



CURRENCIES

U.S. dollar flat in choppy trading after payrolls beat expectations

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The U.S. dollar was little changed against a basket of currencies on Friday ahead of the weekend following a choppy session that saw the greenback posting both gains and losses after data showed the world's largest economy created more jobs than expected in June.

The report cemented expectations of another 75 basis-point hike at the Federal Reserve's policy meeting later this month. U.S. nonfarm payrolls increased by 372,000 jobs last month, the Labor department reported on Friday.

Economists polled by Reuters had forecast 268,000 jobs added last month. Earlier in the session, the greenback hit a fresh two-decade high against a basket of currencies, led by gains against the euro amid signs the euro zone economy will tip into recession. The dollar has hit consecutive 20-year peaks this week, gaining in five of the last six weeks.

In afternoon trading, the dollar index was flat at 106.96. Fed funds futures priced in a more than 90% chance of a 75-bps rate hike this month, with about 187 bps of cumulative tightening by the end of the year. That was up from 181 bps late Thursday.

“Solid U.S. data, in particular today's stronger-than-expected payrolls, and continued hawkish rhetoric from FOMC (Federal Open Market Committee) officials reinforced the growing divergence between the increasingly bleak outlook in Europe and the more resilient U.S

economy,” wrote Jonas Goltermann, senior markets economist, at Capital Economics.

That said, some economists pointed out that a deeper look at the jobs report showed that it was not as strong the headline suggested.

Bernard Baumohl, chief global economist, at The Economic Outlook Group, said in a report, that the data reveals “an economy that is already transitioning toward slower growth.” He said he sees fresh signs that employers turned more cautious in June, hiring 30% fewer workers in the second quarter than in the first three months of the year and down more than 10% from the same spring quarter a year ago.

“And if you look at the three-month moving total in payrolls, the period ending in June was the slowest since February 2021. Will the Fed take notice?”

With jobs out of the way, investors are now focused on Wednesday’s inflation report. Economists are forecasting that the year-on-year consumer price index will hit a fresh 40-year high of 8.8% in June, according to a Reuters poll. The monthly core index is seen slipping, however, to 5.8% from 6.0% in May.

The euro was also on investors’ radars. The currency was down around 3% against the dollar this week as investors worry about the economic impact of an energy crisis brought on by the uncertainty of gas supply from Russia. The euro was last up 0.1% at \$1.0176. Against the yen, the dollar gained 0.1% to 136.07 yen.

Safe-haven demand briefly lifted the yen on Friday after former Japanese Prime Minister Shinzo Abe was shot while campaigning for a parliamentary election. Abe, Japan’s longest-serving leader, died later on Friday.

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