

US Retail Sales rose while Michigan Consumer Confidence drop

News and Events:

The Dollar snapped a three-day drop against the Euro and gained on the Yen on Friday as solid September Retail Sales suggested US consumers continue to spend despite a weak housing sector. Analysts said retail sales bode well for the US economy and global growth, prompting investors to extend risky carry trades that use cheaply borrowed Yen to buy higher-yielding assets. The reassuring strength of consumer spending seemed to support those investors who think the Federal Reserve will not need to cut interest rates again, which would undermine demand for Dollars, when it meets at the end of this month. The retail sales data overshadowed a separate report on inflation which showed producers' nonfood and energy costs eased last month.

The UsdJpy last traded up 0.11% at 117.60, while the EurUsd fell 0.18% to 1.4174. Against the yen, the EurJpy climbed to 166.78, flat on the day but still below the 2-1/2-month intraday 167.64 high touched on Thursday. GbpUsd was up 0.17% to 2.0364 after having hit 2.0246 intraday low. The high-yielding Australian and New Zealand Dollars also rose both against the Dollar and low-yielding Yen on Friday. AudUsd was up 0.31% at 0.9045 and NzdUsd up 0.6% at 0.7768.

Markets also largely overlooked a pullback in the University of Michigan Consumer Sentiment survey for early October, though some said the report may hint at future problems. The dollar has been under steady selling pressure since the Fed slashed interest rates last month by half a percentage point to shield the economy from a deepening housing slump and a credit squeeze caused by losses on risky mortgage debt. Forex traders said the Euro's decline was limited after European Central Bank Governing Council member Vitor Constancio said the large US current account deficit was unsustainable and would affect the Dollar, EurUsd hovered near an all-time low near 1.4280 a week ago.

Analysts added that Euro gains may be capped by speculation that finance officials from Group of Seven countries will express concern about the Euro's strength at a gathering in Washington next week.



Today's Key Issues (time in GMT):

08:00 NOK Sept Trade Balance previously 26.8B

12:30 CAD Sept Leading Indicator 0.3% vs 0.3%

12:30 US Oct Empire State Manufacturing 13 vs 14.7

14:00 US Fed's Bernanke speaks on the economic outlook NY

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The Risk Today:

EurUsd is narrowing between 1.4280 and 1.4015 October high and low. A break down 1.4165 support may open the way down to 1.4000 nearby support and 1.3927 where a lower development would threaten the up-trend. On a long term view, it would need a return below 1.3719 to confirm trend change. Initial support holds 1.4165. On the Upside, positive development might be limited by 1.4242 Oct.11th high and will have strong resistance at 1.4280 October high.

GbpUsd hit 2.0477 high last week close to 2.0494 two-month high. Renewed pressure might open downside toward 2.0200. But it would need a drop below 2.0000 psychological level and 1.9880 support to confirm trend change. Beyond that point, 1.9821 marks strong support (76.4% retracement of 1.9652 to 2.0366 advance). Initial resistance holds 2.0423 Friday's high ahead of 2.0477 strong resistance Oct 10th high.

UsdJpy remains in the positive trend started early September. But it need a confirmation over 117.63 resistance to open the way for further extend toward 119.06 (61.8% retracement of 123.67 to 111.60 decline). On the downside, a return below 113.39 (Sept. 11 low) would open the way toward 112.61 and a possible retest of 111.60 (August 17 low). Initial support holds 116.81 Tuesday low.

UsdChf On the actual uptrend, it need a recovery beyond 1.1962 to relieve the 3 months bear threat. Initial resistance holds 1.1923 (38.2% retracement of 1.2477 to 1.1577 decline). However, renewed weakness below 1.1790 may reopen the way toward 1.1680 key support. A break there will extend the downtrend toward 1.1500 psychological support and possibly 1.1484 (2005 March 14 low).

Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.4333 S	2.0500 K	123.67 T	1.2133 T
1.4280 S	2.0477 S	119.06 T	1.2000 S
1.4242 M	2.0363 M	117.79 M	1.1923 S
1.4210	2.0370	117.65	1.1825
1.4165 M	2.0200 S	116.81 M	1.1790 M
1.4000 S	2.0000 P	113.39 S	1.1680 K
1.3827 S	1.9880 S	111.60 T	1.1500 P

S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot

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