



FX Strategy Briefing

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Dollar and Yen Gain on Safe Haven Demand

- The dollar rose on Tuesday as risk aversion overshadowed reserve currency concerns ahead of Wednesday's G-8 meeting. The S&P 500 broke its 200-day moving average and fell 17.69 points to 881.03. The euro declined versus the yen and greenback on safe haven flows but rose against other key currencies as Germany's May manufacturing orders posted the biggest month-on-month gain since June 2007. Sterling fell for a fourth day pressured by an unexpected decline in UK industrial production and worries about UK economic prospects. The Australian and Canadian dollars dropped as stocks and commodities fell again.
- The USD/JPY fell to the lowest level in more than a month as investors sold risky assets financed in Japan. The pair is near the support from the neckline in a large head-and-shoulder formation. If this 94-area support is broken, the USD/JPY will fall further. The pair's direction is highly correlated with the US stock market. Both the USD/JPY and stock market are approaching important supports.



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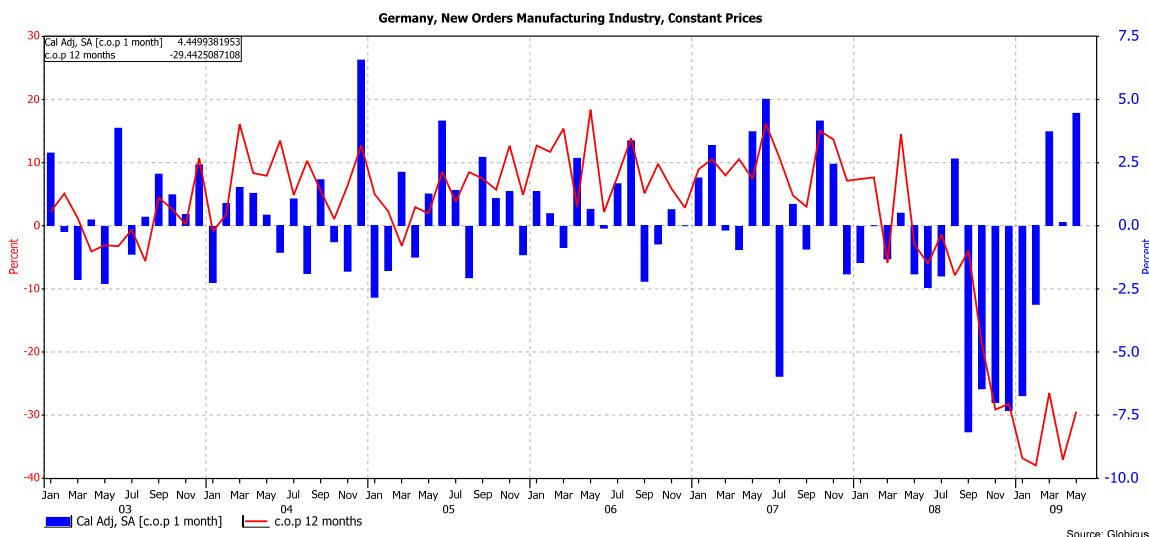
Financial and Economic News and Comments

US & Canada

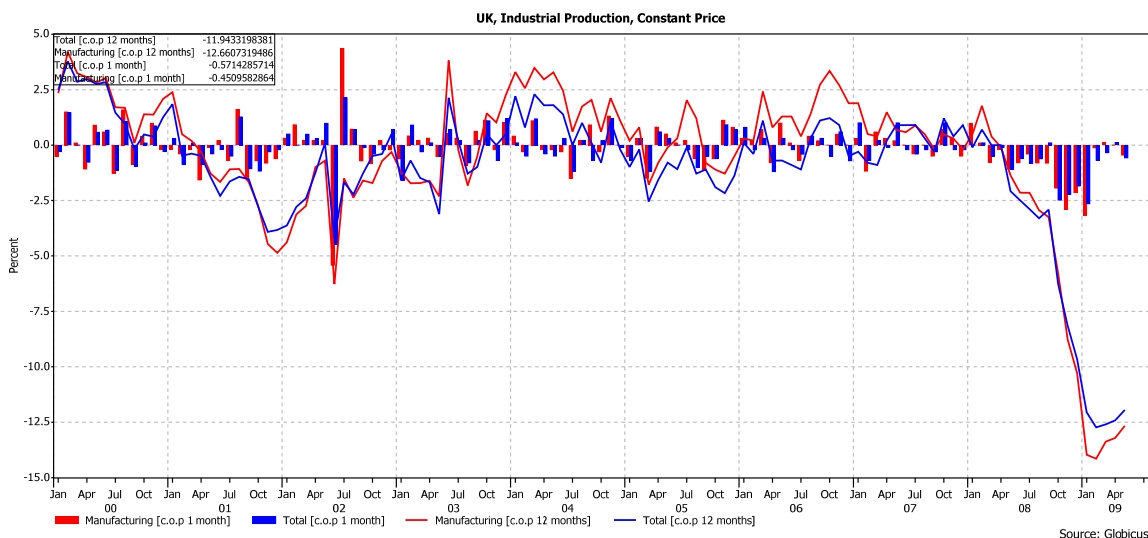
- The US job opening rate was at a record-low 1.9% in May, the same rate as in March and April, the Labor Department said.
- The value of Canadian building permits climbed a much more-than-estimated 14.8% m/m to C\$5.02 billion (\$4.34 billion) in May, surpassing the C\$5.0-billion mark for the first time since October 2008, following an upwardly revised 4.5% m/m decline in April, according to figures from Statistics Canada.
- Canada's Ivey PMI rose more than expected to 58.2 in June from 48.4 in May, indicating purchases were higher, according to the Richard Ivey School of Business and the Purchasing Management Association of Canada.
- The number of Canadian bankruptcies rose 31.0% y/y to 10,364 in May, the Office of the Superintendent of Bankruptcy Canada reported.

