



# FX Strategy Briefing

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## Dollar May Consolidate Gains

- The dollar rose on Friday for a third consecutive day, pressuring stocks and commodity prices for a third day. US nonfarm payrolls declined a modest 20K in January with the unemployment rate falling to 9.7%. The S&P 500 gained 3.08 to 1,066.19 and erased earlier large losses as US consumer credit declined less than forecast and support at 1050 held. The yen fell versus the dollar but rose against most other key currencies on carry trade unwinding. The euro declined amid ongoing concerns about the fiscal stability in the PIGS countries and concern that efforts by Greece, Portugal and Spain to reduce their deficits will hurt the fragile economic recovery. Sterling fell despite higher-than-expected producer-price inflation. The oversold Australian and Canadian dollars rose. The Canadian dollar was supported by an unexpected drop in Canada's unemployment rate and stronger-than-expected employment growth. The Swiss National Bank reportedly intervened in the FX market to prevent the Swiss franc from further appreciation against the euro after the EUR/CHF fell to the lowest level since October 2008.
- The dollar index rose for a third straight day and touched the highest level since July 9. The appreciating dollar is increasing deflationary pressures, depreciating risky assets and may end the US/global fragile economic recovery. The dollar index rose about 9% since the beginning of December. There are support in the 79-area and important resistance at the 81 area. We expect a consolidation between the support and resistance.



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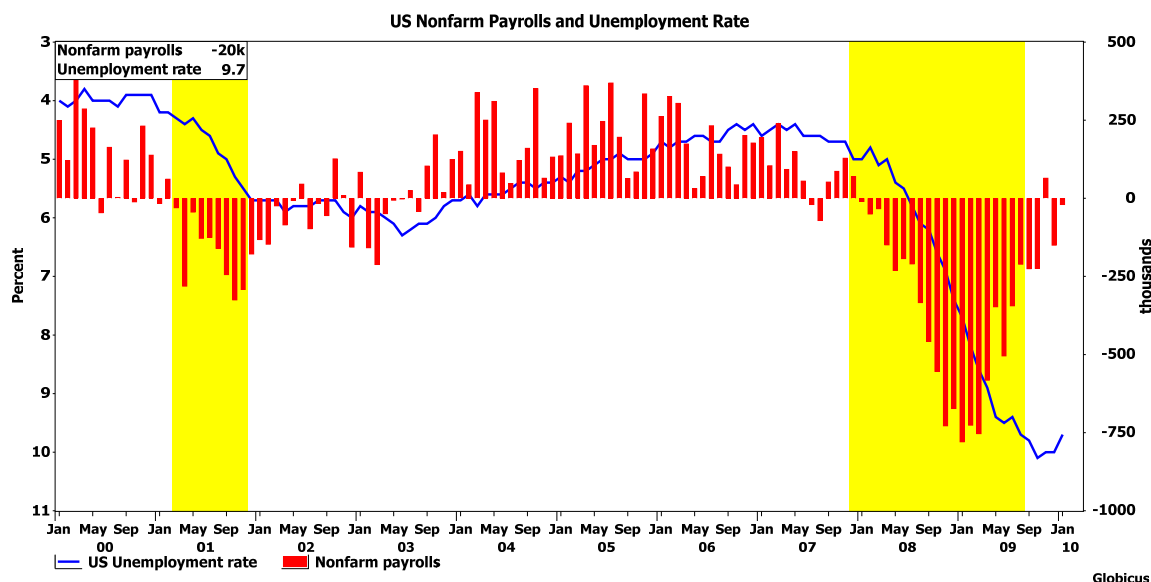
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## Financial and Economic News and Comments

