

Weekly Market Review 18-24/08/14

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Adam Slachevsky | Monday, 18 August 2014 10:23

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Dollar Back in the Spotlight

In the aftermath of a week that, for all intents and purposes, had no major U.S. releases the mighty greenback is expected to again be the center of focus with the FOMC minutes release on Wednesday. The minutes will provide a very important pulse measurement of the dynamics within the Federal Reserve amid the debate over possible rate hikes next year and the prospects of ending Quantitative Easing (aka Dollar printing) this October. As the time passes, those debates will become more heated and, consequently, the chances of a rate hike seem to be rising. The most evident sign that the Fed is gradually shifting towards a rate increase is the most recent interview with one of the Fed's more hawkish board members, Richard Fisher, the head of the Fed's Dallas branch. In his interview, Fisher stressed that he didn't feel the need to stress the risks of extra loose policy and QE as he felt the Fed's other board members were shifting towards his hawkish bias. The release, however, will indeed shed light as to whether or not this is the case and thus dramatically affect the trend for the Dollar among its peers. A Fed that seems to be more worried about inflation and is more upbeat could provide a strong anchor for Dollar gains in the coming weeks. However, a Fed that is in disagreement, or equally divided between doves and hawks amid concerns over growth and unemployment, might leave Dollar bulls more worried and thus more cautious, which could lead to a shift in attention towards U.S. data before more Dollar buy positions are put in place.

Bank of England Minutes as a Side Dish

Investors will look into the BoE meeting minutes to get a better sense whether or not they are right to put their bets on a rate hike. The U.K. central bank will reveal its hopes and worries about growth, inflation and unemployment. If, after the release, investors get the sense that a rate hike is moving closer or is more firmly anchored, that could boost Sterling versus its peers. However, if the Fed is also hawkish that could weigh on the GBP/USD bullish bias.

Down to Business

So let's get down to business; what do all those minutes mean for FX? While it may sound complicated, narrowed down it's quite simple. Undoubtedly, the wild card will be the FOMC minutes; if they indicate that the Fed is warming up to a rate hike that would lift the Dollar and hit counter Dollar trades such as the Euro, the Yen and Gold. For Sterling to come under pressure the BoE has to be more cautious and the Fed more hawkish (optimistic) than expected.

On the Plate

RBA Minutes (Tuesday) – If the RBA will be upbeat that would support Aussie gains.

U.K. CPI (Tuesday) – Inflation at 2% or above will lift Sterling; anything below 1.9% could derail Sterling demand.

U.S. CPI (Tuesday) – If inflation inches up above 2% that will support the Dollar just before the FOMC minutes are released. A reading below 1.8% could subdue Dollar bulls.

BoE Minutes (Wednesday) – The minutes will reveal just how close the central bank is to a rate hike. If there is a broad consensus of rate hikes being appropriate in early 2015 that could boost Sterling versus its peers, however against the Dollar, the FOMC minutes could be a wild card.

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FOMC Minutes (Wednesday) – The main event of the week; if the minutes show that the Fed is moving towards a rate hike in 2015, that could support the Dollar and hit Gold. A dovish Fed could reverse Dollar buying to selling.

Philadelphia Fed Manufacturing (Thursday) – An upbeat number, say above 25, will support the Dollar but only if sentiment remains bullish after the Fed minutes are released. A negative figure will primarily hit Wall Street.

Canada CPI (Friday) – If inflation rises above 2.4-2.5%, it will support the CAD even against the Dollar.

Chart of the Week- USD\CHF



Economic Calendar

Date&Time(GMT)	Economic Indicator	Country	Volatility
19/08/14 01:30	RBA Meeting's Minutes	Australia	High
19/08/14 03:00	RBNZ Inflation Expectations (YoY) (Q3)	New Zealand	Medium
19/08/14 08:30	Consumer Price Index (YoY) (Jul)	United Kingdom	High
19/08/14 12:30	Building Permits (MoM) (Jul)	United States	Medium
19/08/14 12:30	Consumer Price Index (YoY) (Jul)	United States	High
19/08/14 12:30	Housing Starts (MoM) (Jul)	United States	Medium
19/08/14 23:50	Adjusted Merchandise Trade Balance (Jul)	Japan	Medium
20/08/14 04:30	All Industry Activity Index (MoM) (Jun)	Japan	Medium
20/08/14 08:30	Bank of England Minutes	United Kingdom	High
20/08/14 18:00	FOMC Minutes	United States	High
21/08/14 01:45	HSBC Manufacturing PMI (Aug)	China	Medium
21/08/14 06:00	Trade Balance (Jul)	Switzerland	Medium
21/08/14 07:30	Markit Manufacturing PMI (Aug)	Germany	Medium
21/08/14 07:30	Markit Services PMI (Aug)	Germany	Medium
21/08/14 08:00	Markit Manufacturing PMI (Aug)	European Monetary Union	Medium
21/08/14 08:00	Markit PMI Composite (Aug)	European Monetary Union	Medium
21/08/14 08:00	Markit Services PMI (Aug)	European Monetary Union	Medium
21/08/14 08:30	Retail Sales (YoY) (Jul)	United Kingdom	Medium
21/08/14 12:30	Continuing Jobless Claims (Aug 8)	United States	Medium
21/08/14 12:30	Initial Jobless Claims (Aug 15)	United States	Medium
21/08/14 13:45	Markit Manufacturing PMI (Aug)	United States	Medium
21/08/14 13:45	Markit PMI Composite (Jul)	United States	Medium
21/08/14 13:45	Markit Services PMI (Jul)	United States	Medium
21/08/14 14:00	CB Leading Indicator (MoM) (Jul)	United States	Medium
21/08/14 14:00	Consumer Confidence (Aug)	European Monetary Union	Medium
21/08/14 14:00	Existing Home Sales Change (MoM) (Jul)	United States	Medium
21/08/14 14:00	Philadelphia Fed Manufacturing Survey (Jul)	United States	Medium
22/08/14 12:30	Consumer Price Index (YoY) (Jul)	Canada	High
22/08/14 12:30	Retail Sales (MoM) (Jun)	Canada	Medium

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Adan



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