



# FX Strategy Briefing

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## GBP/USD at 7-Month Low

- The dollar traded mixed on Thursday, higher against the pound and commodity currencies but sharply lower versus the yen. Weak US labor data and ongoing concerns about fiscal woes in southern Europe hurt global economic recovery optimism. US initial jobless claims unexpectedly climbed for a second week, while house prices and ex-transportation durable goods orders fell. The S&P 500 pared earlier sharp losses and declined only 2.30 to 1,102.94. The USD/JPY fell for a fifth consecutive day, pressured by increasing risk aversion and carry-trade unwinding. The oversold euro reversed overnight losses. Moody's said it is considering downgrading Greek sovereign debt, depending on how the country's austerity programs progress. The Australian and Canadian dollars fell as commodity prices declined.
- The GBP/USD dropped today to the lowest level since May 18 on UK economic recovery worries including mounting UK debts and a 5.8% q/q decline in Q4 2009 UK business investment. The pair is overbought and may find some support in the 1.50-1.52 area. Longer term, the GBP/USD decline will likely continue as both fundamental and technical factors are negative.



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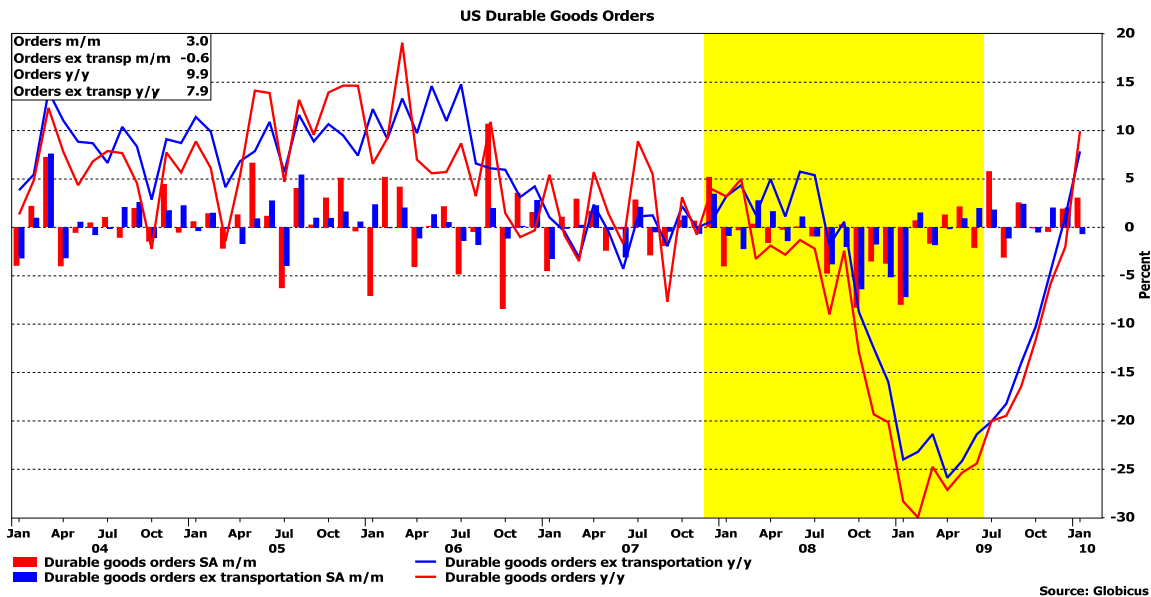
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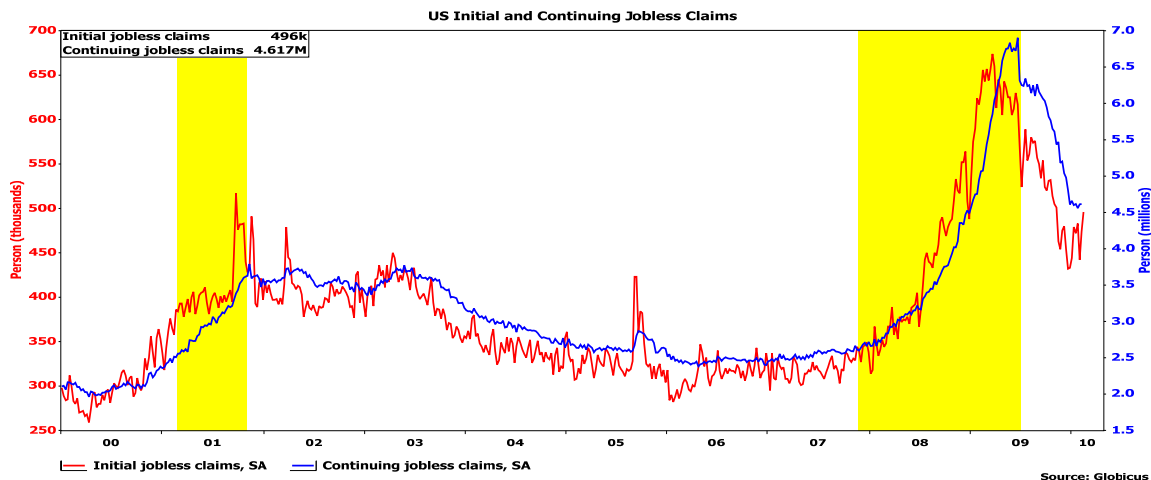
**Financial and Economic News and Comments**

