

## WEEKLY MARKET RECAP: July 17– July 21, 2023

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

June's CPI report showed gathering disinflation with headline CPI rising 0.2% m/m and 3.1% y/y on a seasonally adjusted basis, well below peak inflation of 8.9% y/y a year ago. This trend is not unique to the U.S.: the OECD reported softening inflation in most major economies to 6.5% y/y in May, the lowest level for global inflation since December 2021.

Overall, prices continue to soften although progress among countries remains uneven. In good news, core goods began easing late last year due to supply chain improvements, and energy followed suit as countries used strategic reserves and increased supply to compensate for Russia's lack of production. Emerging markets, where some central banks took action early on, have had more success in bringing down core inflation and could see rate cuts this year. On the other hand, some countries in developed markets (particularly Italy) continue to battle food inflation while the rest wait for core inflation to drop further. In particular, core services prices have been slower to ease due to tight labour market conditions globally. Prices for labour-intensive services, like medical care and education, may be softened through further monetary tightening, but others, like transportation, may stay elevated with higher rates. Those experiencing structural challenges, like the U.K. with very sticky inflation and China facing potential deflation, will likely need to fight longer to get inflation on the right path.

Despite a few outliers, the global disinflation trend continues to take shape. However, with some central banks reaching the end of hiking cycles and others only beginning, investors need to pay attention to how diverging global monetary policy can affect currency dynamics and therefore international returns.

Thanks for reading! Have a great weekend.

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