

# XFOREX<sup>TM</sup> Midday FX Chatter

March 11<sup>th</sup>, 2010, 1:00 PM EST



From TD Securities: The euro's cross with the greenback "remains entrenched in the 1.3450/1.3750 trading range that we have been stuck in since early February," said FX strategists at TD. They added, "The pivot point for the market seems to be the 1.36 zone and, with the EUR very close to the middle of the range this morning, a quiet and rather directionless day may follow". The strategists also said that though they think the Greece deficit crisis "remains a potential driver for a weaker EUR in time, the current lull in the market suggests that the market focus is elsewhere at the moment".

From CIBC: Following the release of the ECB's monthly bulletin on Thursday, FX strategists at the bank said that the central bank confirmed that "rates are appropriate, inflation pressures are subdued, and that the recovery is moderate amid ongoing uncertainty. The ECB will continue to provide liquidity support to banks but continue to phase out non-standard measures". They concluded that the release offered nothing new and "as usual the editorial of the latest monthly bulletin is a close repeat of ECB President Trichet's introductory statement at the press conference last week and does not change the rate outlook".

From Scotia Capital: Currency strategists said there was no major news or economic data releases to impact the single currency on Thursday. They said, "The general mood surrounding

## Market Snapshot (As of 1:00 PM EST)

FX	Last Price	Net Change
EUR/USD	1.3675	0.0018
USD/CAD	1.0265	0.0019
USD/JPY	90.49	-0.03
GBP/USD	1.5041	0.0063
AUD/USD	0.9148	-0.0007

Bonds	Last Price	Net Change
US 10-Year Future	116.65625	-7
US 10-Year Yield	3.7139	-0.0076
Canadian 10-Year Bond Yield	3.509	-0.18
German 10-Year Bund Yield	3.179	0.026
UK 10-Year Gilt Yield	4.145	-0.56
Aussie 10-Year Bond Yield	5.665	0.07
Japanese 10-Year Bond Yield	1.325	0.01

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 Jones Industrial Average	10564.61	-2.72
S&P 500	1144.85	-0.76

Commodities	Last Price	Net Change
WTI Crude Oil	81.95	-0.14
Spot Gold	1108.5	0.09

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the outlook for EUR appears to be recovering". They predict that "the range that has held since February 5th, 1.3436 to 1.3839, will continue to hold". The strategists argue that "buying pressure will emerge at 1.3576 and selling pressure at 1.3711".

From TD Securities: Following the release of the U.S. trade balance data on Thursday, economists at TD said that the "deficit narrowed by 6.6% M/M in January, moving to -\$37.3 billion from the upwardly revised December print of -\$39.9 billion (originally reported as -\$40.2 billion)". They pointed out that the news surprised the consensus forecast for the trade deficit to continue deteriorating. The strategists said, however, that "the headline narrowing in the trade deficit is not the real story. A sharp decline in crude prices coupled with some apparent weakness in the global trade recovery seems to have massaged this month's trade report to the upside".

From TD Securities: Looking at the U.S. jobless claims report on Thursday, economists at the bank said that "initial jobless claims for the week of March 6<sup>th</sup> came in roughly in-line with the market consensus. Initial jobless claims declined by 1.3% W/W to 462K versus the Street's expectation for a decline to 460K". However, they said, "Continuing claims for the week of February 27<sup>th</sup> came in weaker than expectations, printing at 4.6 million from 4.5 million the prior week". They concluded that it was "a mixed report insofar as the improvement in initial claims is somewhat offset by the bump higher in continuing claims". Looking ahead, they said, "As the U.S. economic recovery gains further steam, we expect the level of claims to drift persistently

lower, though that may take a while to gather significant momentum".



