



President Trump The first 100 days in office

The impact on foreign exchange market
CLS Analytics

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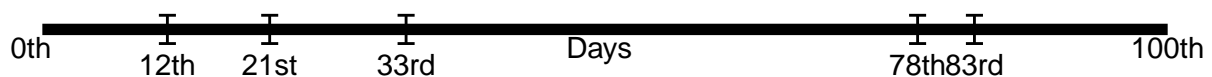
Introduction

A president's first 100 days in office have been used as a way to evaluate their successes and accomplishments since the time of President Roosevelt in 1933. According to a recent poll carried out by NBC News/Wall Street Journal (WSJ), 45 percent of respondents believe President Trump is off to a poor start, with an additional 19 percent who say it's been "only a fair start." That is compared with a combined 35 percent who think the president's first three months in office have been either "good" or "great". By contrast, in the exact same question from April 2009 NBC/WSJ poll, 54 percent of Americans said that Barack Obama's first 100 days had gotten off to either a good or great start, while 25 percent said they were fair, and 21 percent called them poor.¹

Irrespective of how successful President Trump is perceived to have been so far, he and his administration dominated news headlines during the first 100 days in office. In this paper we assess whether their statements and actions have had a significant impact on the foreign exchange (FX) spot market, using data published by CLS on Quandl (see appendix). We do this by examining large hourly volume deviations from the corresponding 2016 average hourly volumes, likely resulting from events related to President Trump and his administration.

Foreign exchange activity

The impact on the FX market was indeed significant. Following is a timeframe listing the days on which President Trump's policy and statements had a big impact on the FX traded volumes:



Here is more detail about each listed event:

Day 12 (31 January): Trump Administration accuses again foreign governments of unfair currency manipulation. The US dollar sold off against G10 majors after President Trump and his administration once again accused foreign governments of unfair currency manipulation. In an interview with the Financial Times², Trump's top trade advisor Peter Navarro commented that Germany is using a "grossly undervalued" euro to "exploit" its trading partners. Meanwhile, Trump reiterated his view that China and others are manipulating currencies. Trading activity was also heightened due to end-of-month portfolio rebalancing around the Reuters fixing.

¹http://www.nbcnews.com/politics/donald-trump/public-gives-trump-low-marks-first-100-days-nbc-news-n749756?cid=e1_nbn_20170423

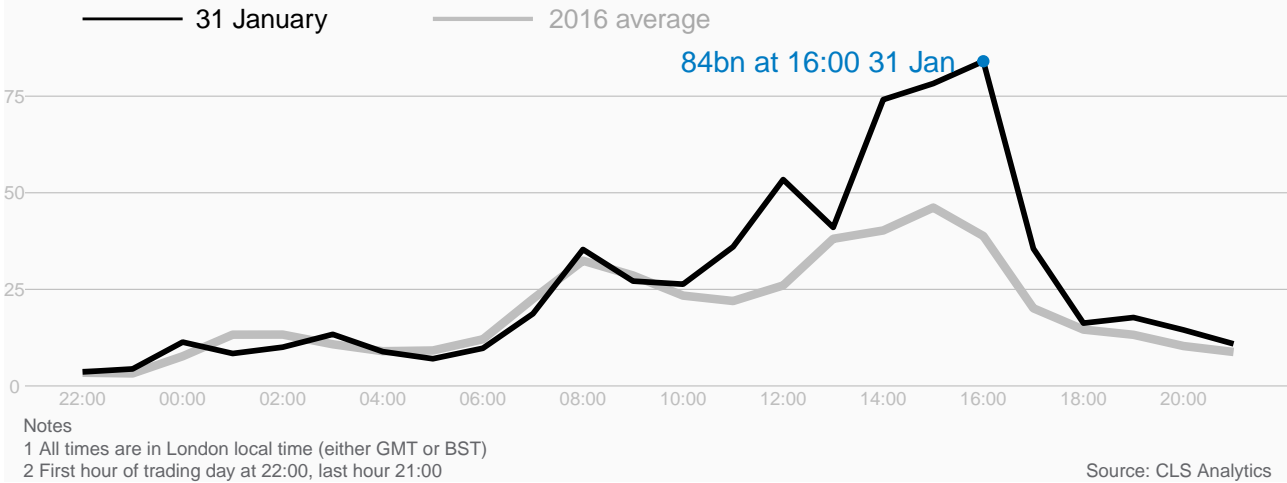
²<https://www.ft.com/content/57f104d2-e742-11e6-893c-082c54a7f539?emailid=56b0c1dc6fee900300791f86&segmentId=ce31c7f5-c2de-09db-abdc-f2fd624da608>