### US & Canada

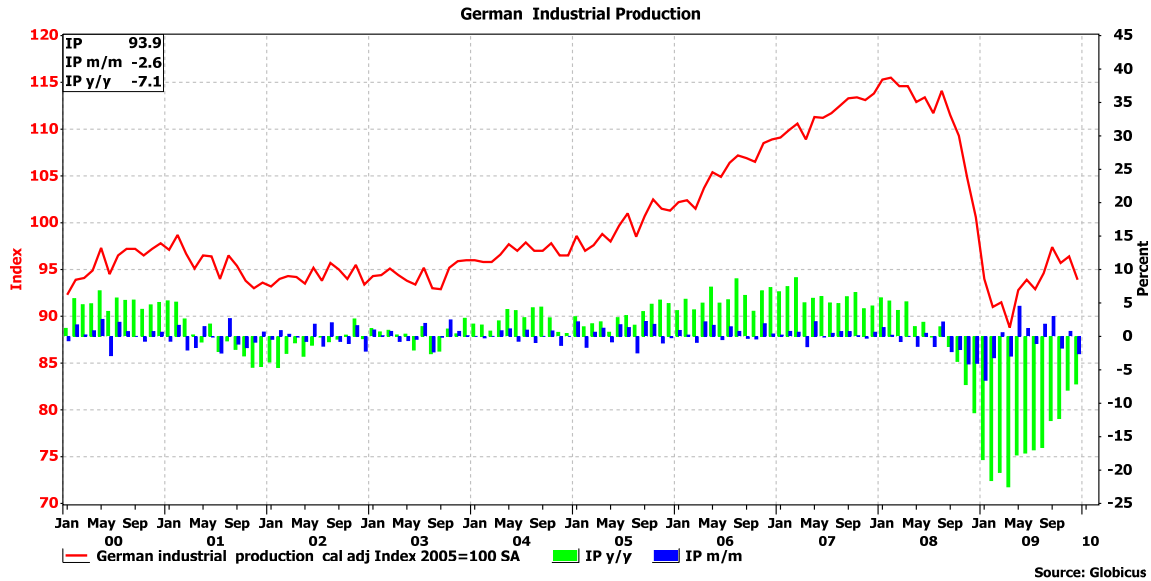
- US nonfarm payrolls unexpectedly declined 20,000 in January, much smaller than a revised 150,000 December drop that was larger than previously reported, figures from the Labor Department showed. Public-sector payrolls declined 8,000. Private-sector payrolls fell 12,000, smaller than a 22,000 drop forecast by ADP. The strongest employment increases were for temporary help services (+52,000), retail trade (+42,000), and education/health (+16,000). Manufacturing employment grew 11,000 in January, the first gain in three years. The largest payroll losses were in construction (-75,000), couriers/messengers (-23,000), and leisure/hospitality (-14,000). The unemployment rate unexpectedly fell to 9.7% in January, the lowest since August, from 10.0% in December, indicating labor market conditions have improved. Average hourly earnings increased 0.3% m/m to \$18.89 in January and rose 2.5% y/y. Average weekly hours increased to 33.3 from December's 33.2.



- US consumer credit declined a less-than-expected \$1.7 billion in December after a revised \$21.8 billion November drop that was larger than previously reported, figures from the Federal Reserve showed, registering an eleventh consecutive monthly slump and the longest stretch of declines since records began in 1943.
- Canada's employment surged a more-than-anticipated 43,000 in January, the fourth gain in six months, to 16,924,400, after a revised 28,300 decrease in December, according to figures from Statistics Canada. The unemployment rate declined to 8.3% from December's downwardly revised 8.4%. Full-time employment increased 1,400 to 13,678,600 in January, while part-time positions jumped 41,500 to 3,245,800. The participation rate was unchanged at 67.1.

