



FX Strategy Briefing

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Greek Dilemma Pressures EUR/USD

- The dollar rose in NY trading Thursday on speculation the Federal Reserve will hike the discount rate before its next regularly scheduled FOMC meeting and worries about Greece's sovereign debt crisis. US economic figures indicate the US economic recovery is steadily progressing with low inflation pressures. US consumer-price inflation was stable, initial jobless claims fell modestly and the Conference Board US LEI and the Philly Fed manufacturing index continued to rise. The S&P 500 index declined a modest 0.38 to 1,165.83. The yen fell slightly versus the dollar. Sterling depreciated. The overbought Australian and Canadian dollars fell. The AUD/USD failed to break resistance and the USD/CAD found support at the 1.01 handle.
- The EUR/USD dropped for a second day on continued Greek fiscal debt problems. Prime Minister George Papandreou said Greece may seek financial assistance from the IMF, if no detailed rescue plan was forthcoming from the EU. The yield on Greece's government bond rose and the PM is worrying higher interest cost will deteriorate Greece's budget deficit. An EU financial package to support Greece would lower borrowing cost. The EUR/USD has traded sideways since early February. If the support in the 1.34 area is broken, the downtrend will resume.



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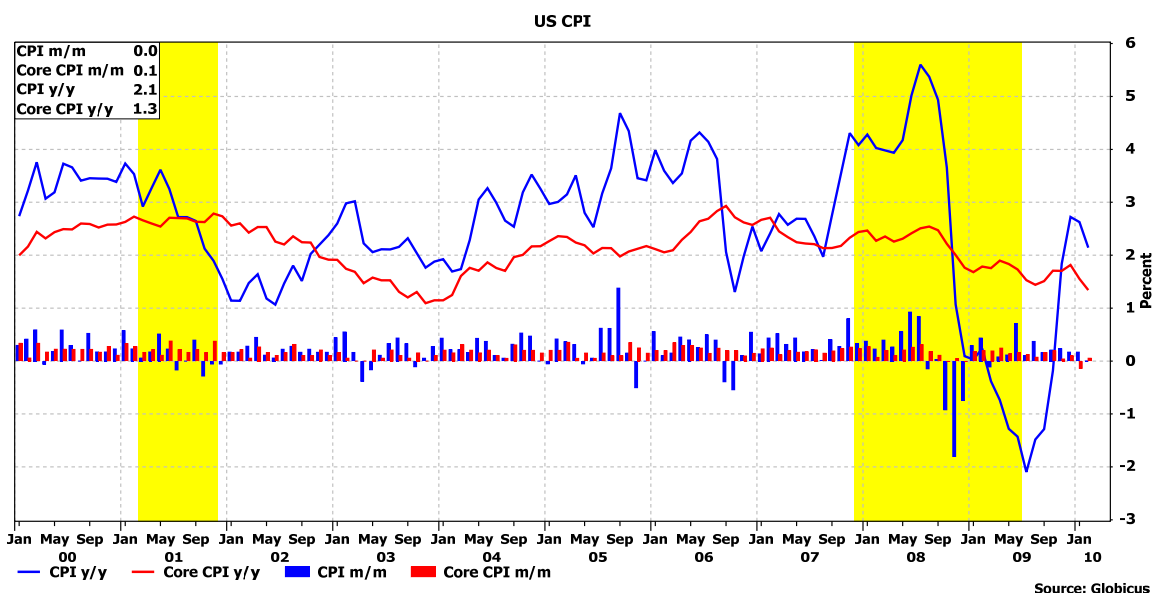
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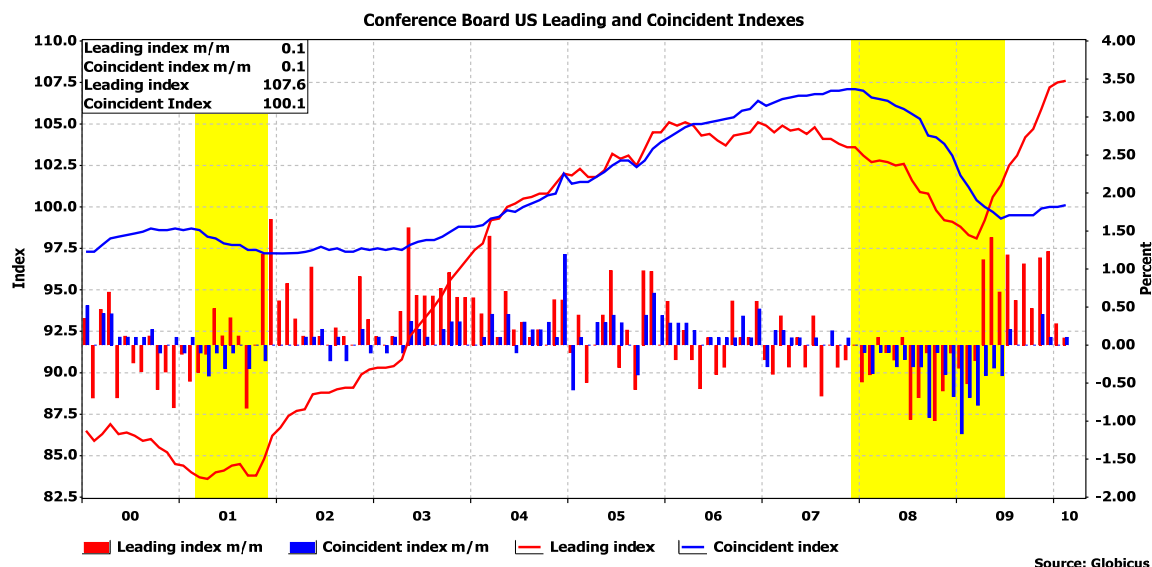
Financial and Economic News and Comments

