



# FX Strategy Briefing

January 29, 2010

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

## USD Rally Depreciates Risky Assets

- The dollar rallied on Friday and closed sharply higher for the week against other major currencies. US GDP grew in Q4 2009 at the fastest pace since 2003, indicating the economic recovery is gaining momentum. US stocks pared initial strong gains, pressured by the soaring greenback. The S&P 500 fell 10.66 to 1,073.87. Commodity prices and interest rates also declined as the dollar gained. The yen fell. Overall Japanese economic data suggest the Japanese economy is improving but falling prices indicate the deflationary problem is still present. Finance Minister Naoto Kan urged the Bank of Japan to use “appropriate and flexible” monetary policy to fight deflation. The euro declined on continuing concern about the fiscal outlook for Greece and other southern EMU countries. Sterling fell below 1.60 and approached the important 1.59 support. The Australian and Canadian dollars fell for a third straight week as commodity prices weakened.
- The dollar index rose for a fourth straight day and closed at the highest level since July. The dollar has risen as risk appetite has fallen on worries that China’s monetary tightening will slow the global economic recovery and Greece’s debt problems will worsen. More importantly, the Fed’s failure to meet increasing dollar demand may end the US and global fragile economic recovery as the rising dollar may overvalue asset prices again. The dollar index is up nearly 7% since the beginning of December. There is support in the 78-area with minor resistance in the 79.50 and more important resistance at the 81 handle.



\*Expert Market Commentaries, charts and information are provided by Hans Nilsson of Globicus International, Inc., a registered third party CTA, are intended for educational purposes only and do not constitute trading recommendations.

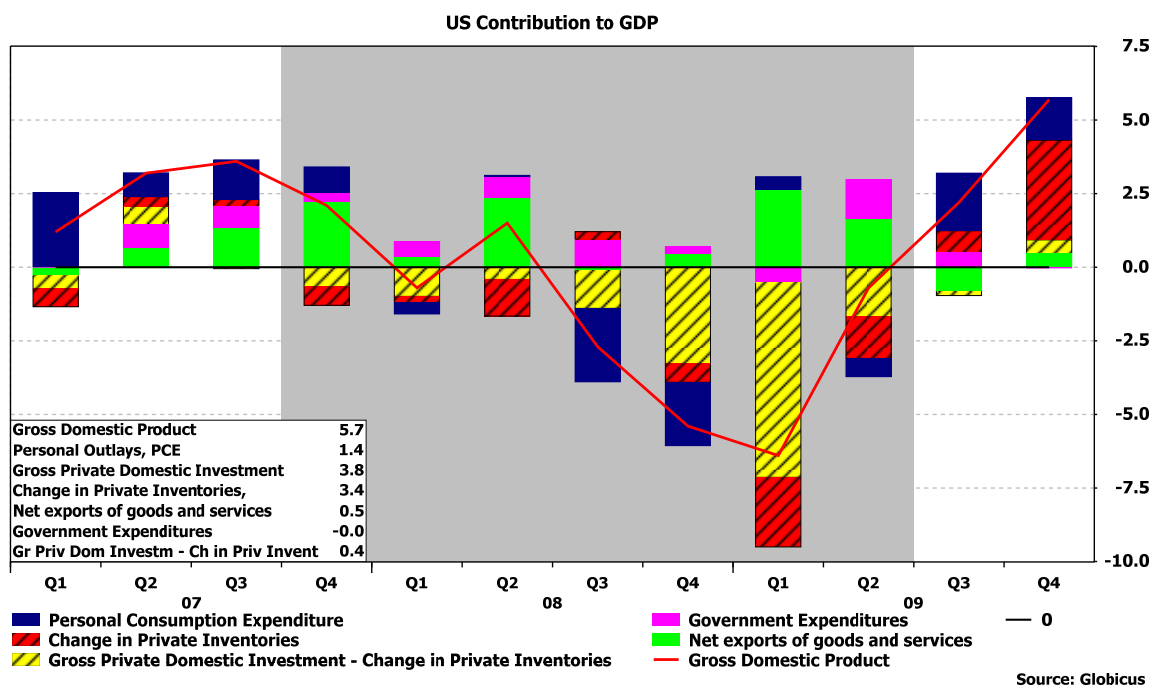
Past performance is not indicative of future results. Trading OTC Forex on margin carries a high level of risk, and may not be suitable for all investors. Please contact a registered trading advisor if you have any questions.

