

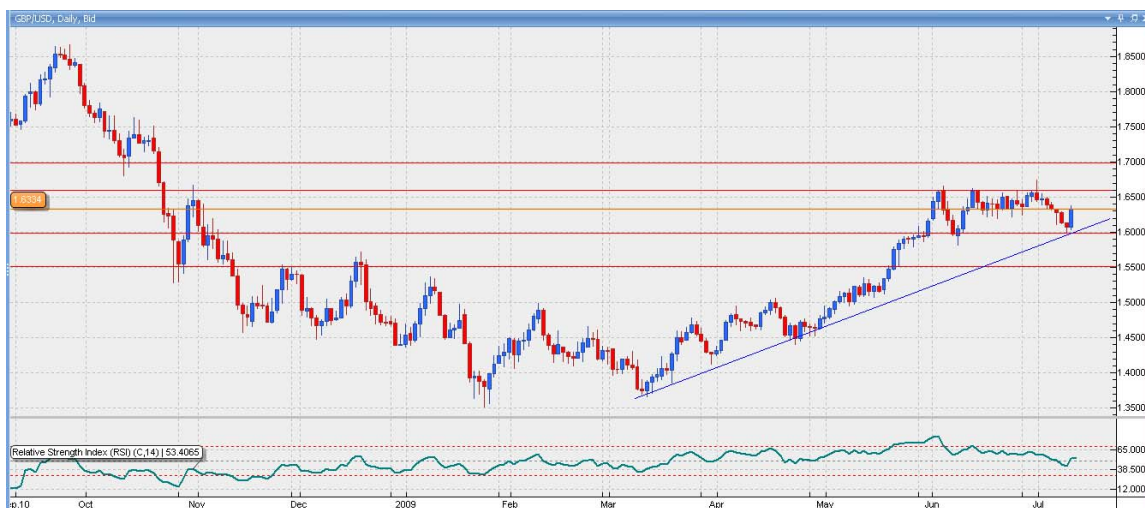
July 9, 2009

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## Sterling Finds Support

- The dollar and yen fell on Thursday as stabilizing stocks reduced safe haven demand. US initial jobless claims fell below 600K for the first time since January, indicating the US recession is abating. The S&P 500 rose 3.12 points to 882.68. The yen was little changed against the greenback but fell in cross trades. The European currencies rose as risk aversion subsided. The Australian and Canadian dollars advanced on improving risk sentiment and rising commodity prices.
- The GBP/USD rallied after the Bank of England kept the benchmark interest rate unchanged at 0.50%, as expected, and announced no expansion of its quantitative easing policy. The pair found support in the 1.60 area, which is the uptrend that goes back to the beginning of the equity rally. If this diagonal support is broken, the GBP/USD will probably fall to 1.55. There is resistance in the 1.66 area from the triple-top.



