

Fed cuts rates 25 basis points; Dollar slumps to new lows.

News and Events:

The Federal Reserve cut the funds rate by 25 basis points which sent the US dollar to new lows. The EURUSD reached 1.4504 and the GBPUSD hit 2.0822 yesterday. The accompanying statement mentioned inflation and rising commodity prices as factors which will be closely looked at in the medium-term. The statement's hawkish tone included a concern about "upward pressures on inflation" and considered rising prices to be the downside risk to growth. The market has been pricing-in another 25 basis point cut ahead of the next FOMC meeting in December. Key economic announcements in November will shed more light on whether another cut will be necessary. The Fed also cut the discount rate by 25bp to 5.00%.

Australian September retail sales came out better than expected at 0.8% versus 0.5% on the back of low unemployment, strong household income growth and possible tax cuts. Australia has managed very well to avoid much of the credit market turmoil, however perhaps it is premature to make any conclusions before key housing data is announced in December. AUDUSD still looks strong on the upside.

The dollar slump, easing monetary policy and market turmoil has pushed commodity prices to record high levels. Spot Gold hit \$799/ounce yesterday, while Silver market 14.5575. Fundamentally, the two precious metals remain bullish however technically; we see a pullback in the coming days. If you were long, taking a profit now would seem like the precious thing to do.



Today's Key Issues (time in GMT):

12:30 US Personal Income SEP 0.40% vs 0.30%
 12:30 US Personal Spending SEP 0.40% vs 0.60%
 12:30 US PCE Deflator (YoY) SEP
 12:30 US PCE Core (MoM) SEP 0.20% vs 0.10%
 12:30 US PCE Core (YoY) SEP 1.80% vs 1.80%
 12:30 US Initial Jobless Claims Oct-27 330K vs 331K
 12:30 US Continuing Claims Oct-20 2533K vs 2530K

14:00 US ISM Manufacturing OCT 51.5 vs 52
 14:00 US ISM Prices Paid OCT 63 vs 59

18:00 IT Budget Balance OCT
 18:00 IT Budget Balance (Year to date) OCT

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The Risk Today:

EurUsd uptrend remains intact, with a clear target of 1.4542. On the downside, support is found all the way down to 1.4280, after which would be bearish.

GbpUsd has both of our targets of 2.0660 and 2.0800 and has overextended. On the downside, support holds at 2.0660 which if broken, opens a big door to 2.0200.

UsdJpy has broken through our initial target and resistance of 115.55. The pair is bullish above this price and opens the next levels of 116.40 and ultimately 117.89 in the near term.

UsdChf is hovering at our key level of 1.1629. The pair has been, as discussed before, very bearish below 1.1800. With the pair making a new low, a retracement to 1.1672 is likely. Support at 1.1557 holds very strong.

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	2.0822 M	116.40 M	1.1790 M
1.4433	2.0776	115.70	1.1619
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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