



## Key News

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- [China faces WTO complaint over exports](#) (Financial Times)
- JOHANNESBURG, Nov 5 (Reuters) - Confidence in South Africa's economy fell to a one-year low in October as demand and manufacturing capacity were seen taking longer to recover, with high power costs further curbing growth and fuelling inflation.
- [Lending must support the real economy](#) (Financial Times)

## Quotable

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"People ask me what I do in the winter when there's no baseball. I'll tell you what I do. I stare out the window and wait for spring."

Rogers Hornsby

## FX Trading – And the week isn't even over yet ...

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The FOMC did nothing yesterday, as expected.

The markets were crazy early on ... and then again following the meeting. (A whole lot of jockeying, as Jack likes to say.)

The US dollar was the overall loser on the day; the standout winner seemed to be the euro.

In the last hour of trading yesterday the S&P 500 wiped away much of the day's gains; futures are relatively flat as the morning gets going here in the US.

The US dollar was somewhat stronger this morning ahead of the Bank of England and European Central Bank monetary policy announcements.

The BOE, as expected, did nothing with rates, and they did increase their quantitative easing program slightly. The British pound rallied to positive territory versus the buck.

The ECB, as expected, did nothing with rates. The euro is thus far flat versus the buck and awaits comments from Mr. Trichet.

ADP payrolls, a bit worse than expected yesterday, seemed to get overshadowed a bit; jobless claims numbers may get some attention today; but the big number – October US Nonfarm Payrolls – is due tomorrow.

Remember that on Tuesday the Reserve Bank of Australia hiked interest rates by 25 basis points, but more importantly sent the markets a signal by clearing the table of any certain rate hikes in December. For a moment that seemed to work in the US dollar's favor – potential for expectations of a narrowing rate differential. Got it?

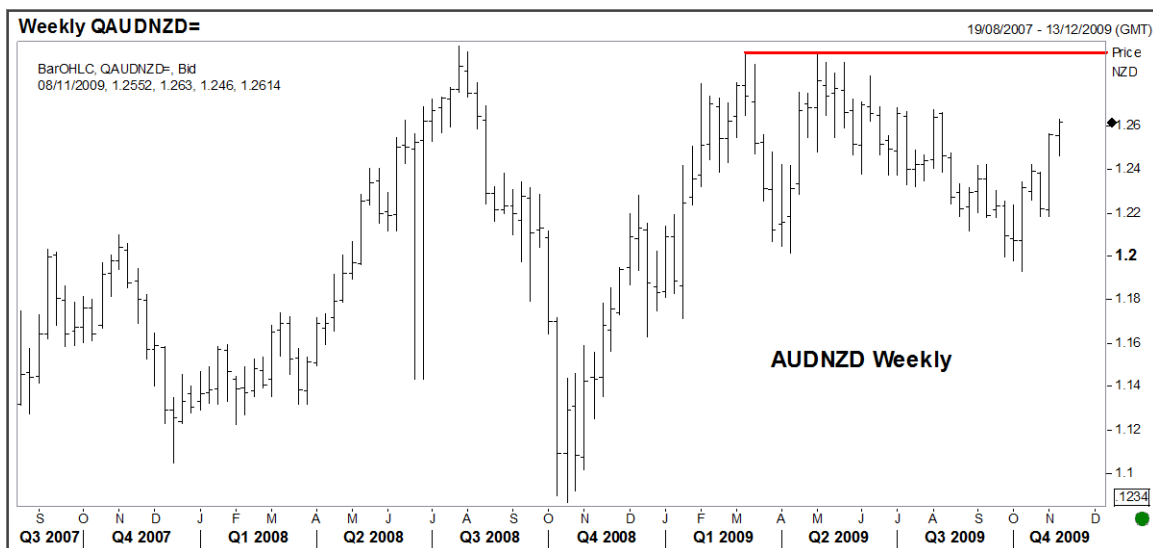
And go figure ... it was a central bank not meeting on monetary policy that really gave the market something to chew on. Reserve Bank of New Zealand Governor made a clear distinction between his economy and that of Australia's.

“However, their immediate prospects are different. Australia has avoided negative growth, and its prospects are driven by strong terms of trade, vast mineral deposits, the Chinese market, and rapid population growth.

“New Zealand has had a recession, and the pick-up is slower and more vulnerable – a difference financial markets do not appear to appreciate.

“This is particularly evident in the relatively stable cross-rate on foreign exchange markets. If financial markets can't see the differences, they will eventually lose money, and it will hurt the New Zealand economy.”

Basically, go short the New Zealand dollar versus the Australian dollar. Or, in other words, buy AUDNZD ...



Perhaps a test of resistance is in the cards.

The currencies are consolidating recent losses suffered at the feet of the almighty dollar. (Okay, laugh it up!) I guess a lot of choppiness is expected when you hit a week full of information overload like this one.

Pitchers and catchers report to Spring Training in 16 weeks.

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