



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

Market Summary

Wednesday, October 14th, 2009

The dollar continues to struggle, with today's news from China perhaps an important factor behind its continued slide. Money growth and new lending both quickened in September, an indication that China's central bank is maintaining an accommodative monetary policy stance, boosting both global equity markets and currencies. Dovish comments from Fed Vice Chairman are also a factor – he said that U.S. growth and inflation could lag the central bank's objectives, warranting very low interest rates for an "extended period". With firm European data adding to that mix and U.S. retail sales having little impact, the greenback is experiencing widespread losses against the G10 as well as emerging currencies. While we believe that the U.S. dollar's decline is overdone and not entirely warranted, there appears little on the events schedule to stop its slide at this point. With the dollar's dovish bias still intact after the retail data, there seems little on the agenda to alter the greenback's trend over the balance of this week.

Regional Highlights

Asia/Pacific

The Japanese yen is hardly changed with the central bank leaving its monetary policy stance on hold at today's announcement. The Bank kept its overnight call rate at 0.10% and made no official change to its commercial paper and corporate bond purchase programs, but accompanying comments from BOJ Governor Shirakawa hinted that those programs could end soon. The Reserve Bank of New Zealand said it is removing some of the liquidity provision programs that it introduced at the height of the financial crisis, an announcement that provided temporary support for the New Zealand dollar. In regional data Japan's September consumer confidence rose to 40.7, New Zealand September house prices rose 44% y/y, and Australian October consumer confidence rose 1.7% m/m. There is some noteworthy data from China today: the September trade surplus fell to \$12.9B as exports were weaker than imports. However, September M2 money growth quickened to 29.3% y/y, and new loans rose by 517B renminbi in September. The latter are indications that Chinese monetary policy remains accommodative, supporting regional equities and currencies, with the rupiah, rupee and ringgit among today's largest gainers.

Europe

Today's range of European data are generally positive. European industrial output rose for a fourth month in August, by 0.9% m/m, while in the U.K. September claimant count unemployment rose by 20,800, the smallest rise since May 2008. Modestly positive regional data and negative U.S. dollar sentiment are combining to push European currencies higher. The Norwegian and Swedish currencies are actually the strongest among the G10 currency, followed by the British pound. While the move in the euro is more measured, its gain is still noteworthy, with the single currency reaching a new 2009 high. Regional emerging currencies are stronger as well, despite disappointing retail sales figures today from South Africa and the Czech Republic.

Americas

September U.S. retail sales were a favorable surprise. The 1.5% m/m fall in sales was smaller than expected, and largely reversing the August gain. In contrast core sales measures showed an increase, including a 0.4% m/m gain in retail sales excluding autos and gas. September import prices edged up 0.1% m/m, while later today the minutes of the Federal Reserve's monetary policy meeting will be keenly watched by market participants. In FX markets the Canadian dollar is stronger, as is the Mexican peso and Brazilian real.

Commodity & Equity Watch

	Last	Move
Gold	\$1,063.80	-0.50
Crude Oil (WTI)	\$74.72	0.57
CRB Index	268.87	0.82
10 Yr Treasury	3.41%	0.06%
S & P 500	1,073.19*	-0.3%
NASDAQ	2,139.89*	0.0%
Nikkei 225	10,060.21	-0.2%
FTSE 100	5,256.79	2.0%
DAX	5,851.34	2.4%

* Prior close

Currency Watch

Currency	Low	High
EUR/USD	1.4839	1.4920
USD/JPY	88.83	89.91
GBP/USD	1.5902	1.6026
USD/CHF	1.0166	1.0228
EUR/JPY	132.26	133.76
EUR/GBP	0.9296	0.9344
USD/CAD	1.0253	1.0327
AUD/USD	0.9053	0.9158
NZD/USD	0.7359	0.7435
USD/NOK	5.5498	5.6203
USD/SEK	6.8987	6.9831
USD/DKK	4.9888	5.0171
USD/CNY	6.8234	6.8273
USD/INR	46.08	46.24
USD/MXN	13.0256	13.1241

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