



Market summary and commentary provided by **Vassili Serebriakov**, Currency Strategist, Wells Fargo Bank.

Market Summary

Thursday, October 8th, 2009

Downward pressure on the US dollar showed few signs of subsiding overnight. Australia's September jobs report surprised on the upside, playing into expectations of further policy tightening by the Reserve Bank of Australia and lifting the Australian dollar to a 14-month high. While the US dollar is slipping broadly, some of the strongest currency performers are found among the growth-sensitive emerging market currencies including the Indian rupee and the Brazilian real. The euro also reached a two-week high against the dollar today. The ECB left rates steady as expected and subsequent comments from the ECB President Trichet did not hint at any significant changes in the current policy stance. Mr. Trichet also made some remarks on the currency markets saying FX volatility is "bad for economic stability" and that a strong US dollar is "extremely important". These comments were nothing new and we doubt that they will be sufficient to reverse the current near term trend of dollar weakness.

Regional Highlights

Asia/Pacific

The Australian dollar is the best performing major currency today after a stronger than expected jobs report which boosted expectations that the Reserve Bank of Australia will tighten policy further in the coming months. September employment expanded by 40,600 jobs, with the unemployment rate falling to 5.7%. Firmer global economic data, as well as positive US corporate earnings news combined to give a boost to equities, while weighing broadly on the US dollar, which is weaker against most regional currencies. In addition to the Aussie, the NZ dollar, the ringgit and the rupee are among the gainers today. The rupee is also supported by expectations that central bank policy tightening is likely to start before too long with wholesale prices firming for the fourth straight week. The Japanese yen is a touch firmer as domestic economic data was generally supportive. Japan's August current account surplus widened to 1.17 trillion yen, while the economy watchers survey rose to 43.1 in September.

Europe

The European Central Bank's rate decision is the main regional event this morning. The Refi rate was left unchanged at 1.00% as expected and at the subsequent press conference President Trichet gave little away in terms of possible changes to the central bank's policy stance. Mr. Trichet said that the economy is due to recovery gradually and that current policy rates are "appropriate", while inflation risks are "broadly balanced". The Bank of England also kept its policy rate steady at 0.50% and made no changes to its current 175B pounds asset purchase program. The Swedish krona is again underperforming today. Industrial production unexpectedly fell by 2.9% m/m in August, while concerns over the exposure of Sweden's banking sector to the Latvian economy continue to weigh on the currency.

Americas

The US initial jobless claims fell to 521,000, pointing to some further improvement in the labor markets. However at current levels, jobs claims data is still consistent with the economy losing rather than creating jobs. Canada's September housing starts fell by 4.6% m/m in September following a 17.2% m/m surge in August. Brazil's September consumer prices were close to market expectations, rising at a 4.34% y/y pace. The Canadian dollar and the real are both stronger this morning and so is the Mexican peso ahead of Mexico's September CPI report.

Commodity & Equity Watch

	Last	Move
Gold	\$1049.91	5.70
Crude Oil (WTI)	\$70.28	-0.60
CRB Index	259.06	-0.41
10 Yr Treasury	3.17%	-0.01%
S & P 500	1057.58*	0.3%
NASDAQ	2,110.33*	0.3%
Nikkei 225	9,832.47	0.3%
FTSE 100	5,146.88	0.7%
DAX	5,713.18	1.3%

* Prior close

Currency Watch

Currency	Low	High
EUR/USD	1.4683	1.4801
USD/JPY	88.15	88.71
GBP/USD	1.5950	1.6090
USD/CHF	1.0249	1.0335
EUR/JPY	129.99	130.92
EUR/GBP	0.9176	0.9230
USD/CAD	1.0533	1.0619
AUD/USD	0.8902	0.9061
NZD/USD	0.7360	0.7421
USD/NOK	5.6397	5.6951
USD/SEK	6.9434	7.0100
USD/DKK	5.0300	5.0695
USD/CNY	6.8260	6.8265
USD/INR	46.21	46.44
USD/MXN	13.2863	13.3862

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