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## Aussie Higher ahead of RBA Meeting

- The dollar fell versus most key currencies on Monday. Risk sentiment improved after better-than-expected economic data across the globe. PMI figures rose more than expected in China, Europe and the US, indicating the global economy is recovering. Still, stocks pared earlier strong gains after Jon Greenlee, associate director of the Fed's Division of Banking Supervision and Regulation, said "the condition of the banking system is far from robust." The S&P 500 rose 6.69 to 1,042.88. The yen was pressured by better risk appetite. The euro was up but unable to stay above the 1.48 handle. Sterling was little changed. The strong UK manufacturing PMI supported the pound, but worries about the UK banking sector and speculation the Bank of England will expand its quantitative easing program when it meets on Thursday weighted on the currency. The Canadian dollar rose modestly as commodity and crude prices increased.
- The AUD/USD rose ahead of Tuesday's Reserve Bank of Australia rate decision meeting. The central bank is expected to raise its key rate 25 basis points to 3.50%, but the risk could be that the hawkish RBA may hike 50 basis points. Yesterday the government upgraded its fiscal and economic forecasts. The Australian dollar is also supported by strong commodity prices and Chinese strong economic growth. The pair has reduced its overbought condition and remained in a strong uptrend. As long as the uptrend is not broken, we stay with the pair.



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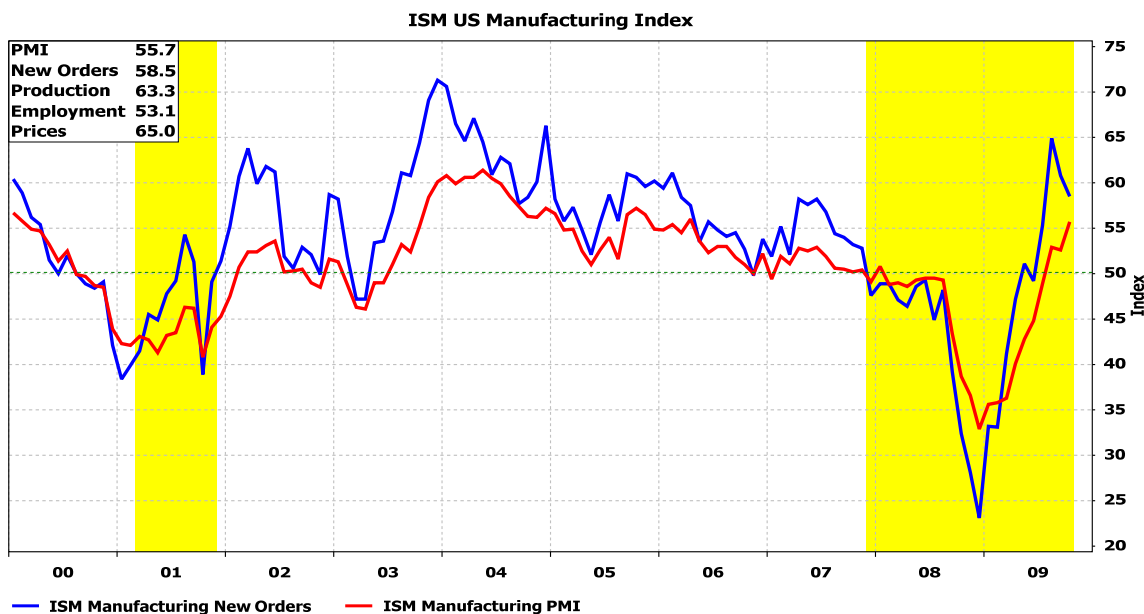
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**Financial and Economic News and Comments**

