

Inflation Gets Interesting!



Update
23 June 2021

Contact us:

T: +353 (0) 1 421 0091

E: treasury@investec.ie



Inflation Gets Interesting!

- The rapid easing of US pandemic lockdown restrictions has seen a surge in US inflation to near thirteen year highs.
- On 16 June, an understandably concerned and newly hawkish US Federal Reserve tweaked their interest rate forward guidance accordingly, prompting a broad based dollar rally.
- In less than a week, EUR / USD retraced nearly 300 points from the pre-FOMC highs of \$1.2200.
- Are the Fed's inflationary concerns well founded or are they the result of a transitional/temporary supply bottleneck?
- We'll have to wait until 1.30pm on 13 July, when the US Bureau of Labor and Statistics release their now hotly anticipated June 2021 Consumer Price Index numbers.
- Ahead of that crucial US inflation print, dollar sellers who may feel that this large / sharp dollar move is slightly overdone could do worse than take note of the very strong multi-month technical support levels (as per chart below) at \$1.1700/\$1.1750 from late March / early April.



(Source: Bloomberg)

Disclaimer

Investec Europe Limited (Investec Europe) has issued and is responsible for production of this publication. Investec Europe Limited trading as Investec Europe is regulated by the Central Bank of Ireland. Registered in Ireland Number 222173. Registered office The Harcourt Building, Harcourt Street, Dublin 2, D02 F721.

This publication should be regarded as being for information only and should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments, securities or any derivative instrument, or any other rights pertaining thereto (together, "investments"). Investec Europe does not express any opinion as to the present or future value or price of any investments referred to in this publication. This publication may not be reproduced without the consent of Investec Europe.

The information contained in this publication has been compiled from sources believed to be reliable, but, neither Investec Europe, nor any of its directors, officers, or employees accepts liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. The information contained in this publication is valid as at the date of this publication. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the matters discussed herein.

This publication does not constitute investment advice and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments or pursuing any investment strategies. Investec Europe operates exclusively on an execution only basis.

An investment in any of the investments discussed in this publication may result in some or all of the money invested being lost. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any investments, the reader is warned that forecasts are not a reliable indicator of future performance. The value of any investments can fall as well as rise. Foreign currency denominated investments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such investments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

Investec Europe (or its directors, officers or employees) may to the extent permitted by law, own or have a position in the investments (including derivative instruments or any other rights pertaining thereto) of any issuer or related company referred to herein, and may add to or dispose of any such position or may make a market or act as a principal in any transaction in such investments or financial transactions.

Investec Europe's conflicts of interest policy is available at https://www.investec.com/en_ie/legal/IE/terms-and-policies.html