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INCISIVE GLOBAL MARKETS ANALYSIS

- Figuring out the extent of the Fed's next shopping spree of US Treasuries may be the single most important dynamic in bond and currency markets today.

Out of the \$300 billion in planned Treasury purchases, the Fed has bought \$156.528 billion so far, and is likely to use the June FOMC meeting to signal the schedule of buying the remaining balance.

With soaring bond yields shrugging the treasury purchases, there has been mixed reports as to whether the central bank will step up its purchases to a new target (dollar negative) or slow down the pace (less dollar positive).

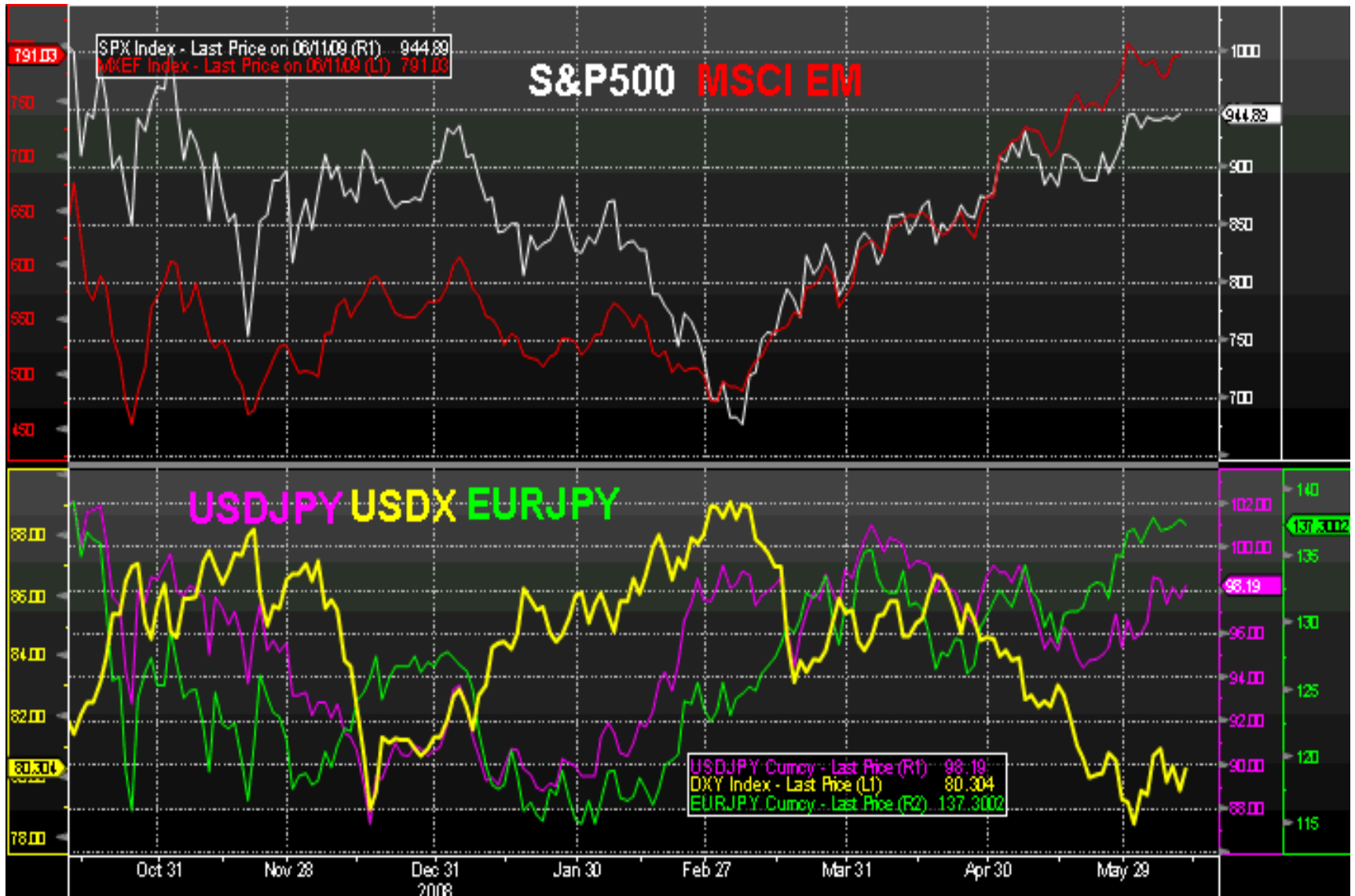
A year ago this year, Bernanke's dilemma was inflation vs. saving the financial system. He eventually realized he needed to opt for the latter. Today, the dilemma is between soaring yields in a recession vs. further liquidity flooding and a dollar crisis.

