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Dollar fell on concern about further credit-related markets impacts

News and Events:

The Dollar fell on Tuesday as talk of higher Euro-zone interest rates prompted investors to increase exposure to the Euro. Concern about further credit-related losses and their impact on financial markets also sent the Dollar tumbling against the low-yielding Yen and Swiss franc, while a record high in oil added to fears about surging price pressures. The remarks from Wolfgang Franz, the president of the ZEW economic research institute, offset the second straight monthly decline in the ZEW's investor sentiment survey and dovetailed with a separate report showing German producer price inflation at a 20-month high.

EurUsd rose to 1.5680, three-week high, after an adviser to the German government said the ECB may soon raise interest rates. It last traded at 1.5649, up 0.78%. GbpUsd rose 0.93% 1.9672, while UsdJpy fell 0.78% to 103.66 and UsdChf fell 145% to 1.0369.

Analysts are still concern about the credit crunch and even said the crisis would extend into 2009 and beyond, setting up three years of multibillion-dollar revenue losses.

There was little reaction in currency markets to the Bank of Japan's decision to keep its borrowing costs on hold at 0.50%, as expected, on Tuesday. The ECB has held its benchmark rate at 4% since last June as record oil prices have pushed inflation higher. The Federal Reserve, by contrast, has slashed rates from 5.25% to 2% since September but has since signaled a pause in its rate-cutting campaign.

Crude surged to a new record above \$129.67 on Tuesday, boosted partly by the weak Dollar and fears that high global demand will strain supplies.



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Today's Key Issues (time in GMT):

08:00 EUR May Germany Ifo Business 102 vs 102.4
08:00 EUR May Germany Ifo Conditions 108 vs 108.4
08:00 EUR May Germany Ifo Expectations 96.4 vs 96.8
08:30 GBP April PSNB £ 1.5B vs £10.16B
08:30 GBP April PSNCR £ -2.3B vs £ 12.66B
09:30 CHF May ZEW Investor sentiment previous -71.4
11:00 CAD April CPI BoC Core 0.2% vs 0.2% (MoM)
11:00 CAD April CPI BoC Core 1.3% vs 1.3% (YoY)
11:00 CAD April CPI inflation 0.5% vs 0.4% (MoM)
11:00 CAD April CPI inflation 1.4% vs 1.4% (YoY)
12:30 CAD April Lead indicators 0.1% vs 0.0%
23:50 JPY April Imports 6.4% vs 11.1%
23:50 JPY April Trade Balance total Y 725B vs Y 1118.6B
23:50 JPY April Trade Balance (YoY) -19.7% vs -30.2%

The Risk Today:

EURUSD Euro is back on uptrend having broke out 1.5400 – 1.5600 consolidation range. Market could now return up to 1.6000 Pivot point resistance ahead of key resistance 1.6200 market target. On downside, only a return below previous week trading range would open the way to 1.5000 psychological key level before 1.4500 pivot point. Support holds 1.5285 last week low.

GBPUSD Cable is trading near the upper Trendline resistance of one-month downtrend 2.0398 – 1.9364. This move over 1.9600 may reopen the way up to 1.9800 and 2.0000 psychological level. Actual trading range is 1.9500 – 1.9700. On the downside, a reversal below 1.9600 might bring again focus on 1.9337 January low and 1.9105 (50% retracement of 1.7049 – 2.1162 advance). Strong support holds 1.9363 20th February and 14th May low.

USDJPY Recent 1 ½-month uptrend found resistance around 105. Market broke on Tuesday the lower Trendline support. This recent profit taking on 105 might send the market back down to 100 – 104 consolidation trading range. Minor support holds 103.53 Friday low. Renewed strength would put 110.10 strong resistance (Trendline) into focus and mid January double top ahead of 111.92 early January high.

USDCHF Market hit 1.0625 two-month high. On Tuesday, it broke down in 1.0400-1.0600 trading range. This move would open the way down to 1.0200 and toward 0.9639 17th March low. Early January double top 1.1191 marks strong resistance. Initial resistance holds 1.0625 May 8th high.

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
1.5884 M	1.9800 S	105.70 M	1.0582 M
1.5655	1.9655	103.30	1.0370
1.5600 M	1.9363 T	102.60 M	1.0302 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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- ▶ [Yen rose across majors as investors reduced demand for riskier...](#)
- ▶ [CPI April slow increase helped Stocks and raised investors...](#)
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