



Current FX Market Themes



CUSTOM HOUSE

2009

- Global credit market turmoil – risk appetite
- Coordinated central bank, gov't action
- Global economic slowdown - commodities
- Risk aversion vs. US asset aversion
- Central bank FX reserve diversification
- Market focus shifts back to growth fundamentals from extreme risk aversion





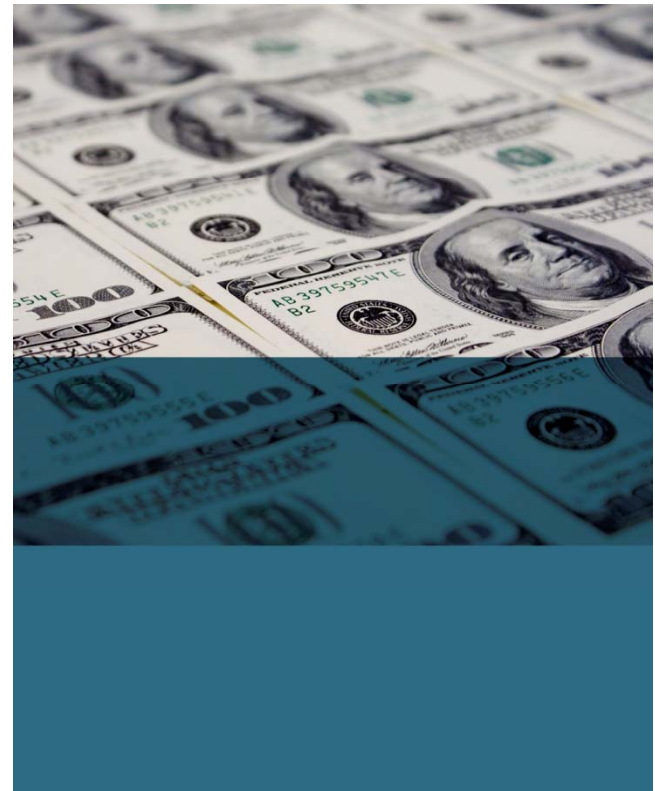
Fundamental Analysis of Major Currencies



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USD

- Wall Street in turmoil
- NBER declared recession – Dec 2007
- Soft economy – employment, housing
- Twin deficits
- Flood of USD debt issuance
- CNY acting as escape valve
- ZIRP and quantitative easing - steepening



Daily Q/DXY

18/06/2008 - 29/01/2009 (NYC)

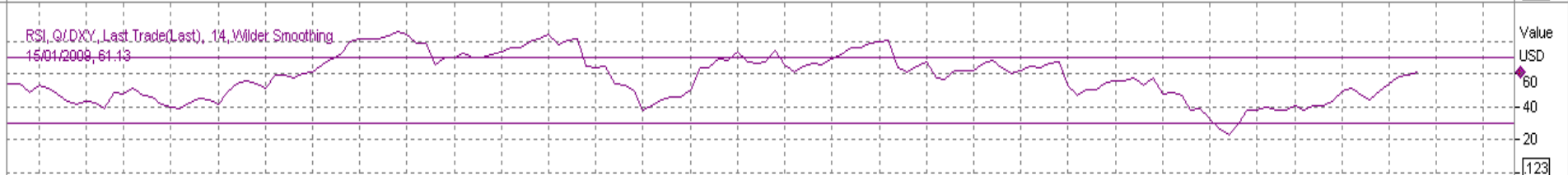
BarOHLC, Q/DXY, Last Trade
15/01/2009, 84.267, 84.963, 84.043, 84.768
EMA, Q/DXY, Last Trade(Last), 33
15/01/2009, 83.022
EMA, Q/DXY, Last Trade(Last), 100
15/01/2009, 81.93

