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# Euro flat ahead of ECB meeting

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By Alice Ross

The euro rose against the dollar as traders looked ahead to central bank meetings in Europe and the UK later in the week that could set the direction for the euro and risk appetite.

The single currency gained 0.2 per cent to reach \$1.2627 after fading from its post-EU summit highs the previous day.

Traders said that an expected 25 basis point rate cut by the European Central Bank was already priced into the euro, though some were forecasting further measures, such as an extension of its longer-term refinancing operations, that could give risk appetite a boost.

“I think that a 25bp cut is now widely expected. The positive impact from the cut will come from the fact that it will signal ECB’s willingness to act further on the crisis,” said Valentin Marinov, foreign exchange strategist at Citigroup.

The yen stood out as one of the biggest movers, weakening against the dollar and the euro amid expectations the Bank of Japan will ease monetary policy further when it meets next week.

The dollar rose 0.4 per cent to Y79.81 while the euro rose 0.6 per cent to Y100.59.

Expectations for central bank easing in the UK were also weighing on the pound ahead of a Bank of England meeting, which will also take place on Thursday. Many predicted the BoE would add an extra £50bn of asset purchases to its government-bond buying scheme, with last month’s meeting showing only a slim majority in favour of holding back from monetary easing.

The pound was flat against the dollar at \$1.5690 and 0.2 per cent lower against the euro at €1.2442.

“The focus within markets has clearly shifted towards growth and the potential policy response from both governments and central banks,” said Geoffrey Yu, foreign currency strategist at UBS.

The Australian dollar was higher after the Reserve Bank of Australia held rates as expected at 3.5 per cent. Analysts are still predicting the country will see further interest rate cuts later this year as the central bank seeks to boost economic growth.

- The Australian dollar rose 0.3 per cent to \$1.0282 and was 0.7 per cent higher against the yen at Y82.05.

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