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# FOREX Newsletter

September 20, 2021

## Pulse of the Market

- The dollar regains upside traction along with yields.
- Flash US Consumer Sentiment comes up next in the docket.
- The RBA again reiterated that no hike is likely before 2024 given weakness in wages
- The U.S. dollar is having a bit of a rebound.

### 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%        |
|             | <b>Change</b> | <b>Yield</b> |
| 2-yr Yield  | +0.01         | 0.22%        |
| 5-yr Yield  | +0.01         | 0.84%        |
| 10-yr Yield | +0.02         | 1.33%        |

The dollar rallied to a month-high in Asia today as looming catastrophe at indebted developer China Ever Grande added extra nerves to a cautious mood, with investors bracing for the Federal Reserve to take another step towards tapering this week. The Australian dollar fell 0.5% to a three-week low of \$0.7227 while sterling and the kiwi also hit multi-week troughs on the rising greenback. The dollar index rose 0.1% to 93.356, its highest since Aug 23 .Retail sales rose 0.7% last month, boosted in part by back-to-school shopping and child tax credit payments, while data for July was revised down. A separate report showed U.S initial claims for state unemployment benefits increased 20,000 to a seasonally adjusted 332,000 for the week ended Sept. 11. The yen held its own, edging up 0.1% to 109.88 per dollar, while equity markets dropped with concern that an Ever Grande collapse could trigger a broader crisis .The news could bolster investor expectations for next week’s Federal Reserve policy meeting and how soon the U.S central bank will start to taper stimulus. It feels like whatever lingering concerns there were with the underlying economy that was kind of washed away a little bit. So as we move towards the Fed next week, the evidence backs up the idea that we’re going to get a taper signal from the Fed at the meeting. Ahead this week, no fewer than a dozen central banks hold meetings, but traders top focus is on the Fed where expectations for a tapering signal are keeping the dollar bid .The Fed concludes a two-day meeting on Wednesday and consensus is that it will stick with broad plans for tapering this year but will hold off providing details or a timeline for a at least a month .Among the other major central banks, the Bank of England is expected to leave policy settings unchanged, but traders see potential for gains in the pound if the bank adopts a hawkish tone or more members call for asset purchase tapering .A surge in online and furniture store purchases in the United States offset a continued decline at auto dealerships, which could temper expectations for a sharp slowdown in economic growth in the third quarter. Sterling has gained momentum this week as traders assessed the Bank of England's next move after data showed British inflation rose in August by 3.2% in annual terms, the biggest monthly jump in the annual rate in at least 24 years, fueling expectation of a rate increase.

| Time(GMT) |  | Economic Release                                      | IMP    | Actual | Forecast | Prior  |
|-----------|--|---|--------|--------|----------|--------|
| 03:45     |  | Services NZ PSI (AUG)                                 | Medium |        |          | 55.9   |
| 09:00     |  | Balance of Trade (JUL)                                | Medium |        |          | 0.98 % |
| 09:00     |  | Euro Area Inflation Rate YoY Final (AUG)              | Medium |        | 3%       | 2.2%   |
| 19:00     |  | NAHB Housing Market Index (SEP)                       | High   |        | 74%      | 75%    |
| 14:00     |  | U.S Michigan 5 Year Inflation Expectations Prel (SEP) | Medium |        |          | 2.9%   |

## Euro

The euro could test \$1.20 this week, its highest since late June, but it may require a bigger surprise than anything the ECB can offer to break out of its current range. The combined gross domestic product of the 19 countries sharing the euro was now expected to return to its pre-crisis level. The European Central Bank's policy decision just around the corner, and the pandemic damping the prospect of a hawkish shift, it may be running out of steam. Signs are mounting that the euro is bumping up against a ceiling.



## Yen

The safe-haven Japanese Yen benefited against most of its peers last week as a bout of risk aversion rippled through financial markets. Retail sales rose 0.7% last month, boosted in part by back-to-school shopping and child tax credit payments, while data for July was revised down. Yen has yet to recover a substantial portion of its earlier year losses when analysts and economists were solidly optimistic about a strong economic recovery. Those upbeat economic forecasts put a hit on the safe-haven currency.