US & Canada

- US consumer prices were unchanged m/m in February, the first time they did not rise since March 2009, after a 0.2% m/m increase in January, CPI data from the Labor Department showed, suggesting US consumer-price inflation is well contained. The CPI rate decelerated to 2.1% y/y from January's 2.6% y/y. Energy prices were down 0.5% m/m in February while food costs were up 0.1% m/m. The core CPI, which excludes food and energy, increased as forecast 0.1% m/m in February after a 0.1% m/m decline in January. The core CPI rate eased to 1.3% y/y, the smallest rise since 2004, from January's 1.6% y/y. Real average hourly earnings increased 0.1% m/m in February but declined 0.4% y/y, a separate report from the Labor Department showed.



- The US leading economic indicators index, a measure of future economic activity, increased 0.1% m/m to 107.6 in February, a 11th straight monthly gain, after a 0.3% m/m advance in January, LEI data from the Conference Board showed, pointing to continuing US economic growth in H1 2010 but possibly at a slower pace in H2. The coincident index, measuring current economic activity, was up 0.1% m/m to 100.1 in February after no change the prior month.

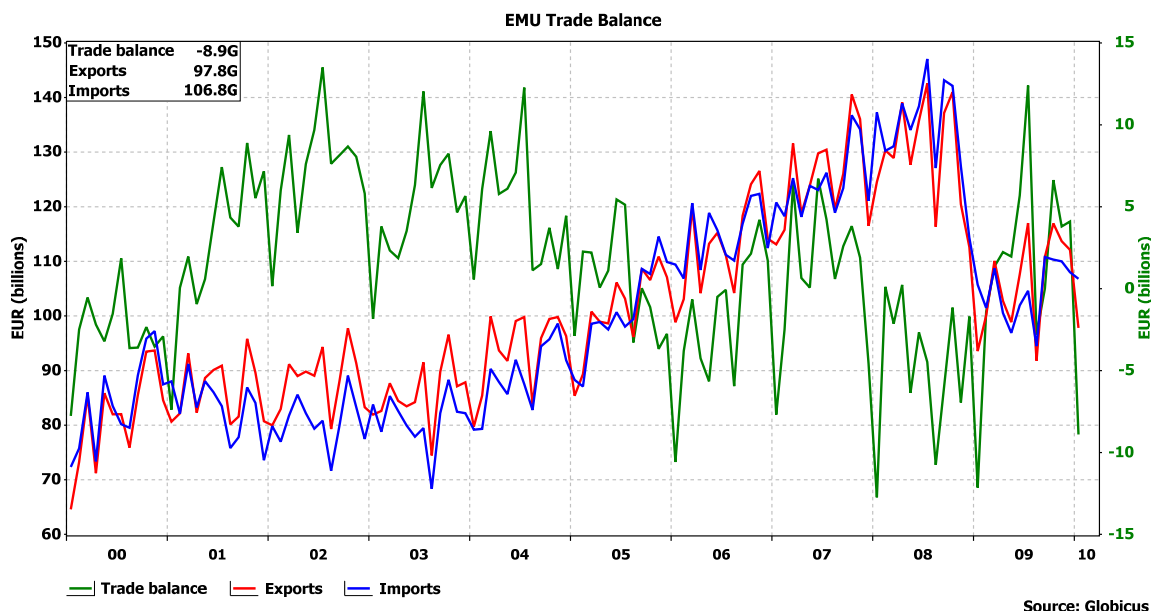


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- US initial jobless claims in the week ending March 13 declined 5,000 to 457,000 from the previous week's 462,000, according to figures from the Labor Department. The 4-week moving average decreased 4,250 to 471,250. Continuing claims in the week ending March 6 increased 12,000 to 4,579,000 from the preceding week's upwardly revised 4,567,000. The 4-week moving average of those continuing claims fell 8,000 to 4,575,250. The insured unemployment rate for the week ending March 6 was unchanged at 3.5%.
- The US current-account deficit widened less than expected to \$115.6 billion in Q4 2009 after a revised \$102.3 billion deficit in Q3, according to figures from the Commerce Department. The current-account gap narrowed to \$420 billion in 2009, the smallest since 2001.
