

## Dollar stabilizes, progress of debt ceiling bill

The U.S. dollar stabilized in early European trading Thursday near a two-month high as traders digested progress in the U.S. debt ceiling bill, comments from a number of Fed speakers, and Chinese manufacturing activity data.

Risk sentiment received a boost earlier Thursday after a private survey showed that China's manufacturing sector grew more than expected in May, offering hope of a recovery in the country's key growth driver after official data had shown a sustained slowdown earlier this week.

This helped USD/CNY fall 0.1% to 7.1072, with the yuan rebounding from six-month lows, although doubts remain about the recovery of the second largest economy in the world given today's survey only showed a marginal improvement in activity.

The safe-haven dollar has also drifted from its recent highs after the U.S. House of Representatives voted in favour of a bill to suspend the debt ceiling late Wednesday.

The deal now heads to the Senate for approval, but the chance of a default in the world's largest economy appears to be receding swiftly.

Attention now turns back to the intentions of Federal Reserve officials in terms of monetary policy as the next meeting draws nearer.

A pause on rate hikes in June was given a major boost Wednesday after Philadelphia Federal Reserve President Patrick Harker indicated a willingness to pause interest rate hikes next month to assess incoming data.

"Skipping a rate hike at a coming meeting would allow the Committee to see more data before making decisions about the extent of additional policy firming," Harker said.

The focus, however, will be on the May eurozone inflation release later in the session. Figures from a number of individual countries have shown that inflation pressures are easing, and thus there is potential downside to the expected 7.0% annual figure for May.

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