

Dollar Down, Fed Begins Policy Meeting

The dollar was down on Tuesday morning in Asia, with the Fed widely expected to further tighten its monetary policy as it begins its two-day meeting.

The U.S. Dollar Index that tracks the greenback against a basket of other currencies was down 0.29% to 103.23 by 2:04 AM ET (6:04 AM GMT). It held just below a 20-year high against a basket of currencies on Monday.

The Fed will hand down its policy decision on Wednesday and is expected to hike rates by 50 basis points, the biggest hike since 2000. The central bank is also expected to announce plans to trim its \$9 trillion balance sheet.

Some investors are even holding out for the possibility of a 75-basis point hike, or a faster pace of balance sheet reduction than currently expected.

“A lot of traders are anticipating that the Fed’s not going to back down from this hawkish stance and you could still see some hawkish surprises, and that’s why the dollar is likely to hold on to its gains heading into the meeting,” OANDA senior analyst Edward Moya told Reuters.

The Bank of England will also hand down its policy decision on Thursday.

Elsewhere in Europe, the European Union is preparing the latest sanctions on Russian oil sales in response to Russia's invasion of Ukraine on Feb. 24. Germany, Russia's biggest energy customer, has changed its stance that could deprive Russia of a large revenue stream within days.

In Asia Pacific, ongoing concerns about China's latest COVID-19 outbreak and its impact on the country's economic impact helped cap the dollar's losses. The city of Shanghai reported 58 new cases outside areas under strict lockdown on Monday, while the capital city of Beijing resumed its mass testing program.

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