate YoY Flash (Q2)	5.4%	3.4%
			EURO	Core Inflation Rate YoY Flash (JUL)	3.7%	3.8%
			MXN	GDP Growth Rate YoY Prel (Q2)	1.8%	1.5%
			USD	Core PCE Price Index YoY (JUN)	4.7%	4.7%