

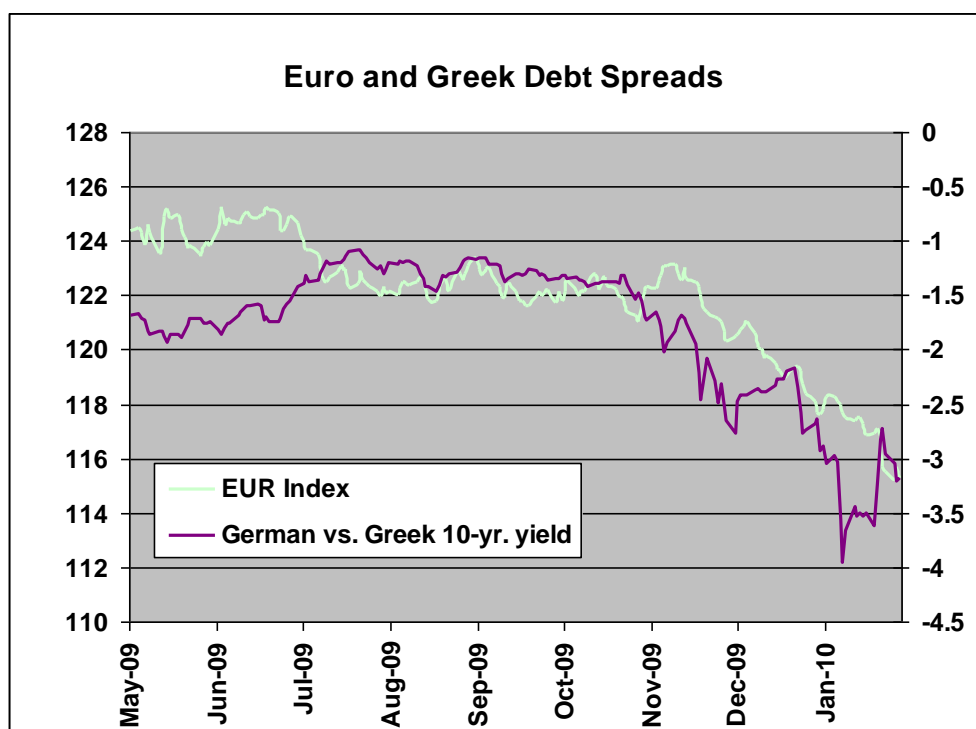


Saxo Bank FX Monthly – February 2010

John J. Hardy, Consulting FX Strategist, February 18, 2010

A Greek Tragedy: EuroZone periphery derails the Euro

The fiscal situation in Greece became a hot topic of discussion already back in December of last year. It is quite clear with 20/20 hindsight that Greek debt troubles were an advanced early warning on Euro weakness. After all, the country's woes clearly had very broad, negative implications for the single currency due to the danger of contagion at the EuroZone periphery and the awkward framework of the EU in dealing with this situation, namely, sovereign individual nations bound by a single currency. In the US, a defaulting state gets federal aid without too much grumbling from the rest of America, but in the EU, taxpayers of one nation are far less amenable to the idea of bailing out other nations for their past fiscal profligacy.



The chart above shows how a blowout in Greek debt spreads presaged the decline in our broad EUR index (simply the Euro vs. an evenly weighted basket of the rest of the G-10 currencies). The negative sentiment from the Greek story accelerated markedly in mid-January, just after the publishing of our last monthly piece and has seen a remarkable further drop in the Euro across the board, not only against the USD, but also against the JPY, commodity currencies and Scandies. This story caught fire and the market rushed to put on short Euro positions, to the extent that the CFTC measured record short EURUSD positions in its Commitment of Traders report by early February (possibly a short term contrarian signal, we might note...).

At present, a lid has been put on the Greek debt spreads by a string of EU meetings and pronouncements, in which it is clear that the rest of Europe will not simply leave Greece completely out in the cold, though stark political rhetoric from several corners calls for Greece to fix its own situation and no explicit aid deal has been hashed out. Interestingly, the EU's Juncker stated that the idea of an IMF bailout was out of the question, as the EU should take care of this problem internally. For its part, the ECB saying that it will be closely monitoring Greece's efforts to reduce its deficits and debt to ensure it is on track. The "tough love" approach is a political necessity due to the populations on the home front in Germany and elsewhere that don't want to see their taxes going to a bailout of wildly irresponsible past behaviour in Greece, that included more or less overt lies about the state of public finances, lies that were at least partially enabled by the likes of Goldman Sachs and fancy derivatives it designed to hide some of the country's fiscal shortcomings. To underline its "stay tough" message, the EU even has given Greece until March 16th to show traction on reining in its deficit or it will face rather harsh restrictive measure under the Lisbon treaty – measures that have not been invoked in the history of the EU. And as we go to press, the EU is so far not sufficiently impressed with Greece's austerity measures to extend any explicit offers of support thus far.

The longer term implications of this Greek situation are extremely worrisome for the Euro, particularly in the event that the EU economy fails to recover sufficiently to relieve the tremendous pressures on public balance sheets. The contagion risk in such a scenario is a far greater one than the specific problem of Greece, whose financial woes are a drop in the bucket in absolute Euro terms relative to the entire EuroZone economy. The longer term development to look for here that would trigger the potential for more "demise of the Euro" worries, is any political movement that looks to throw off the yoke of the Euro, which has rendered whole nations in the EuroZone uncompetitive due to its strength over the last several years. Stay tuned.

Carry Trade Watch: Carry Trades in steep reverse

Last month we commented on the strength of the carry trade as markets were riding a new - and what proved to be extremely brief - wave of optimism to start the year. Having been conditioned to ever rising markets for months on end, there were few signs that anything was about to change. But then two important factors came into play that began to sour risk appetite around the world. The first were a string of warnings and actual new requirements from the Chinese regime aimed at clamping down on a growing credit bubble that is causing an overheating economy in China.

