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Yen rose across majors as investors reduced demand for riskier assets after a series of weak US data

News and Events:

The Yen rose across the board on Thursday as investors reduced demand for riskier assets such as stocks after a series of weak US economic data added to anxiety over the country's growth picture. Analysts said that while market indicators pointed to the Federal Reserve being close to the end of its interest rate cutting cycle, there were nagging doubts on whether the economy would be able to cope without further policy easing.

UsdJpy drop as low as 104.43 and was last trading at 104.73 down 0.42% yesterday. EurJpy fell 0.46% to 161.91 while GbpJpy dropped 0.36% to 203.97. The low-yielding yen tends to attract flows during periods of uncertainty as the low interest rates reflect Japan's capital surplus. Analysts also attributed the Yen's advance to a reversal of the previous session's decline and the Dollar's failure to break through the 105.20 mark against the Japanese currency. EurUsd was last down 0.05% at 1.5459 after hitting a session 1.5547 high.

Factory activity in the US mid-Atlantic region shrank for a sixth straight month in May, while manufacturing in New York State also declined, according to reports by regional Federal Reserve banks. US interest rate futures continued to signal the expectation the Fed would raise the benchmark federal funds rate by 25bp by the end of the year to 2.25%. They were pricing in a 92% chance that the central bank would leave rates steady in June.

Yesterday Euro has some support as data showed strong Q1 growth in France and Germany. But the market's enthusiasm was dampened by European Central Bank chief Jean-Claude Trichet's warning that the pace might not be as flattering in the months ahead. The ECB's refinancing rate is at 4% and the interest rate differential between the euro zone and the United States has been the main driver behind the Dollar's decline.



Today's Key Issues (time in GMT):

07:00 EUR ECB's Trichet speaks, Brussels
07:20 CHF March Retail Sales -2.5% vs 7.6%
09:00 EUR March Eurostat trade €0.5B vs €0.8B
12:30 USD April Building permits 920k vs 928k
12:30 USD April Housing starts 940k vs 947k
13:55 USD May University of Michigan Survey 62 vs 62.6
15:20 USD Fed's Braunstein speaks on the mortgage market Chicago
16:00 USD Treasury's Paulson speaks on housing, Washington

The Risk Today:

EURUSD Euro is still in consolidation 1.5400 – 1.5600 range after a three weeks downtrend. Initial resistance hold 1.5571 Monday high. Pivot point holds 1.6000 resistance ahead of key resistance 1.6200 market target. On downside, psychological 1.5000 key level marks strong support ahead of 1.4500 pivot point. Minor support holds 1.5285 last week low.

GBPUSD Cable broke 1.9500 level Tuesday. Further pressure may open the way down to 1.9337 January low and 1.9105 (50% retracement of 1.7049 – 2.1162 advance). But market has found a 3-month double support point at 1.9363 20th February and 14th May low. A return over 1.9600 and 1.9800 may reopen the way toward 2.0000 psychological level. Actual trading range is 1.9400 – 1.9600.

USDJPY Recent 1 ½-month uptrend found resistance around 105. Further advance would bring market up to 110.10 strong (Trendline) resistance and mid January double top ahead of 111.92 early January high. Profit taking on 105 might send the market back down to 100 – 104 consolidation trading range. Minor support holds 103.39 yesterday low.

USDCHF Market hit 1.0625 two-month high last Thursday. It is currently consolidating in 1.0400-1.0600 trading range. Renewed weakness would open the way down to 1.0200 and toward 0.9639 17th March low. Early January double top 1.1191 marks strong resistance.

Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.6200 T	2.0447 S	111.92 K	1.1191 K
1.6000 K	2.0100 P	110.10 T	1.0625 T
1.5571 M	1.9800 S	105.70 M	1.0582 M
1.5500	1.9490	104.20	1.0515
1.5285 M	1.9363 T	103.39 M	1.0390 M
1.5000 K	1.9337 S	100.00 P	1.0200 S
1.4500 P	1.9105 K	95.74 K	0.9637 K
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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