

FXDD this Week

Preview of the Key Releases for the Week of July 20th to July 25th

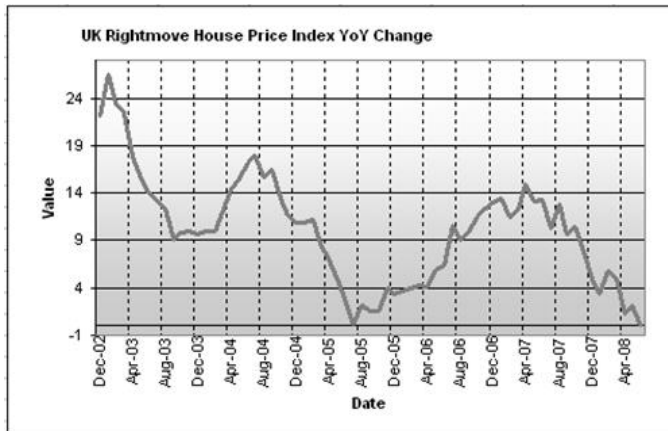
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Overall, next week will be a quiet week as most country's inflation, sales and employment reports have already been released. Nevertheless, there are always some key releases that have the potential to move the market.

In the United States, the key releases will be the **Existing and New Home Sales** which will be announced on Thursday and Friday respectively, and the Durable Goods report which is due on Friday. In the UK the **Monetary Policy Minutes** will be released on Wednesday, **Retail Sales** will be released on Thursday and 2nd quarter **Preliminary GDP** on Friday. On Wednesday evening a key **interest rate announcement by the Reserve Bank of New Zealand** will be announced. Below find the full preview of the key economic releases and events for the week.

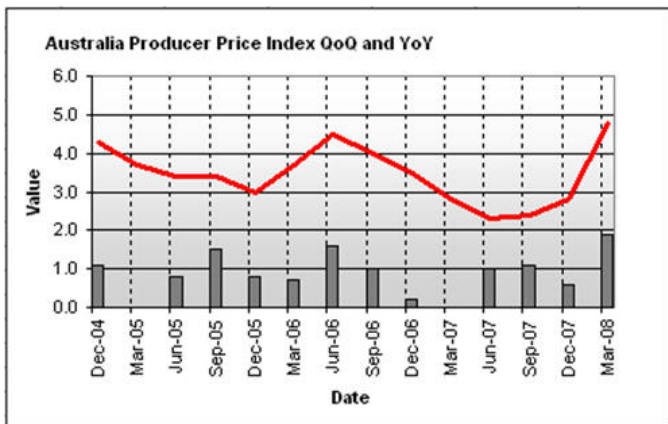
Sunday Night's Key Releases



7:01 PM EDT: UK Rightmove House Price Index for

Estimate: Last month -1.2% MoM last month. Year on Year is expected to rise by +0.1%.

Last month, the UK's Rightmove House Price Index for June came in at -1.2%. The year on year measure was reported as up +0.1%. This is down sharply from the 15% gain in April 2007. Housing has been pressured in the UK as banks tighten credit and buyers wait for lower prices. For this month there is not an estimate. However, the expectation would be for another decline in both the monthly and yearly figures as credit and sales continue to pressure the market.



9:30 AM EDT, Australia Producer Price Index for the 2nd quarter

Estimate: +1.6% versus +1.9% last quarter. Year on Year is expected to rise to +5.3% from +4.8%

The Australia Producer Price index for the 2nd quarter is expected to show an oversized gain of 1.6%. The year on year measure is expected to increase to 5.3% from 4.8% in the 1st quarter. This would represent the highest level since the 4th quarter of 2000. Like most countries, the increases in inflation are a result of higher prices for energy. With the Australian economy starting to show signs of slowing due to higher interest rates

