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**Foreign Exchange Market Highlights**

Good morning.

We will continue to hear from members of the Fed today. Boston Fed President Eric Rosengren sounded hawkish in comments overnight. San Francisco Fed President Mary Daly will discuss managing inflation later this afternoon. President Trump's Fed nominee, Stephen Moore, said yesterday that the Fed's December hike was a mistake, saying he is not a dove but is concerned about deflation.

U.S. Treasury yields are rising and overnight equity markets performed well, with U.S. equity futures pointing to a strong open. The U.S. dollar is modestly higher across the board this morning. An appetite for risk has returned to markets, and safe haven currencies like the Japanese yen are lower. Japanese bonds fell on a weak auction.

Brexit continues to be a focus in FX markets. The U.K. government took control of Brexit last night by passing the Letwin amendment, which calls for a series of votes on alternatives to Prime Minister May's deal. Interestingly, some pro-Brexiters are suddenly supportive of May, as a deal is better than no deal. Voting will begin tomorrow. The GBP remains resilient.

Chinese President Xi is in Europe, making new deals with European companies, including a large airplane order from Airbus, suggesting a cautious optimism for the U.S.-China summit later this week. The euro has given back its post-German IFO gains from yesterday.

Riksbank Deputy Governor Cecilia Skingsley is speaking this morning, saying that she is seeing slower growth in Sweden, but that she is seeing optimism in business surveys and feels somewhat encouraged about their economy.

Hungary left their benchmark interest rate unchanged at 0.90%. The Reserve Bank of New Zealand will meet this afternoon. We expect no change in policy.

U.S. housing starts dropped 8.7%, the biggest drop in eight months, and building permits fell 1.6%, both well below expectations. Part of this could be due to colder-than-normal February weather, but the data is disappointing in light of higher wages and lower interest rates. S&P CoreLogic Housing data rose 3.58% on the year, and 0.11% on the month, below expectations. Market reaction was negligible.

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