

## Dollar tumbled on Friday as fears about credit sector intensified after Bear Stearns comments

### News and Events:

The Dollar tumbled on Friday, hitting two-year lows versus the Swiss franc, as fears about losses in the credit sector intensified after Bear Stearns said fixed-income markets were the worst in more than two decades. US stocks extended declines after Bear Stearns' Chief Financial Officer Sam Molinaro said on Friday the credit market turmoil and risk aversion may be a worse predicament than the 1980s stock market fall and Internet bubble burst. He said on a conference call with analysts:

"The fixed income market environment we've seen in the last eight weeks has been pretty extreme". Standard & Poor's on Friday changed its rating outlook on Bear Stearns to negative from stable. Two Bear Stearns-managed hedge funds collapsed last month on bad bets on sub-prime mortgage investments.

The dollar started to fall on Friday after reports showed the slowest rate of US job growth since February and deterioration in a US service sector index. In late afternoon trading, the UsdChf fell as low as 1.1869, its lowest since May 2005. It retraced slightly to 1.1907, still down 1.06% on the day, its biggest daily decline since at least November 2006.

Against the Yen, the Dollar was 0.93% lower at 118.05.

Analysts said "The dollar's sell-off can be attributed to a combination of factors: weaker US data and renewed concerns about the credit markets. The underlying theme is that there is a lot more concern about the sub-prime issue". Market players are focusing on evolving developments in the US sub-prime crisis, with equities the preferred barometer for market risk aversion. The EurUsd was 0.55% higher at 1.3780 as US stocks closed the session sharply lower, with the three benchmark indexes Dow Jones Indus, NASDAQ Comp and S&P500 sliding more than 2 percent.

On Friday, data showing weaker-than-expected growth in US payrolls in July boosted the chances of a Federal Reserve interest rate cut this year as reflected in interest rate futures markets. The Labor Department said 92,000 jobs were created in July, below a revised 126k new jobs in June. Wall Street economists had been looking for an increase of 130k.

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

### Holidays in Canada and Australia

**08.30 EUR** August Euro zone Sentix Investor Confidence 29.8 vs 34.7

**08.30 GB** June Manufacturing Output 0.2% vs 0.4% (MoM)

**08.30 GB** June Manufacturing Output 1% vs 1% (YoY)

**08.30 GB** June Industrial Output 0.1% vs 0.6% (MoM)

**08.30 GB** June Industrial Output 0.8% vs 0.5% (YoY)

## The Risk Today:

**EurUsd** sharply rebounded on Friday after 3-days consolidation in range 1.3610 – 1.3728. The break over 1.3728 and return over 1.3750 last week initial resistance accelerate up to 1.3840 this morning. Initial resistance holds 1.3852 late July high. Renewed uptrend may refocus the way upward 1.3925 and 1.3986 resistances. 1.3750 Pivot point marks the initial support.

**GbpUsd** also rebounded from last week low 2.0182 and jumped up to 2.0462 on Friday. This marks initial resistance. Further advance may focus on 2.0494 resistance last Monday high. Downtrend looks limited as market is going away from 2.0200 support which could put 2.0100 support (former trend resistance) in sight. A break there will open the door back down to 2.0000 pivot point.

**UsdJpy** broke and get away from 118.50 pivot point on Friday. Market went down to 117.19 low this morning, a new 3-months low. The risk of further downtrend remains; further weakness may open the door to 116.58 trend support. Initial resistance holds 119.50 end of July high

**UsdChf** tested 1.1881 8-month low on Friday and broke that support level this morning down to 1.1818. Pressure remains below 1.2091 (23.6% retracement of 1.2771 – 1.1881 decline). Current down trend, may shift on 1.1742 May 2005 low support and 1.1483 March 2005 low. Initial resistance holds 1.1881 former support.

## Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.4571 K	2.0706 T	124.15 T	1.2157 S
1.3925 S	2.0683 S	120.78 P	1.2091 S
1.3852 M	2.0462 M	119.50 M	1.1881 M
1.3835	2.0455	117.50	1.1830
1.3750 M	2.0182 M	117.19 M	1.1742 T
1.3659 S	2.0100 S	116.58 T	1.1442 S
1.3550 P	2.0000 P	115.59 K	1.1288 T
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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