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Dollar hits record lows on US growth worries

News and Events:

The Dollar fell to an all-time low versus the Euro for a third straight day on Thursday after Federal Reserve Chairman Ben Bernanke warned some small US banks could fail and flagged further interest rate cuts. Market mood on Dollar also was soured by news the government's second reading on 4Q US growth was unchanged from its advance estimate of 0.6%, whereas economists had forecast a slightly stronger result. A surprise big jump in initial weekly jobless claims also added to rising worries about the slowing economy.

Bernanke said he expected there would be some failures of smaller regional banks that invested heavily in real estate, but added that capital ratios among the largest banks remained good. He also said the central bank was in a more difficult position now to respond to a slowing economy than it was in 2001. Lower interest rates will further erode the appeal of Dollar-denominated securities at a time when the European Central Bank is not seen easing monetary policy any time soon and countries like Australia are raising rates.

EurUsd jumped to 1.5229 high for the first time in its nine-year history. It last traded at 1.5192 up 0.5%. UsdJpy dropped to a five-week low of 104.68 and last traded down 1.38% at 104.93. Gold price rose to historic highs of 972.50. UsdCad fell 0.54% to 0.9762. UsdChf fell to a record low at 1.0472 and last traded at 1.0511 down 1.12%.

The dollar has been under pressure since the Fed began cutting rates, pushing benchmark overnight lending rates down by 225bp since mid-September to 3%.



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Today's Key Issues (time in GMT):

09:00 NOK January Retail Sales 0.6% vs -0.7%
09:30 GBP January BoE Consumer Credit £0.8B vs £0.56B
09:30 GBP January Mortgage Approvals 70k vs 73k
10:00 EUR February euro-zone Business Climate 0.75 vs 0.78
10:00 EUR February euro-zone Consumer sentiment -12 vs -12
10:00 EUR February euro-zone Economic sentiment 101.2 vs 101.7
10:00 EUR February euro-zone Industrial sentiment 1 vs 1
10:00 EUR January euro-zone CPI -0.4% vs 0.4% (MoM)
10:00 EUR January euro-zone CPI 3.2% vs 3.1% (YoY)
10:00 EUR January euro-zone unemployment rate 7.1% vs 7.2%
10:30 CHF February KOF indicator 1.6 vs 1.7
10:30 GBP February GfK Consumer confidence -14 vs -13
13:30 USD January Personal Income 0.2% vs 0.5%
13:30 USD January Core PCE 0.3% vs 0.2%
13:30 CAD January Industrial Product Price 0.9% vs 0.2%
13:30 CAD Q4 Current Account C\$ -0.3B vs 1.04B
14:45 USD February Chicago PMI 49.7 vs 51.5
14:55 USD February University of Michigan sentiment 70 vs 78.4
16:00 USD Fed's Mishkin, Rosengren, Lockhart, Poole and Evan speak on monetary policy, New York

The Risk Today:

EURUSD Market disregards US Dollar and Euro jumped to all-time high 1.5229. Medium term trading range is still 1.4500 – 1.5300. Initial support hold 1.5073 yesterday low. Psychological 1.5000 level marks strong support before 1.4500 pivot point.

GBPUSD Cable broke last Friday 1.9630 upper Trendline resistance and advanced up to 1.9972 Wednesday. But return in uptrend will be only confirmed over 2.0000 key level and 2.0100 resistance. Renewed pressure below 1.9500 might reopen the way down to 1.9337 January low and 1.9105 (50% retracement of 1.7049 – 2.1162 advance). Initial support holds 1.9630 former Trendline resistance.

USDJPY It remains weak in the last 3 consecutive sessions. On the downside, further weakness might open the door down to 101.68 January 2005 low and 101.22 November 1999 low. On the Upside, only a return over 108 may open the way up to 110.10 strong (Trendline) resistance and mid January double top ahead of 111.92 early January high.

USDCHF Market remains weak. It hit yesterday 1.0484 low and 1.0451 today. Further weakness might open the way down to 1.0000 psychological level. Uptrend would return over 1.0700 and open the way for 1.1130 (38.2% of 1.1603 – 1.0838 decline). Early January double top 1.1191 marks strong resistance.

Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.5300 K	2.0100 S	114.00 M	1.1500 P
1.5239 M	2.0000 P	111.92 S	1.1107 S
1.5229 M	1.9900 T	110.10 S	1.0761 M
1.5220	1.9845	104.45	1.0480
1.5073 M	1.9630 M	104.17 M	1.0451 M
1.5000 K	1.9337 S	101.68 S	1.0200 S
1.4500 P	1.9105 S	101.22 T	1.0000 K
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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