

USD lower, rebound in risk appetite as stocks rally

FX Highlights

- The USD starts Friday's trade lower pressured by a rebound in global equity markets, Yuan revaluation rumors and upward revision in UK Q4 GDP, GDP gains limited by report of higher than expected UK Q4 government spending, EU inflation came in as expected, Swiss KOF index beat expectations, industrial production and retail sales rise in Japan, commodity currencies supported by improvement in risk sentiment, AUD supported by report of strong private sector credit demand
- Focus turns to today's release of US GDP, Chicago PMI, Michigan consumer sentiment and existing home sales and Canada's current account
- Yuan forwards trade higher in reaction to a newspaper report that the Chinese government is assessing the potential impact of currency gains, this report sparked Yuan revaluation speculation
- Japan's January industrial production rose by 2.5%, core CPI declined by 1.3%, January retail sales rose by 2.9% and January housing starts fell by 8.1%, Japan's Finance Minister Kan says Japan still faces deflation but CPI decline is slowing, JPY higher
- Australia's January private sector credit rose by 0.4%, AUD higher
- UK February GFK consumer confidence improved to -14 from -17 last month, Q4 GDP revised 0.3% from 0.1%, Q4 government spending rose by 1.2%, a 0.2% rise was expected, GBP mixed
- EU January inflation declined by 0.8%, EUR higher
- Swiss February KOF leading index rose to 1.87 from 1.81 last month, CHF higher
- The Commerce Department said that new orders for manufactured goods fell in January as orders for machinery posted its biggest decline in a year, jobless claims rose 12% in the last two weeks, these reports generate concern the recovery is slowing
- US equity markets set to open higher, European equities 0.5% higher, Nikkei closed 24 points higher

Upcoming Events

- **US** - Friday, preliminary Q4 GDP will be released expected unchanged at 5.7% along with February Chicago PMI expected at 60 compared to 61.5 last month, final February University of Michigan consumer sentiment expected at 74 compared to 73.7 last month and January existing home sales expected at 550k compared to 545k last month

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- **CAN** - Friday, Q4 current account expected at -8.75bln compared to-13.12bln last quarter

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