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Dollar Falls on Possible Lifeline to Greece

- The dollar fell on Friday following reports that Europe will give some financial support to Greece and US existing home sales unexpectedly dropped to a 7-month low. US Q4 2009 GDP was revised higher, but consumers spent less than initially reported. The S&P 500 rose 1.55 to 1,104.49. The oversold euro rose modestly for a third consecutive day. German officials said the nation is considering buying Greek bonds through state-owned lender KfW Group. Sterling, declining in five out of the last six weeks, fell on continued worries about the UK fiscal deficit. UK Q4 2009 GDP growth was revised slightly higher. The Australian and Canadian dollars rose on Friday but fell for the first week in three as commodity prices declined for the week despite today's gain. The dollar and yen, extremely overbought, are likely to consolidate next week.
- The USD/JPY fell for a sixth straight day. Japan's industrial production and retail sales rose strongly and deflation was little changed. Japanese Finance Minister Naoto Kan said Japan still faces deflation but consumer-price declines are slowing. After being unable to penetrate the important diagonal resistance last week, the USD/JPY plunged this week. There is important support in the 88 area. If this holds, the USD/JPY will likely make a new attempt to penetrate the resistance from the long-term downtrend and the 200-day moving average in the 91-92 area.



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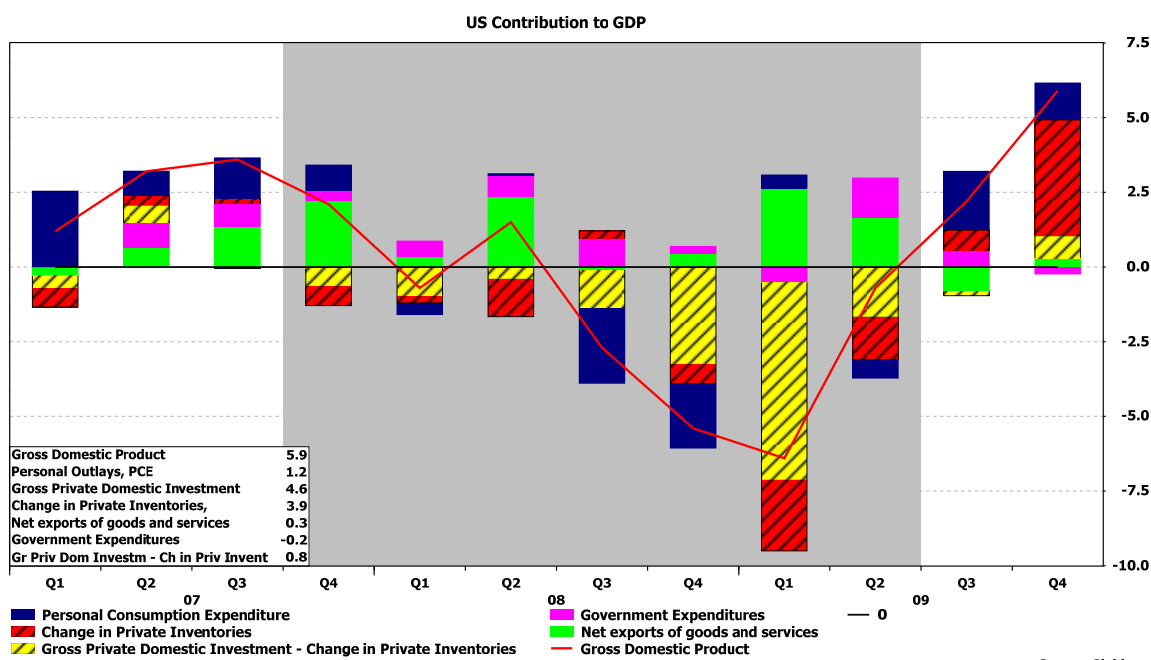
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Financial and Economic News and Comments

