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## Dollar hurt by fall in Housing Starts and higher Crude Oil Prices

### News and Events:

The Dollar slipped broadly on Wednesday, hurt by a sharp fall in US Housing Starts for September and a surge in Crude Oil prices amid mounting geopolitical tensions. A weaker Housing market and a slowing US economy has enhanced the chances of Federal Reserve policy-makers cutting benchmark interest rates again from the current 4.75%, which should diminish the Dollar's appeal to global investors. Fed officials next meet on Oct. 30-31.

The Commerce Department said home construction starts fell 10.2 percent last month to its weakest level in 14 years. In the wake of the Housing Starts data, implied prospects for a quarter percentage point cut in the federal funds rate at the October Fed meeting hit 60%, from 38% overnight and 32% before Wednesday's data.

Oil jumped to yet another record high at \$89 per barrel on Wednesday, and this initially weighed on the US stock market. Forex traders, meanwhile, practically ignored data showing a rise in headline US inflation last month (CPI). US Consumer Prices rose at the sharpest rate above 3 percent in four months in September. But Core prices, which exclude volatile food and energy costs, rose in line with expectations.

EurUsd was 0.3% higher at 1.4218. Analysts said traders pushed the EurUsd to 1.4230 earlier, but failed to sustain it at that level amid caution ahead of the Group of Seven finance ministers' meeting over the weekend. Analysts said: "It is possible that the G7 could issue a statement that would be cautious about Euro strength or would be aggressive about Asian currency weakness. So you see people taking off a bit of money from the table". The G7 ministers will meet in Washington over the weekend and many analysts expect currencies to be one of the major topics for discussion given the recent market volatility. US Treasury Undersecretary David McCormick said most of Friday's meeting of key global financial officials will be devoted to analyzing how to calm uneasy financial global markets.

Against the Yen, the Dollar reversed earlier gains, falling 0.54% to 116.42. The Euro was little changed against the Yen to 165.60, while GbpJpy ended up 0.16% to 237.76 after trading down to 235.84 intraday.



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

**08:30 GBP** Sept Retail Sales 0.1% vs 0.6% (MoM)

**08:30 GBP** Sept Retail Sales 5.5% vs 4.9% (YoY)

**08:30 GBP** Sept Public Finances (PSNCR) £12.56B vs £5B

**08:30 GBP** Sept Public Sector Net Borrowing £6B vs £9.1B

**09:00 CHF** Oct ZEW investor sentiment previously -26.7

**09:00 EUR** August Euro zone Trade Balance €0B vs €4.6B

**12:30 CAD** August Int'l Securities Transactions C\$2.25B vs C\$1.5B

**12:30 US Oct. 13th Initial Jobless Claims 314k vs 308k**

**14:00 US Sep Leading Indicators 0.3% vs -0.6%**

**15:00 US Oct Philadelphia Fed 7.3 vs 10.9**

## 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 dominates with recent break of 116.81 support and opening the way down to 113.39 (Sept. 11 low) with further drop toward 112.61 and retest of ultimate 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
1.4205	2.0390	116.45	1.1795
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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