



FX Strategy Briefing

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JPY and USD Rise on Falling US Confidence

- Declining US consumer confidence boosted the yen and dollar on Friday. The Japanese currency rallied against all major currencies for the week as increased risk aversion spurred investors to unwind carry trades. The dollar rose versus all the major higher yielding and risk sensitive currencies. Furthermore, the USD gained against the euro, pound and Australian dollar for a second week and rose against the Canadian dollar for a sixth week as investors deleveraged and stocks and commodity prices declined. The S&P 500 fell 3.55 points to 879.13, for a fourth weekly drop.
- The dollar index remains confined in narrow trading ranges without clear directions. Investor risk sentiment, having been changing on a daily basis, kept the dollar index volatile but in a tight range around 80. The dollar index has been stable as losses against the yen have been canceled out by gains against the higher yielding currencies. Either the break of the 78-area support or the penetration of the resistance from the downtrend will likely determine the longer term outlook for the dollar index.



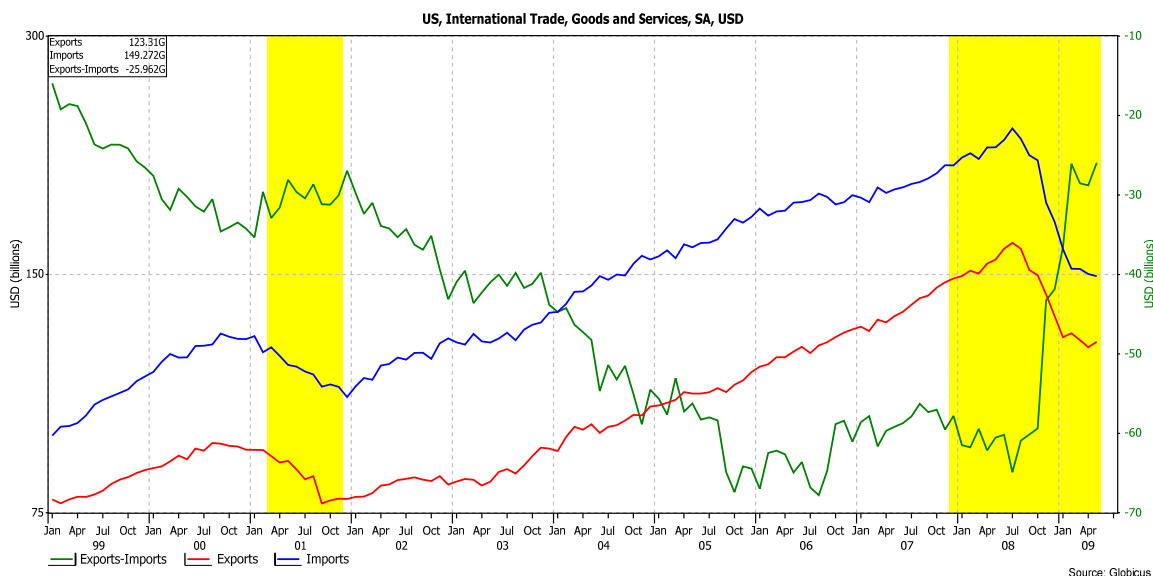
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Financial and Economic News and Comments

