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Equity markets tumble around the globe on concerns over US economy

News and Events:

The dollar slipped against the Euro and British Pound hurt by continued concerns over the US economy. The equity markets tumbled, beginning in Shanghai and ending in New York. The International Monetary Fund announced that the US is slipping into a recession. What investors are mostly concerned about at this time is the spill-over effect of the housing market into many other sectors of the economy. Even though President George Bush unveiled a proposal to stabilize the housing market, the economy will not feel the effects until months and years to come.

The European Central Bank is expected to remain hawkish in its view on the euro-zone economy. Traders however will be particularly cautious as European economic data begins to soften triggering questions on how long the ECB can go on without cutting rates.

The Bank of England seems ready to cut rates as the UK economy absorbs the effects of the credit and housing crisis. The Euro traded to a high of 1.5865 and British Pound to a high of 1.9792 against the greenback in yesterday's session.



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Today's Key Issues (time in GMT):

09:00 EUR Industrial Production sa (MoM) FEB -0.50% vs 1.30%
09:00 EUR Industrial Production wda(YoY) FEB -0.80% vs 0.50%
09:00 EUR Industrial Production nsa(YoY) FEB 0.90% vs 0.50%
09:30 GBP Visible Trade Balance GBP/Mn FEB -£7,500 vs -£7,503
09:30 GBP Trade Balance Non EU GBP/Mn FEB -£4,300 vs -£4,292
09:30 GBP Total Trade Balance (GBP/Mln) FEB -£4,200 vs -£4,102

12:00 GBP BOE ANNOUNCES RATES Apr-10 5.00% vs 5.25%

12:45 GBP ECB Announces Interest Rates Apr-10 4.00% vs 4.00%

13:30 GBP Trade Balance FEB -\$57.5B vs -\$58.2B
13:30 USD Initial Jobless Claims Apr-05 380K vs 407K
13:30 USD Continuing Claims Mar-29 2942K vs 2937K
13:30 CAD Int'l Merchandise Trade FEB C\$3.4 vs C\$3.3

18:30 USD ICSC Chain Store Sales YoY MAR

19:00 USD Monthly Budget Statement MAR -\$70.8B vs -\$96.3B

The Risk Today:

EURUSD Euro drove up to 1.5865 high yesterday, not far from 1.5904 last month high. Medium term trading range is set between 1.5400 – 1.6000. Strong support hold 1.5528 (23.6% retracement of 1.4311-1.5904 advance). Psychological 1.5000 level marks strong key support before 1.4500 pivot point. Initial resistance hold 1.6000 key level. Initial support hold 1.5511 Thursday low.

GBPUSD Cable recovered 0.34% at 1.9736 on Wednesday after previous day 1.08% drop. It looks still under pressure ahead of BoE rate decision in last 4-week light downtrend. Actual trading range is 1.9600 – 1.9800. Market needs a return over psychological 2.0000 and 2.0100 major pivot points to undermine current downtrend. Further pressure may open the way down to 1.9337 January low and 1.9105 (50% retracement of 1.7049 – 2.1162 advance).

USDJPY Dollar returns under pressure dropping 0.94% to 101.76 on Wednesday and trading close to 100.50 today. A return below 100 pivot point would undermine the mid-March uptrend started on 95.74 March 17th low. 100 level marks pivot point. Bottom support holds 95. On the Upside, confirmation over 100 may open the way up to 105, then 110.10 strong (Trendline) resistance and mid January double top ahead of 111.92 early January high. Strong support holds 95.74 last month low.

USDCHF Market remains weak below 1.0200. It went below 1.0000 psychological level on Wednesday trading down to 0.9975 before closing at 1.0025 -1.31%. Strong support holds 0.9639 17th March low. Uptrend would only return over 1.0200 resistances. Early January double top 1.1191 marks strong resistance.

Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.6000 K	2.0577 T	111.92 K	1.0500 S
1.5913 M	2.0447 S	110.10 T	1.0200 S
1.5904 S	2.0100 P	105.00 S	1.0000 P
1.5900	1.9825	100.45	0.9905
1.5528 S	1.9730 M	100.00 P	0.9871 M
1.5400 T	1.9337 S	95.74 S	0.9639 K
1.5000 K	1.9105 K	95.00 T	0.9500 T
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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