Period	Year To Date	Currency Universe	G-10	Base Currency	JPY
Range	12/31/08 - 06/12/09	Ranked By	Total Return		
Currency Performers (%)					
Total Currencies Ranked	11	1) Australian Dollar	AUD	26.61	
		2) British Pound	GBP	22.48	
		3) New Zealand Dollar	NZD	21.07	
		4) Norwegian Krone	NOK	20.07	
		5) Canadian Dollar	CAD	17.95	
		6) Swedish Krona	SEK	10.80	
		7) Danish Krone	DKK	9.59	
		8) Euro	EUR	9.09	
		9) United States Dollar	USD	8.90	
		10) Swiss Franc	CHF	7.24	
		11) Japanese Yen	JPY	0.28	

Period	1 Month	Currency Universe	G-10	Base Currency	JPY
Range	05/12/09 - 06/12/09	Ranked By	Total Return		
Currency Performers (%)					
Total Currencies Ranked	11	1) British Pound	GBP	9.23	
		2) Australian Dollar	AUD	7.86	
		3) New Zealand Dollar	NZD	7.28	
		4) Canadian Dollar	CAD	5.34	
		5) Danish Krone	DKK	4.34	
		6) Euro	EUR	4.24	
		7) Swiss Franc	CHF	3.97	
		8) Norwegian Krone	NOK	3.40	
		9) Swedish Krona	SEK	2.98	
		10) United States Dollar	USD	1.88	
		11) Japanese Yen	JPY	0.04	



- Rising appetite prevails during improved investor confidence, which is reflected in rallying equities.
- Rising appetite drives investors to seek CARRY TRADES by selling short lower yielding currencies --aka low-risk or funding currencies-- (JPY, USD, CHF) i.e. borrowing and converting them into higher yielding currencies (AUD, NZD, GBP, EUR, CAD and NOK) to capture the yield differential. The resulting upward impact on high yielding FX is another advantage of these carry trades.
- Currency pairs most likely to strength during improved appetite are AUDUSD, EURUSD, GBPUSD, AUDJPY, AUDNZD, CADCHF and CADJPY. As risk appetite starts to ease off or drops sharply (RISK AVERSION)), FX carry trades are unwound and higher yielding currencies lose ground to the benefit of the likes of JPY, USD and CHF. FX carry trades are most prevalent in pairs of wide yield differentials i.e. AUDUSD, AUDJPY, AUDCHF, NZDUSD, NZDJPY, NZDCHF and so on



01/01/2009	-	06/12/2009	Daily	Calculation	Correlation	Local CCY	
<Filter>	Correlation Matrix (19 Rows x 7 Columns)						
Security	SPX	INDU	XAU	USGG10	CLA	MXEF	NKY
11) SPX	1.000	0.980	-0.093	0.100	0.099	0.112	0.061
12) GT10	0.430	0.286	0.609	0.128	0.176	0.173	0.184
13) GBPUSD	0.216	0.194	0.160	0.061	0.356	0.445	0.190
14) INDU	0.134	0.106	0.021	0.271	0.506	0.579	0.135
15) UKX	0.127	0.099	0.019	0.378	0.539	0.719	0.247
16) MXEF	0.112	0.076	0.042	0.370	0.535	1.000	0.596
17) AUDUSD	0.102	0.061	0.133	0.242	0.505	0.590	0.144
18) USGG10	0.100	0.114	-0.051	1.000	0.344	0.370	0.152
19) CLA	0.099	0.064	0.120	0.344	1.000	0.535	0.076
20) NZDUSD	0.086	0.039	0.206	0.148	0.436	0.516	0.138
21) CADJPY	0.076	0.055	0.147	0.450	0.615	0.576	0.072
22) AUDJPY	0.050	0.019	0.161	0.398	0.542	0.593	0.158
23) NZDJPY	0.043	0.006	0.228	0.338	0.516	0.567	0.162
24) XAU	0.023	0.013	0.168	-0.248	0.040	-0.098	-0.125
25) EURUSD	0.013	-0.035	0.183	-0.062	0.280	0.302	-0.000
26) EURJPY	-0.030	-0.067	0.242	0.292	0.480	0.484	0.076
27) USDNOK	-0.040	-0.027	-0.017	-0.204	-0.481	-0.526	-0.100
28) USDCAD	-0.156	-0.126	-0.096	-0.252	-0.574	-0.544	-0.009
29) DXY	-0.866	-0.828	-0.162	-0.039	-0.105	-0.098	-0.091
Color bands based on Statistical Significance:				Most Significant	Significant	Less Significant	Least Significant

