

**Data watching and the dollar** - The minutes to the April FOMC meeting were making a fairly strong data-dependent case for a June rate increase from the FOMC. There were seven mentions of the month, the text suggesting that for most members “if incoming data were consistent with economic growth picking up in the second quarter...then it likely would be appropriate for the Committee to increase the target range for the federal funds rate in June”. Still, this remains a fairly big ‘if’. The pace of growth has been slowing for the past four quarters and don’t forget we’ve had a string of bad steers over the years from the Fed, most recently in the run-up to the September meeting. What this does mean is that the dollar is likely to become more sensitive to incoming activity and prices data in the US. Data in the US has been coming in only modestly above expectations in the past two weeks, so explains only part of the recent stronger dollar story. That correlation should strengthen, given that the market only puts around a 30% probability of a June hike at present. As I mentioned yesterday, the Aussie dollar is one of the higher beta currencies vs. the greenback, this being evident to the reaction to the Fed minutes yesterday, the dollar strengthening most vs. the Aussie. Part of the reason is that the scope for policy divergence here is much stronger, given the recent RBA easing, and rates are still positive. This was underlined overnight with the latest labour market data, where although we saw the rate steady at 5.7%, much of the modest rise in employment came about from part-time jobs, which is not really a sign of an economy in rude health. Elsewhere today, the

focus will be with the ECB 'minutes' and UK retail sales before that.

**Today's important market news**

Time: GMT

08:30	Retail Sales ex-Fuel (YoY)
08:30	Retail Sales ex-Fuel (MoM)
08:30	Retail Sales (YoY)
08:30	Retail Sales (MoM)
11:30	ECB Monetary Policy Meeting Accounts
12:30	Chicago Fed National Activity Index
12:30	Initial Jobless Claims
12:30	Philadelphia Fed Manufacturing Survey
13:15	Fed's Stanley Fischer speech
14:00	CB Leading Indicator (MoM)

**Source**