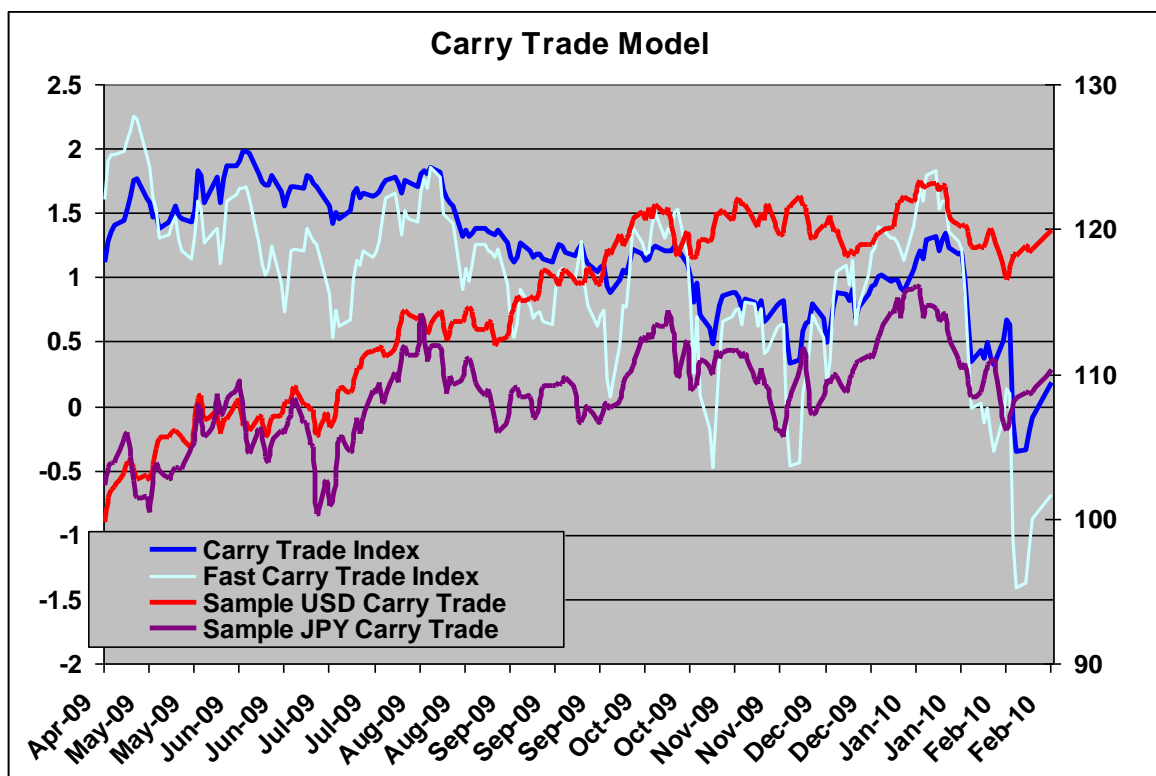
Already in mid-January, Chinese officials raised reserve ratios for banks and made it clear that credit for new loans must shrink. Some banks even went as far as withdrawing previously approved loan commitments in response. This put a dent in the recently popular theme of China continuing to lead the world recovery story. The second story was actually one that had begun already in December, namely, the increasingly desperate fiscal situation in Greece. But beginning in mid-January, an acceleration of the concern saw a significant further widening in Greek rate spreads as well as the Greek CDS prices blowing out. By this writing, the worry had quickly blossomed to include the risk of contagion at the EuroZone periphery, the idea that the Greek problem could quickly become the Portuguese and (especially, due to its far more significant size) Spanish problem, etc...

With this double dose of bad news and possibly also simply due to an overdue correction in risk markets (a correction aggravated by missing short sellers, who'd been fried all the way up the incredibly persistent risk rally), risk appetite wilted globally, as world equities pulled back 10 percent or more from their highs in mid-January by early February. At the same time, emerging market spreads widened as risk aversion spread to all asset classes. In the G-10 currencies, forward central bank policy expectations contracted sharply, as much as a full 25 bp rate hike on average since the beginning of the year.

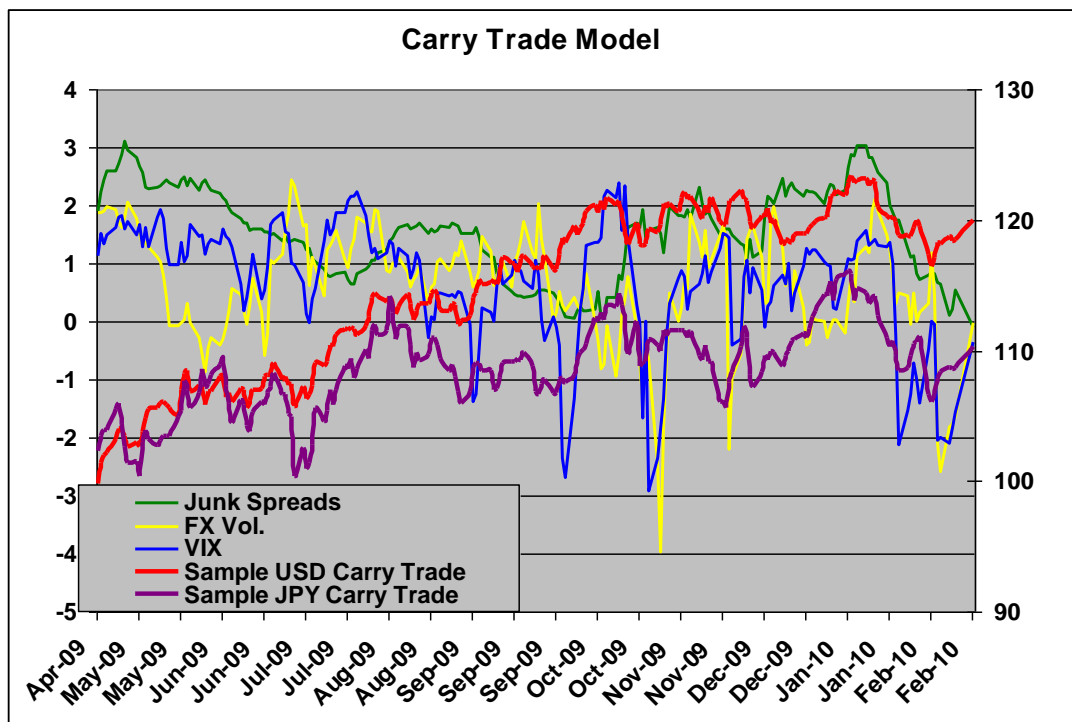
All of the above developments worked most in the lowly yielding JPY's favor and to the Euro's clear detriment. The JPY clearly is maintaining the highest positive correlation with risk aversion and probably more importantly, interest rates. The USD has fared relatively well, too, during this last market cycle, though as much perhaps on Euro negativity as on its own merits as the Euro story has short-circuited the longer term reserve currency debate for the time being and has also been a new trigger for outright Euro shorts, to which the USD will always be sensitive due to the Euro's weight in the overall marketplace.

This month, we take a special look at our carry trade model to try to determine what factors led to the decline in the carry trades since our last report and whether some internals in the model are more worth following than others.

Snapshot of the Saxo Bank Carry Trade Model



The Saxo Bank Carry Trade Index (blue line above) finally dropped below zero briefly, showing that risk appetite was in outright contraction mode, while our faster measurement of market conditions dipped significantly lower still. This coincided with the fall in carry trades and rise of the USD and especially the JPY over the last month.



Here we plot the sample USD and JPY carry trades vs. three of the Carry Trade Index components to determine which components may be giving us better signals. Clearly the VIX (and therefore the stock market) is a lousy indicator this time around, as the stock market seems to be a real laggard of an indicator. Junk Spreads (green line), on the other hand, were a more timely indicator. FX volatility was also severely lagging.