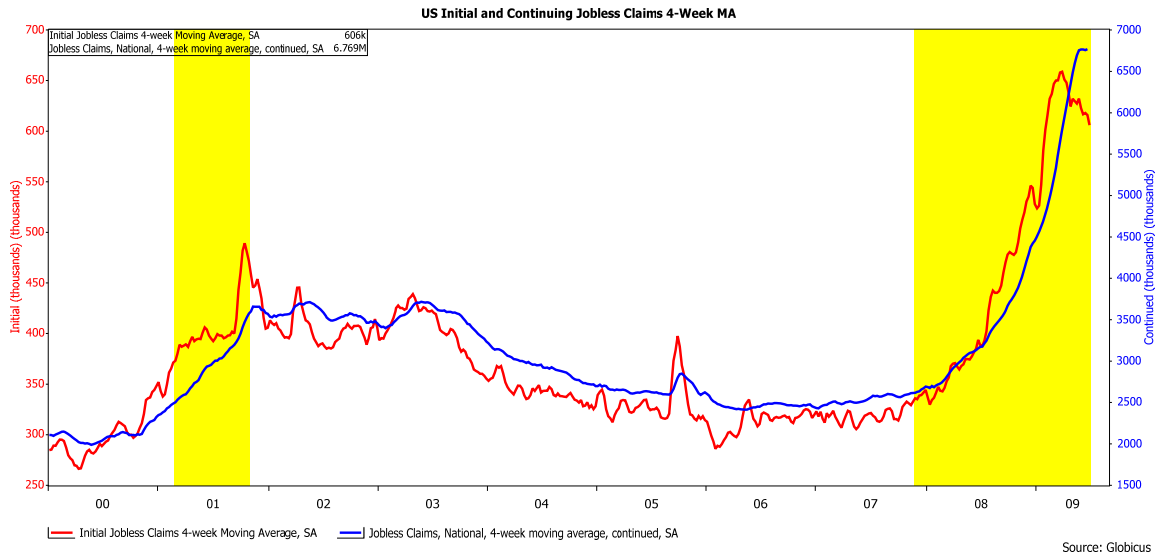
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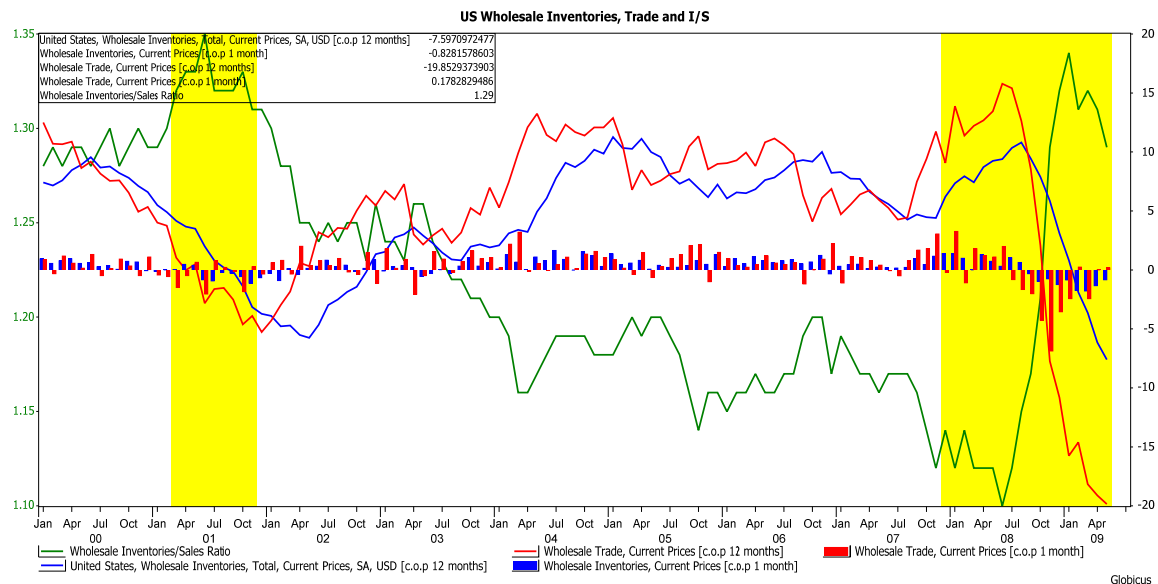
**Financial and Economic News and Comments**

**US & Canada**

- US initial jobless claims in the week ending July 4 plunged 52,000 to 565,000, the lowest since January, after the previous week's upward revision to 617,000, figures from the Labor Department showed. The 4-week average of new jobless claims declined 10,000 to 606,000. Continuing jobless claims in the week ending June 27 soared 159,000 to 6,883,000, following the preceding week's upward revision to 6,724,000. The 4-week average of continuing claims rose 12,000 to 6,769,000. The insured unemployment rate for the week ending June 27 increased to 5.1% from the prior week's 5.0%.



- US wholesale inventories fell a less-than-expected 0.8% m/m to a seasonally adjusted \$402.2 billion in May, a ninth consecutive month-on-month decline, after an upwardly revised 1.3% m/m slide in April, according to data from the Commerce Department. Wholesale sales increased 0.2% m/m to a seasonally adjusted \$311.3 billion, following April's upwardly revised 0.0% m/m. The inventory-to-sales ratio declined to 1.29 in May from 1.31 in April. Wholesale inventories fell 7.6% y/y in May, while wholesale sales dropped 19.9% y/y.



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- The seasonally adjusted annual rate of Canadian housing starts rose more than anticipated to 140,700 units in June from upwardly revised 130,300 units in May, according to figures from Canada Mortgage and Housing Corporation.