Day 12: Trump and Navarro accuse foreign governments of currency manipulation

Fig. 1

Hourly spot volumes (USD billions) peaked at 16:00 31 January

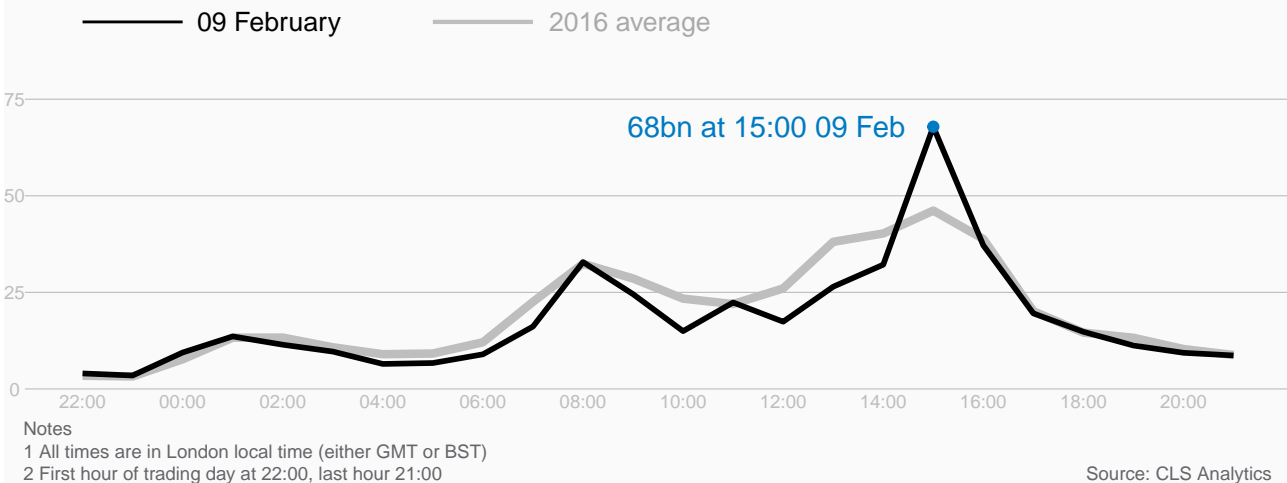


Day 21 (09 February 2017): President Trump promises to announce the most ambitious tax reform plan since Reagan. During a meeting with airline executives, President Trump stated that his administration would be making a “phenomenal” announcement on tax reform by the end of February. After previous reports of disagreements over key budget issues within the Republican Party, the renewed focus on Trump’s pro-growth agenda and timeline for outlining his broader tax reform contributed to a rally in the dollar.

Day 21: President Trump promises tax reform plan

Fig. 2

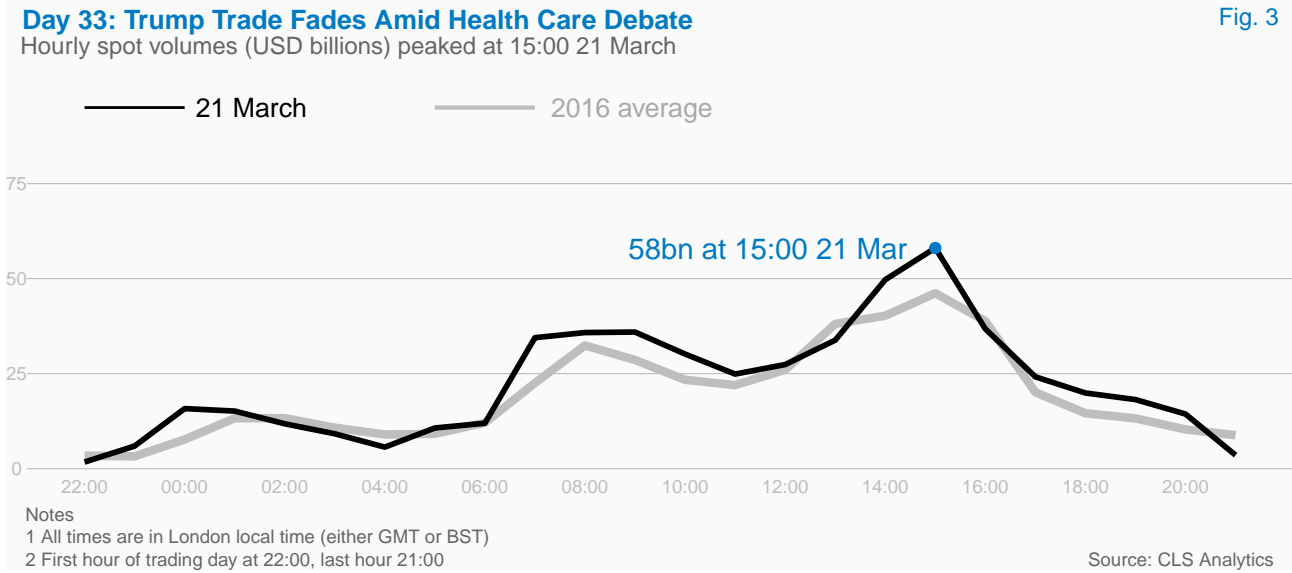
Hourly spot volumes (USD billions) peaked at 15:00 09 February