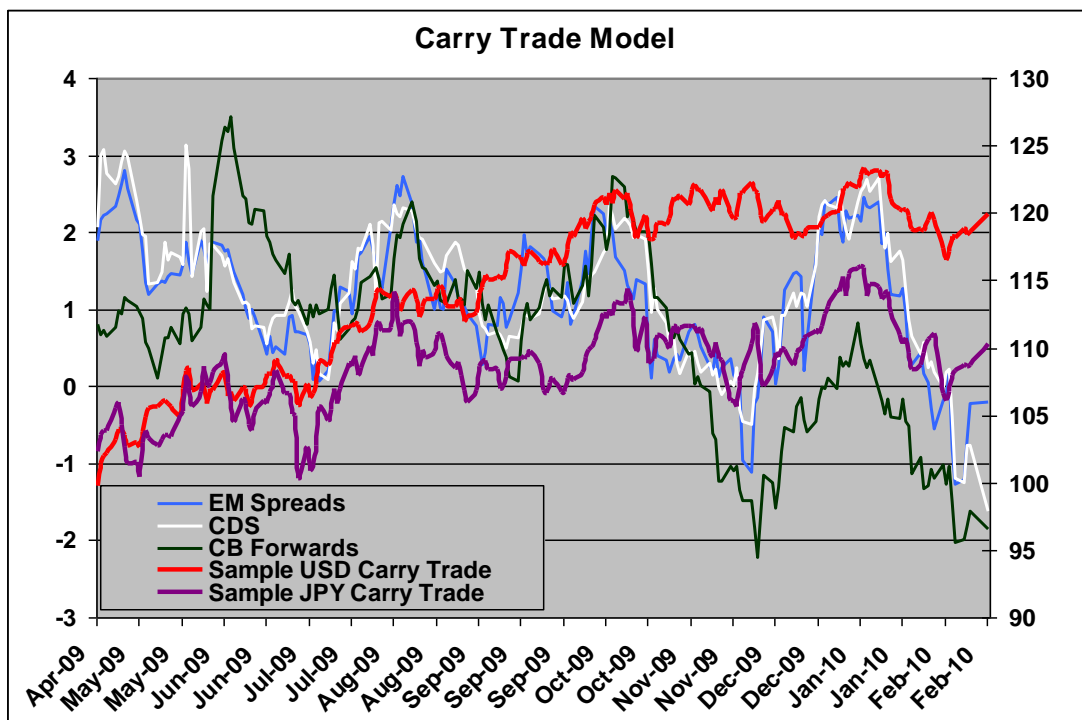


Chart: The remaining three components of the carry trade model were far better at predicting that something negative was afoot. Particularly, central bank forward expectations seemed to turn first, while credit and emerging markets spreads turned sharply negative. It is interesting to note the persistently low levels in especially CDS' and central bank forwards despite the bounce in risk that materialized in mid-February. Is this a sign of more trouble down the road?

Central Bank Watch: CB expectations in the cellar

Even as we seemingly move inexorably toward “exit strategies” from emergency-level accommodation in monetary policy measures around the world, forward monetary policy expectations for the G-10 central banks have actually dropped sharply over the last several weeks. Australia’s RBA has now twice passed up on a chance to hike rates at its last two meetings after having hiked three times in a row from September to December as it would like to assess the response of its moves thus far. The only other G-10 central bank to begin tightening policy, Norges Bank, has also seen forward unwinding of expectations as the NOK has strengthened and after disappointing growth data.

The drop in policy expectations has generally played in favour of the US dollar and Japanese Yen, where expectations are rather low to start with (expectations will remain terminally low, it seems, in the Yen’s case).

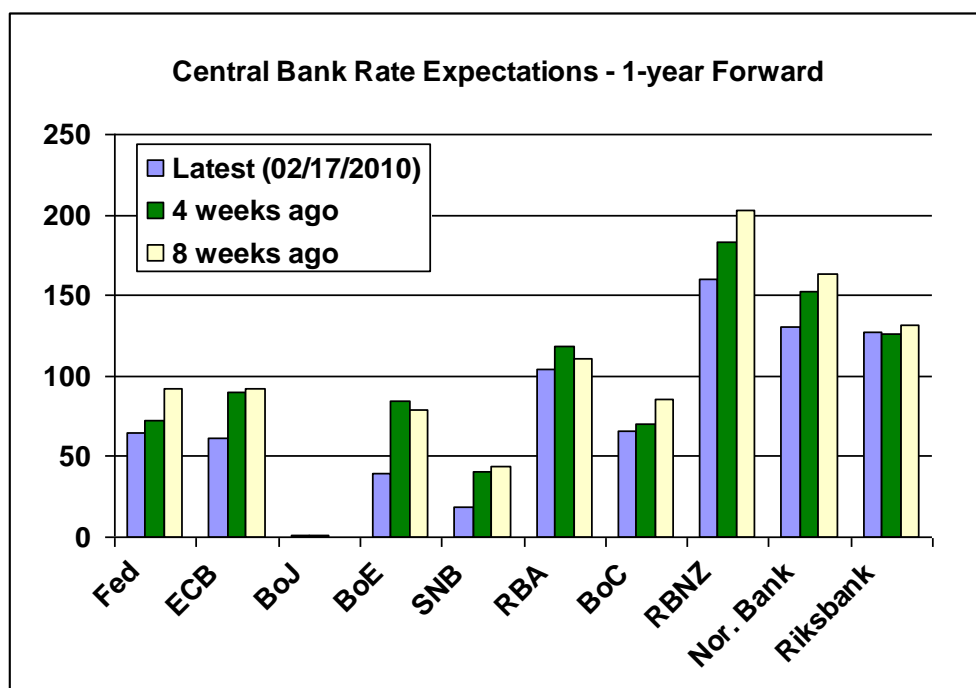


Chart: The European central banks have seen the sharpest drops in forward expectations over the last several weeks, especially relative to already modest expectations. The reasons for a relaxing of ECB policy expectations is clear with the current tensions at the EuroZone periphery, while the BoE has been hampered by poor growth readings and the bank is clearly willing to look through short term inflation. The one, more hawkish standout has been the Riksbank, which slightly moved forward the timing of its first expected hike and spelled out the expected policy tightening (on the order of 150-250 bps) over the next couple of years. Time will tell whether economic conditions will warrant this hawkishness, but the market certainly responded and helped push EURSEK down through 10.00.

