

Friday, 3 February 2012

Market consolidated as data signaling improvement in the U.S. labor market and remarks by Federal Reserve Chairman Bernanke that suggested some economic optimism were offset by unresolved Greek debt restructuring. Bernanke, in testimony to Congress, said he was seeing signs that some of the uncertainty dampening U.S. business investment, including European banking woes, might be waning.

Investors also remained cautious ahead of the U.S. non-farm payrolls and unemployment report for January on Friday.

Euro zone finance ministers aim to agree a second financing package for Greece on Monday.

A deal for Greece would include agreement on official new financing, the size of voluntary losses banks and other private bondholders are willing to accept and new reforms Greece must undertake.

Greek Finance Minister Evangelos Venizelos who said public sector participation in a Greek debt swap must be fleshed out before a deal can be clinched.

EUR/USD was volatile, falling as low as 1.3086 before ended NY trade little changed at 1.3144.

Increasingly ominous outlook for Portuguese sovereign debt kept investors wary of euro.

USD/JPY remained near a record low of 75.31 reached on October 31, keeping alive concerns that Japanese authorities may intervene to curb yen strength.

Markets were also on watch for any moves from the Swiss National Bank as EUR/CHF within reach of the floor it set at 1.20.

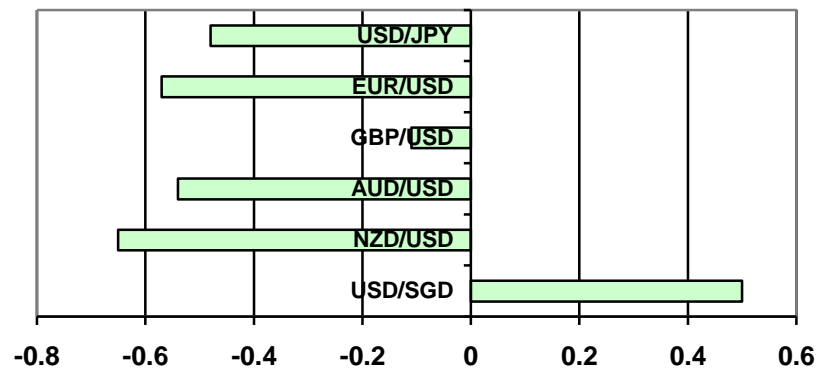
GBP/USD flat after rising to 1.5884 on Wednesday, its highest since Nov. 18. Sterling supported by risk appetite and data pointed at growth in the construction and manufacturing sectors.

AUD/USD reached 1.0757, a 5-month high, helped by data showing Australia's trade surplus rebounded to the highest in three months in December.

London – New York Market (as at 2 February 2012)

	High	Low	Close
USD/JPY	76.24	76.05	76.21
EUR/USD	1.3193	1.3086	1.3144
GBP/USD	1.5858	1.5795	1.5807
AUD/USD	1.0748	1.0679	1.0711
NZD/USD	0.8370	0.8311	0.8334
USD/SGD	1.2497	1.2451	1.2467

% change compared to previous NY closing



	Close	Change
STI	2901.04	-3.72
KLCI	1537.09	+ 15.80
Dow Jones	12705.41	- 11.05
Nasdaq	2859.68	+ 11.41
Tokyo Nikkei 225	8876.82	+ 67.03
Crude Oil Nymex Mar	US\$ 96.36	- \$ 1.25
COMEX Apr Gold	US\$ 1,759.30	+ \$ 9.80
2-Year Treasury	0.23	unch
10-Year Treasury	1.83	

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EU leaders agreed in October they would lend Greece another 130 billion euros, assuming investors would forego half of what Greece owes them in nominal terms.

But talks on the terms of those losses - called private sector involvement or PSI - have moved on since then and the chief executive of Deutsche Bank said bondholders were now ready to lose 70% of the net present value of their investment.

Luxembourg's Jean-Claude Juncker, the chairman of the Eurogroup countries, described the talks between the Greek government and private sector creditors - banks and insurance companies that own Greek government debt - as "ultra-difficult".

Juncker also said the outcome of the leaders' summit on Jan. 30 was "largely insufficient" when it came to tackling the sovereign debt crisis and that further steps would be needed to tighten fiscal rules for the 17 euro zone countries.

Greek Finance Minister Evangelos Venizelos who said public sector participation in a Greek debt swap must be fleshed out before a deal can be clinched.

Venizelos said the government was in tough talks with the EU and IMF on the recapitalization of Greek banks after the debt swap deal.

The focus was now on what additional reforms Greece would have to undertake in return for the new help and how much euro zone governments and institutions would contribute to the effort to make Greek debt sustainable at 120% of GDP in 2020.

EUR earlier gained after Chinese Premier Wen Jiabao said his country was considering greater involvement in the European Financial Stability Facility and its successor, the European Stability Mechanism.

The ESM, a 500-billion-euro permanent bailout fund that is due to become operational in July, is expected to replace the EFSF, a temporary fund that has been used to bail out Ireland and Portugal and will help in the second Greek package.

Adding to the mix, German Finance Minister Wolfgang Schaeuble said that Greece's public sector creditors have already done enough to help alleviate the country's debt crisis and the onus to act rests with the private sector.