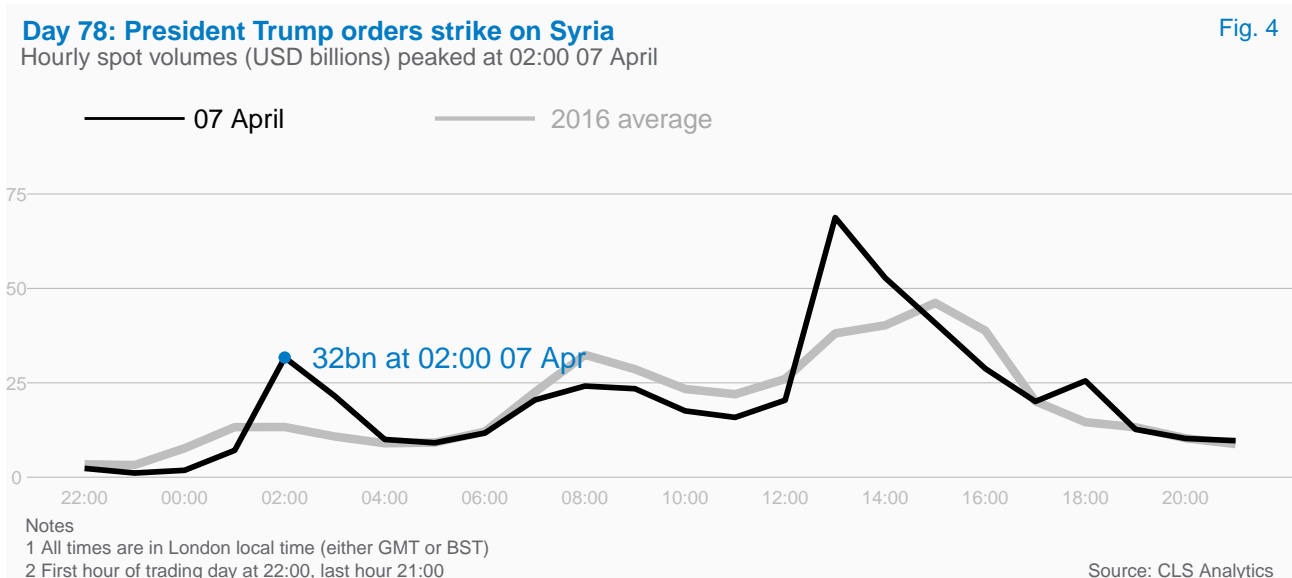
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Day 33 (21 March 2017): Trump trade fades amid healthcare debate Risk assets suffered a setback on concerns that President Trump will not be able to get his healthcare bill through Congress, which would delay the timeline for potential fiscal stimulus. The dollar weakened against most G10 majors, with GBPUSD leading the advance while USDJPY broke through a key support level near 111.80 to end the day at a fresh year-to-date low.



