

FX Daily Planet – Asia Open

View for the day

The EUR has traded steadily lower all day as the market appears disappointed with the lack of concrete details in the wake of today's EU Leaders emergency summit. The bulk of the statement merely reiterates the need for Greece to implement its new fiscal stability program and the intention of the Commission to monitor the implementation of this very closely. Only in the last paragraph do Leaders express their willingness to take determined and coordinated action to safeguard financial stability in the euro area. However, it is the total lack of detail about this which has underwhelmed EUR. In the absence of a definitive package in support of Greece, generic statements are unlikely to do much for the EUR at this point.

Despite lingering confusion and hesitation surrounding the fiscal situation in Europe, US equities are up 1% in afternoon trading and remain near the highs of the day as a set of recent positive data surprises is helping risk markets to move higher (nice bounce in jobs in Australia, and positive jobless claims report). Commodity currencies remain today's star performers with AUD, NZD up 1.6% and 1% and CAD moving higher by 1.2% as well. Earlier in the session, the Riksbank released its monetary policy report, which was modestly hawkish and pushed EUR/SEK sub 10.00. The main surprise is that the Riksbank has brought forward its trajectory for tightening from "autumn" to "summer or early autumn", presumably triggered by a sharp upgrade to its 2010 CPI forecast (core 1.9% vs. 1.2%). That said, its earlier tightening does not transfer to a more aggressive tightening further out with the repo curve flattened out rather than being shifted upward. Thus, while Riksbank's signal of earlier tightening is SEK supportive, it doesn't necessarily deliver a killer blow to EUR/SEK – we expect it to grind lower from here rather than to collapse.

Jobless claims fell more than 40k to 440k in this week's report, which almost fully reverses the recent rise in claims and confirms that the likely cause of the increase was a backlog of filings from California. Crucially, today's report appears to be devoid of distortions as a US Department of Labor official said this week's number was "as close to clean" as we've seen in a long time. Tomorrow features a light economic data day in the Asian session followed by GBP and IP releases from the Euro area and consumer confidence in the US. Note that the retail sales release has been delayed to tomorrow at 8:30 a.m., EST and the business inventories release has been delayed to tomorrow at 10:00 a.m. EST. With nothing more than a vague pledge of support from EU leaders, the focus on Greece will likely remain.

Overnight news

USD: Feb initial jobless claims were lower than expected at 440k (JPM: 475K, Cons: 465K)

USD: The 30y bond auction yielded 4.720% which was 2.5bp cheap to pre-auction levels with a bid/cover of 2.36 and 52.6% going to end users.

CAD: Dec new housing price index (%m/m) increased 0.4% (JPM: 0.3, Cons: 0.3)

EUR: In an official statement the EU Heads of State "call on the Greek government to implement all the measures in a rigorous and determined manner to effectively reduce the budgetary deficit by 4% in 2010" state their intentions to "take determined and coordinated action, if needed, to safeguard financial stability in the euro area as a whole."

SEK: Riksbank leaves its policy rate unchanged at 0.25% as widely expected but brought forward its trajectory for tightening from "autumn" to "summer or early autumn" presumably triggered by a sharp upgrade to its 2010 CPI forecast (core 1.9% vs 1.2%). Riksbank Governor Ingves says he expects SEK to rise.

EUR: Spain 4Q09 GDP in line with expectation at -0.1%q/q; Germany Jan whole sale price rises to

1.9% oya from prev. 0.2%.

Today's watchlist (all times GMT; +11hrs for Sydney, +9hrs for Tokyo, -5hrs for New York)

JPY: @ 05:00 consumer sentiment (DI, nsa)

Overnight price action

FX: AUD, NZD up 1.6% and 1% and CAD moving higher by 1.2% as well. The EUR is down 0.4% vs. the USD.

FX vol: vols remain heavy, and continue to move lower as the bulk of the event risk this week has passed.

Commodities: oil up 1.2%, gold up 1.7%

Bonds: US yields are higher by 1bp in the long end.

Equities: US equities are higher by 1%.

Technical View for the day

The commodity currencies were the key story yesterday as the strong outperformance against the USD and more so on the crosses confirms a short term bullish shift. As mentioned in the NY Open, AUD led the way with the push above the key .8800/.8815 resistance zone (last week's breakdown area) implying a deeper short term retracement underway. Importantly, the action on the crosses developed a clear impulsive bias while suggesting follow-through is likely. In that regard, note that EUR/AUD violated the important 1.5417 January low and the critical medium term range lows from 2005 with short term targets in the 1.5250 area. Moreover, AUD/CHF staged an impulsive rally back to the January high near .9565, and while the near term setup can allow for a pause against this resistance, the upside risks remain intact for new highs. The break above the key .6995/.7015 resistance area for NZD/USD is consistent with this view while implying additional short term upside. Still, we see similar patterns on the crosses which argue for additional outperformance highlighted by the setup in EUR/NZD which argues for a break of the January low. The reversal in USD/CAD from the range highs extended yesterday with a break of the 1.0545 support area while arguing for additional near term weakness. Importantly, the action in the European currencies stays weak with EUR/USD and GBP/USD still vulnerable to new lows. We continue to hold short positions particularly given the corrective price action from last week's lows while prices have thus far failed below last week's breakdown levels. While the action in USD/JPY stays range-bound, the 99.10/99.45 resistance area will likely define whether a deeper short term retracement is underway. The setup in the crosses stays mixed, but the likes of AUD/JPY and CAD/JPY remain in position for additional upside following yesterday's extension above key resistance levels.

Research from the region you may have missed

Greece and the rest of the region: trying to stick to the facts

https://mm.jpmorgan.com/stp/t/c.do?i=B7765-2E50&u=a_p*d_373076.html*h_2qd1urvk

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