Japan prepared to take firm measures on currencies

Japanese Finance Minister Jun Azumi said he is prepared to take firm measures on currencies when needed, hinting at the chance of solo intervention in forex markets as JPY edges higher versus USD.

Azumi said he would not ignore short-term speculative forex moves as the outlook for U.S. interest rates and Europe's debt crisis draw investor flows into the yen.

US new claims for unemployment benefits fell more than expected, market awaits Friday's jobs report

New claims for unemployment benefits in the United States fell more than expected last week, pointing to improvement in the jobs market.

Initial claims for state unemployment benefits slid 12,000 last week to 367,000.

Economists and investors will look to a report on U.S. employment for January on Friday to get a firmer fix on the health of the labor market.

Federal Reserve Chairman Bernanke defended the U.S. central bank's policies, saying the economy still needs plenty of support.

Bernanke told the House Budget Committee that Europe's financial crisis still threatened the U.S. recovery, and said the Fed would do everything it can to ward off damage.

"The basic reason for low long-term rates, which are also a feature of every other industrial economy, are low inflation, slow expected growth and the fact that USD is a safe haven," Bernanke said.

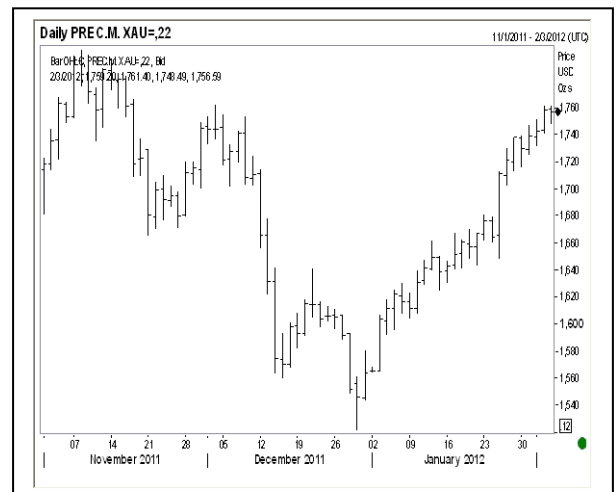
Last week, the Fed said U.S. overnight interest rates would likely remain near zero until at least through late 2014, a pledge widely seen as an effort to push other borrowing costs lower to spur stronger growth and job creation.

Bernanke said he was seeing signs that some of the factors dampening U.S. business investment, including uncertainty surrounding European bank woes, might be waning.

But he added it was far too soon to say whether the United States would remain unscathed by troubles beyond its borders.

Gold rose to 2-month high

The 2012 rally in gold continued - as the precious metal rose for the third straight day and traded to a two-month high.



FX Outlook

FX market focus will be on US jobs data and final agreements on the Greek debt swap and second Greek bailout.

Market also remains wary over possible Japan and Swiss National Bank intervening in the market.

Japanese Finance Minister Jun Azumi said on Thursday he is prepared to take firm measures on currencies when needed.

SNB interim head Thomas Jordan was reported by the Financial Times as saying the central bank will enforce the minimum Swiss franc exchange rate against the euro "with the utmost determination."

HSBC's China services PMI data will be released during Asian session.

UK services sector due - a Reuters poll expecting a positive reading of 53.5, slightly below the previous month's 54.0.

U.S. jobs report - Reuters predict 150,000 nonfarm jobs created versus 200,000 in December.

The unemployment rate is seen at 8.5% January unchanged from the December rate. There appears to be a divergence of opinion on how the data will impact the USD.

Some feel a weaker jobs number will result in selling of risk assets and will support the USD as a safe-haven play. Others feel a weaker payroll number will increase the likelihood of the Fed ushering in QE III and subsequently weigh on USD sentiment.

Overnight, USDMYR NDF traded a 3.0150-3.0250 range; last in NY at 3.0170/10.

USD/MYR opened Friday session around 3.0210 – 0240. Market expected to remain on sidelined ahead of key data later today. Long weekend in Malaysia also may lead to some short covering activity. Expected trading range 3.0150 – 3.0400.

Mid Rate	Open 8.30am 3 February 2012	Close 4.30pm 2 February 2012
USD/SGD	1.2490	1.2470
JPY/SGD	1.6390	1.6390
EUR/SGD	1.6400	1.6400
GBP/SGD	1.9740	1.9760
AUD/SGD	1.3370	1.3380
NZD/SGD	1.0380	1.0400

Key Economic Indicators/Events for Today

		Period	Forecast
GB	CIPS Services PMI	Jan	53.5
EZ	Retail Sales (m/m)	Dec	0.3
US	Non-Farm Payrolls	Jan	150 K
	Unemployment	Jan	8.5
	Factory Orders	Dec	1.5
	ISM Non-Manufacturing	Jan	56.2

	USD/JPY	EUR/USD	GBP/USD
Resistance 2	76.70	1.3250	1.5940
Resistance 1	76.40	1.3200	1.5880
Support 1	76.00	1.3080	1.5740
Support 2	75.70	1.3000	1.5680
	AUD/USD	NZD/USD	USD/SGD
Resistance 2	1.0760	0.8400	1.2530
Resistance 1	1.0730	0.8370	1.2500
Support 1	1.0670	0.8270	1.2450
Support 2	1.0600	0.8240	1.2420