©2004-2010 Globicus International, Inc. and Capital Market Services, L.L.C. This report is intended solely for distribution to customers of Capital Market Services, L.L.C. Any information in this report is based on data obtained from sources considered to be reliable, but no representations or guarantees are made by Capital Market Services, L.L.C. with regard to the accuracy of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Capital Market Services, L.L.C. accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of, or in any way connected with, the use of all or any part of this report. No part of this report may be reproduced or distributed in any manner without the permission of Globicus International, Inc.

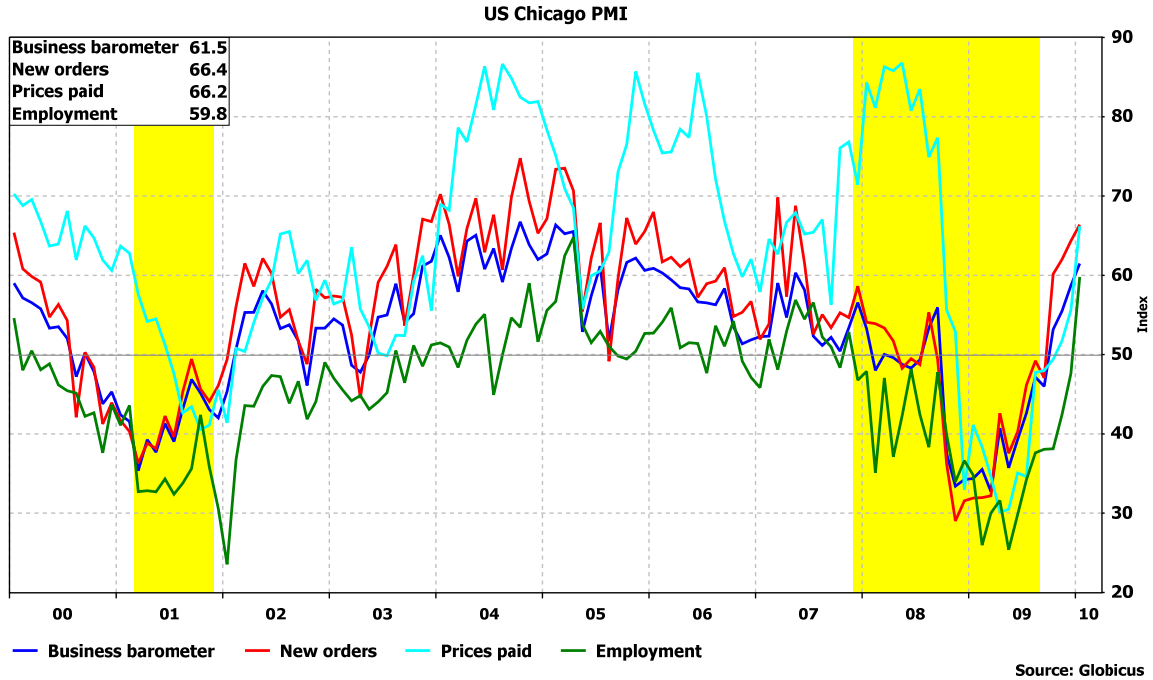
**Financial and Economic News and Comments**

