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United States

* Rep. Sander Levin, the acting chairman of the House Ways and Means Committee, and Rep. Dave Camp, the top Republican on the committee, Wednesday said that China's currency is significantly undervalued, that this is a problem for the U.S. and the world, and it should be resolved mulitaterally, perhaps by the IMF. At a hearing on China currency issues with a panel of think tank analysts, Levin said that an undervalued currency is part of China's "clear strategy" for export-driven growth. He said that this undervalued currency hurts the U.S. and the broad negative consequences of this policy "will not go away" on their own. "I think the status quo is not sustainable," he said, adding that China is quick and unfair to decry any criticism of their currency policy as protectionism. But Levin said that the China currency issue is best tackled in a multilateral context, adding that the IMF is "the most logical place" for these discussions to occur.

* February U.S. durable goods orders printed +0.5% in their third gain in a row, but this was slightly less than anticipated and suggests a slower take-off in the economy than some expected. Notably, January's orders were revised up to +3.9% from the original +2.6%. Ex-transportation orders printed +0.9%, reversing a -0.6% in January, and ex-defense printed +1.6% in a sixth gain. These are consistent with economic recovery. Boeing Corp. reported 47 new orders after 10 in January, and nondefense aircraft orders were up 32.7%.

* This week's comments from Treasury Secretary Timothy Geithner did little if anything to clarify the status of the debt of government-sponsored enterprises, a CATO Institute analyst told Market News International Wednesday. Answering a question from House Rep. Scott Garrett at a hearing Tuesday about the status of the GSE debt Geithner, seemingly reluctant to comment, said GSE and sovereign debts "are

different types of obligations." He insisted, however, the government "will make sure" mortgage giants
Fannie Mae
and Freddie Mac have the
resources they need to meet their obligations "past and future." That answer, however, left the congressman and other observers in the dark. "What exactly does that mean," summarized **CATO Institute** Director of Financial Regulation Studies Mark Calabria. In particular, should the government decide not to allow foreign central banks to take losses on GSE debt, "then we need to treat that as Treasury debt," which would be "on budget," he told Market News International.

* The Mortgage Bankers Association's Weekly Mortgage Applications Survey Wednesday showed refis down 7.1%, the purchase index up 2.7% and the Market Composite down 4.2%.
* Janet Yellen, the probable future vice chairman of the Federal Reserve Board of Governors, sought Tuesday to counter her reputation as one of the Fed's leading inflation "doves," even while downplaying inflation risks and suggesting there is no urgent need for the Fed to raise interest rates. But she told reporters she is as committed to price stability as anyone and is prepared to raise rates -- or "take away the punch bowl" as she put it -- when the time comes.
* The U.S. Federal Reserve plans to keep monetary policy accommodative for as long as there are risks facing the domestic economy, Chicago Fed President and Chief Executive Office Charles Evans said Wednesday in Beijing.
* U.S. Treasuries ended Wednesday sharply lower after a 1) steep morning selloff spurred by swap-tied selling (selling of 10y Tsys vs. swap receiving) amid more swap 10Y inversion; 2) Asian selling in Tsys w/in same selloff; 3) levered accts selling, 2Y selling, too; 10Y futures selling; 4) technical weakness, real money selling too; 5) finally bargain-hunting at morning lows, but then a weak $42 billion 5-yr auction (2.605% high yld, 3-bps tail, 39.66% indirects, 10.76% directs, 2.55 bid/cover) so 6) more post-auction redistribution selling of 5s.
* The dollar traded slightly higher vs. the euro in early afternoon dealings Wednesday but was able to rack up more solid gains vs the yen as the greenback surged across all major pairs, the dollar-yen simply playing catch-up to dollar gains seen elsewhere overnight. Euro-dollar was changed hands at $1.3340 while dollar-yen changed hands at Y92.02.
* In U.S. stocks Wednesday, the peaks for the Dow industrials through the day never got past the breakeven line, ending the day with a 52.68 loss at 10,836.15. Bad vibes on Portugal's Fitch downgrade helped ruin the day, with the Nasdaq composite off 16.48 at 2,398.76 and the S&P 500 down 6.45 to 1,167.72.

Canada

* Nothing has changed in the Bank of Canada's nearly year-long commitment to maintain its policy interest rate at 0.25% through next June, Bank of Canada Governor Mark Carney said Wednesday. Despite speculation that the Bank may raise its overnight rate target sooner than the end of June or very soon afterwards, with core inflation having gone just over target at 2.1% and with stronger data on economic growth and performances in key sectors, Carney told a press conference "there hasn't been a fundamental change in the underlying dynamics here." Canada's

economic fundamentals "start with an economy just having emerged from a deep recession," he said. In it, "considerable slack" remains in economic capacity and in the jobs market, and wage pressures are moderate. Against that, putting upward pressure on prices, is the strong domestic demand that has been the main cause of Canada's healthy first-quarter growth this year, he said.

* Mexico posted a trade surplus of $244 million in February compared to a deficit of $333 million in January, and $514 million in February 2009, the National Statistics Institute (INEGI) said in its preliminary report Wednesday. INEGI said the move to surplus was pushed by a decline in the non-oil deficit to $582 million from $1.22 billion in January. At the same time the surplus for petroleum products declined by $59 million to $826 million from the prior month, but was up from $341 million in February 2009. Excluding petroleum exports, Mexico would have posted a trade deficit in February of $2.59 billion, and 18.7% increase over the same month a year ago, INEGI said.

Europe

* Although the economic recovery in Europe is still "fragile," fiscal policy must prepare to reverse gears from stimulus to consolidation in order to assure sustainable growth over the long term, ECB Governing Council member Christian Noyer said Wednesday. "We need strategies for budget consolidation," the governor of the Bank of France told the Finance Committee of the National Assembly. The worst of the crisis is over, but the recovery remains "fragile and moderate," Noyer said. "Globally, we have emerged from recession, [but] we are still on a very fragile growth path" with great uncertainty over the level of potential growth ahead.

* Fitch Ratings Wednesday downgraded Portugal's Long-term foreign and local currency Issuer Default Ratings (IDR) to 'AA-' from 'AA'. "A sizeable fiscal shock against a backdrop of relative macroeconomic and structural weaknesses has reduced Portugal's creditworthiness," Fitch said. The Negative Outlook reflects Fitch's concern about the potential impact of the global economic crisis on Portugal's economy and public finances over the medium term, given the country's existing structural weaknesses and high indebtedness across all sectors of the economy.

Asia

* While off its best levels, the Korean won has held a firm tone this week, in line with the strength seen in other emerging market currencies underpinned by solid global investor demand, analysts said. Going forward, for the won to outperform, the market will have to start pricing in Bank of Korea rate hikes or stepped up investor flows, they said. Dollar-won was trading around Krw1138.00 Tuesday, in the middle of a Krw1134.00 to Krw1138.20 range. The pair has remained rangebound in recent sessions and has been reluctant to revisit last week's lows near Krw1125.83, traders said. For downward momentum to mount in dollar-won and a retest of the 2010 lows near Krw1150 to be seen, the market will have to anticipate either a pending BOK rate hike or a larger emerging market rally, traders said.

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