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The Overnight Express: S&P 500 Erases 7-Week Slump to Close at Highest Level in 17 Months

The following is a summary of the main economic events from the European and North American sessions:

- U.S. S&P 500 stock index rallies during the final minutes of trading to hit 1,150, equaling its peak on Jan. 19 and erasing a seven-week decline; the S&P 500 is now once again at its strongest level since it ended the day at 1,166 on Sept. 30, 2008.
- U.S. trade deficit contracts unexpectedly in January, decreasing to a \$37.3 billion shortfall despite the consensus forecast for it to expand to \$41.0 billion from the revised \$40.2 billion deficit the month before.
- U.S. continuing jobless claims (week of Feb. 27) rise to 4558k, disappointing calls for a decrease to 4500k from their revised 4521k level the week before; meanwhile, initial claims (week-ending March 6) fall to 462k from their previous revised 468k level in a move that is essentially in line with calls for a 460k level.
- Canadian trade surplus rises to C\$0.8 billion in January from the revised C\$0.1 billion level the month before; economists had only expected a C\$0.2 billion surplus.
- SNB holds interest rates at 0.25% as expected; they say they will "act decisively" to prevent CHF appreciation; inflation in 2010 is predicted at 0.7% and in 2011 at 0.9% (versus previous forecasts of 0.5% inflation this year and 0.9% next); they see the economy growing about 1.5% in 2010 (previous call: 0.5%-1.0%); the SNB also says the Swiss recovery remains fragile.

Market Snapshot (As of 5:45 PM EST)

FX

	Last Price	Net Change
EUR/USD	1.3673	-0.0008
USD/CAD	1.0248	0.0008
USD/JPY	90.52	0.01
GBP/USD	1.5065	0.0003
AUD/USD	0.9143	-0.001

Bonds

	Last Price	Net Change
US 10-Year Future	116.78125	-3
US 10-Year Yield	3.7272	0.0057
Canadian 10-Year Bond Yield	3.506	-0.21
German 10-Year Bund Yield	3.179	0.026
UK 10-Year Gilt Yield	4.149	-0.63
Aussie 10-Year Bond Yield	5.667	0.074
Japanese 10-Year Bond Yield	1.325	0.005

Stocks

	Last Price	Net Change
Eurostoxx	2578.01	-10.65
FTSE 100	5617.26	-23.31
DAX	5928.63	-8.09
Nikkei	10664.95	101.03
S&P ASX 200	4814.2	-5.8
Hang Seng	21228.2	19.91
Shanghai Composite	3051.282	2.355
Dow Futures	10610	0
S&P Futures	1150.5	0

Commodities

	Last Price	Net Change
WTI Crude Oil	82.25	0.16
Spot Gold	1109.7	0.2

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- SF1 interview: SNB's Hildebrand says the central bank won't continue its "expansive" monetary policy forever and that he sees a threat that a property bubble may emerge.
- New York Fed President Dudley (a voter) tells an audience in London, England, that the U.S. government needs to start reducing its long term deficit even though the nation's economic recovery is fragile; however, he says that cutting deficits in the short term would likely cause a double-dip recession in the U.S., but that longer term spending needs to be slashed.
- Die Presse interview: ECB Governing Council member Nowotny says that euro zone "growth rates are positive but weak"; he adds that the region's "problems have shifted to the real economy, [where] unemployment is rising" and "the danger of [company] credit defaults...could possibly increase"; it could take between two and three years for the euro zone economy to fully heal, according to Nowotny.
- Format magazine interview: ECB Governing Council member Tumpel-Gugerell says the euro zone has passed the test of the crisis; she adds that Greece must now implement the proposals to cut its budget deficit; the central banker also says that euro zone member nations need to coordinate economic policies and that budgets must be discussed.
- BOC Governor Carney tells an audience in Ottawa that the removal of a phrase on the inflation outlook from the central bank's March 3 rate decision does not indicate a change in the balance of risks to price rises; last week, the BOC no longer said that risks to inflation were "tilted slightly to the downside"; "The reason we were saying that was because we were operating at the zero lower boundary," explains Carney.
- Core January Kiwi retail sales (ex. autos) rise 0.3% on the month, below expectations for a 0.7% increase and following their revised 2.0% fall previously; headline sales rise 0.8% on the month, overarching calls for a 0.5% gain and following their revised 0.4% drop the month before.
- Le Figaro interview: French President Sarkozy says that he neither supports a weak nor a strong rate for the euro; he says that "between a strong euro and a weak euro, I choose a euro at a fair level"; Sarkozy also suggests that the euro at \$1.36USD may still be too high for the monetary union's exporters.
- In the countdown to the Canadian employment report on Friday, Prime Minister Harper tells parliament that "Canada's economy is already starting to create jobs"; however, he adds that the unemployment rate is "still too high"; Harper also says that the domestic housing industry is "well into recovery" and the availability of credit is improving; Ottawa will continue to stimulate the economy, says Harper.
- Japanese news agency Nikkei reports that the BOJ is considering additional monetary policy easing; the central bank has lent close to ¥10 trillion yen (\$110.4 billion) to deal with the financial crisis, and, according to Nikkei, the BOJ is looking into raising this level to ¥20 trillion.
- At a press conference, U.S. Sen. Dodd says his bill on financial overhaul, to be released on March 15, will end the concept of 'too big to fail'; he says an agreement on derivatives oversight is "not there yet"; Dodd adds that "a lot of progress" has been made on consumer protection.
- Commenting in a statement on Sen. Dodd's plans for financial overhaul, U.S. Treasury Secretary Geithner says "new rules" are needed to end the problem of 'too big to fail' institutions; he also

