



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

## Market Summary

Wednesday, October 21st, 2009

The dollar is reasonably stable for a second day, with some renewed equity market volatility helping to stem the greenback's slide. Equity markets are down across Asia and Europe, while U.S. equity futures are also pointing to the downside. That said, the underlying sentiment still appears to be one of dollar weakness given the greenback is stable rather than stronger against the backdrop of more difficult equity market conditions. Within the G10, central bank views appear to be an important driver of today's currency trends. The British pound and New Zealand dollar are higher on what are seen as hawkish central bank comments, while the Canadian dollar is still losing ground after the Bank of Canada monetary policy announcement. For the most part emerging market currencies are lower, reflecting widespread equity weakness. Both appear to be related to Brazil's announced tax on foreign purchases of Brazilian securities, which (temporarily) appears to be hurting emerging market sentiment more broadly.

## Regional Highlights

### Asia/Pacific

The New Zealand dollar is higher after central bank Governor Bollard suggested a strong currency would not be an impediment to rate hikes. In a radio interview, Mr. Bollard said the local currency's gains were being driven by a weak U.S. dollar, and were already factoring in New Zealand rate increases. In NZ data, September credit card spending fell 2.3% y/y while September visitor arrivals rose 3.8% m/m. The Australian dollar is down, even with a 1.1% m/m rise in the August leading index. Thailand's central bank held its benchmark interest rate at 1.25% as expected, saying that inflation pressure remains muted and that low interest rates were appropriate to support growth. Regional currencies are generally down, led lower by the Korean won and Indian rupee. Regional equity markets are weaker, while there are also ongoing concerns of FX intervention by the Bank of Korea.

### Europe

The standout currency today is the British pound, which is up more than 1% against the buck. The Bank of England released the minutes of its latest monetary policy meeting, which revealed a 9-0 vote to hold the central bank's asset purchase program at 175B pounds. The key mover for the currency however was a newspaper opinion piece by central bank governor King, in which he said that interest rates would need to rise from their record low level "at some point". Finally an October U.K. manufacturers' surveys showed a further softening in orders from already very soft levels. Otherwise acceleration in Switzerland's M3 money growth to 7.8% y/y is the only other release of any particular note. The Swiss franc is slightly higher against the dollar, as is the euro.

### Americas

Regional currencies are mixed ahead of news and events that are scheduled for later in the U.S. trading session. The Mexican peso is stronger – that country's lower house of Congress passed the income portion of the 2010 government budget, but it did not include a 2% consumption tax that President Calderon had proposed. The Canadian dollar has extended the decline seen after yesterday's central bank monetary policy announcement. And with the Brazilian real still under some pressure, newspaper reports cited an (unnamed) Brazilian central bank official saying the recently announced tax on foreign purchases of Brazilian securities will not cause the real to weaken. As for today's events, the Federal Reserve releases its Beige Book, Brazil's central bank should leave its benchmark interest rate at 8.75%, and Mexico's September jobless rate should be steady at 6.28%.

## Commodity & Equity Watch

	Last	Move
Gold	\$1,051.48	-3.73
Crude Oil (WTI)	\$78.08	-1.01
CRB Index	277.63	-0.50
10 Yr Treasury	3.38%	0.04%
S & P 500	1,091.06*	-0.6%
NASDAQ	2,163.47*	-0.6%
Nikkei 225	10,333.39	0.0%
FTSE 100	5,204.27	-0.7%
DAX	5,768.57	-0.7%

\* Prior close

## Currency Watch

Currency	Low	High
EUR/USD	1.4889	1.4966
USD/JPY	90.49	91.23
GBP/USD	1.6347	1.6600
USD/CHF	1.0093	1.0156
EUR/JPY	135.19	136.35
EUR/GBP	0.8998	0.9124
USD/CAD	1.0467	1.0584
AUD/USD	0.9194	0.9287
NZD/USD	0.7465	0.7577
USD/NOK	5.5659	5.6137
USD/SEK	6.8790	6.9800
USD/DKK	4.9737	5.0003
USD/CNY	6.8265	6.8278
USD/INR	46.12	46.54
USD/MXN	12.9445	13.0855

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