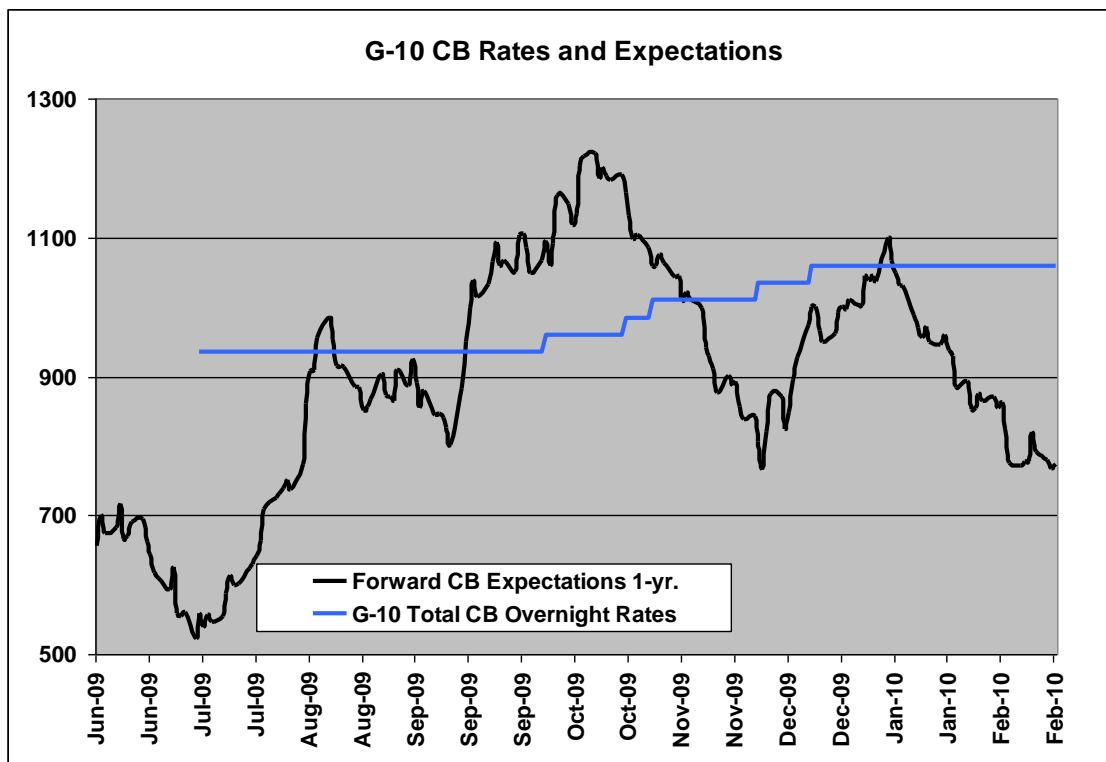
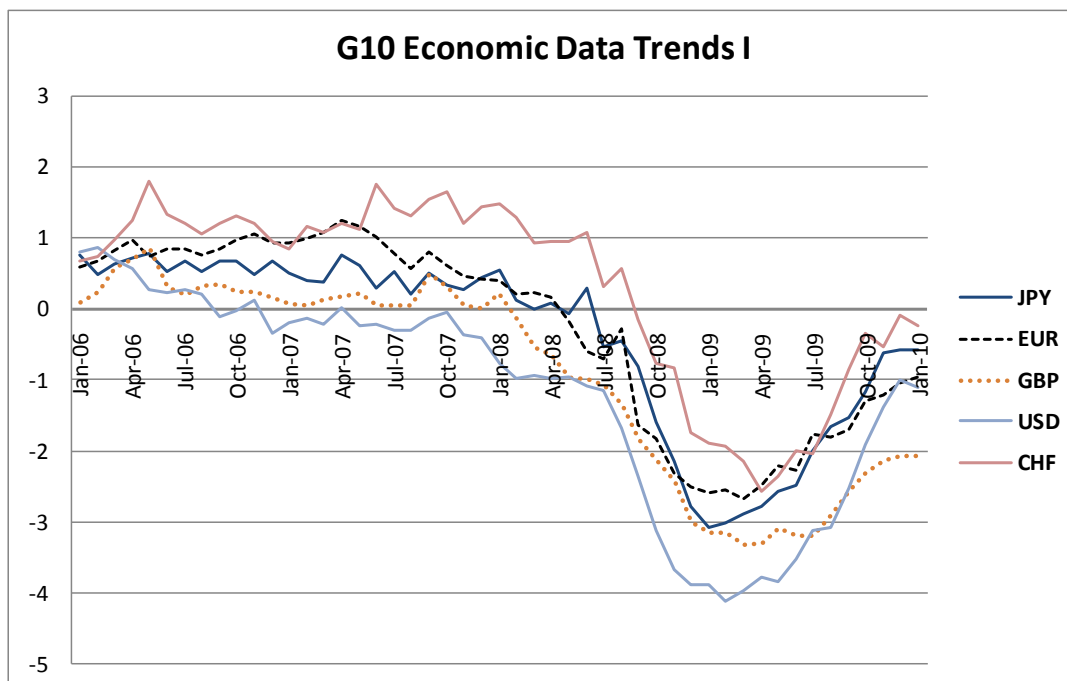


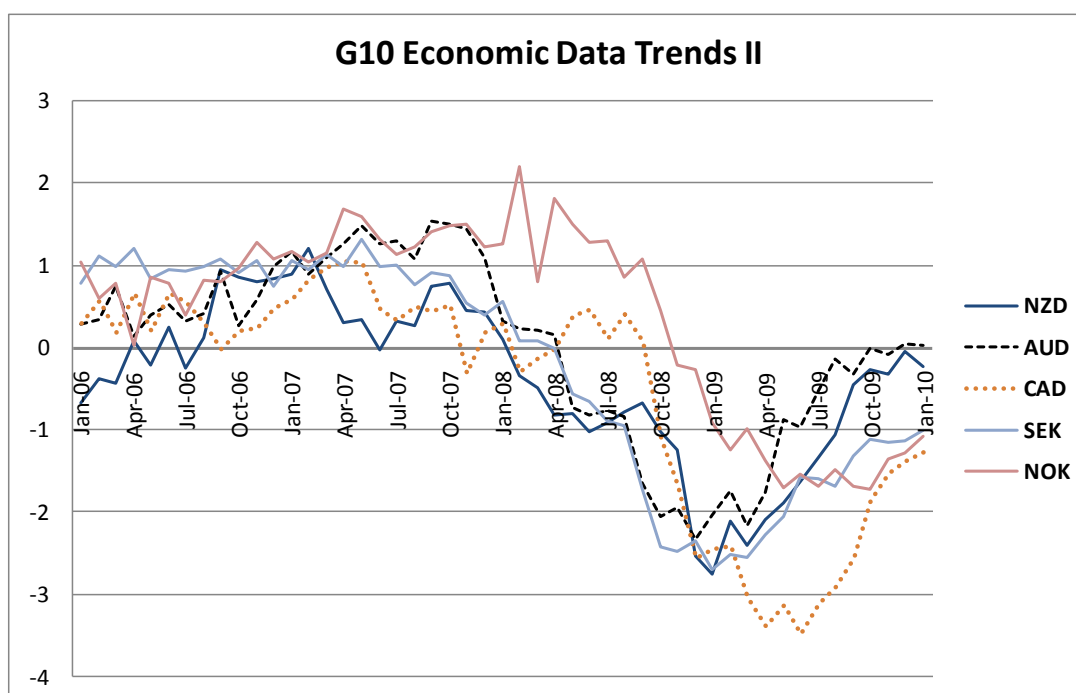
Chart: Here's a non-traditional look at G-10 interest rates in aggregate: the total of the overnight rate in blue and the total aggregate 1-year forward expectations(increase of decrease) for G-10 rates in black.

