XFOREX™ Morning FX Chatter

March 11, 2010, 9:13 AM EDT

From SaxoBank: They note that this morning's US data did nothing to support the greenback in the immediate aftermath of the releases, as the focus was on the slightly disappointing initial jobless claims number. They say that "even as we have written this the USD is reversing stronger, a move that makes sense as there was good news for the dollar in the trade balance number. The headline number came in better than expected and the ex-petroleum figure (at -$14.6B) was the smallest deficit in several months."

From KBC: They note that on Wednesday, "there was still not one dominant driver for price action on global markets. So, the wait-and-see approach that was already seen on Monday and Tuesday still was in place." They said that underlying investor sentiment still wasn't that bad. "EUR/USD was rather well bid supported by the decent performance of the (European) stock markets. Nevertheless, the pair is still perfectly holding the sideways consolidation pattern centered on the 1.36 mark, which is already in place for almost one month." They say the sideways trading range for EUR/USD between 1.3433 and 1.3850 "is still perfectly in place and we don't see a trigger to unlock this stalemate anytime soon."

Market Snapshot (As of 9:11 AM EST)

FX	Last Price	Net Change
EUR/USD	1.3626	-0.0031
USD/CAD	1.031	0.0064
USD/JPY	90.42	-0.1
GBP/USD	1.5002	0.0024
AUD/USD	0.9113	-0.0042

Bonds	Last Price	Net Change
US 10-Year Future	116.734375	-4.5
US 10-Year Yield	3.731	0.0095
Canadian 10-Year Bond Yield	3.545	-0.18
German 10-Year Bund Yield	3.177	0.024
UK 10-Year Gilt Yield	4.133	-0.52
Aussie 10-Year Bond Yield	5.665	0.058
Japanese 10-Year Bond Yield	1.325	0.025

Stocks	Last Price	Net Change
Eurostoxx	2573.79	-14.87
FTSE 100	5607.52	-33.05
DAX	5922.22	-14.5
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	10539	-26
S&P Futures	1141.5	-4.25

Commodities	Last Price	Net Change
WTI Crude Oil	81.54	-0.55
Spot Gold	1101.3	-7.11

From Mizuho: They say Wednesday was "same old, same old as the Euro goes nowhere. However, the 9-day moving average has leveled off while the 26-day one dropped suddenly towards it. Having already spent three weeks at current levels we really could do with a strong weekly close this Friday. Attempt small longs at 1.3635; stop below 1.3500. Add to longs on a sustained break above 1.3750 for 1.3800/1.3840."

From BMO: They note that the yen is a tad softer overnight after Q4 real GDP growth was revised down more than expected to 3.8% annualized. "That's still a solid figure, but it seems Japan is always revising down its initial estimate. This should have little impact on the Bank of Japan, as they'll need to see more than one quarter of growth before deciding to back away from potentially easing policy further."

From Mizuho: They note that the pair is stuck inside the Ichimoku 'cloud' but unlikely to hold quite so neatly over the next two weeks as it narrows and spans across. "Momentum is zero, the US dollar is not overbought, so allow for a series of random moves roughly between 91.00 and 88.00 for a while longer. Trade the range between 91.00 and 89.00."

From Bank of New York Mellon: "Having endorsed the AUD in an article last week, we are also inclined to expound the virtues of the CAD," wrote analyst Neil Mellor. He notes a 80% between the performance of the CAD against the USD and the Reuters CRB Commodity price index since 1996. They say foreign inflows into Canada are a long-term positive. "BNY Mellon flow data show that there has been a steady rise in net equity inflows into Canadian markets since late last year – and since the start of the month, equity inflows have been complemented by growing interest in Canadian fixed income products." They also noted that On Monday, Chinese National People's Congress member Chen Geng informed China Energy News that China should step up efforts to build-up state reserves of crude oil and refined fuel to enhance the country's energy security. "If USD/CAD manages a close below the year-to-date low of CAD 1.0222 to the USD, then the path once more opens up towards a breach of parity." They see resistance at 1.0370.

From BMO: They note that Bank of Canada Governor Carney speaks at Carleton University today on the Bank's 75th anniversary (published on the Bank's site at 1:50 pm). "Note that the media will have the first view in a lockup at 12:20 pm. The topic: 'Principles for Interesting Times' — and these are certainly interesting times, to say the least."

From SaxoBank: They note that the pair has been edging inexorably lower toward the huge 1.0200 support area, especially after oil has found itself consistently over $80 a barrel. “Today's trade data, on the other hand, reminds us that the structural direction in trade imbalances is far different from the path and may improve further in the US' favor relative to Canada. As well, interest rate differentials for the pair have been flat-lining recently. The bigger volatility risk for the longer term may lie to the upside, especially if equities and risk ever turn tail, but for the short term, is there a risk of a brief range break and run on stops? Tomorrow's employment report from Canada could have a large impact.”

From RBC Capital Markets: They note that the sterling is the leader the forex market after the BoE's Q1 Inflation Attitudes survey showed inflation expectations over the next 12 months just a shade higher at 2.5% vs. 2.4% at the time of the last survey in Nov. “This was a relatively subdued outcome given the VAT hike during the survey period. Current inflation was seen at 3.4% vs. 3.2% previously. One reason for pausing QE was the concern over dislodging inflation expectations. We still think we have seen the last of QE, but today’s survey is broadly neutral from this vantage, neither ameliorating nor accentuating these concerns.”

From BMO: They note that the pound is the top performing major “after inflation expectations rose to the highest since late 2008, increasing the belief that the Bank of England will not expand its quantitative easing program. Inflation is expected to pull back in the second half of the year, but in the meantime, the 3.5% rate should keep the BoE sidelined for fear of stoking inflation worries with any further easing.”

From Mizuho: They note that bearish momentum is even stronger than they had thought. “Cable has been pushed lower by a downward-sloping 9-day moving average and is now struggling to hold above the 1.4950 area. We still feel it will re-test 1.520 later this week. Attempt small longs at 1.4940; stop well below 1.4900. Add to longs on a sustained break above 1.5240 for 1.5300 and then 1.5500.”

From RBC Capital Markets: They note that Australian employment in the month of Feb came in below expectations for the first time since Aug 08 (0.4k vs. cons: 15k). “Full time made up the bulk of the gains, up 11.4k, counterbalanced by losses in part-time jobs. However upward revisions to past months left the unemployment rate as expected at 5.3% so on balance this seems neutral. AUD/USD dipped to a low of 0.9110 but has since recovered.”

From BMO: They talk about the Chinese data, which will have a big effect on AUD going forward. “Normally markets would cheer such strong numbers out of China, but the focus was on inflation." CPI inflation jumped to 2.7% y/y, above expected and the quickest pace in over a year. China is aiming for 3% inflation for all of 2010. "Continued acceleration would make that target tough to hit and markets are concerned that this latest jump in inflation could cause Chinese officials to tighten policy further. However, the Chinese statistics bureau noted that inflation is expected to fall in March, which should at least keep the headline rate stable at 2.7% (prices fell 0.3% in March 2009). Overall, the CPI figure is somewhat troubling, but considering the Lunar New Year likely distorted the numbers to some extent, it's too early to say inflation is starting to take off. However, with the economic numbers showing nothing but strength, and lending remaining solid, some monetary policy tightening should be expected throughout the year. Look for further reserve requirement hikes in the near term, and interest rate hikes and potential yuan appreciation likely starting by mid-year." These results would be a negative for AUD.