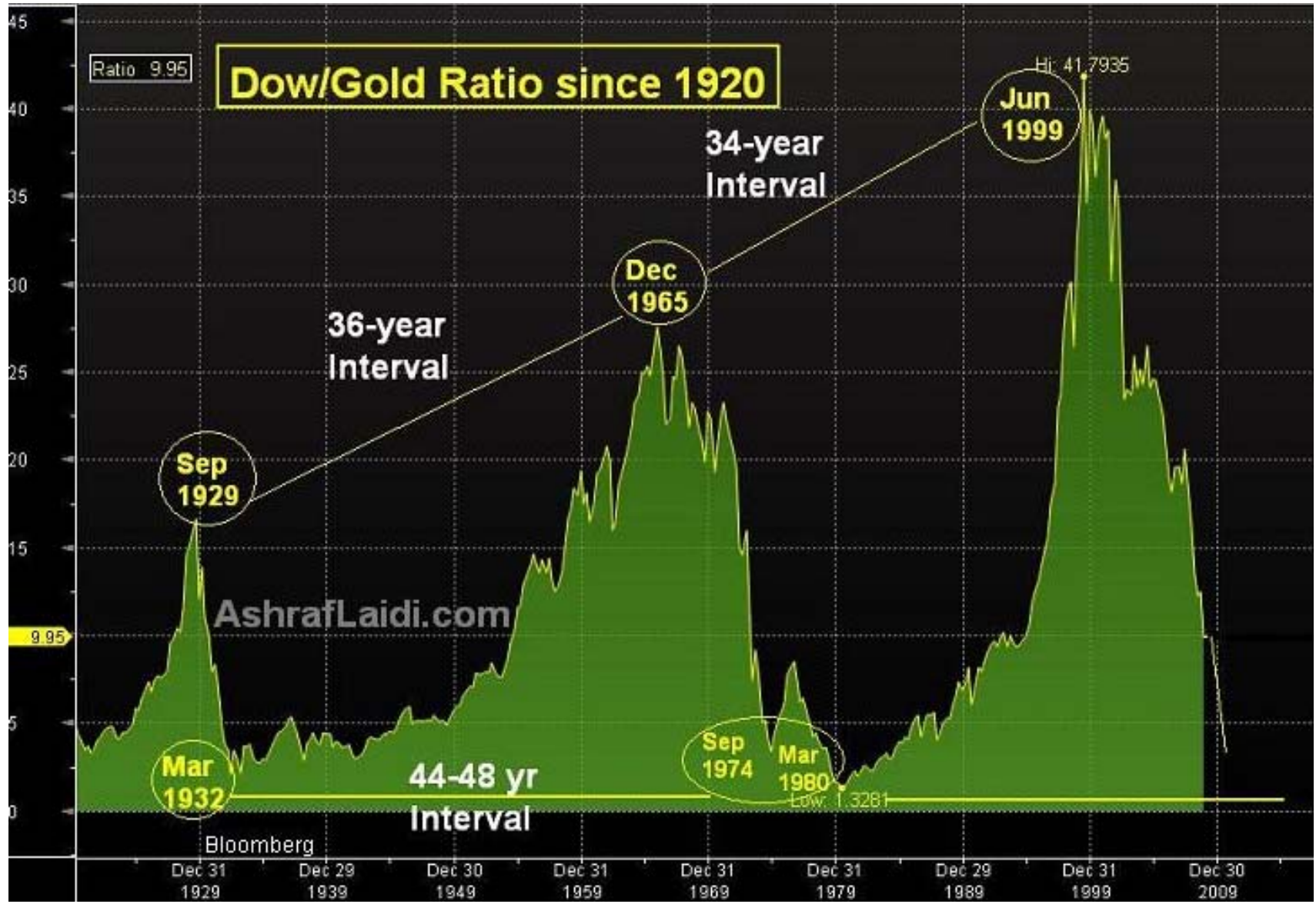
03/30/2009 - 06/12/2009 Daily Calculation Correlation Local CCY

