

# Relative Strength Filter

April 26, 2010  
 Research Comment  
 Quantitative/Technical Research

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## Asia Rules While Europe Burns

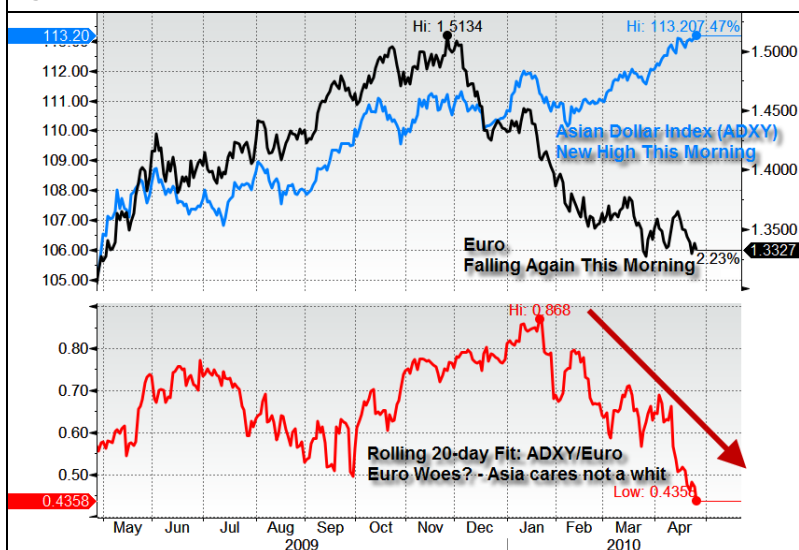
**TOOLKIT**



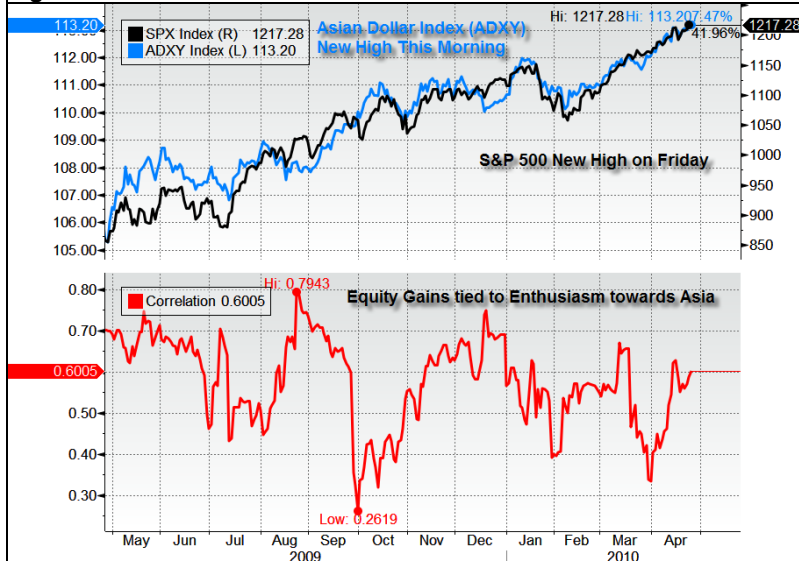
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- There used to be a time when the euro and Asian dollar index were paired. Over the past three months these have separated such that the ADXY can mint a new high this morning and the euro can come within a hair of a new low – Figure 1.
- North American Equity Markets have paired with Asia. They did so years ago, and continue to do so now – Figure 2.
- Europe, as viewed through the bond markets of their weaker players, is burning. Losses are accelerating this morning – Figure 3.
- The cost to protect the debt of European Financials from default continues to rise. There were 11 widenings of more than 2% on Friday – [See link](#).
- Contagion between markets is via credit. This is our lookout tower for risk.

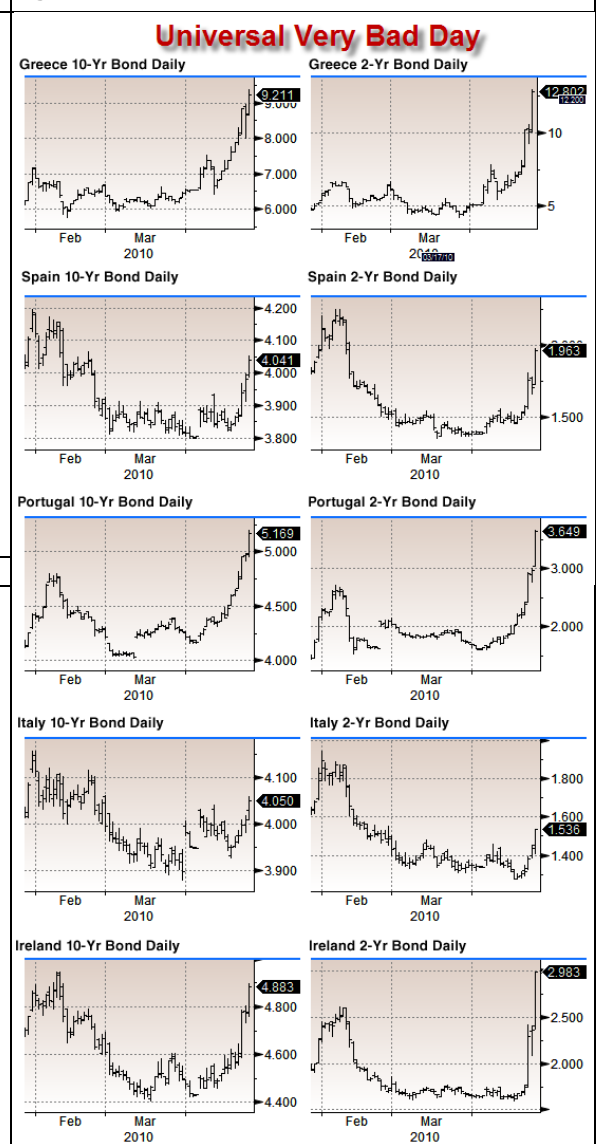
**Figure 1: Asia Dollar Index and Euro**



**Figure 2: Asia Dollar Index and S&P 500**



**Figure 3: European Bond Market at 6:35am**



Source: BMO Capital Markets, Bloomberg, Thomson, Markit

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