



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

Market Summary

Friday, October 23rd, 2009

The dollar is up against most G10 currencies, but lower against emerging currencies. Today's moves among the G10 currencies is of some interest – the price action does not necessarily imply a reversal of the greenback's weaker trend, but it is potentially consistent with a pause of the dollar's rapid slide. Eurozone data was firm virtually across the board, with strength in October surveys and other activity data also robust. Global equity markets are also showing broad-based strength, which in recent weeks and months has typically been negative for the dollar. With all of that, the euro has failed to push higher, an indication that short-term positioning is already very extended. The British pound also reacted very sharply to disappointing U.K. news, another indication perhaps that FX moves are already extended. The fact that the dollar is still losing ground versus the emerging currencies does not suggest an overall dollar trend, but we would watch near-term price action and speculative positioning data for clues to a pause in the dollar's decline.

Regional Highlights

Asia/Pacific

Asian currencies are generally stronger, reflecting some positive data and generally firm equity markets. Taiwan's September industrial output rose 1% y/y, the first gain since August 2008, while September exports orders fell 3% y/y, less than expected. Singapore's September CPI fell by 0.4% y/y, while Malaysia's 2010 government budget was well received. The Malaysian government announced a reduction in taxes and spending, and projected the budget deficit to narrow from 7.4% of GDP this year to 5.6% of GDP next year. The Indonesian rupiah is the strongest regional currency as Standard & Poors raised the country's credit rating from stable to positive, while the Korean won, Philippines peso and Malaysian ringgit are also among today's gainers. The Australian and New Zealand dollars are down, after a strong week, while the Japanese yen is lower too.

Europe

Today's Eurozone news was firm across the board, and while the euro is broadly steady against the buck it is still one of the best performers among the G10. The Eurozone October manufacturing PMI rose to 50.7, returning back to growth territory, while the service PMI rose further into growth territory, at 52.3. Germany's October IFO business confidence index rose 91.9, broadly as expected and a 13-month high. Eurozone August industrial orders rose 2% m/m, while French September consumer spending jumped 2.3% m/m. In contrast the pound is down almost 1½% against the buck after an unexpected 0.4% q/q fall in Q3 GDP, a sixth straight decline. The Scandinavian currencies are down slightly – the Swedish krona was much firmer yesterday on favorable developments from Latvia, while the Swiss franc is lower as well. Finally, ECB policymaker and Slovakian central bank head Sramko commented on the euro, saying a strong currency can start causing problems for the Eurozone and that the euro needs more stability.

Americas

It is a moderately busy day across the region. Brazil's September current account was not quite as good as expected, but that has not prevented further gains in the Brazilian real. The September current account deficit was \$2.31B, slightly wider than expected, while September foreign direct investment was \$1.82B, slightly less than expected. In other events today U.S. September existing home sales are expected to rise by 4.9% m/m to a 5.35M annualized selling pace, while Mexico's September trade deficit should widen to \$926M. Colombia's central bank announces its monetary policy decision, and is expected to keep its overnight lending rate at 4.00%.

Commodity & Equity Watch

	Last	Move
Gold	\$1,066.40	6.30
Crude Oil (WTI)	\$80.96	0.12
CRB Index	282.22	-0.32
10 Yr Treasury	3.47%	0.06%
S & P 500	1,092.91*	1.1%
NASDAQ	2,165.29*	0.7%
Nikkei 225	10,282.99	0.2%
FTSE 100	5,294.10	1.7%
DAX	5,834.81	1.2%

* Prior close

Currency Watch

Currency	Low	High
EUR/USD	1.4991	1.5061
USD/JPY	91.27	92.01
GBP/USD	1.6367	1.6694
USD/CHF	1.0034	1.0080
EUR/JPY	137.18	138.24
EUR/GBP	0.9003	0.9188
USD/CAD	1.0449	1.0536
AUD/USD	0.9232	0.9296
NZD/USD	0.7539	0.7598
USD/NOK	5.5101	5.5467
USD/SEK	6.7715	6.8331
USD/DKK	4.9417	4.9659
USD/CNY	6.8269	6.8294
USD/INR	46.41	46.74
USD/MXN	12.8562	12.9330

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