

# FX Strategy Briefing

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## Debt Worries Pressure European Currencies

- While lower against the yen and commodity currencies, the dollar was higher versus the European currencies on Tuesday. The S&P 500 rose 1.95 on the bull market's 1-year anniversary to 1,140.45, up 69% since hitting a 12-year low of 676.53 one year ago. The euro fell on renewed credit concerns over the PIIGS countries. According to Fitch Ratings, Portugal's rating could be downgraded if fiscal consolidation was insufficient and Spain was vulnerable because of its inflexible labor market. The USD/JPY declined. Japan's LEI rose more than expected. The AUD/USD advanced as Australia's job vacancies rose by the most in more than a decade and business confidence climbed for a second month. The USD/CAD fell for an eighth straight day, inching closer to the important 1.02-area support. Finance Minister Jim Flaherty said Canada is studying the sale of government assets. We buy the USD/CAD with stop at 1.0150, trying to take advantage of a possible triple-bottom.
- The GBP/USD dropped through the important 1.50 handle. UK house prices rose less than expected, trade deficit unexpectedly widened and Fitch said Britain's credit ratings could be cut if there was no timely move to rein in its fiscal deficit. The GBP/USD is oversold and we expect some short-term consolidation in the 1.48-1.50 area. However, the downward momentum is strong with the negative trend intact; thus, the decline is likely to continue after a brief consolidation.



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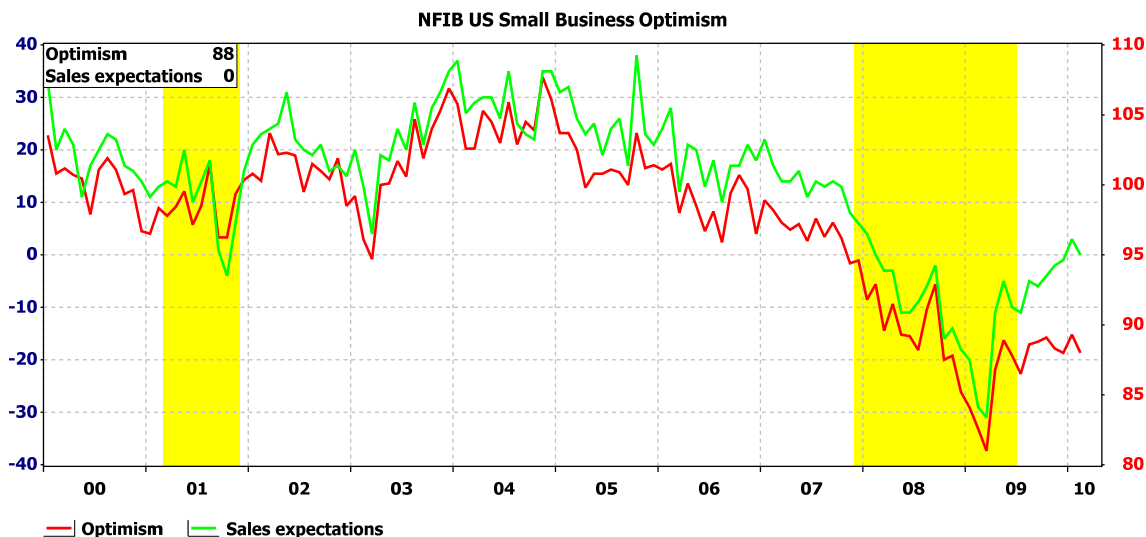
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**Financial and Economic News and Comments**

