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Dollar and Sterling edged lower ahead of ECB and BoE and this weekend G7 meetings.

News and Events:

The Dollar edged lower versus the Euro on Tuesday as Minutes of the last Federal Reserve meeting showed policy makers felt that a prolonged and severe economic downturn can't be ruled out. It remained steady against the Yen and a basket of currencies on growing views the economic downturn in the United States could spill over to other countries and prompt their central banks to cut interest rates.

Those concerns appeared to be backed by data showing a sharp drop in British home prices, raising the chances the Bank of England will cut interest rates by 50bp on next Thursday. Analysts said traders bought Euro aggressively in the absence of major economic data from both the United States and the Euro-zone, and ahead of central bank meetings on Thursday, also helped put a cap on any dollar drop. Traders also await Friday's meeting of Group of Seven finance ministers and central bankers, where a broad range of proposals aimed at restoring confidence in the battered banking system will likely be discussed.

Latest months aggressive monetary easing by the Fed in a try to support the economy following a severe downturn in the housing sector tilted the yield appeal in the Euro's favor and has been the main driver behind the Dollar's sell-off. Since mid-September, the Fed has lowered its benchmark overnight lending rate by 3% to 2.25%. The European Central Bank has kept its refinancing rate at 4%.

Yesterday, EurUsd was unchanged at 1.5696 after hitting 1.5799 intraday high. UsdJpy was up 0.19% at 102.73. UsdChf went up 0.24% at 1.0158. GbpUsd dropped 1.08% to 1.9670, the biggest dropped since March 19th. Sterling was the biggest loser of the major currencies on Tuesday. EurGbp jumped to a record high of 0.7990 before scaling back to 0.7979 +1.03%.

Members of Fed's policy-setting committee worried at their most recent meeting that the housing and financial market stress could trigger a nasty slide in the economy, even as inflation pushed higher. Analyst said the minutes are relatively dovish on interest rates and bearish on the US economy.

Halifax, Britain's biggest mortgage lender, said UK house prices fell 2.5% in March, the biggest drop since September 1992, and much steeper than the market's forecast of a 0.4% decline.



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Today's Key Issues (time in GMT):

00:00 GBP BoE starts a 2-day MPC rate-setting meeting
07:30 DKK February Trade Balance +2.4B vs 2.3B
08:30 GBP February Industrial output 0.1% vs -0.1% (MoM)
08:30 GBP February Industrial output 1.2% vs 0.4% (YoY)
08:30 GBP February Manufacturing output 0.1% vs 0.4% (MoM)
08:30 GBP February Manufacturing output 1.5% vs 0.6% (YoY)
09:00 EUR Q4 Euro-zone GDP revised 0.4% vs 0.7% (QoQ)
09:00 EUR Q4 Euro-zone GDP revised 2.2% vs 2.6% (YoY)
11:00 USD weekly MBA Purchase Index previous 688.3
11:00 USD weekly Mortgage refinance Index previous 2636
12:30 USD Fed's Bernanke speaks on financial literacy, Washington
13:00 USD Fed's Kroszner testifies on housing rescue bill, Washington
14:00 USD February Wholesale inventories 0.5% vs 1%
16:30 USD Fed's Fischer speaks on the US economy, San Antonio

The Risk Today:

EURUSD Euro posted all-time high 1.5904 last month. 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 It dropped 1.08% to 1.9670 yesterday, the biggest loss since March 19th. This confirms profit taking below 1.9800 and 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 It rebounded from 95.74 Mid-March low. It marks the end of a 4-week downtrend. 100 level marks pivot point. Bottom support holds 95. On the Upside, last week return over 100 may open the way up to 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, having traded below 1.0000 psychological level late March. 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	1.1191 S
1.5904 S	2.0447 S	110.10 T	1.0500 S
1.5832 M	2.0100 P	105.00 S	1.0200 S
1.5735	1.9680	102.20	1.0115
1.5528 S	1.9730 M	100.00 P	1.0000 P
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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