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# Dollar rebound on view that Fed would hike rate later this year

## News and Events:

The Dollar rebounded from a 2-1/2 week low versus the Euro on Monday after a key forecasting gauge unexpectedly rose in April, suggesting that a sharp economic downturn in the US might be nearing a bottom. That eased fears about consumer confidence and reassured investors that the Federal Reserve would have room to hike interest rates later this year. The Fed's aggressive interest rates cuts to ward off a recession have undermined the Dollar's appeal to foreign investors seeking higher returns in favor of the euro and other high-yielding currencies.

EurUsd dropped to a session 1.5486 low. It last quoted 1.5528, down 0.31%. UsdJpy rose at 104.69 and UsdChf at 1.0573 peaks as Investors cheered news that the private Conference Board's Leading Economic Indicators index rose 0.1% after a matching increase in March. Economists had expected a flat reading in April after the March rise, which had followed five straight months of declines. UsdJpy traded last at 104.47 up 0.4%. UsdChf rose 0.44% to 1.0522. GbpUsd went lower to 1.9490, down 0.44%, after hitting 1.9624 intraday high. UsdCad was down 0.72% at 0.9921.

FX Traders also attributed the Dollar's rebound to position squaring after last Friday's sharp sell-off, sparked by a report showing a sharp drop in consumer confidence to a 28-year low in May. Minutes from April FOMC meeting are due on Wednesday, and investors will look for additional confirmation that the Fed has finally moved to the sidelines. US interest rate futures were pricing a 90% chance that the central bank would leave its benchmark rate steady at 2% in June. Prospects for a rate hike by year end were around 92%. That is reassuring news for Dollar bulls, on edge about oil prices that have surged to a record above \$127 a barrel.

Analysts said inflation worries would keep the market focused on US Producer Price data due on Tuesday. However, robust readings from the German ZEW and Ifo sentiment indexes due this week could boost the Euro by reinforcing the case for the European Central Bank to leave rates on hold a while longer rather than cutting them. Euro zone rates stand at 4%, and most analysts expect the ECB to hold them there to fend off inflation. The Bank of Japan is widely expected to keep interest rates at 0.50% at a two-day policy meeting that started on Monday.



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## Today's Key Issues (time in GMT):

**09:00 EUR** March Germany ZEW Condition 32 vs 33.2  
**09:00 EUR** March Germany ZEW Sentiment -37.5 vs -40.7  
**12:00 USD** Fed's Kohn speaks on the economy, New Orleans  
**12:30 USD** April Producer Prices 0.4% vs 1.1% (MoM)  
**12:30 USD** April Producer Prices core 0.2% vs 0.2% (MoM)  
**12:30 CAD** March Wholesale trade 0.4% vs -1.8% (MoM)  
**14:00 USD** May IBD economic optimism 38.25 vs 39.2  
**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 1.5633 yesterday 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
1.5633 M	1.9800 S	105.70 M	1.0582 M
1.5590	1.9560	103.85	1.0460
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			

## Quick access to our 5 previous newsletters:

- ▶ [Dollar fell after Friday data on lower chances for a rate hike](#)
- ▶ [Yen rose across majors as investors reduced demand for riskier...](#)
- ▶ [CPI April slow increase helped Stocks and raised investors...](#)
- ▶ [Dollar rallied on better-than-expected US Retail Sales](#)
- ▶ [Dollar rose on Monday on Oil price dip and unexpected strong...](#)

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