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Daily Effects

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US OPEN MARKET POINTS Last Updated 4/21/2006 6:42 AM EST (GMT = EST +4:00)

Talking Points

- **Riksbank sells dollars**
- **Tertiary Industry Index contracts as expected**
- **French consumer demand continues to improve y/y**
- **US calendar empty**

Euro Lifted on Reserve Shift

Riksbank to the rescue. The euro spent most of the Asian session and the early part of European trade mired below the 1.2300 figure until news that the Swedish Central bank made a major change in its foreign exchange reserves catapulted the currency higher. The pair rose 50 points in a matter of 5 minutes. In an announcement on its website the Riksbank noted that it reduced its dollar denominated assets from 37% to 20% while increasing its holding of euros from 37% to 50% of total reserves. Reserve diversification by central banks has been a key driver of dollar weakness this year and tonight's news further serves to reinforce the notion that the greenback may be under more structural pressure going forward.

On the economic calendar, the Eurozone data was light with only French Consumer Spending sparking some interest as it showed a healthy gain on 3.5% on year over year basis. Despite the increase, the market was looking for 3.7% jump and therefore did not respond to the figures. With no further news on the calendar this week, the EUR/USD is likely to remain range bound for the rest of the day as traders prepare for next week which should bring a considerable amount of economic and political new flow. Amongst key releases on the agenda are US housing data, US GDP estimates, the IFO survey and the deadline for US Security Council resolution with Iran.

In Japan, Governor Fukui was decidedly more laissez faire in his comments with respect to the jump in the yields of long term bonds noting that "the general trend [in long-term rates] is reflecting Japan's economic recovery and rising stock prices". Governor Fukui statement suggested that while the Central bank may not abandon ZIRP anytime soon, neither will it attempt to talk down the recent spike in long term rates. Dollar yen weakened a bit as result trading from 117.60 to 117.20 by start of US session.

FX Upcoming

Currency	GMT	EST	Release	Expected	Prior
CAD	12:30	8:30	Wholesale Sales (MoM) (FEB)	-0.2%	1.8%
CAD	12:30	8:30	Retail Sales (MoM) (FEB)	0.1%	1.4%
CAD	12:30	8:30	Retail Sales ex Autos (MoM) (FEB)	0.2%	1.4%

Currency	GMT	Release	Actual	EST	Previous	Comments
NZD	22:45	Visitor Arrivals (MAR)	-0.1%		1.5%	Inflows slip
JPY	23:50	Tertiary Industry Index (MoM) (FEB)	-1.5%	-1.1%	2.2%	Numbers in line with muted expectations
JPY	23:50	All Industry Activity Index (MoM) (FEB)	-0.9%	-1.1%	1.4%	
AUD	0:00	Conference Board Leading Index (MoM) (FEB)	0.0%		0.2%	No change
AUD	1:30	Export Price Index (QoQ) (1Q)	5.1%		2.2%	
AUD	1:30	Import Price Index (QoQ) (1Q)	1.8%		0.4%	Demand remains strong
EUR	6:45	French Consumer Spending (MoM) (MAR)	-0.8%	-1.1%	1.8%	
EUR	6:45	French Consumer Spending (YoY) (MAR)	3.5%	3.7%	4.5%	Spending continues to improve
EUR	8:00	Italian Trade Balance Non-EU (euros) (MAR)	-	--	-2591.0M	
EUR	9:00	Italian Retail Sales s.a. (MoM) (FEB)	0.1%	0.2%	0.1%	Italian data generally in line
EUR	9:00	Italian Retail Sales (YoY) (FEB)	1.5%	1.6%	2.0%	