

The dollar steadied against major currencies on Wednesday as traders awaited U.S. Federal Reserve minutes, but bitcoin tumbled after China banned its financial institutions from offering services related to cryptocurrency assets.

The minutes from the Fed's most recent meeting due later on Wednesday are expected to confirm that policymakers think a rate hike is still in the distance.

Investors will also be scrutinising consumer price data in Britain and Canada later in the trading day to determine how quickly major economies may be forced to rein in their accommodative monetary policy, which holds the key to the dollar's trend in the medium term.

"I'm most concerned about the relative strength of inflation," said Masafumi Yamamoto, chief currency strategist at Mizuho Securities in Tokyo.

"The recent release of U.S. consumer prices printed quite high. If Britain and Canada remain below that level, it suggests the pace of normalisation in the United States will be faster. Dollar selling may not last much longer."

Against the Canadian dollar, the greenback traded at C\$1.2076, close to its weakest since May 2015.

The British pound bought \$1.4187, which was near its strongest level since late February.

The euro was steady at \$1.2231.

The dollar was little changed at 108.96 yen and 0.8974 Swiss franc.



Image source: Bitcoin News

Data last week showing U.S. consumer prices rose 4.2% in April from a year earlier was the fastest increase in more than a decade, raising fears the Fed will have to start raising interest rates sooner than expected.

Fed policymakers have said the spike is temporary and reiterated that they expect rates to remain low, which has taken some steam out of the dollar, though not all are convinced by the Fed's line.

The dollar index against a basket of six major currencies was quoted at 89.732, close to the lowest since late February.

Expectations for policy tightening in Canada and the gradual lifting of coronavirus restrictions in Britain have lifted both countries' currencies, but any suggestion of benign inflation could help the greenback recoup some of its losses.

In the cryptocurrency market, bitcoin tumbled below the closely-watched \$40,000-mark to a three-month low of \$39,000. Rival digital currency ether dropped by more than 13% to \$2,900, which is a two-week low.

Regulatory risk has emerged as a negative factor after China banned its financial institutions from offering cryptocurrency registration, trading, clearing, and settlement in a blow to investors who were betting that digital assets will gain mainstream status.

Elsewhere, the Australian and New Zealand dollars eased slightly as the Antipodeans struggled to break through heavy technical resistance, but sentiment remains positive due to rising commodity prices, some traders said.

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