

# Dollar pinned down by 50 bp

The dollar traded near its lowest levels of the year on Tuesday, on the eve of the expected start to a U.S. easing cycle that markets are betting may begin with an outsized rate cut.

The euro hovered around \$1.1123 in the Asia session, not far from the year's high of \$1.1201.

The yen made a jaunt to the stronger side of 140 during holiday thinned trade on Monday, and had eased back to 140.77 as dealers returned to their desks in Tokyo.

It has fallen the most this year so has the most room to rally on a dovish turn from the U.S. central bank. A sustained break of 140.00 would open the way to a low from last January at 127.215.

Fed funds futures have rallied to push the chance of a 50 basis point rate cut to 67%, against 30% a week ago. The odds have narrowed sharply after media reports revived the prospect of a more aggressive easing.

The U.S. dollar index held at 100.7, not far from its 2024 low made last month at 100.51.

U.S. retail sales data and Canadian CPI figures are due later in the session, though all eyes are on the Fed's two-day meeting which concludes on Wednesday.

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