

The North American Open: Yen & CHF Rally On Concerns of Insufficient Fiscal and Monetary Stimulus

The following is a summary of the main economic events from the Asia-Pacific and European sessions:

- Japanese yen and the Swiss Franc rally further on concerns that the Japanese government' efforts to stimulate economic growth in the region will be insufficient; EUR/CHF hits fresh all-time high of 1.2900, and the Nikkei 225 closes 3.6% lower on the day.
- Japanese yen rallies despite Japanese industrial production rising by a preliminary 0.3% on the month in July, surprising the consensus forecast for a 0.2% fall and more than erasing the previous 1.1% drop; industrial production gains an annual 14.8%, above expectations for a 14.3% rise to follow the 17.3% increase in June.
- Released simultaneously, Japanese retail trade rises 0.7% on the month in July, overarching calls for a 0.5% gain to follow the revised 0.4% increase in June; in annual terms, retail trade gains 3.9% in July compared to calls for a 3.5% rise and exceeding the 3.2% increase the month before; despite the upside surprises in both the retail and industrial production data, the yen fails to react.
- Japanese Finance Minister Yoshihiko Noda tells audience in Tokyo that the government has shown its willingness to address the weak economic growth in Japan.
- Yen ignores comment from Japanese Vice-Finance Minister Motohisa Ikeda telling audience in Tokyo that any FX interventions by the government should go "unsterilized"; adds that the government "will take bold measure to respond to sudden movements" in FX.

Market Snapshot (As of 6:45 AM EDT/10:45 AM GMT)

FX	Last Price	Net Change
EUR/USD	1.2686	0.0023
USD/CAD	1.0617	0.0016
USD/JPY	84.52	-0.1
GBP/USD	1.5406	-0.0056
AUD/USD	0.8889	-0.0029

Bonds	Last Price	Net Change
US 10-Year Future	125.484375	6.5
US 10-Year Yield	2.5001	-0.0284
Canadian 10-Year Bond Yield	2.778	0.33
German 10-Year Bund Yield	2.11	-0.025
UK 10-Year Gilt Yield	2.821	0.74
Aussie 10-Year Bond Yield	4.763	-0.079
Japanese 10-Year Bond Yield	0.971	0.015

Stocks	Last Price	Net Change
Eurostoxx	2421.59	-25.85
FTSE 100	5151.87	-49.69
DAX	5864.52	-47.89
Nikkei	8824.06	-325.2
S&P ASX 200	4404.2	-48.5
Hang Seng	20536.49	-200.73
Shanghai Composite	2638.798	-13.866
Dow Futures	9946	-33
S&P Futures	1041.5	-3.5

Commodities	Last Price	Net Change
WTI Crude Oil	73.73	-0.97
Spot Gold	1233.95	-3.02

- AUD/USD gives up gains from upbeat retail sales report; Australian retail sales rise 0.7% on the month versus calls for a 0.4% gain to follow the previous month's 0.2% increase.
- Released simultaneously, Australian building approvals increase by 2.3% month-over-month in July, surprising expectations for a 0.7% fall, after the 3.3% drop in June.
- EUR/USD stronger after news that Spain cut its budget deficit by almost 50% in the first seven months of 2010 on the back of a surge in tax collections and spending cuts; deficit declines to 2.44% of GDP from 4.73% the same time last year.
- German unemployment falling slower than expected; German unemployment drops 17k in August, short of expectations for a 20k contraction and prior 21k pullback; unemployment rate remains unchanged at 7.6%, as expected.
- Euro zone annual CPI inflation rate falls to 1.6% in August from 1.7% the prior month prior, as expected.
- Sterling under pressure despite GfK's consumer confidence index rising to a -18 level, surprising the consensus forecast for a decline to -24 from -22 in July.
- New Zealand building permits rise 3.1% on the month in July, exceeding calls for a 2.0% gain to follow the revised 3.3% increase the month before.
- RBA Assistant Governor Guy Debelle tells a risk managers conference in Sydney that it's important that governments and central banks act as a "backstop" to any future crisis; holding leverage lower "can limit the number of illnesses that turn into fatalities," according to Debelle.

