



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

## Market Summary

Tuesday, October 13th, 2009

The dollar has maintained its weaker bias, extending its decline despite an indifferent performance by global equity markets today. The euro advanced to new multi-month highs as did the Australian and Canadian dollars, while the trade-weighted value of the greenback dropped to its lowest level since August of last year. Today's economic bright spots were few, with the rise in New Zealand's retail sales perhaps the clearest example of good news. Stronger oil prices likely helped the Canadian dollar and Norwegian krone as well. For the most part however foreign currency gains occurred despite subdued economic data and without any support from equity market sentiment. Those moves highlight the 'anti-dollar' nature of today's FX trading, and at least for the now the default strategy in the absence of any information is one of selling dollars. A larger equity correction, and/or a reaction to U.S. data are seemingly needed to stem the dollar's slide – on that front there is at least a busier U.S. calendar over the balance of this week.

## Regional Highlights

### Asia/Pacific

Regional currencies are generally stronger as the U.S. dollar continues its struggles. The New Zealand dollar is testing recent highs, helped by a 1.1% m/m gain in August retail sales, twice as much as forecast. The Australian dollar is up by less, but reaching new highs, even as September business conditions slipped 1 point to +3 and business confidence slipped by 4 points to +14. Japanese monetary data were mixed: September bank lending slowed to 1.6% y/y, while growth in M3 money quickened to 2.2% y/y. The Bank of Japan announces its monetary policy decision tomorrow – analysts expect the overnight call rate to remain at 0.10%, while there is some focus on whether the Bank will hint that it will allow its purchase programs for commercial paper and corporate bonds to expire. Finally, the rupiah, ringgit and Philippines peso are all stronger, as Asian currencies play 'catch-up' after lagging behind in Monday's trading.

### Europe

European currencies are firmer on balance, although today's European data is subdued in tone. Germany's ZEW index of investor confidence fell slightly to 56.0, while price data elsewhere across the region were benign. The U.K. September CPI slowed to 1.1% y/y, while the core CPI eased to 1.7% y/y. In Sweden the September CPI fell by 1.6% y/y, while the core CPI slowed to 1.4% y/y. Finally Switzerland's September producer and import prices fell 4.9% y/y, a smaller fall than in August. On the monetary policy front, ECB policymaker Noyer said there was 'no reason' for the central bank to change its policy stance at this time. In the currency markets, the euro reached a new high, while the Norwegian krone is also stronger, boosted by oil prices. The Swedish krona's gains are more modest, while the British pound is hardly changed on speculation the Bank of England could extend its accommodative monetary policy stance.

### Americas

Regional currencies continue to make gains against the U.S. dollar. The Canadian dollar is firmer, in part on higher oil prices and despite a modest 0.1% m/m rise in August new house prices. The Mexican peso continued its advance, even as Mexico's August industrial output fell a larger than expected 7.3% y/y and July investment spending fell a larger than expected 14.1% y/y. The Brazilian real is also stronger, as is the Chilean peso. Chile's central bank announces its monetary policy decision today, with the benchmark interest rate expected to remain at 0.50%, and the focus on potential changes to supplementary liquidity measures.

## Commodity & Equity Watch

	Last	Move
Gold	\$1,060.30	3.20
Crude Oil (WTI)	\$73.93	0.66
CRB Index	267.20	0.06
10 Yr Treasury	3.31%	-0.06%
S & P 500	1,076.19*	0.4%
NASDAQ	2,139.14*	0.0%
Nikkei 225	10,076.56	0.6%
FTSE 100	5,199.22	-0.2%
DAX	5,752.11	-0.5%

\* Prior close

## Currency Watch

Currency	Low	High
EUR/USD	1.4762	1.4876
USD/JPY	89.46	90.20
GBP/USD	1.5707	1.5844
USD/CHF	1.0194	1.0279
EUR/JPY	132.54	133.26
EUR/GBP	0.9346	0.9412
USD/CAD	1.0268	1.0370
AUD/USD	0.9041	0.9127
NZD/USD	0.7332	0.7416
USD/NOK	5.5950	5.6468
USD/SEK	6.9408	7.0189
USD/DKK	5.0038	5.0434
USD/CNY	6.8234	6.8277
USD/INR	46.40	46.69
USD/MXN	13.1589	13.2536

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