



# FX Strategy Briefing

July 13, 2009

Capital Market Services, LLC  
350 Fifth Avenue, Suite 6400  
New York, NY 10118  
www.cmsfx.com  
trading@cmsfx.com

Prepared by Hans Nilsson\* and Winnie Tapasanun  
www.globicus.com

## EUR/CHF Unlikely to Fall Below 1.50

- The dollar fell as risk sentiment improved and US stocks rallied on Monday. The S&P 500 rose 21.92 points to 901.05. The yen declined as financial stocks rallied on an upgrade on Goldman Sachs. Japan's Cabinet Office raised its assessment for the economy for a third consecutive month. The euro and sterling reversed earlier losses. The Australian and Canadian dollars advanced on improving risk appetite. The AUD/USD reversed earlier losses after a successful test of the 0.77 support. The USD/CAD fell but did not break the 1.15 support.
- The EUR/CHF rose modestly for a second day. However, the pair has fallen since its recent high on June 24, the last time the Swiss National Bank intervened to support the pair. The EUR/CHF has not been below the 1.50 handle since March 12. The SNB has been worried about deflation and bought the pair each time it threatened to fall below 1.50. Many Eastern European mortgages are denominated in Swiss franc, which is another reason to prevent the Swiss franc from appreciating. Therefore, we expect new intervention if the pair approaches 1.50 again. We may buy the pair as it approaches 1.51. There should be little downside risk.



\*Expert Market Commentaries, charts and information are provided by Hans Nilsson of Globicus International, Inc., a registered third party CTA, are intended for educational purposes only and do not constitute trading recommendations. Trading OTC Forex on margin carries a high level of risk, and may not be suitable for all investors. Past performance is not indicative of future results. Please contact a registered trading advisor if you have any questions.

©2004-2007 Globicus International, Inc. and Capital Market Services, L.L.C. This report is intended solely for distribution to customers of Capital Market Services, L.L.C. Any information in this report is based on data obtained from sources considered to be reliable, but no representations or guarantees are made by Capital Market Services, L.L.C. with regard to the accuracy of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Capital Market Services, L.L.C. accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of, or in any way connected with, the use of all or any part of this report. No part of this report may be reproduced or distributed in any manner without the permission of Globicus International, Inc.

**Financial and Economic News and Comments**

**US & Canada**

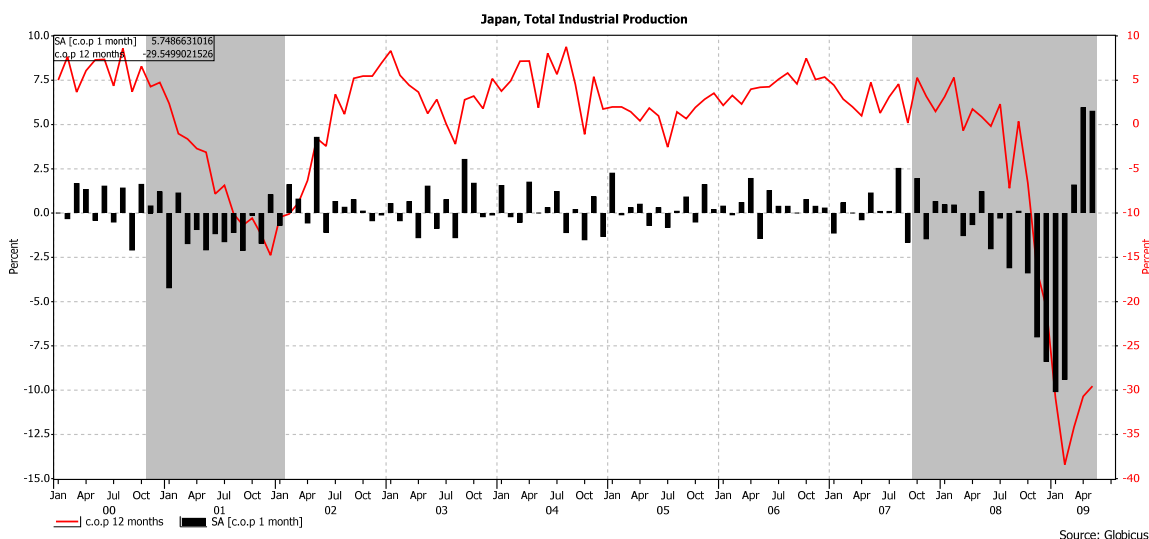
- The US budget deficit totaled a record \$1.1 trillion for the fiscal year that began October 1, the Treasury Department said. The June deficit was \$94.3 billion, the first shortfall for that month since 1991, compared with a \$33.5 billion surplus in the same month a year earlier.
- US commercial construction is likely to decline 16% in 2009 and 12% in 2010, the American Institute of Architects said.
- Expectations are improving for future Canadian sales growth. Sixty-one percent of executives said sales growth will quicken over the next year, while another 23 percent said it will slow, the largest gap since Q4 1999, according to the Bank of Canada's Business Outlook Survey.
- Obtaining new loans for Canadian businesses is getting less difficult. The percentage of loan officers saying credit was harder to access outnumbered those saying it was easier by 33 percentage points, less than the 60 points in the previous survey in April, according to the latest BOC Senior Loan Officer Survey.