US & Canada

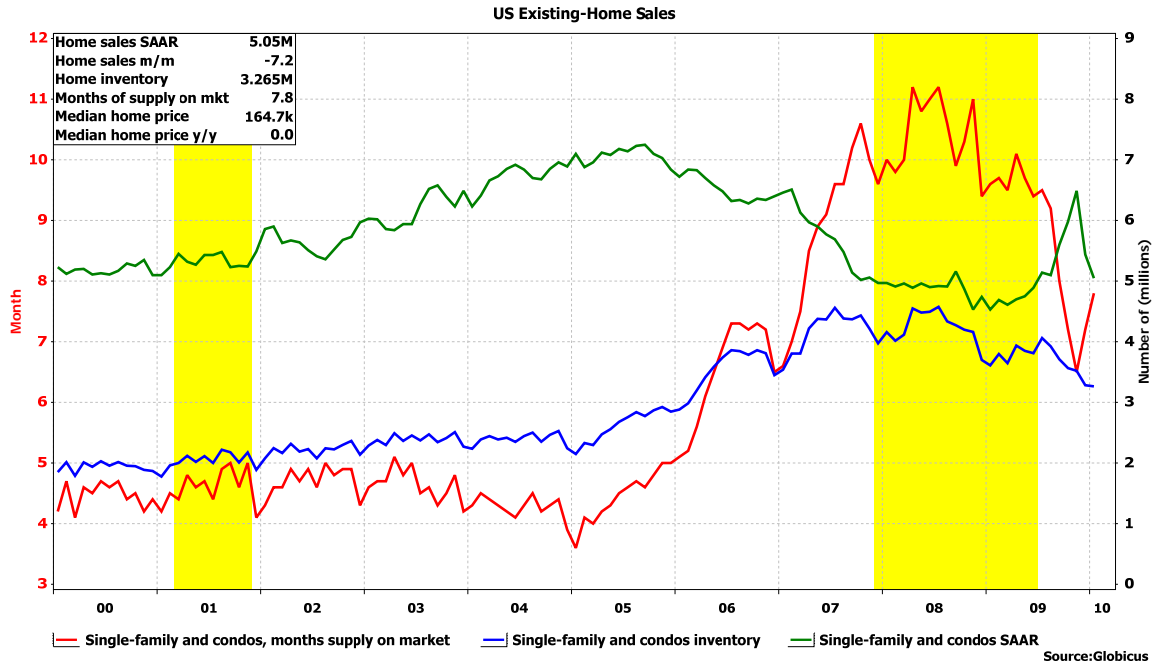
- US GDP expanded at a 5.9% annualized rate in Q4 2009, the fastest pace in more than six years and revised up from an advance estimate of 5.7%, after a 2.2% annualized pace in Q3, the second GDP estimate released by the Commerce Department showed, suggesting the US economy is strengthening. The largest positive contributors to Q4 GDP growth were inventories, personal consumption, and equipment/software, while the weakest components were commercial construction and government spending. Inventories added 3.88 percentage points to GDP, more than previously reported. Personal consumption increased at a 1.7% annualized pace in Q4, revised down from a prior estimate of 2.0%, following a 2.8% annualized rate in Q3. Personal consumption added 1.23 percentage points to GDP. Core PCE rose at a 1.6% annualized pace, revised up from an advance estimate of 1.4%, after Q3's 1.2% annualized rate, suggesting inflation stayed within the Federal Reserve's long-term forecast range. Investment in equipment and software rose at an 18.2% annualized rate in Q4, the fastest since 2000. The GDP price index grew at a 0.4% annualized pace in Q4, revised down from an advance estimate of 0.6%.



- The Chicago business barometer unexpectedly increased to 62.6 in February from 61.5 in January, indicating US business activity expanded beyond the 50 expansionary level for a fifth consecutive month at the fastest pace since 2005, according to the Chicago Report by Kingsbury International, Ltd. and the Institute for Supply Management – Chicago, Inc.
- The Reuters/University of Michigan final consumer sentiment index declined to 73.6 in February (vs. preliminarily reported 73.7) from 74.4 in January, indicating US consumer confidence fell this month from January's 2-year high but improved significantly from February 2009's 56.3, according to the latest Thomson Reuters/University of Michigan surveys of consumers. The current economic conditions index increased to 81.8 in February (vs. preliminarily reported 84.1) from 81.1 in January, while the consumer expectations index decreased to 68.4 (vs. preliminarily reported 66.9) from January's 70.1.
- US existing home sales unexpectedly fell for a second month in January, falling 7.2% m/m to a 5.05 million annualized rate, a 7-month low, after a revised 16.2% drop to a downwardly revised 5.44 million annualized pace in December, according to figures from the National Association of Realtors. January existing home sales rose 11.5% y/y. Existing home sales decreased in every major region of the country. The sales decline was due to both single-family homes and condos/co-ops. The median price of an existing home was \$164,700 in

