



FX Strategy Briefing

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EUR/USD Falls to 6-Month Low

- The dollar rose on Thursday as risk aversion increased. US economic data were mixed. Durable goods orders increased less than expected while ex-transportation orders rose more than anticipated. Initial jobless claims decreased less than expected. Ben S. Bernanke was confirmed by the Senate for a second term as Federal Reserve Chairman. The S&P 500 fell 12.97 led by technology stocks to 1,084.53. The yen was modestly higher. Japanese retail sales posted their biggest decline since December 2008. Sterling reversed earlier gains after Standard & Poor's said it no longer classified the UK among the most stable and low-risk banking systems globally. The Australian pared overnight gains and the Canadian dollar reversed earlier gains as stocks and commodity prices fell in the New York session.
- The EUR/USD fell below the 1.40 support and touched the lowest level since July 14 on continuing concern about sovereign debt in the weaker EMU countries. Yu Yongding, a former adviser to China's central bank said China shouldn't buy a "large chunk" of Greece's debt. The Greek/German 10-year yield spread rose to a record and the cost of insuring Greek bonds against default also hit a record. The EUR/USD, in a well-defined downtrend, is getting oversold. The former 1.40 area support is now resistance. There is support in the 1.38 area. Short the pair, we are lowering the stop to 1.4360.



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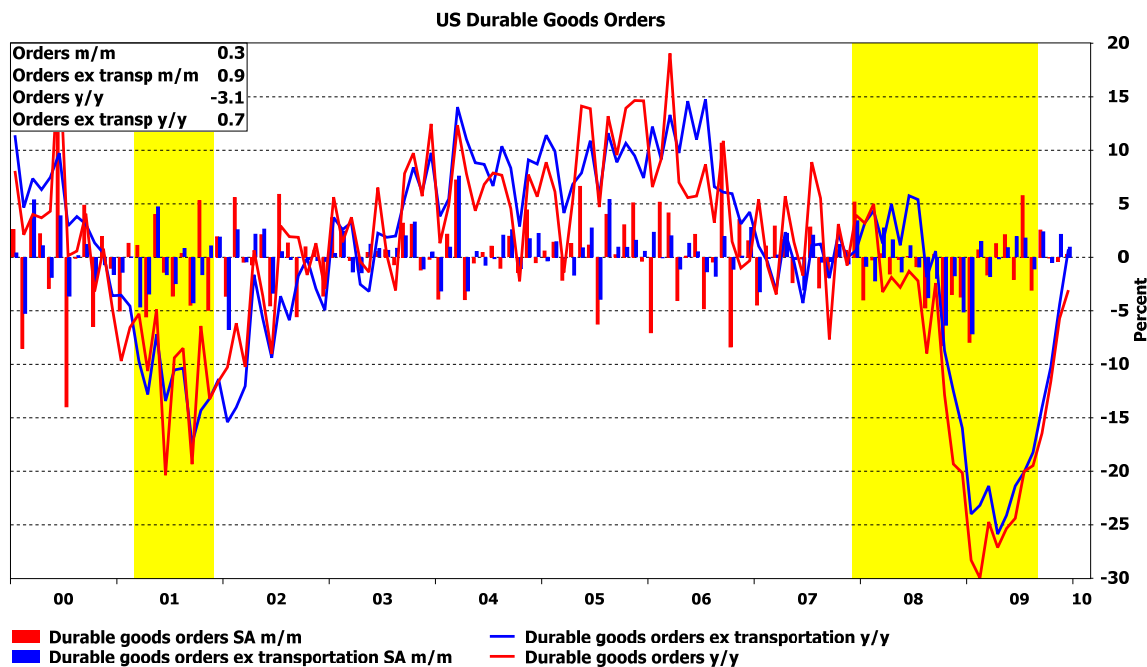
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Financial and Economic News and Comments

