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Capital Market Services, LLC
 350 Fifth Avenue, Suite 6400
 New York, NY 10118
www.cmsfx.com
trading@cmsfx.com

Prepared by Hans Nilsson* and Winnie Tapasanun
www.globicus.com

AUD/USD Falls as China Restricts Credit Growth

- The dollar rose in NY trading Wednesday on concerns that China's moves to curb bank lending will slow the global economic recovery. Stocks, interest rates and commodity prices fell as investors sold riskier assets. US housing starts fell to a lower-than-anticipated level while more forward-looking building permits rose to a higher-than-expected pace; thus, pointing to stronger future construction. Unable to push through the 1150 resistance, the S&P 500 fell 12.19 to 1,138.04. The yen declined modestly versus the dollar but rose against other key currencies on carry-trade unwinding. The euro plunged through the 200-day MA support on continuing worries about Greece's fiscal problems. Sterling, while falling versus the dollar, rose against the euro on data showing a more-than-expected decline in UK unemployment. The Bank of England's MPC unanimously agreed to spend the rest of their £200 billion bond-purchase plan in January and leave the key interest rate at 0.50%, minutes released today showed. The MPC also said there is still the risk of an undershoot of the 2% inflation target after an initial overshoot. The Canadian dollar dropped as oil prices fell. The Canadian consumer-price inflation rate rose less than forecast, reducing the chance of an early BOC tightening.
- The AUD/USD fell following a new move by China to cool its booming economy. The Australian economy is one of the main benefactors from China's huge commodity appetite so any slowdown in China will negatively affect commodity prices and the Australian dollar. After breaking its long uptrend in early-December, the AUD/USD fell but reversed its decline after Christmas. The pair has just made a triple-top. The broken uptrend and triple-top indicate further drops. A penetration of the 0.94-area resistance would signal a positive outlook for the pair. There are supports in the 0.90 and 0.87 areas.



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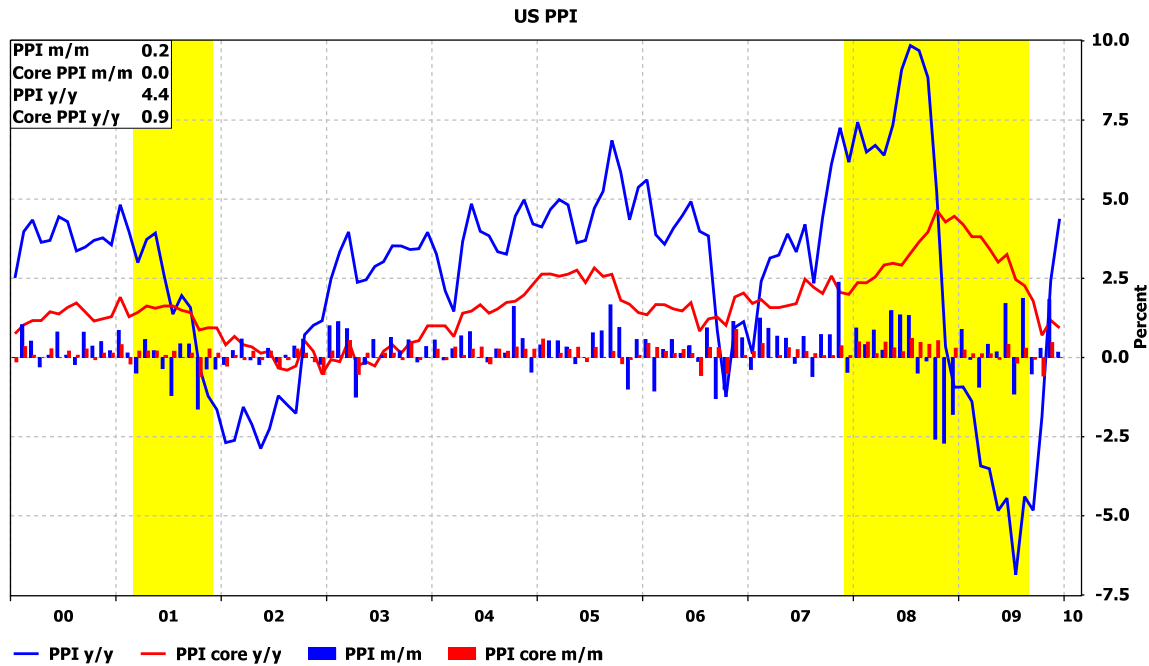
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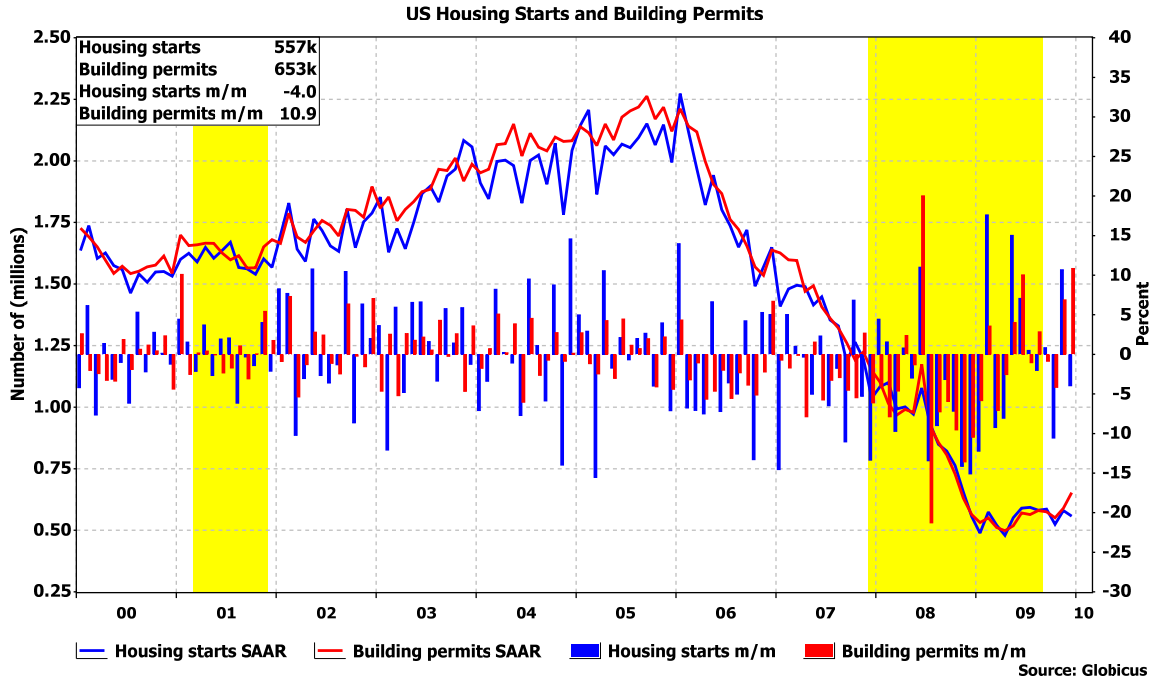
Financial and Economic News and Comments