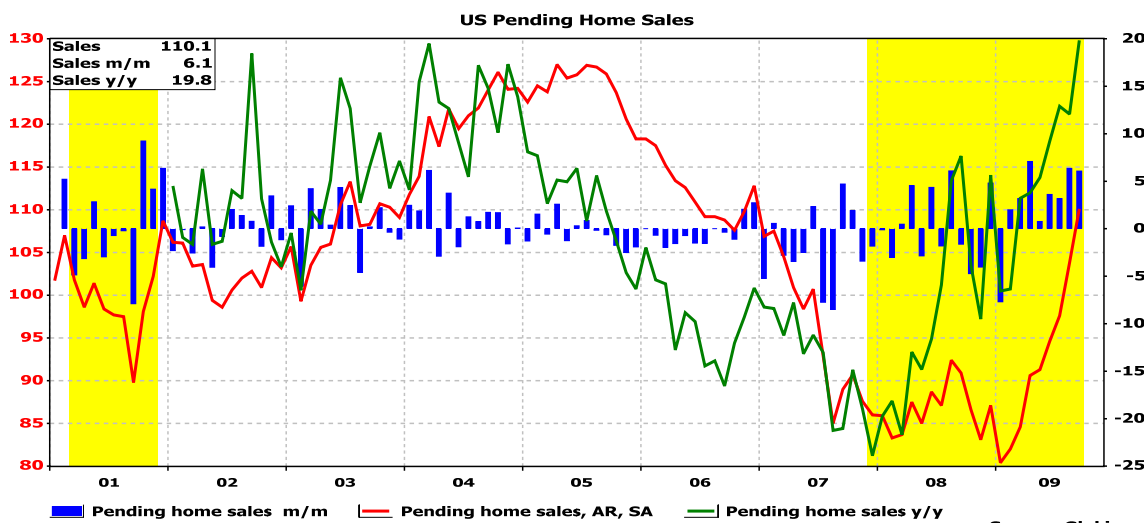
**US & Canada**

- The ISM US manufacturing index rose more than expected to 55.7 in October from 52.6 in September, indicating US manufacturing activity expanded for a third consecutive month and rose to the highest level since April 2006, data from the Institute for Supply Management showed. The index's key components were strong in October. The production index jumped to 63.3, the highest level since 2004, from September's 55.7. The new orders index declined to 58.5 in October from 60.8 in September; however, remaining well above the 50.0 expansionary mark. Employment conditions improved in October to the highest since early 2006, with the employment index rising to 53.1 from 46.2. The prices index increased to 65.0 in October from 63.5 in September.



Source: Globicus

- US pending home sales rose a much more-than-expected 6.1% m/m in September, an eight consecutive month-on-month gain, after a 6.4% m/m rise in August, data from the National Association of Realtors showed, registering the longest stretch of gains since records began in 2001. September pending home sales jumped 19.8% y/y. The figures indicate the US housing market continues its recovery.



Source: Globicus

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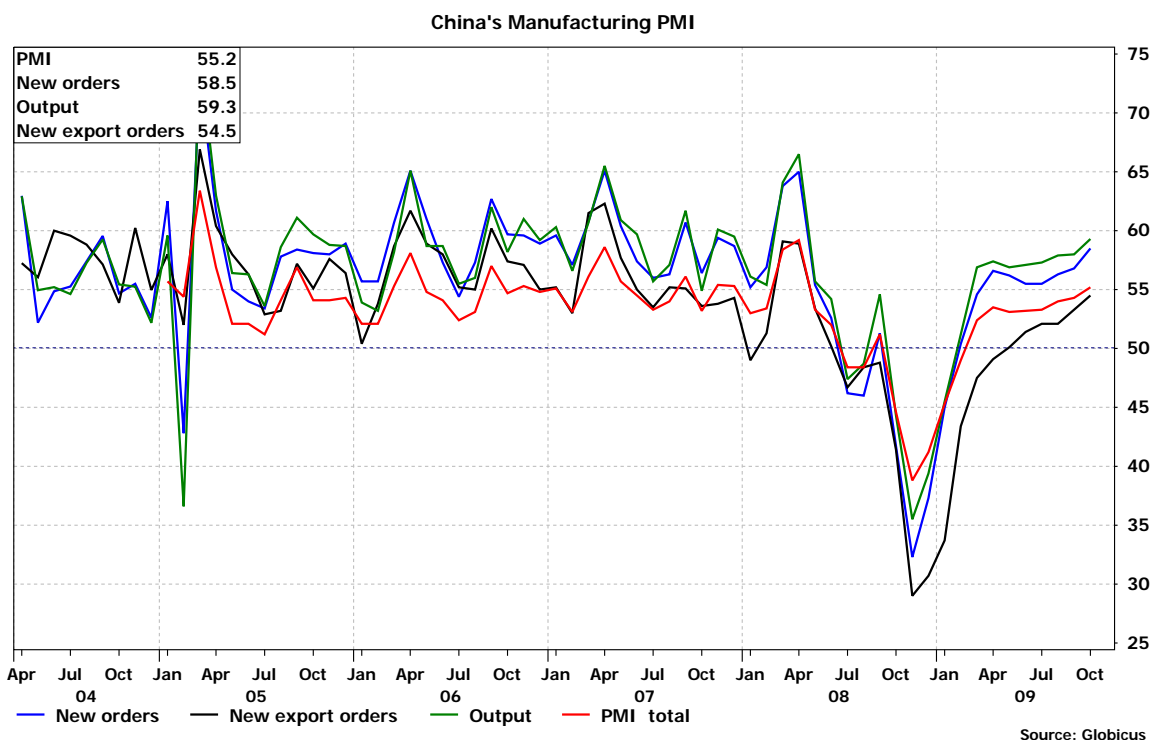
- US construction spending unexpectedly increased 0.8% m/m in September, the largest gain since September 2008, to a seasonally adjusted \$940.3 billion annual rate, after a downwardly revised 0.1% m/m decline to a 933.0 billion annual pace in August, according to figures from the Commerce Department. September construction spending fell 13.0% y/y.