Security		Correlation Matrix (19 Rows x 7 Columns)						
	SPX ↑	INDU	XAU	USGG10	CLA	MXEF	NKY	
11) SPX	1.000	0.993	0.690	0.074	0.251	0.002	0.056	
12) GT10	0.883	0.891	0.794	0.150	0.150	-0.057	0.100	
13) CLA	0.251	0.258	0.144	0.333	1.000	0.603	0.174	
14) NZDUSD	0.191	0.185	0.145	0.121	0.584	0.394	0.011	
15) NZDJPY	0.149	0.160	0.131	0.329	0.620	0.485	0.090	
16) EURUSD	0.144	0.122	0.163	-0.055	0.536	0.297	-0.142	
17) GBPUSD	0.133	0.144	0.152	-0.007	0.518	0.404	0.036	
18) AUDUSD	0.122	0.125	0.078	0.149	0.675	0.483	0.024	
19) EURJPY	0.094	0.103	0.143	0.321	0.624	0.486	0.020	
20) AUDJPY	0.084	0.102	0.072	0.347	0.656	0.535	0.099	
21) INDU	0.082	0.098	0.036	0.228	0.661	0.571	0.135	
22) USGG10	0.074	0.096	0.016	1.000	0.333	0.237	0.177	
23) XAU	0.068	0.012	0.179	-0.304	0.013	-0.034	-0.113	
24) CADJPY	0.026	0.042	0.059	0.376	0.715	0.543	0.082	
25) MXEF	0.002	0.015	-0.047	0.237	0.603	1.000	0.595	
26) UKX	-0.045	-0.048	-0.070	0.203	0.649	0.673	0.214	
27) USDCAD	-0.047	-0.039	-0.049	-0.095	-0.681	-0.417	0.032	
28) USDNOK	-0.058	-0.045	-0.065	-0.240	-0.670	-0.498	-0.004	
29) DXY	-0.827	-0.842	-0.919	-0.028	-0.176	0.049	-0.030	

