



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

Market Summary

Monday, October 12th, 2009

The dollar continues to trade with an overall softer bias at the start of the new week. The greenback is down against most of the G10 currencies, particularly the Canadian currency which is still receiving a boost from firm jobs figures released last Friday. The euro is up as is the Swiss franc, as European equity markets are broadly stronger, but the British pound is lower, extending its underperforming trend. The Mexican peso is enjoying a good day against the dollar, although other Latin currencies are mixed. As a group, the region that is showing the most notable underperformance today is Asia, where fear of FX intervention by regional central banks is outweighing generally good economic news. With little news on the U.S. agenda today, it will be a case of watching equities, and with global bourses generally higher the dollar could remain under some pressure. In fact with most market participants still inclined to sell the greenback, it would probably take renewed market volatility or corrective equity declines to stem the dollar's slide this week.

Regional Highlights

Asia/Pacific

Most Asian currencies are weaker against the greenback, with concerns about FX intervention outweighing overall firm data. The Korean won slipped the most as the government said it would take steps to stabilize drastic won movements. The Indonesian rupiah is also down on concerns of FX intervention, and the Thai baht and Taiwan dollar are also lower on speculation those central banks may take steps to stem currency gains. In Singapore, Q3 GDP grew at a 14.9% q/q annualized rate, broadly as forecast, prompting the government to forecast a smaller 2%-2.5% contraction for the full 2009 year. Singapore's central bank maintained a neutral currency policy (i.e. zero appreciation), also making no change the level or width of the currency band within which the central bank manages Singapore's currency. India's August industrial output was stronger than expected, rising 10.4% y/y, while Malaysia's industrial output fell a smaller than expected 5.7% y/y. New Zealand September house prices also fell by a modest 1.1% y/y. The NZ dollar is little changed, while the Australian dollar is slightly higher.

Europe

There is very little news from Europe today, with only an 8.1% y/y fall in German September wholesale prices of any note. Currency markets meanwhile are paying some attention to equities, which are broadly stronger across Europe. That is helping the euro to maintain a stronger bias, while the Swiss franc is also firmer and the Swedish krona is steady. The Norwegian krone is unusually lower considering higher oil prices, while the British pound is down, extending its underperforming trend.

Americas

The dollar is on the defensive as the new week begins, and while there is no news today, the week ahead does see the release of retail sales, CPI and industrial output, among others. The standout currency today is the Canadian dollar which is up around 0.7% against the buck and at its strongest level since last September. Friday's firm Canadian employment and business confidence figures still appear to be boosting the Canadian currency. The Mexican peso is also sharply stronger, helped by favorable overall financial market sentiment, and continuing to reverse the weakness seen over the recent weeks. There are a couple of Mexican releases to watch for today: August industrial output is forecast to fall by 6.3% y/y, while July investment spending is forecast to fall by 10.5% y/y.

Commodity & Equity Watch

	Last	Move
Gold	\$1,053.50	4.25
Crude Oil (WTI)	\$73.24	1.47
CRB Index	262.85	0.30
10 Yr Treasury	3.38%	Closed
S & P 500	1,071.49*	0.6%
NASDAQ	2,139.28*	0.7%
Nikkei 225	10,016.39	1.9%
FTSE 100	5,216.84	1.1%
DAX	5,791.64	1.4%

* Prior close

Currency Watch

Currency	Low	High
EUR/USD	1.4677	1.4775
USD/JPY	89.53	90.46
GBP/USD	1.5729	1.5883
USD/CHF	1.0271	1.0354
EUR/JPY	131.82	133.32
EUR/GBP	0.9269	0.9350
USD/CAD	1.0318	1.0453
AUD/USD	0.8985	0.9075
NZD/USD	0.7253	0.7354
USD/NOK	5.6288	5.6642
USD/SEK	6.9529	7.0615
USD/DKK	5.0378	5.0723
USD/CNY	6.8233	6.8280
USD/INR	46.40	46.69
USD/MXN	13.1897	13.3100

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