

Chart of the Day

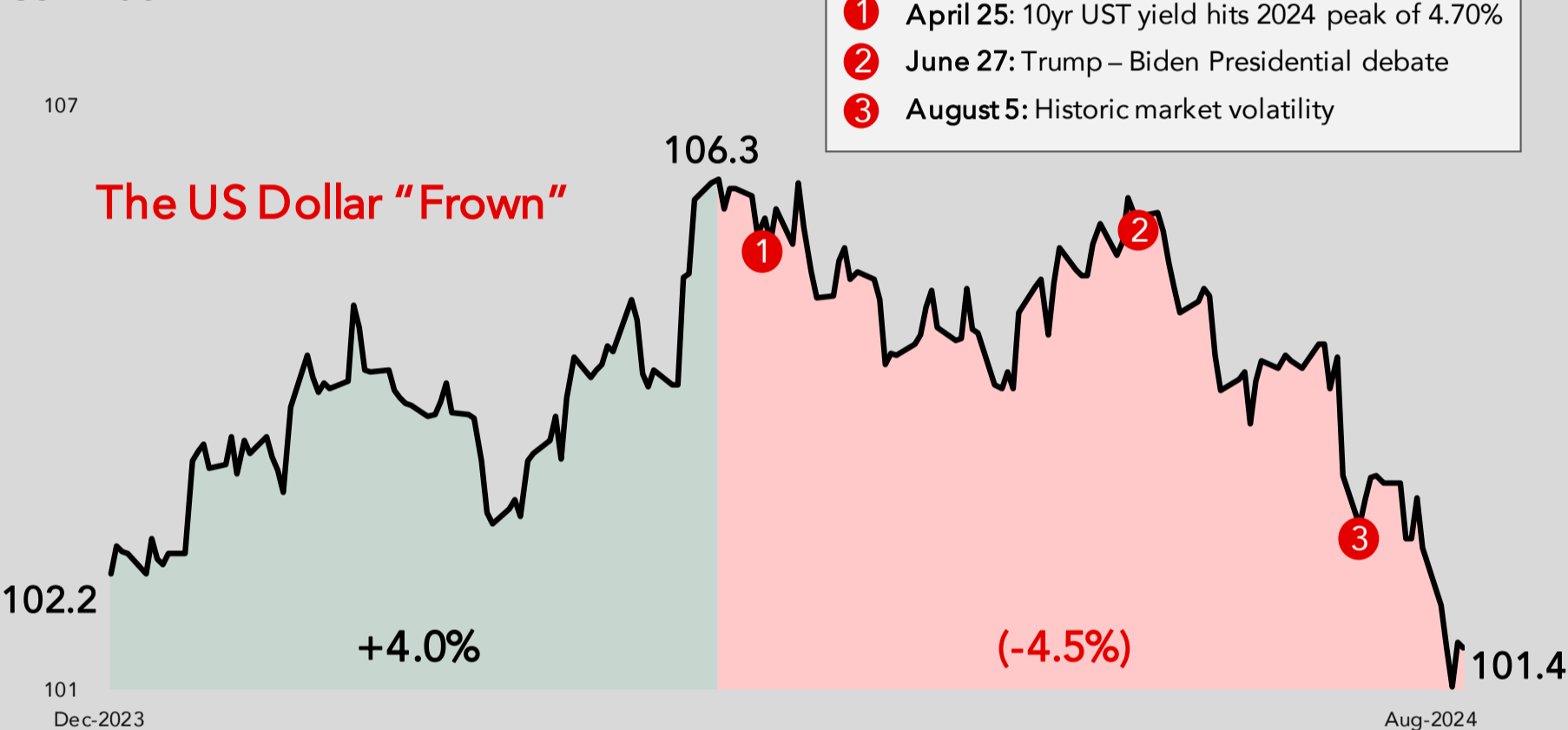


Dozens of central bankers from around the world flew into Jackson Hole, Wyoming, this week to attend the Kansas City Federal Reserve's annual symposium in beautiful Grand Teton National Park. The Kansas City Fed's annual event has been held since 1978, though switched to its current location in 1982. The guest list, expanding over decades to more than 120 people today, includes global central bank officials from Europe, Asia, Africa and the Americas, as well as prominent economists, academics and most of the Fed's 19 policy makers.

At this pivotal transition period in global monetary policy, this year's theme is focused on **"reassessing the effectiveness and transmission of monetary policy."** Fed Chair Jerome Powell's speech on Friday morning, Aug 23, will be a primary focus, especially since markets have priced the first rate cut in the current Fed cycle at the Fed's next meeting in September.

