

Daily Forex Brief - The RBA cut rates overnight, a move that was no wholly a surprise given the much weaker than expected inflation data seen last week. That said, when combined with the tone from the accompanying statement, the Aussie plunged more than 1 big figure to the 0.7560 area, before staging a modest recovery into the European close. One of the factors holding back the RBA in recent months has been the housing market, but here the RBA noted the strengthening lending standards and easing price pressures, which effectively removed the last barrier to easier policy. The move is the latest in an easing cycle that started with rates at 4.75% back in mid-2011, the longest pause being seen mid-2013 to late 2014, where rates sat at 2.50%. The effect has been to move the Aussie from over-valued carry trade favourite to a more 'rank and file' commodity currency. The move will focus attention on both the **RBNZ** and BoC, both of whom are now stronger candidates for lower rates. The other stand-out in overnight price action has been the yen, where we've seen a push below the 106.00 level on USDJPY. BoJ Governor Kuroda yesterday warned of the consequences of yen strength on the economy and once again re-iterated the BoJ's willingness to take further policy measures to hit the 2% inflation target. But markets have become pretty immune to such talk. The yen remains under-valued on many longer-term measures, so for now markets are betting that this will dominate anything that the authorities can do to weaken the currency. The generally weaker tone to the US dollar has also seen the euro and sterling push through key levels, with

EURUSD through the 1.1495 mid-October high and cable now at levels seen early Jan. The data calendar is on the light side today for **FX markets**, with just manufacturing **PMI data** for the UK at 08:30 GMT and jobs data in New Zealand the next key focus overnight.

Today's important market news

Time: GMT

08:30	Markit Manufacturing PMI
09:30	Budget Release
16:30	BoC Governor Poloz Speech
22:45	Participation Rate
22:45	Unemployment Rate
22:45	Employment Change

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