



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

## Market Summary

Wednesday, October 7th, 2009

It has so far been a game of two halves in the currency markets today. The US dollar remained under pressure overnight, with the Australian and New Zealand dollars extending gains. The Japanese yen also touched a nine-month high against the buck after finance minister Fujii made some relatively benign comments on recent yen strength. Meanwhile, dollar's weakness also helped gold touch a record high. However, the greenback has subsequently found its footing, bouncing back during the N.American morning. Profit taking on dollar short positions is probably the main driver of the move, although Kansas Fed President Hoenig also made some unusually hawkish remarks by the standards of recent Fed Speak, arguing that rates need to be raised sooner rather than later. Finally, the Swedish krona is under pressure on renewed concerns over the Latvian economy. The krona slipped against the euro and the Norwegian krone where strong industrial production numbers boosted expectations for a central bank rate hike before the end of the year.

## Regional Highlights

### Asia/Pacific

The Japanese yen rallied to a nine-month high against the dollar this morning, but failed to sustain the initial move. Comments from Japan's finance minister Fujii were again noted by the market as he said that officials should watch currency markets "calmly". Meanwhile, yesterday's rally in the Australian and NZ dollar, initially sparked by the surprise central bank rate hike in Australia, extended further overnight. Both currencies were off their earlier highs at the start of the N.American trading session however, as the US dollar found some support. Emerging Asian currencies, including the ringgit and the rupee are slightly firmer against the buck. Regional economic data was generally positive. Japan's leading index rose to 83.3 in August, while the decline in Taiwan's exports slowed to 12.7% y/y in September, the smallest fall in 11 months.

### Europe

The biggest currency mover in the region this morning is the Swedish krona as concerns over the Swedish banking sector's exposure to the Latvian economy are rising again. The krona is softer against the euro but also the Norwegian krone, where a 1.5% m/m rise in the August industrial production appeared to boost expectations for central bank policy tightening to begin before the end of the year. The euro is in consolidation mode this morning, little changed against the greenback. There were some ups and downs in the Eurozone economic data overnight, with Q2 GDP revised lower to a decline of 0.2% q/q (non-annualized) but Germany's August factory orders up by a firmer than expected 1.4% m/m in August. The Swiss franc is softer after the unemployment rate rose to 4.1% in September, the highest since 1998, while the rise in the UK Nationwide Consumer confidence to 71 had little impact on the pound.

### Americas

US data calendars are very light again, and the only release scheduled is the August consumer credit data. Kansas City Fed President Hoenig (an FOMC voter next year) made comments overnight, which could be seen as quite hawkish. He said that as the economy appears to be in a recovery the Fed should begin raising rates sooner than later and that a fed funds rate of 1% to 2% would still be "very accommodative". Elsewhere in the region, the Canadian dollar is trading near its 1-year high this morning, while the Mexican peso and the Brazilian real have opened slightly weaker.

## Commodity & Equity Watch

	Last	Move
Gold	\$1041.30	-0.80
Crude Oil (WTI)	\$70.88	0.47
CRB Index	259.14	2.91
10 Yr Treasury	3.21%	-0.04%
S & P 500	1054.72*	1.4%
NASDAQ	2,103.57*	1.7%
Nikkei 225	9,799.60	1.1%
FTSE 100	5,108.30	-0.6%
DAX	5,631.80	-0.5%

\* Prior close

## Currency Watch

Currency	Low	High
EUR/USD	1.4664	1.4737
USD/JPY	88.01	89.39
GBP/USD	1.5861	1.5937
USD/CHF	1.0259	1.0334
EUR/JPY	129.59	131.09
EUR/GBP	0.9227	0.9277
USD/CAD	1.0529	1.0623
AUD/USD	0.8867	0.8951
NZD/USD	0.7321	0.7398
USD/NOK	5.6460	5.7146
USD/SEK	6.9225	7.0584
USD/DKK	5.0510	5.0759
USD/CNY	6.8265	6.8265
USD/INR	46.49	46.89
USD/MXN	13.4641	13.5343

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