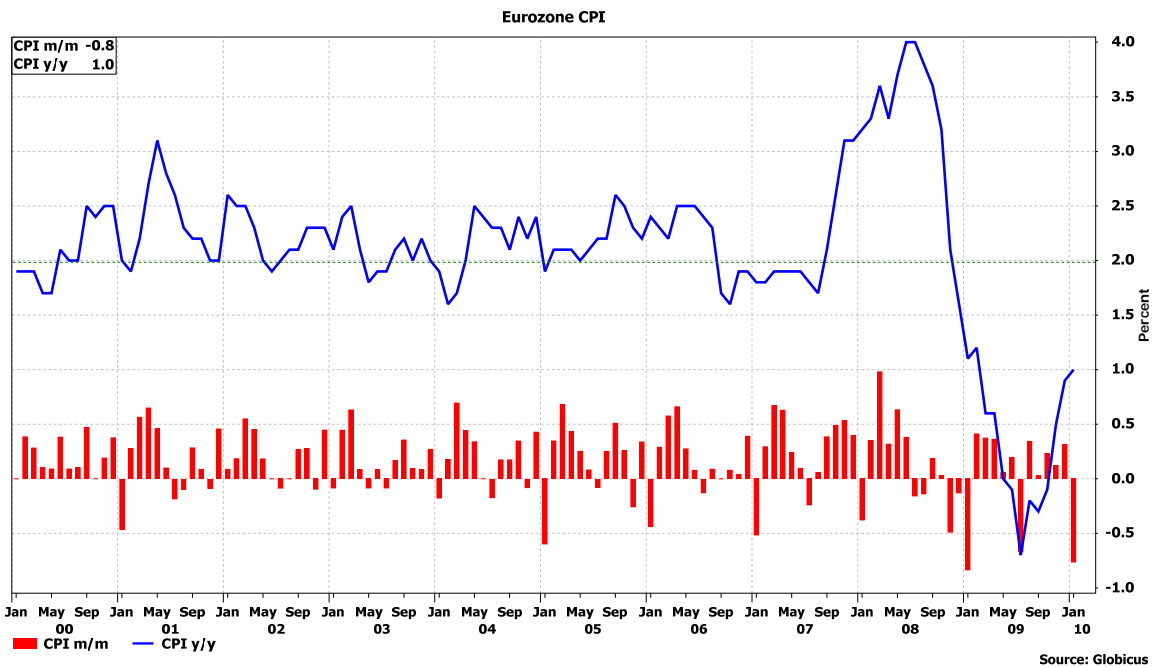
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January, unchanged y/y. Inventories of existing homes declined 0.5% m/m to 3.27 million available for sale, which represented a 7.8-month supply at the current sales pace, up from December's 7.2-month supply.



Europe

- The eurozone consumer-price inflation rate increased to 1.0% y/y in January, the highest since February 2009, from 0.9% y/y in December, Eurostat reported, confirming its January 29 flash CPI estimate. The monthly CPI declined 0.8% m/m after December's 0.3% m/m increase. The core CPI rate, which excludes food and energy prices, was at 0.9% y/y in January, decelerating from 1.1% y/y in December.

