

Foreign Exchange Market Commentary

Equity markets swung wildly last week as volatility surrounding the delta variant surge and uncertainty surrounding its spread. This led to a notable decrease in risk appetite that saw the indices drop between 1.55 and 2.7% at the low points. Market sentiment increased at the end of the week with some traders trying to “buy the dip”, resulting in major indices ending up at record highs again. The currency markets will be looking at the Federal Reserve announcement on July 28th. It is widely expected that the Fed will leave monetary policy unchanged, but there is growing risk that the Fed tweaks language to its statement, meaning traders will be looking for guidance of the FOMC’s progress objective and any adjustments to the pace of asset purchases. The US Dollar remains the barometer for gauging the markets hawkish or dovish read on the Fed. Overall, data out of the Eurozone, Canada and Australia will be released this week, which will provide a progress report of those economies with Q2 GDP preliminary data also on tap.

JPY: The yen saw gains overnight, up .25% vs the dollar, following a slip in U.S. Treasury yields. The JPY will be tuned in to the upcoming FOMC meeting for further insight into future policy from the Fed. With the Olympic Games underway, Tokyo recently issued a state of emergency as a response to a rise in COVID cases. The restrictions are projected to reduce consumer spending by 1.1 Trillion yen which is about 0.2% of Japanese GDP.

CAD: Retreating crude oil prices have undermined the loonie and extends some support for USD/CAD. The pair is currently confined a narrow range, just above the mid-1.2500s. USD gains will be muted however with the rise in COVID-19, fueling fears about renewed restrictions on businesses and social events. Later in the week, Canadian inflation data will be eyed as well as MoM GDP.

EUR: The Euro remains subdued in early Monday trading, currently hovering just below the 1.18 handle. IFO data released today missed expectations, as supply chain constraints and the spread of the delta variant weighed on sentiment. The market reaction was apathetic to the news, as the Fed meeting later this week continues to overshadow any other economic release.

GBP: The Great British Pound has continued to erase some of its recent losses against the US Dollar, as the Pound reached 1.3818 in early Monday trading. The rebound was the result of a positive economic outlook and monetary policy tightening that is being reflected by traders. Despite the positive outlook, the recently opened UK economy is still fragile as COVID infections increased worldwide.

UPCOMING ECONOMIC RELEASES					EXCHANGE RATE	
Date	Country	Economic Event	Prior	Forecast	Currency	Rate
7/27	USD	CB Consumer Confidence	127.3	123.9	EUR/USD	1.1806
	AUD	Inflation Rate YoY	1.1%	3.8%	GBP/USD	1.3816
7/28	CAD	Inflation Rate	3.6%	3.2%	AUD/USD	0.7379
	USD	Fed Interest Rate Decision	0.25%	0.25%	NZD/USD	0.6994
7/29	EUR	German Unemployment Rate	5.9%	5.8%	USD/CAD	1.2550
	EUR	German Inflation Rate	2.3%	3.3%	USD/MXN	20.0416
	USD	GDP Growth Rate	6.4%	8.6%	USD/CHF	0.9168
7/30	EUR	Eurozone Core Inflation	0.9%	0.8%	USD/JPY	110.32
	MXN	GDP Growth Rate	-3.6%	19.8%	USD/SGD	1.3586
	USD	Consumer Sentiment	85.5	80.8	USD/THB	32.9530
	CNY	NBS Manufacturing PMI	50.9	50.8	USD/CNY	6.4838