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BLUE FX MARKETS CURRENCY REPORT

Friday 03 Sept @ 1445: EURUSD – 1.2860: EURGBP – 0.8332 (Fri 27 Aug: EURUSD – 1.2711: EURGBP – 0.8180)

There was no update last week. Holiday season is now over and started off with a bang this week, culminating in the US Unemployment data this afternoon. We will give a quick summary of the past few weeks and then get to the juicy bits from the past few days. Check out our regular updates on www.twitter.com/blueFXmarkets

August

- The key themes in recent weeks have been the recovery of the USD against the Euro as one piece of economic data after another came in below expectations. The overall environment was **risk off**.
- In our last note we said that focus would shift back to 'sell Euro' positions and this was borne out by Futures data, which is used to gauge net currency transactions.
- The Yen has rallied in this environment and has been the principle beneficiary, holding close to 15 year highs against the USD.

Europe

- Ireland is still in the news as the yield on government bonds continues to rise. Markets are fickle and short sighted and seemed to only realise the 2 year government guarantee was up in September, or precisely 2 years after it was implemented!! Further state aid for Anglo Irish hasn't helped. However, the demand for Irish bonds is strong at the high yields on offer.
- Germany is still showing strong growth in case you forgot.

US

- Attention focused on the prevarications of the Federal Reserve last weekend at their Annual Jackson Hole conference.
- Ben Bernanke intoned a bias towards further easing but he stopped short of the conditions required to trigger this. This would imply that they are adopting a Wait and See strategy to see if recent data continues to deteriorate before any action.
- Better than expected manufacturing data this week started to change sentiment on the US.
- Today's unemployment data shone a further chink a light as they were better than expected – **not good but better than expected**. The unemployment rate stands at 9.6% - Jobs lost were 54k - July data was revised upwards to show a loss of 54k rather than 110k – the private sector showed job gains (very important) including some in the construction sector. Re-emphasise: Not good but better than expected.

UK

- The UK has also struggled with the momentum of its second quarter rebound.
- Service sector growth for August was weak, house prices are starting to slack and manufacturing data has been declining since May.

This week

Tues – UK Consumer Confidence
Wed – UK Industrial Production, German Industrial Production
Thurs – BOE Interest Rate decision, UK Trade Balance
Thurs – UK Producer Price Index

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