

## USD lower, GBP rallies as UK labor market improves

### FX Highlights

- The USD and JPY are trading lower with the USD pressured by the Fed's decision to maintain low interest rates for an extended period and JPY pressured by the BOJ's decision to expand quantitative ease, GBP rallies in reaction to report an unexpected drop in UK jobless claims, EUR gains limited by report of slowing EU labor costs, commodity currencies rally supported by steady Fed policy decision and in cross trade to the JPY in reaction to BOJ ease, AUD supported by hawkish comments from the RBA's Debble and strong housing data
- Focus turns to today's release of US PPI and Canada's wholesale trade
- The Fed kept exceptionally low language for an extended period in its March policy statement, the Fed said that the economic activity continued to strengthen and the labor market is stabilizing, inflation to remain subdued and policy tools will be used to promote recovery, the vote was 9-1 to keep policy unchanged with Hoenig the lone dissenter, Hoenig said low rates for an extend period is no longer warranted
- BOJ raised quantitative ease to ¥20trln and left monetary policy and its economic assessment unchanged, BOJ's Shirakawa says the latest policy move by the BOJ is not directed at Forex, Japan's January tertiary industry index rose by 2.9%, JPY lower
- Australia's Q4 dwelling unit starts rose by 15.1%, RBA watcher of McCrann says odds slightly favor RBA pause in April, RBA's Debble said interest rates may need to rise a bit more, AUD higher
- UK February claimant count declined by 32,300, this was the biggest monthly drop in UK jobless claims in 13 years, BOE minutes show the MPC voted 9 to 0 in favor of leaving rates and quantitative ease unchanged in March, GBP higher
- EU Q4 labor costs rose 2.2%, this marked the slowest rate of labor cost rise in four years, EUR higher
- According to Lender Processing Services US mortgage delinquencies hit a record high 7.4mln with 10% of all US mortgages are delinquent
- IMF chief says the Yuan is undervalued, pressure builds in the US Congress to label China as a currency manipulator
- US equity markets set to open higher, European equities 0.5% higher, Nikkei closed 125 points higher

### Upcoming Events

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- **US** - Wednesday, February PPI will be released expected at -0.2% compared to 1.4% last month
  - **CAN** - Wednesday, January wholesale trade will be released expected at 0.5% compared to 0.7% last month

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