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FOREX Newsletter

November 1st, 2021

Pulse of the Market

- The price of the US dollar rallied sharply on Friday.
- US dollar awaits the Federal Reserve and critical US jobs data.
- US Dollar Index (DXY) continues to trade within a well-defined range

Recent Interest Rates & US Treasury Yields

USD		0.25%
EUR		0.00%
GBP		0.25%
JPY		-0.10%
CAD		0.75%
AUD		0.10%
NZD		0.25%
	Change	Yield
2-yr Yield	+0.01	0.22%
5-yr Yield	+0.01	0.84%
10-yr Yield	+0.02	1.33%

The dollar index on Friday rallied sharply by +0.78 (+0.83%). The dollar saw support from the recent acceleration of market expectations for Fed rate hikes by late 2022. This past summer, the markets were not expecting the Fed's first rate hike until early 2023. However, the market is now fully expecting two +25 bp rate hikes by the end of 2022. That would be a much larger rate hike than the +20 bp rate hike that the markets are expecting from the ECB. The dollar index on Thursday fell -0.71 (-0.42%). The main bearish factor was the weaker-than-expected U.S. GDP report, which was dovish for Fed policy. U.S. Q3 GDP rose by only +2.0% (q/q annualized), which was weaker than expectations of +2.6%. U.S. GDP took a hit on the pandemic's resurgence in Q3 and on supply-chain woes. On the stronger side, U.S. weekly initial unemployment claims fell by -10,000 to 281,000, which showed a mildly stronger labor market than expectations for a decline to 288,000. December gold on Thursday closed +3.80 (+0.21%), and Dec silver closed -0.071 (-0.29%). Precious metals saw support from the moderate sell-off in the dollar. However, silver and industrial metals prices were undercut by the weak U.S. GDP report, which highlighted supply chain difficulties. The dollar and gold have continued safe-haven support from concern the worldwide spread of the delta Covid variant will crimp the global economic recovery. However, the pandemic in the U.S. has improved after the 7-day average of new U.S. Covid infections on Tuesday fell to a 3-month low of 68,274 but then rose slightly on Wednesday. The price of the US dollar rallied sharply on Friday as global stocks fell for which at the start of Asia, some corrections are taking shape. In fact, the US dollar index outperformed all the majors on Friday, so a correction in the price is to be expected. However, this is offering the stronger hands a discount to buy the dollar cheaper. The technical analysis is shown below which illustrates the upside potential from an hourly perspective meanwhile, all eyes will be on the Federal Reserve this week and the Nonfarm Payrolls report on Friday. The Fed is widely expected to announce its tapering start and plans this week. Employment trends are expected to regain momentum, and we anticipate a 520k job gain for Nonfarm Payrolls," analysts at Society General explained.

Time(GMT)		Economic Release	IMP	Actual	Forecast	Prior
03:00		Westpac Leading Index MoM	Medium	58.2		56.8
06:00		Market/CIPS Manufacturing PMI Final	Medium		57.7	57.1
10:00		Inflation Rate YoY (SEP)	Medium		3.2%	3.2%
12:30		Core Inflation Rate YoY (SEP)	High			3.5%
02:30		Ai Group Manufacturing Index	Medium	50.4		51.2
19:00		ISM Manufacturing PMI	High		60.5	61.1

Euro

EUR/USD on Friday fell by -0.0118 (-1.01%) on dollar strength. The markets on Thursday thought ECB President Lagarde in her post-meeting press conference did not push back hard enough against market expectations for +20 bp of ECB rate hikes in 2022, causing the markets to harden those rate-hike expectations and providing a bullish factor for the euro. However, that ECB rate hike would trail the expected U.S. rate hike by far. The policy outcome of Thursday's ECB meeting was in line with market expectations.



Yen

The Japanese Yen is the strong outperformer in current FX markets as stronger yields weigh on the currency. Even with a slightly softer dollar across the board, USD/JPY continues to push higher towards the 3-year high at 114.55. The greenback approached a 1 1/2-week top to the yen. The safe-haven Japanese currency weakened after a strong showing for the ruling party in weekend elections eased doubts about the new prime minister's popularity. Japanese data this week was disappointing.



British Pound

The British pound is attempting to find support at 1.3665 lows on Friday's late US trading, after plummeting more than 0.7% on the day. End-of-month moves with November's Federal Reserve meeting around the corner, have boosted the US dollar across the board. The GBP/USD has dropped sharply on Friday, weighed by broad-based US dollar strength in a combination of a moderate risk aversion, and higher expectations of a hawkish turn by the Federal Reserve next week.



Canadian Dollar

The Canadian dollar weakened against its broadly stronger U.S. counterpart on Friday as oil prices fell and domestic data showed that economic growth likely flat lined in September. The Loonie was trading 0.4% lower at 1.2389 to the greenback, or 80.72 U.S. cents. The currency traded in a range of 1.2329 to 1.2392 and was on track to dip 0.2% for the week. The price of oil, one of Canada's major exports, fell as rising U.S. inventories and the prospect of more Iranian exports countered expectations that OPEC and its allies will keep supply tight.



Appendix

FOREX Closing Prices for October 29, 2021					
Currency	Open	High	Low	Close	Net Chg
EUR/USD	1.168	1.1688	1.1533	1.1556	-0.0122
USD/JPY	113.553	114.076	113.375	113.974	0.416
GBP/USD	1.3791	1.3802	1.3666	1.3683	-0.0106
USD/CHF	0.9114	0.9174	0.91	0.9151	0.0034
USD/CAD	1.2342	1.2405	1.2325	1.2377	0.0034
EUR/JPY	132.664	132.898	131.583	131.727	-0.94
GBP/JPY	156.635	157.073	155.763	155.971	-0.652
CHF/JPY	124.547	125.007	124.244	124.511	-0.017
AUD/JPY	85.636	85.84	85.289	85.693	0.04
EUR/GBP	0.8469	0.8471	0.8431	0.8443	-0.0027
EUR/CHF	1.0649	1.0654	1.0567	1.0576	-0.0078
GBP/CHF	1.2573	1.2581	1.2517	1.2523	-0.0048

Daily Pivot Points							
Contract	Trading Range						
	S3	S2	S1	Pivot	R1	R2	R3
EURUSD	1.13	1.1437	1.1497	1.1592	1.1652	1.1747	1.1807
USDJPY	112.84	113.11	113.54	113.81	114.24	114.51	114.94
GBPUSD	1.3496	1.3581	1.3632	1.3717	1.3768	1.3853	1.3904
USDCHF	0.9035	0.9068	0.9109	0.9142	0.9183	0.9216	0.9257
USDCAD	1.2253	1.2289	1.2333	1.2369	1.2413	1.2449	1.2493
EURJPY	129.93	130.75	131.24	132.07	132.56	133.38	133.87
GBPJPY	154.16	154.96	155.47	156.27	156.78	157.58	158.09
CHFJPY	123.40	123.82	124.17	124.59	124.93	125.35	125.69
AUDJPY	84.82	85.06	85.37	85.61	85.93	86.16	86.48
EURGBP	0.8386	0.8408	0.8426	0.8448	0.8466	0.8488	0.8506
EURCHF	1.0457	1.0512	1.0544	1.0599	1.0631	1.0686	1.0718
GBPCHF	1.2436	1.2476	1.2500	1.2540	1.2564	1.2604	1.2628

Sources: News, Charts & Quotes (Courtesy: Reuters, US Department Of Treasury)

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