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Dollar edged up in thin trade on US market holiday

News and Events:

The Dollar recovered in trade thinned by a US market holiday on Monday, as investors locked in profits following the currency's worst weekly performance of the year so far. A series of weak US economic reports last Friday, including one showing consumer sentiment hitting a 16-year low, had renewed worries about a US recession and reinforced expectations for more interest rate cuts.

Yesterday, EurUsd edged down 0.22% to 1.4650 scaling back from a two-week peak 1.4709 set on Friday. UsdJpy was 0.33% firmer at 108.18. US Dollar was weaker against higher-yielding currencies such as the Australian and New Zealand Dollar. AudUsd went up 0.78% to 0.9162, 3-month high, while NzdUsd was 0.77% higher at 0.7963. Australian Dollar is supported by a strong yield advantage and expectations that the Reserve Bank of Australia will raise rates from the current 11-year high of 7% as early as March. That was in sharp contrast to the Fed's deep cuts in benchmark rates since September to 3% from 5.25%, with investors eyeing another 50bp reduction at the March policy meeting. Elsewhere, GbpUsd fell 0.54% to 1.9507 as news Britain had decided to nationalize bank Northern Rock added to worries about the health of the UK economy.

On Tuesday, the focus will likely be on RBA minutes, Canadian inflation data and, above all, on the mood in which US investors return to the market after a long weekend.



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Today's Key Issues (time in GMT):

08:30 SEK January CPI -0.4% vs 0.2% (MoM)
08:30 SEK January CPI 3.6% vs 3.5% (YoY)
12:00 CAD January Consumer Price Index -0.2% vs 0.1% (MoM)
12:00 CAD January Consumer Price Index 2.2% vs 2.4% (YoY)
12:00 CAD January Bank of Canada CPI Core 0.1% vs -0.3% (MoM)
12:00 CAD January Consumer Price Index 1.4% vs 1.5% (YoY)
13:30 CAD December Wholesale sales -0.7% vs 0.3% (MoM)
18:00 USD February NAHB Housing market Index 19 vs 19
22:00 USD February 17th, ABC Consumer Confidence -37

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 is testing level over 108 pivot since 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
1.4655	1.9495	108.20	1.1015
1.4366 T	1.9475 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	105.77 M	1.0732 S
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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