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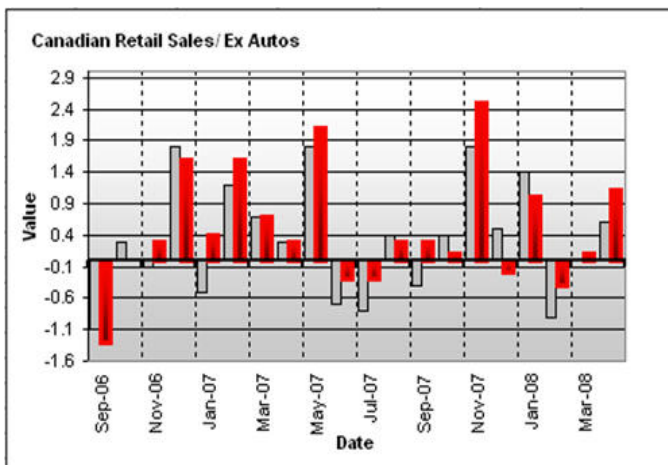
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and higher inflation, the producer is not able to pass on all costs to the consumer. Nevertheless the CPI, which is to be released on Wednesday is expected to come in at +4.3% for the year. This should be supportive to the Aussie dollar.

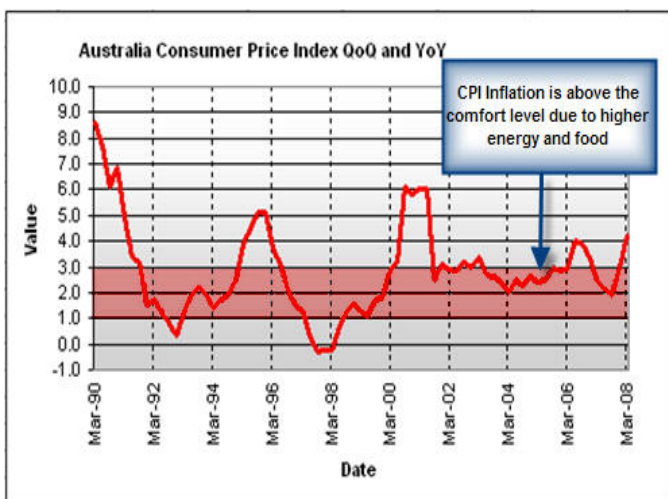
Tuesday, June 22nd



8:30 PM EDT: Canada Retail Sales for the month of May,

Estimate +0.7% MoM versus +0.6% last month. Core +0.8% versus +1.1% last month

Canada Retail sales rose by 0.6% last month while the core measure, which takes out autos, rose by a larger 1.1%. The gains last month were pushed by increased gas and clothing sales. Sales have now risen for 5 of the last 7 months. **For this month the expectation is for another rise of 0.5%. The core measure is expected to show a greater rise of 0.8%.** Although showing strength, the expectation is for growth to slow in Canada as inflation pressures slow consumer spending. The recent employment report for June showed a surprising decline in employment.



9:30 PM EDT, Australia Consumer Price Index for the 2nd quarter

Estimate: +1.3% QoQ versus +1.3% last quarter. Year on Year +4.3% versus 4.2% last quarter.

Australia releases their CPI Inflation figures on a quarterly basis. Last quarter the **Consumer Price Index rose by 1.3%**, and at a 4.2% on an annualized basis. This is above the upper band of 3.0% targeted by the Reserve Bank of Australia, and the highest rate since the 2nd quarter of 2001. For this quarter **the expectation is for another large gain of 1.3% for quarter. The year on year measure is expected to move up to 4.3%.** Although the rate is still above the upper band, the Reserve Bank of Australia is likely to remain on the sidelines for the time being as the economy is starting to show signs of weakening.

