

FX Market Overview

Adam Posen, a member of the Bank of England's interest rate setting committee, expressed his concerns that British banks are not doing their job in helping the economic recovery. He proffered one reason for the banks' reluctance to lend to business as being because they are "reluctant, risk-averse jerks". It's just one man's view of course but it's an interesting one when you consider that the man expressing that view is working for the central bank that is supposed to help regulate these high street banks. Mr Posen also confirmed he will be advocating further cash injections into the UK economy when they vote next week but, given his concerns over the banks, shouldn't they be considering a better way to get those funds flowing around the economy rather than just shoring up bank reserves? Aside from Mr Posen's comments, the Pound had a rather benign day; trading within recent ranges. However, this morning's report from the National Institute of Economic and Social Research (NIESR), predicting a 0.1% contraction in the UK economy through 2012 won't have helped the poor old pound at all. Their view is at odds with treasury forecasts of 0.7% growth but NIESR says the fallout from a decline in the Eurozone will damage UK PLC.

The euro had a more volatile day as EU leaders were warned by the organisation for economic cooperation and development that their bailout funds were not big enough to stave off further problems in the Eurozone debt crisis. I could write another page about the ESM, EFSF, IMF, ECB and EU as well as the 17 bloc Eurozone, the 25 member EU compact and the 27 EU member states and bore the pants off you but, although I am no economist, in short, I think the OECD is spot on. What the markets and credit ratings agencies want to see is a shock and awe approach to the problem to send anyone wanting to undermine the euro scurrying off to speculate elsewhere and all we have seen thus far is a series of fudges and missed opportunities which, if anything, will have emboldened the 'euro bears'. Although the Euro - US Dollar exchange rate is comfortable above \$1.30 again, this is all about USD weakness and has little to do with confidence in the euro. As such, it could unwind in an instant.

Across in the USA, the Chairman of the Federal Reserve, Ben Bernanke spoke to the House of Representatives yesterday and expressed his concerns over the frustratingly slow growth in the American economy which, he felt, left the economy vulnerable to external shocks. The US Dollar has been a little weaker of late as economic data has supported the view that America is slowly but steadily emerging from the dark days of recession but we are clearly not out of the woods yet and this left traders free to analyse what kinds of shocks Mr Bernanke might be most concerned about. Europe is an obvious one, China too but today's test for America is home grown and it takes the form of the January employment report. Decembers data showed growth of 212,000 jobs in the non-farm sectors but analysts are predicting less growth in January's report; a consensus of around 170,000 in fact. If that figure is met or bettered, we can expect the USD to weaken before the weekend.

As all eyes are on the US employment report, traders in the far east and Australasia prepared for the data by moving to safer havens and protecting against the risks posed by a substantially poorer report than the forecasts suggest. The Aussie and Kiwi Dollars weakened a little but both remain far too stubbornly strong for anyone trying to buy the Australasian dollars.

I will end with a little warning; don't go to Iran to speculate on foreign exchange markets. Some speculators on the black market have been selling the Riyal heavily since the US imposed sanctions against Iran. Such is the problem that the government has decided to act with traditional Iranian restraint and they are calling for the death penalty for speculators. Is there anything you can't get executed for in Iran?

After the row

A couple were travelling in their car in silence. The argument that had taken place before they left the house had left them both too entrenched to concede and silence was the best policy for now.

As they passed a farm where pigs and goats could be seen over the hedge, the husband asked the wife sarcastically "Relatives of yours?"

"Yes" she said without turning her head, "In laws".

Today's Major Economic Releases

| Market | GMT | Data / Event | Last | Expected |
|----------|-------|-----------------------------|---------|----------|
| UK | 09.28 | Services PMI Jan | 54.0 | 53.0 |
| Eurozone | 10.00 | Retail Sales Jan | -2.4% | -1.2% |
| US | 13.30 | Non farm payroll change Jan | 212,000 | 170,000 |

US 15.00 Non Manufacturing ISM index Jan 52.6 53.3

Risk Indicators

Currency - GBP / Australian Dollar

| You Buy AUD | Costs You Today | Cost You 1 Month Ago | Cost You 3 Months Ago | Cost You 6 Months Ago |
|-------------|-----------------|----------------------|-----------------------|-----------------------|
| 100,000 | £67,695 | £66,186 | £64,845 | £64,389 |
| 250,000 | £169,238 | £165,465 | £162,113 | £160,972 |
| 500,000 | £338,476 | £330,931 | £324,227 | £321,943 |