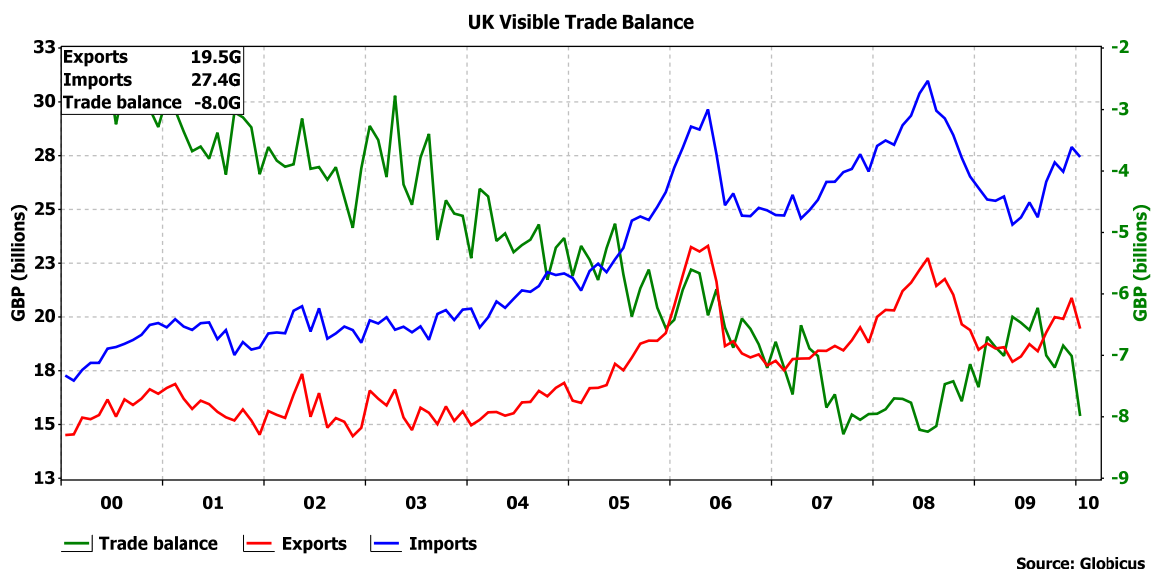
**US & Canada**

- The US NFIB small business optimism index unexpectedly declined to 88.0 in February from 89.3 in January, showing US small business optimism fell back to December's level, according to data from the National Federation of Independent Business. The sales expectations index fell to 0 in February from 3 the prior month, compared with -29 in February 2009.



**Europe**

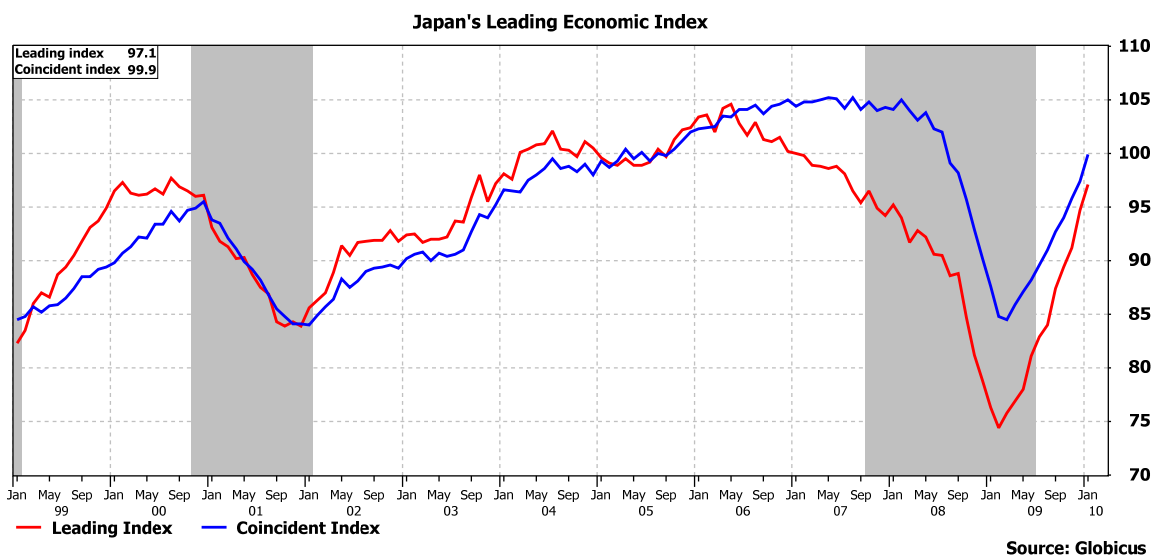
- The UK deficit on trade in goods and services unexpectedly widened to £3.8 billion (\$5.7 billion) in January from a revised £2.6 billion deficit in December, and the deficit on trade in goods swelled to £8.0 billion, the most since August 2008, from December's revised £7.0 billion deficit, according to figures from the Office for National Statistics. Imports declined 1.6% m/m in January. Exports fell 6.9% m/m, the most since July 2006. The deficit with EU countries narrowed to £3.2 billion in January from a revised £3.6 billion deficit in December, while the deficit with non-EU countries widened to £4.8 billion, the most in a year, from December's revised £3.4 billion deficit.