- The Philadelphia Fed manufacturing index rose to a higher-than-expected 18.9 in March from 17.6 in February, indicating Philadelphia-area manufacturing expanded for an eighth straight month to the highest level since December, according to the Federal Reserve Bank of Philadelphia's March 2010 business outlook survey. The employment index increased to 8.4 in March, the highest level since August 2007, from 7.4 the prior month. The new orders index dropped to 9.3 in March from 22.7 in February and shipments decreased to 13.6 from 19.7; still, indicating expansion in new orders and shipments, but at a slower pace. The prices paid index advanced to 38.6 in March from 32.4 in February while the prices received index declined to -0.4 from 3.7.
- Foreign investment in Canadian securities totaled a higher-than-expected C\$11.83 billion (\$11.68 billion) in January after a downwardly revised C\$11.11 billion in December, registering a 13th straight increase, figures from Statistics Canada showed. Meanwhile, Canadian investors sold C\$5.83 billion of foreign securities in January, the largest since December 2008.

Europe

- The euro-area working day and seasonally adjusted current account recorded a €8.1 billion (\$11.2 billion) deficit in January (corresponding to a €16.7 billion deficit nsa), reversing an upwardly revised €2.3 billion surplus in December (corresponding to an upwardly revised €9.8 billion surplus nsa), the European Central Bank reported.
- In non-seasonally adjusted terms, the euro area posted a €8.9 billion (\$12.3 billion) deficit in January, compared with a downwardly revised €4.1 billion surplus a month earlier and a €12.1 billion deficit a year earlier, according to the first estimate for the euro-area trade balance released by Eurostat. Exports rose 4.5% y/y nsa to €97.8 billion in January; imports increased 1.0% y/y nsa to €106.8 billion.



