

Recession fears pushing the dollar to multi-year highs against the majors

By  Andre Cilliers

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The DXY index traded at a two-decade high of 110.37 yesterday as global recession fears pushed investors to the safety of the greenback.



Source: [Fxabay](#)

The euro and pound fell to a 20-year and 37-year low of .9875 and 1.1441, respectively, against the dollar yesterday, while the yen hit a new 24-year worst level of 140.96 this morning.

The Chinese yuan touched a new two-year weakest level of 6.9430 this morning, prompting the People's Bank of China (PBOC) to cut foreign-exchange reserve requirements for banks in an effort to support the currency.

The dollar has retreated somewhat this morning as markets await the opening of US markets after the Labor Day holiday yesterday. The dollar is currently at 0.9950 against the euro and at 1.1565 against the pound.

The pound seems to have taken the appointment of Liz Truss as the new prime minister fairly well, while the euro is firmer ahead of the European Central Bank's interest-rate decision on Thursday.

The rand initially succumbed to the strong dollar yesterday as it weakened to R17.42 levels but recovered to close at R17.17 as the dollar pulled back. The local currency is trading even firmer at R17.13 this morning, in line with stronger emerging market (EM) currencies and some improved risk appetite.

As we stated yesterday, the rand was getting quite stretched and was due some correction. The local currency has also recovered against both the euro and pound, and is trading at R17.0630 and R19.8350, respectively.

Yesterday was a quietish day on the metals front due to the closure of the US markets. Gold closed flat while platinum and palladium showed modest gains.

This morning we have all three metals trading slightly firmer at \$1,716 for gold, at \$850 for platinum, and at \$2,050 for palladium. The Organization of the Petroleum Exporting Countries (Opec+) has agreed to cut the supply of crude by 100k barrels a day from October in an effort to prop up the oil price.

Brent crude is currently trading at \$95 and West Texas Intermediate (WTI) at \$88.70.

ABOUT ANDRE CILLIERS

Andre is the Currency Risk Strategist at TreasuryONE. Andre's career in treasury spans more than 30 years. He has gained his extensive currency risk experience in both the banking and corporate arena. Before joining TreasuryONE, Andre headed up the treasury department for a Tier One German international bank in South Africa.

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