**Europe**

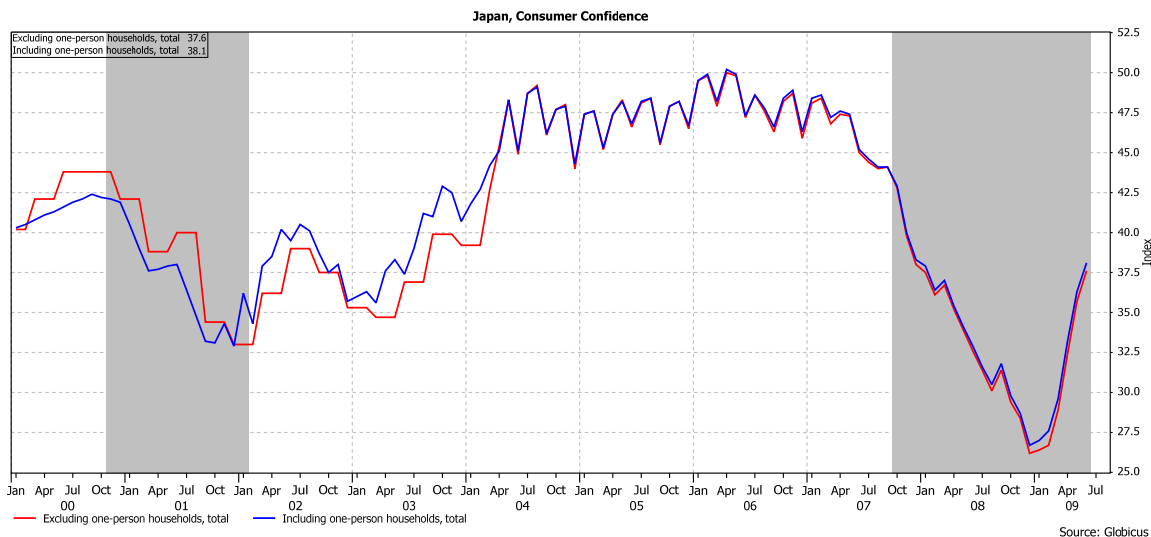
- Switzerland's producer and import prices remained flat m/m in June after a 0.3% m/m decline in May, the Swiss Federal Statistical Office reported. Producer and import prices fell a more-than-expected 5.6% y/y, following May's 5.0% y/y decrease.
- European Central Bank President Jean-Claude Trichet urged commercial banks to pass on cheaper credit. ECB Governing Council member Michael Bonello said the central bank is "satisfied" with its current monetary stance, indicating it won't change interest rates or expand its asset-purchase program anytime soon.

**Asia-Pacific**

- Japan's industrial production was revised downward to a 5.7% m/m increase for May from a preliminarily reported 5.9% m/m gain, according to May final IP data from the Ministry of Economy, Trade and Industry. May IP fell 29.5 y/y. Capacity utilization was also revised downward to a 8.0% m/m rise from a preliminarily reported 10.2% m/m gain. May capacity utilization dropped 32.5% y/y.



