ABC BANKING CORPORATION
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26 August 2019

Un petit resumé de la semaine derniere!

We witnessed a quite low-key week in the domestic market with USD/MUR trading around the same level at 36.05. The Central Bank brought some enthusiasm in the market by calling to intervene on Tuesday and Wednesday but left our zealous traders disappointed as BoM only window-shopped levels of USD/MUR. On Thursday, however, the bank finally stepped in and sold dollars at 36.00 to banks to cover short positions. EUR/MUR equally found some support after the intervention and edged up on the bid side providing some relief to our exporters.

While the domestic market remained rather calm, the international market had a plethora of events to offer causing high volatility in currencies, equities and commodities.

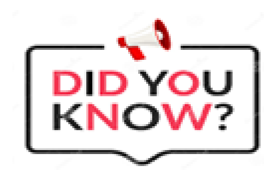
On Monday, the Eurozone released its inflation figure which came out at 1% against a 1.1% expected rate causing EUR/USD to fall slightly from 1.1098 to 1.1076. The pair recovered from previous lows and later traded around 1.1089 after the Italian PM resigned from his post ahead of no- confidence vote.

Meanwhile, the dollar climbed to its three weeks high on Wednesday, in anticipation of Fed minutes released later in the day but soon lost its gains after Powell's speech at Jackson Hole on Friday failed to provide new insights on interest rate causing the dollar to weaken, taking the euro to new highs at 1.1142.

GBP/USD equally gained from a weaker dollar closing at 1.2282, its highest level since July. However, the pound might lose some of its gains since Brexit issues remain cloudy blurring investors' view on the pair, while the probability of hard Brexit maintains.

The strongest competitors of the dollar took over and the latter finished the week on a weak note swinging on the tunes of US President Trump and Fed's Chief Powell. Moreover, the US-China trade war worries escalated on Friday after China imposed a hefty tariff on US goods with Trump planning to retaliate. Following this news, the dollar and equities market took a hit as investors sought refuge in the safe-haven JPY and gold.

USD/JPY plunged below 106 level after an upsurge in the demand for JPY which is trading at an all-time high against the rupee and this might not please buyers of JPY on the local market. Following the same suit, gold prices plummeted from $1,300 to $1,534.31, the highest level seen in the past six years. The safe-haven currencies and gold seem to be enjoying the boost in investors' appeal for them. Gold is set to seek higher levels and the upward momentum might not stop so soon as further rate cuts will only cause gold to shine brighter.



The Fed has cut rate by 25 basis points from 2.50% to 2.25% for the first time since 2008. The highest Fed rates were maintained in 1979 and 1980 at 20% to combat double-digit inflation.

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