**US & Canada**

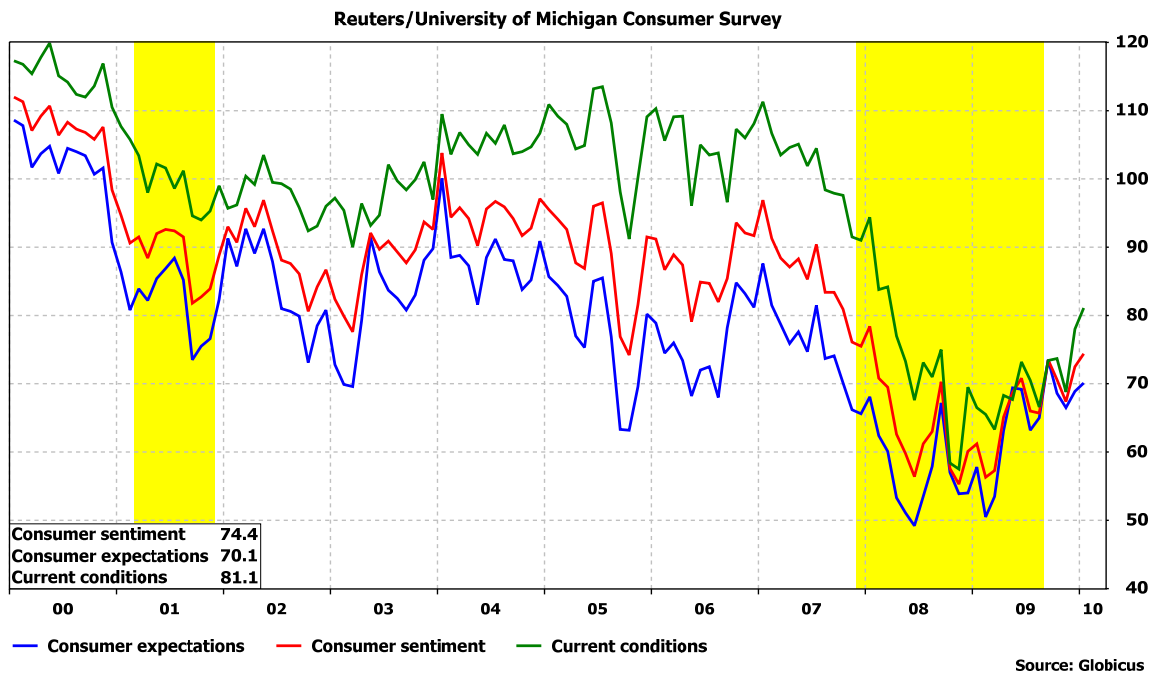
- US GDP expanded at a higher-than-expected 5.7% annualized rate in Q4 2009, the fastest pace in six years, after a 2.2% annualized pace in Q3, advance US GDP data from the Commerce Department showed, indicating the US economic recovery is strengthening. The largest positive contributors to Q4 GDP growth were inventories, personal consumption, and business investment in equipment and software while the weakest components were business investment in structures (like offices and retail space) and government spending. Personal consumption increased at a higher-than-expected 2.0% annualized rate in Q4 after a 2.8% annualized pace in Q3. Core PCE rose at a 1.4% annualized pace, following Q3's 1.2% annualized rate, indicating inflation remained below the Federal Reserve's long-term forecast. The GDP price index grew at a lower-than-expected 0.6% annualized rate in Q4 after a 0.4% annualized pace in the prior quarter. In all of 2009, GDP declined 2.4%, the largest fall for an entire year since 1946, after rising 0.4% in 2008 and 2.1% in 2007.



- The employment cost index rose a slightly more-than-expected 0.5% q/q in Q4 2009 after a 0.4% q/q increase in Q3, according to a Labor Department report.
- The Chicago business barometer unexpectedly rose to 61.5 in January from 58.7 in December, indicating US business activity expanded beyond the 50 expansionary level for a fourth consecutive month and reached the highest level since November 2005, according to the Chicago Report by Kingsbury International, Ltd. and the Institute for Supply Management – Chicago, Inc. The new orders index grew to 66.4 in January from 64.4 in December and the production index increased to 66.6 from 64.2. Employment expanded in January, with the employment index rising to 59.8, the highest level since April 2005, from December's 47.6. Prices paid strengthened this month, with the prices paid index climbing to 66.2 from December's 55.6.