US & Canada

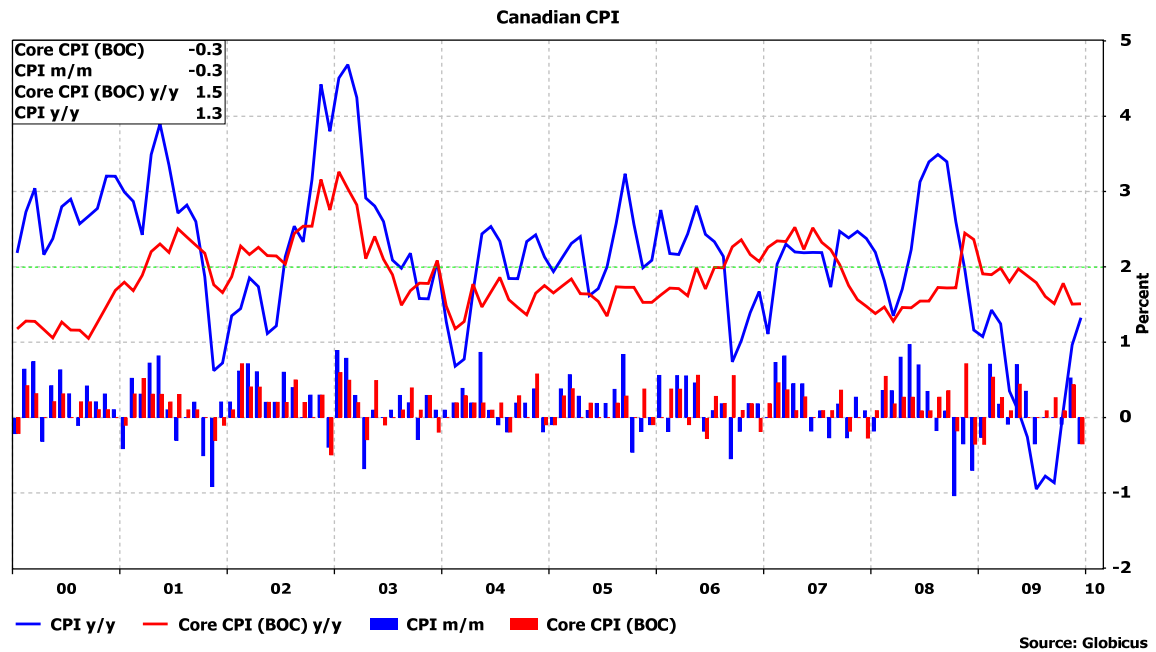
- US producer prices increased a slightly more-than-expected 0.2% m/m in December after a 1.8% m/m advance in November, according to PPI data from the Labor Department, signaling producer-price inflation is well contained amid the ongoing economic recovery. The producer-price inflation rate rose to 4.4% y/y, as forecast, from November's 2.4% y/y. The PPI December increase was mostly due to food prices, which increased 1.4% m/m. Energy costs declined 0.4% m/m. The core PPI, which excludes food and energy, was unchanged m/m in December after a 0.5% m/m increase in November. The core CPI rate decelerated as forecast to 0.9% y/y, the smallest year-on-year increase since 2002, from November's 1.2% y/y.



