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## Payrolls heavily disappoint; Dollar hit but rebounds

### News and Events:

The non-farm payroll report announced on Friday brought disappointing news for the US dollar. Payrolls declined 17,000 versus a market consensus of a 70,000 gain. The unemployment rate actually decreased to 4.9% from 5.0%. The University of Michigan sentiment report fell to 78.4 in January versus 79.0 expected. The construction index fell by 1.1%. On the contrary however, the ISM manufacturing index came out better than expected at 50.7, beating the expected 47.3. Some economists argue that these numbers point inevitably to a US recession. Others disagree but maintain that these numbers must improve in the coming months for the US to steer clear of a recession.

The UK manufacturing PMI hit 50.6, far below market consensus at 52.5. Output prices, however, have been climbing to new highs while the Bank of England might be now more concerned about economic growth rather than inflation. From this hypothesis, expect the British Pound, which was the only currency to fall against the dollar at the release of the US payroll report, to remain under pressure, particularly against the US dollar.



### Today's Key Issues (time in GMT):

**10:00 EUR** Euro-Zone PPI (MoM) DEC 0.10% vs 0.80%

**10:00 EUR** Euro-Zone PPI (YoY) DEC 4.30% vs 4.10%

**12:30 USD** Challenger Job Cuts YoY JAN

**15:00 USD** Factory Orders DEC 2.50% vs 1.50%



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## The Risk Today:

**EURUSD** came back down to the bottom trend line in the upward channel. Great buying point here, however, downside risk below 1.4787 remains high.

**GBPUSD** has been a textbook Winnipeg situation, traders buying right at the upper trend line of the previous down channel, at 1.9660. The pair remains bearish in the medium-term under 1.9960.

**USDJPY** still hovering at the 106.51 support line for two weeks now. Buying or selling the breakout is what we're looking at right now. The downside risk remains high with a target of 102.00

**USDCHF** has come back above 1.0855, a less bearish signal than Friday morning. The upside potential is very high now, with an initial target of 1.1114.

## Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.5000 K	2.0245 S	114.00 P	1.1500 P
1.4967 S	2.0100 S	110.10 S	1.1191 S
1.4907 M	1.9985 M	107.89 M	1.1114 M
1.4815	1.9747	106.87	1.0894
1.4789 M	1.9560 M	106.00 S	1.0758 M
1.4570 S	1.9340 M	104.97 M	1.0500 S
1.4366 S	1.9177 S	104.20 T	1.0000 K

S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot

## Quick access to our 5 previous newsletters:

- ▶ [Pairs trade in tight ranges before Payrolls; USDCAD hits...](#)
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