

DAILY MARKET COMMENTARY

16 July 2009

Thursday

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Fundamental Outlook at 1400 GMT (EDT + 0400)

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The euro gained ground vis-à-vis the U.S. dollar today as the single currency tested offers around the US\$ 1.4165 level and was supported around the \$1.4055 level. The dollar was given today after J.P. Morgan Chase reported stronger-than-expected second quarter earnings results of US\$ 2.72 in net income, equivalent to 28 cents per share. Modest gains in U.S. equities markets also resulted in further pressure on the dollar on the premise that global risk appetites are improving. Traders are also digesting market chatter that CIT Group may file for bankruptcy following an apparent decision by the Obama administration that it is not going to bail out the commercial lender. U.S. Treasury Secretary Geithner spoke optimistically about U.S. credit and financial markets, reporting "We're seeing life start to come back into these markets that basically shut down at the end of last year. We're going to make sure that we do enough to help reinforce and sustain that process." Data released in the U.S. today saw the July Philadelphia Fed manufacturing survey decline to -7.5 from -2.2 in June. **In eurozone news**, U.S. and French officials are trying to work out some disagreements regarding the implementation of Basel II Capital Accord revisions. European Central Bank official Constancio today indicated some banks in some eurozone countries will need more capital and he added "doubts remain" about where the capital will come from. He also added "serious aspects" of the financial crisis have stabilized. The ECB is currently fighting an Italian initiative to tax Bank of Italy's gold reserves. Data released in the eurozone saw June consumer prices up 0.2% m/m and down 0.1% y/y with core CPI up 1.4% y/y. Euro bids are cited around the US\$ 1.3435 level.

¥/ CNY

The yen appreciated vis-à-vis the U.S. dollar today as the greenback tested bids around the ¥93.25 level and was capped around the ¥94.45 level. Bank of Japan Governor Shirakawa yesterday indicated the central bank is eyeing an exit strategy from its quantitative easing programs around the end of the year. The central bank

extended some emergency credit programs until December instead of six months and Shirakawa said a further improvement in financial conditions would likely result in an end to the programs. BoJ lifted its economic assessment for the third consecutive month, citing an increase in factory output and exports. BoJ reported “Japan’s economic conditions have stopped worsening. Japan’s economic conditions are likely to turn upward over time.” The bank also indicated business sentiment has stopped worsening. Data released in Japan today saw the May tertiary index decline 0.1% m/m. The Nikkei 225 stock index climbed 0.81% to close at ¥9,344.16. U.S. dollar offers are cited around the ¥104.15 level. **The euro moved lower** vis-à-vis the yen as the single currency tested bids around the ¥131.60 level and was capped around the ¥133.20 level. **The British pound moved lower** vis-à-vis the yen as sterling tested bids around the ¥153.00 figure while **the Swiss franc moved lower** vis-à-vis the yen and tested bids around the ¥86.70 level. **In Chinese news**, the U.S. dollar weakened vis-à-vis the Chinese yuan as the greenback closed at CNY 6.8303 in the over-the-counter market, down from CNY 6.8308. Data released in China today said saw second quarter economic growth expand 7.9% y/y, more-than-expected. The government said China’s first half economic growth may help China reach its goal of 8% economic growth this year. Also, a government spokesman reported China wants to “see prices at reasonable levels.” China’s June consumer price index was off 1.7% y/y, the fifth consecutive monthly decline, while June’s producer price index was off 7.8% y/y, the seventh consecutive monthly decline.

£

The British pound appreciated marginally vis-à-vis the U.S. dollar today as cable tested offers around the US\$ 1.6475 level and was supported around the US\$ 1.6355 level. Prime Minister Brown downplayed perceived differences with Bank of England Governor King and said the BoE, Financial Services Authority, and U.K. Treasury “have got to work together.” BoE Monetary Policy Committee member Barker reported results from quantitative easing have not yet “resulted in terms of banks being in a better position to start to lend.” Barker added the BoE expects the economy to begin growing by the end of 2009. Cable bids are cited around the US\$ 1.6185 level. **The euro moved higher** vis-à-vis the British pound as the single currency tested offers around the £0.8610 level and was supported around the £0.8575 level.