- US housing starts declined 4.0% m/m in December to a seasonally adjusted 557,000 annual rate, lower than market expected, from an upwardly revised 580,000 pace in November, according to figures released by the Commerce Department. The December decline was led by single-family units, which decreased 6.9% m/m to a 456,000 rate. Multi-unit starts rose 12.2% m/m in December to a 101,000 pace, a 6-month high. Housing starts declined in the Northeast and Midwest, ticked down slightly in the West, and increased in the South. Meanwhile, building permits climbed 10.9% m/m in December to a seasonally adjusted 653,000 annual rate, substantially higher than expected, from an upwardly revised 589,000 pace in November, signaling the housing recovery will be sustained into 2010. Permits for single-family units grew 8.3% m/m in December and rose 48.5% versus January 2009's low.



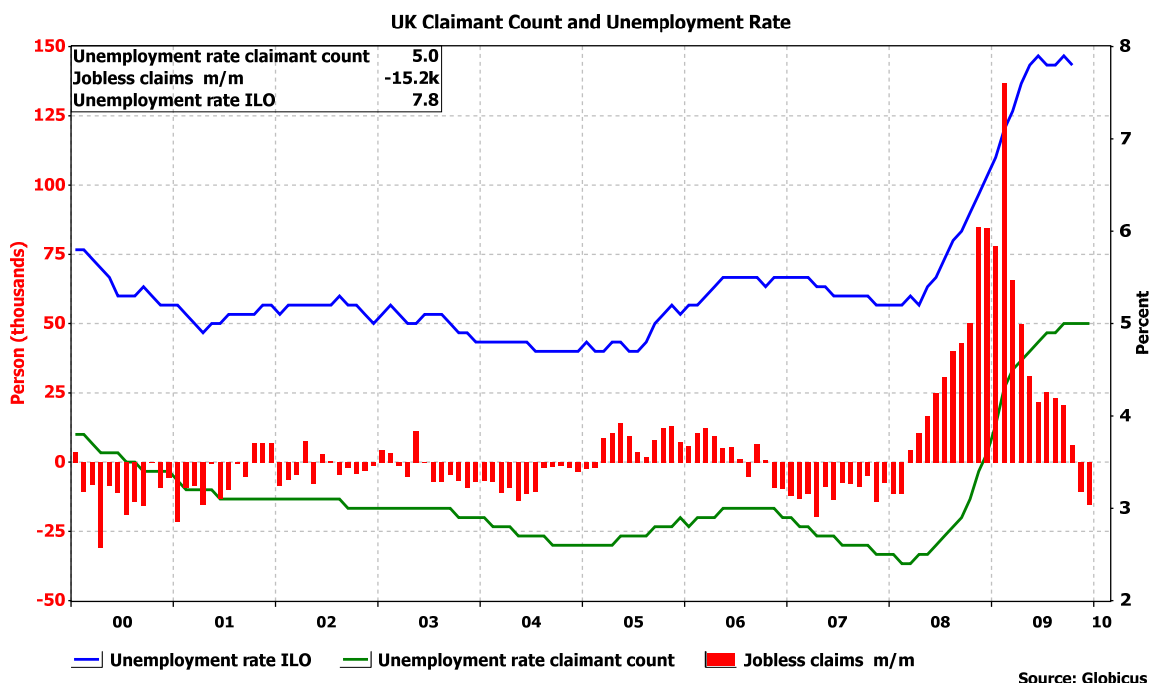
- Canada's consumer prices declined a more-than-expected 0.3% m/m in December after a 0.5% m/m increase in November, CPI data from Statistics Canada showed, giving the Bank of Canada room to keep interest rates low through June. The consumer-price inflation rate increased to a lower-than-expected 1.3% y/y from November's 1.0% y/y. The Bank of Canada core CPI declined 0.3% m/m in December after a 0.4% m/m increase in November. The BOC core rate was unchanged at 1.5% y/y, lower than anticipated.



