

Foreign Exchange Contact Group
Frankfurt, Tuesday 8 September 2009

SUMMARY OF THE DISCUSSION

1. Review of market developments

The Group reviewed and discussed the latest trends in financial markets, particularly in FX markets, following the presentation made by Philipp Nimmermann, market economist at BHF Bank.

2. FX reserves

Jose Manuel Amor, partner at Afi (Analistas Financieros Internacionales, S.A.) gave an overview of the recent developments and trends in world official FX reserves.

The pace of foreign exchange reserves accumulation has slowed down since the start of the crisis, partly reflecting a correction of global trade imbalances. This happened with some divergences: the reserves of oil producers have decreased, while they continued to increase in Asia. The diversification of FX reserves slowed as well. The share of the US dollar in global FX reserves was still 64% in 2008 (around 60% when looking only at emerging central banks).

The presentation opened the discussion on the role of FX reserves, and how successfully they have worked as an "insurance" against country-default in the current crisis against the background of the increase in multilateral funds/IMF backing.

3. Correlations between FX markets and other financial markets

Jeremy Hale, FX strategist at Citigroup, made a presentation on the correlations between FX and other financial markets. The presentation shed some light on the recent drivers of the US dollar, and in particular the appetite for risk assets. There has been an unusually high negative correlation between the level of the US dollar and US equities, while interest rate differentials have lost some of their power in explaining the recent evolution of main currency pairs. The link between the US dollar and risk assets is however likely to wane in coming months. Mr. Hale showed to what extent positioning and cyclical factors also explain recent movements in the main currency pairs. Going forward, the appetite for risk assets will continue to play a role in the short term, although historically US recoveries have not been associated with a particular direction for the US dollar.

4. CLS

Roger Rutherford, Head of Product Management at CLS, updated the Group on the latest developments at CLS and analysed the operational impact of the recent crisis on settlement issues. Some statistics on volumes and participation were presented. The presentation also dealt with the future of CLS in terms of regulatory aspects, central counterparties and aggregation of trades.

5. Other business

The next meeting will take place on 8 December 2009 from 13:00 to 16:00 at the ECB premises.

The tentative 2010 calendar, which will only include three meetings, will be circulated in October together with the consultation for the work programme 2010.

List of participants
Foreign Exchange Contact Group Meeting

on 08 September 2009

in CVI, 2nd floor

from 16:00 to 19:00

Participant's organisation

Name of Participant

Bank of Tokyo Mitsubishi UFJ	Mr Totsuka Shunichiro
BHF Bank AG	Mr Jörg Isselmann
BNP Paribas BFI	Mr Patrick Mauberque
CECA	Mr Jose Manuel Villaverde
Citigroup	Mr Holger Achnitz
Credit Suisse	Mr Martin Wiedmann
Deutsche Bank AG	Mr Stefan Bender
Dexia BIL	Mr Louis Macalli
ICAP	Mr John Nixon
Morgan Stanley	Mr Richard Oliver
Nordea	Mr Morten Tysnes
Royal Bank of Scotland	Mr Roger Hawes
Royal Bank of Canada	Mr Ed Monaghan
Scotia Capital	Mr Barry Wainstein
State Street	Mr Christopher Freeman
UBS AG	Mr Urs Bernegger
European Central Bank	Mr Francesco Papadia, Chairman
European Central Bank	Mr Ivan Fréchar, Secretary

Guest Speakers

BHF Bank	Mr Philipp Nimmermann
CLS	Mr Roger Rutherford
CECA	Mr José Manuel Amor
Citigroup	Mr Jeremy Hale

National Central Banks

Deutsche Bundesbank	Mr Clemens Werner	
Banco de España	Mr Jose Luis Jimenez	
Banque de France	Mr Emmanuelle Assouan	TC 3331
Banque Nationale de Belgique	Mr Francois Biquet	TC 3231
Bank of Greece	Ms Maria Bekiari	TC 3055
Banca d'Italia	Ms Maria Lucia Marras	
Banque centrale de Luxembourg	Mr Francois Zenner	TC 1942
Central Bank and Financial Services		
Authority of Ireland	Mr William Molloy	TC 3522
Central Bank of Cyprus	Mr Costas Papadopoulos	TC 2213
De Nederlandsche Bank	Mr Bob Coppes	
Oesterreichische Nationalbank	Mr Wolfgang Hengelmüller	TC 4324
Banco de Portugal	Mr Jorge Alves	TC 3626
Banka Slovenije	Mr Peter Premrl	TC 2841
Národná banka Slovenska	Ms Viera Pivarcova	TC
Suomen Pankki	Mr Harri Lahdenperä	TC 3814