US & Canada

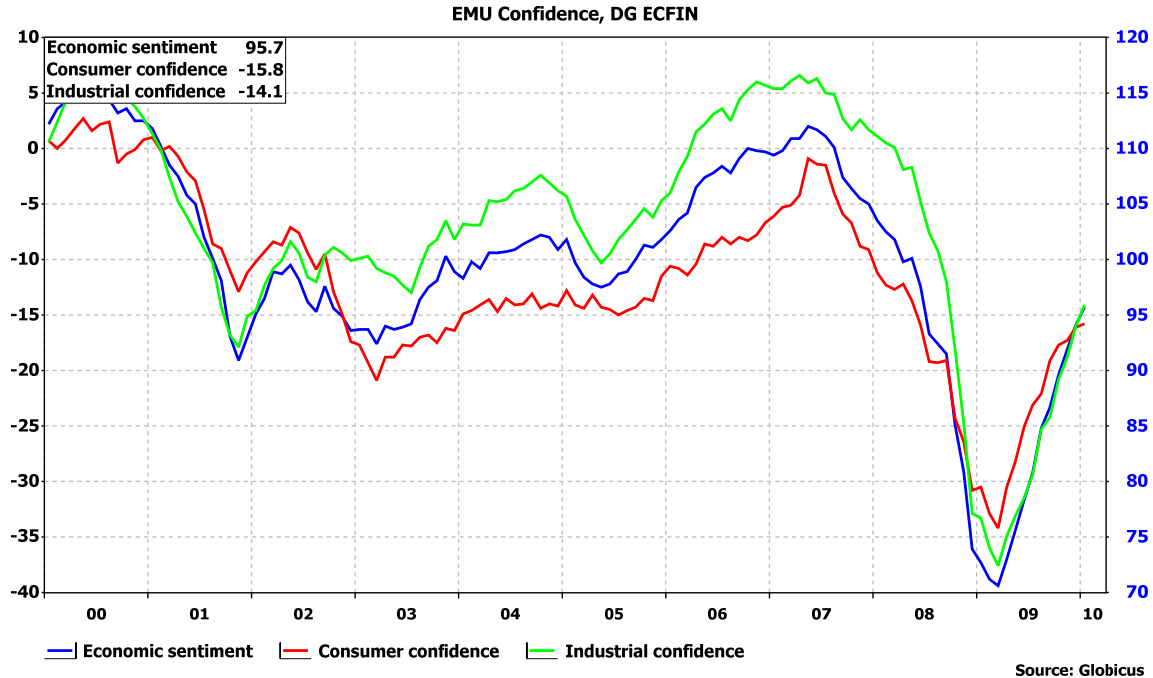
- US durable goods orders increased a less-than-expected 0.3% m/m to \$167.9 billion in December, the first gain in three months, after a downwardly revised 0.4% m/m decline in November, data from the Commerce Department showed. Excluding transportation, durable goods orders grew a more-than-expected 0.9% m/m, following November's upwardly revised 2.1% m/m gain. The largest increases in December orders were for industrial machinery, primary metals, and motor vehicles/parts while the largest decreases were for civilian aircraft and computers/electronics. Durable goods orders declined 3.1% y/y nsa in December while ex-transportation orders increased 0.7% y/y nsa. Shipments of non-defense capital goods excluding aircraft, used in calculating GDP, grew 2.2% m/m in December, the largest gain since February 2007, after an upwardly revised 1.6% m/m advance in November. Orders for such goods, a barometer of capital spending by businesses, rose 1.3% m/m in December, a second consecutive monthly gain.



- US initial jobless claims declined a less-than-expected 8,000 to 470,000 in the week ending January 23 from the previous week's downwardly revised 478,000, according to figures from the Labor Department. The 4-week moving average increased 9,500 to 456,250. Continuing claims in the week ending January 16 fell 57,000 to 4,602,000 from the preceding week's upwardly revised 4,659,000. The 4-week moving average of those continuing claims dropped 94,250 to 4,669,250. The insured unemployment rate for the week ending January 16 declined to 3.5% from the prior week's upwardly revised 3.6%.

