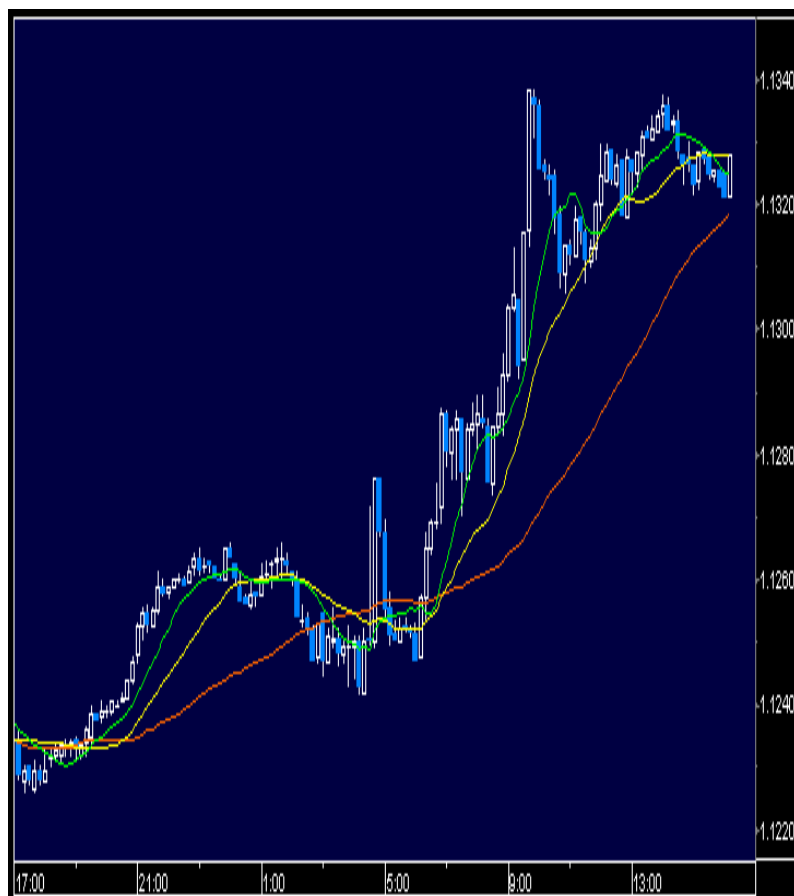


October 10, 2006

U.S. SESSION (as of 4:00 PM EST)

Today's Largest Percentage Movers:

Currency	Daily Percentage Change (%)	Intraday High	Intraday Low	Day's Range (pips)
USDCAD	+0.8%	1.1342	1.1223	119
AUDCAD	+0.9%	0.8439	0.8347	92
GBPUSD	-0.6%	1.8706	1.8526	180

