



FX Strategy Briefing

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BOC and RBA Upbeat on Growth

- The dollar reversed overnight gains and traded mostly lower versus its counterparts on Tuesday. Optimism on a possible European backstop for Greek debt, higher commodity and gold prices as well as upbeat economic outlooks from Australia and Canada's central banks pressured the greenback. The USD/JPY declined modestly. Japan's jobless rate fell to a 10-month low of 4.9%. Japanese Finance Minister Naoto Kan suggested the Bank of Japan should target inflation. The euro reversed earlier losses after the Greek government said it will announce new deficit narrowing measures. Sterling fell for a sixth straight day on ongoing concern over the UK budget deficit and today's release of the weaker-than-expected UK construction PMI. The UK has nearly as high budget shortfall as Greece's 12% of GDP. The Canadian dollar rose as the Bank of Canada kept its benchmark interest rate at 0.25% as forecast. The inflation-targeting BOC said inflation and economic output have been higher than anticipated, signaling rate hikes are coming.
- The AUD/USD rose as the Reserve Bank of Australia, as expected, raised its key interest rate 25 basis points to 4.00%, the fourth increase since October 2009. RBA Governor Glenn Stevens stated that "with growth likely to be close to trend and inflation close to target over the coming year, it is appropriate for interest rates to be closer to average." Today's hike was "a further step in that process." The AUD/USD made a head-and-shoulder top after breaking its strong uptrend late last year. The technical outlook is mixed. On the positive side, the pair is again trading above its 50- and 200-day moving averages. However, recent tops and bottoms have been lower than the previous ones. Resistances are in the 0.90 and 0.93 areas and supports in the 0.86 and 0.88 areas.

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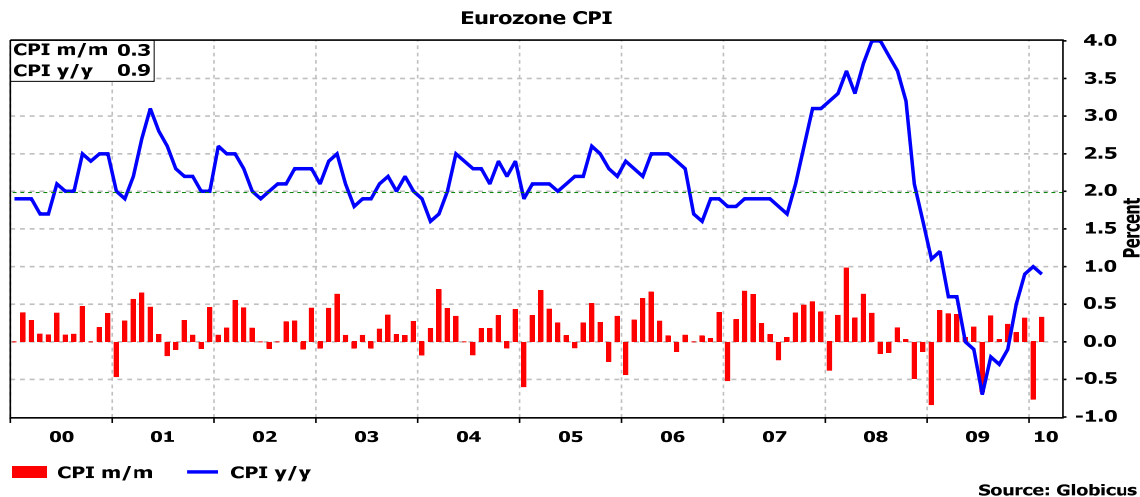
Financial and Economic News and Comments

US & Canada

- The Bank of Canada maintained the overnight rate target at a record low of 0.25%, as expected, and reiterated its conditional commitment to keep the current rate until the end of Q2 2010. The BOC said economic growth and inflation in Canada have been higher than previously estimated. The Q4 2009 5.0% q/q annualized GDP growth rate was “spurred by vigorous domestic spending and further recovery in exports,” the central bank said, adding that “core inflation has been slightly firmer than projected, the result of both transitory factors and the higher level of economic activity.”