**US & Canada**

- US durable goods orders rose for a second month in January, rising a more-than-expected 3.0% m/m to \$175.7 billion, after an upwardly revised 1.9% m/m December advance, data from the Commerce Department showed. Excluding transportation, durable goods orders unexpectedly declined 0.6% m/m, the most since August, following December's upwardly revised 2.0% m/m increase. Durable goods orders rose 9.9% y/y nsa in January and ex-transportation orders rose 7.9% y/y nsa. The largest increases in January orders were for aircraft and computers/electronics, while the largest decline was for industrial machinery. Shipments of non-defense capital goods excluding aircraft, used in calculating GDP slipped 1.5% m/m in January after a 2.4% m/m gain in December; however, rising at a 10.6% annual rate in the past three months.



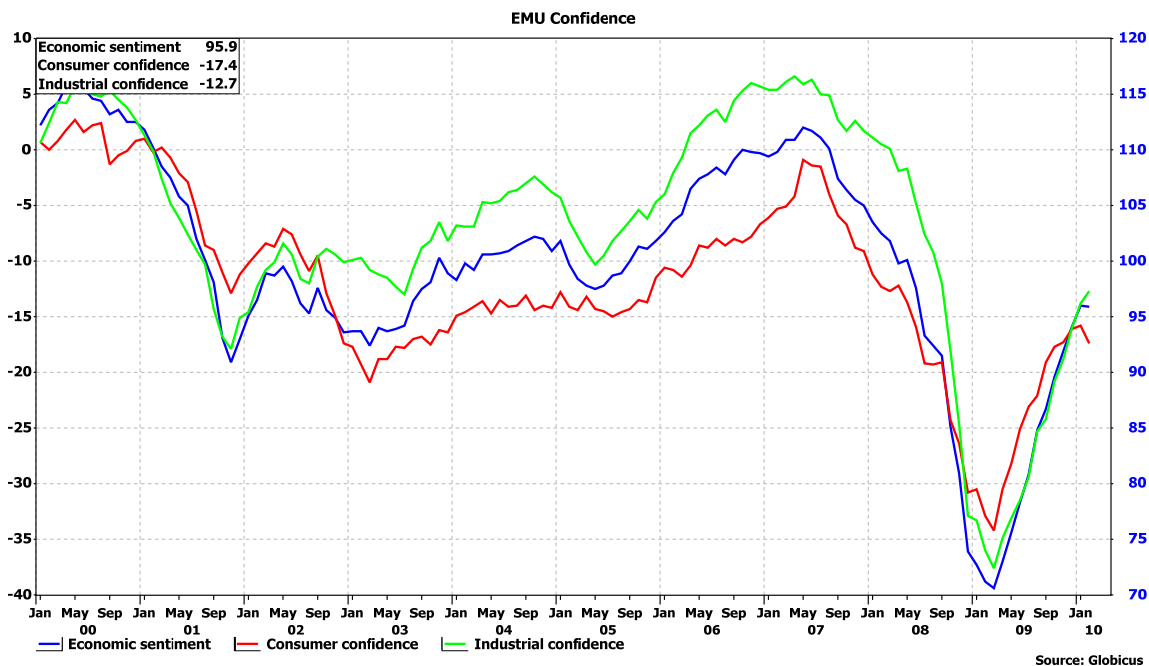
- US initial jobless claims unexpectedly rose for a second week, rising 22,000 in the week ending February 20 to 496,000 from the previous week's upwardly revised 474,000. The 4-week moving average was up 6,000 to 473,750. The rise in weekly claims was partly due to the processing of a backlog of applications in mid-Atlantic states and New England, where snowstorms hit earlier this month, a Labor Department spokesman said. Continuing claims in the week ending February 13 increased 6,000 to 4,617,000 from the preceding week's upwardly revised 4,611,000. The 4-week moving average of those continuing claims increased 4,250 to 4,600,750. The insured unemployment rate for the week ending February 13 was unchanged at 3.5%.



- US house prices unexpectedly fell 1.6% m/m in December after a downwardly revised 0.4% m/m increase in November, according to the Federal Housing Finance Agency's monthly house price index. House prices declined 0.1% q/q in Q4 2009 after a downwardly revised 0.1% q/q increase in Q3.