- The net balance of surveyors reporting rising rather than falling UK house prices was at a lower-than-expected 17% in February, down from a downwardly revised 31% in January, according to the latest UK housing market survey by the Royal Institution of Chartered Surveyors, suggesting UK house prices continued to increase but at a slower pace. "Surveyors in the regions are still reporting house price gains in most areas but the net balances are a little less positive than they were," the RICS said.
- UK retail sales increased 2.2% y/y on a like-for-like basis in February after a 0.7% y/y decline in January, compared with a 1.8% decrease in February 2009, the British Retail Consortium reported. On a total basis, retail sales rose 4.5% y/y in February after a 1.2% y/y gain the prior month, compared with only 0.1% increase in February 2009.
- Switzerland's consumer prices were up a modest 0.1% m/m in February, the first increase in three months, after a 0.1% m/m decline in January, according to CPI data from the Swiss Federal Statistical Office. The consumer-price inflation rate eased marginally to 0.9% y/y from January's 1.0% y/y.

**Asia-Pacific**

- The NAB Australian business sentiment index increased to 19 in February from 15 in January, showing Australia's business confidence rose for a second month and matched November's 7-year high, according to a survey released by National Australia Bank Ltd. The business conditions index, a measure of hiring, sales and profits, improved to 8 in February from 3 the prior month.
- The Japanese leading economic indicators index, a measure of future economic activity, rose to a higher-than-expected 97.1 in January, an eleventh straight monthly rise, from 94.3 in December, according to preliminary January LEI data released by the Cabinet Office. The coincident index, measuring present economic activity, increased to 99.9 in January, a tenth consecutive monthly advance, from 97.4 a month earlier, registering the longest streak of gains since 1997.



- Japanese machine tool orders soared 217.3% y/y in February after surging 189.4% y/y in January, led by foreign orders, which skyrocketed 267.7% y/y, according to preliminary February data from the Japan Machine Tool Builders' Association. Meanwhile, domestic orders jumped 144.2% y/y.

**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	Positive	Neutral	Neutral	Neutral

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	EUR/USD	USD/JPY	GBP/USD	USD/CHF	USD/CAD	AUD/USD	EUR/JPY
<b>Outlook</b>	Neutral	Positive	Negative	Neutral	Neutral	Neutral	Neutral
<b>Action</b>	Sell	Buy	None	Buy	Buy	None	None
<b>Current</b>	1.3602	89.95	1.4995	1.0747	1.0256	0.9152	122.37
<b>Original Position Objective</b>	1.4628	88.67	N/A	1.0340	N/A	N/A	N/A
<b>Stop</b>	1.4060	87.30	N/A	1.0345	1.0150	N/A	N/A
<b>Support</b>	1.3550	88.00	1.4970	1.0500	1.0250	0.9000	120.00
<b>Resistance</b>	1.3400	86.00	1.4800	1.0200	1.0000	0.8800	116.00
	1.3850	92.00	1.5200	1.0850	1.0400	0.9200	125.00
	1.4050	94.00	1.5500	1.1100	1.0600	0.9350	130.00

### Wednesday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
2:00	Germany	CPI	Feb F	m/m	0.2%	0.2%
2:00	Germany	CPI	Feb F	y/y	0.4%	0.4%
2:00	Germany	CPI – EU harmonised	Feb F	m/m	0.2%	0.2%
2:00	Germany	CPI – EU harmonised	Feb F	y/y	0.3%	0.3%
2:00	Germany	Trade balance	Jan		€14.5B	€13.5B
2:00	Germany	Current account	Jan		€15.0B	€20.6B
4:30	UK	Industrial production	Jan	m/m	0.3%	0.5%
4:30	UK	Industrial production	Jan	y/y	-0.8%	-3.6%
4:30	UK	Manufacturing production	Jan	m/m	0.2%	0.9%
4:30	UK	Manufacturing production	Jan	y/y	1.4%	-1.9%
9:30	UK	NIESR GDP estimate	Feb			0.4%
10:00	US	Wholesale inventories	Jan	m/m	0.2%	-0.8%
14:00	US	Monthly budget statement	Feb		-\$207.0B	-\$42.6B
15:00	New Zealand	Reserve Bank of New Zealand interest rate decision			2.50%	2.50%
18:50	Japan	Annualized GDP	Q4 F	q/q	4.6%	4.6%
18:50	Japan	GDP	Q4 F	q/q	1.1%	1.1%
18:50	Japan	GDP	Q4 F	y/y	-0.4%	-0.4%
19:00	Australia	Consumer inflation expectation	Mar			3.2%
19:30	Australia	Employment change	Feb		20.0K	52.7K
19:30	Australia	Unemployment rate	Feb		5.2%	5.3%
19:30	Australia	Participation rate	Feb		65.3%	65.3%
19:30	Australia	Reserve Bank of Australia Bulletin				

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, PIIGS=Portugal, Ireland, Italy, Greece and Spain

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New York, March 9, 2010, 17:07 EDT

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