Currency - GBP / Euro

| You Buy EUR | Costs You Today | Cost You 1 Month Ago | Cost You 3 Months Ago | Cost You 6 Months Ago |
|-------------|-----------------|----------------------|-----------------------|-----------------------|
| 100,000 | £83,112 | £83,426 | £86,281 | £86,969 |
| 250,000 | £207,781 | £208,566 | £215,703 | £217,423 |
| 500,000 | £415,562 | £417,132 | £431,406 | £434,847 |

Currency - GBP / South African Rand

| You Buy ZAR | Costs You Today | Cost You 1 Month Ago | Cost You 3 Months Ago | Cost You 6 Months Ago |
|-------------|-----------------|----------------------|-----------------------|-----------------------|
| 100,000 | £8,260 | £7,908 | £7,941 | £8,874 |
| 250,000 | £20,650 | £19,769 | £19,852 | £22,186 |
| 500,000 | £41,300 | £39,538 | £39,705 | £44,372 |

Currency - GBP / Canadian Dollar

| You Buy CAD | Costs You Today | Cost You 1 Month Ago | Cost You 3 Months Ago | Cost You 6 Months Ago |
|-------------|-----------------|----------------------|-----------------------|-----------------------|
| 100,000 | £63,271 | £63,138 | £61,655 | £62,815 |
| 250,000 | £158,178 | £157,846 | £154,137 | £157,037 |
| 500,000 | £316,356 | £315,692 | £308,275 | £314,074 |

Currency - GBP / New Zealand Dollar

| You Buy NZD | Costs You Today | Cost You 1 Month Ago | Cost You 3 Months Ago | Cost You 6 Months Ago |
|-------------|-----------------|----------------------|-----------------------|-----------------------|
| 100,000 | £52,670 | £50,472 | £49,588 | £51,506 |
| 250,000 | £131,675 | £126,180 | £123,970 | £128,765 |
| 500,000 | £263,349 | £252,361 | £247,941 | £257,530 |

Currency - GBP / US Dollar

| You Buy USD | Costs You Today | Cost You 1 Month Ago | Cost You 3 Months Ago | Cost You 6 Months Ago |
|-------------|-----------------|----------------------|-----------------------|-----------------------|
| 100,000 | £63,220 | £63,993 | £62,497 | £61,421 |
| 250,000 | £158,051 | £159,982 | £156,242 | £153,551 |
| 500,000 | £316,102 | £319,963 | £312,484 | £307,103 |

Important

Exchange rates can be extremely volatile and directly affect the value of your transactions. Timing when you buy or sell currency is the key to obtaining the best exchange rates. Halo Financial's FX Dealers can protect you from currency risk and monitor target exchange rates for you 24-hours a day. Call us today to discuss how we can reduce currency losses and maximise your currency gains on **+44 (0)20 7350 5470 (Corporate Clients)** or **+44 (0)20 7350 5474 (Private Clients)**

National Interest Rates

| Country | Central Bank | Next Meeting | Last Change | Current Interest Rate |
|----------------|-----------------------------|--------------|-------------|-----------------------|
| Australia | Reserve Bank of Australia | 07 Feb 2012 | 06 Dec 2011 | 4.25% |
| Canada | Bank of Canada | 15 Feb 2012 | 08 Sep 2010 | 1.00% |
| Eurozone | European Central Bank | 09 Feb 2012 | 08 Dec 2011 | 1.00% |
| Japan | Bank of Japan | 14 Feb 2012 | 05 Oct 2010 | 0.00% |
| New Zealand | Reserve Bank of New Zealand | 08 Mar 2012 | 10 Mar 2011 | 2.50% |
| South Africa | South African Reserve Bank | 29 Mar 2012 | 18 Nov 2010 | 5.50% |
| Switzerland | Swiss National Bank | 15 Mar 2012 | 03 Aug 2011 | 0.25% |
| United Kingdom | Bank of England | 09 Feb 2012 | 05 Feb 2009 | 0.50% |
| United States | Federal Reserve Bank | 13 Mar 2012 | 16 Dec 2008 | 0.25% |