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Dollar rose with better-than-expected data ahead of Bank of England and ECB rate decisions today.

News and Events:

The Dollar rose on Wednesday as a surprise advance in US productivity added to gains booked after a Federal Reserve official said the central bank must stand ready to raise interest rates to combat inflation. The Dollar also got a boost from data showing higher-than-expected productivity gains in the first quarter and a lower-than-expected rise in unit labor costs, which reassured investors that inflation, while rising, is not yet spiraling out of control. Some analysts, however, said that investors may be getting too optimistic about the Dollar's outlook, adding that the still-struggling US economy will keep the Fed from raising rates this year. The Fed cut its benchmark rate to 2% last week but hinted it was ready to pause an easing campaign that began in September, when rates stood at 5.25%.

A sharp decline in euro zone retail sales also weighed on the Euro and suggested that the European Central Bank may have to cut its own benchmark interest rate before the year is out.

EurUsd dropped to a session low of 1.5333 before ending to 1.5344 down 1.1%. UsdJpy was little changed at 104.91 after earlier climbing as high as 105.59. UsdChf rose 0.54% to 1.0582. GbpUsd dropped 1.04% to 1.9508 and hit an 11-week low at 1.9503 after weak consumer sentiment and employment data kept investors focused on slower UK growth.

Economists expect the Bank of England to hold interest rates steady at 5% when it meets on Thursday. Inflation has been a top concern in the 15-country euro zone, and markets widely expect the ECB to keep rates at 4% when it meets on Thursday. But analysts say the Euro could falter if ECB President Jean-Claude Trichet acknowledges increased downside risks to growth in the post-meeting news conference. A run of poor economic data has pressured the Euro in recent weeks after it hit a record high 1.6019.



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Today's Key Issues (time in GMT):

10:00 EUR March Germany Industrial output -0.5% vs 0.4% (MoM)
11:00 GBP Bank of England rate decision 5% vs 5%
11:45 EUR ECB rate decision 4% vs 4%
12:15 CAD April housing Starts 222.5k vs 254.7k
12:30 USD weekly Jobless claims 370k vs 380k
14:00 USD March Wholesale Inventories 0.5% vs 1.1%
21:30 USD Treasury's Paulson speaks on financial education, Washington

The Risk Today:

EURUSD Euro has been weak for the three weeks and broke yesterday 1.5400 low trading range. Psychological 1.5000 key level marks strong support before 1.4500 pivot point. Pivot point hold 1.6000 resistance ahead of key resistance 1.6200 market target. Initial resistance hold 1.5528 former support.

GBPUSD Cable is trading below 1.9800 consolidation level and broke yesterday 1.9600 range support. Further pressure may open the way down to 1.9337 January low and 1.9105 (50% retracement of 1.7049 – 2.1162 advance). Renewed advance over 1.9800 may reopen the way toward 2.0000 psychological level. Actual trading range is 1.9500 – 1.9800.

USDJPY Recent 1 ½-month uptrend found resistance at 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 or return below 105 might lead the way down to 100 – 103 consolidation trading range. Minor support holds 102.95 early April high.

USDCHF Market broke up 1.0500 last Friday, hitting 1.0609 two-month high. A return below 1.0500 may reopen the way down 1.0200 and toward 0.9639 17th March low. Current uptrend looks set up over 1.0200 former resistance. 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 S
1.6000 K	2.0100 P	110.10 T	1.0609 M
1.5528 M	1.9800 S	105.70 M	1.0560 M
1.5334	1.9600	103.95	1.0560 M
1.5285 M	1.9593 M	104.61 M	1.0500 P
1.5000 K	1.9337 S	102.95 M	1.0200 S
1.4500 P	1.9105 K	100.00 P	0.9637 K
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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