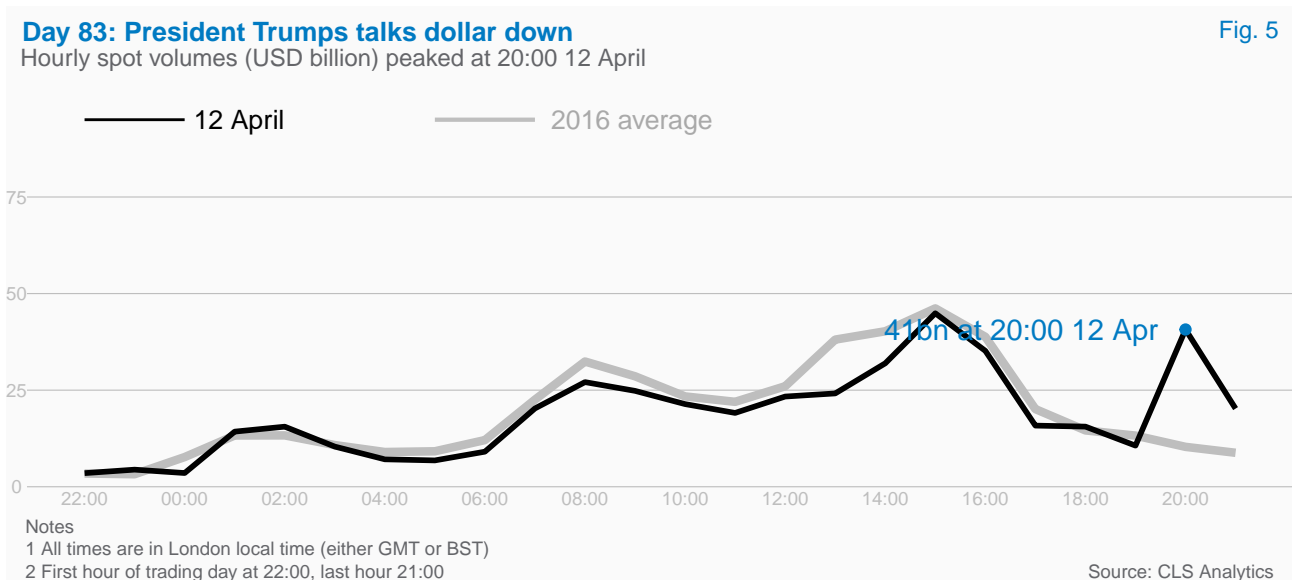
Day 78 (07 April): President Trump orders strike on Syria During the Asian trading session the U.S. military launched nearly 60 Tomahawk cruise missiles on a Syrian air base, responding to mounting call for a display of force in the wake of a suspected chemical attack by Bashar al-Assad regime earlier in the week.



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Day 83 (12 April): President Trump talks dollar down. In an interview with WSJ³, President Trump expressed concern with the strength of the dollar, said he favoured low interest rates and announced that he wouldn't label China a currency manipulator in an upcoming report from the Treasury Department. As a result, the dollar sold off broadly against major G10 currencies. As the article was published late in the American trading session when usual trading activity and volumes subside, the spike in volumes can be clearly attributed to Trump's comments.



Conclusion

Based on the analysis above, actions and statements by President Trump and his administration do appear to have an impact on the FX spot market. We would also like to point out that the report is based on the data available at the time of writing. Therefore, while President Trump is expected to announce a major tax reform plan later during the day on 26 April which may impact FX trading activity and volumes, this could not be included in the analysis.

Appendix

Notes on the data

The data in this report is based on trades submitted to the CLS settlement and aggregation services. The data is adjusted to equate to the same reporting convention used by the Bank for International Settlements (BIS) and the semi-annual foreign exchange committee market reports. These surveys only report one side of any trade, and only the far leg of FX swap trades, to avoid double counting the total amount of trades.

³<https://www.wsj.com/articles/trump-says-dollar-getting-too-strong-wont-label-china-currency-manipulator-149202>



In determining the time of submission, only matched trades are included and we use the earlier of the two submission times as the trade time proxy. We receive confirmation on the majority of trades from settlement members within 2 minutes of trade execution.

We determine the instrument type using an algorithm. The data here is restricted to 32 currency pairs which meet the volume requirements of the algorithm with the exception of HUF/USD which was included to provide visibility into the HUF which was added in November 2015.

Please contact data@cls-services.com with any questions you have relating to the data used in the report.

CLS data available on Quandl

The detailed volume data underlying this review is made available on Quandl, an on-line marketplace for financial and economic data. Data at a monthly, daily and hourly frequency can be purchased by subscription by following this link: https://www.quandl.com/browse?idx=database-browser_currency-data_traditional-currencies_volumes

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