

USD lower, Yellen appointed to the Fed

FX Highlights

- The USD and JPY are trading lower pressured by improving risk appetite as equity markets rally and in reaction to a Nikkei report that the BOJ may double the size of its quantitative ease, European currencies firm in cross trade to the JPY, EUR supported by report of a possible French/German \$55bln rescue plan for Greece, GBP supported by report of a jump in UK house prices, USD was also pressured by report that President Obama will nominate Janet Yellen as vice chair of the Federal Reserve, Yellen is seen as a policy dove, USD pressured by speculation the Fed will keep interest rates low for an extended period, commodity currencies supported by stronger equity markets, BOJ ease speculation and the Yellen appointment, CAD supported by report of stronger than expected jobs growth in Canada
- Focus turns to today's US retail sales, Michigan consumer sentiment and business inventories and Canada's unemployment and employment growth
- Japan's January industrial production revised up to 2.7%, capacity utilization 3.9%, Nikkei reports that the BOJ may raise quantitative ease to ¥20trln, analysts at Morgan Stanley say that Japan is likely to intervene and may soon sell JPY, JPY mixed
- EU January industrial output rose by 1.4%, EUR higher
- UK election polls show the conservatives with a 13% lead over Labor, UK house prices rose at the fastest pace since 2002, GBP higher
- Canada's unemployment rate fell 0.1% to 8.2% with employment growth at 20,900, CAD higher
- US net worth rose for the third straight quarter up 1.3%, Americans net worth will have to rise another 21% to return to the pre-recession level
- US debt grew at its slowest pace on record (since 1952) in Q4 2009 with non-financial debt increasing by 1.6% as households and business continue to deleverage, government debt is rising at a record pace
- China raised down payment requirements on real estate purchases to 50% of the purchase price to try and reduce the risk of a real estate bubble
- US equity markets set to open higher, European equities 0.5% higher, Nikkei closed 86 points higher

Upcoming Events

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- **US** - Friday, February retail sales will be released expected at -0.2% compared to 0.5% last month and 0.1% ex. autos along with March Michigan consumer confidence expected unchanged at 73.6 and January business inventories expected unchanged at -0.2%
 - **CAN** - Friday, February unemployment will be released expected unchanged at 8.3% with employment growth at 18k (already released)

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