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Yen Rises on Recovery Doubts

- The greenback and particularly yen rose on Monday as risk aversion increased on concerns an economic recovery will stall. The dollar pared gains after a larger-than-expected increase in the ISM US non-manufacturing index helped US stocks from early losses. The S&P 500 was up 2.30 points to 898.72. The yen gained against all major currencies, while the USD/JPY pared losses after testing the 94.50 support. The euro and commodity currencies reversed early losses and gained modestly versus the USD. Still, the commodity currencies have been pressured by lower commodity prices. The Australian and Canadian dollars have broken their uptrends, indicating further weaknesses.
- After breaking its uptrend last week, the GBP/USD fell for a third day today. The pair was pressured by speculations that the Bank of England may increase quantitative easing and the UK's AAA rating may be cut. Last month the GBP/USD failed to penetrate the 1.66 resistance and will likely test the support in the 1.59-1.60 area. If the support is broken, the pair will possibly drop dramatically.



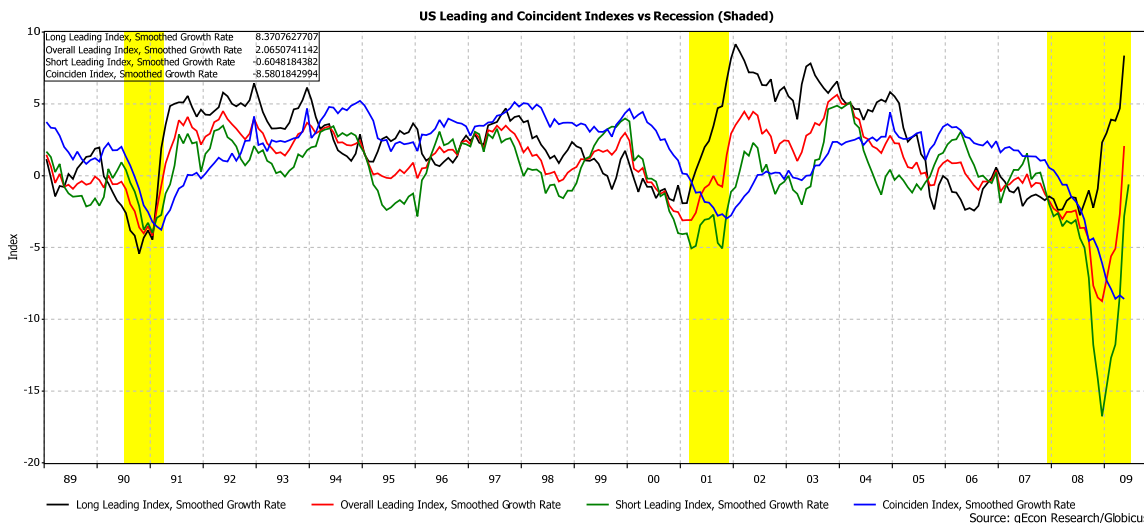
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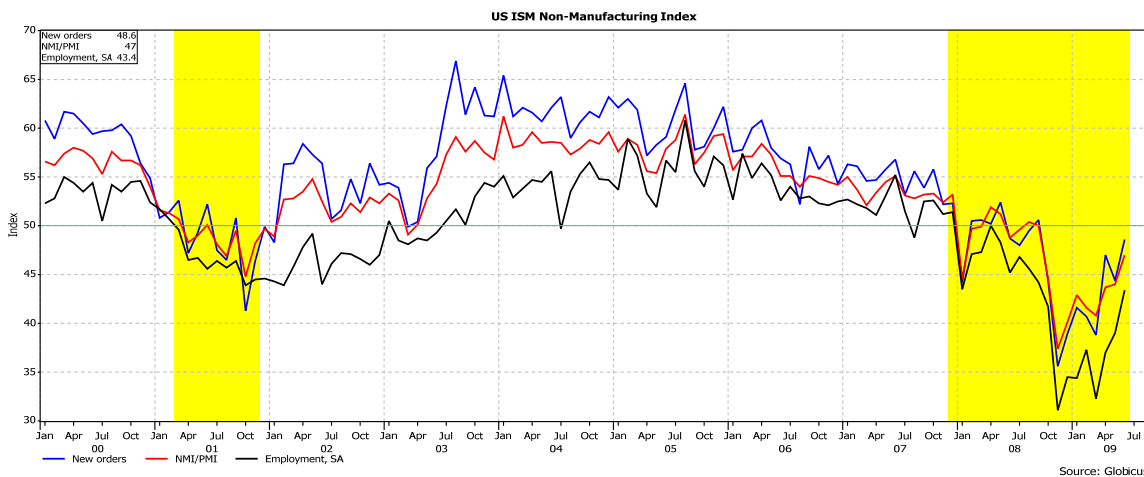
Financial and Economic News and Comments

US & Canada

- The financial markets have recently worried whether the US economy will recover. Pessimism on the recovery has supported the dollar as investors have fled into US government papers. Our leading economic indexes signal the US recovery is on track. The Globicus/qEcon Research US overall leading economic index reached a record-low -8.7 in December 2008 when the short leading index plunged to a record-low -16.7, the lowest level since the early 1950s. Having risen every month since then, the long leading index in May was at 8.4, the overall at 2.1 and the short leading at -0.6; thus, indicating an end to the Great Recession. At -8.6 smoothed growth rate in May, the coincident index shows the US economy remained in a deep recession. However, the LEI is rising strongly, indicating the coincident index should turn positive in September. Q3 GDP may be modestly negative, but Q4 GDP should be strongly positive.



