FX Strategy Briefing

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FX Jumpy Ahead of Central Bank Meetings

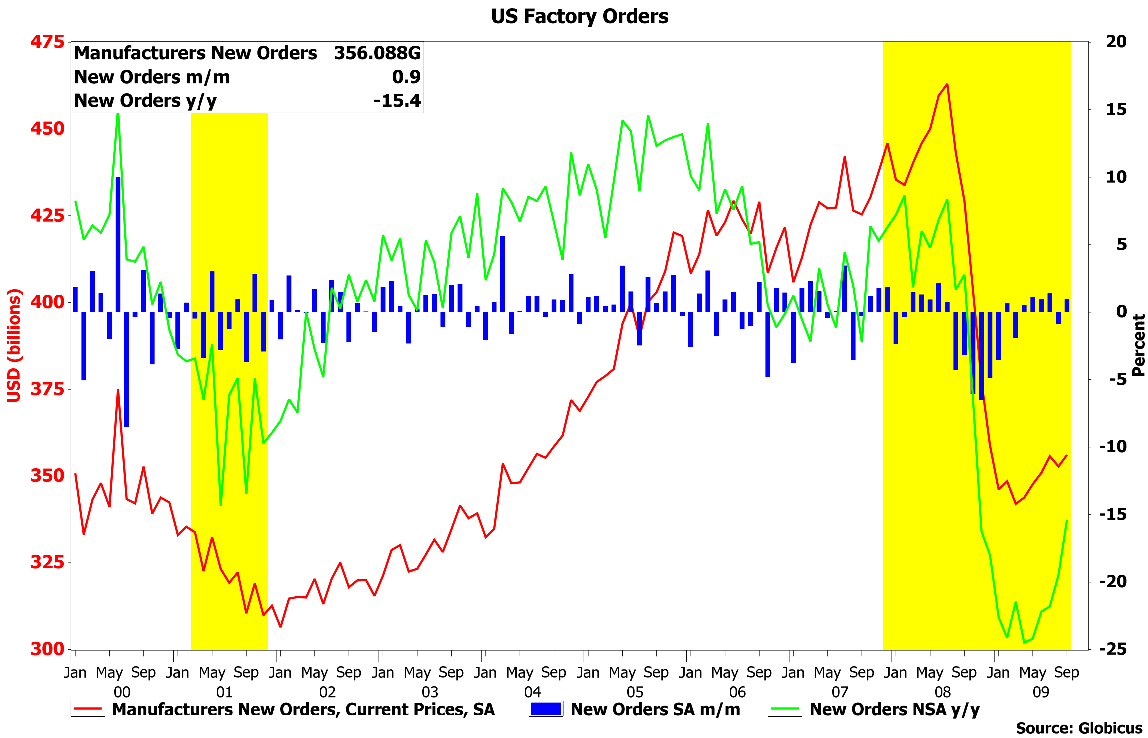
- The dollar rose against most key currencies on Tuesday as investors worried about the health of the global banking sector and the sustainability of the equity rally. UBS, a huge Swiss bank, reported a wider-than-estimated loss. In the UK, Royal Bank of Scotland said it was taking more public funding, and Lloyds announced a rights issue. Meanwhile, US factory orders rose for a fifth month in six. The greenback pared earlier gains as the US stock market closed mixed. The S&P 500 was up 2.53 to 1,045.41. Investors are cautious ahead of three major central banks' meetings. The Federal Reserve, Bank of England and European Central Bank are expected to keep their key interest rates unchanged; investors will look for signs of the central banks' exit strategies. The yen declined modestly. Japan was closed for a holiday. Sterling recovered earlier losses and traded little changed in late afternoon trading. The Canadian dollar rose modestly as crude prices increased and gold prices hit a new all-time high. The Australian dollar declined modestly after the Reserve Bank of Australia raised its key rate 25 basis points to 3.50%, as expected, but downplayed further rate increases.
- The EUR/USD fell on Tuesday after the European Commission warned about further bank losses and that credit growth will be weak until banks repair their balance sheets. In addition, the EC sees slow economic growth in 2010-11. The EUR/USD tested the diagonal support from the long-run uptrend the last few days. If the 1.47 handle is broken, the pair will turn bearish. This is more likely to happen if the stock market correction continues. The S&P 500 is likely to test the support in the 980 area. Our long EUR/USD position was stopped out today with a small profit.

*Expert Market Commentaries, charts and information are provided by Hans Nilsson of Globicus International, Inc., a registered third party CTA, are intended for educational purposes only and do not constitute trading recommendations.