Fundamental Indices

Our indices of monthly economic data show most countries more or less swimming in the same direction in the bigger picture, though some have played catchup, while other economies are showing signs of stagnating. In the former category, we have the US and Canadian economies, while in the latter category, the Australian and New Zealand number have stagnated lately.



Canada has made a sharp comeback recently and Norway was looking better as well until the GDP number out just before press time (not reflected, therefore, in chart below). Note again that the Australia data seems to have largely treaded water for months, though at a relatively high level..



Saxo Bank G-10 FX Forecasts

Here are our expectations for the G-10 currencies over the One-, Three-, and Twelve-month horizons. Our expectations given the current environment are outlined in the base case for each pair, but we also present an alternative case for the short term and the factors that could contribute to that alternative scenario.

Base Case: Our base case scenario assumes only that risk appetite fails to rally significantly, with the assumption that the best the markets can manage from a risk perspective is a flat, back and forth

Alternative Case: This time around, our shorter term alternative case is the opposite of last month's, namely, that we see a significant comeback in risk appetite that takes equity markets back towards their highs for the cycle.

This scenario would be the most bullish for the high beta commodity currency as well as emerging market currencies and would likely see the JPY suffering the most, with the USD only doing well if there is a significant US interest rate response to heightened expectations of a stronger recovery in the future.

Saxo Bank G-10 FX Forecasts

Currency	Forecast: 1M 3M 12M	Base Case	Alternative (1-2 month)
USD	EURUSD 1.3500 1.3200 1.2200 USDJPY 93.00 96.00 102.00	<p>The USD uptrend is mostly alive and well if we look at the popular dollar index, but that index is very heavily weighted toward EURUSD and the Euro has been very weak across the board over the last two months. Our broader measure of the USD showed another wave of strength arriving in late January, but that wave was followed by a sizeable consolidation by mid-February, as the USD seems to have at least partially reverted to its correlation with risk appetite – rising when markets are in a negative mood and falling when risk appetite returns, especially against the high beta commodity currencies and emerging market currencies (though to an interestingly lesser extent on these – a warning sign perhaps for EM, perhaps?) Our assumption is that the USD uptrend remains intact as we don't see any strong resurgence in risk appetite, and the USD will do well if we hit a spot of outright risk aversion, and has also shown that it can perform reasonably well if central bank expectations move back to looking for tighter policy from CB's around the world, as the Fed is already firmly committed to withdrawing liquidity from the system to see how well the US economy can stand up on its own two feet. (We suspect that the economy will eventually underperform current expectations and leave little room for dramatic central bank moves or hints at moves in the near term.). Our forecasts reflect the expectation for continued USD strength over the coming year. The direction of the USDJPY is perhaps the more interesting question for the short to medium term, as the JPY has outperformed expectations. If rates move back higher, then this could trigger a break of the 200-day moving average in USDJPY and mean that we have underestimated the potential rise in USDJPY. Note: as we are going to press, the Fed has raised the discount rate slightly as a further move towards policy normalization, a move that has USD-bullish . The question is whether this spoils the risk party or whether risk appetite can shrug off the implications of higher rates.</p>	<p>(EURUSD 1.3800) (USDJPY 95.00)</p> <p>A blowout risk rally would likely be an overall negative for the USD, particularly if the emerging market trade picks up again. This would most likely see the USD falling most against EM and commodity currencies, though it could post a gain on the JPY in such a scenario if a risk rally works to the detriment of bonds.</p>

Currency	Forecast: 1M 3M 12M	Base Case	Alternative (1-2 month)
EUR	<p>EURUSD 1.3500 1.3200 1.2200</p> <p>EURJPY 125.00 127.00 124.00</p>	<p>Lately, the Euro has been all about the situation in Greece, and with good reason, as the challenges facing the EuroZone framework are a unique vulnerability in the currency world and investors are unsure where this issue might lead. In the shortest term, the market may have gotten slightly ahead of itself in pricing in further woes for the single currency from this issue, but from now and a considerable period of time going forward, it will be a background factor weighing on the Euro. For reserve managers, for example, the uncertainty will like have significant longer term impact on their willingness to accumulate the currency to the degree that it was accumulated in the days of reflex reserve diversification. Our assumption is that the Greek debt situation and other ones like it elsewhere in Europe – most pressingly in Spain – reach some kind of resolution in an orderly way, even if they require a de facto default on Greek debt, for example (through restructuring of terms). If the animosity in Europe increases, however, and sovereign spreads go wide again, the potential downside for the Euro will be more pronounced than our forecasts suggest, especially for the next 1-3 month period. Another potential negative for the Euro would be any move by China to revalue the Yuan, as it would further reduce the pressure on the Euro from reserve diversification. It would seem that any short term squeezes in the Euro are worth fading for now. On the other hand, if the world lurches into outright risk aversion, the likes of EURAUD are becoming very stretched and AUD would probably underperform even the Euro if market participants show any signs of a “run to the hills” impulse.</p>	<p>(EURUSD 1.3800) (EURJPY 132.00) If markets go risk happy for a while and intra-Europe sovereign spreads decline farther on signs of some kind of framework for addressing the Greek situation, then EUR could see a reasonable bounce against the USD and JPY.</p>
JPY	<p>USDJPY 93.00 96.00 102.00</p> <p>EURJPY 125.00 127.00 124.00</p>	<p>The JPY seems to have replaced the USD as the funding currency most sensitive to the ups and downs in risk appetite, as we pointed out in last month’s piece. Thus, as risk appetite headed steeply south in late January and into early February on the Greek debacle and Chinese credit clampdown, the JPY was the chief beneficiary. And when risk dusted off the rally impulse, the JPY remained the high beta weakling on the flipside of the risk trades. This kind of behaviour is likely to continue as long as interest rates remain relatively low, but we still prefer to watch the JPY versus movements in interest rates more closely than JPY versus the wiles of risk appetite. As we are going to press, a move higher in US bond markets is seeing USDJPY breaking through some interesting resistance levels. The major hurdle for USDJPY for a more significant move higher is the 200-day moving average, a move above which could mean that we have significantly underestimated the potential upside for USDJPY in the short term. We must also keep in mind the vastly different phase of the game that the Bank of Japan finds itself in (considering a renewed move into quantitative easing after having been significantly less activist during the crisis than other central banks around the world) while other central banks are moving full speed ahead with their exit strategies. One very important thing to keep when trading JPY in the coming weeks is that March is the last month of the Japanese financial year and is therefore often a very volatile month for JPY</p>	<p>(USDJPY 95.00) (EURJPY 132.00) If markets launch a fresh rally in risk, this would likely come at the cost of the Yen, especially if this risk rally coincides with a bond market sell-off, as the Yen remains every sensitive to moves in global rates.</p>