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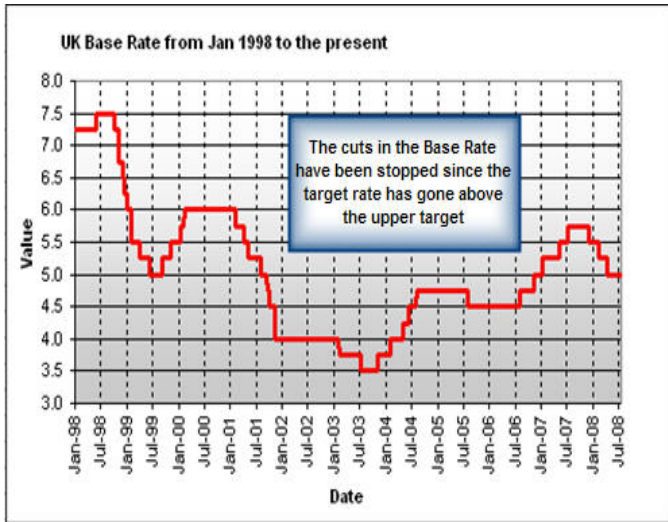
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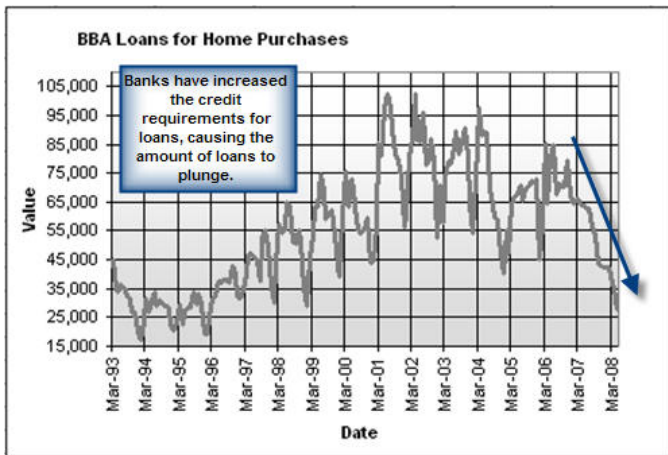
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Wednesday, July 23rd



4:30 AM EDT, UK Monetary Policy Committee Meeting Minutes

The **UK Monetary Policy Committee Meeting Minutes** will be released at 4:30 AM. At the policy meeting, which took place on July 10th, the Monetary Policy Committee kept rates unchanged at 5.0%. The UK's central bank has their hands tied as the upper band of the target rate is below the current inflation rate of 3.8%. Nevertheless, the mood of the policy committee with regard to inflation and growth will be important to the market and the sentiment toward the pound sterling. A dovish report will pressure the pound. While a more hawkish one, could propel the GBPUSD comfortably above the 2.0000 level.



4:30 AM EDT, UK British Bankers Association Mortgage Approvals for June Last Month: 27,968 Applications. This is the lowest level since February 1996.

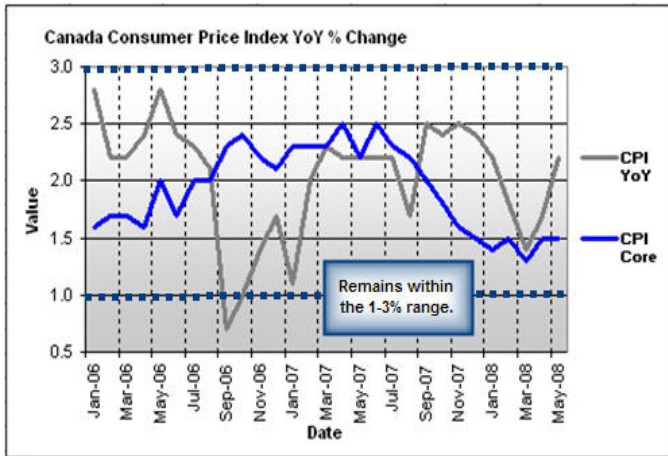
The **UK Mortgage Approvals have been declining as the credit conditions have tightened by UK mortgage lenders and home buyers have moved to the sidelines to wait for lower prices.** In May, the number of approvals fell sharply to 27,968 from nearly 35,000 the month before. **This is down 56% from a year ago.** There is no estimate for this month. However, the market will be watching the figure to gauge both the state of the housing market and credit conditions.

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7:00 AM EDT, Canada Consumer Price Index for the month of June:

Estimate: MoM +0.5% versus +1.0% last month. Year on Year +2.9% versus +2.2% last month.