Price
USD



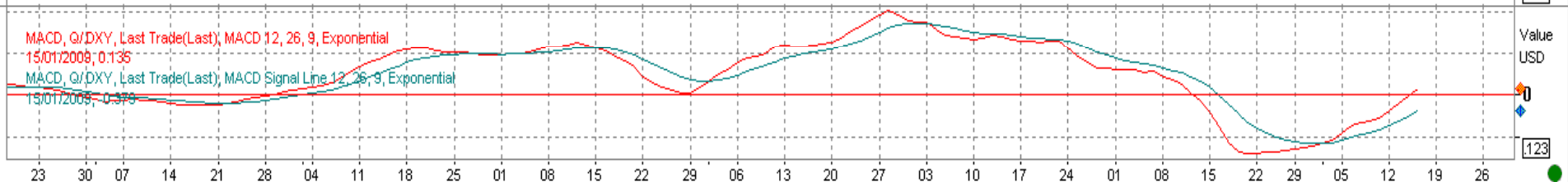
RSI, Q/DXY, Last Trade(Last), 14, Wilder Smoothing
15/01/2009, 61.13

Value
USD



MACD, Q/DXY, Last Trade(Last), MACD 12, 26, 9, Exponential
15/01/2009, 0.135
MACD, Q/DXY, Last Trade(Last), MACD Signal Line 12, 26, 9, Exponential
15/01/2009, -0.373

Value
USD



June 2008 | July 2008 | August 2008 | September 2008 | October 2008 | November 2008 | December 2008 | January 2009



EUR

- A global epidemic - financial instability
- Softening economic picture in the euro zone
- Inflation no longer a concern – Trichet – 50 bps?
- Central Bank FX reserve diversification
- Price action overshooting – overbought against GBP
- Narrowing yield differential – further rate cuts ahead



Daily QEUR=

13/06/2008 - 27/01/2009 (GMT)





CAD

- Short-term correction in commodities
- Positive trade surplus – fiscal environment
- Country (political) risk
- Employment growth and domestic demand
- Narrowing yield spreads
- Investment climate – bearish – likely entered recession in Q4 2008
- OIS still implying 50-75 bps – as much as 100 in further easing