### **Europe**

- In the European Central Bank July 2009 Monthly Bulletin, the ECB said “economic activity over the remainder of this year is expected to remain weak but should decline less strongly than was the case in the first quarter of 2009,” asserting that “looking ahead into next year, after a phase of stabilisation, a gradual recovery with positive quarterly growth rates is expected by mid-2010.” The ECB projected that annual inflation rates will “decline further over the coming months, before turning positive again,” adding that “looking further ahead, inflation is expected to remain positive while price and cost developments are expected to remain dampened in the wake of ongoing sluggish demand in the euro area and elsewhere.”
- Germany’s consumer prices increased 0.4% m/m and 0.1% y/y in June, final June CPI data from the Federal Statistical Office confirmed. The harmonised consumer price index (HICP), which is calculated for European purposes, increased 0.4% m/m but remained unchanged y/y.
- Germany’s seasonally adjusted exports increased a less-than-expected 0.3% m/m in May after a 5.0% m/m slide in April, according to data from the Federal Statistical Office. Seasonally adjusted imports unexpectedly declined 2.1% m/m, following April’s 6.0% m/m decrease. The trade surplus widened to €9.6 billion (\$13.4 billion) in May from €9.4 billion in April. The current account surplus was €3.7 billion, down from April’s €5.5 billion.
- The UK trade deficit narrowed to £6.3 billion (\$10.2 billion) in May, smaller than expected and the least since June 2006, from a revised £7.1 billion in April, figures from the Office for National Statistics showed. Imports fell 4.0% m/m and exports declined 0.8% m/m. The trade deficit with non-EU countries narrowed to £3.3 billion from April’s £4.1 billion.
- The Bank of England maintained the official bank rate at 0.50%, as forecast, and voted to continue with its asset-purchase plan at £125 billion (\$202 billion). The BOE said it shall “review the scale of the programme again at its August meeting, alongside its latest inflation projections.”

### **Asia-Pacific**

- Australia’s employment fell a more-than-expected 21,400 in June after a revised 8,500 decline in May, figures from the Australian Bureau of Statistics showed. The unemployment rate rose to 5.8%, the highest in almost six years, from May’s 5.7%. Full-time employment dropped 21,900 in June while part-time employment increased 400. The participation rate declined to 65.3% from May’s downwardly revised 65.4%.
- Australia’s consumer inflation expectations jumped to a 7-month-high 3.2% for July, up from 2.8% the previous month, according to the Melbourne Institute’s survey.
- Japan’s machine tool orders dropped 73.1% y/y in June after a 79.2% y/y plunge in May, according to preliminary June data from the Japan Tool Builders’ Association.
- The Bank of Korea maintained the 7-day repurchase rate at a record-low 2.00% for a fifth month amid economic recovery signs.

## 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>	1.4023	92.97	1.6334	1.0782	1.1615	0.7827	130.34
<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	0.7800	128.00
	1.3550	90.00	1.5500	1.0400	1.1000	0.7500	125.00
<b>Resistance</b>	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

## Friday's Economic Calendar

Time (EDT)	Region	Data	Period	Change	Forecast	Previous
4:30	UK	PPI input nsa	Jun	m/m	0.8%	0.4%
4:30	UK	PPI input nsa	Jun	y/y	-12.1%	-9.4%
4:30	UK	PPI output nsa	Jun	m/m	0.3%	0.4%
4:30	UK	PPI output nsa	Jun	y/y	-0.8%	-0.3%
4:30	UK	Core PPI output nsa	Jun	m/m	0.2%	0.2%
4:30	UK	Core PPI output nsa	Jun	y/y	1.1%	1.2%
7:00	Canada	Unemployment rate	Jun		8.7%	8.4%
7:00	Canada	Net change in employment	Jun		-34.3K	-41.8K
8:30	Canada	International merchandise trade	May		-\$0.6B	-\$0.2B
8:30	Canada	New housing price index	May	m/m	-0.4%	-0.6%
8:30	US	Trade balance	May		-\$30.0B	-\$29.2B
8:30	US	Import price index	Jun	m/m	2.0%	1.3%
8:30	US	Import price index	Jun	y/y		-17.6%
10:00	US	Reuters/U. of Michigan consumer sentiment index	Jul P		71.1	70.8

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, 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 9, 2009, 17:05 EST

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