

USD range bound, AUD supported by RBA rate hike

FX Highlights

- The USD is trading range bound despite continued uncertainty about Greece, former ECB official Issing said that Greece should go to the IMF for aid not the EU, WSJ reports that Greece will outline its budget cut plans Wednesday, EU inflation dipped in February, the RBA hikes rates 25bps as expected, AUD initially rallied after the rate hike than weakened on profit-taking, GBP traded lower pressured by ongoing concern about UK budget deficit and report of weaker than expected UK construction PMI, UK election polls continue to point to a hung parliament which generates concern that the UK government may not have the political backing to cut the deficit, Japan's Finance Minister Kan suggests that the BOJ target inflation, Japan's unemployment rate dropped in January
- Focus turns to today's release of US domestic auto sales and BOC policy announcement
- The RBA raised its overnight rate 25bps to 4%, RBA policy statement was balanced, Australia's Jan retail sales rose by 1.2%, January building approvals declined by 7%, Q4 public spending rose by 3.8%, AUD higher
- Japan's January unemployment falls to 4.9%, a 5.2% reading was expected, January household spending declined by 1.3%, JPY higher
- EU February inflation rose by 0.9% January PPI rose by 0.7%, EUR higher
- UK February construction PMI dips to 48.5 from 48.6 last month, GBP lower
- Fed's Lacker says there is only a relatively minor risk of a double dip recession in the US
- Head of the IMF says one day the IMF may provide a global reserve asset, says EUR closer to fair value, JPY in line with fundamentals, expects 3.9% global GDP growth in 2010 and 4.3% in 2011
- Fed's Kohn will resign effective June 23rd, he was considered a dove on policy, there are three Fed Governorships open and filling of these vacancies will be important to the breakdown of number of doves and hawks on the Fed policy board
- US equity markets set to open higher, European equities mixed, Nikkei closed 50 points higher

Upcoming Events

- **US** - Tuesday, February domestic auto sales are due for release

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- **CAN** - Tuesday, no major economic data is due for release from Canada today, BOC rate announcement, BOC policy is expected to remain unchanged

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