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Dollar mixed on uncertainty over US sub-prime crisis

News and Events:

The US Dollar rose against the Euro but slid against the Yen on Thursday, as ongoing credit market concerns and weak stock markets led investors to pare back on short positions in the Dollar.

Uncertainty about losses from the US sub-prime mortgage crisis continued to pressure Stock and Currency Markets. Persistent concerns about the lending environment have caused some currency traders to trim bets against the Dollar and reduce Yen carry trades, in which the low-yielding Japanese currency is borrowed to fund purchases of higher-yielding ones. UsdJpy was down 0.73% on the day at 110.48, within sight of 18-month lows of 109.13 set this week. EurUsd was down only 0.21% at 1.4620, more than a cent below a record high of 1.4752 set last week. EurJpy was down 0.94% at 161.51. Globally, US Dollar was little changed by news the United Arab Emirates is under mounting pressure to unpeg its currency (AED) from the Dollar.

Data showing benign US core inflation in October and higher-than-expected regional US business activity in November did not have lasting impact on currencies. The Dollar shot up 2.03% against the Canadian Dollar to 0.9854 after a report showed Canadian manufacturing sales at the lowest since October 2006. The high-yielding Australian Dollar fell 0.97% against the Dollar at 0.8875 and the New Zealand Dollar fell 0.63% to 0.7562.

GbpUsd fell to a three-week low, hit by an unexpected fall in retail sales. The Cable fell 0.42% to 2.0442. It has lost around 3.4% since reaching a 26 year high above 2.1161 last week.



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Today's Key Issues (time in GMT):

10:00 EUR Sept Euro zone Trade Balance 3B vs 1.3B

14:00 Sept Net Long-term TIC Flows \$70B vs \$-69.3B

14:00 Sept Total Net TIC Flows \$60B vs \$-163B

14:15 Oct Industrial Production 0.1% vs 0.1% (MoM)

14:15 Capacity Utilization 82% vs 82.1%

The Risk Today:

EURUSD Euro found support at 1.4520 Monday and Tuesday low. It recovered up to 1.4725 high and consolidating around 1.4650. On the downside, only a return below 1.4500 and further drop to 1.4280 former resistance would threaten the uptrend. This could open the way down toward 1.4000 nearby support and 1.4125 trendline support. Initial support holds 1.4520 strong support.

GBPUSD Following early week largest drop since October 22nd, Cable broke 2.0525 support from Monday and Tuesday lows. On the upside, last Friday 2.1161 high marks the strong resistance before putting 2.1355 May 11th 1981 into focus. On the downside, confirmation below 2.0525 may open a market reversal. But it would need renewed pressure below 2.0200 and further weakness toward 2.0000 psychological levels to validate a downtrend. Initial support holds 2.0418 yesterday low.

USDJPY Trend remains bearish. Recent pressure pushed toward 111.60 (August 17 low) on Monday and posted a new ultimate 109.57 low. On the upside, market needs a return over 114 and 116 to undermine the actual downtrend. This may open the way toward 117.63 resistance. Initial resistance holds 111.60.

USDCHF consolidation might end soon and mark the end of the 3-week downtrend. It posted a fresh low 1.1176 on Wednesday, near 12-year low 1.1110 from April 1995. Last week break of 1.1500 pivot point holds initial resistance. Extreme target holds 1.1000 key level. It would need a return over 1.1500 and 1.1640 level to relieve actual bear threat.

Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.5000 K	2.1161 T	117.63 S	1.1923 S
1.4730 T	2.0525 M	114.00 P	1.1640 T
1.4703 M	2.0500 P	111.60 M	1.1500 P
1.4630	2.0465	110.15	1.1220
1.4520 S	2.0200 S	109.57 M	1.1176 S
1.4500 K	2.0000 P	109.00 S	1.1110 T
1.4400 M	1.9860 S	108.77 S	1.1000 K
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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