



Investor
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Market Services FX Spotlight

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Where we stand

The US dollar oscillated between gains and losses in August as markets weighed higher inflation figures and lower US interest rates pending a cut in September. Fed independence also came under pressure as Governor Adriana Kugler was temporarily replaced with Donald Trump appointee Stephen Miran and Lisa Cook was attacked over alleged mortgage fraud.

Trump and Russian President Vladimir Putin met in Alaska on August 15 and the meeting yielded neither a ceasefire nor any new sanctions. Ukrainian President Volodymyr Zelensky was noticeably absent from the summit. On August 18, Zelensky met with Trump and European leaders at the White House and discussed security guarantees from Western nations—including the United States. Bilateral talks between Russia and Ukraine were expected to start but negotiations stalled based on recent statements from Trump and German Chancellor Friedrich Merz.

In a letter published on Truth Social, Trump threatened to fire Fed Governor Lisa Cook for cause after Federal Housing Finance Agency Director Bill Pulte alleged that Cook committed mortgage fraud. The calls for Cook to step down reignited fears that Fed independence was slipping away as an open seat on the board would be filled by a new Trump appointee. Cook, whose term ends in 2038, responded by seeking an injunction and challenged the action in federal court, filing a lawsuit over Trump's attempt to fire her.

India received an additional 25% tariff on goods, bringing total levies to 50%, with Trump citing the purchases of Russian oil as the reason for the increase. Implications for China are likely dependent on the progress of ongoing trade discussions with the 90-day pause on tariffs between the United States and China set to proceed. **Canada axed many of its counter tariffs on USMCA-compliant goods in a move to ease tensions with the United States** ahead of continued trade talks, but 25% levies will remain for US steel and aluminum products.

The BoE cut the bank rate by 25 bps to 4.00%, matching market estimates in a hawkish split vote. The initial vote was a 4-4-1 split with Alan Taylor voting in favour of 50 bps of easing. The vote was then recast, and after Taylor changed his vote to a 25-bps decrease, the vote shifted to 5-4 in favour of lowering rates by 25 bps. This was the first-ever occurrence of a second round of voting required to resolve a stalemate, which surprised some economists who were expecting a more dovish vote split. BoE Governor Andrew Bailey did reiterate that the path of rates was lower but cautioned against aggressive and quick rate cuts in the face of rising consumer prices, which are expected to hit 4% in September.

US CPI estimates for the month of July largely came in line with estimates with year-over-year core figures, printing slightly higher at 3.1%, while headline figures came in lower than expectations at 2.7%. Odds for a quarter-point rate cut increased for September, and the US dollar sold off following the release, alluding to market positioning toward a hotter CPI print that was met with disappointment following the relatively benign data. On the other hand, **PPI surprised materially to the upside two days later**. Year-over-year and month-over-month producer prices rose 3.3% and 0.9% in July, respectively, bucking estimates looking for an increase of 0.2%.

HEADLINES

- Putin and Trump meet in Alaska
- Trump threatens Fed Governor Cook
- BoE cuts by 25 bps
- Powell lines up cut for September
- Fed's Kugler replaced with Miran
- France confidence vote on Sept 8

On the horizon

Fed Chair Jerome Powell opened the door to a rate cut at the Fed’s September meeting, citing the weakening labour market as the main reason for the dovish stance. The Fed is at a crossroads as both labour market supply and demand weakens while upward pressure on prices due to tariffs has complicated the path for inflation to trend down to the target of 2%. Markets were positioned for a hawkish surprise and the indication of a dovish adjustment to the policy stance resulted in a US-dollar selloff and moves lower in yields across the curve.

Fed Governor Adriana Kugler unexpectedly resigned despite her term ending in January 2026, opting to vacate her seat on August 8. Trump tapped Stephen Miran, the current chairman of the Council of Economic Advisers, as a temporary replacement until January 31, 2026. Miran has cited tariffs as a way to boost economic growth with no evidence of adverse price affects—a view contested by other Fed governors.

Reports surfaced that Christopher Waller was the favourite for next Fed chair according to Trump’s advisors, although Trump and Waller have yet to meet. Scott Bessent is also set to interview additional candidates in the coming weeks with the search set to expand to upwards of 10 candidates, including vice-chairs Michelle Bowman and Philip Jefferson.







Trump accused the Bureau of Labor Statistics (BLS) of manipulating the data for political purposes after large negative revisions appeared in the May and June data and subsequently fired Commissioner Erika McEntarfer on August 1, replacing them with EJ Antoni. Antoni has criticized the BLS in the past and observers have highlighted the potential for political bias in the pick. Antoni holds a PhD in economics and serves as the chief economist at the Heritage Foundation.

The Canadian Labour Force Survey for July revealed a continued weakening of the labour market as employment fell by 40,800 jobs, undercutting expectations for an increase of 10,000 jobs. The decreases in jobs were primarily in the private sector, and youth unemployment for those aged between 19 and 24 also topped 14.6%. The unemployment rate remained unchanged at 6.9%, bucking estimates of an increase to 7% and was driven by a decrease in labour force participation.

French politics took the spotlight again as Prime Minister François Bayrou announced he will be making a general policy speech on September 8, putting his tenure at risk if he fails to gain the confidence of the National Assembly. Currently, it seems unlikely Bayrou will survive the vote of confidence as opposition parties have already publicized their lack of support. The announcement weighed on the Euro and French bonds as a political gridlock highlighted the fiscal uncertainties surrounding to the budget.

Emerging markets

Brazilian Finance Minister Fernando Haddad announced the meeting with Treasury Secretary Scott Bessent was cancelled without offering a new date for a meeting. Subsequently, in response to US tariffs, Brazil’s government offered domestic support via a 30 billion reais credit line to affected local firms while Lula still weighed the use of reciprocal tariffs. Fundamental drivers continue to drive the Brazilian real (BRL) as USDBRL trades toward 5.4 with the Banco Central do Brasil holding the Selic rate at 15% at last month’s meeting supporting the appeal of carry trades.

KEY UPCOMING EVENTS		
DATE	EVENT	
SEP 5		US NFP
SEP 11		ECB meeting
SEP 11		US CPI
SEP 17		BoC rate decision
SEP 17		Fed rate decision
SEP 18		BoE rate decision

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