Source: ACFX Forex Broker (Review and Forex Cashback)
Wednesday's rather disappointing US, Retail Sales, and PPI numbers had the effect of sending the US Dollar lower as traders and investors priced out the possibility of the Federal Reserve increasing its Fed Funds interest rate at the October or December meetings. Although the possibility of an October decision to increase interest rates remains highly unlikely, yesterday's inflation and jobs data increased the prospect of Janet Yellen and her colleagues at the Federal Reserve Open Market Committee moving on rates in December. According to data released on Thursday, by the Bureau of Labor Statistics, CPI, as expected, reached -0.2%. However, there was positive news with respect to Core CPI number which excludes Food and Energy, increased to 0.2%. On the job front, the Department of Labor published some very positive news with Unemployment Claims dropping to 255,000. The prior number stood 262,000 and the market had expected an increase to 262,000. The positive news on the inflation and job front had the effect of reversing the previous bearish sentiment for the US Dollar. Traders from just one afternoon of positive data realigned themselves to the possibility that a December rate hike had increased. The American economy is, of course, monitored and discussed more than any other major developed market. The last two days market data only goes to highlight the importance of the finances of this nation. Even though interest rates have remained at record lows for a very long time, growth in the US economy has failed to take off. A rise in interest rates is, of course,

inevitable and many analysts and market participants are pushing for this to happen now so that the US economy can get over what has become a psychological barrier. The United States, very much like the Japanese and European Union economies has changed over the past twenty or so years. Technological has not only transformed how we work but also changed what we produce. Demographics are also having a huge impact with populations becoming older combined with a falling unemployment rate, the need to have such rigid targets for inflation, growth, and employment now look redundant. There does seem from the outside a degree of excessive resistance by the FOMC in increasing interest rates. Many have said that the Fed Chairwoman, Janet Yellen has become a hostage to the data and is unable to act. However, the responsibility in the hands of the FOMC is, however, enormous. Not only must the decision makers take the correct action but also more importantly, avoid taking the wrong action. If interest rates are prematurely raised in December, the shock to the market and the real economy will be tangible if the FOMC then has to reverse its decision, as was the case of Sweden, Norway and Canada where a hawkish stance on interest rates had to be abandoned due to a deteriorating domestic economy. The understandably cautious stance taken by the FOMC continues to point to an interest rate increase in the spring of 2016. That is unless wage inflation begins to increase excessively.