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Dollar Gains on Fed Discount Rate Hike

- The dollar rose against most major currencies on more signs of continuing US economic growth and the announcement that the Federal Reserve will raise its discount rate 25 basis points tomorrow. The Conference Board US LEI rose for a tenth consecutive month and the Philadelphia Fed manufacturing index expanded for a sixth straight month as orders surged. Producer prices continued to rise and initial jobless claims unexpectedly rose. The US yield curve steepened to a record. The S&P 500 closed 7.24 higher at 1,106.75 but reversed the gains in after-hours trading following the Fed's announcement. The yen fell for a third day. The Bank of Japan maintained its key interest rate at 0.10%, as forecast, but said it was very important for the Japanese economy to overcome deflation. The euro dropped to the lowest level since May 18 on continued concerns over eurozone sovereign debt. The Australian and Canadian dollars reversed earlier small gains after the Fed's announcement.
- The GBP/USD fell on worries about the UK's deteriorating fiscal situation and concerns over a downgrade of UK sovereign debt rating. The UK failed to generate a surplus in January, the biggest tax-collection month of the year, and posted its first budget deficit for January since monthly data began in 1993. The GBP/USD fell to the lower trading band in the downward sloping trading channel. There is support in the 1.55 area and the pair is oversold so there may be some consolidation. However, the trend is lower and the GBP/USD is below its 50- and 200-moving average, indicating further declines.



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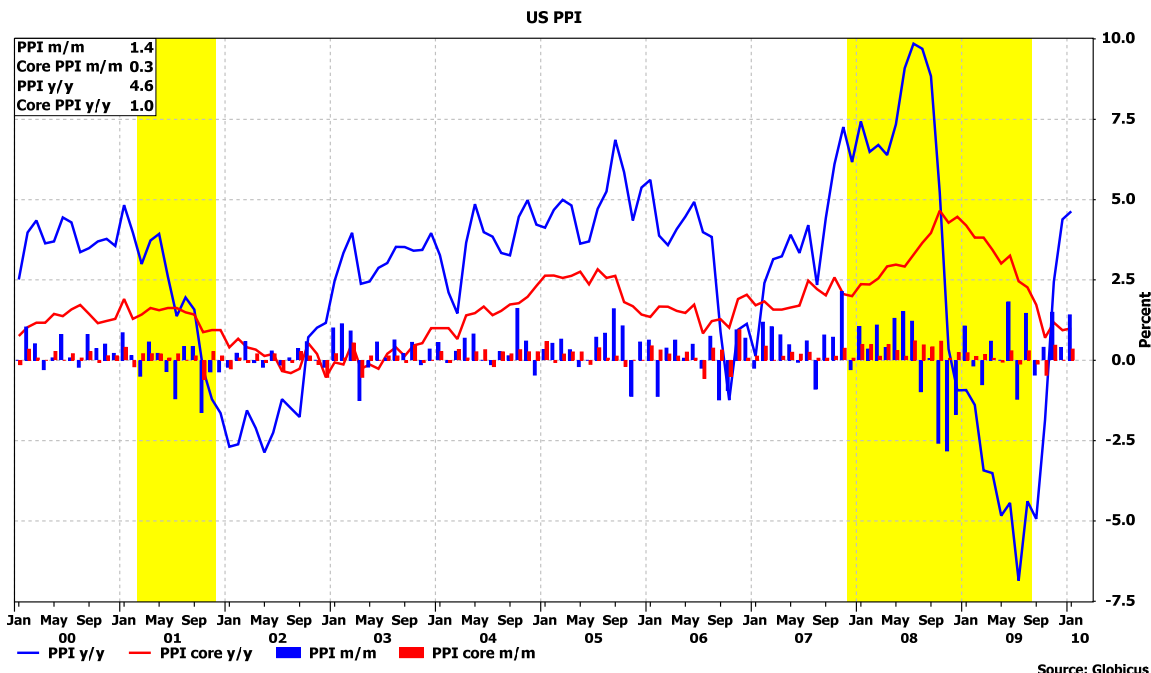
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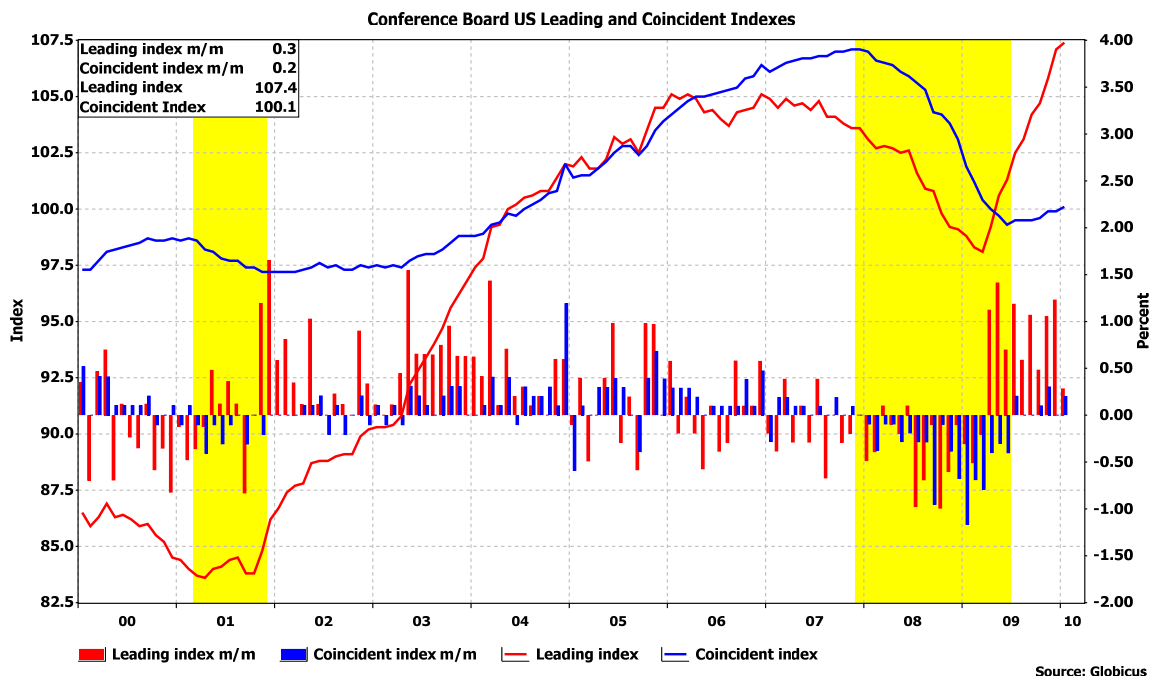
Financial and Economic News and Comments

