



Market Review

The Euro bounced back to a high of 1.2661 during New York session following the rise in risk appetite as the economic data remains fairly light for today. On the other hand, according to an article from Reuters, European Central Bank President Jean Claude Trichet is scheduled to meet with the big banks on July 21 to discuss the results of the stress test, and will evaluate whether some of the commercial banks will need to recapitalize. At the same time, ECB board member Christian Noyer expects commercial banks in France to pass the stress test, and stated that the plans to raise capital requirements should “not impeded the recovery” and must not “contradict” macroeconomic objectives. In addition, Spain’s Finance Minister, Elena Salgado announced, in front of parliament, that its stress test will cover more than 95% of the financial system and promised to release the results of all the banks for transparency. We should prepare that the outcome of the bank stress test will certainly have a big impact on the Euro, as the Debt crisis still have biggest influence on the recovery of the area.

The British Pound soared to a high of 1.5226 during the New York session, and the GBP/USD may continue to push higher over the near-term out of an improved outlook. The BoE scheduled to release the meeting minutes on July 21 and it is widely expected to hold the benchmark interest rate at 0.50% later this week and maintain its asset purchase target at GBP 200B. The central bank may refrain from releasing a policy statement like we’ve seen during the previous month. Let us see what is new and how it is going to make an impact on the British Pound.

The greenback lost ground against most of its major counterparts, when the USD/JPY advanced to a high of 87.98 since the Japanese Yen weakened across the board, and the rise in risk appetite is the key influence for the price action for yesterday.

Rates Yesterday (06-07-2010)

	Open	High	Low	Close		Open	High	Low	Close
EUR/USD	1.2583	1.2661	1.2480	1.2626	EUR/JPY	110.02	110.84	109.15	110.51
USD/JPY	87.76	87.98	87.35	87.52	EUR/GBP	0.8283	0.8341	0.8265	0.8334
GBP/USD	1.5134	1.5226	1.5082	1.5149	EUR/CHF	1.3346	1.3412	1.3283	1.3375
USD/CHF	1.0644	1.0667	1.0562	1.0592	GBP/JPY	132.81	133.67	131.87	132.60
AUD/USD	0.8399	0.8559	0.8317	0.8526	GBP/CHF	1.6110	1.6176	1.6031	1.6048
NZD/USD	0.6882	0.6973	0.6825	0.6923	CHF/JPY	82.43	83.08	81.98	82.63
USD/CAD	1.0635	1.0676	1.0485	1.0544	AUD/JPY	73.71	75.02	72.71	74.62

Risk Disclosure

Foreign currency investments are subject to rate fluctuations which may provide both opportunities and risks. The risk of loss in leveraged foreign exchange trading can be substantial. You may sustain losses in excess of your initial margin funds. Placing contingent orders, such as “stop-loss” or “stop-limit” orders, will not necessarily limit losses to the intended amounts. Market conditions may make it impossible to execute such orders. You may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, your position may be liquidated. You will remain liable for any resulting deficit in your account. You should therefore carefully consider whether such trading is suitable in light of your own financial position and investment objectives.



Technical Study – USD/JPY

From the daily chart of USD/JPY, we can see the pair has been in a steep downtrend since the beginning of April. As we also can find 2 Three Black Crows since then and there is no major signal for trend reversal, we opine that the pair still has room on the downside. We suggest selling the pair at 87.50 and set up a limit at 86.50 and a stop at 88.50.



USD/JPY, Daily Chart, Source: Bloomberg

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Intraday Supports and Resistances

Pairs	Support 2	Support 1	Resistance 1	Resistance 2
EUR/USD	1.2482	1.2509	1.2564	1.2592
USD/JPY	87.43	87.59	87.96	88.17
GBP/USD	1.5029	1.5082	1.5194	1.5253
AUD/USD	0.8312	0.8352	0.8449	0.8506
EUR/JPY	109.32	109.67	110.4	110.78
EUR/GBP	0.8231	0.8257	0.8303	0.8323
GBP/JPY	131.65	132.23	133.52	134.23

Investment Strategies

Pairs	Strategy	Entry	Stop	Target
USD/JPY	Sell	87.50	88.50	86.50

Economic Statistics Today

Hong Kong Time	Country	Economic Statistics	Period	Survey	Prior
07/07/2010 17:00	EC	Euro-Zone GDP s.a. (QoQ)	1Q F	0.20%	0.20%
07/07/2010 18:00	GE	Factory Orders MoM (sa)	MAY	0.30%	2.80%
07/07/2010 19:00	US	MBA Mortgage Applications	Jul-02	- -	8.80%

Source: Bloomberg

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