From Scotia Capital: FX strategists at the bank said the U.S. dollar's cross with its Canadian counterpart "has recorded new intraday lows for the preceding nine consecutive sessions, breaking through the previous 2010 low of 1.0225, leaving the market to target the 2009 low at 1.0207". They added that for the rest of today, investors "may not be too willing to test lower so close to tomorrow's employment data as expectations for a positive read have been embedded in both Canadian bond yields and FX". Looking at tomorrow's all-important Canadian jobs report, the strategists said, "The market expects a 15.5K jobs build with an overwhelming bias for a positive data result, heightening the risk of upside in USDCAD should we get a rather disappointing (or even negative) read". They said that better-than-expected data "will further push the market's increasingly aggressive Bank of Canada expectations and we could very likely see the 1.0207 level fall following such a data release".

From TD Securities: Looking at USD/CAD's moves over the last few days, currency strategists at TD said, "After a string of consecutive lower daily closes, yesterday's dip to just under 1.0220 might be it as far as the CAD rally goes for the moment". They added, "The market feels very long CAD but has gotten little reward so far for its effort". Commenting on Friday's Canadian

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jobs data, they said that it “might be the bulls’ last, best shot at cracking 1.02 for the moment”. In terms of remaining events on Thursday that may impact the Canadian dollar, they noted that Bank of Canada Governor Mark Carney is due to speak at 14:05 EST today (comments will be on the BOC’s website from 13:50 EST). However, they said, “Mr Carney is addressing students today ostensibly so the speech may not deliver any significant insights into BoC thinking at the moment. That may still have to await the April MPR.”



From CIBC: Currency strategists at the bank said that on Thursday the UK Financial Services Authority (more commonly known by its acronym, FSA) said that “commercial property could cause a new crisis” for the island nation. They added, “After announcing tough new stress tests for banks it raised concerns that not enough was being set aside to withstand losses in the commercial property sector”.



From CIBC: Looking over the Aussie jobs report released on Thursday, currency strategists at CIBC said that the country’s employment “rose just 0.4K in February, well below expectations

(Reuters median +15.0K) following the upwardly revised 56.5K surge in January (was +52.7K)”. They added that the unemployment rate “rose to 5.3% from a downwardly revised 5.2% in January (was 5.3%)”. Despite the downbeat data, the strategists said that “the report is broadly consistent with ongoing recovery in Australia's economy and supportive of further measured rate hikes from the RBA this year”.

From TD Securities: Following the release of the Aussie jobs report on Thursday, FX strategists at the bank said, “Employment rose by an underwhelming +400 in February (median +15,000), although the skew towards fulltime (+11,400) at the expense of part-time (-11,000) positions supports a strong labour market theme”. They said, however, that “the soft headline print disappointed the hawks”.

From Scotia Capital: FX strategists at the bank said that in spite of the lower-than-expected rise in Aussie jobs on Thursday, “AUDUSD has managed to break to a new month and a half high”. They added that the Aussie dollar also “looks relatively strong on its crosses as AUDNZD is trading at 10-year highs, AUDEUR is at 13-year highs and AUDGBP is at 25-year highs”.



From CIBC: Following the release of Japan’s final GDP report for Q4 of last year, FX strategists at the bank said that “2nd prelim Q4 GDP growth +0.9% q/q SA, revised from +1.1% q/q SA, which was slightly below median forecast for +0.9%,”



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but continuing recovery from recession. It put Q4 GDP at -1.0% y/y (revised from -0.4% y/y) and 2009 at -5.2% y/y (from -5.0%)”.

From Scotia Capital: Looking at Japan’s major data release on Thursday, currency strategists at Scotia said that “final Q4 GDP came in slightly weaker than expected, with growth now seen at 0.9% q/q and 3.8% annualized”. They added that the below-forecast result was due to “lower than expected private inventory investment and accordingly is not as negative a development as the headline suggests”. The strategists also said the greenback’s cross with the yen “has traded in a particularly narrow range over the last four sessions and continues to hover around its 100-day moving average of 90.16”. They added, “Upside pressures on USDJPY are mounting as both the government and central bank appear focused on avoiding too much USDJPY downside. In addition, the focus from carry traders seems to be increasing”.