Europe

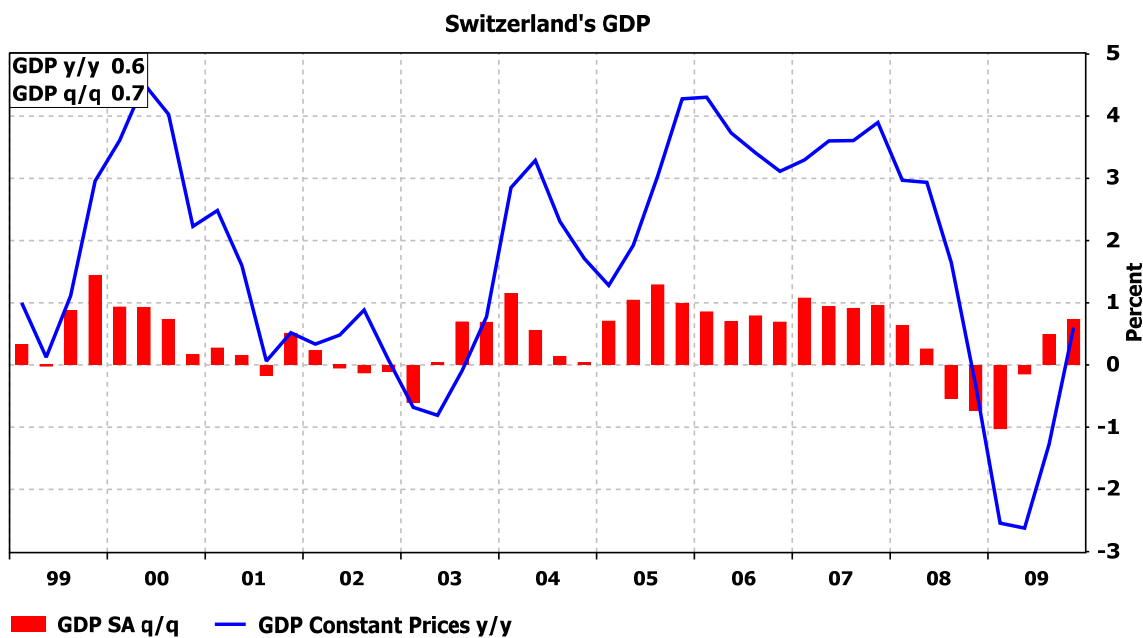
- The eurozone consumer-price inflation rate eased as forecast to 0.9% y/y in February from 1.0% y/y in January, according to a flash CPI estimate released by Eurostat. February CPI was up 0.3% m/m.



- Eurozone producer prices rose 0.7% m/m in January, a fourth consecutive month-on-month rise, after a 0.1% m/m increase in December, according to a separate report from Eurostat. January PPI fell 1.0% y/y, the smallest fall in a year, following a 2.9% y/y December decrease. The numbers were in line with forecast.
- The CIPS/Markit UK construction PMI marginally slipped to 48.5 in February, the first decline in 4 months, from 48.6 in January, indicating the rate of contraction in the UK construction sector was broadly unchanged, according to data released by Markit Economics and the Chartered Institute of Purchasing and Supply. “Confidence over future activity levels remained high,” according to the report.

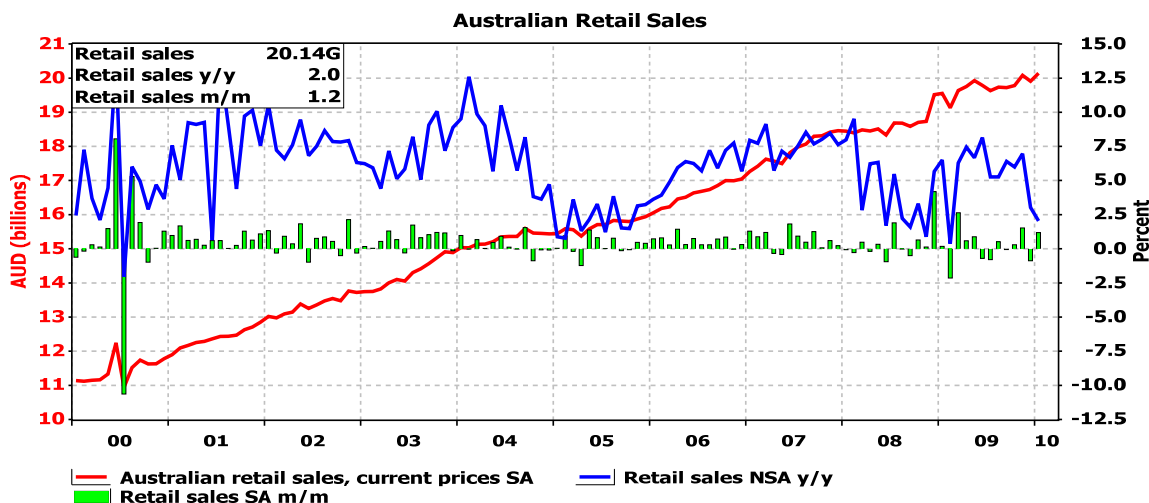
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- Switzerland's GDP rose a more-than-expected 0.7% q/q in Q4 2009, a second consecutive expansion and the strongest since Q4 2007, after an upwardly revised 0.5% q/q increase in Q3, according to GDP data from the State Secretariat for Economic Affairs. The Q4 GDP grew 0.6% y/y, following a 1.3% y/y Q3 decline. The economy contracted 1.5% in 2009.



