

Global market news and insights from RBC Investor Services' Foreign Exchange Market Trading Desk

Where we stand

At the start of September, the Bank of Canada (BoC) set the scene, cutting its benchmark interest rate by 25bps—in line with expectations. Domestic data will be key to the outcome of the next rate decision towards the back end of this month.

The US Federal Reserve (Fed) finally brought an end to the cat and mouse game, cutting by 50bps to a new range of 4.75% to 5.00%. The USD sold off across the board, with the Fed now ahead of other central banks globally in the rate cut cycle.

In contrast to the rest of the world, albeit from a low base, the **Bank of Japan (BoJ)** is undertaking a rate hiking cycle. The **Japanese Yen continued to strengthen** this past month as a standout performer. That move was heightened by the election of a new Prime Minister, Shigeru Ishiba, who is expected to action a tighter monetary policy than his final-round competitor. **USD/JPY bottomed out at 139.60, breaching 140 for the first time in over a year.**

Tensions in the Middle East continue to rise with Israel having taken out the leaders of Hamas and Hezbollah within the past two months, Iran has retaliated in a marked escalation within the region. Crude oil has soared and will continue to swing as this narrative plays out.

On the horizon

All eyes will be on the **European Central Bank (ECB)**, with many predicting consecutive rate cuts at the next two meetings. Weaker underlying economic data within the region supports that view and reaction to EUR/USD and EUR crosses will be watched closely.

In the final stages of the U.S. election, polls put the two candidates on a level footing. As the fallout from Hurricane Helene filters through with a rising death toll and estimated cost of USD 28 billion to the US economy, October could be bumpy. The USD weakness we saw last month could be undone on such uncertainty globally where investors typically flock to the greenback. **The Dollar Index (DXY) currently sits at 101.25 after failing to get through 100.**

Emerging markets

The Brazilian Central Bank unanimously opted to raise the benchmark Selic rate by 25bps at their September meeting to 10.75%, marking the first hike since 2022. This comes as policymakers aim to anchor inflation expectations to the 3% target. Economic growth in the country continues to strengthen, driven by stronger demand and a tight labour market. In the weekly central bank survey, analysts now expect the benchmark Selic to reach 11.75% by the end of this year and settle at 10.75% by the end of 2025.






In Mexico, President Sheinbaum took over from the outgoing AMLO at the start of October. Her election injected volatility into the markets with USD/MXN soaring above 20.00 for the first time since October 2022. USD/MXN has since edged back under the 20.00 level, but it remains above the 50d MA (19.3194 at on October 2), suggesting that risks remain.

Bangladesh has sought an additional USD 3 billion from the International Monetary Fund (IMF) to rebuild foreign currency reserves, making liquidity in the FX markets hard to come by. This would be in addition to the USD 4.7 billion loan already in place. We expect the situation to evolve throughout October as we move toward the 2024 IMF World Bank meeting at the back end of the month.

HEADLINES

- BoC cuts by 25bps to 4.25%
- ECB cuts by 25bps to 3.5%
- New President in Mexico
- Fed cut by 50bps
- BoE on hold
- JPY strengthens on new Prime Minister

KEY UPCOMING EVENTS

DATE	EVENT
OCT 17	 ECB rate decision
OCT 23	 BoC rate decision
OCT 31	 BoJ rate decision
NOV 5	 2024 US Election
NOV 7	 UK rate decision

For more information on global currency markets, please contact the [Market Services Team](#).

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