



FX Strategy Briefing

January 22, 2010

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Yen Gains as Optimism Evaporates

- The dollar was pressured on Friday by uncertainties introduced by the Obama Administration's banking proposal and doubts over Ben Bernanke's confirmation for another term as Federal Reserve Chairman. Still, the greenback gained against most major currencies for the week. The only exception was the yen, which rose on President Obama's plan to reduce risk taking and concerns that China's tightening will slow global economic growth and discourage demand for risky assets. Stocks, commodity and interest rates fell on increased risk aversion. The S&P 500 fell 24.72 to 1,091.76, for the largest 3-day decline since March 2009. The euro rose modestly following steep losses earlier in the week on eurozone debt problems. Sterling fell on weaker-than-expected UK retail sales. Pressured by falling commodity prices, the Australian dollar rose modestly for the first day in four.
- The dollar index fell for a second day. The dollar rose earlier in the week as risk appetite fell on worries China monetary tightening will slow the global recovery and Greece's debt problems would worsen. After consolidating last December's gains in the 76-78 area, the dollar rose to the highest level in 5 months this week but later declined on Obama's bank proposal. There are support in the 78-area and resistance in the 79.50.



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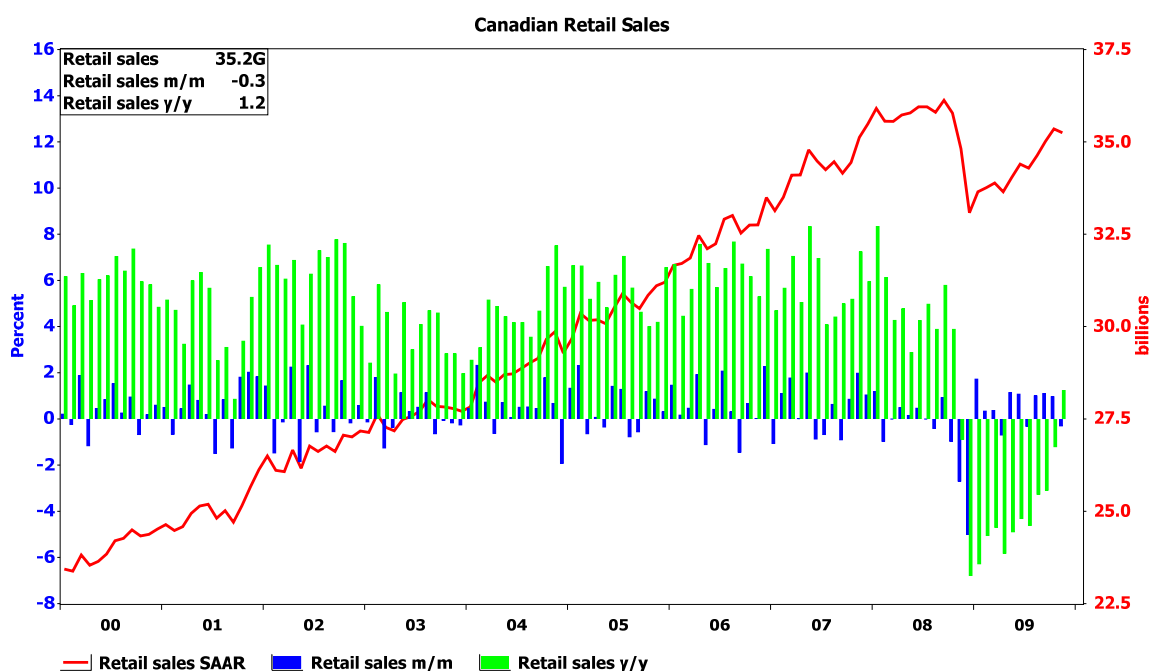
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Financial and Economic News and Comments

