

Friday, November 19, 2010 - 07:19

Ldn FX: Euro Extends Recovery As Irish Concerns Fade For Now

LONDON, Nov. 19 (MNI) - Euro recovery extended through European morning trade Friday, as Ireland concerns faded, the market now awaiting outcome of the IMF/ECB mission to the country.

Euro-dollar extended its recovery above \$1.37, touching a high of \$1.3732.

EURO SUMMARY: Opened in early Europe around \$1.3635

the rate to session highs of \$1.3661 as demand for euro-yen was seen into the Tokyo fix. Rate reversed post fix, a major French name a noted seller from above \$1.3650, with model sales through the \$1.3630's taking it to an initial low of \$1.3621. Fed Bernanke text comment that a US recovery is key to sustained global growth provided a boost for risk and lifted rate to \$1.3643. Recovery met short-term model sell interest which took it to lows of \$1.3608. Rate recovered ahead of the European open, with early demand into Europe providing the momentum to trigger stops above \$1.3665/70 to take rate on to \$1.3677. Middle East demand provided a second wave of demand, the break of \$1.3685/90 meeting semi-official offers at \$1.3700. CitiFXTech buy rec took rate to \$1.3715 before stalling. Incorrect Reuters hed that China hiked rates dropped rate to \$1.3667. Rate snapped back to \$1.3732 when that Reuters headline was corrected to China raises reserve requirement.

CHINA: China PBOC to raise reserve requirement by 50 basis points - China PBOC reserve hike effective November 29.

US: Reported comments from US officials overnight and Friday, * FED: Bernanke's two texts from his appearances scheduled for the morning in Frankfurt are out, and he concentrates on warnings about the hazards of global imbalances, plus repeats his defenses of QE2. * FED: Philadelphia Federal Reserve President Charles Plosser made it clear today that the Fed's latest asset purchase program is a "conditional" policy, whose fate depends on how it impacts the US economic recovery going forward. In a briefing with reporters following remarks at the Cato Institute in Washington, Plosser was asked point blank if he was in favor of the \$600 billion asset purchase program. He repeated his past argument that, for him, "the benefits where not large enough to outweigh the costs."

EUROZONE: Reported comments from eurozone officials Friday, * ECB STARK: ECB prohibition of govt debt monetisation, independence will have to remain after crisis - Monetary policy strategy needs to be geared towards medium term, resist fine-tuning temptation - Crisis has increased the case for 'leaning against the wind' * GREECE FINMIN: Ireland case different from other countries. - Now at point where decisions must be taken. - Irish govt have no issue financing - Ireland has issue of banks - No question, banks should be allowed to fail - No doubt monetary union will survive * IRELAND: Wire running a comment from an unnamed Irish minister saying Irish govt fiscal plan is just about ready, will be published early next week. (Rtrs) * ECB GONZALEZ-PARAMO: ECB policy is "very accommodative" - Money market not "normal yet" - ECB exit will continue as "market situation requires". (Bbg) * EFSF REGLING: Ireland budget situation is under control, banks are the problem - Confident can raise funds if needed for Ireland, including in Asia - Current ECB, IMF mission to Ireland could last 'about 2-weeks' - Situation in Portugal very different to Ireland, banks there are 'very solid' (Le Monde) * GERMANY FINMIN: Would be big mistake to abandon fiscal consolidation - EFSF is important stabilizer, but temporary - New EU governance reforms major progress - New crisis mechanism, instrument for future - Mechanism does not apply to current debts. * IMF STRAUSS-KAHN: Global cooperation is waning as crisis eases - Global recovery is uneven, fragile - Unevenness of recovery contributes to fragility - Still absolutely necessary to support growth - Consequences of big US slowdown would be huge - Far, far from exiting the crisis