- Britain posted a £12.4 billion (\$18.9 billion) budget deficit in February, smaller than expected but larger than a £8.8 billion deficit a year earlier, figures released by the Office for National Statistics showed. The public sector

net cash requirement showed a £7.7 billion deficit in February. Net debt totaled £857.5 billion, or 60.3% of GDP.

- UK major banks' mortgage approvals unexpectedly declined to 48,000 in February, the lowest level in nine months, from 49,000 in January, according to figures from the Bank of England. The value of mortgages increased to £5.6 billion (\$8.5 billion) from January's £5.1 billion. M4 was up 0.2% m/m and 3.6% y/y in February, the BOE said in a separate report.
- UK manufacturers will see a brighter picture in overseas demand for UK export orders, according to the Confederation of British Industry's latest monthly industrial trends survey. 14% of manufacturers said total order books were above normal, while 51% said they were below normal; thus, giving the resulting balance of -37% in March, virtually unchanged from -36 in February. Overseas demand for UK export orders continued to improve in March, showing the resulting balance of -18%, the highest since August 2008, compared with February's -23%. Firms expect a modest rise in production in the next three months, with the balance of +5% in March compared with +7% in February.
- Switzerland's trade surplus narrowed more than expected to CHF1.29 billion (\$1.22 billion) in February from CHF2.42 billion in January, according to figures from the Swiss Federal Customs Administration. Exports declined 0.1% m/m to CHF14.85 billion in February after a downwardly revised 2.9% m/m increase in January. Imports rose 3.9% m/m to CHF13.56 billion, following January's upwardly revised 3.2% m/m advance.

Asia-Pacific

- Sentiment among Japanese corporations with capital of more than ¥1 billion (\$11 million) in all industries was -2.4 in Q1 2010 compared with -1.9 in Q4 2009, suggesting large corporations generally remained pessimistic on their business conditions, according to the business survey index released by the Ministry of Finance. Sentiment among large manufacturers was 4.3 in Q1 compared with 13.2 the prior quarter, indicating large manufacturers were optimistic for a third consecutive quarter. Sentiment among large non-manufacturers was -6.3 in Q1 compared with -10.7 the previous three months, showing large non-manufacturers were pessimistic for a 10th straight quarter.
- The Japanese leading economic indicators index, a measure of future economic activity, increased to 96.7 (vs. preliminarily reported 97.1) in January, an eleventh straight monthly advance, from 94.7 in December, according to final January LEI data from the Cabinet Office. The coincident index, measuring present economic activity, rose to 100.1 (vs. preliminarily reported 99.9) in January, a tenth consecutive monthly rise, from 97.4 a month earlier, registering the longest streak of gains since 1997.

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	Neutral	Neutral	Neutral	Neutral	Neutral
Action	Sell	Buy	None	Buy	None	None	None
Current	1.3605	90.40	1.5240	1.0581	1.0148	0.9204	122.98
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	1.3600	88.00	1.4970	1.0500	1.0100	0.9000	120.00
	1.3450	86.00	1.4800	1.0200	1.0000	0.8800	116.00
Resistance	1.3850	92.00	1.5380	1.0850	1.0400	0.9250	125.00
	1.4050	94.00	1.5500	1.1100	1.0600	0.9400	130.00

Friday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
0:30	Japan	All industry activity index	Jan	m/m	1.4%	-0.3%
3:00	Germany	PPI	Feb	m/m	0.1%	0.8%
3:00	Germany	PPI	Feb	y/y	-2.8%	-3.4%
7:00	Canada	CPI	Feb	m/m	0.3%	0.3%
7:00	Canada	CPI	Feb	y/y	1.4%	1.9%
7:00	Canada	Bank of Canada core CPI	Feb	m/m	0.3%	0.1%
7:00	Canada	Bank of Canada core CPI	Feb	y/y	1.7%	2.0%
8:30	Canada	Retail sales	Jan	m/m	0.6%	0.4%
8:30	Canada	Retail sales less autos	Jan	m/m	0.5%	0.4%

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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