- Canadian manufacturing sales increased a less-than-expected 0.1% m/m in November, the fifth gain in six months, to C\$42.6 billion (\$40.7 billion), after an upwardly revised 2.1% m/m gain in October, according to figures from Statistics Canada. November manufacturing sales declined 10.0% y/y.

Europe

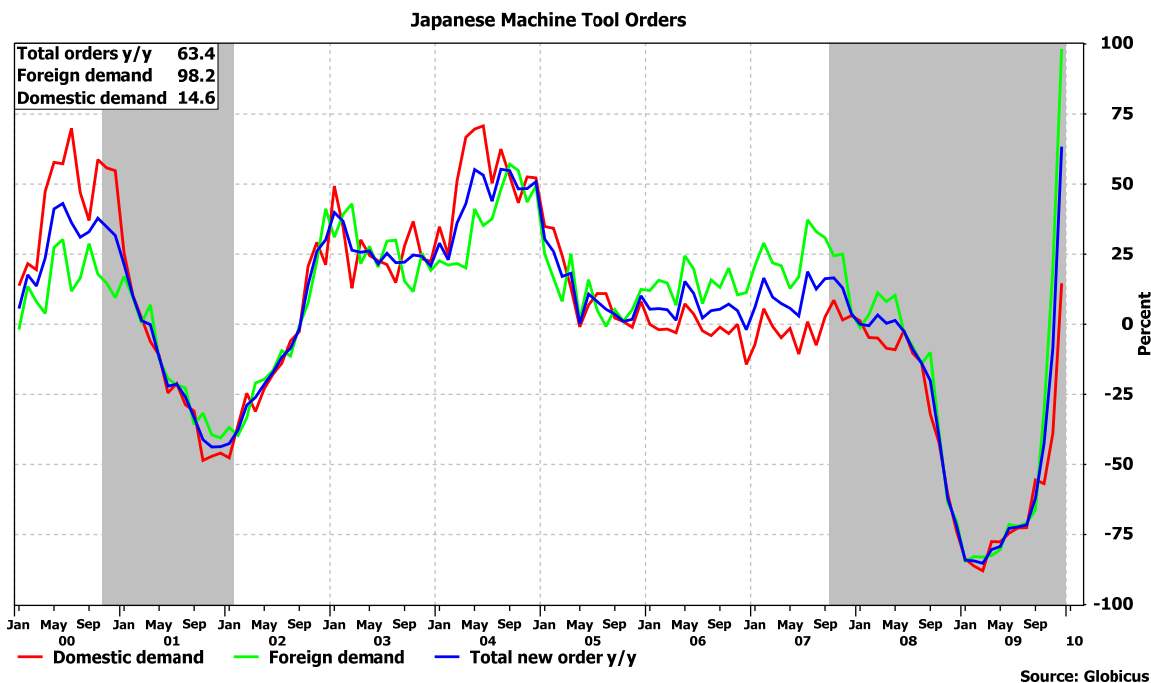
- Germany's producer prices unexpectedly declined 0.1% m/m in December after a 0.1% m/m increase in November, according to PPI data from the Federal Statistical Office. December PPI fell 5.2% y/y, a tenth consecutive year-on-year fall, following a 5.9% y/y November slide. Excluding energy, PPI increased 0.1% m/m in December but decreased 1.7% y/y. On an annual average in 2009, PPI fell 4.2% y/y, the largest fall since records began in 1949.
- UK jobless claims fell a much more-than-anticipated 15,200 in December, the second monthly fall since February 2008 and the largest since April 2007, to 1.61 million, after a revised 10,800 decline in November that was larger than previously reported, figures from the Office for National Statistics showed, signaling the UK economy is emerging from its recession. The claimant count rate held steady at 5.0%, as expected, in December. Overall unemployment in the three months through November fell 7,000 to 2.46 million, the first quarterly fall since March-May 2008. The unemployment rate based on International Labour Organization methods was unchanged at 7.8% for the three months through November. Average earnings including bonuses grew as forecast 1.6% y/y in the quarter through November after a 1.5% y/y increase in the quarter through October. Growth for average earnings excluding bonuses was also at 1.6% y/y in the quarter through November, the smallest rise since records began in 2001, marginally lower than 1.7% y/y in the quarter through October.



