

## Dollar fell to record lows ahead of FOMC rate decision

### News and Events:

The Dollar fell to a record low against the Euro on Tuesday for the third consecutive session as the market looked ahead to the outcome of a Federal Reserve meeting with most expecting an interest rate cut.

Dealers seemed intent on heading into the meeting with hefty bets against the Dollar, forecasting the Fed would signal that additional policy easing might be needed to stave off an economic recession. Some analysts warned that in the near term, investors should be wary of a cloudy outlook in the Fed's post-meeting statement, which would leave the US central bank's options open as to how to react to the economic situation.

While the chances of a 0.50 rate cut by the Fed on Wednesday have largely evaporated in the last few weeks, the futures market still reflects expectations for about 40 basis points of policy easing by the end of January 2008. A sliver of doubt that the Fed would reduce its benchmark interest rate for the second meeting in a row entered the market after an article in The Wall Street Journal earlier on Tuesday made the case that policy easing this week is not a sure thing. However, expectations seemed to gel after a US consumer confidence index hit its lowest level in two years, causing the Dollar to cut its small gains on the day.

The EurUsd rose to a fresh record high of 1.4441 before settling at 1.4439. The Euro has risen around 10 cents since mid-August, when a crisis in the US sub-prime mortgage market began to spread to other areas of the economy. UsdChf fell to the lowest in 2-1/2 years, at 1.1575 down 0.57% yesterday. GbpUsd rose to a 26-year high of 2.0703 before backtracking to 2.0679, up 0.35% on the day.

The overall negative trend in the Dollar is intact heading into the Fed meeting, analysts said. Though commodity-related currencies have been the biggest gainers on the dollar this year, they took a breather on Tuesday as oil prices fell from record high. UsdCad was flat at 0.9536 after touching a 47-year low of 0.9514 yesterday.



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

**BoJ left rate unchanged at 0.5%**

**10:00 EUR** October Euro zone Consumer Confidence -5 vs -5  
**10:00 EUR** October Euro zone Industrial Sentiment 2 vs 3  
**10:00 EUR** September Euro zone Unemployment rate 6.9% vs 6.9%  
**10:00 EUR** October Euro zone Business Climate Indicator 1.03 vs 1.09  
**10:00 EUR** October Euro zone CPI estimate 2.3% vs 2.1% (YoY)  
**10:00 EUR** October Euro zone Consumer Confidence -5 vs -5  
**10:00 EUR** October Euro zone Services Confidence 18 vs 18

**10:30 CHF** October KOF Indicator 2.1 vs 2.14  
**10:30 GBP** October GfK Consumer Confidence Survey -8 vs -7

**11:00 USD** October 26th MBA mortgage Applications

**12:15 USD** October ADP Employment Change 60k vs 58k

**12:30 CAD** August GDP 0.1 vs 0.2%  
**12:30 USD 3Q Core PCE prices advance 1.5% vs 1.4% (QoQ)**  
**12:30 USD 3Q PCE price Index advance 1.5% vs 4.3%**  
**12:30 USD 3Q GDP advance 3% vs 3.8%**  
**12:30 USD 3Q GDP Price Index advance 2% vs 2.6%**  
**12:30 USD 3Q Employment Cost Index 0.9% vs 0.9%**

**13:45 USD October Chicago Purchasing Manager Index 53 vs 54.2**

**14:00 NOK** Central Bank Rate Decision 5% vs 5%  
**14:00 USD** September Construction spending -0.5% vs 0.2%

**18:15 USD Oct 31st FOMC Rate Decision Expected 4.5% vs 4.75%**

## The Risk Today:

**EurUsd** Outlook remains bullish. This put 1.4500 key level into focus. Next resistance holds 1.4530 March 1995 trend high. On the downside, a return below 1.4280 former resistance may threaten the trend and reopen the way down toward 1.4000 nearby support and 1.4125 trendline support. On a long term view, it would need a return below 1.3719 to confirm trend change. Initial support holds 1.4400 former resistance.

**GbpUsd** Cable remains positive and broke 2.0654 key resistance. A clear confirmation over that level would confirm a return of the bull trend paving the way for strength toward 2.1000 and a channel top at 2.1030. On the downside, it would need renewed pressure below 2.0200 and further weakness toward 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 support holds 2.0500 former resistance.

**UsdJpy** Trend remains bearish. It has been consolidating within last week high and low 115.03 and 113.26. Further drop below 113.26 might push toward 112.61 and retest of ultimate 111.60 (August 17 low). On the upside, 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). Key support holds 114.

**UsdChf** dropped down to 1.1565 new low this morning. Initial resistance holds 1.1790 (23.6% retracement of 1.2477 to 1.1577 decline) and strong resistance 1.1923 (38.2%). However, recent downtrend development below 1.1680 former key level reopened the way toward 1.1500 psychological support and possibly 1.1484 (2005 March 14 low).

## Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.4570 S	2.1000 T	119.06 T	1.2000 S
1.4530 T	2.0862 S	117.63 S	1.1923 S
1.4500 K	2.0742 M	115.03 M	1.1790 M
1.4460	2.0740	114.80	1.1570
1.4400 M	2.0500 M	114.00 K	1.1565 M
1.4280 S	2.0200 S	113.39 S	1.1500 P
1.4125 T	2.0000 P	111.60 T	1.1484 S

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

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