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## BoE and ECB left rates unchanged 5.75% and 4%

### News and Events:

The Dollar fell to near-record lows against the Euro on Thursday as a downbeat economic forecast from Federal Reserve Chairman Ben Bernanke cemented market views that the Fed will cut interest rates in December. Federal funds futures implied an 88% chance of the Fed cutting rates again in December. That is bearish for the dollar, since yield-hungry speculators typically shun depositing money in currencies with lower rates. Bernanke's remarks also helped send US stock markets into a tumble, and the tech-heavy Nasdaq closed down nearly 2 percent. When added to Wednesday's fall, that took the index to its biggest two-day percentage drop in five years. Other US benchmark indexes sank as much as 1% before paring most losses at the close.

The Dollar also tumbled against the CHF to a 12-year low and weakened to its lowest level in nearly three months against the Yen as market players seized on Bernanke's remark that the US economy will "slow noticeably" by year-end and remain sluggish for part of 2008.

Following Bernanke's comments to a congressional panel, the Euro hit a session high at 1.4703 and was last trading at 1.4678 up 0.39% from late Wednesday.

Some analysts see the Euro hitting 1.5100 by year end, vaulting past its record high of 1.4730 on Wednesday. European Central Bank President Jean-Claude Trichet's vow to keep a grip on inflation gave the Euro more fuel to extend its rally, since it suggested the ECB may not be done raising interest rates. He made the comments after the ECB held interest rates at 4% for the fifth straight month. BoE decision to leave UK interest rates unchanged at 5.75% on Thursday would confirm that the economy is not yet slowing any more sharply than the Committee thinks is necessary, given its concerns over the inflation outlook.

UsdChf sank 0.61% to 1.1273, hitting 1.1253 lowest since October 1995.



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

**08:30 GBP** Sept Trade Balance £ -6.9B vs £ -6.85B  
**08:30 GBP** Sept Trade Balance non-EU £ -3.9B vs £ -3.9B

**12:30 USD** Oct Export Prices 0.3% vs 0.3%  
**12:30 USD** Oct Import Prices 1.1% vs 1%  
**12:30 USD** Sept Trade Balance \$ -58.5B vs \$ -57.59B

**14:00** Nov University of Michigan Confidence 80 vs 80.9

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## The Risk Today:

**EURUSD** Euro remains firm and hit this morning 1.4738 new high. This is just over the Trendline resistance at 1.4730. On the downside, market may recover on profit taking down to 1.4500 and a return below 1.4280 former resistance, which would threaten the uptrend and reopen the way down toward 1.4000 nearby support and 1.4125 trendline support. Initial support holds 1.4500 former key level.

**GBPUSD** Cable remains strong and hit new 26-year high 2.1143 this morning. Former resistance 2.1030 holds initial support. Recent high put 2.1355 May 11th 1981 into focus. On the downside, it would need renewed pressure below 2.1000 and further weakness toward 2.0500 psychological levels to confirm a trend change. Key support holds 2.1000 former resistance.

**USDJPY** Trend remains bearish. Recent drop below 114 had pushed toward 112.10 Wednesday low and put the ultimate 111.60 (August 17 low) into focus. 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 and further advance to 119.06 (61.8% retracement of 123.67 to 111.60 decline).

**USDCHF** sank to a fresh low 1.1210 this morning, a 12-year low. It broke 1.1500 pivot point earlier this week and is heading at 1.1110 April 1995 low. Extreme target holds 1.1000 key level. Initial resistance holds 1.1500 Pivot point. It would need a return over that point and 1.1640 level to relieve actual bear threat.

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## Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.5000 K	2.1355 K	119.06 T	1.1923 S
1.4730 T	2.1143 T	117.63 S	1.1640 T
1.4703 M	2.1116 M	114.00 M	1.1500 P
1.4685	2.1095	112.70	1.1265
1.4500 K	2.1030 M	112.51 M	1.1210 M
1.4400 M	2.1000 K	112.10 M	1.1110 T
1.4280 S	2.0654 S	111.60 T	1.1000 K
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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