## British Pound

It is a critical week for GBP/USD traders as we have both the Bank of England and the Federal Reserve central bank meetings. GBP/USD is moving sideways in a consolidated market, hugging a bullish 200 EMA channel, albeit pressured by a firm US dollar as investors survey the conditions of the market's risk profile. Overall, the GBP/USD traded with a low of 1.4109 and a high of 1.4170 before closing the day at 1.4154 in the New York session. GBP/USD awaits the outcome of this week's crucial central bank meetings.



## Canadian Dollar

The Canadian Dollar edged lower against its U.S. counterpart yesterday as oil prices fell and investors weighed domestic data showing some weakening in activity. Canadian wholesale trade fell by 2.1% in July from June, the biggest decline since April last year, Statistics Canada said. The decline was driven by lower sales in the building materials and supplies subsector as lumber prices fell sharply. Overall, USD/CAD traded with a low of 1.2037 and a high of 1.2083 before closing the day at 1.2040 in the New York session.



## Appendix

| FOREX Closing Prices for September 17, 2021 |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Currency                                    | Open    | High    | Low     | Close   | Net Chg |
| EUR/USD                                     | 1.1765  | 1.1786  | 1.17231 | 1.1724  | -0.0041 |
| USD/JPY                                     | 109.706 | 110.06  | 109.647 | 109.951 | 0.247   |
| GBP/USD                                     | 1.3795  | 1.3811  | 1.3727  | 1.3727  | -0.0065 |
| USD/CHF                                     | 0.9274  | 0.9323  | 0.9257  | 0.9322  | 0.0047  |
| USD/CAD                                     | 1.2676  | 1.2767  | 1.2634  | 1.2767  | 0.0087  |
| EUR/JPY                                     | 129.112 | 129.645 | 128.885 | 128.921 | -0.191  |
| GBP/JPY                                     | 151.313 | 151.904 | 150.947 | 150.96  | -0.369  |
| CHF/JPY                                     | 118.265 | 118.673 | 117.845 | 117.917 | -0.361  |
| AUD/JPY                                     | 80.016  | 80.479  | 79.829  | 79.842  | -0.15   |
| EUR/GBP                                     | 0.8521  | 0.8551  | 0.852   | 0.8538  | 0.001   |
| EUR/CHF                                     | 1.9012  | 1.0935  | 1.0935  | 1.093   | 0.0019  |
| GBP/CHF                                     | 1.2791  | 1.2816  | 1.2767  | 1.2798  | 0.0004  |

| Daily Pivot Points |               |        |        |               |        |        |        |
|--------------------|---------------|--------|--------|---------------|--------|--------|--------|
| Contract           | Trading Range |        |        |               |        |        |        |
|                    | S3            | S2     | S1     | Pivot         | R1     | R2     | R3     |
| EURUSD             | 1.16          | 1.1681 | 1.1703 | <b>1.1744</b> | 1.1766 | 1.1807 | 1.1829 |
| USDJPY             | 109.30        | 109.47 | 109.71 | <b>109.89</b> | 110.13 | 110.30 | 110.54 |
| GBPUSD             | 1.3615        | 1.3671 | 1.3699 | <b>1.3755</b> | 1.3783 | 1.3839 | 1.3867 |
| USDCHF             | 0.9212        | 0.9235 | 0.9278 | <b>0.9301</b> | 0.9344 | 0.9367 | 0.9410 |
| USDCAD             | 1.2545        | 1.2590 | 1.2678 | <b>1.2723</b> | 1.2811 | 1.2856 | 1.2944 |
| EURJPY             | 127.90        | 128.39 | 128.66 | <b>129.15</b> | 129.42 | 129.91 | 130.18 |
| GBPJPY             | 149.68        | 150.31 | 150.64 | <b>151.27</b> | 151.59 | 152.23 | 152.55 |
| CHFJPY             | 116.79        | 117.32 | 117.62 | <b>118.15</b> | 118.45 | 118.97 | 119.27 |
| AUDJPY             | 78.97         | 79.40  | 79.62  | <b>80.05</b>  | 80.27  | 80.70  | 80.92  |
| EURGBP             | 0.8491        | 0.8505 | 0.8522 | <b>0.8536</b> | 0.8553 | 0.8567 | 0.8584 |
| EURCHF             | 1.0932        | 1.0933 | 1.0932 | <b>1.0933</b> | 1.0932 | 1.0933 | 1.0932 |
| GBPCHF             | 1.2722        | 1.2745 | 1.2771 | <b>1.2794</b> | 1.2820 | 1.2843 | 1.2869 |

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

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