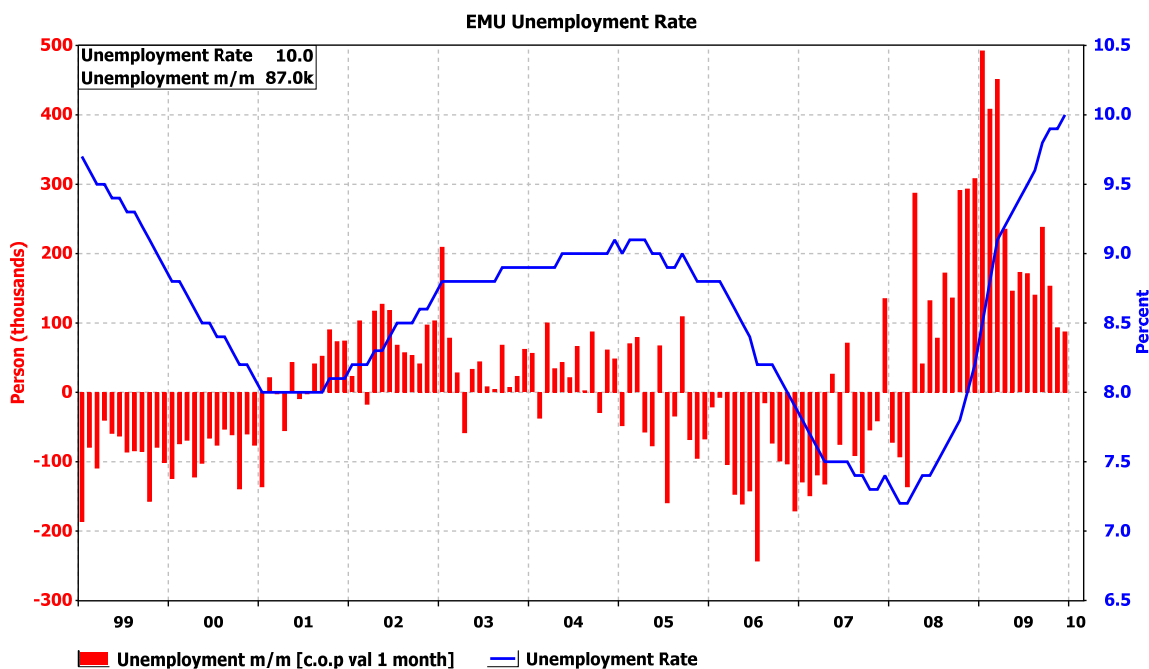
- The Reuters/University of Michigan final consumer sentiment index grew to a higher-than-expected 74.4 in January (vs. preliminarily reported 72.8) from 72.5 in December, indicating US consumer confidence rose to the highest level since January 2008, according to the latest Thomson Reuters/University of Michigan surveys of consumers. The index averaged 66.3 in all of 2009, up from 63.8 in 2008. The current economic conditions index rose to 81.1 in January (vs. preliminarily reported 81.0) from 78.0 in December. The consumer expectations index advanced to 70.1 (vs. preliminarily reported 67.5), the highest since September 2009, from December's 68.9.



- Canada's GDP rose a slightly more-than-expected 0.4% m/m in November, a third consecutive monthly-on-month rise, led by increases in the wholesale trade, oil and mining industries, after upwardly revised gains of 0.3% m/m in October and 0.5% m/m in September, GDP data from Statistics Canada showed. The economy declines 1.7% y/y in November.
- Canada's industrial product prices unexpectedly declined 0.1% m/m in December after a downwardly revised 0.9% m/m increase in November, and raw materials costs unexpectedly fell 1.7% m/m following two consecutive monthly rises, both on lower petroleum prices, according to a separate report from Statistics Canada.

### Europe

- Eurozone unemployment increased a seasonally adjusted 87,000 to 15.763 million in December, Eurostat reported. The seasonally adjusted unemployment rate rose to 10.0%, the highest since August 1998, from November's downwardly revised 9.9%.