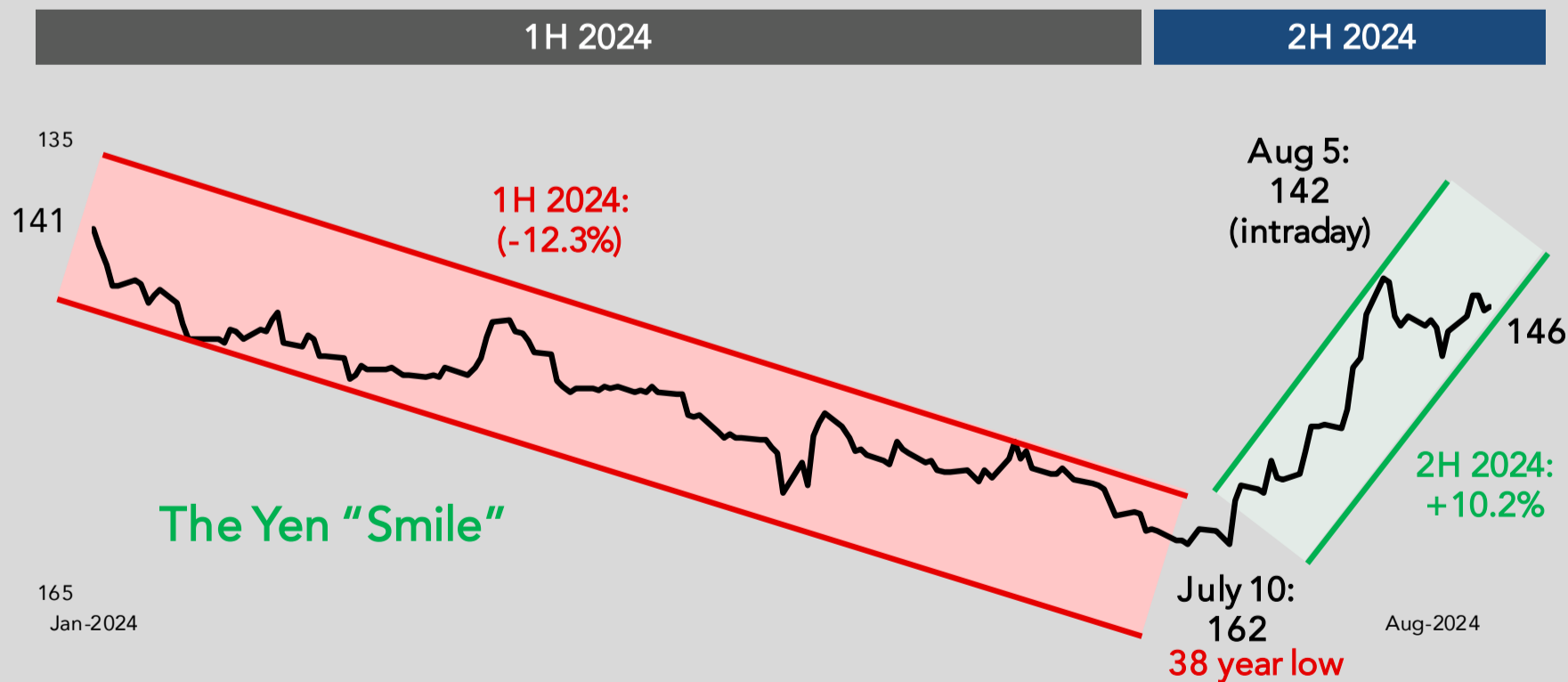
Since UST yields hit their 2024 highs in April, the USD index has declined nearly 5%. Key drivers of the US dollar's deceleration include: (1) Fed policy easing coming closer into view; (2) expected convergence in global rate expectation differentials; (3) softer US economic data; and (4) convergence in US election polling.

USD index



USD / Yen may be the most important global currency pair to track into year-end. Following three years as the weakest performing G10 currency, reaching a 38 year low in July, the Yen has led G10 currencies with over 10% appreciation vs USD since its July 10th low. Abrupt Yen appreciation has typically accompanied global financial instability in the past, as happened during the acute volatility of August 5th. MUFG's Derek Halpenny notes that the 20 point drop in USD/Yen over the 18 trading days into Aug 5 was the largest since October 2008.

USD / JPY in 2024



Source: (1-2) Bloomberg. Data as of August 23, 2024. USD index is DXY index. Axis inverted to show Yen performance vs. USD. Percent change is yen depreciation / appreciation vs. the USD.

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"Macro stability isn't everything, but without it, you have nothing."