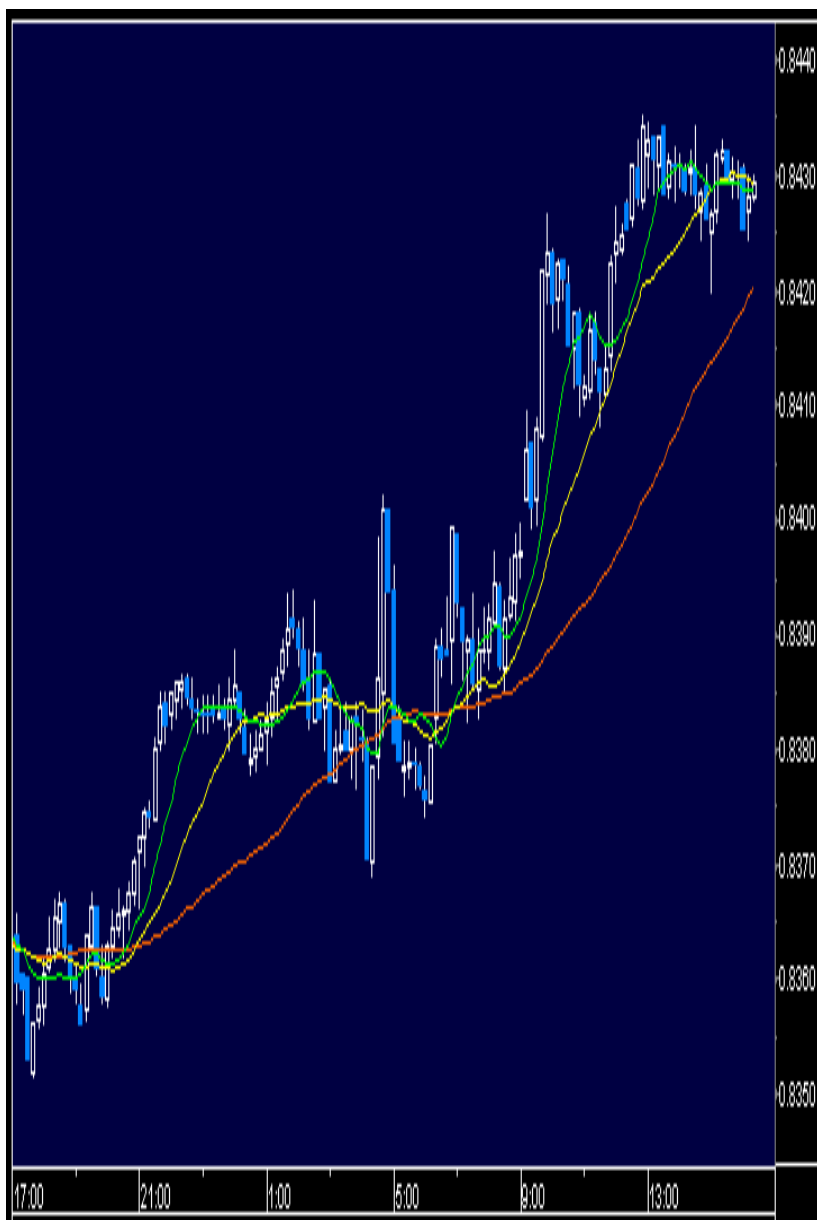


Source: Bloomberg

USDCAD

Canadian housing starts were less bullish than previously expected leading to further indications that the Bank of Canada will likely keep benchmark rates at the current 4.25 percent. Estimated to have increased by 222K, housing starts actually climbed by a smaller 211K according to Statistics Canada this morning. For the second straight month, the report has declined past consensus expectations and likely suggests that consumer demand is finally waning. Previously, strong housing starts and construction were spurred by consumer interest as the labor market remained tight, supporting higher wages and consumption. Nonetheless, the weaker figures are likely to keep central bankers from considering any further rate hikes in the short term as the economy continues to slow at the pace in line with previous central bank estimates.

Additionally attributed to a weaker Canadian dollar seems to be lower crude oil contracts on the NYMEX. On the session, traders continue to speculate that OPEC cuts will mean nothing to a global supply that has increased considerably over the past couple of months. With global stockpiles rising on lower demand due to higher prices in the summer months, the 1 million barrel a day cut by OPEC nations may not make a dent in the apparent glut that has formed in the commodity. An even bigger consideration seems to be the promise by Saudi Arabia to fulfill already bargained shipments to Asian trade partners after the November 1st start date. With Saudi Arabia, a major partner in the OPEC organization, not considering a cut at this point, there may be some contention as to the viability of the actual decision. Either way, contracts are lower on the day, lending some weakness to a non-OPEC supplier of crude oil.



Source: Bloomberg

AUDCAD

With the USDCAD major higher on the session, it's only natural that one of the carry trade candidates follow the lead. The advance was not surprising considering the Australian business confidence report in the overnight. Released preceding the London trading hours, the NAB business confidence index was indicative of positive expectations of Australian business conditions. For the month of September, the survey added 4 points to a reading of 14 for the month, reversing declines that were seen in the previous two months. Reflective of a positive turnaround in the Pacific Rim economy, the confidence figure is seemingly reflective of the sustained growth that has been witnessed in the economy. With consumer confidence higher and consumption likely to increase, manufacturing activity has increased, buoying the optimistic outlook for the second half of the year. The sentiment is likely to feed into speculation of rising interest rates as central bankers continue to fight record high inflationary pressures, running at 4 percent for the year.

Popping off of the 0.8350 support floor, AUDCAD bulls may be running out of steam at the top of the channel trendline that has contained the downtrending price action for several weeks now. With offers likely to emerge all the way up to the 0.8450 figure, a retracement to 0.8396 (23.6 percent fib level from the 9/28-10/10 bull move) would not be out of the cards. Stochastic seems to confirm the notion as the oscillator forms a double top in the overbought area. However, declines may be capped at the 0.8359 figure where definitive orders are likely to be located. Conversely, should enough strength persist, bulls would continue to focus on the 0.8500 handle ceiling.



GBPUSD

Although narrowed compared to previous reports, the August trade balance fell short of earlier estimates in the British economy widening to 6.7 billion pounds against the consensus 6.2 billion pounds. The larger shortfall eventually weighed on the short side of the price action, assisting bears in taking the pair lower throughout the overnight session. However, there is optimism that may lead the underlying pound higher. Fueled on further demand from Europe and other global trade partners, exports actually increased on the month as domestic consumers pared back spending on foreign made goods. The notion narrowed the report from the previous 6.8 billion pound gap. As a result, speculation has increased on the probability of a rate hike as higher volumes of exports are likely to add to overall growth. Currently forecasts are leaning towards a 2.8 annualized pace of expansion, compared to a previous 1.9 percent rate witnessed in 2005.

Sliding lower through the New York session, the pound sterling seems to have established a bottom just below the 1.8550 support floor. Adding to notions of a possible Asian hour appreciation, the support level coincides with slow stochastic confirming an uptick as a golden cross forms just below oversold territory. This will likely set bulls up for a run above to retest the 1.8600 figure (coinciding with the 23.6 percent fib from the 10/3-10/10 bear move lower. Capping is likely, however, as momentum looks to flatline just below the 1.8650. However, the break above doesn't preclude a move lower on a failure of support. Should bears win out in the Asian session, a break below the 1.8500 may purport a decline to the 1.8400 handle as the figure stands as a significant figure.

Source: Bloomberg