

A new week, a new month and no sign of the markets taking a breather never mind a holiday.

Tomorrow we have the latest interest rate decision from the RBA, the Reserve Bank of Australia. Thursday its the turn of the Bank of England.

In the last two weeks, both the US Federal Reserve and even the ultra cautious ECB (European Central Bank) have raised rates to combat the decades high inflation rates we are currently experienced in the west. In the case of the ECB, it was their first rate increase in over 11-years.

Will the RBA and the BoE follow suit?

Friday brings the latest US employment data. With the US entering a technical recession, will the Fed carry on tightening or pause for breath. Friday's data will give us a big clue of what is most likely around the corner from the leading global central banks.

The Pound hit a 12-week high against the Euro last week and a 4-week high against the US Dollar.

Interest rate differentials are a key driver of currency exchange rates so this will be another busy, lively week in the financial markets.

What other factors are influencing current exchange rates?

Take your pick from the:-

- continuing UK leadership battle between Liz Truss and Rishi Sunak. As Liz Truss's plans are to cut taxes and go for economic growth, this is 'manna from heaven' for the markets so its no coincidence that the Pound has strengthened as Truss leads the polls to replace Boris Johnson and become the next British Prime Minister come 5 September.
- The Italian government has fallen twice in the last fortnight fostering talk of another EU sovereign debt crisis that so afflicted the euro zone in 2009 onwards. To make matters even more 'interesting' the leading contender to become the next Italian PM has previously campaigned for an 'Italexit' or an Italian exit from the EU.
- Putin turned off the gas taps supplying Germany completely for a few hours last week. Any serious escalation would push the EU's biggest economy into its single biggest downturn since the end of WW2 as the whole of Germany's industrial base is powered by Russian gas and petrochemical supplies. Maybe the 'orange man' wasn't so wrong after all.
- Is the US suffering from its first bout of stagflation since the 1970's? Not a good omen for President Biden's Democrats ahead of the mid-term elections due on 8 November.

**Of course, currency market volatility can bring trouble but with careful monitoring can also bring opportunity.**

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This week's quote is from Apple founder Steve Jobs "If you really look closely, most overnight successes took time".