



From Bank of New York Mellon: The euro stands to make long term gains against the USD because of China, says a research note from the Bank of New York Mellon on Monday. “South Korea’s Financial Supervisory Service reports that Chinese investors raised holdings of South Korea’s mostly government bonds during the first seven months of this year while former PBOC advisor Yu Yongding is on record as saying that China has been buying “quite a lot” of European bonds,” explains the report. “Indeed, Bloomberg quoted him as saying that a “top-level Chinese central banker” had told him to convey to European policy makers China’s confidence in the region’s economy and currency, stating: “We didn’t sell any European bonds or assets, instead we bought quite a lot.” No doubt this view was also explained to Spanish Prime Minister José Luis Rodríguez Zapatero last week during his meeting with Premier Wen... Over the course of the past decade we have argued that one of the core forces driving the currency policy has been Chinese currency and reserve policy. With the current evidence pointing to a fresh hardening of attitudes in China towards the US and with the USD still standing at (relatively) high levels against the EUR, we wonder whether a very familiar pattern is about to re-emerge.”

From KBC: With the U.S. markets closed on Monday, EUR/USD is looking rather directionless, says a research note from KBC on Monday. “Today, the calendar of eco data and events is almost empty,” begins the report. “US markets are closed for the Labour Day holiday. In Europe,

Market Snapshot (As of 9:15 AM EDT/1:15 PM GMT)

FX

	Last Price	Net Change
EUR/USD	1.2884	-0.0012
USD/CAD	1.0347	-0.0041
USD/JPY	84.29	-0.02
GBP/USD	1.5376	-0.0076
AUD/USD	0.9174	0.0008

Bonds

	Last Price	Net Change
US 10-Year Future	124.015625	0
US 10-Year Yield	2.7097	0.0127
Canadian 10-Year Bond Yield	2.949	0.27
German 10-Year Bund Yield	2.328	-0.026
UK 10-Year Gilt Yield	2.969	0.39
Aussie 10-Year Bond Yield	4.921	-0.039
Japanese 10-Year Bond Yield	1.199	0

Stocks

	Last Price	Net Change
Eurostoxx	2540.67	3.45
FTSE 100	5446.66	18.51
DAX	6153.17	18.55
Nikkei	9301.32	187.19
S&P ASX 200	4575.5	34.3
Hang Seng	21355.77	384.27
Shanghai Composite	2696.25	40.856
Dow Futures	10453	17
S&P Futures	1105.25	1.75

Commodities

	Last Price	Net Change
WTI Crude Oil	74.02	-0.58
Spot Gold	1249.68	2.93

there are also hardly any eco data on the agenda. So, investors will continue to try to assess the consequences of last week's US eco data. At least for now, risk appetite apparently remains the key driver for EUR/USD trading. This morning, Asian equity investors also joined the positive global reaction. So, even as there will probably be little in the way of hard news to guide EUR/USD trading today, sentiment will probably remain EUR/USD constructive."

From Dankebank: EUR/USD trading is likely to be range bound on Monday, says a research note from Dankebank. "With few key data releases today, and the US closed, trading is likely to be range-bound. EUR/USD moved higher on Friday, to test 1.29, following a rebound in risky assets after US non-farm payrolls surprised positively," explains the report. "However, strong technical resistance is found at 1.2923/33 and a clear short-term uptrend has not yet been established. Positioning is currently not a big risk factor on EUR/USD, as short positions are likely to be modest (net short EUR positions stand at 10.6% of open interest according to IMM data and front-end risk-reversals have corrected higher)."

From RBC Capital Markets: EUR/USD is not showing much direction on Monday, says a research note from RBC Capital Markets on Monday. "EUR/USD has traded a narrow range around 1.2900 overnight, retaining the gains seen on Friday's US employment data," explains the report. "ECB President Trichet was upbeat in comments over the weekend, saying the probability of a double dip recession had fallen."

From Helaba: The technical point to more gains in EUR/USD, says a research note from Helaba on Monday. "The euro surpassed the resistance at 1.2874 in the course of the recovery, paving the way for a test of the 1.2923 mark," explains the

report. "The indicators remain supportive and a move to 1.30 for EURUSD should therefore come as no surprise this week. Our favored trading range: 1.2809 – 1.2950."

From Mizuho: The euro is looking to make some headway against the USD, says a technical note from Mizuho on Monday. "Weekly moving averages have crossed to a buy on the Ichimoku 'cloud' chart, another tiny signal that we are trying to form an interim low," explains the report. "Plenty of hazards on the way up though. Momentum is just bullish and the Euro certainly not overbought. Let's see if the Euro can capitalise on these small bullish Technical points." The firm recommends "Attempt[ing] small longs at 1.2895; stop below 1.2730. First target 1.2925, then 1.3030."