Monday's Outlook:

- Tuesday's North American schedule is far from light: the day's key economic events include U.S. consumer confidence, the minutes of the FOMC's Aug. 10 meeting, the Chicago purchasing managers' index (PMI), Canadian GDP and the U.S. S&P/CaseShiller home price index.
- The day begins in Ottawa, Canada, with the northern nation's growth data for June. The Canadian economy is expected to have grown 0.2% in the month, a faster pace than its 0.1% rise in May.
- Meanwhile, in quarterly annualized terms, Canada's GDP is projected to expand by 2.5% in Q2, following its 6.1% growth rate the previous quarter.
- At 9:00 a.m. EDT, the regional focus heads south to the U.S. for the country's S&P/CaseShiller home price index for June. The 20-city composite index is slated to rise 0.2% on the month, following its 0.47% gain in May.
- In annual terms, the composite index is forecast to increase 3.55% in June, a slower pace of expansion than its 4.61% gain the month before.
- At 9:45 a.m. EDT, the Chicago PMI for August will be released. It's expected to remain above the 50 threshold indicating expansion, though its pace is forecast to slow to a 57.0 level from 62.3 in July.
- Just a quarter-of-an-hour later, at 10:00 a.m. EDT, U.S. consumer confidence for August will be released. Sentiment is expected to improve slightly – rising to a 50.7 print from 50.4 in July.
- The North American afternoon will be dominated by the 2:00 p.m. EDT release of the FOMC minutes from the committee's Aug. 10 meeting. At the time, the FOMC held the federal funds rate in the 0.0% to 0.25% range and once again

reiterated that low rates would likely be required “for an extended period”.

- The big news from the Aug. 10 meeting, however, was the FOMC’s introduction of what analysts dubbed ‘quantitative easing lite’. The committee stated that it “will keep constant the Federal Reserve’s holdings of securities at their current level by reinvesting principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury securities”.
- The lone dissenter to the FOMC policy action was once again Kansas City Fed President Thomas Hoenig. As well as repeating his opposition to the low rates for ‘an extended period’ pledge, the central banker said he “did not believe that keeping constant the size of the Federal Reserve’s holdings of longer-term securities at their current level was required to support a return to the Committee’s policy objectives”.