The **Consumer Price index in Canada is expected to increase by 0.5% this month versus a gain of 1.0% last month.**

The higher price of energy is starting to work its way into the Canadian CPI numbers, pushing the year on year rate to a recent high of 2.9%.

The expectation is for the year on year measure to increase in coming months, peaking in and around October. This should have no effect on Bank of Canada interest rate policy, however.



5:00 PM EDT, New Zealand Monetary Policy Statement

Estimate: No Change in Rates. **Risk:** Surprise move would be an ease and/or dovish statement

In a key event for the week, the **Reserve Bank of New Zealand is scheduled to keep rates unchanged at their Monetary Policy Meeting.** The current rate is at 8.25%, a historic high rate. The rate has been stuck at the level since July 2007. If there is a surprise it would be for a **cut in the official rate.** The New Zealand economy shrank by 0.3% in the first quarter, and it is expected to show another decline in the 2nd quarter. As a result, New Zealand will be the first economy of the major global economies to go into a recession. They

also have the distinction of being the country with the highest rates. Although inflation is above the target rate, the higher inflation is tightening conditions for the consumer. **As a result, an easing would not jeopardize inflationary pressures but instead counteract the restrictive policy currently in place.** A surprise cut is therefore a possibility and would pressure the New Zealand dollar.

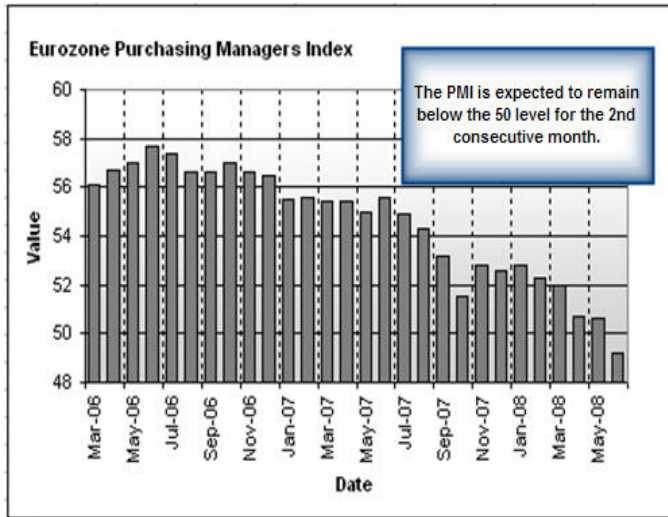
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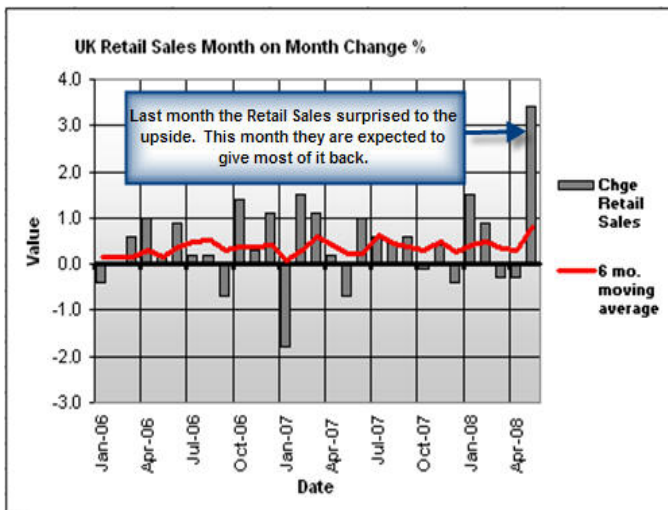
Thursday, July 24th



4:00 AM EDT, Eurozone Purchasing Manufacturing Index for the month of July Estimate: 48.6 versus 49.2

Last month the Eurozone PMI came in below the key 50 level indicating a contraction in manufacturing production. Higher inflation and slower global growth contributed to the contraction. This month the expectation is for the index to once again come in below the 50 level. The market is expecting a decline to 48.6 for July.