US & Canada

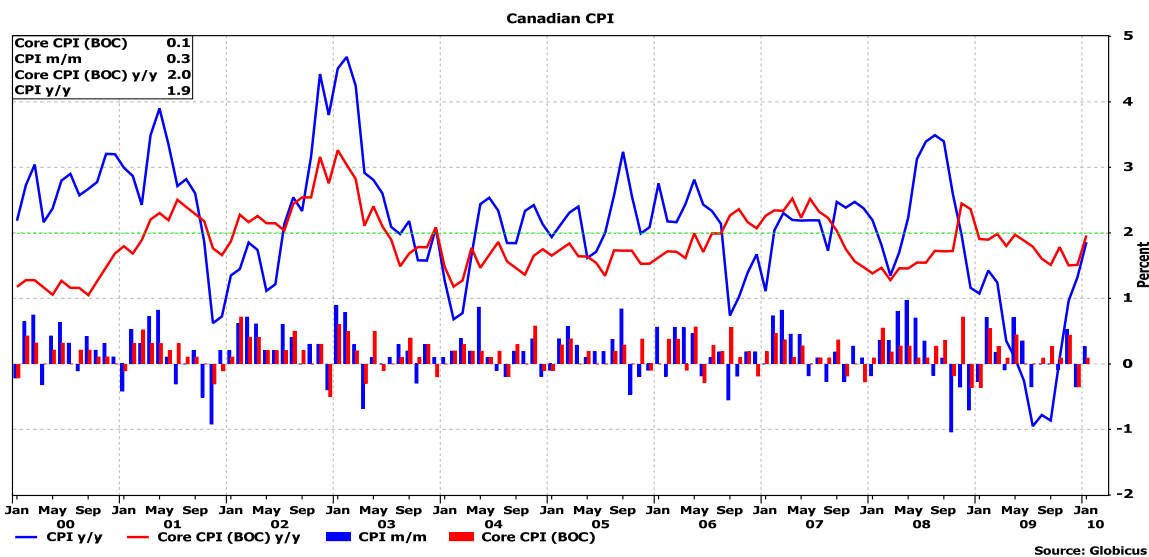
- US producer prices rose a higher-than-expected 1.4% m/m in January, a fourth consecutive rise, following an upwardly revised 0.4% m/m increase in December and a downwardly revised 1.5% m/m advance in November, PPI data from the Labor Department showed. The producer-price inflation rate advanced to 4.6% y/y from December's 4.4% y/y. The January PPI rise was mostly due to energy, which rose 5.1% m/m. Food prices grew 0.4% m/m. The core PPI, which excludes food and energy, was up a slightly more-than-expected 0.3% m/m in January after unchanged m/m in December. The core CPI rate increased to 1.0% y/y from December's 0.9% y/y.



