



**Foreign Exchange**



**Market Statistics**

	Previous Close	Overnight Range	Today's Expected Range
\$/CAD	1.0274	1.0246-1.0287	1.0220-1.0310
EUR/\$	1.3860	1.3830-1.3876	1.3800-1.3900
GBP/\$	1.9941	1.9884-1.9982	1.9860-2.0000
\$/JPY	115.09	114.82-115.22	114.50-115.50
AUD/\$	0.8324	0.8279-0.8343	0.8250-0.8370

**Regional News**

**AMERICAS**

- In the US, the Federal Reserve will be in the limelight today. It is not a question of guessing whether the Fed will cut rates or not after today's meeting, but rather whether it will be a 25bps or a 50bps policy action. Other uncertainties relate to the possibility of another cut in the discount rate and to the tone of the accompanying statement. On the data front, we have the August PPI figures due, with headline inflation seen easing to +3.2% y/y from +4%, and underlying PPI expected at +2.2% y/y from +2.3%. July Tics data also due, expected at +\$60bn. No major Canadian data due.

**EUROPE**

- EUR/USD – Germany's Zew expectations index dropped to a slightly weaker than expected -18.1 in September, down from a -6.9 reading in August. The current conditions index fell to 74.4 from 80.2 and the Eurozone expectations index fell sharply, to -20.3 from -6.1 in August. Zew officials referred to concerns over the US sub-prime situation and associated risks as the key reason behind the sharp decline in the index in September, with the Institute suggesting that a spillover from the sub-prime crisis on the German economy cannot be ruled out. The strength of the euro is also mentioned as a source for concern.
- GBP/USD – Northern Rock shares are expected to recover some ground after the Chancellor committed to guarantee Northern Rock's deposits yesterday. On the data front, U.K. August CPI was reported up +0.4% on the month, after a 0.6% monthly decline previously, and for a yearly rate decelerating to its lowest level since March 2006, to +1.8% from +1.9%. Core inflation firmed a fraction to +1.8% y/y from +1.7%. Meanwhile, inflation hawks may pay more attention to a 0.6% +monthly jump in RPI, with a yearly rate climbing to +4.1% from +3.8%. RPIX was unchanged at +2.7% y/y.

**ASIA**

- USD/JPY – The Nikkei ended the session 2% lower, with bank shares underperforming. The BoJ has started a two-day meeting, with a rate announcement due tomorrow and a no-change monetary policy outcome expected in the current market environment. Data-wise, the July tertiary index reported down 0.5% m/m from +0.1% as expected. The Tankan diffusion index fell to +24 from +30, the lowest reading since October 2005.
- AUD/USD – The Australian dollar took a spill in volatile trade on Tuesday as deepening credit concerns triggered a fresh exodus from riskier bets in high-yielding currencies. Rumors circulated that one or more regional Australian banks had asked the RBA for funding as normal channels dried up. In response, the RBA took the unusual step of flatly denying the speculation.

Source: CIBC World Markets European Economic Update

**Today's Economic Releases**

TIME	COUNTRY	RELEASE	PERIOD	FORECAST	PREVIOUS
8:30 am	Canada	Motor Vehicle Sales	Jul		-\$4.5B
8:30 am	US	Producer Price Index-m/m	Aug	-0.3%	0.6%
8:30 am	US	Producer Price Index-Ex Food & Energy	Aug	0.1%	0.1%
9:00 am	US	Net Capital Inflows (TICS)	Jul	\$60.0B	\$58.8B
2:15 pm	US	FOMC Rate Announcement		5.00%	5.25%

