Daily Market Insight

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Tuesday, January 24, 2012

Pair	Bias	Objective/Comments	Key Resistance	Key Support
EUR/USD	↓	Higher on short-covering, lack of sellers after downgrades	1.3090	1.2975
USD/JPY	↓	Yen sold after BOJ downgraded Japanese growth outlook	77.94	76.33
GPB/USD	↓	Technical picture still damaged after dipping below key support	1.5600	1.5530
AUD/USD	↓	Failed at key 1.05 level, opens way for retest of 1.04	1.0500	1.0400
USD/CAD	↑	Consolidation at 1.0190 seems likely	1.0190	1.0053
USD/CHF	↑	On the verge of key 0.93 level, above it would be bullish	0.9300	0.9205

Headlines

- Euro finance ministers rejected putting up more cash for Greece
- As Brussels meeting continues, officials are trying to saddle bond holders with higher losses on Greek debt
- Eurozone PMI comes in higher than expected, boosted by German private sector growth
- Societe Generale and Credit Agricole, banks headquartered in recently downgraded France, were downgraded by S&P

Summary

More respite for the Euro comes in the form of a better than expected composite Eurozone PMI, printing above 50 for the first time since August of 2011.

The key events with which we would base further market bias this week are the FOMC rate decision tomorrow and Friday's US GDP release. Sadly, we believe US-based bankers and financial centers will continue to be disappointed over not receiving additional outright Quantitative Easing from the Fed, which should boost prospects for the US Dollar.

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Key Economic Events

- 10:00 – US Richmond Fed Index, 6 cons.
- 18:30 – AU Westpac Leading Index, 0.1% prior
- 19:30 – AU CPI (YoY), 3.3% cons.
- Jan. 25, 12:30 – US FOMC Rate Decision

More respite for the Euro comes in the form of a better than expected composite Eurozone PMI, printing above 50 for the first time since August of 2011. The celebration over private sector growth shouldn't be attributed to any other country besides Germany though, as that country's growth was the main benefactor to the positive figure.

Figure 1 compares the Eurozone PMI statistic to the Euro Stoxx 50 Index (red line), composed of 50 blue-chip European stocks. While the stock market tracks the PMI closely, we're not likely to be out of the woods until a clean break of the 2,500 level occurs, which would put us above a major support level that has been in effect since 2009.

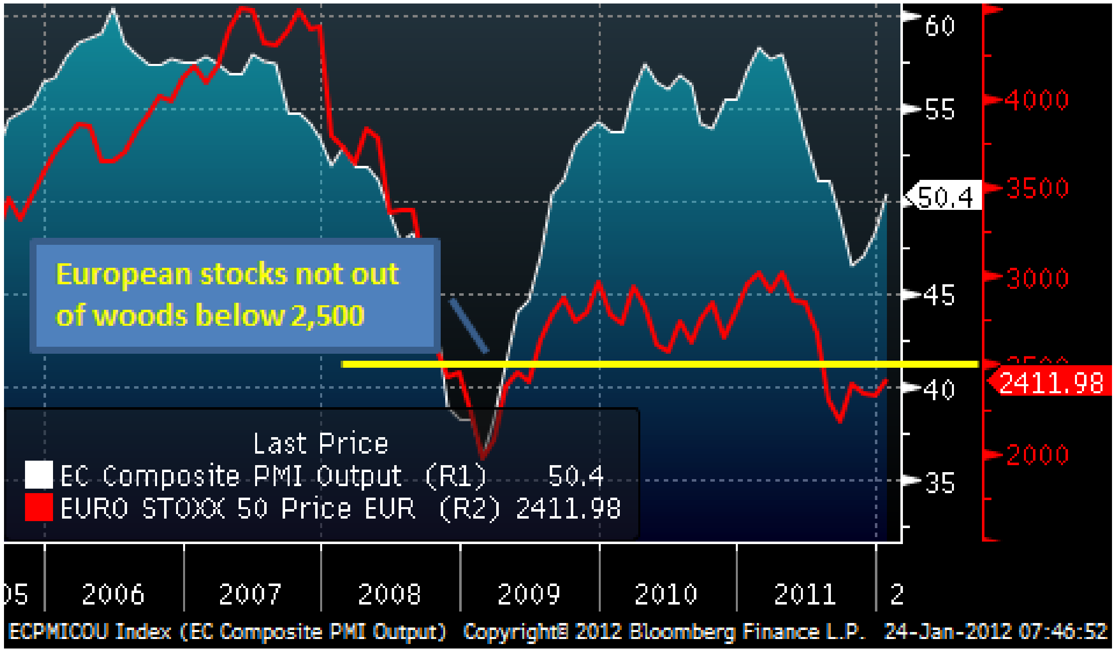

Figure 1: Eurozone PMI improves above 50, Euro Stoxx 50 Index (red line)

Source: FX Club Research, Bloomberg

Looking Forward This Week

The key events with which we would base further market bias this week are the FOMC rate decision tomorrow and Friday's US GDP release, which is expected to show a 3% increase in growth of the US economy. Sadly, we believe US-based bankers and financial centers will continue to be disappointed over not receiving additional outright Quantitative Easing from the Fed, which should boost prospects for the US Dollar.

Besides receiving additional bad news from the Greek and European summits this week, US GDP should be a closely watched figure with a positive number boding well for US equities, and risk assets in general.