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Dollar fell on Monday on expectation of an ECB interest rate hike next month.

News and Events:

The Dollar fell against the Euro on Monday as record euro-zone inflation supported expectations of a European Central Bank interest rate hike next month. Euro zone inflation rose to a record high of 3.7% in May, prompting hawkish comments from ECB member, who on Monday said stabilizing inflation in the medium term was a priority. Analysts said the surge in May's annual euro-zone inflation suggested that a July ECB rate hike was almost certain. An ECB interest rate increase would further enhance the appeal of the Euro at the expense of the Dollar.

A \$2.8 bio quarterly loss from investment bank Lehman Brothers, an unexpectedly steep contraction in New York state manufacturing and another dose of inflation-busting talk from an ECB official also weighted on the US currency. Lehman's quarterly loss, while in line with market expectations, served as a reminder to investors that the credit crisis was still far from over.

EurUsd raced to a session high of 1.5519, pushing further away from Friday's one-month low 1.5304. It last traded at 1.5466 up 0.52%. UsdJpy was fairly unchanged at 108.22. UsdChf went 0.21% lower at 1.0447. GbpUsd rose 0.82% to 1.9629 after having hit 1.9410 last Friday. EurJpy climbed to a session high of 167.68, its highest level since October and was last trading at 167.36 yen, up 0.55%.



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Today's Key Issues (time in GMT):

08:30 GBP May CPI 0.5% vs 0.8% (MoM)
08:30 GBP May CPI 3.2% vs 3.0% (YoY)
08:30 GBP May RPI 0.4% vs 0.9% (MoM)
08:30 GBP May RPI 4.2% vs 4.2% (YoY)
09:00 EUR June Germany ZEW current conditions 37.6 vs 38.6
09:00 EUR June Germany ZEW economic sentiment -42 vs -41.4
09:00 EUR April Euro-zone Trade Balance €-1.4B vs €-2.3B
12:30 USD May Building Permits 960k vs 982k
12:30 USD May Housing Starts 980k vs 1032k
12:30 USD Q1 Current account -173.5B vs -172.9B
12:30 USD May PPI 1% vs 0.2% (MoM)
12:30 USD May PPI Core 0.2% vs 0.4% (MoM)
12:30 CAD April International Securities Transaction Cad\$2 to 6 vs Cad\$5.2B
13:15 USD May Industrial Production 0.1% vs -0.7%
13:15 USD May Capacity utilization 79.70% vs 79.70%

The Risk Today:

EURUSD Euro dropped 2.52% last week. Market broke below 1.5400-1.5800 consolidation range. Further weakness below 1.5400 will put the light 1 ½-month uptrend on hold. This may open way down to 1.5000 key level. Support holds 1.5304 Friday low. On the upside, initial resistance holds 1.5844 Friday high. This would reopen the way up to 1.6000 Pivot point resistance ahead of key resistance 1.6200 market target.

GBPUSD Cable is turning over the upper Trendline resistance of two-month downtrend 2.0398 – 1.9364 late May, searching for direction. Trading range is set 1.9400 – 1.9850. Psychological 2.0000 level stays into focus. On the downside, current 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 uptrend hit 108.59 high yesterday and new 3-month high. This 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 return 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 104.44 Monday low. Strong support hold 106.59 former resistance (38.2% retracement of 124.15 – 95.74 decline).

USDCHF Market is back again in 1.0400-1.0600 trading range. 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. Friday 1.0541 high holds initial resistance. Minor support holds 103.80 yesterday low.

Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.6200 T	2.0100 P	111.92 K	1.1191 K
1.6000 K	1.9800 S	110.10 T	1.0625 T
1.5844 M	1.9688 M	108.39 M	1.0541 M
1.5500	1.9670	107.75	1.0400
1.5304 M	1.9363 S	106.59 S	1.0380 M
1.5285 S	1.9337 T	104.44 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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 - ▶ [Dollar reversed from early week gains against the Euro](#)
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