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Dollar slips as investors are worried about further economy slowdown and more interest rates cut.

News and Events:

The Dollar fell on Tuesday as investors worried that a spike in oil prices to record highs could further slow the US economy and prompt the Federal Reserve to again cut interest rates.

The high-yielding Australian and New Zealand Dollars posted strong performances, after booking early gains as a rise in global equities and commodities bolstered investor appetite for risky trades. The Aussie rose to a three-month high versus the Dollar, after minutes from the Reserve Bank of Australia's February policy meeting confirmed expectations for more interest rate hikes, boosting the currency's appeal to global investors.

Expectations that the European Central Bank would keep its benchmark lending rate at 4% longer than previously anticipated pushed the Euro to a two-week peak 1.4757.

AudUsd rose as high as 0.9237, a level last seen in early November. It last traded at 0.9160, up 0.53%. Minutes from the RBA's Feb. 5 policy meeting showed the central bank had debated a more aggressive 50bp rate hike. While the RBA decided in the end on a modest 25bp rise in the cash rate to an 11-year high of 7%, the minutes pointed to further monetary tightening ahead. The New Zealand dollar followed the Aussie's rally, climbing to 0.8024, its highest level since July. It was last up 0.29% at 0.7986. EurUsd rose 0.53% at 1.4757, while UsdJpy was down 0.22% at 107.94.

Credit Suisse said it had written \$2.85 billion off the value of its asset-backed investments, while Barclays, Britain's third largest bank, raised its 2007 write-down on the value of risky assets to £1.6 billion.

US consumer inflation and housing data await investors today and could fuel the debate on the prospects of stagflation in the world's largest economy. The Fed has lowered its benchmark overnight lending rate by 225bp to 3% since mid-September in a bid to stave off a recession following a sharp housing downturn.



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Today's Key Issues (time in GMT):

09:30 GBP Bank of England Minutes of February meeting
09:30 GBP January Public Finance £-19.5B vs £-16.98B
09:30 GBP January Public Sector Net Borrowing £-9.75B vs £-7.8B
09:30 GBP January M4 Money Supply 11.9% vs 12.3% (YoY)
11:00 GBP February CBI Industrial Trends Survey -1 vs 2
13:30 USD January Consumer Price Index 0.3% vs 0.4% (MoM)
13:30 USD January CPI ex-food & energy 0.2% vs 0.2% (MoM)
13:30 USD January Consumer Price Index 4.2% vs 4.1% (YoY)
13:30 USD January CPI ex-food & energy 2.4% vs 2.4% (YoY)
13:30 USD January Housing Starts 1010k vs 1006k
13:30 USD January Building Permits 1040k vs 1080k
13:30 CAD January lead Indicator 0% vs -0.1%
13:30 CAD December Int'l Securities Transactions Cad\$1.5 vs Cad\$-4.47
18:30 USD Fed's Poole speaks on inflation, Missouri
19:00 USD Minutes of January 29-30 FOMC Meeting
22:00 USD February 17th, ABC Consumer Confidence -37
23:50 JPY December All Industry Activity Index +0.2% vs -0.5%
23:50 JPY January Trade Balance Jpy 35 to 240B vs Jpy 877.9B

The Risk Today:

EURUSD Market confirmed the recent strength 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 1.4757 yesterday high.

GBPUSD Cable had found resistance on upper Trendline at 1.9723 3-days ago. 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 has been testing level over 108 pivot since last week. This may open the way up to 110.10 strong (Trendline) 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 1.0887 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
1.4757 M	1.9730 T	110.10 T	1.1123 M
1.4700	1.9465	107.60	1.0960
1.4500 P	1.9388 M	106.00 S	1.0887 M
1.4366 T	1.9337 S	105.77 M	1.0812 K
1.4280 S	1.9105 S	104.97 T	1.0732 S
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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