

## Fed cuts rates 50 basis points to 4.75%; Dollar falls.

### News and Events:

Euro at 1.4000 is the answer. The Euro hit 1.3988 in late trading yesterday as the wider interest rate differential sent the Euro, the British Pound, the Australian and New Zealand dollars upward. The FOMC's statement clearly stated that the Fed was very concerned about the effects of the credit crunch on the broader economy and felt that an unusual solution was needed to boost confidence and preempt further adverse effects on the economy by opting to break tradition and cut 0.5% instead of an incremental 0.25%. The decision to cut 50bp was unanimous. The Fed further stated that inflation figures have been kept in check but implied that the credit markets could affect the housing market. Traders point out that the markets do not yet reflect a greater appetite for risk. Only time will tell.

The Canadian dollar continued its rise as the weakening US dollar and (record high) crude oil prices hit \$82 a barrel. With the state of the commodity markets, investors target parity to the US dollar.



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

08:00 **IT** Industrial Orders s.a. (MoM) JUL  
 08:00 **IT** Industrial Orders n.s.a. (YoY) JUL  
 08:00 **IT** Industrial Sales s.a. (MoM) JUL  
 08:00 **IT** Industrial Sales n.s.a. (YoY) JUL

08:30 **UK** Bank of England Minutes

11:00 **US** MBA Mortgage Applications Sep-14  
 11:00 **CA** Consumer Price Index MoM AUG 0.10% vs vs 0.10%  
 11:00 **CA** Consumer Price Index YoY AUG 2.10% 2.20%  
 11:00 **CA** Bank Canada CPI Core MoM AUG 0.20% vs 0.10%  
 11:00 **CA** Bank Canada CPI Core YoY AUG 2.30% vs 2.30%

12:30 **CA** Leading Indicators MoM AUG 0.30% vs 0.40%  
 12:30 **US** Consumer Price Index (MoM) AUG 0.00% vs 0.10%  
 12:30 **US** CPI Ex Food & Energy (MoM) AUG 0.20% vs 0.20%  
 12:30 **US** Consumer Price Index (YoY) AUG 2.10% vs 2.40%  
 12:30 **US** CPI Ex Food & Energy (YoY) AUG 2.20% vs 2.20%  
 12:30 **US** CPI Core Index SA AUG  
 12:30 **US** Consumer Price Index NSA AUG  
 12:30 **US** Housing Starts AUG 1350K vs 1381K  
 12:30 **US** Building Permits AUG 1345K vs 1373K

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## The Risk Today:

**EurUsd:** targeting 1.4000 with heavy support down to 1.3850.

**GbpUsd** moved and closed back in the upward channel. Look for resistance at 2.0200, but a break opens the door back to 2.0360. Downside risk still high with support seen initially at 2.0000, down to 1.9880.

**UsdJpy** broke the strong resistance (mentioned yesterday) at 115.66, and closed above at 115.75. This has opened the door back up to 117.60. On the downside, taking out yesterday's low of 114.80 is bearish.

**UsdChf** hovering at 1.1810 where the pair finds strong support and finds itself at the bottom trend line of the long term triangle formation. Technically, this is a buy zone for a target back to 1.2000. Anything below 1.1742 would be very bearish.

## Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.4165 S	2.0657 K	119.11 T	1.2135 T
1.4000 T	2.0363 S	116.50 M	1.2000 S
1.3968 S	2.0234 T	115.53 S	1.1926 M
1.3980	2.0125	115.86	1.1810
1.3854 S	2.0000 S	114.80 S	1.1742 K
1.3722 M	1.9883 S	112.64 M	1.1629 S
1.3551 S	1.9654 K	111.60 T	1.1480 S

S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot

## Quick access to our 5 previous newsletters:

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