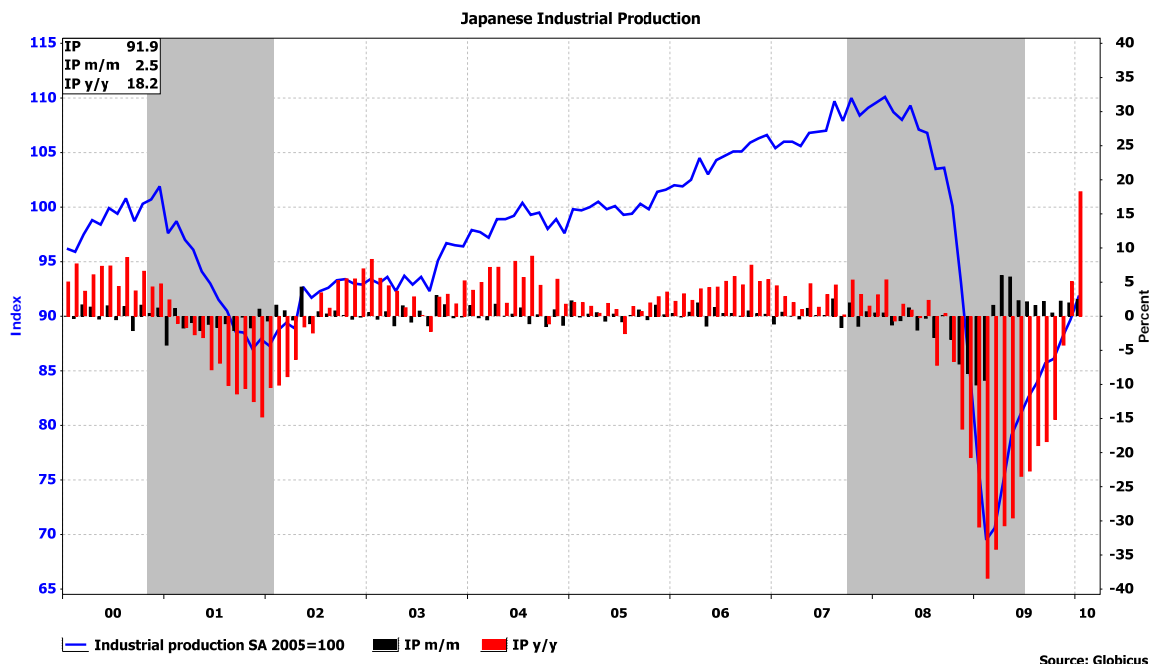


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- German consumer prices increased 0.2% m/m in February after a 0.6% m/m decline in January, and the consumer-price inflation rate eased to 0.4% y/y from January's 0.8% y/y, according to preliminary February CPI data released by the Federal Statistical Office. The harmonised index of consumer prices, calculated for European purposes, increased 0.2% m/m in February after a 0.6% m/m decline in January. The HICP rate decelerated to 0.3% y/y from January's 0.8% y/y. The numbers were lower than expected.
- UK GDP grew 0.3% q/q in Q4 2009 (vs. advance estimate of 0.1% q/q) after a 0.3% q/q decline in Q3, preliminary Q4 GDP data from the Office for National Statistics (ONS) showed, indicating the UK economy expanded for the first time since Q1 2008 and exited the 6-straight-quarter recession at a faster pace than previously reported. The Q4 GDP upward revision was due to upward revisions to services and production. Industrial production increased 0.4% q/q in Q4 (vs. advance estimate of 0.1% q/q) after a 1.0% q/q decline in Q3, with manufacturing output advancing 0.8% q/q following Q3's 0.3% q/q decrease. Services output grew 0.5% q/q in Q4 (vs. advance estimate of 0.1% q/q), the largest gain since Q1 2008, reversing a 0.3% q/q decline in Q3. Consumer spending was up 0.4% q/q in Q4, the largest increase since Q1 2008, and government spending rose 1.2% q/q, the most since Q4 2004. Meanwhile, fixed capital investment declined 3.1% q/q. The Q4 GDP fell 3.3% y/y (vs. advance estimate of -3.2% y/y), following Q3's 5.3% y/y contraction.
- The GfK NOP UK consumer confidence index increased to -14 in February from -17 in January, indicating UK consumer confidence improved for a second consecutive month to its highest level in four months, according to data from GfK NOP. Consumers continued to be more optimistic about prospects for the UK economy in the next 12 months, with the expectations gauge advancing to 4 in February from -2 in January.
- UK house prices unexpectedly slipped 1.0% m/m in February, the first decline in 10 months, to an average of £161,320 (\$246,053) per home, possibly due to "snowy weather and expiry of stamp duty holiday," after an upwardly revised 1.4% m/m increase in January, according to a report released by Nationwide Building Society. February house prices rose 9.2% y/y, a fifth consecutive year-on-year rise, following an 8.6% y/y January advance.
- UK service-sector output was up 0.5% in the three months to December, a second consecutive advance, after a 0.1% increase in the three months to November, according to data released by the ONS. December service-sector output declined 1.4% y/y.
- The KOF Swiss economic barometer increased to a higher-than-expected 1.87 in February, the same level as December 2007, from an upwardly revised 1.81 in January, according to data from the Konjunkturforschungsstelle Swiss Institute for Business Cycle Research. The barometer upturn increased momentum after bottoming out in April 2009 but started to slow in October; thus, indicating Switzerland's year-on-year growth will continue to be "in positive territory" but the economic recovery will "ease somewhat over the coming months," the institute said.

Asia-Pacific

- The seasonally adjusted Nomura/JMMA Japanese PMI remained at 52.5 in February, indicating Japan's manufacturing sector expanded above the 50 growth level for an eighth consecutive month and "pointing to a moderate improvement of operating conditions," according to a PMI report released by Markit Economics.
- Japan's core consumer prices, which exclude fresh food, fell for an 11th straight month in January, falling as forecast 1.3% y/y, the same rate as December, CPI data from the Statistics Bureau showed, suggesting prolonged deflation remains a major concern to Japan's economic recovery. The CPI excluding food and energy declined as expected 1.2% y/y in January, the same pace as December and the sharpest since records began in 1971. Tokyo's core CPI, a leading indicator for nationwide price trends, fell 1.8% y/y in February after a 2.0% y/y slide in January.
- Japanese industrial production rose a more-than-expected 2.5% m/m in January, an 11th consecutive month-on-month rise and the fastest since May, after a 1.9% m/m increase in December, preliminary January IP data released by the Ministry of Economy, Trade and Industry showed, registering the longest streak of gains in more than 12 years. January IP jumped 18.2% y/y, a second consecutive year-on-year advance, following a 5.1% y/y December increase.



