

## Dollar vs Euro

Assuming the U.S. data remains broadly supportive, we expect the dollar to grind moderately higher against the euro through the course of the year.

The euro may face further headwinds, the same ones the dollar endured last week. Germany releases preliminary inflation figures for June, and similar to the US, they may undershoot or at least not exceed estimates

The dollar was up, but remained below a two-month high, on Tuesday morning in Asia. Investors now await U.S. employment data that could determine when the U.S. Federal Reserve will withdraw its stimulus measures.

Fed officials have since focused on whether upcoming data will merit asset tapering and interest rate hikes, with Fed Chairman Jerome Powell saying during the previous week that decisions would not be based just the "fear" of inflation and will encourage a "broad and inclusive" job market recovery.

Investors now await the U.S. job report, including non-farm payrolls, for June, due on Friday. The U.S. will also release its Conference Board (CB) Consumer Confidence index later in the day and the Institute of Supply Management (ISM) Manufacturing Purchasing Managers Index (PMI) on Thursday.

The market had been positioned long of the euro on optimism regarding the vaccine catch-up trade in the region but forecasts that the Delta variant of COVID-19 could spread through Europe in the summer months could now be undermining confidence in this trade," Rabobank strategist Jane Foley said in a report, which also cut a one-month euro forecast.

Several hawkish members of the European Central Bank have suggested it is time to cut back on bond-buying as the economy improves and prices are rising and a halt to such advances could weigh on the common currency. Lagarde is supporting printing more euros to secure the recovery, and reportedly putting her foot down to clamp down on the more hawkish voices.

Sources: fxstreet.com, Reuters.com, investing.com