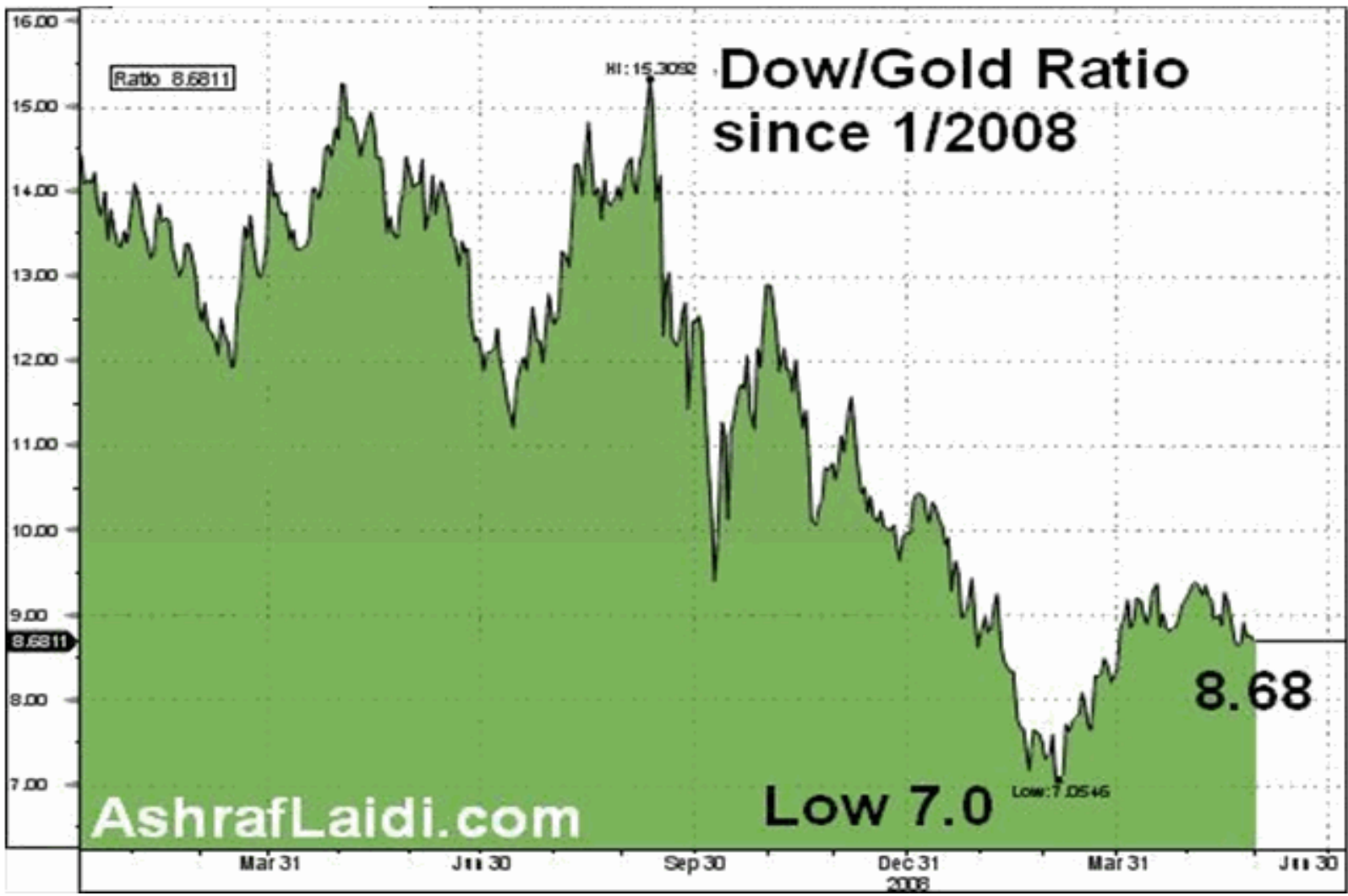
Color bands based on Statistical Significance: Most Significant Significant Less Significant Least Significant

05/01/2009	-	06/12/2009	Daily	Calculation	Correlation	Local CCY	
<Filter>	Correlation Matrix (19 Rows x 7 Columns)						
Security	SPX ↑	INDU	XAU	USGG10	CLA	MXEF	NKY
11) SPX	1.000	0.987	0.539	-0.037	0.307	0.028	0.110
12) GT10	0.712	0.730	0.702	0.207	0.067	-0.081	0.251
13) INDU	0.363	0.326	0.035	-0.009	0.622	0.512	-0.178
14) CLA	0.307	0.247	0.038	0.115	1.000	0.527	-0.191
15) AUDJPY	0.293	0.255	0.080	0.264	0.657	0.419	-0.226
16) UKX	0.257	0.221	-0.200	0.182	0.656	0.737	0.084
17) AUDUSD	0.238	0.178	-0.011	-0.062	0.694	0.352	-0.280
18) NZDJPY	0.219	0.161	0.073	0.219	0.629	0.393	-0.196
19) EURJPY	0.207	0.162	0.170	0.218	0.606	0.336	-0.273
20) NZDUSD	0.148	0.071	-0.013	-0.075	0.641	0.323	-0.234
21) CADJPY	0.134	0.103	0.171	0.308	0.719	0.369	-0.268
22) GBPUSD	0.125	0.094	0.024	-0.096	0.566	0.347	-0.171
23) EURUSD	0.066	-0.006	0.033	-0.304	0.555	0.160	-0.320
24) MXEF	0.028	-0.017	-0.221	0.143	0.527	1.000	0.464
25) USDCAD	-0.023	0.027	-0.065	0.062	-0.688	-0.243	0.303
26) USGG10	-0.037	-0.004	0.095	1.000	0.115	0.143	0.062
27) USDNOK	-0.136	-0.074	-0.076	-0.070	-0.700	-0.366	0.228
28) XAU	-0.208	-0.271	0.013	-0.159	0.378	0.140	-0.009
29) DXY	-0.569	-0.572	-0.963	-0.005	-0.045	0.230	-0.001