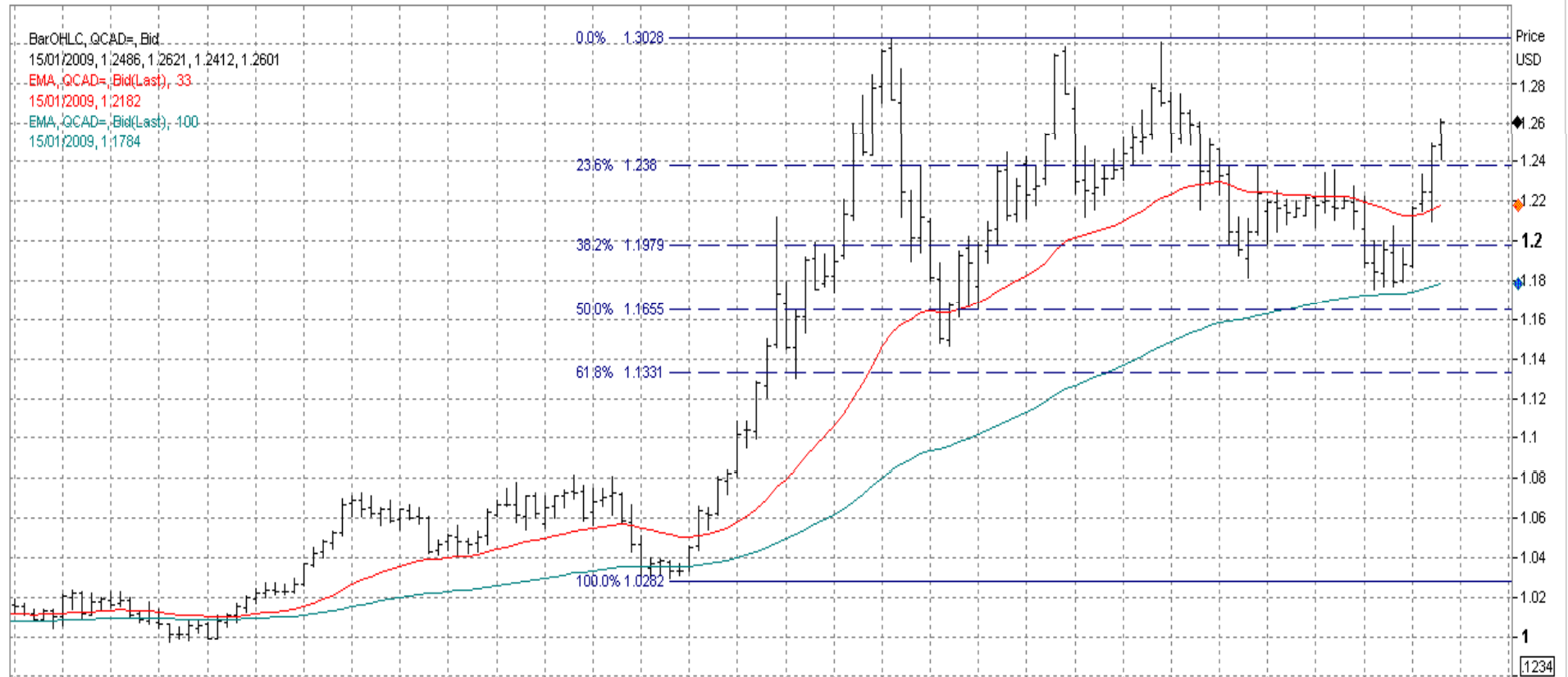
Daily QCAD=

23/06/2008 - 26/01/2009 (GMT)

BarOHLC, QCAD=, Bid
 15/01/2009, 1,2486, 1,2621, 1,2412, 1,2601
 EMA, QCAD=, Bid(Last), 33
 15/01/2009, 1,2182
 EMA, QCAD=, Bid(Last), 100
 15/01/2009, 1,1784

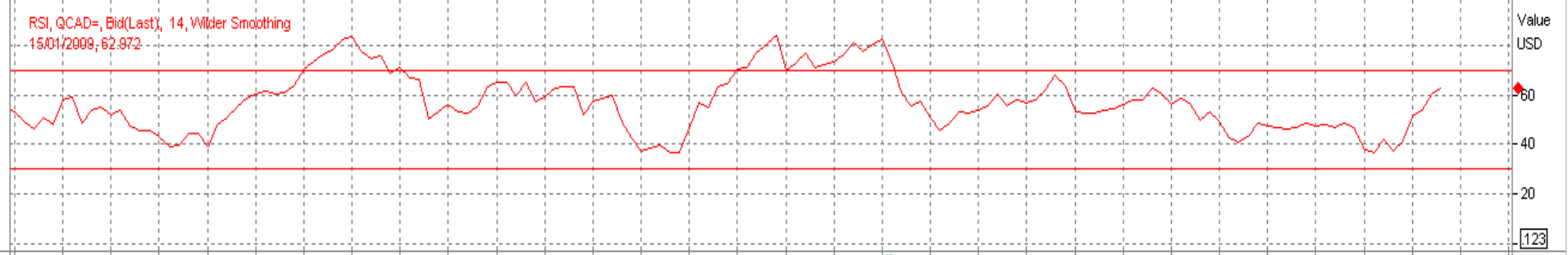
0.0% 1.3028
 23.6% 1.238
 38.2% 1.1979
 50.0% 1.1655
 61.8% 1.1331

Price
 USD
 1.26
 1.24
 1.22
 1.2
 1.18
 1.16
 1.14
 1.12
 1.1
 1.08
 1.06
 1.04
 1.02
 1
 1234



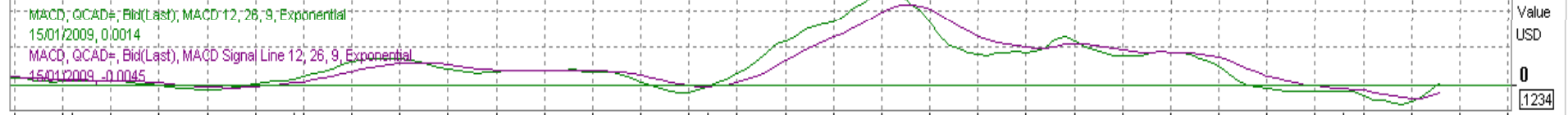
RSI, QCAD=, Bid(Last), 14, Wilder Smoothing
 15/01/2009, 62.972

