

Foreign Exchange Market Commentary

The USD climbed vs. the majors during the overnight sessions on safe haven buying amid fears over a slowdown in global economic activity and higher signs of inflation. However, comments from Fed officials supporting a reduction in stimulus later this year dampened any sustained rally. Federal Reserve Bank of Philadelphia President Harker stated that he supports moving towards tapering sooner rather than later. Meanwhile, U.S. PPI rose at its fastest pace in over 10 years, reinvigorating concerns over rising inflation. In Asia, the Chinese government announced further measures on tech companies, causing a sell-off in Asian equities overnight. The move was to break Ant Group's lending arm into separate entities, with the People's Bank holding a stake. Fundamental news to keep an eye on this week includes U.S. inflation data on Tuesday. Expectations are for the Core Inflation Rate to come in slightly lower than the previous reading at 4.2% vs. 4.3%. Following the inflation theme, Wednesday's top datapoint will be Canadian Inflation, forecasted to come in at 3.9% vs. 3.7% the prior period. Towards the end of the week, the market will keep a close eye on August U.S. retail sales and Friday's University of Michigan Consumer Sentiment. Have a safe week!

GBP: The British pound is trading close to 1.3800 on market risk off buying. Higher covid cases and the possibility of Parliament contemplating raising taxes to pay for a new social care program continue to weigh on the sterling. Something to keep an eye on later this week are more details about fiscal spending and covid policy.

CAD: The loonie lost a little more than 1% vs. the USD last week despite data indicating that the Canadian economy continues to chug along. Solid employment gains allayed some concerns about the economic trajectory after the release of weaker than expected Q2 GDP. The CAD will likely trade within earshot of the 1.26 figure in the near term.

EUR: The USD appreciated to more than 2-week highs vs. the EUR, around 1.1775. Prospects of a left-leaning government in Germany worries the markets and was one of the main catalysts of the recent EUR selloff. Mixed messages from the ECB on slowing down the pace of its bond buying scheme in order to "recalibrate" its tools sent hawks searching for cover in the near term.

JPY: USD/JPY closed last week unchanged, around 110.00, and continues to struggle to find direction to start this Monday's session. In the absence of significant fundamental drivers, expect the USD's upside to remain limited. On Tuesday, July Japanese Industrial Production and Capacity Utilization will be featured but isn't expected to be a factor in yen moves.

UPCOMING ECONOMIC RELEASES					EXCHANGE RATE	
Date	Country	Economic Event	Prior	Forecast	Currency	Rate
09/14	USD	Core Inflation Rate YoY (Aug)	4.3%	4.2%	EUR/USD	1.1796
	USD	Inflation Rate YoY (Aug)	5.4%	5.3%	GBP/USD	1.3834
	AUD	Westpac Consumer Confid. (Sep)	104.1		AUD/USD	0.7361
09/15	CAD	Core Inflation Rate YoY (Aug)	3.3%		NZD/USD	0.7109
	CAD	Inflation Rate YoY (Aug)	3.7%	3.9%	USD/CAD	1.2661
	AUD	Employment Change (Aug)	2.2k	-90k	USD/MXN	19.8674
	NZD	GDP Growth Rate YoY (Q2)	2.4%	16.3%	USD/CHF	0.9214
09/16	USD	Retail Sale MoM (Aug)	-1.1%	-0.8%	USD/JPY	109.98
	USD	Initial Jobless Claims	310k	328k	USD/SGD	1.3423
09/17	EUR	Core Inflation Rate YoY Final (Aug)	0.7%	1.6%	USD/THB	32.8760
	USD	UofMich Consumer Sentiment	70.3	72.2	USD/CNY	6.4539