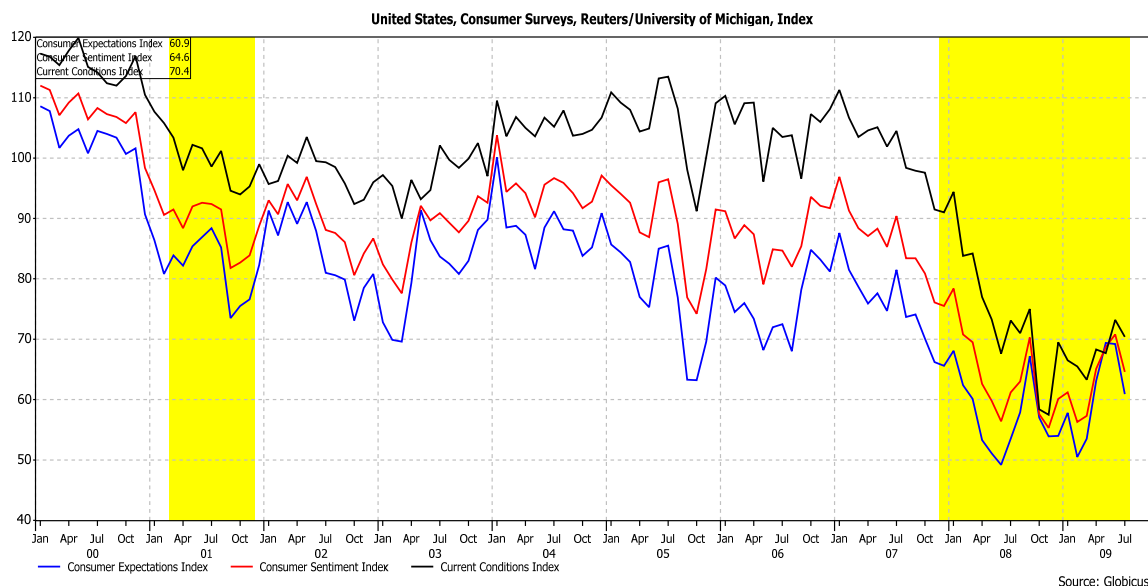
US & Canada

- The US trade deficit in goods and services unexpectedly narrowed 9.8% m/m to \$25.96 billion in May, the lowest level since November 1999, from a revised \$28.79 billion in April, according to figures released by the Commerce Department. Exports rose 1.6% m/m to \$123.31 billion in May, the largest gain since July 2008, from \$121.41 billion in April, while imports declined 0.6% m/m to \$149.27 billion, the lowest level since July 2004, from \$150.20 billion. Adjusted for inflation, the trade deficit narrowed to \$36.18 billion from April's \$40.06 billion.



- US import prices rose for a fourth straight month in June, rising a more-than-expected 3.2% m/m led by higher petroleum prices, matching the largest monthly gain since September 1990, following May's upwardly 1.4% m/m advance, a report from the Labor Department showed. June import prices dropped 17.4% y/y. Non-petroleum imports were up 0.2% m/m in June after a downwardly revised 0.1% m/m increase in May; they decreased 6.5% y/y, the largest decline since records began in 1985. Export prices increased for a third straight month, climbing 1.1% m/m, after May's downwardly revised 0.5% m/m advance. June export prices declined 6.4% y/y.
- US consumer confidence dropped in July after four months of gains amid rising unemployment. The Reuters/University of Michigan consumer sentiment preliminary index unexpectedly fell to 64.6 in July from 70.8 in June, Reuters and University of Michigan reported. The current conditions index declined to 70.4 from 73.2, while the consumer expectations index dropped to 60.9, the largest decline since October, from 69.2.

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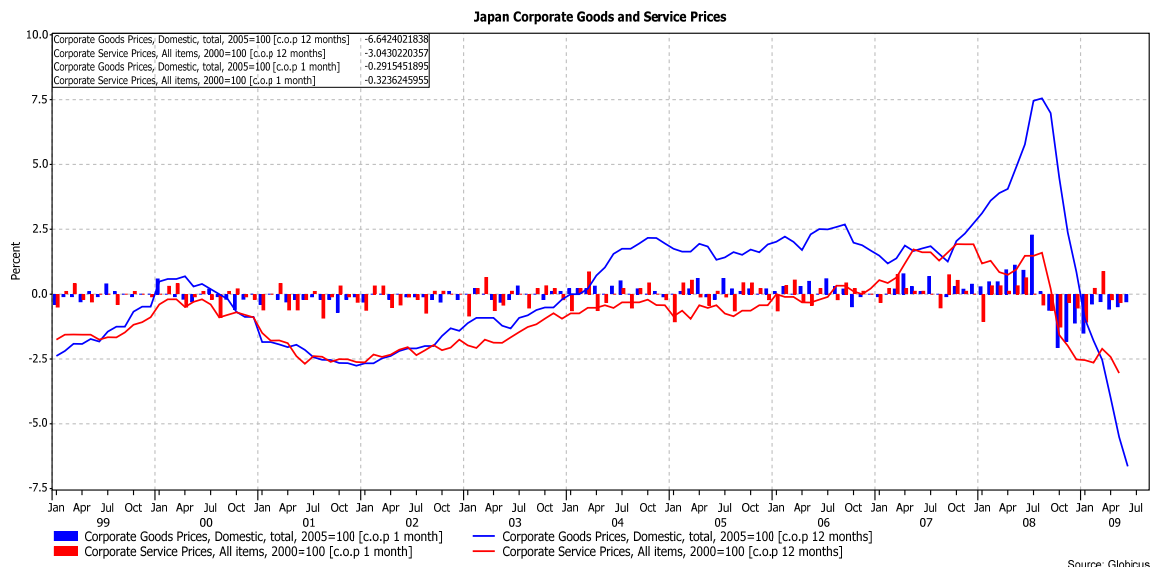
- Canada's employment fell a fewer-than-expected 7,400 in June, the seventh decline in eight months, after a 41,800 drop in May, data from Statistics Canada showed. The unemployment rate rose to 8.6%, less than expected but the highest since February 1998, from May's 8.4%.
- Canada's trade deficit widened more than expected to C\$1.42 billion (\$1.22 billion) in May, the largest since records began in 1971, from a revised \$389 million in April, according to figures from Statistics Canada. Exports, falling almost twice as fast as imports, fell 6.9% to C\$28.4 billion in May, while imports declined 3.5% to C\$29.8 billion. The CAD appreciated 6.4% against the USD in May, Statistics Canada reported.
- Canadian new home prices declined a less-than-anticipated 0.1% m/m in May, an eighth consecutive month-on-month decrease, after a 0.6% m/m slide in April, a report from Statistics Canada showed. May home prices fell 3.1% y/y.

