



US Dollar Devalued by Alarming Forecast for Trump's DACA Plans

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Estimates about the long-term impacts of Donald Trump's policies have significantly weakened the US Dollar today. Against the Euro, the US Dollar has also slipped due to waning confidence about foreign policy with North Korea.

- **USD EUR rate tight at 0.8354** – EUR USD trades at 1.1968
- **DACA controversy weakens US Dollar** – Forecasts suggest economic damage from Trump policy
- **Higher Eurozone inflation keeps Euro in demand** – Below 1% forecast for Q1 2018
- **USD could turn turbulent on Fed news** – Uncertainty about incoming Eurozone confidence stats

Last week saw the US Dollar make a small advance against the Euro, opening at 0.8324 on Monday and closing near 0.8370 on Friday.

DACA Cost to US Economy Estimated at \$200bn, US Dollar Slides

The US Dollar has lost ground to the Euro today, following a pessimistic forecast for what rescinding the DACA program could cost the US economy.

The program allowed the children of illegal immigrants to live and work in the US, but Donald Trump has recently called for the program to be scrapped.

According to some estimates, because many DACA-affected citizens are embedded in the US economy as workers, removing them might cost the US \$200bn.

Highlighting this potential pitfall have been Ike Brannon and Logan Albright of the Cato Institute, who have said;

'The repeal or rollback of the DACA program would have a significant and negative fiscal and economic impact on the country, and disproportionately affect the various states in which DACA recipients are most prevalent'.

In other news, Trump has recently mocked North Korean leader Kim Jong-Un by calling him 'rocket man' in a social media post, while also claiming that the country is being harmed by fuel shortages.

Whether this is actually accurate remains to be seen, which has raised further questions about whether the US's stance with North Korea is having any notable effect.

EUR USD Exchange Rate Advances as Inflation Rises in August

Forecast-matching Eurozone inflation rate figures have pushed the single currency up against the US Dollar today.

The pairing has advanced to a rate of 1.1968 thanks to present optimism about the European Central Bank (ECB).

With inflation hitting 1.5% on the year in August, this has been a step closer to the ECB's inflation target of 2%.

Monthly inflation has also improved significantly, rising from -0.5% in July to 0.3% in August.

There has been a sting in the tail for Euro traders, however, as ECB officials believe that Eurozone inflation will drop to 0.9% in the first quarter of 2018.

This inflation rate downgrade would be because volatile factors like oil and unprocessed food will be included in the measure.

Problematically for the ECB, lower inflation lowers their incentive for higher interest rates, so it remains to be seen how this will affect plans to ease off quantitative easing.

US Dollar Turbulence ahead on Fed Interest Rate Decision

The week's main US news will come on Wednesday evening and may lead to the US Dollar sliding in value.

This will be the Federal Reserve's interest rate decision for September, which may give an idea of what could happen in December.

The Fed is not expected to touch interest rates at this month's meeting, but may hint at whether a third rate hike is still a possibility this year.

Currently, traders believe there is an over-50% chance of higher interest rates in December, but the Fed meeting could change all this.

If it does look like the central bank is still on track for a third rate hike then the US Dollar could rally.

High-impact Eurozone news will be out sooner on Tuesday morning. The main focus will be on ZEW confidence figures for September.

Forecasts have been mixed, as economists believe that Eurozone-wide economic sentiment will fall but German confidence will rise. If both figures rise then the Euro could firm against the US Dollar.

Current Interbank USD EUR Exchange Rates

At the time of writing, the US Dollar to Euro (USD EUR) exchange rate was trading at 0.8354 and the Euro to US Dollar (EUR USD) exchange rate was trading at 1.1968.