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Dollar rose broadly as Oil prices fell and rise in US new home sales

News and Events:

The Dollar rose broadly on Tuesday after Oil prices fell and a report showed an unexpected rise in US new home sales in April, boosting expectations the economic slowdown is not as bad as feared. Meanwhile, data out of Europe raised concerns over the health of the euro zone economy. Demand for the European currency started to slow on news French business confidence slumped to a 2-1/2-year low this month while the forward-looking German GfK index pointed to an unexpected deterioration in consumer morale in June.

The Euro went lower after a report showed US new Home rose 3.3% in April to a 526K annual rate, above markets expectations. In another report, U.S. consumer confidence plunged unexpectedly to a 16-year low, 57.2 vs 62.3 in May, amid rising gasoline costs and falling home prices. At the same time, inflation expectations rose to an all-time high of 7.7 percent.

ECB Governing Council member Klaus Liebscher said recent data hints at lower euro zone growth this year and next, but it is too soon to say inflation has peaked. Another ECB governing member, Axel Weber, also on Tuesday said the prospect of an interest rate cut by the ECB this year was "wishful thinking". While an economic slowdown may be just beginning in the euro zone, in the United States some investors hope the worst is over and the Federal Reserve's steep 325bp interest rate cuts since September prove sufficient to provide the stimulus needed to reinvigorate the economy.

Yesterday, EurUsd was down 0.58% at 1.5689. UsdCad rose for a fourth day as Oil prices declined. It last traded up 0.33% at 0.9940. UsdJpy gained 0.83% at 104.24 as investors are taking more risk and borrowed the low yielding Yen to fund purchases of higher yielding currencies. Japanese Yen also fell against Euro and Sterling. EurJpy was up 0.25% to 163.52 while GbpJpy was up 0.45% to 205.84. UsdChf jumped 0.91% to 1.0337. GbpUsd went 0.37% lower to 1.9750.



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Today's Key Issues (time in GMT):

07:30 SEK April Retail Sales -0.2% vs 0.4% (MoM)
07:30 SEK April Retail Sales 3.5% vs 3.9% (YoY)
08:00 EUR March Euro-zone Current acc. NSA previous €5.0B
08:00 EUR March Euro-zone Current acc. SA previous €4.3B
08:00 EUR March Euro-zone Net investment flows previous €21B
12:00 NOK Cenbank Rate decision 5.5% vs 5.5%
12:30 USD April Durable goods ex-defense -0.5% vs 0.1%
12:30 USD April Durable goods ex-transport -0.5% vs 1.6%
12:30 USD April Durable goods orders -1% vs 0.1%
16:50 USD Fed's Stern speaks on the economy, Wisconsin
23:50 JPY Retail Sales 0.5% vs 1.1%

The Risk Today:

EURUSD Euro is now consolidating in 1.5600 – 1.5800 trading range. Market next step could be a return up to 1.6000 Pivot point resistance ahead of key resistance 1.6200 market target. On downside, only a return below previous week 1.5600 would open the way down to 1.5000 psychological key level before 1.4500 pivot point. Support holds 1.5693 Thursday low. Initial support holds 1.5697 Friday low. Initial resistance holds 1.5819 yesterday high.

GBPUSD Cable broke up the upper Trendline resistance of one-month downtrend 2.0398 – 1.9364 last Thursday. This move over 1.9720 may reopen the way up to 1.9800 and 2.0000 psychological level. 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 last week 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 102.58 May 9th low. Renewed strength over 105 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 May 8th. Last week, it broke down 1.0400-1.0600 trading range. This move would open the way down to 1.0200 and maybe toward 0.9639 17th March low. Early January double top 1.1191 marks strong resistance. Initial resistance holds 1.0625 May 8th high. Initial support holds 1.0216 Friday low.

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
1.5819 M	1.9800 S	105.70 M	1.0582 M
1.5745	1.9810	103.95	1.0270
1.5697 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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