

# ECONOMICS

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## CHEAT SHEET

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# INFLATION

WHAT IS IS? - Inflation measures how quickly prices rise. This affects consumer purchasing power and central bank decisions.

**High Inflation** → Central Bank Raises Rates → Currency Strengthens

**Low Inflation** → Central Bank Cuts Rates → Currency Weakens

## KEY INDICATORS:

### CPI

Consumer Price Index

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Tracks inflation at the  
consumer level

### PPI

Producer Price Index

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Tracks inflation at the  
wholesale level

### Core Inflation

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Tracks inflation however strips  
out volatile items such as food  
and energy



# INTEREST RATES & BONDS

WHAT IS IS? - Interest rates control borrowing costs and economic growth.

Bond yields reflect investor expectations for interest rates.

**When interest rates rise** → Bond yields rise → Attract foreign capital → Currency strengthens

**When interest rates fall** → Bond yields fall → Pushes investors to other markets → Currency weakens

## KEY INDICATORS:

10-Year Treasury  
Yield

USD benchmark

2-Year Treasury  
Yield

Short-term interest rate  
expectations

Yield Spread  
Between  
Currencies

This is the main driver of FX  
capital flows



# CENTRAL BANK & MONETARY POLICY

WHAT IS IS? - Central banks set interest rates and manage economic stability.

They signal future rate moves through monetary policy.

**HAWKISH** (Rate Hikes, Tightening) → Currency strengthens

**DOVISH** (Rate Cuts, Loosening) → Currency weakens

## KEY INDICATORS:

FOMC

ECB

BoE

BoJ

etc...

Rate Hike/Cut  
Announcements &  
Press Conferences

Central Bank Forward  
Guidance and FED  
projections



# RISK SENTIMENT & SAFE-HAVEN

WHAT IS IS?

**Risk-On:** Investors chase high yields → Buy AUD, NZD, Emerging Markets

**Risk-Off:** Investors flee to safety → Buy USD, JPY, CHF

## KEY RISK SENTIMENT DRIVERS:

Stock Market  
Trends

S&P, NASDAQ, Dow Jones, etc.

Geopolitical  
Events

Wars, Trade Wars, Political  
Instability.

Financial Crises  
& Banking  
System Risks



# TRADE BALANCE & CURRENT ACCOUNT

WHAT IS IS? - A country's exports vs imports affect FX demand. A trade surplus strengthens a currency whereas a trade deficit weakens it.

**Strong export growth** → Higher Demand for Domestic Currency

**Weak Trade Balance** → More Outflows → Currency Depreciation

## KEY INDICATORS:

Trade  
Balance  
Reports

Current  
Account  
Balance



# COMMODITIES & CURRENCIES

WHAT IS IS? - Some currencies move in sync with commodity prices. The below are Major Forex Commodity Correlations

**Oil Prices**  CAD, NOK, RUB (Petro-currencies)

**Gold Prices**  AUD, CAD, JPY

**Copper Prices**  AUD, CLP (Major mining economies)

## KEY INDICATORS:

Brent Crude &  
WTI Oil Prices

Gold & Silver  
Spot Prices

Copper &  
Industrial Metals  
Market



# GDP GROWTH & EMPLOYMENT DATA

WHAT IS IS? Measures the economic health of a country. GDP and job reports shape central bank rate decisions

**Strong GDP Growth** → Central Bank Hikes Rates → Currency Strengthens

**Weak GDP Growth** → Rate Cuts Expected → Currency Weakens

## KEY INDICATORS:

GDP Reports

Quarterly Growth Rate

NFP,  
Unemployment  
Rate and Labour  
Market Strength

PMI

Purchasing Managers Index  
acts as an economic activity  
forecast



# POLITICAL & FISCAL POLICY 📄

WHAT IS IS? Government budgets, debts levels, and political stability affect currencies. High government debt can lead to currency devaluation over time.

**Expansionary Fiscal Policy** (Government Spending, Tax Cuts) → Currency Strengthens (Short Term)

**High National Debt & Deficits** → Weakens Currency in Long Run

## KEY INDICATORS:

Government  
Debt to GDP  
Ratio

Fiscal Budget  
Announcements  
& Economic  
Plans

Elections &  
Political Risk  
Events