Asia-Pacific

- Japan's demand for services declined in November. The tertiary industry activity index slipped 0.2% m/m to 96.6 in November after a downwardly revised 0.4% m/m increase in October, the Ministry of Economy, Trade and Industry said.
- Japan's machine tool orders jumped 63.4% y/y in December (revised up from a previously reported 62.8% y/y) after a 8.4% y/y decline in November and steep drops in prior several months, according to final December data from the Japan Machine Tool Builders' Association. The December gain was led by a 98.2% y/y surge in

foreign orders (revised up from a previously reported 96.2% y/y). Meanwhile, domestic orders rose 14.6% y/y (revised down from a previously reported 16.2% y/y).



- The Westpac–Melbourne Institute Australian consumer sentiment index rose 5.6% m/m to 120.1 in January after a 3.8% m/m decline to 113.8 in December, indicating Australian consumer confidence climbed by the most in six months, according to a Westpac Banking Corp. and Melbourne Institute survey.

FX Strategy Update

	EUR/USD	USD/JPY	GBP/USD	USD/CHF	USD/CAD	AUD/USD	EUR/JPY
Primary Trend	Positive	Negative	Neutral	Negative	Negative	Positive	Neutral
Secondary Trend	Negative	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Outlook	Negative	Positive	Negative	Positive	Positive	Neutral	Neutral
Action	Sell	Buy	None	Buy	None	None	None
Current	1.4101	91.26	1.6288	1.0441	1.0462	0.9100	128.70
Original Position	1.4628	88.67	N/A	1.0340	N/A	N/A	N/A
Objective	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Stop	1.4590	87.30	N/A	0.9900	N/A	N/A	N/A
Support	1.4000	90.00	1.6000	1.0200	1.0300	0.9000	128.50
	1.3800	88.50	1.5800	1.0000	1.0200	0.8700	126.50
Resistance	1.4300	93.00	1.6400	1.0500	1.0500	0.9300	133.00
	1.4550	94.50	1.6550	1.0700	1.0700	0.9400	135.00

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Thursday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
0:00	Japan	Leading economic index	Nov F			91.2
0:00	Japan	Coincident index	Nov F			95.9
3:30	Germany	Manufacturing PMI	Jan A		52.9	52.7
3:30	Germany	Services PMI	Jan A		53.1	52.7
4:00	EMU	Manufacturing PMI	Jan A		52.0	51.6
4:00	EMU	Services PMI	Jan A		53.9	53.6
4:00	EMU	Composite PMI	Jan A		54.3	54.2
4:00	EMU	European Central Bank monthly bulletin	Jan			
4:30	UK	Public finances (PSNCR)	Dec		£25.4B	£14.7B
4:30	UK	Public sector net borrowing	Dec		£18.8B	£20.3B
4:30	UK	Major banks mortgage approvals	Dec		65K	63K
5:00	Switzerland	ZEW expectations	Jan			54.0
6:00	UK	CBI quarterly industrial trends	Jan			
8:30	Canada	Wholesale sales	Nov	m/m	0.4%	0.3%
8:30	US	Initial jobless claims	Jan 16		440K	444K
8:30	US	Continuing claims	Jan 9		4.590M	4.596M
10:00	US	Leading economic indicators index	Dec		0.7%	0.9%
10:00	US	Philadelphia Fed manufacturing index	Jan		18.3	20.4
10:30	Canada	Bank of Canada monetary policy report				
19:30	Australia	Export price index	Q4	q/q	-3.5%	-9.6%
19:30	Australia	Import price index	Q4	q/q	-1.9%	-3.0%
23:30	Japan	All industry activity index	Nov	m/m	0.1%	1.2%

Notes: N/A=not applicable/not available, ar=annual rate, sa=seasonally adjusted, nsa=non-seasonally adjusted, wda=working days adjusted, 3 mths=3 months, m/m=month-on-month, q/q=quarter-on-quarter, y/y=year-on-year, ytd=year-to-date, m=million, b=billion, t=trillion, unch=unchanged, a=advance, p=preliminary, r=revised, f=final, GDP=gross domestic product, CPI=consumer price index, PPI=producer price index, PMI=purchasing managers index

Hans Nilsson and Winnie Tapasanun
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