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# Dollar rose as Dow Jones Industrial Index hit an all-time high

## News and Events:

The Dollar rose from record lows against the Euro on Monday as investors pared bets against the US currency on a rally in stocks and a dip in oil prices ahead of a batch of economic data and central bank meetings.

The Dollar got a boost as US benchmark indexes soared more than 1% and the Dow Jones hit an all-time high. A sharp drop in oil prices helped ease some inflation fears and also lent support to the Dollar after it lost about 4% of its value and fell to a record low against major currencies in September.

European Central Bank President Jean-Claude Trichet underscored on Monday the United States' strong Dollar policy, setting the stage for a concerted push for stronger language on currencies at the upcoming Group of Seven meeting. Forex analysts said "The greenback is stronger on balance as the fourth quarter begins and further consolidation in the currency markets in coming days would not be a surprise."

Yesterday, the EurUsd was down 0.25% from late Friday 1.4235, after having scaled a record high earlier of 1.4282. The Dollar reacted little to a measure of September US manufacturing which hit its lowest since March but the gauge's employment measure registered growth, boding well for the main item of interest this week: Friday's US payrolls data. The Institute for Supply Management on Monday said its index of national factory activity fell to 52.0 from 52.9 in August, while its employment index rose to 51.7 from 51.3. The Dollar climbed 0.77% against the Yen to 115.76, helped by soaring US stock prices. Investors warily reentered high-yielding, high-risk bets called carry trades, many of which are funded by borrowing cheaply in yen.

The Australian dollar, another high-yielding currency, scaled an 18-year peak at 0.8950 high.

A cut by the Federal Reserve of its benchmark interest rate by half a percentage point to 4.75 percent last month to boost the U.S. economy triggered a major downtrend in the dollar.

In addition to economic data this week, investors are looking for the outcome of several Central Bank policy meetings. The Bank of England, the ECB and the Reserve Bank of Australia all meet to set policy amid a global financial system still sensitive to tight liquidity.



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

**07.00 UK** Alan Greenspan speaks at Bloomberg

**08.30 UK** Sept Construction PMI 62 vs 64.8

**09.00 EUR** August Euro Zone PPI 0.1% vs 0.3% (MoM)

**09.00 EUR** August Euro Zone PPI 1.7% vs 1.8% (YoY)

**09.00 EUR** August Euro-Zone unemployment rate 6.9% vs 6.9%

**14.00 US** August Pending Home sales -2.1% vs -12.2% (MoM)

**17.30 UK** Alan Greenspan speaks at the Guildhall, City of London

**23.30 JPN** Sept Monetary Base 0.7% in August

Holiday in China this week.

India holiday today.

## The Risk Today:

**EurUsd** hit yesterday all time high 1.4282, which marks initial resistance before a new extension to 1.4291 and 1.4333 strong resistance. Initial support holds 1.4165 former resistance. Nearby support cuts at 1.3927 where a lower development would threaten the up-trend, but it would need a return below 1.3719 to confirm trend change.

**GbpUsd** recent trend continue to suggest Sterling will remain strong. It started week with a strong tone up to 2.0494 two-month high. Former resistance 2.0363 is holding initial support. A return below it would expose further downside. But it would need a return 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).

**UsdJpy** The downtrend remains intact below 117.13 major resistance. Confirmation over this level is needed to relieve the negative tone and open the way for further extend toward 119.36 (61.8% retracement of 124.15 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).

**UsdChf** remains negative in recent downtrend after having broken 1.1816 former key support and moreover Friday break of 1.1680 support. Yesterday, it touched 1.1622 2 ½ -year low. Further weakness will open the way down to 1.1500 psychological support and possibly 1.1484 (2005 March 14 low). However, on the uptrend, a recovery beyond 1.1923 and 1.1962 is needed to relieve the actual bear threat.

## Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.4500 K	2.0660 S	119.36 T	1.2000 S
1.4333 S	2.0500 K	117.13 S	1.1923 S
1.4282 M	2.0465 S	116.39 M	1.1816 M
1.4210	2.0400	115.40	1.1710
1.4165 S	2.0363 S	113.39 S	1.1680 K
1.4000 S	2.0200 S	112.61 M	1.1500 P
1.3827 S	2.0000 P	111.60 T	1.1484 S
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

## Quick access to our 5 previous newsletters:

- [Dollar fell to record lows against major currencies on Friday](#)
  - [High-Yielders doing very well; US dollar index hits record low](#)
  - [US Durable Goods Orders worse than expected; dollar unchanged](#)
  - [Is Euro's rally against the Dollar close to an end ?](#)
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