citizensbank foreign exchange

March 10, 2010

DAILY ECONOMIC COMMENTARY

HIGHLIGHTS

- China Feb trade surplus $7.6-billion
- Exports rose 45.7% and imports rose 44.7%
- Copper imports rose 10.3% in February
- German Jan trade surplus shrank to €8.7-billion
- Exports fell €6.3-billion despite lower euro
- UK Jan industrial output fell by 0.4%
- Range: 1.0220 – 1.0370

BANK OF CANADA
Closing Exchange Rates

USD/CAD	1.0264
CAD/USD	0.9743
EUR/CAD	1.3959
GBP/CAD	1.5390
AUD/CAD	0.9382
NZD/CAD	0.7213
JPY/CAD	0.01141
CHF/CAD	0.9541

London Noon Exchange Rates

USD/CAD	1.0260
EUR/USD	1.3614
GBP/USD	1.4937
AUD/USD	0.9163
NZD/USD	0.7063
USD/JPY	90.37

Good morning.

It was a very quiet overnight trading session in Asia and Europe. Global equity markets are holding up very well even as they continue to be priced at fairly elevated valuations. Similarly with commodities, crude oil has moved higher again to test the eight-week highs from Monday. Currencies, especially the euro and pound sterling are struggling near the bottom of recent trading ranges against the dollar as investor concerns regarding political and financial stability in the European region and the UK are causing capital to flow out of those currencies.

The biggest beneficiaries have been the commodity currencies like the Canadian and Australian dollar; and to a lesser extent, the yen which continues to retain safe haven status most likely because most of the outstanding government debt is held by Japanese, unlike US Treasury instruments much of which is held by foreigners therefore making the dollar more susceptible to devaluation in the event of large-scale selling of these securities into the market. The Canadian and Australian dollar will remain firm as long as commodity prices continue to be bid-up by developing countries, specifically China.

China trade surplus in February was $7.6-billion, slightly below expectations. On a yearly basis, exports rose 45.7% and imports rose 44.7%. Imports of copper rose 10.3% in February and yesterday it was announced that the largest Chinese utility company and one of the world's largest copper customers will invest over $1.0-billion in mining ventures with Vancouver-based Quadra Mining Ltd. These are both indications that the demand for commodities in general, of which copper is only one example, is and will remain very strong going forward.

In other overnight news, German February CPI was revised up to 0.4% month-over-month, and 0.6% year-over-year. Still in Germany, January trade surplus shrank to €8.7-billion from €16.6-billion in December. The surplus is Germany's smallest in nearly a year. Exports fell €6.3-billion while imports rose €6.0-billion. On the bright side, domestic demand seems reasonably strong as evidenced by the rise in imports; however, given the euro's declining value it certainly comes as a surprise that exports fell by such a large amount. Many economists are questioning the exports number, because they are very much out of line with other indicators such as PMI and Ifo survey, both of which indicated a stronger showing by export industries.

In the UK, January manufacturing output fell unexpectedly at its sharpest rate since August. One factor attributed to the poor showing is the bad weather during the month. The bottom-line is the data was a disappointment and is not a good start for GDP outlook in 2010, which the Bank of England has forecast will grow by 3.0% annually by the end of the year. This weighed further on GBP/USD, which fell to another one-week low below 1.4900 and closer to pivotal support at 1.4880. There is no change today in the bearish short-term or medium-term outlook for GBP/USD.

USD/CAD seems content to sit right on top of support between 1.0200 -1.0250. There is support from crude oil and copper prices which is keeping the dollar from rising too far. Again there is no economic news from Canada today, but all that will change tomorrow as the latest international trade, housing and productivity numbers are released. The longer USD/CAD is unable to break support levels, the more chance for a move higher as traders always try to push on the side of least resistance to get a reaction. Of technical note, the 25-day MA line will cross below the 55-day MA by the end of this week adding further to the medium-term bearish dollar outlook.

Have a great day.

