

## Foreign Exchange Market Commentary

The US Dollar's strength continues, as risk-averse investors seek a safe haven and the U.S. Federal Reserve embarks upon what looks to be an aggressive rate hike regime. This week will be volatile for US dollar pairs as markets expect the release of the nonfarm payrolls for June. This data will give a clear picture of the US jobs market, informing the Federal Reserve on their monetary policy.

**AUD:** AUD/USD headed lower to .6782 on Monday after the Royal Bank of Australia lifted their interest rate by 50 basis points to 1.35% from 0.85%. This is the first time that the bank has raised rates by 50 basis points at consecutive meetings. The statement proceeding the decision highlighted the global supply chain issues and the expectation for inflation to peak later this year and then return to their target in 2024. The statement concluded with, "The Board is committed to doing what is necessary to ensure that inflation in Australia returns to target over time".

**CAD:** The USD/CAD rallied nearly 100 pips to 1.2992, sponsored by a combination of factors. Crude oil prices came under renewed selling pressure and snapped a two-day winning streak to a four-day high, all amid the worsening global economic outlook which could stall fuel demand recovery. This undermined the commodity-linked loonie and provided a lift to the USD/CAD pair.

**EUR:** The euro fell to its lowest level in two decades on Tuesday, sliding over 1% to hit 1.0283. Natural gas prices in Europe extended their relentless rise on Monday, climbing to highs not seen since early March as planned strikes in Norway added to market woes about Russian supply cuts. The front-month gas price at the Dutch TTF hub, a European benchmark for natural gas trading, was last seen trading up 7.8% to hit 175.5 euros (\$180.8) per megawatt-hour. All of these factors have converged to hit the euro hard. The currency of the euro zone has lost over 9% of its value against the dollar since the start of the year.

**GBP:** The GBP/USD is currently trading at 1.1965 level. The British Pound isn't particularly weak despite ongoing UK political problems, but the US dollar is taking no prisoners and is breaking multi-month and multi-year records against a range of other currencies. The latest Bank of England Financial Stability Report makes for gloomy reading, with the central bank warning that global financial conditions have worsened and that the outlook for the UK economy is 'very uncertain'.

UPCOMING ECONOMIC RELEASES					EXCHANGE RATE	
Date	Country	Economic Event	Prior	Forecast	Currency	Rate
7/04		RBA Interest Rate Decision	0.85%	1.35%	EUR/USD	1.0287
7/05	GBP	S&P Global/CIPS UK Services PMI Final (JUN)	53.4	53.4	GBP/USD	1.1965
7/06	EUR	ECB Non-Monetary Policy Meeting			AUD/USD	0.6782
	MXN	Inflation Rate YoY (JUN)	7.65%	7.95%	NZD/USD	0.6145
	USD	ISM Non-Manufacturing PMI (JUN)	55.9	54.3	USD/CAD	1.2992
7/07	CAD	Balance of Trade (MAY)	C\$1.5B	C\$2.4B	USD/MXN	20.4440
	EUR	ECB Monetary Policy Meeting Accounts			USD/CHF	0.9674
	MXN	Inflation Rate YoY (JUN)	7.65%	7.95%	USD/JPY	135.95
7/08	CAD	Employment Change (JUN)	39.8K	23.5K	USD/SGD	1.4051
	CAD	Unemployment Rate (JUN)	5.1%	5.1%	USD/THB	35.8610
	CNY	ECB Non-Monetary Policy Meeting	2.1%		USD/CNY	6.7100
	USD	Non Farm Payrolls (JUN)	390K	270K		
	USD	Unemployment Rate (JUN)	3.6%	3.6%		