Europe

- Germany's wholesale prices rose 0.9% m/m in June, the largest month-on-month gain in 11 months, after a 0.1% m/m increase in May, the Federal Statistical Office reported. June wholesale prices declined 8.8% y/y, following May's 8.9% y/y drop.
- UK PPI output unexpectedly decreased 0.2% m/m in June, the first decline since November, mainly reflecting decreases in prices of chemicals and other manufactured products, after a 0.4% m/m increase in May, figures from the Office for National Statistics showed. PPI output fell a more-than-expected 1.2% y/y, the deepest decline since 2001, following May's 0.3% y/y slide. June core PPI output increased 0.1% y/y. PPI input rose a more-than-expected 1.5% m/m in June, the largest gain in a year, mainly reflecting an increase in crude oil prices, after a 0.4% m/m advance in May. PPI input dropped 11.0% y/y from May's 8.6% y/y fall.

Asia-Pacific

- Japan's domestic corporate goods prices tumbled for a tenth consecutive month in June, declining a more-than-expected 0.3% m/m, after May's downwardly revised 0.5% m/m slide, according to the Bank of Japan corporate goods price index. June CGPI fell a more-than-anticipated 6.6% y/y, the largest fall since records began in 1960, following May's downwardly revised 5.5% y/y decrease. Corporate service prices declined 0.3% m/m in June, down a record 3.0% y/y.



- China's trade surplus narrowed to \$8.25 billion in June, the smallest in two years, the Customs Bureau said. Exports fell for an eighth month in June, falling 21.4% y/y, after a record 26.4% y/y drop in May. Imports declined 13.2% y/y, the smallest slide in eight months, slowing from May's 25.2% y/y drop.
- China's urban home prices were up 0.2% y/y in June, the first increase in seven months, the National Development and Reform Commission said. June home values rose 0.8% m/m, a fourth consecutive monthly gain.
- The Bank of Korea upgraded its forecasts for South Korea's GDP, predicting that the economy will contract 1.6% in 2009 and will grow 3.6% in 2010.

FX Strategy Update

	EUR/USD	USD/JPY	GBP/USD	USD/CHF	USD/CAD	AUD/USD	EUR/JPY
Primary Trend	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Secondary Trend	Neutral	Negative	Neutral	Neutral	Neutral	Neutral	Neutral
Outlook	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Action	Sell	None	Buy	None	None	Buy	None
Current	1.3947	92.40	1.6205	1.0847	1.1644	0.7785	128.89
Original Position	1.3904	N/A	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	N/A	1.5845	N/A	N/A	0.7670	N/A
Support	1.3800	91.50	1.6000	1.0700	1.1500	0.7700	128.00
	1.3550	90.00	1.5500	1.0400	1.1000	0.7500	125.00
Resistance	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

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Monday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
0:30	Japan	Industrial production	May F	m/m	5.9%	5.9%
0:30	Japan	Industrial production	May F	y/y		-29.5%
0:30	Japan	Capacity utilization	May F	m/m		10.2%
1:00	Japan	Consumer confidence	Jun			36.3
1:00	Japan	Consumer confidence households	Jun		38.0	35.7
3:15	Switzerland	Producer & import prices	Jun		0.1%	-0.3%
3:15	Switzerland	Producer & import prices	Jun		-5.4%	-5.0%
10:30	Canada	Bank of Canada senior loan officer survey	Q2		50.0%	60.3%
10:30	Canada	BOC business outlook survey	Q2		2.0	-22.0
14:00	US	Treasury budget	Jun		-\$97.0B	-\$189.7B
19:01	UK	BRC retail sales – all	Jun	y/y		0.8%
19:01	UK	BRC retail sales – same store	Jun	y/y	-0.5%	-0.8%
19:01	UK	RICS house price balance	Jun		-40.0%	-44.1%
21:30	Australia	NAB business conditions	Jun			-14
21:30	Australia	NAB business confidence	Jun			-2

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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New York, July 10, 2009, 16:00 EST