

USD lower, Greek optimism, German unemployment drops

FX Highlights

- The USD is trading lower pressured by report that Greece is negotiating with the EU and IMF to secure a larger three-year aid package and by improving risk sentiment as stock markets rally in reaction to the FOMC policy statement, talks on Greek aid are expected to be completed within days, EUR supported by improving economic sentiment, German employment data and the narrowing of the Greek/German ten year bond spread, USD downside was limited by statement from EU Monetary Commissioner Rehn that he cannot give details of the Greek deal today, GBP supported by report of rising UK house prices with gains limited by UK election uncertainty, commodity currencies supported by improving risk appetite and firmer crude, Japanese markets were closed for holiday, JPY trades lower pressured by improving risk appetite
- Focus turns to today's release of US jobless claims
- The Fed maintained steady rate policy and made no changes to "extended period" policy language, economic activities continue to strengthen, pace of economic recovery likely to stay moderate for some time, household spending picking up but remains constrained by modest income growth high unemployment and tight credit, labor markets beginning to improve, housing starts have edged up, financial market conditions remain supportive of growth, inflation to remain subdued for some time, Kansas City Fed Hoenig president dissented in the vote
- EU April economic sentiment rose to 100.6 from 97.9 last month, German April jobless declined by 68k, Greek/German ten year bond spread narrowed to 775 bps on Greek bailout hopes, ECB officials urge support for Greece to avoid contagion risk, EUR higher
- UK April house prices rose 1%, GBP higher
- Labor department says that unemployment fell or remained level in the majority of major cities in March which suggests the recovery is spreading
- Fitch leaves it rating unchanged for Spain at AAA
- One month USD Libor rates rose above 1% for the first time in a year as markets begin to price expectation of a Fed rate hike by year end
- US equity markets set to open higher, European equities 1% higher, Nikkei closed for holiday

Upcoming Events

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- **US**-Thursday, initial jobless claims for week ending 04/24 will be released expected at 445k compared to 456k last week
 - **CAN**-Thursday, no major Canadian economic data is due for release today

Michael J. Malpede

Chief Market Analyst, Easy Forex

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