

3rd Feb 2012

Previous session European Trading :

@4pm eur/\$ -10 to 1.3175, usjpy flat at 76.15, eurjpy -5, eurCHF -15 to 1.2045, eurGBP flat at 0.8320, eurnok +2fig to 7.66, eursek +2.5fig to 8.87, aud -5 to 1.0735, nzd +15 to 0.8365, uscad flat at 0.9975, pln -0.1% huf -0.4% , czk +0.4%, ils +0.4%, rub +0.2%, try -0.2% zar +0.5% dax +0.7% ftse +0.3%, EU 10 yr +1 to 1.87%, EZ 10 yr bond Italy +0.5% Spain -0.7% France +1.1% Portugal +1.3%,

A sea-saw session; Morning time EU Rhetoric and Spanish and French auctions weighed on the euro and gave the USD some slight broad strength. Afternoon saw US data beating expectations, Rehn comments also helping steady risk, with stocks seeing small gains on the day. Euro, commodity and EMEA ccys mostly recovered earlier losses while Latam outperformed the USD.

AM; Spanish 3-5yr and France 6-10yr auctions were within the range of expectations, but not over it as has been seen in recent LTRO driven supply events, somewhat disappointing the mkt. European stocks however remained steady around par while periphery bonds and eur/\$ slipped lower. EZ PPI was roughly in line, soft UK PMI had little lasting effect on the pound. Merkel called for deeper contact with China, she said China said Europe must do its homework first in EZ crisis, then ready to work for a stable Euro. Premier Wen said China must rely on itself, reduce debt load and introduce structural reforms. He said China considering involvement in the EFSF and ESM stabilization funds and that research in the matter is still being carried out. Jucker said Greek PSI talks are ultra difficult and that the 30th Jan summit measures largely insufficient, the OECD said the rescue funds need to be doubled to help keep a lid on the debt crisis, all of which weighed further on the main pair but dips were bought into by RMs.

PM; Down trending US jobless claims, BTE Nyk ISM and Bbg consumer comfort helped steady sentiment, as did EU Rehn still expecting Greek PSI agreement by EOW and that differences of view are very small. The SMP was also seen checking Portugal bond prices. Wall St opened in small positive territory while eur/\$ slowly recovered off its lows with semi-official buying interest helping the move. Bernanke said events in Europe may harm the US econ and that the US has a long way to go before the job market is normal, the pace of the economic recovery remains “frustratingly slow” and “the sluggish expansion has left the economy vulnerable to shocks”. Eur/\$ moved back close to opening levels, the USD broadly giving back earlier gains. For EM, EMEA recovered earlier losses while Latam ccys saw small gains on the session supported by US data. Czk left rates unch at 0.75%, as expected.

New York Close:

Dow -0.1% SPX +0.1% Nasdaq +0.4% VIX -3.1% @ 18.0, US 10 yr -1t at 1.83% WTC -1.3%, Brent +0.2%, copper -0.2% gold +0.6% silver +1.5% brl +0.7% mxn +0.4%, clp +1.2% cop +0.4% pen flat%

Asia close :

Eur -10n to 1.3136, usjpy -5 to 76.18, eurjpy -20, aud -25 to 1.0690, nzd -5 to 0.8320, sgd -0.2%, krw -0.1% inr +0.3% twd -0.1%, php -0.1%, myr 0% cny -0.1%, Stocks;

Nikkei -0.5%, Hang Seng -0.2%, Shanghai +0.8%, Taiwan +0.3%, Korea -0.6%, ASX -0.4%, India 0%

Pretty quiet session with the USD making small gains on some s/t position squaring ahead of the NFP. European names sold eur/\$ while slippage in \$/jpy quickly found support from Jap margin accs and m/t investors. Jap FinMin Azumi said they will take firm steps against speculative one-sided fx moves, concerned Yen rise does not reflect economic fundamentals. Aud/\$ was supported by AIG PSI data but like the kiwi fell after the weak China PMI print. Stocks also traded tentatively ahead of key US data with China data weighing. Asian EM also a tad weaker on some p/t ahead of NFP, Inr however made gains on a rising services PMI.

SNB Jordan re-affirmed their commitment to holding the floor with utmost determination.

Fed Fisher said FOMC policy statements, forecasts are tactical judgements for the moment, rate forecasts largely guesswork. Doesn't see how you can justify more asset purchases based on economy, QE3 not needed, would compound difficulty of tightening policy when time is right.

Early European Trading:

Ftse flat%, Dax -0.1%, Wall St fut -0.1%. 10-yr bonds; Itl +0.2%, Esp +0.2%, Ffr +0.1%, Pte flat,

Russia left rates unch, as expected, PMI rises to highs since last July