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- says the plan needs to "close loopholes" and protect consumers.
 - Canada's Budget Office forecasts that the nation's deficit will contract to C\$12.3 billion by 2014 from C\$53.8 billion in the fiscal year ending this month; the projection is at odds with Canadian Finance Minister Flaherty's forecast last week that the deficit will fall to C\$1.8 billion by 2014.
 - Canadian Q4 capacity utilization rises to 70.9%, slightly above expectations for an increase to 70.0% from the revised level of 68.7% the previous quarter.
 - Canadian new housing price index rises 0.4% on the month in January, as expected, and mirroring its previous gain.
 - BBG Radio interview: Morgan Stanley Asia Chairman Stephen Roach says China is "now moving back up to a positive inflation rate in a 3% to 4% zone, after going through deflation in the crisis"; he adds that Beijing will try to cap its inflation pace at 5%, but says that he doesn't expect any "dramatic" policy moves to combat prices in the coming months.
 - FT: Pimco's El Erian writes that dangers of growing government deficits are "not yet sufficiently appreciated and understood" by the public and governments; he says without higher taxation/lower spending countries will be forced to use inflation to control debt.
 - Bank of England inflation attitudes survey shows inflation expectations for the year ahead rise to 2.5% in February from 2.4% in November, the highest since late 2008; sterling rallies.
 - Greece's hospitals, airports and schools shut down in general strike protesting budget cuts.
 - BBG: Harvard professor Feldstein says the euro's decline has been due to "irrational or panic selling" and that it's an "overreaction."
 - BP buys \$7 billion worth of oil and gas assets in Brazil, the Gulf of Mexico and Azerbaijan from Devon Energy Corp. for \$7 billion.
- ### Friday's Outlook:
- With no major economic releases scheduled for Friday's Asia-Pacific session, traders' attention will turn to Europe. The regional slate is light in terms of data, with only euro zone industrial production likely to garner much attention. However, ECB President Jean-Claude Trichet and Bank of England Monetary Policy Committee member Spencer Dale will be mounting the podiums on Friday.
 - The European day begins among the ivory towers of Cambridge University's Trinity College at 5:00 a.m. EST, when Bank of England MPC member Spencer Dale will deliver a speech.
 - Half-an-hour later, at 6:00 a.m. EST, market participants will head to continental Europe for euro zone industrial production for January. It's expected to rise 0.7% on the month, partially erasing its revised 1.6% fall in December.
 - Annualized, production is projected to fall by 1.6% in January, a slower pace of decline than its previous revised 4.8% fall.
 - Finally, at 3:45 p.m. EST, just a quarter of an hour before the New York Stock Exchange shuts up shop for the week, ECB President Jean-Claude Trichet will address a conference held at Stanford University in California.
 - Friday's North American session contains a number of important data releases, including U.S.

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advance retail sales and the University of Michigan consumer confidence gauge as well as Canada's employment data.