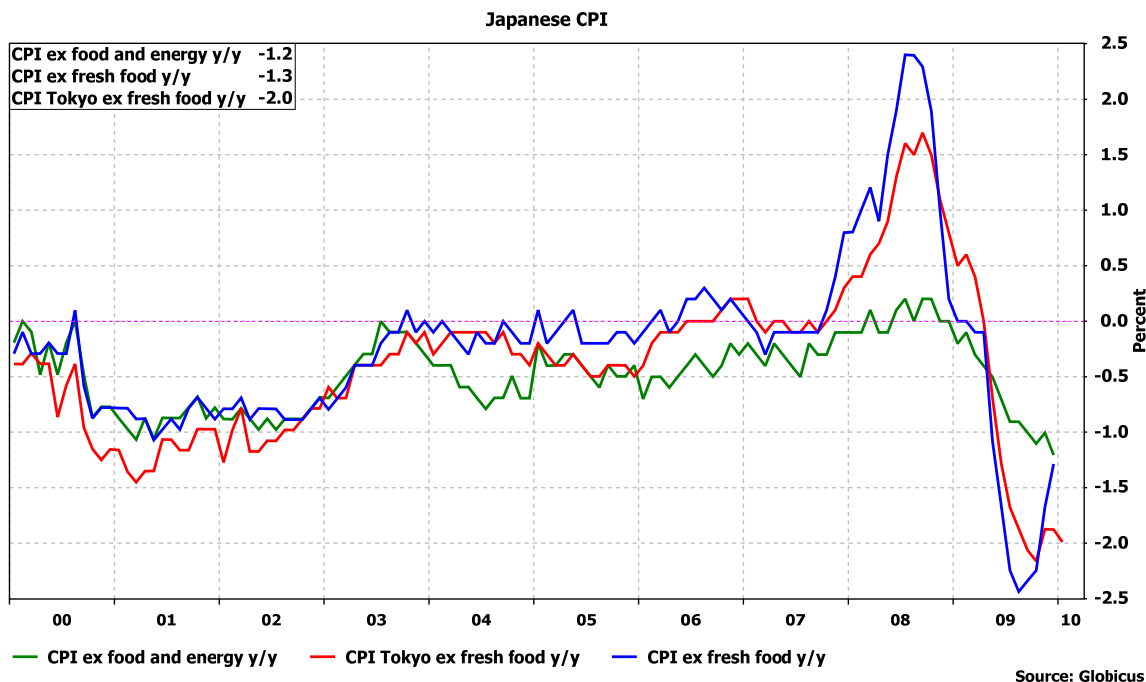


- The eurozone inflation rate rose to 1.0% y/y in January, the highest since February 2009, from 0.9% y/y in December, according to a flash estimate released by Eurostat. However, the 1.0% rate was lower than market expected.
- The GfK NOP UK consumer confidence index increased to a slightly higher-than-expected -17 in January from -19 December, indicating UK consumer confidence climbed for the first time in three months, according to data from GfK NOP. Consumers became more optimistic about prospects for the UK economy in the next 12 months, with the expectations gauge increasing to -2 in January from -6 in December.
- The KOF Swiss leading economic index increased to a higher-than-expected 1.77 in January from an upwardly revised 1.73 in December, according to LEI data from the Konjunkturforschungsstelle Swiss Institute for Business Cycle Research. The institute said: "the year-on-year growth rate of Swiss GDP should continue in positive territory. However, the recovery of the Swiss economy is likely to slow down."

### Asia-Pacific

- The Nomura/JMMA Japanese PMI declined to 52.5 in January from 53.8 in November, indicating Japan's manufacturing activity expanded for a seventh consecutive month but at a slightly slower pace, according to PMI data released by Markit Economics.

- Japan's core consumer prices, which exclude fresh food, fell for a 10th consecutive month in December, falling as forecast 1.3% y/y, after a 1.7% y/y November decrease, CPI data from the Statistics Bureau showed, signaling prolonged deflation remains a major concern to Japan's economic recovery. The CPI excluding food and energy slid 1.2% y/y in December after a 1.0% y/y decline the prior month. Tokyo's core CPI, a leading indicator for nationwide price trends, fell a more-than-expected 2.0% y/y in January after a 1.9% y/y slide in December.