- Japanese retail sales rose a seasonally adjusted 2.9% m/m in January after a revised 1.1% m/m decrease in December, the Ministry of Economy, Trade and Industry said. January retail sales unexpectedly increased 2.6% y/y after a revised 0.2% y/y December decline; thus, snapping a 16-month consecutive slump. Sales at large-scale retail stores fell as forecast 4.6% y/y, a 22nd straight fall and matching December's fall.
- Japanese housing starts fell a less-than-expected 8.1% m/m to 64,951 units in January, a 14th straight year-on-year fall but easing from a 15.7% y/y drop in December, according to data from the Ministry of Land, Infrastructure and Transport. Annualized housing starts increased to 863,000, a fifth consecutive gain, from December's 819,000. Construction orders rose 15.7% y/y to ¥669.86 billion (\$7.54 billion) in January, a second consecutive gain, after a 0.6% y/y increase in December.
- Australia's private sector credit grew 0.4% m/m in January after a 0.3% m/m increase in December, the Reserve Bank of Australia said. January private sector credit advanced 1.3% y/y. Housing credit climbed 0.7% m/m and 8.2% y/y in January. Personal credit was up 0.5% m/m and 0.2% y/y in January, while business credit was down 0.1% m/m and 7.8% y/y.

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	Positive	Neutral	Neutral	Neutral
Outlook	Neutral	Positive	Negative	Neutral	Neutral	Neutral	Neutral
Action	Sell	Buy	None	Buy	None	None	None
Current	1.3615	88.84	1.5248	1.0739	1.0523	0.8960	120.96
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	1.4060	87.30	N/A	1.0345	N/A	N/A	N/A

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	EUR/USD	USD/JPY	GBP/USD	USD/CHF	USD/CAD	AUD/USD	EUR/JPY
Support	1.3400	88.50	1.5200	1.0500	1.0400	0.8600	120.00
	1.3200	86.00	1.5000	1.0200	1.0250	0.8400	116.00
Resistance	1.3650	92.00	1.5500	1.0850	1.0800	0.9050	126.00
	1.3850	94.00	1.5700	1.1100	1.1000	0.9300	130.00

Monday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
3:30	Switzerland	SVME PMI	Feb		56.0	56.0
3:55	Germany	Manufacturing PMI	Feb F		51.7	51.7
4:00	EMU	Manufacturing PMI	Feb F		54.6	54.6
4:30	UK	Mortgage approvals	Jan		51.0K	59.0K
4:30	UK	Net consumer credit	Jan		-0.1B	0.1B
4:30	UK	Net lending secured on dwellings	Jan		0.9B	1.2B
4:30	UK	Manufacturing PMI	Feb		56.5	56.7
5:00	EMU	Unemployment rate	Jan		10.1%	10.0%
8:30	Canada	Annualized GDP	Q4		3.9%	0.4%
8:30	Canada	GDP	Dec	m/m	0.5%	0.4%
8:30	Canada	Industrial product price index	Jan	m/m	0.5%	-0.1%
8:30	Canada	Raw materials price index	Jan	m/m	2.0%	-1.7%
8:30	US	Personal income	Jan	m/m	0.3%	0.4%
8:30	US	Personal spending	Jan	m/m	0.3%	0.2%
8:30	US	Personal consumption expenditure deflator	Jan	y/y	2.2%	2.1%
8:30	US	Core PCE	Jan	m/m	0.1%	0.1%
8:30	US	Core PCE	Jan	y/y	1.4%	1.5%
10:00	US	ISM manufacturing index	Feb		58.1	58.4
10:00	US	Construction spending	Jan	m/m	-0.7%	-1.2%
18:30	Japan	Jobless rate	Jan		5.1%	5.1%
18:30	Japan	Job-to-applicant ratio	Jan		0.47	0.46
18:30	Japan	Household spending	Jan	y/y	2.4%	2.1%
18:50	Japan	Monetary base	Feb	y/y		4.9%
19:30	Australia	Retail sales sa	Jan	m/m		-0.7%
19:30	Australia	Building approvals	Jan	m/m	1.1%	2.2%
19:30	Australia	Building approvals	Jan	y/y	59.7%	53.3%
22:30	Australia	Reserve Bank of Australia interest rate decision			3.75%	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, 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 26, 2010, 16:00 EDT