Europe

- Germany's seasonally adjusted May manufacturing orders posted the largest month-on-month gain since June 2007, rising a more-than-expected 4.4% m/m, a third consecutive gain, after April's upwardly revised 0.1% m/m increase, data from the Federal Ministry of Economics and Technology showed, signaling the German recession is abating. May manufacturing orders fell a less-than-expected 29.4% y/y nsa.



- UK industrial production unexpectedly slid 0.6% m/m in May after a 0.3% m/m increase in April, data from the Office for National Statistics showed. May industrial production fell a more-than-expected 11.9% y/y. Manufacturing production unexpectedly declined 0.5% m/m in May after a downwardly revised 0.0% m/m in April. May manufacturing production dropped a more-than-anticipated 12.7% y/y.



Asia-Pacific

- The AiG/HIA performance of construction index for Australia declined further to 42.6 in June from 46.9 in May, indicating Australia's construction industry contracted for a 16th consecutive month, the Australian Industry Group and Housing Industry Association reported.
- Japan's official reserve assets fell to \$1019.2 billion in June from \$1024.0 billion in May, the Ministry of Finance said.
- The Reserve Bank of Australia left the cash rate target unchanged for a third month at 3.00%, as forecast. RBA Governor Glenn Stevens said "economic conditions in Australia have to date not been as weak as expected a few months ago," adding that "the outlook for inflation allows some scope for further easing of monetary policy, if needed."

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	1.3914	94.88	1.6134	1.0891	1.1664	0.7888	132.05
Original Position Objective	1.3904	95.69	1.4845	N/A	N/A	0.6601	N/A
Stop	1.4235	93.40	1.5845	N/A	N/A	0.7670	N/A
Support	1.3800	94.00	1.6000	1.0700	1.1500	0.7800	128.00
	1.3550	91.00	1.5500	1.0400	1.1000	0.7500	125.00
Resistance	1.4200	99.50	1.6600	1.1000	1.1800	0.8200	139.00
	1.4300	101.00	1.7000	1.1300	1.2000	0.8500	142.00

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Wednesday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
1:00	Japan	Eco watchers survey: current	Jun			36.7
1:00	Japan	Eco watchers survey: outlook	Jun			43.3
1:45	Switzerland	Unemployment rate	Jun		3.5%	3.4%
1:45	Switzerland	Unemployment rate sa	Jun		3.6%	3.5%
5:00	EMU	GDP sa	Q1 F	q/q	-2.5%	-2.5%
5:00	EMU	GDP sa	Q1 F	y/y	-4.8%	-4.8%
6:00	Germany	Industrial production sa	May	m/m	0.5%	-1.9%
6:00	Germany	Industrial production nsa wda	May	y/y	-20.0%	-21.6%
15:00	US	Consumer credit	May		-\$10.0B	-\$15.7B
21:00	Australia	Consumer inflation expectation	Jul			2.8%
21:00	South Korea	Bank of Korea 7-day repo rate	Jul			2.00%
21:30	Australia	Employment change	Jun		-20.0K	-1.7K
21:30	Australia	Unemployment rate	Jun		5.9%	5.7%
21:30	Australia	Participation rate	Jun		65.4%	65.5%

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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