EUROZONE: Press pick-ups in the eurozone Friday, * UK PRESS: French and German officials are pressing Ireland to increase its low corporate tax rate in return for an aid package, setting the stage for a showdown over a policy long resented by Dublin's European partners, the FT reports. Ireland views the corporate tax rate, set at 12.5 per cent, as the cornerstone of its industrial policy, the paper says. On Thursday Irish officials reiterated their determination to protect it. * IRELAND: A dozen-strong mission from the International Monetary Fund (IMF) will begin formal discussions with the Government in Dublin today on a rescue package for the State running into tens of billions of euro, the Irish Times reports. The IMF delegation will include several banking experts who will take part in the discussions with more than 20 officials from the European Central Bank (ECB) and the European Commission, the paper adds. * GERMANY: German Chancellor Angela Merkel said that she's engaged in "a battle" with financial markets to compel investors to shoulder some of the risk for future euro-area debt crises, the Irish Independent reports. Merkel, in a speech to insurers in Berlin, reiterated that a permanent crisis-resolution mechanism is needed for the euro area once the E750bn rescue fund mandate expires in 2013, the paper says. * EUROPE: Spain and Portugal have hurried to disassociate themselves from Ireland's debt crisis, saying their own fiscal problems can be solved without the kind of rescue package mooted for Ireland by the EU and the IMF, the FT reports.

EUROZONE: Data released in the eurozone Friday, * GERMANY: Oct PPI +0.4% m/m, +4.3% y/y after Sep +3.9% y/y - Slightly above MNI analysts survey median forecast of +0.3% m/m

YEN SUMMARY: Asia ranged Y83.33-64/Y113.53-Y114.13. Speculation was rife

start ahead of a plethora of central bank officials speaking at a conference in Frankfurt. Earlier bounce from Japanese banks to Y83.64 was supported by cross activity, with bids rising from Y83.00 to Y83.40 and now layered to Y83.00. Dollar drifted down to Y83.14 in Europe with sales from a US investment bank filling most of the bids, but then rallied back to Y83.30's. A dip back on the PBOC reserve ratio requirement hike of 50bps sent the dollar below Y83.20 as cross longs were liquidated but the move quickly recovered. Exporters offers remain from Y83.60 up to Y84.00 with stops above. Talk is of stop-sell orders building through Y82.90. Euro-yen rallied initially to Y114.13 but was driven down to Y113.53 by earlier euro-dollar sales from a French bank. Europe then took the cross back up to a new week's high of Y114.28 tweaking some stops through Y114.20, but dropped to Y113.87 on the PBOC announcement before rallying back to rechallenge the highs.

JAPAN: Reported comments from Japanese officials Friday, * BOJ MORIMOTO: Expansion of asset buying one strong option if economy worsens - Always on guard against rapid forex moves - Japan long term yields rising somewhat, want to watch closely - FOMC's QE aimed at supporting US economy - Won't comment on other cenbanks' monetary policies - BOJ's asset buying is different from Fed as it includes risky assets - May take one year or more for asset purchases to have impact (Kyodo) * PM KAN: BOJ taking bolder steps than before - To support dollar as global key currency

JAPAN: Press pick-ups in Japan Friday, * JAPAN PRESS: Finance Minister Yoshihiko Noda said today it was good the Nikkei Stock Average recovered to the 10,000 level yesterday, but cautioned the index may fall again, The Nikkei reports. "My basic understanding is that Japan's economy remains at a standstill and that exports and output are weak," said Noda at a news conference after a cabinet meeting.

JAPAN: Data released in Japan Friday, * Japanese department store sales are expected to show an improvement in October from a 5.2% drop in September, thanks to falls in temperatures which buoyed sales of autumn and winter clothing, a survey by Market News International found. According to the survey, eight out of the nine surveyed major department stores reported improvement in their October sales, compared with September. Japan Department Stores Association will release October sales figures Nov. 24.

Rates in London Trading TIME EURO-USD USD-YEN CABLE EURO-YEN EURO-STG 0500 GMT 1.3630 83.48 1.6030 113.78 0.8503 0600 GMT 1.3635 83.35 1.6035 113.65 0.8503 0700 GMT 1.3682 83.35 1.6072 114.04 0.8512 0800 GMT 1.3695 83.32 1.6060 114.10 0.8527 0900 GMT 1.3706 83.25 1.6087 114.10 0.8520 1000 GMT 1.3700 83.25 1.6077 114.05 0.8521 1100 GMT 1.3718 83.22 1.6065 114.16 0.8539

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