

The Plan for the Weekend

Alexander Chepurkó, Foreign Exchange Analyst

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Friday, February 10, 2012

Pair	Bias	Objective/Comments	Key Resistance	Key Support
EUR/USD	↓	Fall under 1.32 opens up 1.3115 consol. Awaiting Sunday.	1.3235	1.3050
USD/JPY	↓	200 day moving average at 78.08 in range for test	78.08	77.28
GBP/USD	↓	200 day MA tested, consolidates around 1.58 now	1.5937	1.5730
AUD/USD	↓	New multi-decade highs look like they're close by	1.0760	1.0600
USD/CAD	↑	Recovers above 200 day moving average for now	1.0036	0.9965
USD/CHF	↑	Consolidates around 0.92	0.9263	0.9126

Headlines

- Greek debt swap virtually done, now awaits approval by parliament on Sunday
- European leaders held back Greek aid in order to first receive Sunday's vote, will meet on Wednesday
- Fitch says that a disorderly Greek default is still possible
- EU/Athens standoff increases possibility for Greek default, but parliament votes look to be enough to avoid it

Summary

In general, Friday is a day that markets would rather offload risk. European officials have *held back* aid for Greece until the Greek parliament approves drastic austerity measures. The vote is due for Sunday and is being called a decision on whether to stay in the Eurozone. On Wednesday, another Eurogroup meeting is due in order to finally approve the release of a rescue package.

The best strategy at this point is to wait, as the market will likely gap up or down at the very open of trading on Sunday.

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Key Economic Events

- 02:45 – FR Indus. Prod. (YoY), **-1.3%** vs. -0.6% cons.
- 03:15 – SZ CPI (YoY), **-0.8%** vs. -0.8% cons.
- 04:02 – IT Indus Prod. (YoY), **-7.7%** vs. -7.2% cons.
- 08:30 – US US Trade Balance, **-\$48.8B** vs. -\$48.5B cons.
- 09:55 – US U. of Mich. Confidence, **72.5** vs. 74.8 cons.

In general, Friday is a day that markets would rather offload risk than prepare for a possible positive Greek vote over the weekend. The Euro's sell off from multi-month highs on a day like today isn't a huge surprise, but volatility is probably going to be quite high through the weekend and into Monday (not a common occurrence).

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Currency markets can trade as early as Sunday morning or afternoon and will likely reflect positively on an approval of the Greek austerity budget. If the Greek parliament decides not to go forward with drastic austerity, this would likely be the beginning of some sort of default on Greece's obligations. We would caution against predicting whether or how a default would affect Greece's membership in the Eurozone or the Eurozone as a whole. The Europeans have gone to great lengths to sustain a dialogue on saving Greece so betting against them would be going against 2 years of progress where bailouts have been enacted and reforms done.

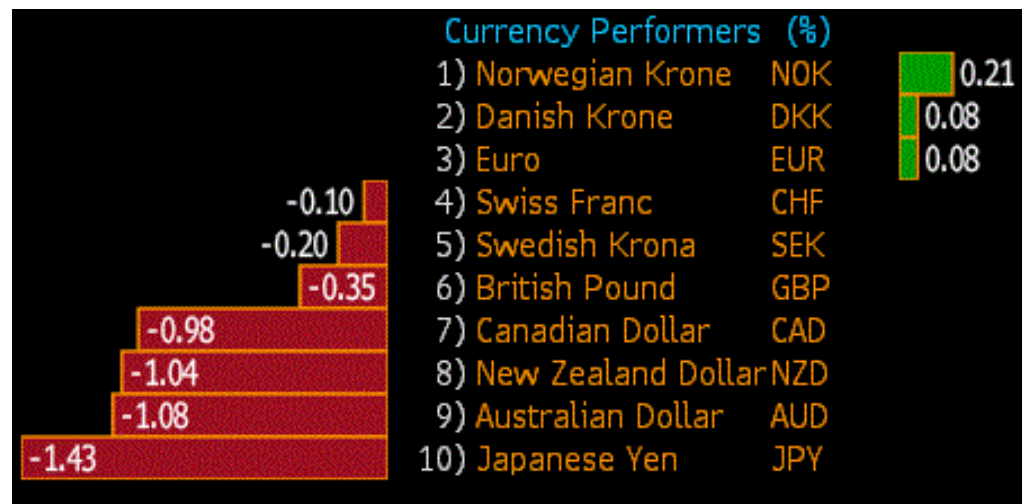


Figure 1: Over the past five days, the Japanese Yen has been the biggest loser on increased buying of risk. Euro is still flat for the period.

Source: FX Club Research and Bloomberg

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Calling the next Euro move for next week is like throwing darts at this point. The market is set up for a binary outcome; either a positive vote and bailout for Greece on Sunday, which should still have the potential to squeeze out shorts through 1.32. Or a failure of the Greek bailout and possible default which would likely result in a resurgence of shorting and a trip back down to 1.31, then sub-1.30.

The best strategy at this point is to wait, as the market will likely gap up or down at the very open of trading on Sunday.

Both outcomes will have their own set of consequences so look for our analysis at the beginning of the week and up-to-the-minute coverage of markets on our real-time [Twitter feed](#).



Figure 2 (above): Under 1.32 we could see further losses towards 1.3115 and 1.3050. But a positive Greek vote could still squeeze out shorts through 1.32 and beyond.

Source: FX Club Research and Bloomberg

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