Financial and Economic News and Comments

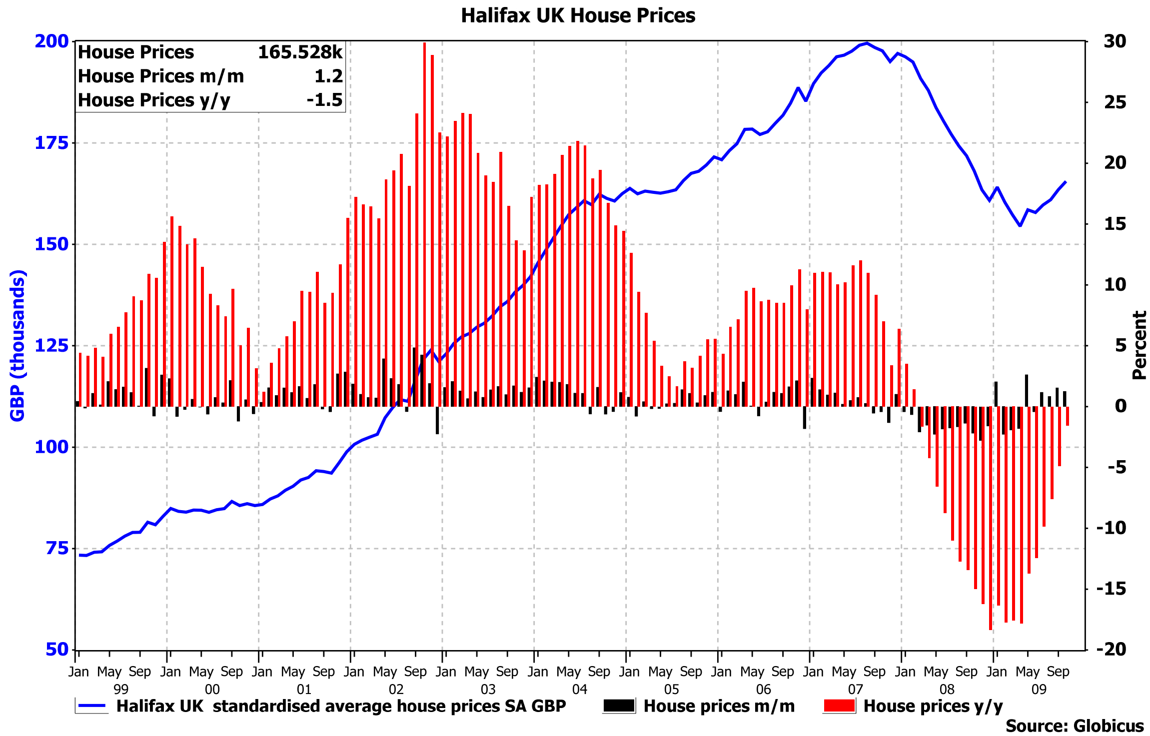
US & Canada

- US factory orders rose 0.9% m/m in September, the fifth gain in six months, to $356.1 billion, after a 0.8% m/m decline in August, figures from the Commerce Department showed, suggesting the US manufacturing sector is recovering. Excluding transportation, factory orders advanced 0.8% m/m in September, following a downwardly revised 0.3% m/m August increase. September factory orders fell 15.4% y/y nsa.



Europe

- The contraction in the UK construction sector continued to intensify in October, according to data released by Markit Economics and the Chartered Institute of Purchasing and Supply. The CIPS/Markit UK construction PMI unexpectedly declined to 46.2 in October from 46.7 in September and 47.7 in August.
- UK house prices rose 1.2% m/m in October, a fourth consecutive month-on-month gain, to an average of £165,528 ($271,231) per home, after a downwardly revised 1.5% m/m increase in September, according to a Halifax report. October house prices declined 1.5% y/y. House prices fell 4.7% y/y in the three months through October, improving for a sixth straight month and easing the pace of decline following a 7.4% y/y decrease in the three months through September.



- The eurozone economy will grow 0.7% in 2010 and 1.5% in 2011, after contracting 4.0% in 2009, the European Commission said in its semi-annual economic forecasts. The deficit will widen to 6.9% of GDP in 2010 and unemployment will rise to 10.9% in 2011, the highest level since at least 1995, the EC said.

Asia-Pacific

- The Reserve Bank of Australia raised the cash rate 25 basis points to 3.50%, as forecast, and signaled a rise in the Australian dollar to near parity with the US dollar has given the central bank scope to slow the pace of future rate hikes. RBA Governor Glenn Stevens said: "The Board noted that the rise in the exchange rate is likely to constrain output in the tradeables sector and dampen price pressures. Nonetheless, growth is likely to be close to trend over the year ahead and inflation close to target. With the risk of serious economic contraction in Australia now having passed, the Board's view is that it is prudent to lessen gradually the degree of monetary stimulus that was put in place when the outlook appeared to be much weaker. The adjustments at the October and November meetings will work to increase the sustainability of growth in economic activity and keep inflation consistent with the target over the years ahead." Following today's RBA rate decision, traders reduced bets on another quarter-point increase next month.

FX Strategy Update

	EUR/USD	USD/JPY	GBP/USD	USD/CHF	USD/CAD	AUD/USD	EUR/JPY
Primary Trend	Positive	Negative	Positive	Negative	Negative	Positive	Neutral
Secondary Trend	Neutral	Neutral	Neutral	Positive	Neutral	Positive	Neutral
Outlook	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Action	Stopped	Buy	Sell	Buy	None	Buy	None
Current	1.4723	90.32	1.6435	1.0256	1.0656	0.9025	133.01

	EUR/USD	USD/JPY	GBP/USD	USD/CHF	USD/CAD	AUD/USD	EUR/JPY
Original Position	1.4575	88.58	1.6602	1.0385	1.0891	0.6601	N/A
Objective	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Stop	1.4675	86.50	1.6750	0.9980	1.0600	0.8570	N/A
Support	1.4680	90.00	1.6300	1.0100	1.0500	0.8800	132.00
	1.4480	87.00	1.6000	0.9800	1.0000	0.8500	130.00
Resistance	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

Wednesday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
3:55	Germany	Services PMI	Oct F		50.9	50.9
4:00	EMU	Services PMI	Oct F		52.3	52.3
4:00	EMU	Composite PMI	Oct F		53.0	53.0
4:30	UK	Services PMI	Oct		55.5	55.3
5:00	EMU	PPI	Sep	m/m	-0.4%	0.4%
5:00	EMU	PPI	Sep	y/y	-7.7%	-7.5%
8:15	US	ADP employment change	Oct		-195K	-254K
10:00	US	ISM non-manufacturing index	Oct		51.6	50.9
14:15	US	Federal Open Market Committee interest rate decision			0.25%	0.25%
18:50	Japan	Bank of Japan policy meeting minutes				
19:30	Australia	Trade balance	Sep		-A$2140M	-A$1524M

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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