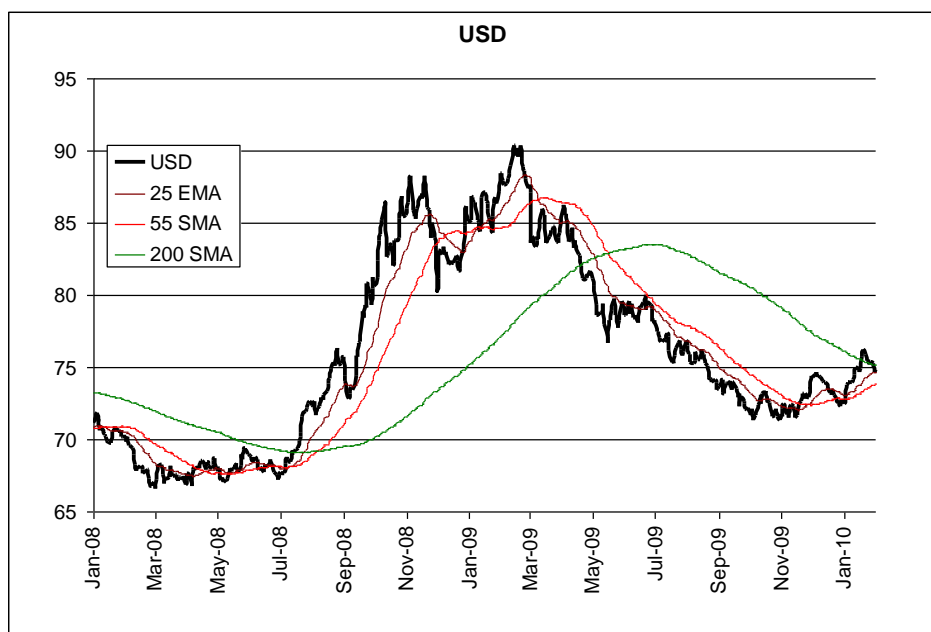
Currency	Forecast: 1M 3M 12M	Base Case	Alternative (1-2 month)
GBP	<p>GBPUSD</p> <p>1.5500</p> <p>1.5200</p> <p>1.4800</p> <p>EURGBP</p> <p>0.8700</p> <p>0.8700</p> <p>0.8300</p>	<p>Sterling outperformed the flailing Euro on a “at least it’s not as bad there” mentality, though elsewhere, the pound actually fell more than we expected against the greenback and other currencies. One contributor has been a very dovish BoE and falling forward rate expectations (see chart elsewhere in this publication) A couple of issues keeping the pound at relatively weak levels: First, if the world is worrying about the Greek fiscal situation, then it should also be worrying about the UK’s situation as well, where the government’s plans for unwinding the deficit have underwhelmed analysts and ratings agencies (remember the PIMCO comment that the UK faces a high probability of eventual default if more aggressive austerity plans aren’t enacted.), and must be taken with quite a grain of salt anyway, since a new government is likely to be sitting in power in a few months time (UK general elections must take place on or before June 3). The election itself is also a significant risk for the pound because of the risk of a hung parliament, which would further delay any significant plans for fiscal austerity, which would not arrive until a new election can put one or the other party in power. Second, recent inflation data has surged to the upside even as growth disappointed yet again in Q4, barely registering a positive level. The BoE is willing to look through the inflation data (and some suggest this is justified as some of the sharp rise has been due to the return of the old VAT level of 17.5% from the emergency level of 15%). Mr. King and company better hope that they are right. We have a number of reasons to worry about the pound and this is reflected in our lower GBPUSD forecasts going forward. Against the Euro, the outlook is muddled in the short to medium term by a very negative view on the Euro as well. In the longer run, the pound is undervalued versus the single currency, however.</p>	<p>(GBPUSD 1.6000) (EURGBP 0.8600)</p> <p>A significant rally in risk would possibly only favour the pound over the dollar if the market suspects that the BoE is feeling good enough about the situation to reinvigorate arguments for a hike sooner rather than later</p>
CHF	<p>USDCHF</p> <p>1.0800</p> <p>1.1300</p> <p>1.2400</p> <p>EURCHF</p> <p>1.4600</p> <p>1.4900</p> <p>1.5100</p>	<p>The SNB apparently felt that it must renew its currency intervention efforts due to the lead zeppelin that is the Euro falling from the sky over the last several weeks. The intervention has not prevented the franc from appreciating against the Euro, but it has kept its rise at an orderly, stately pace. It has also meant that the franc has weakened against the broader market. It is tough to draw a bead on the franc’s correlation with various market themes due to the SNB’s weighty presence and the lack of any dynamism in the currency’s movement. It certainly doesn’t seem to hold any kind of safe haven status as in days of yore, nor does it move in any clear fashion relative to interest rates. We suspect that the franc could turn stronger vs. the likes of Aussie and Kiwi in the longer run, but that it will weaken against the USD, much as we expect the Euro to do.</p>	<p>(EURCHF 1.4800) (USDCHF 1.0600)</p> <p>If a rally in risk gets under way again, perhaps a renewed focus on the banks with higher potential for central bank hikes would keep the franc on the relatively weak side versus the broader market, while seeing it appreciate slightly against the dollar</p>

Currency	Forecast: 1M 3M 12M	Base Case	Alternative (1-2 month)
AUD	<p>AUDUSD 0.8600 0.8000 0.7300</p> <p>AUDJPY 80.00 77.00 77.00</p>	<p>Aussie takes a licking and keeps on ticking. Despite the RBA's two passes at raising rates further over the last two meetings, the market still expects the central bank to hike another 100 bps or more in the year ahead. This and the resurgence in gold and other metal prices in February as well as the continued strength in Chinese demand for its exports saw the currency having a go at yet another 20-year high. There are significant worries for this currency, however. For example, one wonders how long China can continue the torrid pace of its infrastructure build-out and whether its clampdown on lending could finally curb Chinese demand and sideswipe the Aussie as it finally experiences major growing pains further out this year. As well, it was clear from the dip in risk in late January and early February that Aussie remains very positively correlated with risk appetite and therefore singularly vulnerable whenever it fails. Our general outlook continues to be that AUD may have a hard time gaining further ground against the broader market. Speculation in metal prices is at high risk of an unwind in the near future, as is a Chinese adjustment to the authorities' efforts there to rein in credit and asset bubbles. A look at the trajectory of the economic fundamentals in Australia also suggests rather sideways performance. The AUD strength looks overdone from where we stand, in other words. We sharply lower our three month estimate for AUDUSD.</p>	<p>(AUDUSD 0.91) If risk appetite surges again and the RBA moves ahead with its next hike and continues to hint at more to come, then the Aussie could see one last go at its highs for the cycle versus the USD and other currencies, as it is often the go-to currency when times look (or are expected to be) good.</p>
CAD	<p>USDCAD 1.0800 1.1200 1.1600</p>	<p>CAD weakened vs. the USD in mid January (from 1.0250) to early February (1.0775+) on the strong bout of risk aversion that ruled the day in that period. But since then, the loonie has made a partial comeback on the focus on higher energy prices and as Canada's BoC rate expectations have largely caught up again somewhat with forward expectations from the US. Another possible driver of a strong Canadian dollar may have been the pronouncement by the central bank of Russia that it was diversifying some of its currency exposure into CAD. Against the broader G-10 group of currencies, CAD is actually breaking to new highs for the last couple of years, though we're not sure that this is sign of more greatness to come for the currency. In the background, Canada's current account fundamentals have been heading in the wrong direction for some time now due to the weakness in the US demand (especially the auto sector, which may, however, see some heavy inventory rebuilding in the months to come). We generally prefer the CAD to weaken against the greenback in the medium to longer term time frame. The first key is a breakout above the persistent top of the USDCAD range since October of last year at around 1.0800/50. CAD may be a lower beta version of AUD if risk aversion returns. AUDCAD shorts on rallies are certainly worth consideration.</p>	<p>(USDCAD: 1.02) USDCAD would likely remain in the 1.02-1.05 zone if risk rallies strongly again, though could resist toying with parity if risk appetite goes berserk and oil suddenly goes back to challenge its highest levels over the last year.</p>