Color bands based on Statistical Significance: Most Significant Significant Less Significant Least Significant



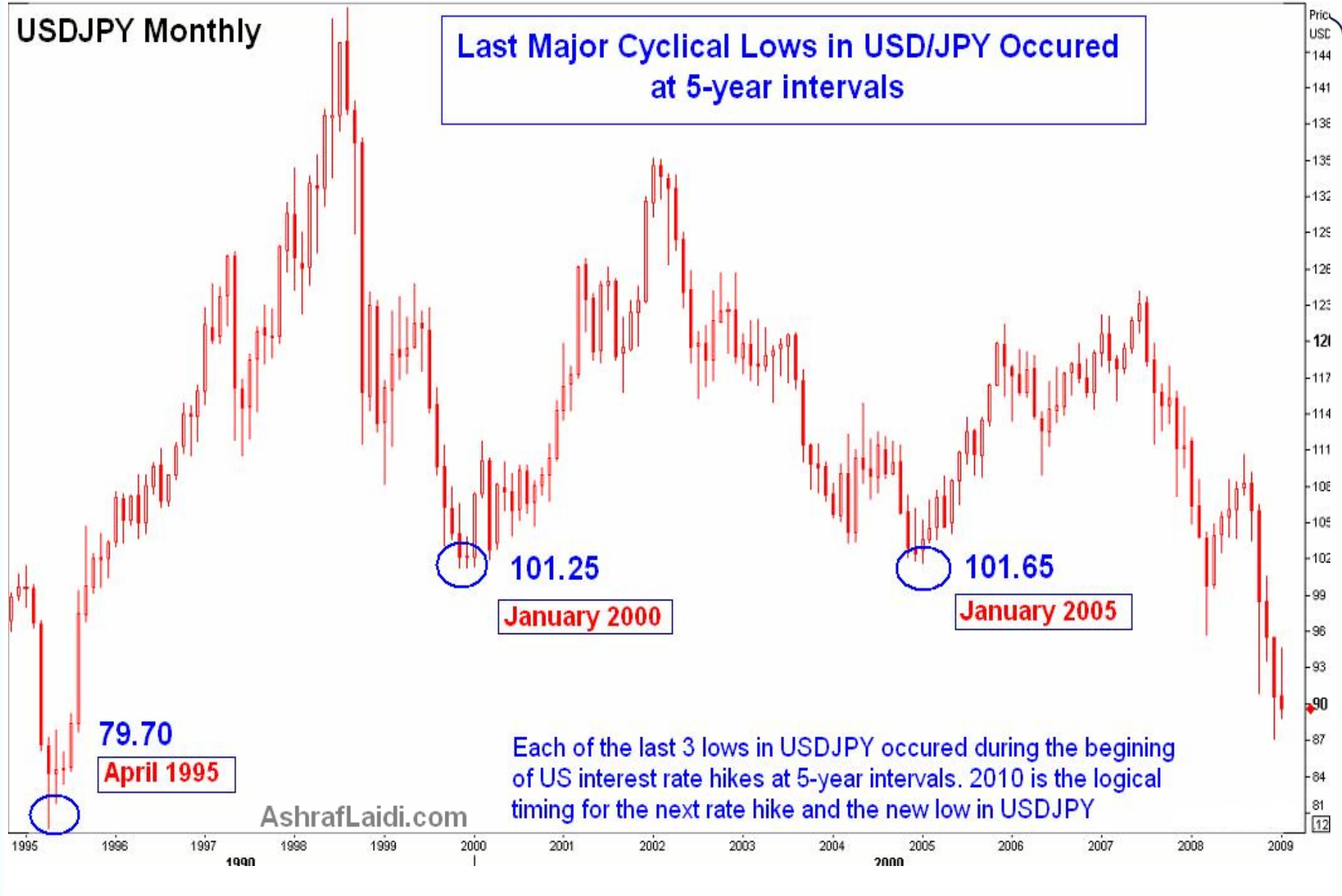






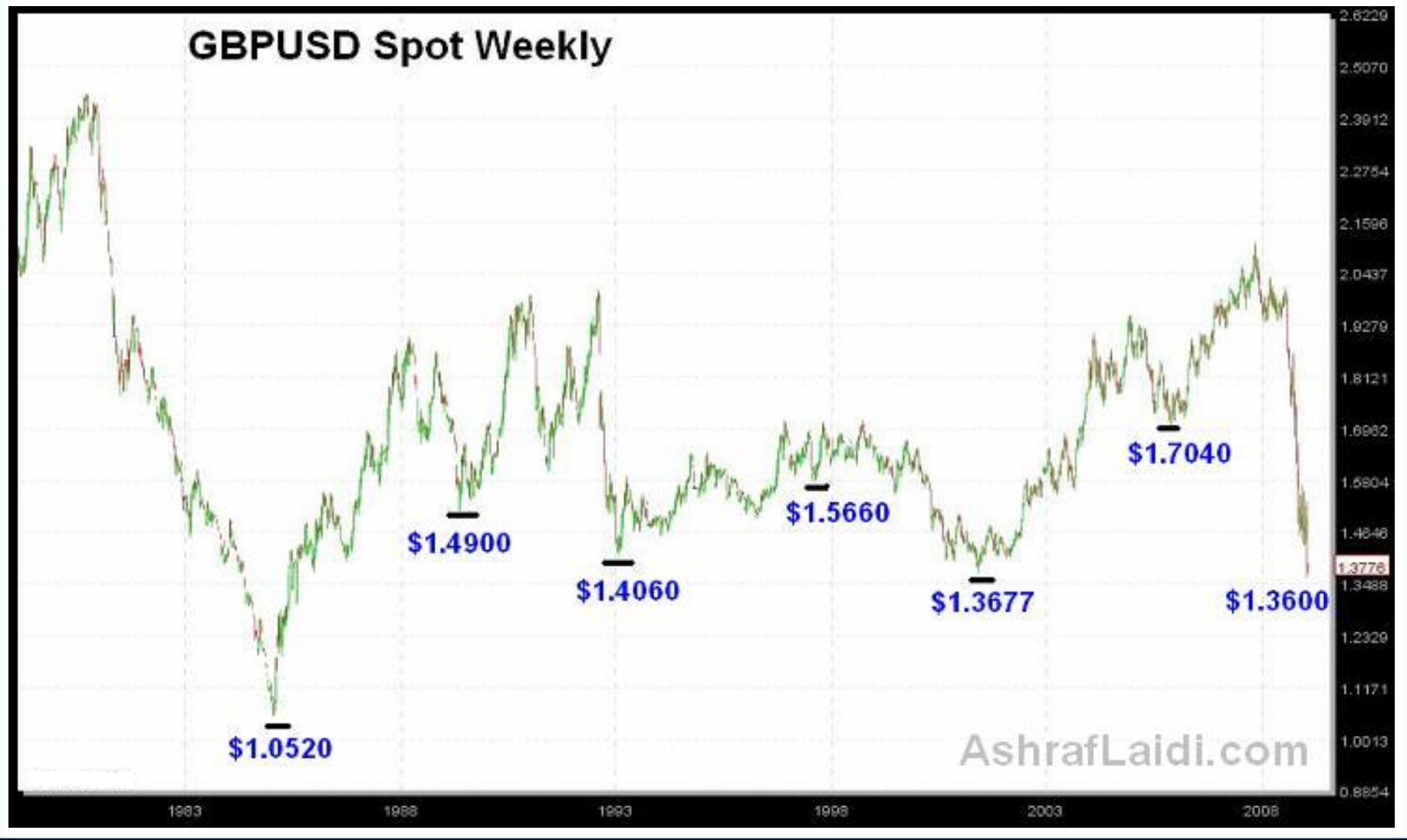
USDJPY Monthly

Last Major Cyclical Lows in USD/JPY Occured at 5-year intervals



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Is the 4-year low interval a coincidence?



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