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Economic Data		
30-Aug		
18:45	NZ	Building Permits MoM JUL +3.1% vs. Exp: +2.0% Revised: +3.3% Prior: +3.5%
19:01	UK	GfK Consumer Confidence Survey AUG -18 vs. Exp: -24 Prior: -22
19:15	JN	Nomura/JMMA Manufacturing PMI AUG +50.1 vs. Prior: +52.8
19:50	JN	Loans & Discounts Corp YoY JUL +0.3% vs. Prior: -4.1%
19:50	JN	Industrial Production (MoM) JUL P +0.3% vs. Exp: -0.2% Prior: -1.1%
19:50	JN	Industrial Production YOY% JUL P +14.8% vs. Exp: +14.3% Prior: +17.3%
19:50	JN	Retail Trade MoM SA JUL +0.7% vs. Exp: +0.5% Prior: +0.4%
19:50	JN	Retail Trade YoY JUL +3.9% vs. Exp: +3.5% Prior: +3.2%
19:50	JN	Large Retailers' Sales JUL -1.2% vs. Exp: -1.3% Prior: -3.0%
21:30	JN	Labor Cash Earnings YoY JUL +1.3% vs. Prior: +1.5% Revised: +1.8%
21:30	AU	Private Sector Credit MoM% JUL +0.1% vs. Exp: +0.3% Prior: +0.2%
21:30	AU	Private Sector Credit YoY% JUL +2.8% vs. Exp: +3.0% Revised: +2.9% Prior: +2.8%
21:30	AU	Retail Sales s.a. (MoM) JUL +0.7% vs. Exp: +0.4% Prior: +0.2%
21:30	AU	Current Account Balance 2Q -5640M vs. Exp: -6500M Revised: -16457 Prior: -16551M
21:30	AU	Building Approvals (MoM) JUL +2.3% vs. Exp: -0.7% Prior: -3.3%
21:30	AU	Australia Net Exports of GDP 2Q +0.4% vs. Exp: +0.3 Prior: -0.5
21:30	AU	Building Approvals (YoY) JUL +11.0% vs. Exp: +6.1% Prior: +13.2%
31-Aug		
0:00	JN	Vehicle Production (YoY) JUL +16.8% vs. Prior: +25.9%
1:00	JN	Housing Starts (YoY) JUL +4.3% vs. Exp: +2.0% Prior: +0.6%
1:00	JN	Small Business Confidence AUG +48.4 vs. Prior: +48.1
1:00	JN	Annualized Housing Starts JUL +0.772M vs. Exp: +0.756M Prior: +0.750M
1:00	JN	Construction Orders (YoY) JUL -0.7% vs. Prior: -10.2%
2:00	SZ	UBS Consumption Indicator JUL +1.86 vs. Revised: +1.795 Prior: +1.81
3:55	GE	Unemployment Change (000's) AUG -17K vs. Exp: -20K Revised: -21K Prior: -20K
3:55	GE	Unemployment Rate (s.a) AUG 7.6% vs. Exp: 7.6% Prior: 7.6%
4:30	UK	Net Consumer Credit JUL +0.2B vs. Exp: +0.0B Prior: -0.1B
4:30	UK	Net Lending Sec. on Dwellings JUL +0.1B vs. Exp: +0.7B Revised: +0.5B Prior: +0.7B
4:30	UK	Mortgage Approvals JUL +48.7K vs. Exp: +46.5K Revised: +48.6K Prior: +47.6K
4:30	UK	M4 Money Supply (MoM) JUL F +0.4% vs. Prior: +0.4%
4:30	UK	M4 Money Supply (YoY) JUL F +2.3% vs. Prior: +2.3%
5:00	EC	Euro-Zone CPI Estimate (YoY) AUG +1.6% vs. Exp: +1.6% Prior: +1.7%
5:00	EC	Euro-Zone Unemployment Rate JUL 10.0% vs. Exp: 10.0% Prior: 10.0%
5:15	EC	ECB Announces Allotment in 7-Day Refinancing Tender 23-Apr
Upcoming Events for August 31st 2010		
8:30	CA	Gross Domestic Product MoM JUN Exp: +0.2% Prior: +0.1%
8:30	CA	Quarterly GDP Annualized 2Q Exp: +2.5% Prior: +6.1%
9:00	US	S&P/CaseShiller Home Price Ind JUN Prior: +146.43
9:00	US	S&P/CS 20 City MoM% SA JUN Exp: +0.20% Prior: +0.47%
9:00	US	S&P/CS Composite-20 YoY JUN Exp: +3.55% Prior: +4.61%
9:00	US	S&P/Case-Shiller US HPI 2Q Prior: +131.8
9:00	US	S&P/Case-Shiller US HPI YOY% 2Q Prior: +2.0%
9:45	US	Chicago Purchasing Manager AUG Exp: +57 Prior: +62.3
10:00	US	Consumer Confidence AUG Exp: +50.7 Prior: +50.4

10:00	US	NAPM-Milwaukee AUG Exp: +60.3 Prior: +66
11:30	US	U.S. to Sell 4-Week Bills 31-Aug
14:00	US	Minutes of FOMC Meeting 31-Aug
14:00	US	Fed Releases Minutes from Aug. 10 FOMC Meeting 31-Aug
16:15	US	Bloomberg FCI Monthly AUG
17:00	US	ABC Consumer Confidence 29-Aug Prior: -44