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Officials could step into the Foreign Exchange market to support Dollar

News and Events:

The Dollar jumped on Monday as top Treasury and Federal Reserve officials voiced concern about its recent slide, raising the chances that officials could step into the Foreign Exchange market to support the US currency. Dollar rose by more than 1% against Yen and 0.8% against the Euro after Treasury Secretary Henry Paulson declined to rule out intervention and New York Fed President Timothy Geithner said the central bank pays close attention to the Dollar. Dallas Fed President Richard Fisher said on Monday a weak Dollar can create a "negative feedback loop" that spurs inflation and saps growth.

The Dollar also got a boost from Lehman Brothers plans to raise \$6 bio in fresh capital on the view that it could help stabilize the US financial sector. The Wall Street bank announced its plan after posting a \$2.77 bio Q2 loss. A 6.3% rise in US pending home sales in April also added to Dollar optimism, while a small drop in Oil prices from Friday's record high of \$139.12 per barrel also helped remove some of the concerns around the US economy.

UsdJpy was up 1.29% at 106.27, while EurUsd fell 0.84% to \$1.5626, off a session high of 1.5844. EurJpy rose 0.45% to 166.30 after earlier hitting 167.15 highest since November. UsdChf rose 0.84% to 1.0272 after posting 1.0148 low.

European Central Bank President Jean-Claude Trichet said euro zone interest rates could rise in July to counter inflation, pushing the Euro closer to all-time high 1.6020. On Monday, Trichet reiterated that message at a conference in Paris, and analysts said ECB rate hikes could complicate efforts to intervene to stabilize the Dollar.



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Today's Key Issues (time in GMT):

08:00 NOK May Consumer Price Index 3.3% vs 3.1% (YoY)

08:00 NOK May Core Inflation 2.4% vs 2.4%

08:30 GBP April Industrial output 0% vs -0.5% (MoM)

08:30 GBP April Industrial output 0.1% vs 0.2% (YoY)

08:30 GBP April Manufacturing output 0% vs -0.5% (MoM)

08:30 GBP April Manufacturing output 0% vs 0.6% (YoY)

12:30 USD April Trade Balance \$-59.9B vs \$-58.21B

12:30 CAD April Trade Balance Cad\$ 5.7B vs Cad\$ 5.53B

12:30 CAD BoC rate decision 2.75% vs 3%

13:45 USD weekly ABC/Wash Post Index -45 vs -45

The Risk Today:

EURUSD Market posted 1.5844 high on Monday before returning 2cts lower at 1.5649. Market shall wait for a return over 1.5800 to confirm Euro is breaking up 1.5400-1.5800 consolidation range. This would reopen the way up to 1.6000 Pivot point resistance ahead of key resistance 1.6200 market target. On downside, current level below 1.5800 is slowing down the uptrend but do not open the way down to 1.5000 psychological key level. Support holds 1.5570 Friday low. Initial resistance holds 1.5819 May 27th high.

GBPUSD Cable holds over the upper Trendline resistance of two-month downtrend 2.0398 – 1.9364 late May. But it failed to show strong direction. Trading range is set 1.9460 – 1.9850. Psychological 2.0000 level stays into focus. 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 Current strength over 105 would put 110.10 strong resistance (Trendline) into focus and mid January double top ahead of 111.92 early January high. Any profit taking to and lower than 105 level might send the market back down to 100 – 104 consolidation trading range. Minor support holds 102.58 May 9th low. Initial support holds 104.87 Friday low.

USDCHF Market broke down 1.0400-1.0600 trading range last week. Market is holding just below the 9-month upper Trendline 1.0385. Early January double top 1.1191 marks strong resistance. Initial support holds 1.0148 Monday low. Further weakness may open the way toward 0.9639 17th March 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	106.84 M	1.0385 S
1.5570 M	1.9600	106.60	1.0325
1.5435 T	1.9363 S	104.87 M	1.0148 M
1.5366 S	1.9337 T	102.60 M	1.0000 P
1.5000 K	1.9105 K	100.00 P	0.9637 K
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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