

## Extreme fx-race

### Today's comment

#### Majors & Scandies

By the Majors & Scandis Team

Although I have been in the fx-business for many year I'll have to admit that the recent huge waves of volatility in the fx-market are astonishing. The dollar keeps on climbing higher and higher despite major financial events like the Treasury's bail out of Fannie Mae and Freddie Mac over the weekend. After a first jump higher the EUR/USD quickly sobered up and returned to the vehement new down-trend dragging EUR/USD to new lows not seen for many months. Consequently, the dollar is blowing all other currencies aside and is now approaching tough psychological support at 140 thereby making the remaining dollar bears bleed heavily. Whether or not enough blood is flowing still remains the question. Trying to go against the forceful dollar uptrend right now is like catching a falling knife - it is best left undone. A bunch of market participants are still waiting to buy cheaper dollars after having been forced to acknowledge the new existence of the dollar uptrend therefore the longed for correction of EUR/USD will not be as impressive as most traders are hoping for. The dollar is back in vogue. And so is risk aversion. Especially the yen is rising again forcefully taking the CHF along too. A break of 150 in EUR/JPY will fuel another rise in fx-volatility. Better be prepared. The fx-race is on and it is EXTREME.

#### Emerging Markets

By the Emerging Markets Team

##### When do the markets calm down?

Monday the market was in a state of euphoria. Especially equity markets were performing brilliantly following President Bush's decision to rescue Fannie Mae and Freddie Mac. On emerging markets almost every single currency gained against EUR. The Turkish Lira and the South African rand gained about 2%. This was much needed following last weeks poor performance in general. President Bush's decision was not a big surprise; however you will always



see a kind of relief when the decision is taken. However we now expect the market to calm down and therefore it is likely we will see the EM currencies to underperform in the coming days. We therefore move our stop profit in EURTRY from 1.78 to 1.75.

After initially weakening against euro following President Bush's decision, the dollar again has started gaining against the euro and during the night we have traded at the lowest level in EURUSD for about a year. This is fully in line with our general recommendation where we are buying dollar related currencies against the euro related currencies.

Finally a short comment to ISK. Even yesterday ISK could not perform against the euro. ISK is following the same trend as it has done for about three months. In positive market sentiment it cannot keep up with other high yielding currencies and in negative market sentiment it loses more than the other high yielding currencies. A rate hike on the September 11 meeting could help ISK short term. However judged by the comments from the central bank it is likely the key rate will stay unchanged at 15.50 at the meeting.

### Today's Key Events

- 11:00. ECB's Weber speaks.
- 15:00. FED's Bernanke speaks
- 16:00. Pending home sales, USA.
- 16:00. CPI, Mexico.

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# FX & MONEY MARKETS DAILY

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Majors Short Term (0-1 Month) FX Recommendations						
Currency	Spot	Short Term	Entry Date	Entry Price	Target*	Stop Loss*
EURUSD	140,965	neutral	sep 05		139,00 - 143,00	- <<
USDDKK	529,021	neutral	sep 05		521,49 - 536,50	- <<
EURGBP	80,25	neutral	aug 28		80,20 - 82,00	-
GBPDKK	929,265	neutral	aug 28		909,43 - 929,84	-
EURJPY	151,67	neutral	sep 05		148,00 - 153,00	- <<
JPYDKK	4,91683	neutral	sep 05		4,87 - 5,04	- <<
EURCHF	159,52	neutral	jun 06		159,40 - 161,75	-
CHFDKK	467,487	neutral	jun 06		461,04 - 467,84	-
EURNOK	801,225	neutral	sep 01		790,50 - 804,70	-
NOKDKK	93,0744	neutral	sep 01		92,67 - 94,34	-
EURSEK	945,2	neutral	jun 04		939,00 - 948,30	-
SEKDKK	78,8971	neutral	jun 04		78,64 - 79,42	-
AUDUSD	80,75	neutral	aug 08		79,00 - 82,00	- <<
NZDUSD	66,88	neutral	aug 06		66,00 - 70,00	-
USDCAD	106,45	neutral	feb 19		104,30 - 107,80	-
USDJPY	107,59	neutral	maj 05		104,20 - 108,80	-

\* Adjusted against DKK to daily EURDKK exchange rate

<< = Recommendation updated

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