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Dollar near one-month high vs Yen after unexpected US retail sales

News and Events:

The Dollar climbed to a one-month high against the Yen on Wednesday after government data showed an unexpected rise in US retail sales last month, easing concern that the US economy will fall into a recession.

UsdJpy jumped after the data, rising to a one-month high of 108.37 before easing to 108.27, up 0.87%. Even at current levels, the Dollar remains in a downward trend that began in June 2007, when it rose at 124.14 high. Some analysts also said the unexpectedly positive sales report does not alter the big-picture view of slowing US consumer spending undermining the Dollar. EurUsd was down 0.18% at 1.4554 after hitting a session low at 1.4532. EurJpy rose 0.68% to 157.60. GbpUsd was up 0.11% at 1.9619, in a seesaw session. The Bank of England said in a quarterly inflation report that it would overshoot its 2% inflation target if it cuts rates too quickly.

Analysts said the Dollar could run out of steam as traders scale back positions ahead of Thursday's testimony by Fed Chairman Ben Bernanke, who may signal more rate cuts to come. Since September, the Fed has slashed benchmark interest by 225bp to 3%. Some investors have said this aggressive easing may be helping to keep the economy out of a recession. Based on interest rate futures, markets expect the Fed to reduce its benchmark interest rate to as low as 2% this year. Analyst said that is probably "a little bit further than the Fed wants to go." But Bernanke is unlikely to delve into such details on Thursday.



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Today's Key Issues (time in GMT):

10:00 CHF February ZEW Investor Sentiment -32.7
10:00 EUR 4Q Euro zone GDP 0.3% vs 0.8% (QoQ)
10:00 EUR 4Q Euro zone GDP 2.2% vs 2.7% (YoY)
09:30 GBP January ILO unemployment rate 5.3% vs 5.3%
13:30 USD Feb 9th, Initial Jobless claims 361k vs 392k
13:30 USD December Trade Balance \$-61.5B vs \$-63.12B
13:30 CAD December Trade Balance C\$3.4B vs C\$ 3.7B
15:00 USD Bernanke and Paulson testify at Senate Banking Committee
16:00 EUR Bundesbank's Weber speaks at the University of Siegen, Germany
17:30 EUR ECB's Trichet speaks on globalisation at a banking event
18:30 USD Fed's Evans speaks on the economic outlook, Chicago

The Risk Today:

EURUSD Dropped by 2.01% last week at 1.4504 having posted 1.4440 low. Medium term trading range is now 1.4366 – 1.4952. Market traded as low as 1.4440 on Wednesday. Market looks stronger over 1.4500 pivot point. Trendline support holds 1.4311 ahead of 1.4280 strong support. Initial resistance holds 1.4652 Thursday high.

GBPUSD is posting a fifth positive day since last week 1.9388 low. Initial resistance holds 1.9730 upper Trendline. Return in uptrend will be only confirmed over 2.0000 key level before 2.0100 resistance. Renewed pressure below 1.9500 might open the door toward 1.9337 January low and 1.9105 (50% retracement of 1.7049 – 2.1162 advance).

USDJPY yesterday broke up 108 pivot point. This open the way up to 110.10 strong resistance and mid January double top ahead of 111.92 early January high. On the downside, 108 pivot point holds initial support. Further supports are sat on 105.77 February low and 104.97 23rd January low, ahead of 104.20 trendline support.

USDCHF Posted a 3-week high Thursday at 1.1107 yesterday. Initial resistance holds 1.1123 late January high. Market might look for 1.1130 (38.2% of 1.1603 – 1.0838 decline). Early January double top 1.1191 marks strong resistance. Initial support holds 1.0933 Thursday low, 2 figures away from previous week low 1.0732.

Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.5000 K	2.0100 S	114.00 P	1.1500 P
1.4967 S	2.0000 P	111.92 S	1.1191 S
1.4652 M	1.9730 T	110.10 T	1.1123 M
1.4625	1.9705	108.30	1.1060
1.4366 T	1.9388 M	108.00 P	1.0933 M
1.4311 S	1.9337 S	106.00 S	1.0812 K
1.4280 S	1.9105 S	104.20 T	1.0732 S
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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