

## Yen hits 14-month high vs dollar on credit fears

### News and Events:

The Yen had its biggest rise against the Dollar in six months in volatile trading on Thursday as investors fearing a global credit crisis exited risky trades financed by borrowing the Japanese currency. The Yen's climb was broad and steep, reaching its highest since November against the Euro and soaring against high-yielding currencies like the Australian and New Zealand dollars. Unwinding carry trades had accelerated on concerns of international credit problems.

In the last two months, the UsdJpy declined from 124.15 in late June to a 14-month low reached on Thursday around 112.00. At yesterday close, UsdJpy was 2.23% lower at 113.71. The yen was on track for its biggest daily gain versus the U.S. currency since a big shakeout in carry trades in late February. EurJpy slipped 2.23% to 152.72. Earlier the Euro had fallen as low as 150.02 Yen.

The selling in other cross-Yen pairs was active as options barriers were smashed and automatic sell orders triggered, with the AudJpy and NzdJpy falling 5.37% and 4.11%, to 90.11 and 78.49 respectively.

The Australian dollar has now lost more than 12% percent against the yen in the last six sessions at current prices, while the New Zealand dollar is down more than 13% against the Yen.

The weak data built on anxiety about slowdowns in the U.S. economy from the housing and sub-prime mortgage sectors.

The sharp increase in risk aversion followed Wednesday's plunge in share prices of Countrywide Financial Corp., the largest U.S. mortgage lender, amid rumors of the companies' credit problems.

In the wake of the new economic data, the three major U.S. stock indexes fell more than 2 percent at midday, but recovered most of the ground, with the S&P 500 Index finishing the day positive and the Dow Jones industrial average down just 0.12 percent.



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## Today's Key Issues (time in GMT):

**12.30 CAD** June Wholesale trade 0.4% vs 0.6%

**14.00 US** August University of Michigan Sentiment 88 vs 90.4

**14.00 US** August University of Michigan Conditions 103.7 vs 104.5

**14.00 US** August University of Michigan expectations 80 vs 81.5

## The Risk Today:

**EurUsd** extend losses yesterday down to 1.3361 low before recovering to 1.3431 unchanged from the day before. Yesterday low marks initial minor support. Initial resistance holds 1.3550 pivot point and former support. Renewed strength over this may focus again on 1.3750 resistances and pivot point. Strong support is located at 1.3309 1-year up Trendline.

**GbpUsd** extended downtrend into a fourth session to 1.9771 low. It broke the day before 1.9900 heading down to 1.9808 (23.6% retracement of 1.7051 – 2.0660 2 years advance). A break there will open the way down to 1.9623 support from end of July. Initial minor resistance holds 1.9960 Wednesday high. The rebound still looks limited to 2.0000 pivot point and former support.

**UsdJpy** sharply drop -2.23% to 113.71 after having hit 112 low. Pressure remains strong and further weakness may open the door toward 110.3 support (retracement of 101.68 – 124.26 advance). Strong resistance holds 119.50 end of July high. Initial resistance holds 116.30 Wednesday close.

**UsdChf** yesterday reverse from latest days recovery from early August 1.1819 low to 1.2183 (38.2% retracement of 1.2771 – 1.1819 decline). Further weakness may return toward 1.2044 (23.6% retracement). Market traded down to 1.1819 last week new key support. Former resistance 1.2044 marks initial support.

## Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.3925 S	2.0000 K	120.78 P	1.2295 S
1.3750 P	1.9900 S	119.50 S	1.2233 M
1.3550 P	1.9800 M	116.30 M	1.2183 S
1.3440	1.9730	113.25	1.2085
1.3431 S	1.9653 M	112.00 S	1.2044 M
1.3390 M	1.9623 S	111.60 M	1.1819 K
1.3309 T	1.9550 S	110.30 K	1.1742 T
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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- ▶ [Dollar drop against Yen to 4-1/2-month low on risk unwinding](#)
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