

ECB holds interest rates - Euro hits 7 month low against the dollar

The European Central Bank held interest rates at a record low 1% in a move that was widely expected by market participants.

On 4th Feb, the Euro hit a seven-month low against the dollar, knocked by concerns over the fiscal health of peripheral Euro Zone countries ahead of the European Central Bank policy decision. Worries over Spain and Portugal have increased as investors speculate the two countries may face similar debt problems to Greece.

ECB President Jean-Claude Trichet said that a number of countries in the Euro-Zone will have large fiscal imbalances which may rise sharply.

His words saw the single currency fall to session lows and there are fears that the 1.3800 barrier could be under threat if there are further losses.

Please see the attached graph showing the WM/Reuters EURUSD at 9am today, at its lowest level of 1.385 since 10th July 2009, falling from a high of 1.511 on 3rd December 2009.

WM/Reuters EURUSD 9am mid rate 9 Jul 09 - 4 Feb 10