Value
 USD
 60
 40
 20
 123



MACD, QCAD=, Bid(Last), MACD 12, 26, 9, Exponential
 15/01/2009, 0,0014
 MACD, QCAD=, Bid(Last), MACD Signal Line 12, 26, 9, Exponential
 15/01/2009, -0,0045

Value
 USD
 0
 1234



23 Jun 08 | 30 July 08 | 07 August 08 | 14 September 08 | 21 October 08 | 28 November 08 | 05 December 08 | 12 January 09 | 19 26



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Forecasts for 2009: USD Rally Loses Steam

PAIR	SPOT	H1 2009	H2 2009
EURUSD	1.3100	1.2800	1.3300
USDCAD	1.2600	1.2900	1.2400
EURCAD	1.6500	1.6350	1.6150

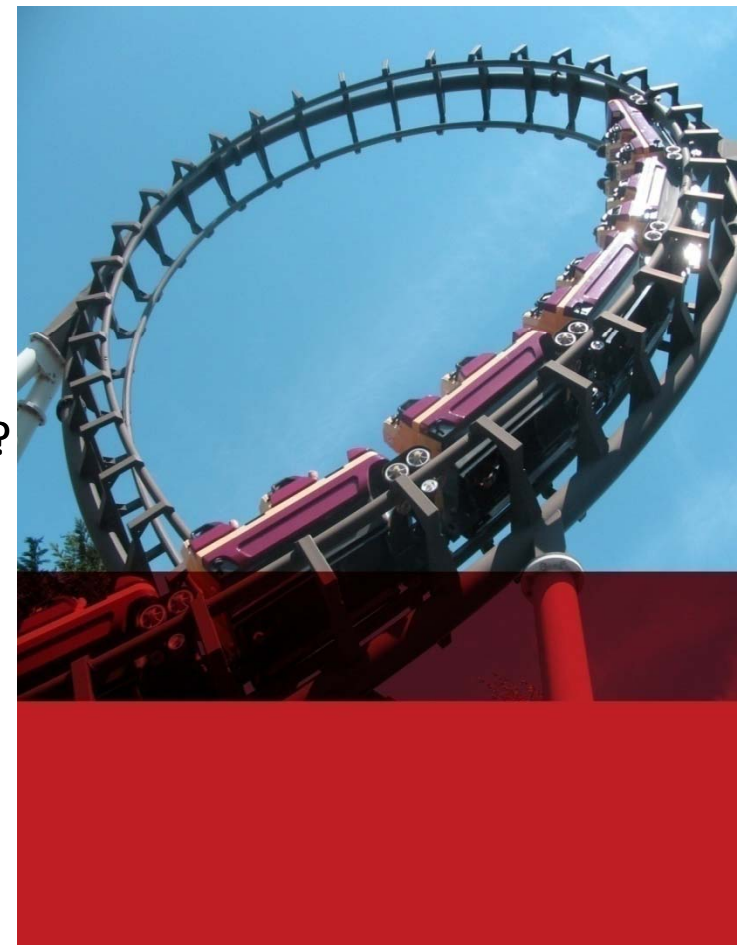


Canadian Small Cap Equities



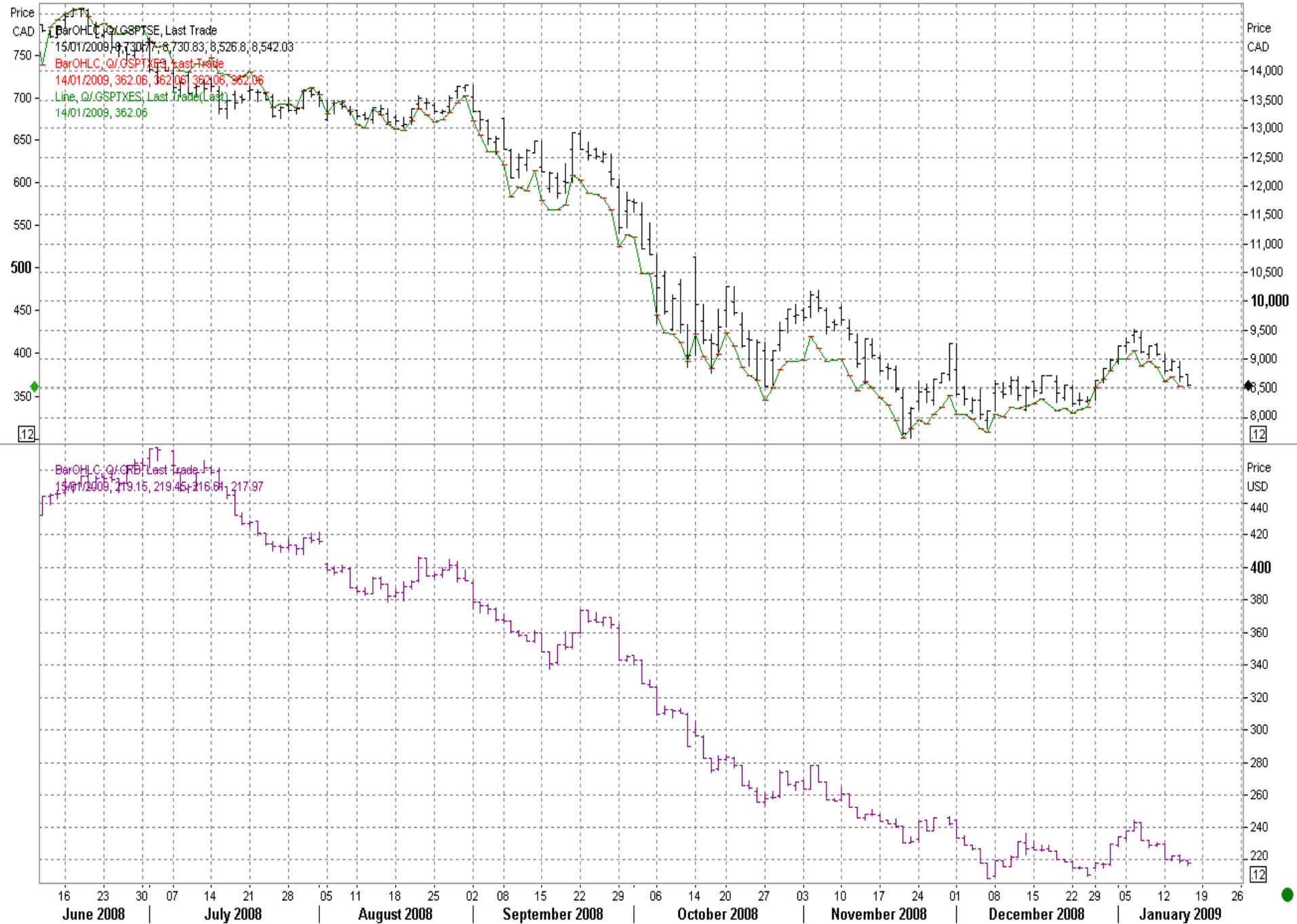
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- Risk appetite – surprising performance of small caps
- Attractive valuations?
- Short/medium-term correction in commodities
- Trouble ahead for the highly leveraged
- Overpaid for drilling rights? Produce able reserves?
- Bargain hunting for assets, properties
- Currency risk



