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## Major currencies fell against Yen in growing risk aversion

### News and Events:

The US Dollar and high-yielding currencies such as the New Zealand dollar fell against the Yen on Tuesday as investors grew wary of risky trades amid a sell-off in global equities and a surge in oil prices.

The Dollar sold off after a report showed a record net capital outflow in August. Traders said the net capital outflow was a one-off phenomenon that reflected the financial market's meltdown two months ago. Data on Tuesday showed the United States posted a record net \$163 billion capital outflow in August, as foreign investors fled from dollar-denominated assets amid a meltdown in the U.S. sub-prime mortgage market that triggered a global credit crunch. Analysts, however, said the report did not signify a long-term trend and capital flows have recovered since the turbulence in August.

The Yen gained broadly, with investors selling high-yielding assets funded by the currency's cheap rates in carry trades.

On Tuesday, oil jumped to a record price above \$88 per barrel amid growing tensions in the Middle East, while US stocks weakened, hurt by disappointing earnings from banks. Analysts said: "Overall, the Dollar is following the broader market. The Euro is weak, for instance, because EurJpy has come off due to the carry unwinding and that has affected EurUsd".

In yesterday trading, the EurUsd traded 0.19% lower at 1.4176. EurJpy was down -0.49% to 165.92 after having hit 164.86 intraday low. UsdJpy went also lower by 0.32% to 117.05 with an intraday 116.45 low. Big mover was GbpJpy which lowered by 0.82% to 237.76 having touched 236.65 low yesterday. The high-yielding Australian dollar slid 1.3% to 104.23 against Yen, while the New Zealand dollar sank 2% to 87.76. Both falls were a reflection of the current risk-averse environment.

Meanwhile, traders also took note of the drop in U.S. home-builder sentiment in October, which fell to a record low as borrowers faced difficulty in getting mortgages from stricter lenders. Housing reports have collected more attention than usual after the sector's downturn precipitated a global credit crunch. Today, more Housing reports are due with the release of US housing starts and building permits data for September, and both are expected to show further weakness. Markets will also focus on key inflation (CPI) numbers for last month.



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

**08:30 UK** Oct 3/4th Bank of England minutes meeting  
**08:30 UK** Sept Jobless change -5k vs -4.2k  
**08:30 UK** August ILO unemployment rate 5.4% vs 5.4%  
**08:30 UK** August Average Earnings 3.6% vs 3.5%

**12:30 US Sept CPI inflation 0.2% vs -0.1% (MoM)**  
**12:30 US Sept CPI ex-food/energy 0.2% vs 0.2% (MoM)**  
**12:30 US Sept Housing Starts 1285k vs 1331k**  
**12:30 US Sept Building permits 1298k vs 1322k**

**12:30 CAD** August Wholesale Sales -0.5% vs 2.0% (MoM)

**18:30 US** Treasury undersecretary McCormick discuss G7 agenda

## 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. Recent days 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 2.0435 this week 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). Downside seems stronger trend yet with a break of 116.81 support and opening the way down to 113.39 (Sept. 11 low) and further drop toward 112.61 with finally a possible retest of 111.60 (August 17 low). Initial support holds 116.45 early Oct low.

**UsdChf** In the current October 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	2.0435 M	117.79 M	1.1923 S
1.4165	2.0305	116.45	1.1820
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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- ▶ [Forex market is mixed ahead of Friday's US data](#)
- ▶ [Dollar stays weak on expectation Fed cut rates in December](#)
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