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Foreign Exchange Market Highlights

Good morning!

The US dollar is trading in a very limited range vs. all of its major trading partners ahead of tomorrow's decision by the Federal Reserve on monetary policy. It is expected that rates will remain steady, while analysts expect that the Fed will announce the beginning of the process to reduce its current \$4.5 trillion balance sheet. The plan is to have a soft landing to the end of the Fed's quantitative easing program first introduced back in November of 2008. However, the impact the process will have on the economy and the markets is still uncertain. Only time will tell. Federal Reserve Chairwomen Janet Yellen will hold a press conference at the conclusion of the two-day meeting beginning tomorrow at 2pm.

The GBP continues to look for firmer footing vs. the USD and EUR following Bank of England (BoE) Governor Mark Carney's speech in Washington D.C. late yesterday afternoon. Carney indicated that future rate hikes by the BoE would be "at a gradual pace and to a limited extent". He went on to say that he believes that there is still downside risk to the economy and leaving the European Union (EU) will have an impact on economic growth. Carney's comments pushed the GBP off of its recent post Brexit highs.

Germany's ZEW Index rose seven points in September driven by a significant increase in both public and private investment. Economic sentiment in Germany now stands at 17.0 for the month after a dismal 10.0 reading for the month of August. The report indicated that the recent rise in the EUR has not had a negative impact on the German economy and that demand for German goods and services from outside of the EU remains strong. Economic Sentiment in the EU increased to 31.7 vs. an expected 32.4 reading. The EUR traded slightly higher after the release.

JPY hit a two month low vs. the USD ahead of Thursday's Bank of Japan monetary policy decision. It is expected that there will be no change in monetary policy. On the political front, there is growing speculation the Prime Minister Shinzo Abe is considering calling for a general election to be held as early as next month. A decision whether or not to hold the vote could be reached sometime next week.

Enjoy the day.

Darin Fetsko

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