Although the economy is showing signs of slowing, the ECB is still concerned about the second round effects of inflation. This may result in another tightening in the near future. As a result, the EURO should remain supported, even as the economy slows.



4:30 AM EDT, UK Retail Sales for the month of June. Estimate: MoM -3.0% versus +3.5%, Year on Year +4.1% versus +8.1%.

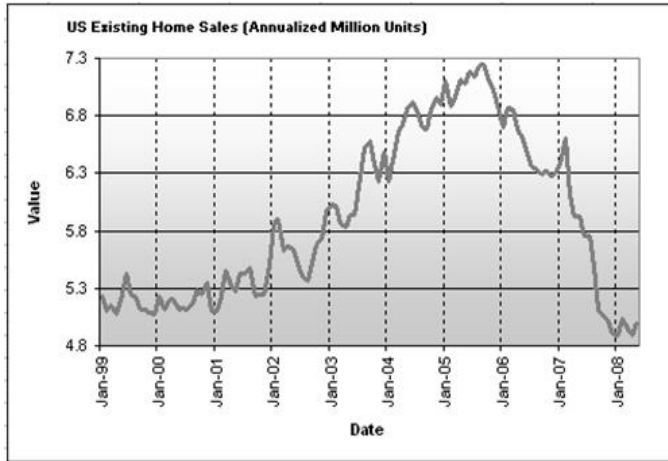
UK Retail Sales for the month of June are expected to decline by 3.0%. This would largely reverse the surprise 3.5% gain last month - the highest monthly increase on record. The number last month was influenced by the warmest May ever recorded resulting in Britons boosting seasonal food and clothing purchases. The expectation this month is the spending to retreat as the spring/summer sales have already taken place. The year on year pace which ballooned to +8.1% is also expected to move back to a smaller 4.1% increase versus a year ago. A weaker number would pressure the pound.

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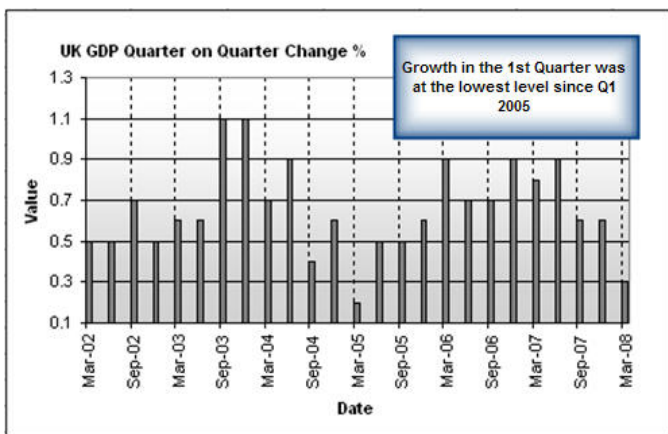


4:30 AM EDT, US Existing Home Sales Estimate: 4.95 Million Annualized Units versus 4.99 Million last month. -0.9% MoM versus +2.0% last month.

Existing Home Sales account for 80 to 85% of the home sale market in the United States. Needless to say it has been depressed and will likely remain depressed for some time to come. This month **the expectation is for the annualized sales pace to decline to 4.95 million units versus 4.99 million units last month.** In addition, to the sales pace, the supply of homes will be eyed by the market. Last month, the supply declined to 10.8 months supply from 11.2 months the month prior. This is still much higher than the 5-6 month supply that is normal for a healthy housing market.

Increased foreclosures, tighter credit standards and expectations that prices are likely to decline further are helping to keep buyers on the sidelines.