US & Canada

- Michigan remained the state with the highest unemployment rate, 14.6% in December, accelerating from December 2008's 10.2%, a Labor Department report showed. The states with the next highest jobless rates were Nevada, 13.0%; Rhode Island, 12.9%; South Carolina, 12.6%; and California, 12.4%. The rate in South Carolina set a new series high, as did the rates in Delaware, 9.0%, Florida, 11.8%, and North Carolina, 11.2%. The rate in the District of Columbia also set a new series high, 12.1%. New York's unemployment rate accelerated to 9.0% in December from 8.6% in November, compared with December 2008's 6.6%. North Dakota continued to have the lowest unemployment rate, 4.4% in December, followed by Nebraska and South Dakota, 4.7% each.
- Canadian retail sales were down a slightly more-than-expected 0.3% m/m in November, the first decline in four months, to C\$35.2 billion (\$33.3 billion), after an upwardly revised 1.0% m/m gain in October, figures from Statistics Canada showed. The November decline was led by sales at clothing and accessories stores, which fell 3.6% m/m, the largest fall since September 2002. Excluding car and parts dealers, retail sales were little changed (+0.04% m/m) to C\$27.6 billion in November after an upwardly revised 0.3% m/m increase in October. November retail sales increased 1.2% y/y and increased 1.1 y/y excluding car and parts dealers.



Europe

- Eurozone industrial new orders rebounded in November, increasing a more-than-expected 1.6% m/m, after a revised 1.9% m/m October decline and a series of gains during the prior months, data released by Eurostat showed. November industrial new orders fell 1.5% y/y, easing the pace of decline from a revised 14.4% y/y October drop.
- UK retail sales increased a less-than-expected 0.3% m/m in December after a 0.3% m/m decline in November, according to data from the Office for National Statistics. December retail sales grew 2.1% y/y, the weakest year-on-year gain for the month since 1998, following a 3.1% y/y November advance.

Asia-Pacific

- Australia's import prices fell a more-than-expected 4.3% q/q in Q4 2009 after a 3.0% q/q decline in Q3, while export prices slid a less-than-expected 1.7% q/q after Q3's 9.6% q/q slide, figures from the Australian Bureau

of Statistics showed. Import prices fell 15.5% y/y in Q4, the biggest annual fall since records began in Q3 1981. Export prices tumbled 32.7% y/y, the largest annual drop since records began in Q3 1974.

- Overall production by all sectors of the Japanese economy increased for a second month in November. The all industry activity index was up a modest 0.1% m/m, as forecast, after a downwardly revised 1.1% m/m October increase, according to data from the Ministry of Economy, Trade and Industry.
- Japan's nationwide department store sales and Tokyo department store sales continued their declines last month but at a much slower pace. The nationwide sales slipped 5.0% y/y in December after an 11.8% y/y drop in November, while the Tokyo sales slid 5.8% y/y following November's 11.9% y/y drop, figures from the Japan Department Store Association showed.

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
Trend Outlook	Negative	Positive	Negative	Positive	Positive	Neutral	Neutral
Action	Sell	Buy	None	Buy	None	None	None
Current	1.4143	89.88	1.6114	1.0417	1.0582	0.9010	127.12
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	89.80	1.6100	1.0200	1.0300	0.9000	126.00
	1.3800	88.50	1.5900	1.0000	1.0200	0.8700	123.00
Resistance	1.4300	93.00	1.6400	1.0500	1.0600	0.9150	133.00
	1.4550	94.50	1.6550	1.0700	1.0750	0.9400	135.00

Monday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
	Japan	Bank of Japan interest rate decision				0.10%
0:00	Japan	Small business confidence	Jan			40.4
2:00	Germany	GfK consumer confidence	Feb			3.3
10:00	US	Existing home sales	Dec	m/m		7.4%
10:00	US	Existing home sales	Dec			6.54M
10:30	US	Dallas Fed manufacturing activity	Jan			3.8%
18:50	Japan	Corporate service prices	Dec	y/y		-2.0%

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

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New York, January 22, 2010, 16:00 EDT

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