- US initial jobless claims in the week ending February 13 unexpectedly rose 31,000 to 473,000 from the previous week's upwardly revised 442,000. The 4-week moving average declined 1,500 to 467,500. Continuing claims in the week ending February 6 totaled 4,563,000, unchanged from the preceding week's upwardly revised 4,563,000. The 4-week moving average of those continuing claims fell 24,000 to 4,585,750. The insured unemployment rate for the week ending February 6 was unchanged at 3.5%.
- The US leading economic indicators index, a measure of future economic activity, increased a less-than-expected 0.3% m/m to 107.4 in January, a tenth straight month-on-month gain, after an upwardly revised 1.2% m/m advance in December, LEI data from the Conference Board showed, pointing to a continuing economic expansion in H1 2010. The coincident index, measuring current economic activity, grew 0.2% m/m to 100.1 in January after no change in December.



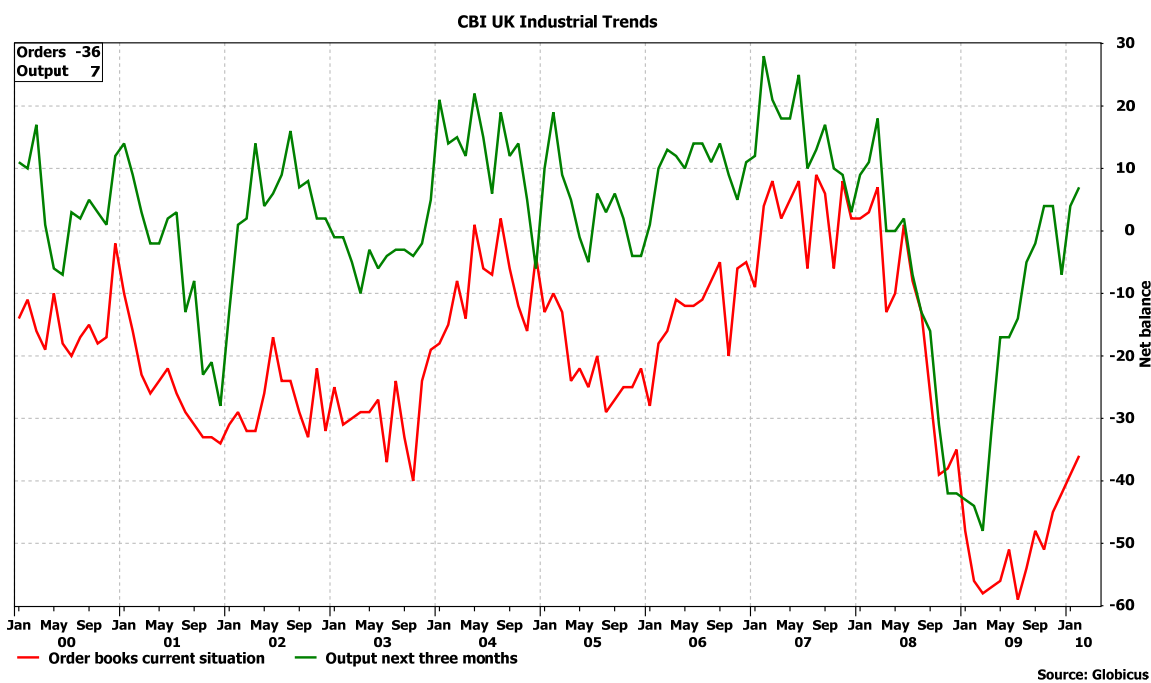
- The Philadelphia Fed manufacturing index rose to a higher-than-expected 17.6 in February from 15.2 in January, indicating Philadelphia-area manufacturing expanded for a sixth consecutive month at a slightly faster pace, according to the Federal Reserve Bank of Philadelphia's February 2010 business outlook survey. The employment index increased to 7.4 in February, the highest level since October 2007, from 6.1 in January. Orders jumped in February to the highest level in more than five years, with the new orders index rising to 22.7 from January's 3.2. The prices paid index declined to 32.4 in February from 33.2 in January while the prices received index increased to 3.7 from 2.7.
- Canada's consumer prices advanced 0.3% m/m in January after a 0.3% m/m decline in December, Statistics Canada reported. The consumer-price inflation rate rose to 1.9% y/y, the fastest since November 2008, from December's 1.3% y/y. The Bank of Canada core CPI increased 0.1% m/m in January after a 0.3% m/m decline the prior month. The BOC core rate climbed to 2.0% y/y from December's 1.5% y/y. The numbers were in line with forecast.



