

USD lower, EU debt worries ease as bond yields drop

FX Highlights

- The USD is trading lower with the EUR supported by ECB purchase of bonds and in reaction to report of above forecast EU Q1 GDP and a surge in EU industrial output, GBP underperforms pressured by a statement from BOE Governor King that the central bank has not ruled out further quantitative ease and in reaction to a dovish BOE inflation report, GBP downside is limited by a pledge from the new UK government that quick budget action will be taken within weeks, commodity currencies trade higher tracking firmer equity market trade and a rise to a record high in price of gold, AUD supported by forecast that the Australian budget will soon return to surplus, JPY trades lower as global equity markets rise and risk appetite returns
- Focus turns to today's release US trade balance and Treasury budget and Canada's New Housing Price index and trade balance
- Japans March leading indicator rose to +4.4, coincident indicator +1.1, MOF seeks to extend Japan's debt maturity, JPY lower
- Australia's March housing finance falls 3.4%, Australia's budget is expected to return to surplus in two years, AUD higher
- Brown has resigned as Britain's PM, Conservatives take over, Cameron PM, new UK budget expected within weeks, acceleration of deficit reduction expected, EU officials warn that Europe will not help the UK in event of a GBP crisis, UK government says the UK will not join EMU, claimant count declined by 27,100, BOE inflation report says CPI will fall below target in two years, BOE Governor King does not rule out further quantitative ease, GBP mixed
- EU Q1 GDP rose by 0.2%, March industrial output rose by 1.3%, Spain outlines measures to cut its deficit, cost of funding EU debt drops as the ECB buys bonds in peripheral EU nations, EUR higher
- A rumor is circulating that Switzerland may impose a tax on all foreign Swiss deposits, CHF higher
- BLS says March hires rate rose to 3.1% from 3.3% last month and the job openings rate held steady at 2%
- The National Association of Realtors says that home prices stabilized in 60% of cities with 1 in 3 sales related to foreclosures or distressed sales
- US exposure to EU bailout estimated at \$50bln excluding the cost of Fed participation in currency swaps
- US equity markets set to open higher, European equities 0.5% higher, Nikkei closed 17 points lower

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Upcoming Events

- **US**-Wednesday, March trade balance will be released expected at -41.1bln compared to -39.7bln last month along with the April Treasury budget expected at -30bln compared to -20.9bln last month
- **CAN**-Wednesday, March New Housing Price index will be released expected at 0.3% compared to 0.1% last month along with March trade balance expected at 1.55bln compared to 1.40bln last month

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