CHF

The Swiss franc came off marginally vis-à-vis the U.S. dollar today as the greenback tested offers around the CHF 1.0790 level and was supported around the CHF 1.0700 figure. Data released in Switzerland today saw the July ZEW investor confidence survey decline to 0 from 9.7 in June. Swiss National Bank reduced interest rates to a record low of 0.25% in March and is not expected to change interest rate policy anytime soon. There is ongoing speculation that SNB may be selling the Swiss franc through intervention to try and bolster economic growth.

U.S. dollar offers are cited around the CHF 1.0975 level. **The euro gained ground** vis-à-vis the Swiss franc as the single currency tested offers around the CHF 1.5190 level while **the British pound moved higher** vis-à-vis the Swiss franc and tested offers around the CHF 1.7675 level.

Technical Outlook at 1230 GMT (EDT + 0400)

	(Bid Price)	(Today's Intraday Range)
EUR/ USD	1.4147	1.4164, 1.4056
USD/ JPY	93.83	94.44, 93.53
GBP/ USD	1.6444	1.6447, 1.6353
USD/ CHF	1.0717	1.0789, 1.0702
AUD/USD	0.8040	0.8066, 0.7959
USD/CAD	1.1144	1.1224, 1.1122
NZD/USD	0.6471	0.6501, 0.6384
EUR/ JPY	132.60	133.19, 131.62
EUR/ GBP	0.8599	0.8609, 0.8576
GBP/ JPY	154.17	155.03, 153.02
CHF/ JPY	87.46	87.81, 86.80

	Support	Resistance	Support	Resistance
	EUR/ USD		USD/ JPY	
L1.	1.3780	1.4295	90.05	98.85
L2.	1.3605	1.4630	88.60	101.65
L3.	1.3400	1.5105	87.10	105.05
	GBP/ USD		USD/ CHF	
L1.	1.5845	1.6495	1.0510	1.1165
L2.	1.5690	1.6740	1.0275	1.1270
L3.	1.5440	1.6830	0.9750	1.1555
	AUD/ USD		USD/ CAD	
L1.	0.7715	0.8250	1.1340	1.1920

L2.	0.7440	0.8555	1.1130	1.2190
L3.	0.7165	0.9050	1.0725	1.2520

NZD/ USD

EUR/ JPY

L1.	0.6190	0.6665	125.65	134.50
L2.	0.6020	0.6945	121.70	139.80
L3.	0.5655	0.7760	118.50	141.50

EUR/ GBP

EUR/ CHF

L1.	0.8320	0.8770	1.4905	1.5380
L2.	0.7870	0.9080	1.4670	1.5580
L3.	0.7590	0.9355	1.4420	1.5880

GBP/ JPY

CHF/ JPY

L1.	146.10	157.75	81.55	93.55
L2.	142.05	160.30	79.20	97.90
L3.	135.70	167.30	75.40	105.05

SCHEDULE

Thursday, 16 July 2009
all times GMT
(last release in parentheses)

0645	France	June consumer price index (0.2% m/m)
0645	France	June consumer price index (-0.3% y/y)
0645	Italy	June CPI, harmonized (0.1% m/m)
0645	Italy	June CPI, harmonized (-0.3% y/y)
0800	Italy	May trade balance
0900	CH	July ZEW survey, expectations (9.7)
1230	US	Weekly initial jobless claims
1230	US	Continuing jobless claims
1300	US	May net long-term TIC flows (US\$ 11.2 billion)
1300	US	May total net TIC flows (-US\$ 53.2 billion)
1400	US	July Philadelphia Fed manufacturing survey (-2.2)
1700	US	July NAHB housing market index (15)

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all times GMT

(last release in parentheses)

0130	Australia	Q2 import price index (-2.8% q/q)
0130	Australia	Q2 export price index (-4.6% q/q)
0500	Japan	May coincident index (86.9)
0500	Japan	May leading index (77.0)
0800	Italy	May industrial orders (-3.7% m/m)
0800	Italy	May industrial orders (-32.2% y/y)
0800	Italy	May industrial sales
0900	Italy	May current account
0900	Eurozone	May trade balance (€2.7 billion)
0900	Eurozone	May construction output (0.6% m/m)
0900	Eurozone	May construction output (-4.7% y/y)
1100	Canada	June consumer price index (0.7% m/m)
1100	Canada	June consumer price index (0.1% y/y)
1100	Canada	June Bank of Canada CPI (2.0% y/y)
1230	US	June housing starts (532,000)
1230	US	June building permits (518,000)
1230	Canada	June leading indicators (-0.1% m/m)

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