

## All Eyes on Jackson Hole: Powell's Speech Could Redefine Fed Trajectory



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### Lebanese Forex Market

	22/08/2025	15/08/2025	% Change	YTD
Euro / LBP	103,694.70	104,562.85	-0.83%	11.09%
Euro / Dollar	1.1586	1.1704	-1.01%	11.89%
NEER Index	241.57	241.08	0.20%	3.14%

\*Prices are as of the time of writing this report

The **Nominal Effective Exchange Rate (NEER)** of the Lebanese pound edged up by 0.2% this week, reaching 241.57 points on August 22, 2025, against a basket of 21 influential currencies—including the Euro and British pound—as it's pegged to the U.S. dollar, which strengthened throughout the week.

## International Forex Market

	22/08/2025	15/08/2025	% Change	Status
Dollars index = DXY	98.81	97.85	0.98%	Strengthened
Euro (EUR/USD)	1.1586	1.1704	-1.01%	Weakened
U.K. Pound (GBP/USD)	1.3407	1.3555	-1.09%	Weakened
Swiss Franc (USD/CHF)	0.8100	0.8067	0.41%	Weakened
Chinese Yuan (USD/CNY)	7.1842	7.1821	0.03%	Weakened
Japanese Yen (USD/JPY)	148.66	147.17	1.01%	Weakened
Australia \$ (AUD/USD)	0.6419	0.6507	-1.35%	Weakened
Canadian \$ (USD/CAD)	1.3917	1.3820	0.70%	Weakened

\*Prices are as of the time of writing this report

**In international currency markets this week**, the **US Dollar Index**—a measure of the US currency's strength against a basket of six rivals—rose by 0.98% to 98.81 points, supported by soft labor data and shifting rate expectations.

Jobless claims climbed by 11,000 to 235,000 in the week ending August 16—exceeding Dow Jones' 225,000 consensus forecast—while July payrolls came in at just 73,000, far below the 115,000 consensus. Revisions to May and June data erased 258,000 jobs, and the unemployment rate edged up to 4.2% in July from 4.1% in June. These signs of labor market weakness initially fueled speculation of a jumbo rate cut in September.

However, inflationary signals and cautious Fed commentary have since tempered those bets. Investors now await Fed Chair Jerome Powell's upcoming Jackson Hole speech, with analysts noting that while the Fed's dual mandate includes employment, inflation remains the dominant concern—suggesting Powell may opt to preserve flexibility until further data is available.

These developments have led some analysts to reconsider the likelihood and timeline of rate cuts. According to the CME Group's FedWatch tool, traders are now assigning a 26.7% probability that the Federal Reserve will hold rates steady at its September meeting—up from 14.6% a week earlier, hence the strengthening dollar. In contrast, the odds of a 25-basis point cut dropped to 73.3%.

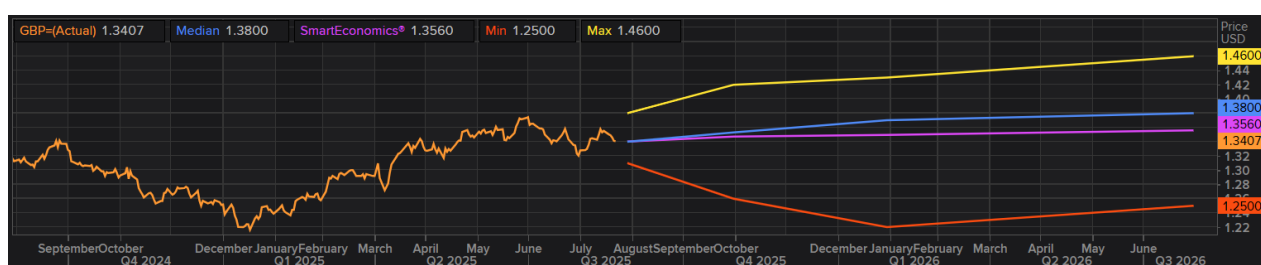
Target Rate (bps)	Probability(%)			
	Now *	1 Day 20-Aug-25	1 Week 15-Aug-25	1 Month 22-Jul-25
375-400	0.00%	0.00%	0.00%	2.40%
400-425	73.30%	82.40%	85.40%	58.00%
425-450 (Current)	26.70%	17.60%	14.60%	39.60%
* Data as of 22 Aug 2025 12:59:15 CT				

The global investment bank UBS expects the dollar to weaken through year-end, though with some volatility, citing lower Fed rate prospects, White House policy uncertainty, the new fiscal package, and investors resorting to increased hedging against the dollar's fluctuations (through forward contracts and options) to hedge against the currency's losses.

### As the Dollar strengthens, other currencies tend to weaken against it.

The **euro** slipped 1% this week to 1.16 per dollar, even as Eurozone PMI data showed the sharpest rise in activity in 15 months, led by stronger new orders and price pressures.

Similarly, **sterling** declined by 1.2% this week, due to the dollar's strengthening. However, the pound made up for some of its losses by the end of the week after a stronger-than-expected UK PMI survey signaled accelerating economic momentum, with the composite index rising to 53.0 in August—its highest in a year and above the 51.0 consensus expectations. According to Reuters' August 2025 analysts survey, the pound is projected to strengthen to a median of 1.38 against the dollar by end of July 2026 from 1.34 currently. SmartEconomics® also forecasts an uptick, albeit more modest, at 1.356 against the dollar. UBS projects sterling to rise to 1.40 by September 2026, driven largely by anticipated dollar weakness.



Source: LSEG Workspace

Note: SmartEconomics® produces forecasts significantly more accurate than consensus by scoring each contributor's track record—comparing Reuters poll estimates to actual outcomes across asset classes.

The **Japanese yen** weakened to 148.66 per dollar from 147.17 last week, pressured by both domestic inflation and a stronger greenback. July core CPI rose 3.1% year-on-year—slightly below June's 3.3% but above market expectations and well above the Bank of Japan's 2% target. The upside surprise reinforced expectations of a policy shift, with analysts anticipating elevated inflation could prompt a rate hike as early as October, especially after the BOJ raised its inflation outlook at its last meeting.

## Commodities

	Currency	22/08/2025	15/08/2025	% Change
<b>Gold (Spot)</b>	USD	3,329.72	3,335.39	-0.17%
<b>Brent Crude Oil</b>	USD	67.60	65.85	2.66%
<b>WTI Crude Oil</b>	USD	63.45	62.80	1.04%

\*Prices are as of the time of writing this report

In commodity markets, **gold** slipped by 0.17% this week to \$3,329.72 per ounce, trading in a narrow range as markets await Fed Chair Powell's Jackson Hole speech for policy signals. A stronger dollar weighed on prices, making gold more expensive for holders of other currencies. Still, safe-haven demand helped limit losses, as hopes for a Russia-Ukraine peace deal remain low despite U.S. efforts to mediate.

In oil markets, **Brent and West Texas Intermediate (WTI)** crude prices rose this week by 2.66% and 1.04% respectively, lifted by geopolitical uncertainty and stronger-than-expected U.S. demand.

A larger-than-anticipated drawdown in U.S. crude inventories also supported prices—stockpiles declined by 6 million barrels in the week ending August 15, far exceeding analyst expectations of a 1.8-million-barrel decline, according to the EIA.

In addition, again markets are awaiting Powell's speech at Jackson Hole for hints on the future rate path. Any indication of easing could support economic growth and lift global oil demand, adding upward pressure to prices.

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