From RBC Capital Markets: Canadian dollar traders are looking ahead to the rate decision from the central bank, says a research note from RBC Capital Markets on Monday. "Given the still firm underlying domestic fundamentals and the extremely accommodative level of rates, RBC expects the Bank to hike the overnight target by 25bp to 1.0% on Wednesday," says the report. "The accompanying statement will likely keep the Bank in data watch mode and acknowledge the softer-than anticipated hand-off to Q3. Policymakers will also likely put more emphasis on the slowing US recovery and set-up a pause at the October meeting. Friday's employment report will reiterate the still positive trajectory

for the domestic economy, with employment expected to rise 20.6k in August.”



From Mizuho: Cable charts suggest some gains could be in the cards, says a research note from Mizuho on Monday. “The weekly Ichimoku ‘cloud’ is very thin at the moment and moving averages suggest a long position,” explains the report. “We continue to feel that Cable is trying to put in a new interim low and should be helped by the daily ‘cloud’ which rises steeply again this week.” The firm recommends “Attempt[ing] longs at 1.5480; stop below 1.5300. First target 1.5600, then 1.5700.”



From Danksebank: All eyes are ears are on the Reserve Bank of Australia, says a research note from Danksebank on Monday. “In Australia, focus is on tomorrow morning’s RBA policy meeting,” says the report. “We see a high probability that recent strong activity data will see the RBA move gradually back towards a tightening bias (warming up to an early October or November hike) adding support to AUD.”

From RBC Capital Markets: The RBA is expected to leave monetary policy unchanged, says a research note from RBC Capital Markets on

Monday. “We expect the RBA to deliver another steady rate verdict tonight following its September board meeting, with a similar statement to August,” explains the report. “A tightening bias will be evident, with the RBA highlighting trend growth, rising terms of trade, and the continued global recovery. With AU rate markets still suggesting the next move in rates will be down (albeit small and distant), such an outcome would likely be a small positive for AUD. Later in the week, August employment is expected to be boosted by temporary Federal election-related and be at least superficially strong.”



From KBC: USD/JPY is at a stalemate, argues a research note from KBC on Monday. “This morning, most Asian equity markets join the rebound in the US and Europe on Friday, but once again this has hardly any positive impact on USD/JPY,” explains the report. “So, upticks in this pair apparently are still seen a selling opportunity (probably in the first place by Japanese exporters, amongst others). Recently, we that indicated that a change in the global picture was a prerequisite to unlock the stalemate in USD/JPY trading and the see some sustained weakening of the yen. After the last week’s US ISM and payrolls release, something has indeed changed. During August, investors had prepared themselves ever more for a protracted slowdown in the US growth (and maybe even globally). The risk for such a scenario has materially declined after last week’s US data. In this context, one would expect that

there might be room for a further unwinding of risk aversion traders that were set up last month. Until now this was obviously not the case. So, for now the stalemate in USD/JPY trading persists.”

From RBC Capital Markets: The upcoming interest rate decision from the Bank of Japan is likely to leave the yen unchanged against the USD, says a research note from RBC Capital Markets on Monday. “USD/JPY has been trapped in a 40 point range through the Asian session. The BoJ’s regular monthly policy meeting started today and concludes tomorrow,” begins the report. “However, with last week’s emergency meeting already sanctioning a further JPY10trn of special liquidity provision, the scope for further new policy initiatives is very limited and the meeting is likely to pass without event. There is barrage of economic data due in Japan in the weeks ahead, but the market focus is more likely to be the evolution of BoJ intervention risk and the closing stages of the battle for leadership of the DPJ (vote next Tuesday). Any sign of a last minute rise in support for Ozawa would be short-term JPY negative. Ozawa continued to sound slightly softer on intervention overnight saying Japan should ‘not rule out the option of solo FX intervention’.”

From Mizuho: The technical continue pointing to more weakness in USD/JPY says a research note from Mizuho on Monday. “Another ‘spike high’ against the 26-day moving average hints this might be another new interim high,” explains the report. “Back inside the ‘channel’ and below the 9-day moving average. All aspects of this chart continue to point to a short position and the US dollar is not oversold against the yen.” The firm

recommends “Attempt[ing] shorts at 84.35/84.50; stop above 85.25. First target 84.00, then 83.50.”