



Market summary and commentary provided by **Nick Bennenbroek**, Head of Currency Strategy, Wells Fargo Bank.

## Market Summary

Friday, October 30th, 2009

The dollar is ending the week on a stronger note against most major and emerging currencies. The key exception is Asia, where the Bank of Japan announced it would end some of its unconventional policy easing measures, and firm data supported the emerging Asian currencies. However other G10 currencies are lower, in part on flat European equities and soft U.S. equity futures. ECB policymaker Noyer signaled some concern at recent FX moves, saying that a weaker pound and U.S. dollar were a 'problem' for Europe. The Swiss National Bank seemingly went one step further, with the intraday price action suggesting the central bank intervened to weaken the franc. Eastern European currencies are down, as are most Latin currencies. The dollar's performance over the rest of the day should be largely dictated by equity moves. We take a neutral view on today's trading session: while equity futures are currently down, month-end effects have the potential to move equity markets and the dollar in either direction.

## Regional Highlights

### Asia/Pacific

The yen is the firmest G10 currency today after the Bank of Japan held its overnight call rate at 0.10% but also confirmed it would end its commercial paper and corporate bond purchase programs at the end of this year. In its semi-annual outlook projected deflation would persist for some time, into 2010 and 2011. Today's Japan's activity data was also firm: September employment rose and the jobless rate fell to 5.2%, while September household spending rose 1% y/y. The September nationwide core CPI was of course still deep in negative territory, at -2.3% y/y. Other data across the region was firm – Korea's industrial output jumped 11% y/y, while Thailand's manufacturing output unexpectedly rose 0.4% y/y. The won, rupee and ringgit are the best performing Asian currencies today while down under, the Australian and NZ dollars are losing ground against the greenback.

### Europe

Today's European data is mixed, while European currencies are weaker. The Eurozone October CPU dipped 0.1% y/y and the September jobless rate rose to 9.7%, both as forecast, while Germany's September retail sales unexpectedly fell by 0.5% m/m. In the U.K., October Nationwide house prices rose 0.4% m/m and 2% y/y. Switzerland's October KOF leading indicator was actually firmer than expected, rising to 1.45, the highest level since February 2008. However the Swiss franc is down against both the euro and the dollar on what looks suspiciously like FX intervention from the Swiss National Bank. Eastern European currencies are broadly weaker today as well – the only data of note from that region today is an 11.9% y/y fall in Czech September industrial output.

### Americas

Today's range of U.S. data is subdued. September personal incomes were flat for the month while personal spending fell 0.5% m/m. Core PCE prices were steady at 1.3% y/y, and while the savings rate rose it remains low at just 3.3% of disposable income. The Q3 employment cost index was also tame, rising just 0.4% q/q, while later today the October Chicago manufacturing PMI and revised October Michigan consumer sentiment are both on the release schedule. The Canadian dollar is taking it on the chin after an unexpected 0.1% m/m decline in August GDP – the currency is down more than 1% against the greenback. Most Latin currencies are weaker as well, although the Brazilian currency is slightly stronger versus the greenback.

## Commodity & Equity Watch

	Last	Move
Gold	\$1,043.50	-3.50
Crude Oil (WTI)	\$79.06	-0.81
CRB Index	274.34	-1.82
10 Yr Treasury	3.45%	-0.05%
S & P 500	1,066.11*	2.3%
NASDAQ	2,097.55*	1.8%
Nikkei 225	10,034.74	1.5%
FTSE 100	5,131.10	-0.1%
DAX	5,532.53	-1.0%

\* Prior close

## Currency Watch

Currency	Low	High
EUR/USD	1.4785	1.4860
USD/JPY	90.85	91.58
GBP/USD	1.6506	1.6579
USD/CHF	1.0157	1.0241
EUR/JPY	134.44	135.92
EUR/GBP	0.8930	0.8989
USD/CAD	1.0654	1.0807
AUD/USD	0.9074	0.9176
NZD/USD	0.7253	0.7336
USD/NOK	5.6264	5.6753
USD/SEK	6.9602	7.0242
USD/DKK	5.0086	5.0346
USD/CNY	6.8272	6.8285
USD/INR	46.85	47.21
USD/MXN	12.9850	13.0870

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