

## IMF urges EU action on banks, says EU economy weak

### FX Highlights

- USD is trading lower as the EUR recovers from early weakness, EUR was initially pressured by an IMF report calling for the EU to take urgent action on the EU financial system and to come clean on EU bank losses, USD was pressured by firmer equity market trade, rising crude prices and a statement from the World Bank's Zoellick that China may diversify reserves away from the USD, Chinese officials downplay the diversification story, GBP is supported by improving UK housing data, German industrial output weak
- The IMF urges Europe to take steps to clean up its banking system, says EU economic weakness lingers
- President Obama calls for rigorous European bank stress tests
- Japan's finance minister says its too early to tell if global economy is at bottom, JPY higher
- Australia's May NAB business condition index falls 4 points to -14, May job ads fall 0.2%, AUD higher
- ECB's Stark says that ECB will unwind low rates when the economy recovers, EU economy no longer in freefall, interest rates appropriate, German April industry output falls 1.9%, a 0.1% rise was expected, EU is prepared to launch a 2nd tranche of emergency aid to Latvia, Latvia says it will not devalue its currency and will maintain its peg to the EUR, EUR higher
- UK May RICS house price balance improves to -44.1 from -58.7 in April, May BRC retail sales fall 0.8%, BOE's Tucker says medium-term UK economic outlook highly uncertain, PM Brown continues to survive calls for his resignation, GBP higher
- Swiss KOF cuts Swiss GDP forecast from -2.4% to -3.3%, so Swiss economy is in a long recession, expect mild export recovery in 2010, CHF higher
- Fed's Dudley says recent rise in US bond yields reflects more confidence in economic outlook
- Nine major US banks may soon be allowed to pay TARP funds
- NFIB business optimism rises 2.1 points in May
- Canadians angered over the buy American rule in the stimulus package
- US equity markets set to open mixed, European equities mixed, Nikkei closed 78 points lower

### Upcoming Events

- **US-Tuesday**, April wholesale trade will be released expected at -1.1% compared to -1.6% last month

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