- The regional day begins in Ottawa at 7:00 a.m. EST, when Statistics Canada is expected to reveal that the country's economy created a net 15.5k jobs in February. Nonetheless, this would be less than the 43.0k increase the month before.
- Meanwhile, the Canadian unemployment rate is slated to remain at 8.3% in February.
- At 8:30 a.m. EST, market participants will cross the border to the U.S. for the February retail sales report. Core sales (excluding autos) are expected to rise by 0.1%, a pull back from their 0.6% advance in January.
- Meanwhile, core sales (excluding both autos and gas) are projected to increase by 0.3% in February, halving their 0.6% pace the month before.
- Finally, headline sales are expected to slip by 0.2%, denting their 0.5% rise in January.
- Finally, at 9:55 a.m. EST, the preliminary University of Michigan consumer confidence report for March will be released. It's forecast to rise to 74.0 from 73.6 in the final report for last month.

By Nick Say, nicks@fxtraderacademy.com



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Economic Data		
Mar. 11		
8:00	SZ	SNB Libor Target Rate +0.25% Exp: +0.25% vs. Prior: +0.25%
8:30	US	Trade Balance JAN -37.3B vs. Exp: -\$41.0B Revised: -39.9B Prior: -\$40.2B
8:30	US	Initial Jobless Claims Mar-06 +462K vs. Exp: +460K Revised: +468K Prior: +469K
8:30	US	Continuing Claims Feb-27 +4558K vs. Exp: +4500K Revised: +4521K Prior: +4500K
8:30	CA	Capacity Utilization Rate 4Q +70.9% vs. Exp: +70.0% Revised: +68.7% Prior: +67.5%
8:30	CA	New Housing Price Index (MoM) JAN +0.4% vs. Exp: +0.4% Prior: +0.4%
8:30	CA	Int'l Merchandise Trade JAN +0.8B vs. Exp: +0.2B Revised +0.1B Prior: -0.2B
10:30	US	EIA Natural Gas Storage Change Mar-05 -111 vs. Exp: -109 Prior: -116
16:00	NZ	REINZ House Sales (YoY) FEB -3.8% vs. Prior: -1.1%
16:00	NZ	REINZ Housing Price Index FEB +3214.8 vs. Prior: +3201.8
16:45	NZ	Retail Sales (MoM) JAN +0.8% vs. Exp: +0.5% Revised: -0.4% Prior: 0.0%
16:45	NZ	Retail Sales Ex-Auto (MoM) JAN +0.3% vs. Exp: +0.7% Revised: -2.0% Prior: -1.8%

Upcoming Events for March 11 & 12, 2010		
Mar. 11		
23:30	JN	Industrial Production (MoM) JAN F Prior: +2.5%
23:30	JN	Industrial Production (YOY) JAN F Prior: +5.1%
23:30	JN	Capacity Utilization (MoM) JAN F Prior: +1.4%
Mar. 12		
2:00	GE	Wholesale Price Index (MoM) FEB Exp: +0.3% Prior: +1.3%
2:00	GE	Wholesale price Index (YoY) FEB Exp: +2.3% Prior: +1.9%
5:00	UK	BOE's Dale to Deliver Speech Mar-12
6:00	EU	Euro-Zone Ind. Prod. sa (MoM) JAN Exp: +0.7% Prior: -1.7% Revised: -1.6%
6:00	EU	Euro-Zone Ind. Prod. wda (YoY) JAN Exp: -1.6% Prior: -5.0% Revised: -4.8%
7:00	CA	Net Change in Employment FEB Exp: +15.5K Prior: +43.0K
7:00	CA	Unemployment Rate FEB Exp: +8.3% Prior: +8.3%
8:30	US	Advance Retail Sales FEB Exp: -0.2% Prior: +0.5%
8:30	US	Retail Sales Less Autos FEB Exp: 0.1% Prior: +0.6%
8:30	US	Retail Sales Ex Auto & Gas FEB Exp: +0.3% Prior: +0.6%
9:55	US	U. of Michigan Confidence MAR P Exp: +74.0 Prior: +73.6
10:00	US	Business Inventories JAN Exp: +0.1% Prior: -0.2%
15:45	EU	ECB's Trichet Speaking in Stanford Mar-12