



Daily Market Report

06-Feb-2007 7:44 AM EST

Major Financial Market Information

	3m LIBOR	1 Day Change	10Y Gvt	1 Day Change	Equity	Last	1 Day Change		1 Day Change	
US	5.36%	0.00%	4.81%	-0.01% ↓	DJIA	12,662	0.07% ↑	Gold	\$654.90	\$7.30 ↑
Germany	3.78%	0.00% ↑	4.02%	-0.01% ↓	DAX	N.A.	N.A.	Silver	\$13.70	\$0.32 ↑
Japan	0.54%	0.00% ↑	1.74%	0.03% ↑	Nikkei	17,345	-1.15% ↓	Oil(WTI)	\$58.71	-\$0.32 ↓
Great Britain	5.62%	0.01% ↑	4.98%	-0.01% ↓	MIB30	42,694	0.35% ↑	CRB	\$339.90	-\$5.77 ↓
Italy	3.78%	0.00% ↑	4.23%	-0.02% ↓	TSE30	13,167	0.42% ↑	30YTBond	4.91%	-0.01% ↓
Canada	4.28%	-0.00% ↓	4.16%	-0.02% ↓	CAC40	5,693	0.32% ↑			
France	3.78%	0.00% ↑	4.07%	-0.01% ↓	SMI	9,289	0.51% ↑			
Switzerland	3.78%	0.00% ↑	2.54%	-0.01% ↓						

There has been little new information released over the past 24 hours to guide trading in currency markets and, consequently, most major dollar exchange rates remain very much rangebound. Thus, if recent history is any guide, trading in currency markets likely will remain quiet today due to the paucity of economic data releases on the docket.

What will it take for dollar exchange rates to trend one way or the other? In our view, perceptions about the state of the world's major economies, especially the U.S. economy, would need to change. As illustrated by the very flat slope of the U.S. yield curve, most investors currently expect the Federal Reserve to keep rates unchanged for some time. A batch of weaker-than-expected economic data would stoke expectations of future Fed rate cuts, which likely would cause the greenback to weaken. Conversely, a slew of stronger-than-expected economic data would lead investors to the conclusion that the Fed will soon resume its tightening cycle. In that event, the dollar likely would appreciate.

So where does that leave us? There are very few economic data releases on the docket this week, so it's not very likely that investor expectations will change markedly. Therefore, most dollar exchange rates likely will remain rangebound in the near term. Looking further ahead, we expect that the Fed will remain on hold for an extended period of time. However, we look for further monetary tightening by some important foreign central banks, which will reduce the relative attractiveness of U.S. assets. Therefore, we continue to project that the dollar will trend modestly lower versus most major currencies over the course of the year.

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