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Report August 2024.

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In August 2024, the Forex market experienced heightened volatility, shaped by a combination of shifting expectations regarding the monetary policies of major central banks, geopolitical tensions, and mixed economic data from key global economies. This period was marked by significant movements in the major currency pairs, driven by economic indicators, central bank communications, and geopolitical developments that created a complex trading environment for market participants.

The U.S. dollar strengthened significantly during the month, reversing its previous downtrend and regaining ground against most major currencies. This resurgence was primarily driven by stronger-than-expected U.S. economic data. The GDP for the second quarter was revised upward to 3.0%, surpassing initial estimates, which reinforced the perception of economic resilience in the United States. Additionally, robust Non-Farm Payrolls (NFP) figures indicated continued strength in the labor market, reducing the likelihood of aggressive rate cuts by the Federal Reserve. The combination of these factors bolstered the dollar, as traders adjusted their expectations for future Fed actions. Furthermore, the dollar's safe-haven appeal was enhanced by global uncertainty, particularly in the face of rising geopolitical tensions, making it the preferred currency for risk-averse investors during August.

The euro, on the other hand, faced considerable headwinds, declining to its lowest levels in two weeks against the dollar. The Eurozone's economic outlook remained fragile, with slowing inflation in key economies like Germany and Spain raising concerns about deflationary pressures. The European Central Bank (ECB) signaled a cautious approach, with markets speculating that it might adopt more accommodative policies if inflation continued to weaken. This dovish outlook weighed heavily on the euro, as investors became increasingly concerned about the potential for further rate cuts by the ECB in the coming months. The euro's decline was exacerbated by weak industrial production data and soft consumer confidence indicators, which together underscored the economic challenges facing the Eurozone.

The British pound exhibited relative stability, even as the UK economy grappled with persistent challenges. Inflation remained stubbornly high, while GDP growth lagged behind expectations. Despite these difficulties, the Bank of England maintained its hawkish stance, keeping interest rates unchanged but signaling a readiness to act if inflationary pressures persisted. This stance helped the pound avoid significant losses, although it remained vulnerable to further economic setbacks. The post-Brexit environment continued to cast a shadow over the UK economy, with ongoing trade negotiations and political uncertainties contributing to the cautious sentiment surrounding the GBP.

The Japanese yen continued its downward trajectory against the dollar, approaching the 145 yen per dollar mark, despite domestic inflation rising above the Bank of Japan's 2% target. The yen's weakness was largely driven by the stark contrast between the BOJ's ultra-loose monetary policy and the tightening stances of other major central banks. This divergence made the yen less attractive to investors, particularly as U.S. Treasury yields rose, further widening the interest rate differential. Speculation about potential government intervention to stabilize the yen added to market volatility, but it failed to provide substantial support for the currency.

Emerging market currencies were particularly hard-hit during August, as concerns about global growth and the prospect of higher U.S. interest rates weighed heavily on these economies. The Brazilian real and South African rand, in particular, experienced increased volatility, reflecting the impact of deteriorating global conditions on commodity-dependent economies. Weak economic data from China, including disappointing trade figures, also put pressure on currencies like the Australian and New Zealand dollars, which are closely tied to Chinese demand for commodities.

The overall risk-off sentiment in global markets further exacerbated the challenges faced by emerging market currencies, leading to significant depreciation against the dollar.

Several key events shaped the economic and financial landscape in August 2024. One of the most significant developments was the ongoing geopolitical tension between China and Taiwan, which heightened fears of military conflict and disrupted regional markets. This tension contributed to increased demand for safe-haven assets, including the U.S. dollar and Japanese yen, despite the latter's overall weakness. In Europe, the energy crisis deepened as Russia continued to limit natural gas supplies to the continent, driving up energy prices and exacerbating inflationary pressures. This situation further complicated the ECB's policy decisions, as the central bank faced the difficult task of balancing the need to control inflation with the risk of stifling already weak economic growth.

Another major event was the announcement by the Federal Reserve that it would maintain its current interest rate policy but would closely monitor inflation and labor market developments. This decision provided temporary relief to the markets, but the underlying concerns about a potential slowdown in the U.S. economy persisted, leading to fluctuations in the dollar's value towards the end of the month. Additionally, the Bank of Japan's continued commitment to its ultra-loose monetary policy, despite rising inflation, underscored the challenges faced by central banks globally in navigating the post-pandemic economic environment.

In summary, August 2024 was a month characterized by significant volatility and uncertainty in the Forex market. The U.S. dollar's resurgence was supported by strong economic data and a cautious Federal Reserve, while the euro and yen struggled with weak economic fundamentals and divergent monetary policies. Emerging market currencies faced mounting pressures from global economic headwinds, further complicating the trading environment. The combination of economic data, central bank policies, and geopolitical developments created a highly dynamic and challenging market landscape, requiring investors to remain vigilant and adaptive in their strategies.

In response to market conditions, we adjusted our asset allocations across five investment accounts to optimize returns and manage risk effectively. Account 1 had a 40% allocation to forex, focused on EUR/USD, CAD/CHF, and AUD/CAD; a 10% allocation to indices, with investments in S&P 500 and other indices; a 10% allocation to commodities, primarily in gold (XAU/USD), silver, and crude oil; and a 40% allocation in other diversified markets. Account 2 had a 10% allocation to forex, focused on EUR/USD and GBP/USD; a 50% allocation to indices, primarily in S&P 500 and technology indices; a 30% allocation to commodities, with a focus on crude oil and natural gas; and a 10% allocation in other diversified assets. Account 3 had a 30% allocation to forex, focused on EUR/USD, CAD/CHF, and AUD/CAD; a 30% allocation to indices, with investments in S&P 500 and other indices; and a 40% allocation to commodities, primarily in gold (XAU/USD), silver, and crude oil. Account 4 had a 20% allocation to forex, focused on EUR/USD and CAD/CHF; a 10% allocation to indices, primarily in S&P 500 and technology indices; and a 70% allocation to commodities, with a significant focus on energy commodities, gold (XAU/USD), and silver. Account 5 had a 30% allocation to forex, focused on EUR/USD, CAD/CHF, and AUD/CAD; a 30% allocation to indices, primarily in S&P 500 and other indices; and a 40% allocation to commodities, with a focus on gold (XAU/USD), silver, and crude oil.

Overall, our strategic adjustments in August 2024 resulted in a notable profit. The diversified approach and adaptive asset allocation across forex, commodities, and equity markets allowed us to navigate market volatility and capitalize on emerging opportunities. The total monthly profit was 6.11%, driven by strong positions in major currency pairs, particularly XAU/USD, EUR/USD, and CAD/CHF, along with significant gains in energy commodities and precious metals, and selective gains in energy and materials sectors amidst overall market volatility. This report underscores our expertise in managing investments in complex and dynamic macroeconomic environments, leveraging diversified strategies to achieve optimal returns while effectively managing risks.