Friday, July 25th



4:30 AM EDT, UK Preliminary GDP for the 2nd Quarter

Estimate: QoQ: +0.2% versus +0.3% Year on Year 1.6% versus +2.3% for the YoY

The Preliminary 2nd quarter GDP is expected to show a small gain of 0.2%. This is down from 0.3% in the 1st quarter and the lowest back to back growth rates since June 1992. The Year on Year rate is expected to come in at +1.6% versus 2.3% last quarter. This is the lowest level since the 2nd quarter of 2005. The declining housing market, higher inflation and slower global growth are keeping a lid on the UK growth. Although rates are expected to remain unchanged due to the

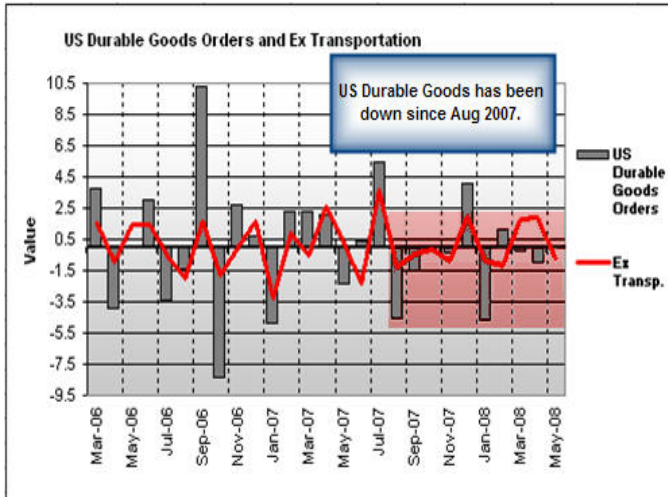
higher inflation, a weaker number will be a reminder of the fragile UK economy and should pressure the pound.

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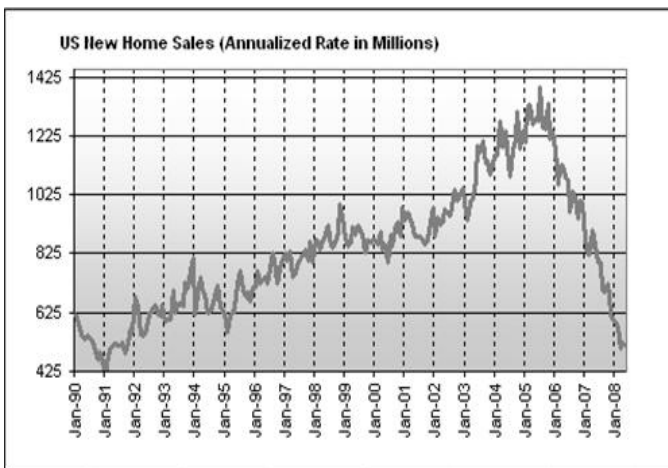


8:30: AM EDT, US Durable Goods Orders for June.

Estimate: -0.2% versus 0.0% last month
Ex Transportation: 0.0% versus -0.9% last month.

The **US Durable Goods Orders** for June are expected to show a decline of 0.2% versus an unchanged reading last month. The **Ex Transportation** release is expected to be unchanged versus a decline of -0.9% last month. **The Durable Goods have been down since August of 2007.** This corresponds closely with the decline in the housing market. A strong housing market supports the purchase of Durable Goods like appliances and furniture. Conversely, a declining housing market does the opposite. With the housing market expected to remain weak for some time

to come, Durable Goods should also be slow. **NOTE, however, that this release can be subject to volatility. So be aware.**



10:00 AM EDT, US New Home Sales for June

Estimate: 505,000 versus 512,000 last month annualized units

The **US New Home Sale** market is approximately 15-20% of the home sale market. **Last month the index declined to 512,000 annualized units.** The recent low was 501,000 units in March (lowest since 1991). **The expectation is for the sales pace to slow to 505,000 units.** In addition to the sale pace, the month supply and average sale price will be watched. The **sales supply increased to 10.9 months from 10.7 months in April.** A supply of 5-6 months is normal. **The average sale price declined to \$231,000.** This is down from \$262,600 in March 2007.

Thank you for your continued business, and remember to follow the FXDD Market Commentary daily at <http://forex.fxdd.com>. Also if you have any comments with regard to this report, please feel free to send an email to greg@fxdd.com.

Have a great weekend and a profitable week trading.

- Greg Michalowski, FXDD Chief Foreign Exchange and Economic Analyst

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