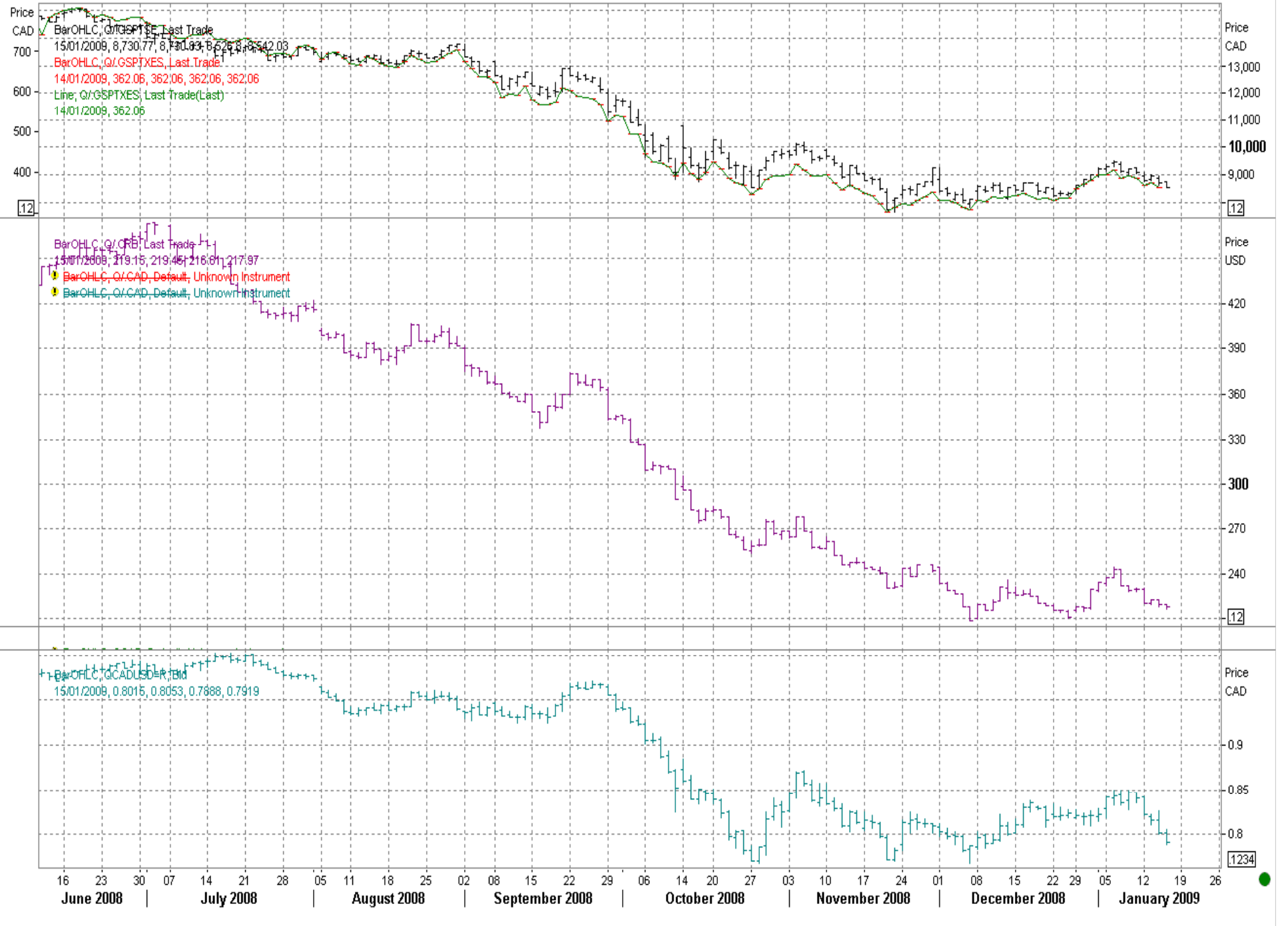
Daily QI.GSPTSE, QI.GSPTXES, QI.CRB

11/06/2008 - 26/01/2009 (VAN)



Daily QI.GSPTSE, QI.GSPTXES, QI.CRB, QI.CAD, QCAD, QCADUSD=R

11/06/2008 - 26/01/2009 (VAN)





Outlook for Canadian Small Caps



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- Global risk appetite
- Commodities
- USDCAD – commodities and equities leading