- Foreign investment in Canadian securities totaled a higher-than-expected C\$11.23 billion (\$10.77 billion) in December after an upwardly revised C\$10.58 billion in November, according to figures from Statistics Canada. Foreigners purchased a record C\$109 billion of Canadian securities in 2009, double the prior record. Meanwhile, Canadian investors bought C\$663 million of foreign securities in December.

Europe

- The euruzone consumer sentiment index declined to -17.4 in February from -15.8 in January, according to a flash estimate released by the European Commission.
- UK manufacturing production is expected to increase slightly over the next three months while overall demand is still weak, according to the Confederation of British Industry's latest monthly industrial trends survey. 25% of the 548 manufacturers surveyed anticipate output to increase in the next three months, while 18% expect a decline; thus, giving the resulting balance of +7% in February, the strongest reading since March 2008, following a balance of +4% in January. 10% of manufacturers said total order books were above normal, while 46% said they were below normal; thus, giving the resulting balance of -36%, the least negative since December 2008, compared with January's balance of -39%.



- The UK government unexpectedly posted a £4.3 billion (\$6.8 billion) budget deficit in January, its first budget deficit for January since records began in 1993, compared with a £5.3 billion surplus a year earlier, according to figures released by the Office for National Statistics. The public sector net cash requirement showed a £11.8 billion surplus in January. Net debt totaled £848.5 billion, or 59.9% of GDP.
- UK major banks mortgage approvals declined to 49,000 in January from a downwardly revised 60,000 in December, according to figures from the Bank of England's lending panel. Gross mortgage lending dropped 32% m/m in January to £9.1 billion (\$14.4 billion), the lowest monthly total since February 2000, and fell 21% y/y, the Council of Mortgage Lenders said. M4 increased 0.6% m/m in January and rose 5.1% y/y, a separate report from the Bank of England showed.
- Switzerland's trade surplus widened to CHF2.42 billion (\$2.26 billion) in January from CHF1.36 billion in December, the Swiss Federal Customs Administration said. Exports rose 3.2% m/m in January after a revised 1.3% m/m decline in December, while imports increased 1.9% m/m following December's revised 5.3% m/m decrease.

Asia-Pacific

- The Japanese leading economic indicators index, a measure of future economic activity, advanced to 94.3 in December (vs. preliminarily reported 94.0), a tenth straight monthly gain, from 91.0 in November, according to final December LEI data released by the Cabinet Office. The coincident index, measuring present economic activity, increased to 97.4 (vs. preliminarily reported 97.6), a ninth consecutive monthly advance, following November's 96.0.

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	Negative	Neutral
Action	Sell	Buy	None	Buy	None	None	None
Current	1.3525	91.87	1.5514	1.0835	1.0471	0.8954	124.25
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	1.0345	N/A	N/A	N/A
Support	1.3400	88.50	1.5500	1.0500	1.0400	0.8600	121.50
Resistance	1.3200	86.00	1.5300	1.0200	1.0250	0.8400	119.00
	1.3650	92.00	1.5900	1.0900	1.0800	0.9050	126.00
	1.3850	94.00	1.6100	1.1100	1.1000	0.9300	130.00

Friday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
0:00	Japan	Bank of Japan monthly report				
2:00	Germany	PPI	Jan	m/m	0.3%	-0.1%
2:00	Germany	PPI	Jan	y/y	-4.0%	-5.2%
4:00	EMU	Current account sa	Dec			€0.1B
4:00	EMU	Current account nsa	Dec			€0.1B
4:30	UK	Retail sales	Jan	m/m	-0.5%	0.3%
4:30	UK	Retail sales	Jan	y/y	1.1%	2.1%
8:30	Canada	Retail sales	Dec	m/m	0.5%	-0.3%
8:30	Canada	Retail sales less autos	Dec	m/m	0.3%	0.0%
8:30	Canada	LEI	Jan	m/m	1.1%	1.5%
8:30	US	CPI	Jan	m/m	0.3%	0.1%
8:30	US	CPI	Jan	y/y	2.8%	2.7%
8:30	US	CPI ex food & energy	Jan	m/m	0.1%	0.1%
8:30	US	CPI ex food & energy	Jan	y/y	1.7%	1.8%

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, LEI=leading economic indicators index, PPI=producer price index, PMI=purchasing managers index

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