

It's all about Brexit - There was no escaping the size of the sterling surge yesterday, with cable seeing the biggest 1-day move since mid-December 2008. The rally was built on a growing belief that the UK referendum on EU membership is going to be a lot closer than was believed last week. The correction higher was also seen on equities and also other risk asset that have been under pressure over the past week or more as investors have retreated. EURCHF saw its biggest one day up-move since early March of this year. The correlation between sterling and the message from the polls and also betting markets has been increasing ever more over the past month, the two week correlation between cable and the betting probability of remaining in the EU is now 0.72, from near zero towards the end of May. For now, it's hard to escape the impending vote on Thursday. Yellen testifies before the Senate Banking Panel this afternoon, so we'll get her latest update on the state of the economy and outlook for policy. But the outlook remains for rates to go nowhere and this is limiting the volatility on the dollar. Otherwise, the data calendar is on the thin side today, leaving Brexit sentiment as the dominant theme. It's hard to see this changing between now and Thursday, given the continued level of undecideds in the polls together with the other unknowns (such as turnout) which mean that we really won't know the result for real until the early hours of Friday.

Today's important market news

Time: GMT

08:30 Public Sector Net Borrowing
09:00 ZEW Survey - Economic Sentiment
09:00 ZEW Survey - Current Situation
09:00 ZEW Survey - Economic Sentiment
13:00 ECB President Draghi's Speech
14:00 Fed's Yellen testifies

Source: [Fxpro Forex Broker \(Review and Forex Rebates Up to 85%\)](#)