- The ISM US non-manufacturing index increased to 47.0 in June, a third consecutive monthly improvement, from 44.0 in May, indicating US service industries contracted at the slowest rate in nine months, the Institute for Supply Management reported. The key index components mostly increased in June. The business activity, new orders, and employment indexes all rose to their highest levels since September 2008; the business activity index rose to 49.8 from 42.4, the employment index increased to 43.4 from 39.0, and the new orders index improved to 48.6 from 44.4. The prices paid index rose to 53.7, the highest since September, from 46.9. The new export orders index grew to 54.5, the first gain since September, from 47.0. However, the supplier deliveries index declined to 46.0 from 50.0 and the inventories index lowered to 45.0 from 47.0. Overall, today's ISM report was encouraging news about the path of the US economy.



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Europe

- Eurozone investor confidence posted its first decline in four months in July, with the Sentix eurozone investor sentiment index falling to -31.3 from June's -27.0, Sentix reported. The expectations index dropped to -5.5 from 1.25, while the current business conditions index fell to -53.75 from -51.25.

Asia-Pacific

- The Japanese leading economic indicators index, a measure of future economic activity, climbed to 77.0 in May from 76.2 in April, according to preliminary May LEI data released by the Cabinet Office. The coincident index, measuring present economic activity, rose to 86.9 from April's 86.0, indicating the recession in Japan is abating.
- The Bank of Japan, in its July regional economic report on the nine regions in Japan, stated that "the pace of economic deterioration was slower in all regions compared with the previous assessments," adding that "most regions, however, emphasized that their economies continued to be in a severe situation." BOJ Governor Masaaki Shirakawa said "exports and production have begun to turn around" and the economy "is likely to show clearer evidence of leveling out over time."

FX Strategy Update

	EUR/USD	USD/JPY	GBP/USD	USD/CHF	USD/CAD	AUD/USD	EUR/JPY
Primary Trend	Neutral	Neutral	Negative	Neutral	Neutral	Neutral	Neutral
Secondary Trend	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Outlook	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Action	Sell	Buy	Buy	None	None	Buy	None
Current	1.3982	95.34	1.6284	1.0844	1.1597	0.7974	133.28
Original Position	1.3904	95.69	1.4845	N/A	N/A	0.6601	N/A
Objective	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Stop	1.4235	93.40	1.5860	N/A	N/A	0.7670	N/A
Support	1.3800	94.50	1.6200	1.0600	1.1000	0.7800	128.00
Resistance	1.3550	91.00	1.5900	1.0400	1.0800	0.7500	125.00
	1.4200	99.50	1.6600	1.1000	1.1650	0.8200	139.00
	1.4300	101.00	1.7000	1.1300	1.2000	0.8500	142.00

Tuesday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
0:30	Australia	Reserve Bank of Australia interest rate decision			3.00%	3.00%
4:30	UK	Industrial production	May	m/m	0.2%	0.3%
4:30	UK	Industrial production	May	y/y	-11.3%	-12.3%
4:30	UK	Manufacturing production	May	m/m	0.2%	0.2%
4:30	UK	Manufacturing production	May	y/y	-11.8%	-12.7%
6:00	Germany	Factory orders sa	May	m/m	0.5%	0.0%
6:00	Germany	Factory orders nsa	May	y/y	-31.2%	-37.1%
8:30	Canada	Building permits	May	m/m	0.9%	-5.4%
10:00	Canada	Ivey PMI	Jun		50.5	48.4
19:01	UK	Nationwide consumer confidence	Jun		55	53
19:01	UK	NIESR GDP estimate	Jun			-0.9%
19:50	Japan	Machine orders	May	m/m	2.4%	-5.4%

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Time (EDT)	Region	Data	Period	Change	Forecast	Previous
19:50	Japan	Machine orders	May	y/y	-34.4%	-32.8%
19:50	Japan	Trade balance - BOP basis	May		¥410.0B	¥184.3B
19:50	Japan	Current account total	May		¥1503.3B	¥630.5B
19:50	Japan	Adjusted current account total	May			¥966.3B
21:00	Australia	Westpac consumer confidence	Jul			12.7%
21:30	Australia	Home loans	May		1.3%	0.9%
21:30	Australia	Investment lending	May			8.9%
21:30	Australia	Value of loans	May	m/m		1.9%

Notes: N/A=not applicable/not available, ar=annual rate, sa=seasonally adjusted, nsa=non-seasonally adjusted, wda=working days adjusted, 3 mths=3 months, m/m=month-on-month, q/q=quarter-on-quarter, y/y=year-on-year, ytd=year-to-date, m=million, b=billion, t=trillion, unch=unchanged, a=advance, p=preliminary, r=revised, f=final, GDP=gross domestic product, CPI=consumer price index, PPI=producer price index, PMI=purchasing managers index

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