

## Euro firms ahead of ECB decision

The euro firmed a touch on Thursday ahead of a policy decision from the European Central Bank (ECB) where traders consider a rate cut all but certain, while the dollar eased on renewed bets of a U.S. Federal Reserve easing cycle expected this year.

The Canadian dollar edged slightly higher, trimming some losses from the previous session, after the Bank of Canada became the first G7 country to cut its key policy interest rate as widely expected. It was last at C\$1.3679 per dollar.

The euro gained 0.17% to \$1.0887, as traders looked ahead to the ECB meeting later in the global day for guidance on the central bank's rate outlook.

While policymakers have telegraphed an intention to lower borrowing costs this month, they have remained reticent on how soon subsequent cuts could come.

"The Governing Council's rationale will likely be driven by a stronger-than-expected recovery in (business) activity and increased confidence that inflation will return to the targeted level," said market strategist Henk Potts at Barclays Private Bank.

"Beyond the June meeting, we forecast that we could see quarter-point cuts in September and December."

In the broader market, the U.S. dollar was on the back foot, weighed in part by easing labour market conditions in the United States which added to the case for Fed rate cuts this year.

Markets have priced in nearly 50 basis points of Fed rate cuts this year, with the first expected to come in September.

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