

## Stock market is having an impact on currencies

### News and Events:

The Dollar eased against the Yen and Euro on Monday, weighed down by weakness in the US stock market after comments by a top Citigroup official raised a new concern about global credit. US bond prices rose, boosted by safe-haven bids, while equities posted sharp losses, led by financial services, on Citigroup's weaker economic outlook.

Citigroup Inc Chief Financial Officer Gary Crittenden on Monday said he was "not optimistic" that markets for collateralized debt obligations and other fixed-income products, hammered by this summer's credit crunch, will soon recover.

The Dow Jones industrial average was down about 0.7 percent at the end of the trading day. Citigroup Inc and other global banks earlier said they were pooling money to prevent investment funds from having to dump assets into the market. The news initially lifted stocks, but shares later fell as the move reawakened concerns about the fallout from the credit squeeze.

The Yen, which tends to fall as risk appetite increases as investors borrow cheap yen to buy higher-yielding assets, fell in response to firmer equities earlier, and the Dollar hit a peak of 117.95, its highest since mid-August. But the Dollar slipped against the Yen as stocks dropped to trade at 117.11, down 0.15% on the day. Also weighing on the Dollar against the Yen was the surge in oil prices, which jumped to an all-time high above \$86 per barrel on Monday. Oil prices were propelled by strong demand from booming commodity markets. The EurUsd rose 0.2 percent to 1.4203, not far from its record high 1.4280 set two weeks ago. EurJpy traded as high as 167.74, its highest level since July 23rd. It last traded at 166.74, little changed on the day.

With no major economic data on Monday, investors were focused on a speech by Federal Reserve Chairman Ben Bernanke on the economic outlook for a hint on the outlook for US interest rate cuts.

Market players are also cautious about making active bets on currencies ahead of the G7 meeting later this week, with recent volatile foreign exchange moves expected to be a major topic for discussion. European Central Bank President Jean-Claude Trichet told a Russian newspaper, which was published on Monday, that the Euro's exchange rate should reflect fundamentals and excessive currency moves are bad for growth.



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## Today's Key Issues (time in GMT):

**08:30 UK** Sept CPI 0.2% vs 0.4% (MoM)  
**08:30 UK** Sept CPI 1.9% vs 1.8% (YoY)  
**08:30 UK** Sept Core CPI 0.2% vs 0.4% (MoM)  
**08:30 UK** Sept Retail Price 0.4% vs 0.6% (MoM)  
**08:30 UK** Sept Retail Price 4% vs 4.1% (YoY)

**09:00 GE Oct Zew Economic Sentiment -22 vs -18.1**

**09:00 GE Oct Zew Current Conditions 70 vs 74.4**

**09:00 EU** Sept Euro-zone CPI 0.4% vs 0.1% (MoM)

**09:00 EU** Sept Euro-zone CPI 2.1% vs 1.7% (YoY)

**09:00 EU** Sept Euro-zone CPI – Core 1.9% vs 2% (YoY)

**12:30 CAD** August Manufacturing Shipments -1% vs 2.3%

**13:00 CAD Bank of Canada Rate 4.5% vs 4.5%**

**13:00 US August Net Long-term TIC flows \$60B vs \$19.2B**

**13:00 US August Total Net flows \$70B vs \$103.8B**

**13:15 US Sept Industrial Production 0.1% vs 0.2% (MoM)**

**13:15 US Sept Capacity Utilization 82.2% vs 82.2%**

**16:00 US** Oct NAHB Housing Market Index 19 vs 20

## 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** started the week on a mixed pace. It still 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, break of minor 116.81 support and 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 116.45 early Oct 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
1.4170	2.0355	116.70	1.1825
1.4165 M	2.0200 S	116.45 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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