Asia-Pacific

- Japan's seasonally adjusted unemployment rate fell in January to a lower-than-expected 4.9%, a 10-month low, from an upwardly revised 5.2% in December, according to data from the Statistics Bureau. The economy added 540,000 jobs in January, the largest since October 1973. The job-to-applicant ratio, a leading indicator of employment trends, was at 0.46 in January, indicating there are 46 positions for every 100 candidates. Household spending was up a less-than-expected 1.7% m/m in January, a sixth straight increase, after a 2.1% y/y advance in December, a separate report from the Statistics Bureau showed.
- Japan's monetary base increased 2.2% y/y in February after a 4.9% y/y advance in January, according to a report released by the Bank of Japan.
- Australia's seasonally adjusted retail sales grew a more-than-expected 1.2% m/m to A\$20.14 billion (\$18.22 billion) in January after a revised 0.9% m/m December decline that was the largest in 10 months, according to data from the Australian Bureau of Statistics (ABS). January retail sales advanced 2.0% y/y nsa.



- Australian seasonally adjusted building approvals unexpectedly fell 7.0% m/m to 14,045 in January, the first fall in 5 months, after an upwardly revised 5.2% m/m advance in December, figures from the ABS showed. January building approvals rose 47.6% y/y, following an upwardly revised 54.8% y/y December gain. Approvals to build private houses increased 0.3% m/m to 9,630 in January and grew 36.4% y/y. Approvals for apartments and renovations fell 29.1% m/m to 2,880 but rose 28.8% y/y.
- The Australian Industry Group/Commonwealth Bank performance of services index increased to 48.3 in February from 47.4 in January, indicating Australia's services activity contracted for a second consecutive month but at a slower pace, a report by the AiG and Commonwealth Bank of Australia showed.

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	1.3612	88.76	1.4962	1.0746	1.0356	0.9036	120.82
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
Support	1.3400	88.50	1.4800	1.0500	1.0350	0.8600	120.00
Resistance	1.3200	86.00	1.4500	1.0200	1.0250	0.8400	116.00
	1.3650	92.00	1.5050	1.0850	1.0800	0.9050	126.00
	1.3850	94.00	1.5250	1.1100	1.1000	0.9350	130.00

Wednesday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
2:00	Germany	Retail sales	Jan	m/m	-0.5%	0.8%

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Time (EDT)	Region	Data	Period	Change	Forecast	Previous
2:00	Germany	Retail sales	Jan	y/y	-1.1%	-2.5%
3:55	Germany	Services PMI	Feb F		51.7	51.7
4:00	EMU	Services PMI	Feb F		52.0	52.0
4:00	EMU	Composite PMI	Feb F		53.7	53.7
4:00	UK	Services PMI	Feb			54.5
5:00	EMU	Retail sales	Jan	m/m	-0.3%	0.0%
5:00	EMU	Retail sales	Jan	y/y	-1.6%	-1.6%
10:00	US	ISM non-manufacturing index	Feb		51.1	50.5
8:15	US	ADP employment change	Feb		-10K	-22K
14:00	US	Fed's Beige Book				
18:50	Japan	Capital spending	Q4	y/y	-18.3%	-24.8%
18:50	Japan	Capital spending	Q4	y/y		-25.7%
19:30	Australia	Trade balance	Jan			-A\$2.252B

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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