

Thursday September 29, 2022

THE BURGER ECONOMY

The Big Mac Index, compiled by The Economist since 1986, is experiencing renewed popularity of late with the soaring U.S. dollar. The index can be perceived as a concrete, accessible way to compare consumers' purchasing power in various countries and, by association, to take a different look at exchange rates.

The index appears to reveal a greenback that is sharply overvalued against its main peers, which is hardly surprising given the current context. According to Bloomberg, the price of the iconic burger is apparently now lower in 53 of the 56 countries evaluated than in the United States. Despite its trivial and imperfect nature, this metric nevertheless illustrates that Americans enjoy purchasing power that is relatively protected compared to other countries, despite high domestic inflation. Is this proof that the Federal Reserve still has lots of wiggle room?

Yesterday, the USD lost ground and stock markets finally turned in a day of gains, encouraged by the response of the Bank of England orchestrated in order to stabilize the U.K. bond market. Today, we'll be keeping an eye on Canadian GDP for July. Have a great day!

Julien Duquette

Economic news to watch today

CA: GDP (July)

Market Moves

Source: Bloomberg at market close

USD/CAD	1.3608 -0.0116
EUR/USD	0.9735 +0.0141
EUR/CAD	1.3255 +0.0088
TSX	18,649 +1.86%
S&P500	3,719 +1.97%
WTI Oil	82.15 +4.65%
CA 10-YR Bond Yield	3.08% -7.20%
US 10-YR Bond Yield	3.73% -5.42%

Trends

Range of the day	1.3600	1.3800
Range of the next 5 days	1.3550	1.3850

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