### Europe

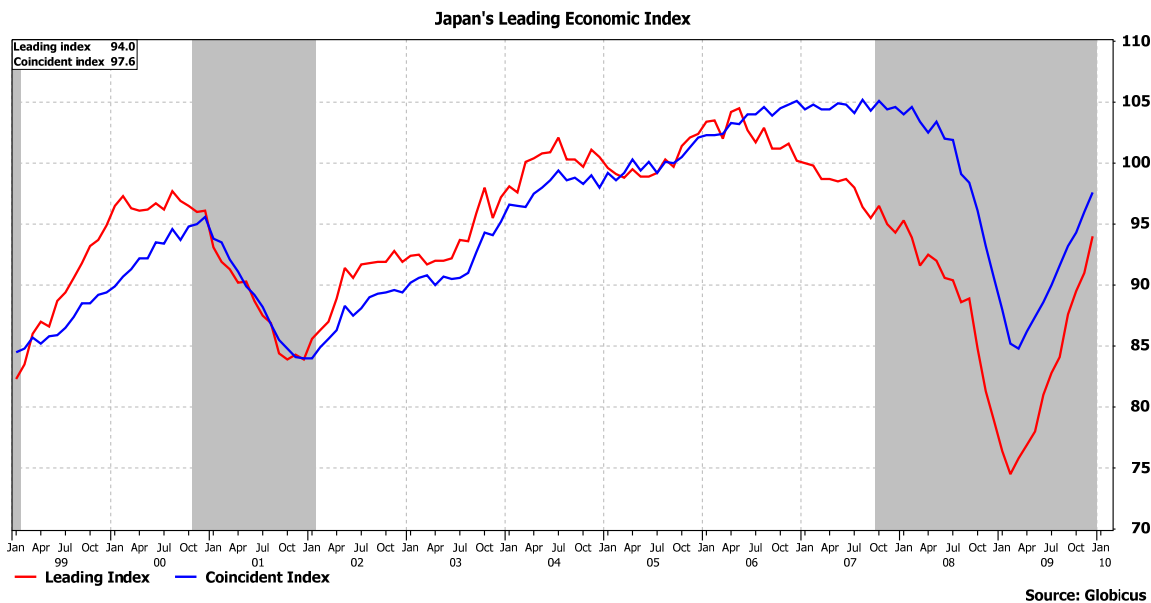
- Germany's seasonally adjusted industrial production unexpectedly fell 2.6% m/m in December, the second fall in three months, after a 0.7% m/m increase in November, IP data from the Federal Ministry of Economics and Technology showed, signaling the German economic recovery has slowed modestly. December IP slid a more-than-expected 7.1% y/y nsa wda, following an 8.0% y/y November decrease.



- UK producer-price inflation continued to increase in January. UK PPI output climbed a slightly more-than-expected 0.4% m/m in January after rising 0.5% m/m in December, according to PPI data from the Office for National Statistics. January PPI output rose 3.8% y/y, the most since 2008. Core PPI output grew 0.3% m/m and 2.5% y/y. PPI input increased a more-than-expected 2.0% m/m in January after an upwardly revised 0.6% m/m advance in December. January PPI input jumped 8.4% y/y, following an upwardly revised 7.4% y/y December advance.

**Asia-Pacific**

- The Japanese leading economic indicators index, a measure of future economic activity, rose to a higher-than-expected 94.0 in December, a tenth straight monthly gain, from a revised 91.0 in November, according to preliminary December LEI data released by the Cabinet Office. The coincident index, measuring present economic activity, increased to a higher-than-expected 97.6, a ninth consecutive monthly advance, following November's 96.0.



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**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	Negative	Neutral
<b>Action</b>	Sell	Buy	None	Buy	None	None	None
<b>Current</b>	1.3664	89.37	1.5628	1.0727	1.0698	0.8671	122.12
<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	1.0345	N/A	N/A	N/A
<b>Support</b>	1.3650	88.50	1.5600	1.0500	1.0550	0.8600	122.00
	1.3500	86.00	1.5300	1.0200	1.0450	0.8400	119.00
<b>Resistance</b>	1.4050	93.00	1.5900	1.0750	1.0800	0.8800	126.00
	1.4250	94.50	1.6100	1.0900	1.1000	0.9000	130.00

**Monday's Economic Calendar**

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
1:45	Switzerland	Unemployment rate sa	Jan		4.1%	4.2%
1:45	Switzerland	Unemployment rate nsa	Jan		4.3%	4.4%
3:15	Switzerland	Retail sales	Dec	y/y	1.2%	0.6%
4:30	EMU	Sentix investor confidence	Feb		-2.4	-3.7
8:15	Canada	Housing starts	Jan		179.0K	174.5K
19:01	UK	RICS house price balance	Jan		27%	30%
19:01	UK	BRC retail sales – like-for-like basis	Jan	y/y		4.2%
19:01	UK	BRC retail sales – total basis	Jan	y/y		6.0%

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=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, February 5, 2010, 16:00 EDT**