- Japan's unemployment rate unexpectedly declined to 5.1% in December from 5.2% in November, data from the Statistics Bureau showed. The job-to-applicant ratio, a leading indicator of employment trends, increased as forecast to 0.46, a fourth consecutive gain, from November's 0.45,
- Japanese household spending increased a more-than-expected 2.1% y/y in December, a fifth consecutive gain, after a 2.2% y/y advance in November, a separate report from the Statistics Bureau showed.
- Japanese industrial production increased a less-than-expected 2.2% m/m in December, a tenth consecutive month-on-month gain, after increasing at the same pace in November, according preliminary December IP data released by the Ministry of Economy, Trade and Industry (METI). IP rose 5.3% y/y, following November's a 4.2% y/y decrease. Industrial production rose 4.6% q/q in Q4 2009, a third consecutive quarterly gain.
- Japanese housing starts fell 15.7% y/y December to 69,298 units, a thirteenth straight year-on-year fall but the slowest in a year, after a 19.1% y/y drop in November, according to data from the Ministry of Land, Infrastructure and Transport. Housing starts slumped to 788,410 in 2009, down 27.9% from 2008 and the lowest level since 1964. Construction orders increased 0.6% y/y in December, the first gain in 14 months, to ¥899.4 billion (\$10.03 billion), after an 11.6% y/y decrease in November,
- The Conference Board Australian leading economic index, a measure of future economic activity, fell for a third straight month in November, falling 0.3% to 111.2, following declines of 0.3% in October and 0.1% in September. The November LEI decline was led by building approvals, the sales to inventories ratio, and money supply, while the yield spread, share prices, rural goods exports, and gross operating surplus were the positive contributors. The coincident economic index, measuring current economic activity, grew for a second consecutive month in November, rising 0.3% to 114.0, after an upwardly revised 0.2% October increase.
- Australian private sector credit grew 0.3% m/m in December after a 0.1% m/m increase in November, the Reserve Bank of Australia said. December private sector credit rose 1.5% y/y. Housing credit increased 0.7%

m/m in December and climbed 8.2% y/y. Personal credit grew 0.7% m/m in December but fell 0.4% y/y, while business credit declined 0.2% m/m and 7.0% y/y.

**FX Strategy Update**

	EUR/USD	USD/JPY	GBP/USD	USD/CHF	USD/CAD	AUD/USD	EUR/JPY
<b>Primary Trend</b>	Positive	Negative	Neutral	Negative	Negative	Positive	Neutral
<b>Secondary Trend</b>	Negative	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
<b>Trend Outlook</b>	Negative	Positive	Negative	Positive	Positive	Neutral	Neutral
<b>Action</b>	Sell	Buy	None	Buy	None	None	None
<b>Current</b>	1.3863	90.25	1.5982	1.0604	1.0691	0.8845	125.12
<b>Original Position</b>	1.4628	88.67	N/A	1.0340	N/A	N/A	N/A
<b>Objective</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Stop</b>	1.4360	87.30	N/A	0.9900	N/A	N/A	N/A
<b>Support</b>	1.3800	89.50	1.5900	1.0200	1.0300	0.8750	125.00
	1.3600	88.00	1.5750	1.0000	1.0200	0.8600	123.00
<b>Resistance</b>	1.4050	93.00	1.6400	1.0650	1.0700	0.9150	133.00
	1.4300	94.50	1.6600	1.0900	1.0850	0.9400	135.00

**Monday's Economic Calendar**

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
3:30	Switzerland	SVME PMI	Jan		55.6	54.6
3:55	Germany	Manufacturing PMI	Jan F		53.4	53.4
4:00	EMU	Manufacturing PMI	Jan F		52.0	52.0
4:30	UK	Mortgage approvals	Dec		61.8K	60.5K
4:30	UK	Net consumer credit	Dec		-£0.3B	-£0.4B
4:30	UK	Net lending secured on dwellings	Dec		£1.7B	£1.5B
4:30	UK	Manufacturing PMI	Jan		54.0	54.1
8:30	US	Personal income	Dec	m/m	0.3%	0.4%
8:30	US	Personal spending	Dec	m/m	0.3%	0.5%
8:30	US	Personal consumption expenditure deflator	Dec	y/y	2.2%	1.5%
8:30	US	Core PCE	Dec	m/m	0.1%	0.0%
8:30	US	Core PCE	Dec	y/y	1.5%	1.4%
10:00	US	ISM manufacturing	Jan		55.7	55.9
10:00	US	Construction spending	Dec	m/m	0.4%	-0.6%
18:50	Japan	Monetary base	Jan	y/y		5.2%
19:30	Australia	NAB business confidence	Dec			19
19:30	Australia	NAB business conditions	Dec			10
20:00	Japan	Labor cash earnings	Dec	y/y		-2.8%
22:30	Australia	Reserve Bank of Australia interest rate decision			4.00%	3.75%

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 Tapananun**

**New York, January 29, 2010, 16:00 EDT**