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Euro is looking for a run back at its record high near 1.5000

News and Events:

The Dollar slid against most major currencies on Friday, and posted its worst weekly performance against the Euro in 2008 to date, after US economic reports renewed fears that the economy continues to drop into recession. Investors pushed the Dollar down against the Euro for the fifth day in the last six, pushing the euro zone currency above 1.4700 for the first time since Feb. 5th, after a gauge of US consumer sentiment plunged to a 16-year low in February. EurUsd last traded at 1.4682, up 0.27%, after climbing as high as 1.4709. UsdJpy was unchanged to 107.82 after the New York Federal Reserve said its New York state February manufacturing index posted the biggest monthly decline on record. Indeed, Friday's batch of weak data comes a day after Fed Chairman Ben Bernanke warned of continued sluggish growth in the near term and said the central bank will act as needed to provide insurance against downside risks. As a result the Euro may be set for a run at its record high just shy of 1.5000, said analyst, particularly with the Federal Reserve seen cutting interest rates further below the European Central Bank's benchmark interest rate. Since mid September, the Fed has cut its benchmark rate by 225bp to 3%. Bernanke's remarks and recent economic data have left investors betting on another 50bp cut at the central bank's March meeting. But expectations for the ECB to follow with rate cuts of its own have faded, with ECB officials stressing that inflation is a bigger concern than growth. That has continued to move rate spreads in favor of the Euro, reducing the appeal of holding US over euro-zone debt. UsdChf felt 0.36% to 1.0933. GbpUsd was the only major cross to weaken, falling 0.41% to 1.9613 with dealers citing technical factors for the pullback. Some analysts worried that inflation may not be only a European phenomenon. University of Michigan consumer sentiment index showed one-year inflation expectations soared to their highest since August 2006. Separate data on Friday showed US import prices rose by more than economists had expected in January, mainly the result of high food and energy costs.



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Today's Key Issues (time in GMT):

00:00 USD US President's Day holiday

08:00 EUR Foreign Ministers' meeting, Brussels

08:15 CHF December Retail sales 2.7% vs 2.9%

21:00 CAD Bank of Canada governor Carney speaks on globalisation, Vancouver

The Risk Today:

EURUSD Market again looks stronger over 1.4500 pivot point recovering from 7th February 1.4440 low. Medium term trading range is now 1.4366 – 1.4952. Trendline support holds 1.4311 ahead of 1.4280 strong support. Initial resistance holds 1.4709 Friday high.

GBPUSD Cable had found resistance on upper Trendline at 1.9723 on Friday. Friday move ended the five-day positive trend from 1.9388 February 7th 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 It shortly tested level over 108 pivot point last week. This may open the way up to 110.10 strong resistance and mid January double top ahead of 111.92 early January high. On the downside, supports are set on 105.77 February low and 104.97 23rd January low, ahead of 104.20 trendline support.

USDCHF It is trading in 1.0732 – 1.1104 range. Next 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 February 1st 1.0732 low.

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 |
| 1.4709 M | 1.9730 T | 110.10 T | 1.1123 M |
| 1.4685 | 1.9550 | 108.00 P | 1.0945 |
| 1.4366 T | 1.9500 M | 106.00 S | 1.0933 M |
| 1.4311 S | 1.9337 S | 105.77 M | 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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