

Atlanta	855-852-4700	Detroit	800-362-1066	Pittsburgh	800-723-9106
Charlotte	855-543-4026	Indianapolis	800-622-7410	Washington DC	877-856-6957
Chicago	866-245-4696	Milwaukee	844-290-1442		
Cleveland	800-622-7400	Philadelphia	888-627-8703		

Foreign Exchange Market Highlights

Good Morning!

The Great British pound rose this morning after the Bank of England (BOE) held the bank rate at 0.5%, as expected by economists. The move higher in the pound was driven by the 6-3 vote outcome, compared to expectations for a 7-2 split. It was surprising that the BOE Chief Economist, Andy Haldane, joined Ian McCafferty and Michael Saunders in calling for a quarter-point hike. This is the first time a BOE chief economist has dissented since 2011, as well as the first time Haldane has ever gone against the majority since he started in 2014. The more hawkish tone boosted prospects for a rate hike this year, with the August probability now above 60% compared to about 50% before the meeting. As of this morning, the GBP is up .52%, while the UK's FTSE 100 Index fell 0.7% to the lowest in more than 6 weeks.

Trade tensions have deepened further today, with China continuing to threaten retaliation if the latest tariff threats from the US materialize. India and the EU have also jumped onboard with China and slapped retaliatory levies on US goods. On August 4th, India will increase import duties on chickpeas and bengal gram to 70%. In response to the trade tensions, the benchmark Chinese stock index sank 1.4% falling for the fifth day out of the last six. Emerging markets also continued to decline, as the US dollar strengthened. Both the MSCI EM and the MSCI Asia Pacific fell. Central bankers have warned that continuing trade tensions have started damaging confidence among companies, threatening the global economic expansion.

Adding to the chaos, two prominent euroskeptics were just handed key roles in the Italian parliament. Many investors who were already fretting over the outlook for global trade were not pleased with this news. Italian bonds and stocks slumped, as the euro touched its weakest level in 11 months. This shows that the global market agenda will likely continue to be dominated by trade threats and geopolitical fears.

There are less than 24 hours before a pivotal OPEC meeting and the odds of it resulting in a deal on Friday have increased throughout the week. Iran edged away from threatening to veto any agreement raising output, and Saudi Arabia put forward a plan that would add about 600,000 barrels a day to the global market. The results of this meeting will likely shape the direction of oil prices, energy stocks and currencies of petroleum-exporting countries.

Alex Stratigos

The information contained herein ("Information") was produced by an employee of PNC Bank, National Association's ("PNC Bank") foreign exchange and derivative products group. Such information is not a "research report" nor is it intended to constitute a "research report" (as defined by applicable regulations). The Information is of general market, economic, and political conditions or statistical summaries of financial data and is not an analysis of the price or market for any product or transaction. This document and the Information it contains is intended for informational purposes only, and should not be construed as legal, accounting, tax, trading or other professional advice. You should consult with your own independent advisors before taking any action based on the Information. Under no circumstances should the Information be considered trading advice or a recommendation or solicitation to buy or sell any products or services or a commitment to enter into any transaction. The Information is gathered from sources PNC Bank believes to be reliable and accurate at the time of publication and are subject to change without notice. PNC Bank makes no representations or warranties regarding the Information's accuracy, timeliness, or completeness. All performance, returns, prices or rates are for illustrative purposes only. Markets do and will change. Actual results will vary, and may be adversely affected by exchange rates, interest rates, or other factors.

PNC is a registered service mark of The PNC Financial Services Group, Inc. ("PNC"). Foreign exchange and derivative products are obligations of PNC Bank, Member FDIC and a wholly owned subsidiary of PNC. Foreign exchange and derivative products are not bank deposits and are not FDIC insured, nor are they insured or guaranteed by PNC Bank or any of its subsidiaries or affiliates.