Good morning,

The dollar starts September weaker than all of its G10 peers as optimism over Asia’s economic recovery pervades the market. Chinese PMI beat estimates, leading the yuan to touch its highest level in over a year. The Japanese yen fell on the increased risk appetite and the expectation that Abenomics will continue amid growing possibility that Chief Cabinet Secretary Yoshihide Suga will replace Prime Minister Shinzo Abe.

The euro is falling just short of the $1.20 handle as it rallies a third day, reaching its strongest level since May 2018. German unemployment eased for a second month and France’s manufacturing PMI for August also beat expectations.

The British pound came back off of a Summer Bank Holiday to trade at a fresh YTD high on broad dollar weakness. Pound sterling also strengthened on account of the Conservative Party’s opposition to raising taxes on corporations, capital gains, and fuel to help mitigate the country’s budget deficit.

Commodity currencies advanced as oil and gold prices increased. Crude inventories slid for the sixth straight week while prices went up 1.1%, partly due to risk-on sentiment from the robust manufacturing data out of China. The Norwegian krone was the best performer against the US dollar this morning while the Canadian dollar is headed for a fifth day of gains.

The Australian dollar is trading just under a two-year high, but remains under slight pressure after the Reserve Bank of Australia’s policy meeting where Governor Lowe said that the central bank will continue to be highly accommodative in considering how further monetary measures could support recovery. While rates remained unchanged, many investors perceived the Governor’s commentary to be dovish despite widespread economic recovery throughout the country and its largest trading partner, China. The New Zealand dollar rallied 0.4% on the broader selling of the greenback as investors look to Wednesday’s speech by Reserve Bank of New Zealand Governor Adrian Orr on the RBNZ’s monetary policy. We can expect further movement in the kiwi if he indicates the central bank has continued willingness to deliver more policy stimulus.

Have a great day,

Brianna Hambright - Chicago