### Europe

- The eurozone economic sentiment index marginally declined to 95.9 in February from an upwardly revised 96.0 in January, indicating eurozone economic confidence unexpectedly slipped for the first time in 11 months, data from the European Commission showed. Consumer confidence worsened slightly in February, with the consumer confidence gauge declining to -17 from January's -16. Industrial confidence continued its improvement this month, with the industrial confidence measure increasing to -13 from January's -14. Confidence in the services sector improved for an 11th straight month in February, with the services confidence gauge advancing to 1 from -1. In a separate measure of business confidence released by the EC, the business climate indicator climbed for an 11th consecutive month in February to -0.98 from -1.12 the prior month.



- Germany's seasonally adjusted unemployment climbed a less-than-expected 7,000 in February to 3.43 million, the second rise since June, after a downwardly revised 5,000 increase in January, according to data from the Federal Labor Agency. The seasonally adjusted unemployment rate rose to 8.2% from January's downwardly revised 8.1%.
- UK business investment unexpectedly fell 5.8% q/q in Q4 2009, a sixth straight quarterly fall, after a revised 1.8% q/q decrease in Q3, preliminary Q4 data from the Office for National Statistics showed. Business investment dropped 24.1% y/y, the largest year-on-year fall since records began in 1967, following Q3's revised 20.8% y/y slide.
- The UK retail sales balance jumped to 23% in February from -8% in January, showing the strongest year-on-year gain in retail sales since May 2007, according to the latest monthly distributive trades survey by the Confederation of British Industry. "A balance of 16% of retailers expect that, compared with last March, there will be further growth next month," the CBI said.

### Asia-Pacific

- The Conference Board Australian leading economic index, a measure of future economic activity, climbed 0.6% to 112.0 in December after declining 0.3% in both November and October, the Conference Board

reported. The December LEI increase was led by building approvals, the yield spread, rural goods exports, share prices, and gross operating surplus, while money supply and the sales to inventories ratio fell. The coincident economic index, measuring current economic activity, was up 0.3% to 114.3 in December after increasing 0.3% in November and 0.2% in October.

- Australia's private new capital expenditure rose a seasonally adjusted 5.5% q/q in Q4 2009, more than anticipated, to A\$27.74 billion (\$24.62 billion), rebounding from a revised 5.2% q/q decline in Q3, according to figures from the Australian Bureau of Statistics. Q4 private new capital expenditure slipped 2.3% y/y sa.

### 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>Outlook</b>	Negative	Positive	Negative	Positive	Positive	Negative	Neutral
<b>Action</b>	Sell	Buy	None	Buy	None	None	None
<b>Current</b>	1.3546	89.13	1.5260	1.0800	1.0603	0.8878	120.74
<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>	1.4060	87.30	N/A	1.0345	N/A	N/A	N/A
<b>Support</b>	1.3400	88.50	1.5200	1.0500	1.0400	0.8600	120.00
<b>Resistance</b>	1.3200	86.00	1.5000	1.0200	1.0250	0.8400	116.00
	1.3650	92.00	1.5500	1.0900	1.0800	0.9050	126.00
	1.3850	94.00	1.5700	1.1100	1.1000	0.9300	130.00

### Friday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
0:00	Japan	Housing starts	Jan	y/y	-11.6%	-15.7%
0:00	Japan	Annualized housing starts	Jan		0.830M	0.819M
0:00	Japan	Construction orders	Jan	y/y		0.6%
2:00	UK	Nationwide house prices sa	Feb	m/m	0.4%	1.2%
2:00	UK	Nationwide house prices nsa	Feb	y/y	10.9%	8.6%
4:30	UK	GDP	Q4 P	q/q	0.2%	0.1%
4:30	UK	GDP	Q4 P	y/y	-3.1%	-3.2%
4:30	UK	Index of services (3mths-3mths)	Dec			0.1%
5:00	EMU	CPI	Jan	m/m	-0.7%	0.3%
5:00	EMU	CPI	Jan	y/y	1.0%	0.9%
5:00	EMU	Core CPI	Jan	y/y	1.0%	1.1%
5:30	Switzerland	LEI	Feb		1.82	1.77
7:00	Germany	CPI	Feb P	m/m	0.5%	-0.6%
7:00	Germany	CPI	Feb P	y/y	0.7%	0.8%
7:00	Germany	CPI – EU harmonised	Feb P	m/m	0.5%	-0.6%
7:00	Germany	CPI – EU harmonised	Feb P	y/y	0.6%	0.8%
8:30	Canada	Current account	Q4			-C\$13.115
8:30	US	Annualized GDP	Q4 P	q/q	5.7%	5.7%
8:30	US	GDP price index	Q4 P	q/q	0.6%	0.6%
9:45	US	Chicago PMI	Feb		59.2	61.5
9:55	US	Reuters/U. of Michigan consumer confidence index	Feb F		73.9	73.7
10:00	US	Existing home sales	Jan		5.50M	5.45M

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Time (EDT)	Region	Data	Period	Change	Forecast	Previous
10:00	US	Existing home sales	Jan	m/m	0.9%	-16.7%

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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**New York, February 25, 2010, 17:35 EDT**