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Dollar fell after Friday data on lower chances for a rate hike

News and Events:

The Dollar fell on Friday as US consumer confidence raised concerns about an economic contraction in the second quarter and trimmed the chances the Federal Reserve will raise interest rates this year. The unexpectedly sharp drop in a consumer sentiment index to a 28-year low in May eclipsed a report showing a rebound in building permits and construction starts for new US homes, which briefly triggered some Dollar buying.

EurUsd raced to a Friday 1.5601 peak. It was last trading at 1.5577, up 0.76%. UsdJpy tumbled to a session 103.53 low and was last quoted at 104.05 down 0.65%. UsdChf was 0.84% lower at 1.0476. GbpUsd rose 0.51% at 1.9576.

Speculation that April's non-farm payrolls report would be revised to show deeper job losses than the initially reported 20k contraction probably added to the Dollar's slide, but analysts were skeptical. Data on Friday showed combined figures from the country's various states indicated job losses of 151,000 in April.

The dollar has rallied in recent weeks on views that the Fed's cycle of interest rate cuts was nearing an end. A pause by the US central bank after slashing its fed funds rates target by 325bp to 2% since mid-September would support the Dollar, which has lost its yield appeal to the Euro. Euro-zone interest rates have remained at 4% since June, but analysts recall slower economic growth could force the ECB to move towards an easing path later this year. US interest rate futures were pricing an 88% chance that the central bank would leave its benchmark rate steady in June.

The University of Michigan Survey said its preliminary index of confidence fell more sharply than economists had expected in May to its lowest since June 1980. Housing starts in April ran at a 1032k, up from a revised 954k unit rate in March, while permits gained 4.9% to 978k a year from a revised 932k in March.



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Today's Key Issues (time in GMT):

00:00 CAD Canada Market Holiday

00:00 TRY Turk Market Holiday

09:00 EUR March Euro-zone Construction Output +1.2% vs -0.1%

14:00 USD April Leading indicators 0% vs 0.1%

22:45 NZD April Ext migration & visitors

23:50 JPY March Tertiary sector index 0.6% vs -1.7%

The Risk Today:

EURUSD Euro consolidated last week within 1.5400 – 1.5600 range after previous weeks downtrend. Initial resistance hold 1.5601 last week 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 return over 1.9500 level on Friday. This move relieve the pressure and downtrend targets to 1.9337 January low and 1.9105 (50% retracement of 1.7049 – 2.1162 advance). This is following market hit on 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. Renewed strength 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 103.53 Friday 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
1.5570	1.9555	104.20	1.0390
1.5285 M	1.9363 T	103.53 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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