



Dollar holds firm as the Pound struggles

The dollar held firm on Monday after posting its biggest weekly rise in six weeks as traders cut their bearish bets before a much-anticipated U.S. Federal Reserve meeting that might signal a change in the outlook for U.S. monetary policy.

The U.S. Federal Reserve starts its latest two-day policy meeting on the Tuesday (15/06/2021) and ahead of the Fed's statement and news conference on Wednesday, markets will eye U.S. retail sales and PPI data for May as well as the NY Empire State manufacturing survey later on Tuesday, as the Fed officials will be using these numbers to help guide their decisions against a backdrop of sharply rising inflation as the country's economy makes a solid recovery as it gradually reopens.

Fed officials, led by Chairman Jerome Powell, have been insistent that these inflationary pressures will be transitory and ultra-easy monetary settings will stay in place for some time to come. However, with positioning heavily loaded against the dollar, traders are wary of any shift in tone with a potential discussion about tapering its bond-buying.

The Fed meeting is the last big event before the summer period and will likely set the market tone for the coming weeks.

Currency markets settled in tight ranges with implied volatility plumbing to multi-year lows after last week's strong inflation readings and a dovish European Central Bank meeting failed to dislodge currencies from recent trading levels.

The British pound was the biggest loser among developed currencies on news that Britain was set to delay the end of social distancing measures as the government tries to slow a rapid rise in COVID-19 infections.

Against the dollar and the euro, the pound weakened as much as 0.2% in early London trading, in cryptocurrencies, bitcoin traded above \$39,000 after getting an almost 10% lift on Sunday, when Tesla (NASDAQ:[TSLA](#)) Inc CEO Elon Musk tweeted that the electric carmaker will allow bitcoin transactions again when miners who verify transactions use more renewable energy.