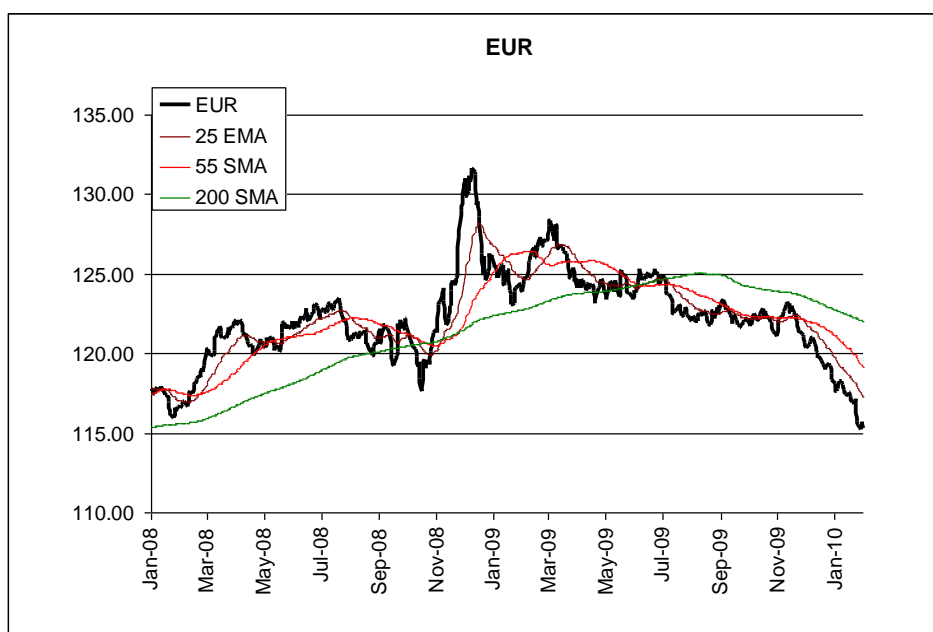
Currency	Forecast: 1M 3M 12M	Base Case	Alternative (1-2 month)
NZD	NZDUSD 0.6700 0.6300 0.6100 AUDNZD 1.2800 1.2700 1.2000	<p>The kiwi hit a brick wall since our last report, falling far below our 1-month target and even grazing our 3-month target before recovering a bit by mid-February. The combination of risk aversion from mid-January and into the beginning of February plus a catastrophically bad New Zealand employment report for January aggravated the currency's decline. The NZD rallied sharply for a few days in late January (until it was smacked with that Jan. employment report) after the RBNZ moved forward the expected timing of its first interest rate hike. Despite this rhetoric, total forward policy expectations from the RBNZ have actually fallen about 25 bps since our last report. It appears that the kiwi will remain vulnerable as long as risk appetite remains wobbly, but could). Another point of interest for possible weakness is that non-resident bond holdings have fallen significantly in recent months, nearly matching a two and a half year low. The air may continue to be thing for the kiwi and we lower our forward targets for the currency vs. the USD.</p>	<p>(NZDUSD 0.72) The kiwi could jump higher if the market tries to dust itself off and try again with a rally back to old highs for the cycle. Specific commodity drivers (like milk prices) could also play a role in a kiwi revival</p>
NOK	EURNOK 8.15 8.00 7.80 USDNOK 6.00 6.10 6.40	<p>NOK moved sharply stronger vs. the single currency over the last several weeks, due more to Euro weakness than NOK strength. Broadly speaking, NOK was merely back and forth versus the market since our last report. Over the last 500 trading days, NOK has a 0.85 correlation with crude prices, so it remains very exposed to the risk appetite/commodity currency trade. NOK watchers must keep in mind that 8.00 could be a significant psychological barrier for Norges Bank, which has warned in the past that, although it expected to hike rates in the future, it said that any plans could be scrapped if the krone showed excessive strength. Still, Norges Bank is in a bit of a tough spot because it also must worry about whether it needs to do more to slow excessive gains in house prices. Just before this report was to be published, Norway registered a terrible Q4 growth number and steep downward revision of Q3 growth, which had the market further reducing forward policy tightening from Norges Bank. NOK may consolidate for a while on this news.</p>	<p>(EURNOK 8.00) If markets are able to pull back into risk rally mode and crude rallies considerably, it would like drive NOK stronger and back to the 8.00 pivot point and possibly beyond in the near term.</p>
SEK	EURSEK 10.00 9.70 9.30 USDSEK 7.40 7.40 7.60	<p>SEK weathered the heavy bout of risk aversion from mid-January to early February fairly well, a very strong performance relative to its normal behaviour. Much of this was likely due to the very weak Euro, as the krona posted very strong gains against the single currency as the Euro dropped like a stone. Another factor working in the favour of the krona was a hawkish central bank, which at its February meeting spelled out the expected ranges for overnight rates for the coming two years and moved up the expected timing of its first hike to come this year. The Riksbank is feeling some pressure from the domestic housing market, where price appreciation is increasingly bubble-like. Still, while the krona may appreciate somewhat more in the longer term against the Euro, it may have bitten off a bit more than it can chew in the short run. The SEK could become vulnerable at times whenever the market goes into all out risk aversion mode.</p>	<p>(EURSEK 9.75) If risk appetite expands again, this would likely work in the krona's favour, due to its traditional positive correlation with risk appetite.</p>

G10 Currency Charts

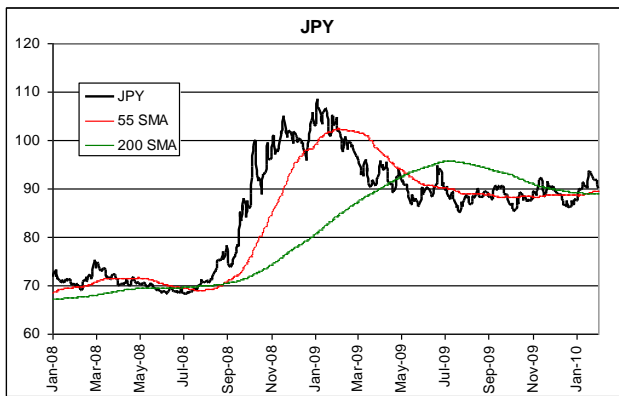
The charts below (2 highlighted charts and the eight smaller ones) show each currency vs. an evenly weighted basket of the other 9 of its G-10 peers. All currencies are indexed to 100 on a rolling basis, 3500 calendar days before the date of the snapshot (almost 10 years, with a bit more than two years displayed in the charts.)



