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# FOREX Newsletter

September 17, 2021

## Pulse of the Market

- Data showed yesterday that U.S retail sales unexpectedly increased in August
- Retail sales rose 0.7% last month, boosted in part by back-to-school shopping
- U.S initial claims for state unemployment benefits increased 20,000 for the week ended Sept. 11
- The RBA again reiterated that no hike is likely before 2024 given weakness in wages

### 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 hit a near 3-week high against a basket of currencies yesterday after data showed U.S retail sales unexpectedly increased in August, easing some concerns about a sharp slowdown in economic growth. The dollar index, which measures the U.S. currency against six others, added to gains following the report and was last up 0.5% at 92.923. It hit its highest level since Aug. 27. 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. Economists had forecast 330,000 applications for the latest week. If you look at the retail sales number, it's quite constructive even with the revisions, so we are seeing the dollar benefit from that, particularly against the funding currencies like the euro, Swiss and the yen. 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. Investors are looking for clarity on the outlook for both tapering and interest rates at the Fed's two-day policy meeting that ends next Wednesday. Tapering typically lifts the dollar as it suggests the Fed is one step closer to tighter monetary policy. It also means the central bank will be buying fewer debt assets, in effect reducing the amount of dollars in circulation, which in turn lifts the currency's value. Sterling fell versus the dollar yesterday after data showed U.S retail sales unexpectedly increased in August, while Asian stock losses spooking sentiment also weighed on sterling. 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
06:00		U.K Retail Sales YoY (AUG)	Medium		2.7%	2.4%
09:00		Euro Area Core Inflation Rate YoY Final (AUG)	High		1.6%	0.7%
09:00		Euro Area Inflation Rate YoY Final (AUG)	Medium		3%	2.2%
14:00		U.S Michigan Consumer Sentiment Prel (SEP)	High		72	70.3
14:00		U.S Michigan 5 Year Inflation Expectations Prel (SEP)	Medium			2.9%
14:00		U.S Michigan Inflation Expectations Prel (SEP)	Medium			4.6%

## Euro

The single currency traded lower despite the euro zone economy is recovering quicker than anticipated just six months ago, mostly due to a rapid vaccination campaign that allowed large sectors of the economy to reopen, European Central Bank President Christine Lagarde said yesterday. The combined gross domestic product of the 19 countries sharing the euro was now expected to return to its pre-crisis level. Overall, the EUR/USD traded with a low of 1.2171 and a high of 1.2228 before closing the day around 1.2214 in the New York session.



## Yen

The Japanese Yen fell after data showed U.S retail sales unexpectedly increased in August, easing some concerns about a sharp slowdown in economic growth. 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. Overall, the USD/JPY traded with a low of 108.67 and a high of 108.97 before closing the day around 108.73 in the U.S session.



## British Pound

The British Pound fell versus the dollar yesterday after data showed U.S retail sales unexpectedly increased in August, while Asian stock losses spooking sentiment also weighed on sterling. 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. 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.



## 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 16, 2021					
Currency	Open	High	Low	Close	Net Chg
EUR/USD	1.18146	1.1819	1.1749	1.1765	-0.005
USD/JPY	109.35	109.811	109.195	109.704	0.349
GBP/USD	1.3839	1.3851	1.3762	1.3792	-0.0045
USD/CHF	0.9195	0.9276	0.919	0.9275	0.008
USD/CAD	1.2612	1.2696	1.2612	1.268	0.0051
EUR/JPY	129.22	129.33	128.585	129.11	-0.09
GBP/JPY	151.345	151.542	150.847	151.329	-0.034
CHF/JPY	118.877	118.948	118.107	118.278	-0.603
AUD/JPY	80.169	80.336	79.714	79.992	-0.181
EUR/GBP	0.8533	0.8545	0.8498	0.8528	0.0003
EUR/CHF	1.0864	1.0917	1.0855	1.0911	0.0049
GBP/CHF	1.2729	1.2807	1.2715	1.2794	0.0066

Daily Pivot Points							
Trading Range							
Contract	S3	S2	S1	Pivot	R1	R2	R3
EURUSD	1.17	1.1708	1.1736	<b>1.1778</b>	1.1806	1.1848	1.1876
USDJPY	108.71	108.95	109.33	<b>109.57</b>	109.95	110.19	110.56
GBPUSD	1.3663	1.3713	1.3752	<b>1.3802</b>	1.3841	1.3891	1.3930
USDCHF	0.9132	0.9161	0.9218	<b>0.9247</b>	0.9304	0.9333	0.9390
USDCAD	1.2545	1.2579	1.2629	<b>1.2663</b>	1.2713	1.2747	1.2797
EURJPY	127.94	128.26	128.69	<b>129.01</b>	129.43	129.75	130.18
GBPJPY	150.24	150.54	150.94	<b>151.24</b>	151.63	151.93	152.33
CHFJPY	117.10	117.60	117.94	<b>118.44</b>	118.78	119.29	119.62
AUDJPY	79.07	79.39	79.69	<b>80.01</b>	80.31	80.64	80.94
EURGBP	0.8455	0.8477	0.8502	<b>0.8524</b>	0.8549	0.8571	0.8596
EURCHF	1.0810	1.0832	1.0872	<b>1.0894</b>	1.0934	1.0956	1.0996
GBPCHE	1.2645	1.2680	1.2737	<b>1.2772</b>	1.2829	1.2864	1.2921

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

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