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Dollar fell to record lows against majors on Friday

News and Events:

The Dollar fell to record lows against the Euro and a basket of currencies for a fourth straight day on Friday as yet another set of weak US economic data left traders betting on an aggressive Federal Reserve rate cut next month. A sharp decline in global and US stocks knocked the Dollar to an all-time low against the Swiss franc and pushed it to a three-year trough against the Japanese Yen. However, short-covering ahead of the weekend halted the Dollar's slide against the Euro.

Data showed US consumer sentiment dropped to a 16-year low in February, while business activity in the country's Midwest contracted sharply, raising red flags for investors wary of a recession in the world's largest economy. The core PCI price index is the Fed's favored inflation gauge. It rose 0.3% in January, in line with market expectations. Economic woes coupled with Fed Chairman Ben Bernanke's warning about the health of some small US banks on Thursday weighed on risk appetite to the benefit of low-yielding currencies like the Yen and Swiss franc. Low-yielding currencies such as the Yen and the Swiss franc tend to attract flows during periods of uncertainty as the low interest rates reflect the capital surplus of their respective countries.

Short-term interest rate futures were showing a 70% chance of the Fed lowering its benchmark overnight lending rate by 75bp at the March 18th monetary policy meeting. The federal funds rate is currently at 3% after being cut by 225bp since mid-September.

EurUsd set a record high 1.5239 before surrendering gains to trade down 0.08% at 1.5180. UsdChf fell to a historic low of 1.0403, posting its biggest weekly decline since December 2000. UsdJpy touched a three-year low at 103.69.



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Today's Key Issues (time in GMT):

00:00 EUR EU Finance Ministers meeting, Brussels
08:30 CHF February PMI 60.4 vs 61.6
09:00 EUR February Euro-zone Manufacturing PMI 52.3 vs 52.8
09:30 GBP February Manufacturing PMI 51 vs 50.6
10:00 EUR February Euro-zone CPI 3.2% vs 3.2%
13:00 USD Fed's Plosser and Treasury Paulson speak on monetary policy, Virginia
13:30 CAD **December GDP -0.2% vs 0.1% (MoM)**
13:30 CAD **4Q GDP implicit price 1.1% vs 2.9%**
15:00 USD February Manufacturing ISM 48 vs 50.7
15:00 USD January Construction spending -0.7% vs -1.1%
15:00 TRY February CPI previously 0.8% (MoM) and 8.17% (YoY)

The Risk Today:

EURUSD Euro jumped to all-time high 1.5239 on Friday. Medium term trading range is still 1.4500 – 1.5300. Initial support hold 1.5144 Friday low. Psychological 1.5000 level marks strong support before 1.4500 pivot point. Initial resistance hold 1.5229 Thursday high.

GBPUSD Cable advanced up to 1.9972 last Wednesday and consolidated in 1.9762 – 1.9972 range. Further uptrend would be 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). Further support holds 1.9630 former Trendline resistance.

USDJPY It remains weak in the 4 last 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 Friday 1.0403 in a 4th session low. 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	110.10 T	1.1500 P
1.5239 M	2.0000 P	108.00 K	1.1107 S
1.5229 M	1.9976 M	105.00 S	1.0761 M
1.5180	1.9825	102.95	1.0385
1.5144 M	1.9762 T	102.61 M	1.0309 M
1.5000 K	1.9630 K	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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