

USD lower pressured by Greek rescue hopes

FX Highlights

- The USD is trading sharply lower with the EUR supported by report that ECB President Trichet was returning home one day early from a BIS meeting, Trichet's early return to attend an EU summit fuels speculation of possible announcement of the plan to rescue Greece and contributes to an uptick in risk appetite, GBP underperforms pressured by report of an unexpected widening of the UK trade deficit, weaker retail sales and new UK election polls which suggest the UK election may result in a hung parliament, commodity currencies trade higher supported by a rebound in the price of crude and firmer equity market trade, JPY trades lower pressured by improving risk appetite fueled by Greek rescue speculation, it's all one trade based on risk sentiment
- Focus turns to today's release of US wholesale sales and inventories
- Bloomberg news reports that the ECB may be forced to delay exit from unconventional monetary policy because of Greek fiscal troubles, ECB President Trichet will leave the BIS meeting in Sydney one day early to attend an EU Council meeting, some analysts suspect that this is a prelude to EU effort to bailout Greece, ECB spokesman says Trichet is changing plans because of logistics, CFTC commitment of traders for last week finds the net short EUR position on the IMM at a record level, the Financial Times says this is the equivalent of an \$8bn bet against the EUR, the record net short position in the EUR may be contributing to today's EUR correction, EUR higher
- UK January BRC retail sales declined by 0.7% and RICS house price balance improved to +32 from +30 in December, UK December trade balance widened to 7.27bln from -6.79bln last month, GBP higher
- In its quarterly report the BOC reaffirmed its low rate pledge and made no change in growth or inflation forecasts, CAD higher
- Chinese press denies yesterday's report that Australia secured a large coal deal with China
- AOL to lay off 2300 workers, 1/3 of its work force, Cisco plans to hire 2 to 3k, Wells Fargo to hire 1,500 brokers, General Dollar will create 5k new jobs
- Monday's WSJ reports that the Fed is planning to lay out a plan to raise rates as the economy improves, the Fed will first focus on the interest rate on excess reserves, Fed Chairman Bernanke testifies before Congress Wednesday on unwinding of liquidity measures
- Fed's Yellen says low US interest rates help to stimulate China's economy
- 10% of jumbo mortgages had serious delinquencies in January

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- US equity markets set to open higher, European equities 0.25% higher, Nikkei closed 19 points lower

Upcoming Events

- **US** - Tuesday, December wholesale sales and inventories will be released expected at 1% and 0.5% respectively
- **CAN** - Tuesday, no major Canadian economic data is due for release in today's trade

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