

USD. Strength or Weakness

Where will the USD go, up or down? We dealt with the possibility that the Fed would delay the rate hike and concluded that any resultant USD weakness would be temporary. As long as rate hikes were on the horizon, any USD weakness would be temporary. If a rate hike was ruled out indefinitely, then perhaps USD weakness would be more durable.

Assuming that the US economy continues on a low, stable, trend growth path, the USD would only see potential longer lasting weakness after the rate hike cycle was over. To rephrase, USD weakness is more likely to only follow after rate hikes, not before.