Europe

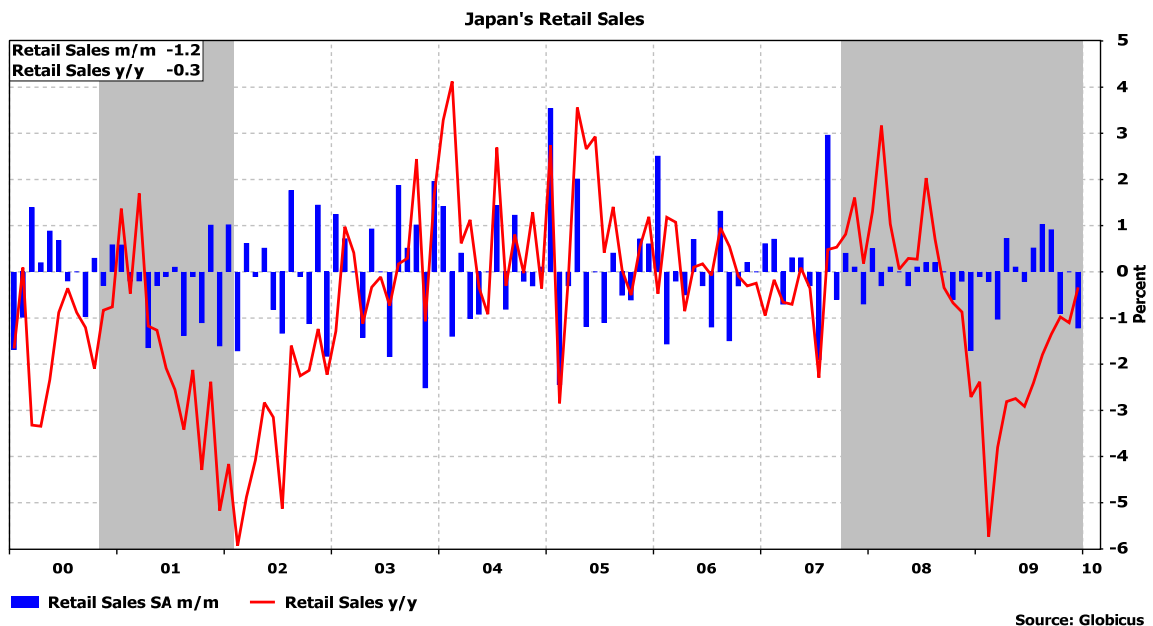
- The eurozone economic sentiment index advanced to a higher-than-expected 95.7 in January from an upwardly revised 94.1 in December, indicating eurozone economic confidence steadily rose for a tenth straight month, data from the European Commission showed. Consumer confidence stagnated in January, with the consumer confidence gauge holding steady at -16, reflecting concerns over a soft eurozone economic recovery. Industrial confidence continued its improvement this month, with the industrial confidence measure increasing to -14 in from December's -16. Confidence in the services sector improved for a tenth straight month in January, with the services confidence gauge increasing to -1 from -3. In a separate measure of business confidence released by the EC, the business climate indicator also climbed for a tenth consecutive month in January to -1.12, a 15-month high, from -1.30 the prior month.



- Germany's seasonally adjusted unemployment rose a less-than-expected 6,000 to 3.43 million in January, the first rise since June, after a 3,000 decline in December, according to figures from the Federal Labor Agency. The seasonally adjusted unemployment rate increased to 8.2% from 8.1%.

Asia-Pacific

- Japanese retail sales fell a seasonally adjusted 1.2% m/m in December, the largest fall since December 2008, after a downwardly revised 0.0% m/m in November, the Ministry of Economy, Trade and Industry said. December retail sales slipped 0.3% y/y, a 16th consecutive decline, following November's revised 1.1% y/y decrease. Sales at large-scale retail stores fell 4.6% y/y, a 21st straight fall. The figures came in worse than market expected.



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	1.3968	89.90	1.6134	1.0522	1.0659	0.8948	125.58
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	1.4360	87.30	N/A	0.9900	N/A	N/A	N/A
Support	1.3800	89.50	1.6000	1.0200	1.0300	0.8900	125.00
	1.3600	88.00	1.5900	1.0000	1.0200	0.8700	123.00
Resistance	1.4050	93.00	1.6400	1.0550	1.0700	0.9150	133.00
	1.4300	94.50	1.6600	1.0700	1.0850	0.9400	135.00

Friday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
0:00	Japan	Housing starts	Dec	y/y		-19.1%
0:00	Japan	Annualized housing starts	Dec		0.813M	0.798M
0:00	Japan	Construction orders	Dec	y/y		-11.6%
2:00	UK	Nationwide house prices sa	Jan	m/m	0.4%	0.4%
2:00	UK	Nationwide house prices nsa	Jan	y/y	7.3%	5.9%
4:00	EMU	Unemployment rate	Dec		10.1%	10.0%
5:00	EMU	CPI estimate	Jan	y/y	1.2%	0.9%
5:30	Switzerland	KOF leading economic index	Jan		1.73	1.68
8:30	Canada	Industrial product price index	Dec	m/m	0.5%	1.0%
8:30	Canada	Raw materials price index	Dec	m/m	1.5%	2.2%
8:30	Canada	GDP	Nov	m/m	0.3%	0.2%
8:30	US	GDP – annualized	Q4 A	q/q	4.5%	2.2%
8:30	US	GDP price index	Q4 A	q/q	1.3%	0.4%
8:30	US	Personal consumption	Q4 A	q/q	1.8%	2.8%
8:30	US	Core personal consumption expenditure	Q4 A	q/q	1.3%	1.2%
8:30	US	Employment cost index	Q4	q/q	0.4%	0.4%
9:45	US	Chicago PMI	Jan		57.1	60.0
9:55	US	Reuters/ U. of Michigan consumer confidence	Jan F		73.1	72.8

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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