

## Markets Cheer a US Recovery

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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
GBP/USD	↓	Technical picture still damaged after dipping below key support	1.5600	1.5530
AUD/USD	↓	Test of 1.0450 will tell us if bullish bias will materialize	1.0500	1.0450
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

- While most core Euro bond yields pull back, Portugal at a record 13.5% yield
- Portuguese CDS also sticking out like a sore thumb, 5-year at record high
- The Fed is releasing interest rate forecasts for the first time ever at the 14:00 FOMC meeting
- Risk assets, such as stocks, commodities, and Aussie, bolstered by optimism on US economy

### Summary

With the S&P 500 Index firmly planted above the important 1,300 level, and Aussie so far buoyed above 1.04, supported by demand for commodities, markets are clearly more focused on economic growth in the United States rather than the European debt crisis.

AUD/USD is now in a short-term pull back to test the resistance-turned-support and a hold would most likely attract fresh longs for a test of 1.0717 but at least 1.06.

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### Key Economic Events

- 12:30 – US FOMC Rate Decision, 0.25% cons.
- 15:00 – NZ RBNZ Official Cash Rate, 2.5% cons.
- Jan. 26, 08:30 – US Durable Goods, 2.0% cons.
- Jan. 26, 08:30 – US Jobless Claims, 370K cons.

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In fact, the only risk averse signs coming from markets are from credit markets for Portugal. With core European nations' borrowing costs mostly lower, and credit default swaps also calmer, Portuguese bond yields are at a record high of 13.5% along with CDS. So with such an apparent divergence, European credit markets have decoupled for the time being giving us a break from constant risk-selling.

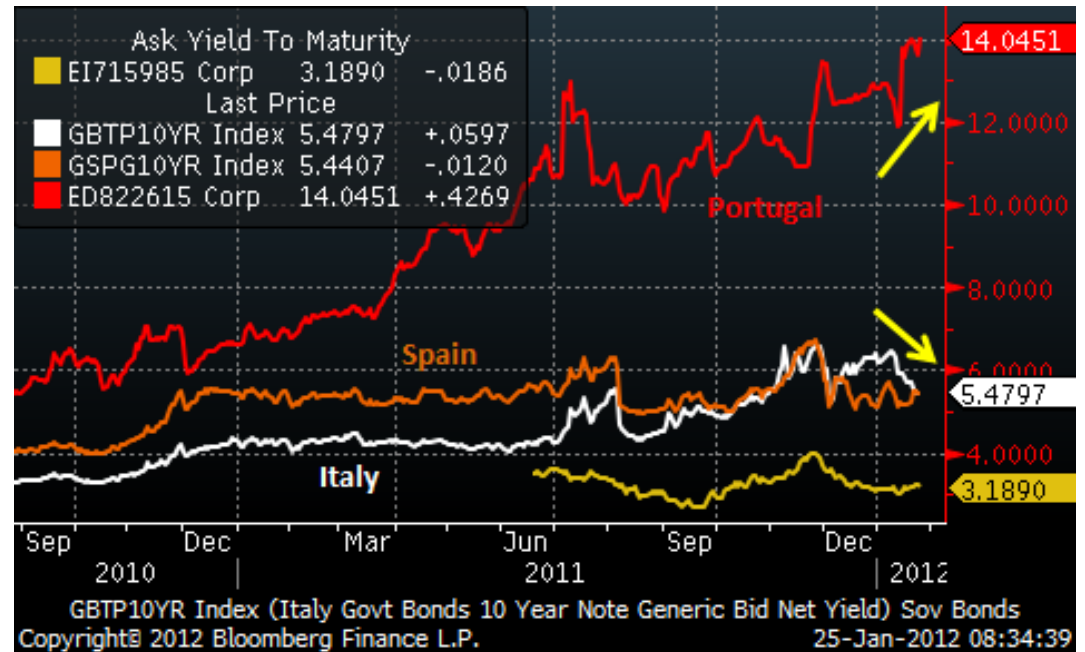


Figure 1: Separate ways. The yield on Portuguese debt (red) is the only skittish indicator of the Euro debt crisis.

Source: FX Club Research and Bloomberg

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## Markets Cheer a US Recovery

### Aussie Technicals

With crude oil refusing to back off of the \$100 level and agricultural commodities taking shorts out to the woodshed, Aussie is finding its support at 1.04.

The large symmetrical triangle has given way to a break out in a classic technical analysis pattern.

Price is now in a short-term pull back to test the resistance-turned-support and a hold would most likely attract fresh longs for a test of 1.0717 but at least 1.06.



Figure 2: Daily AUD/USD chart

Source: FX Club Research and Bloomberg

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