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Dollar slide on six consecutive days with concerns over US economic outlook

News and Events:

The Dollar was lower against a basket of currencies for the sixth day on Tuesday as Federal Reserve Chairman Ben Bernanke gave a weak assessment of the US housing sector, adding to mounting fears of recession. Still, the US currency staged a late session rebound versus the Japanese Yen after US stocks pared some of their sharp losses. Also on Tuesday, comments by euro finance ministers ahead of the European Central Bank meeting on Thursday helped put a halt to the Euro's five-day run versus the dollar. However, investors are convinced that the poor US economic outlook will keep the Fed on its easing path, which adds pressure on the Dollar.

Yesterday, UsdJpy dollar was down 0.37% at 103.13, rebounding from the three-year low 102.61 reached on Monday. EurJpy was down 0.31% at 156.86 and EurChf dropped 0.13% to 1.5806, regaining from Monday 1.5701 low. UsdChf declined 0.16% to 1.0394. EurUsd was flat at 1.5207, off the 1.5276 all-time high set on Monday. Low-yielding currencies such as the Yen and Chf tend to attract flows during periods of uncertainty as the low interest rates reflect the capital surplus of their respective countries.

Jean-Claude Juncker, chairman of the Euro group of finance ministers, expressed concern about excessive exchange rate moves, which gave the Dollar some respite after recent successive record lows. Analysts said the Euro's retreat against the Dollar was likely temporary, with the ECB likely to remain focused on inflation and US economic data most likely to disappoint.

UsdCad surged 0.5 percent to 0.9943 after the Bank of Canada cut interest rates by 50bp. RBA raise interest rate by 25bp to 7.25%.



Today's Key Issues (time in GMT):

09:00 EUR February Euro-zone Services PMI 52.3 vs 50.6
09:00 EUR February Euro-zone Composite PMI 52.7 vs 51.8
09:30 GBP February Services PMI 52.1 vs 52.5
10:00 EUR January Euro-zone Retail Sales 0.4% vs -0.1% (MoM)
10:00 EUR January Euro-zone Retail Sales 0.1% vs -2% (YoY)
13:15 USD February ADP National Employment 20k vs 130k
15:00 USD February ISM Non-Manufacturing PMI 47 vs 44.6
15:00 USD January Factory Orders -2.5% vs 2.3%
15:00 USD Treasury's Paulson testifies to House on 2009 Budget
20:00 NZD Central Bank interest rate 8.25% vs 8.25%
00:30 USD Fed's Pinalto speaks on the economy, New York

The Risk Today:

EURUSD Euro posted a new all-time high 1.5276 on Monday. 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 6 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. Initial support holds 102.61 yesterday low.

USDCHF Market remains weak. It hit Monday 1.0309 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 |
| 1.5165 | 1.9755 | 103.65 | 1.0405 |
| 1.5144 M | 1.9721 M | 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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