### **Europe**

- The eurozone manufacturing PMI rose to an unrevised 50.7 in October from 49.3 in September, indicating the eurozone manufacturing activity expanded for the first time since May 2008 and rose to the highest level since January 2008, according to final October PMI data from Markit Economics.
- The German manufacturing PMI climbed to 51.0 in October (revised down from a preliminarily reported 51.1) from 49.6 in September, final October PMI data from Markit Economics showed, indicating Germany's manufacturing sector expanded for the first time since July 2008.
- The UK manufacturing PMI grew more than expected to 53.7 in October from an upwardly revised 49.9 in September, indicating UK manufacturing activity expanded at the fastest rate in two years, according to PMI data by the Chartered Institute of Purchasing and Supply and Markit Economics. The October PMI expansion was led by a sharp rise in the new orders index to 59.5 in October, its highest level since January 2004.
- UK house prices were up 0.2% m/m in October, a third month-on-month gain, to an average of £156,400 (\$256,274) per home, after increasing at the same rate in September, Hometrack Ltd. reported. October house prices were down 4.2% y/y, easing the pace of decline from September's 5.6% y/y slide.
- Switzerland's SVME PMI unexpectedly slid to 54.0 in October from 54.3 in September, indicating Switzerland's manufacturing activity expanded for a third consecutive month but at a slower pace, according to a survey from the Swiss Association of Purchasing and Materials Management and Credit Suisse.

### **Asia-Pacific**

- Japan's labor cash earnings fell for a 16th month in September, falling 1.6% y/y to ¥266,364 (\$2,949); however, slowing the pace of decline from a revised 2.7% y/y decrease in August, according to the Ministry of Health, Labour and Welfare.
- Australia's house prices climbed for a second quarter, rising a more-than-expected 4.2% q/q in Q3 2009 after advancing at the same pace in Q2, data released by the Australian Bureau of Statistics showed. House prices grew 6.2% y/y, following Q2's revised 0.7% y/y decline.
- The Australian Industry Group-PricewaterhouseCoopers Australian performance of manufacturing index declined to a seasonally adjusted 51.7 in October from 52.0 in September, indicating Australia's manufacturing expanded for a third consecutive month albeit at a slower pace, the AiG and PwC reported.
- China's manufacturing activity expanded at its fastest rate in 18 months in October, two industry surveys showed. The HSBC Chinese PMI grew to 55.4 in October, above the 50.0 expansionary level for a seventh consecutive month, from 55.0 in September, HSBC Holdings Plc reported. China's official PMI for October, released by the China Federation of Logistics and Purchasing, rose to 55.2, above the 50.0 expansionary level for an eighth consecutive month, from September's 54.3. Output, new orders, and new export orders continued to expand in October, indicating an ongoing strong recovery in the manufacturing sector and pointing to solid Chinese economic growth in Q4 2009.



**FX Strategy Update**

	EUR/USD	USD/JPY	GBP/USD	USD/CHF	USD/CAD	AUD/USD	EUR/JPY
<b>Primary Trend</b>	Positive	Negative	Positive	Negative	Negative	Positive	Neutral
<b>Secondary Trend</b>	Neutral	Neutral	Neutral	Positive	Neutral	Positive	Neutral
<b>Outlook</b>	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
<b>Action</b>	Buy	Buy	Sell	Buy	None	Buy	None
<b>Current</b>	1.4767	90.33	1.6394	1.0219	1.0772	0.9036	133.40
<b>Original Position</b>	1.4575	88.58	1.6602	1.0385	1.0891	0.6601	N/A
<b>Objective</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Stop</b>	1.4675	86.50	1.6750	N/A	1.0600	0.8570	N/A
<b>Support</b>	1.4680	90.00	1.6000	1.0100	1.0500	0.8800	132.00
<b>Resistance</b>	1.4480	87.00	1.5750	0.9800	1.0000	0.8500	130.00
	1.5050	92.50	1.6700	1.0450	1.1000	0.9100	136.00
	1.5400	94.50	1.7000	1.0600	1.1300	0.9300	139.00

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**Tuesday's Economic Calendar**

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
4:30	UK	Construction PMI	Oct		47.2	46.7
10:00	US	Factory orders	Sep		1.1%	-0.8%
17:30	Australia	AiG performance of service index	Oct			49.3
18:50	Japan	Monetary base	Oct	y/y		4.5%
19:01	UK	Nationwide consumer confidence	Oct		73	71
19:30	Australia	Retail sales sa	Sep	m/m	0.5%	0.9%
19:30	Australia	Building approvals	Sep	m/m	2.4%	-0.1%
19:30	Australia	Building approvals	Sep	y/y	8.3%	0.0%
21:30	Japan	Bank of Japan Governor Masaaki Shirakawa speaks in Tokyo				

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, PPI=producer price index, PMI=purchasing managers index

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**New York, November 2, 2009, 17:28 EDT**