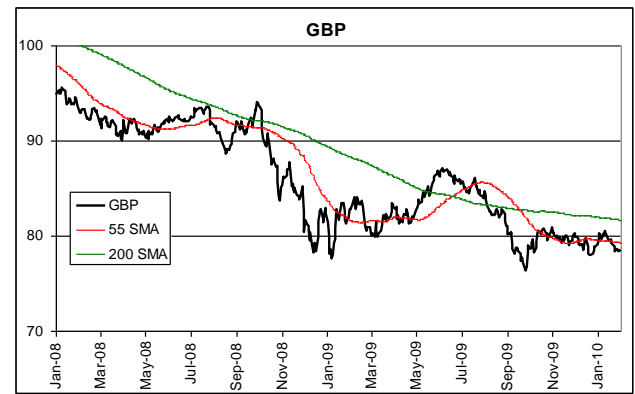
The USD really beginning in December hasn't exactly overwhelmed the market with its velocity, as we have now seen two waves of strength countered with fairly sharp consolidations. But our assumption is that we have seen a sea change in the USD's behaviour after the long decline from March to November of last year. A follow up move higher through the 200-day moving average (in green) would more firmly establish the rising USD trend.



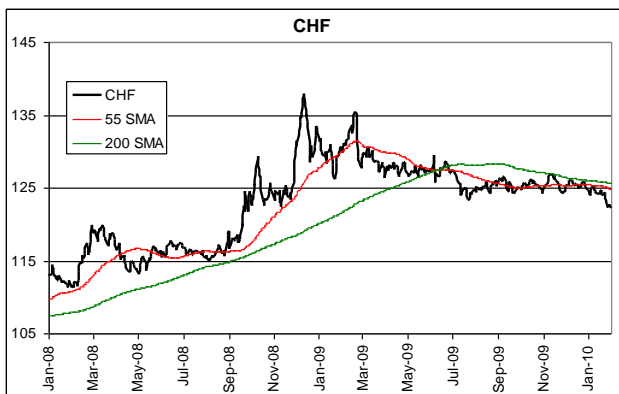
The weakest currency award for the last two months goes hands down to the Euro, which has now moved to its weakest level vs. the rest of the G-10 currencies since the fall of 2007. Could it be overshooting in the nearest term?



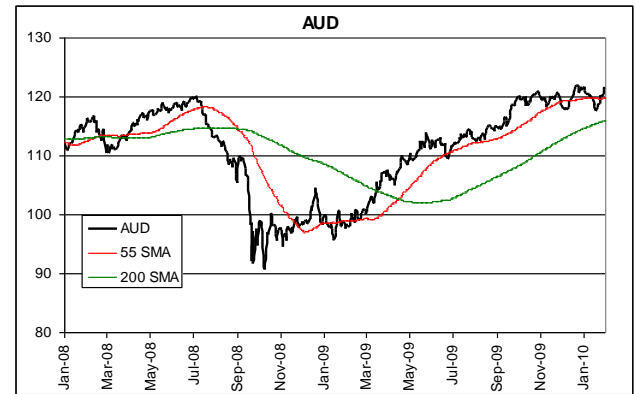
March is a seasonally volatile month for JPY.



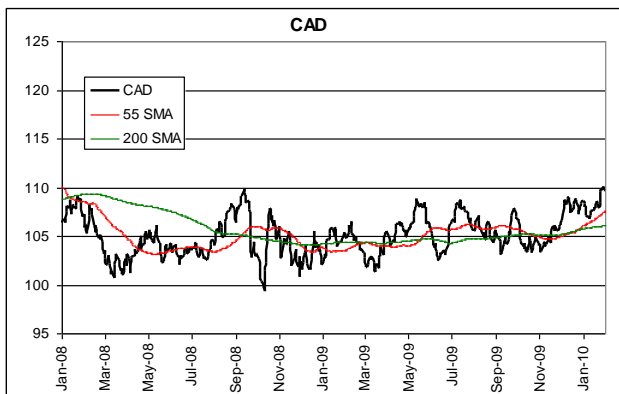
Market not excited about sterling's prospects...



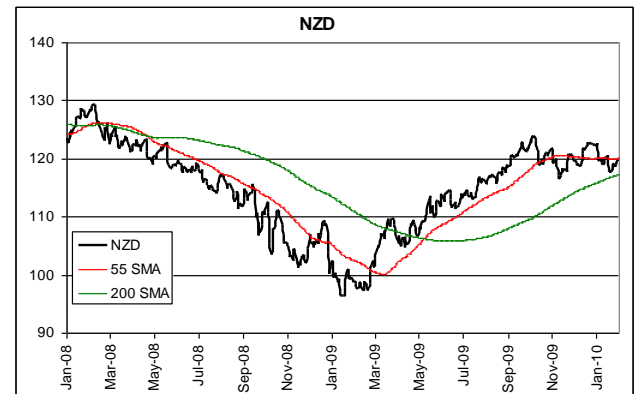
CHF slipping broadly as SNB valiantly tries to keep it from strengthening too much vs. struggling Euro.



We can't help but feel that this will all end in tears some day – but timing is everything in financial markets.



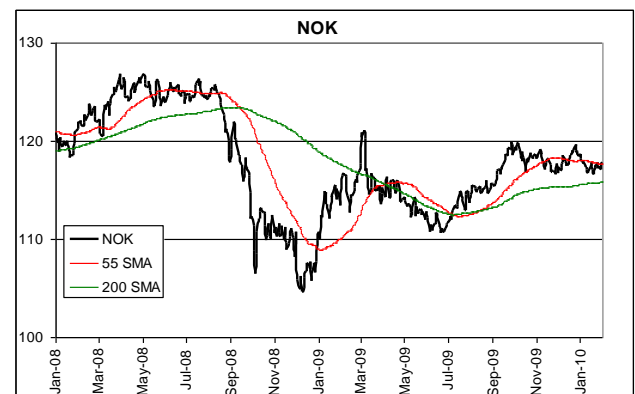
CAD pushing the high end of the range



Looking to cross below 200-day moving average soon?



SEK – outperforming Euro – but that's easy



NOK going nowhere in a hurry if risk aversion high

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