- The Japanese consumer confidence index excluding one-person households rose to 37.6 in June from 35.7 in May, indicating Japan's household sentiment climbed for a sixth consecutive month, according to the Cabinet Office. The index has improved every month since December's record-low 26.2, signaling Japan's recession is easing somewhat; however, a reading below 50 means pessimists outnumber optimists. Including one-person households, the consumer confidence index increased to 38.1 from May's 36.3.



- The Japanese economy remains “in a difficult situation” but is “picking up,” the Cabinet Office said in a monthly report, raising its assessment for a third straight month.

### FX Strategy Update

	EUR/USD	USD/JPY	GBP/USD	USD/CHF	USD/CAD	AUD/USD	EUR/JPY
<b>Primary Trend</b>	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
<b>Secondary Trend</b>	Neutral	Negative	Neutral	Neutral	Neutral	Neutral	Neutral
<b>Outlook</b>	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
<b>Action</b>	Sell	None	Buy	None	None	Buy	None
<b>Current</b>	1.3978	92.98	1.6235	1.0829	1.1505	0.7831	129.97
<b>Original Position</b>	1.3904	N/A	1.4845	N/A	N/A	0.6601	N/A
<b>Objective</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Stop</b>	1.4235	N/A	1.5845	N/A	N/A	0.7670	N/A
<b>Support</b>	1.3800	91.50	1.6000	1.0700	1.1500	0.7700	128.00
<b>Resistance</b>	1.3550	90.00	1.5500	1.0400	1.1000	0.7500	125.00
	1.4200	94.50	1.6600	1.1000	1.1800	0.8200	139.00
	1.4300	99.50	1.7000	1.1300	1.2000	0.8500	142.00

©2004-2008 Globicus International, Inc. and Capital Market Services, L.L.C. This report is intended solely for distribution to customers of Capital Market Services, L.L.C. Any information in this report is based on data obtained from sources considered to be reliable, but no representations or guarantees are made by Capital Market Services, L.L.C. with regard to the accuracy of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Capital Market Services, L.L.C. accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of, or in any way connected with, the use of all or any part of this report. No part of this report may be reproduced or distributed in any manner without the permission of Globicus International, Inc.

## Tuesday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
4:30	UK	DCLG house prices	May	y/y	-12.6%	-13.0%
4:30	UK	CPI	Jun	m/m	0.3%	0.6%
4:30	UK	CPI	Jun	y/y	1.8%	2.2%
4:30	UK	Core CPI	Jun	y/y	1.6%	1.6%
4:30	UK	RPI	Jun	m/m	0.3%	0.6%
4:30	UK	RPI	Jun	y/y	-1.6%	-1.1%
4:30	UK	RPI ex mortgage interest payments	Jun	y/y	1.1%	1.6%
5:00	EMU	ZEW economic sentiment	Jul		44.0	42.7
5:00	EMU	Industrial production sa	May	m/m	1.5%	-1.9%
5:00	EMU	Industrial production wda	May	y/y	-17.5%	-21.6%
5:00	Germany	ZEW economic sentiment	Jul		47.8	44.8
5:00	Germany	ZEW current situation	Jul		-87.8	-89.7
8:30	US	PPI	Jun	m/m	0.8%	0.2%
8:30	US	PPI	Jun	y/y	-5.3%	-5.0%
8:30	US	PPI ex food & energy	Jun	m/m	0.1%	-0.1%
8:30	US	PPI ex food & energy	Jun	y/y	2.9%	3.0%
8:30	US	Advance retail sales	Jun		0.4%	0.5%
8:30	US	Retail sales less autos	Jun		0.5%	0.5%
10:00	US	Business inventories	May		-0.8%	-1.1%
21:00	Australia	Westpac leading index	May	m/m		0.7%
21:30	Australia	NAB business confidence	Q2			-24
23:00	Japan	Bank of Japan interest rate decision			0.10%	0.10%

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

**Hans Nilsson and Winnie Tapasanun**  
New York, July 13, 2009, 17:45 EST