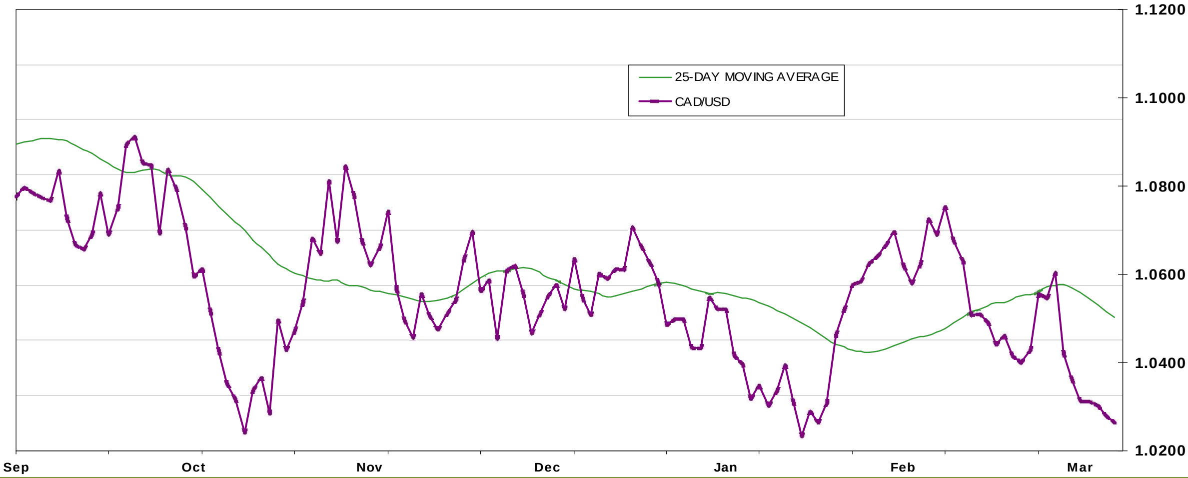
EQUITIES

TSX	11,919
DOW INDUSTRIALS	10,564
S&P500	1,140
NASDAQ	2,341
HANG SENG	21,208
NIKKEI	10,564
DAX	5,897

COMMODITIES

CRUDE OIL	$	81.67
GOLD	$	1,125.55
SILVER	$	17.43
UNLEADED GAS	$	2.27
COPPER	$	3.41
CRB INDEX		274.79

CANADIAN DOLLAR PERFORMANCE



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ECONOMIC INDICATORS

USA		RELEASE	SURVEY	ACTUAL	CANADA		RELEASE	SURVEY	ACTUAL
Jan	US Dur Gds XT -R	4-Mar	0	**-1**	0	CA BOC rate	2-Mar	0.25	**0.25**
Jan	US Factory Ords	4-Mar	1.8	**1.7**	Feb	CA Ivey PMI	4-Mar	57	**51.9**
Jan	US NDcapXAir Rev	4-Mar	0	**-4.1**	Jan	CA Build permits	4-Mar	0.9	**-4.9**
Q4	US Labor Cost Q2	4-Mar	-4.4	**-5.9**	Feb	CA House starts	8-Mar	190	**196.7**
Feb	US N-F payrolls	5-Mar	-50	**-36**	Q4	CA Capacity U Q4	11-Mar	69.9	**0**
Feb	US Unemployment	5-Mar	9.8	**9.7**	Jan	CA Trade bal	11-Mar	0.1	**0**
Feb	US ECRI infl'n	5-Mar	0	**101.4**	Jan	CA New housing	11-Mar	0.4	**0**
Jan	US Consumer cred	5-Mar	-4.5	**5**	Feb	CA Unemployment	12-Mar	8.3	**0**
w/e	US ABC CCI	9-Mar	0	**-49**	Feb	CA Jobs-change	12-Mar	20000	**0**
Jan	US Wholesale inv	10-Mar	0.2	**0**	Q4	CA Lab prod rate	16-Mar	0	**0**
Feb	US Fed budget	10-Mar	-222	**0**	Jan	CA Mfg sales	16-Mar	0	**0**
Jan	US Int'l trade	11-Mar	-41	**0**	Jan	CA W'sale trd mm	17-Mar	0	**0**

EUR/USD

EUR/USD : Not much to add today. Rallies for now seem to limited by 25-day MA line. Primary support is at 1.3525, then the bottom of a broad-based consolidation around 1.3450. Narrow

GBP/USD

GBP/USD : Longer-term outlook is still bearish. The correction is so far unable to make significant headway above 1.5115. The hourly support at 1.5000 is breached, look for test of recent lows at 1.4780.

INTEREST RATES

Central Bank Rates		Bonds	2Y	5Y	10Y	20Y	30Y	Prime Rates	
BOC	0.50%	Canada	1.54%	2.81%	3.53%	4.14%	4.13%	Canada	2.25%
FED	0.25%	US	0.90%	2.36%	3.72%	==	4.69%	US	3.25%
ECB	1.00%	Germany	0.90%	2.15%	3.13%	3.92%	3.93%	**LIBOR**	
BOE	0.50%	UK	1.06%	2.80%	4.05%	4.58%	4.58%	O/N	0.19%
BOJ	0.10%	Japan	0.15%	0.47%	1.31%	2.13%	2.25%	3 MONTH	0.26%
RBA	3.75%	Australia	4.80%	5.30%	5.56%	==	==	6 MONTH	0.39%

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Expert Advice and Help for Your Business

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