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Euro hits 1.4065; focus on Saudi Arabia

News and Events:

Saudi Arabia has decided to not cut interest rates, breaking tradition and not mirroring the Fed's action on Tuesday because it is concerned with domestic inflation due to record high oil prices. Furthermore, there have been reports that the Saudis would no longer peg their currency to the greenback. The dollar again fell this morning to a new low against the Euro to 1.4065.

Core CPI came in rising by 0.2%, unchanged from July and as expected in August. Housing starts fell 2.6% in August versus a drop of 6.9% in July, suggesting slight improvements in the credit crunch. For the Fed, the 50 basis point was well-timed and matches their current concern for credit instead of inflation.

The Bank of Japan voted 8 to 1 to keep rates on hold at 0.5%. The reasons come as Japan economic indicators have recently turned for the worse, a contracting GDP and weak capital expenditure. The USDJPY trades at 115.46.



Today's Key Issues (time in GMT):

- 08:30 UK Retail Sales (MoM) AUG 0.00% vs. 0.70%
- 08:30 UK Retail Sales (YoY) AUG 4.00% vs. 4.40%
- 08:30 UK BSA Mortgage Approvals SA AUG
- 08:30 UK Public Finances (PSNCR) AUG 3.5B vs. -13.1B
- 08:30 UK Public Sector Net Borrowing AUG 6.5B vs. -6.5B
- 08:30 UK M4 Money Supply (MoM) AUG P 0.80% vs. 1.00%
- 08:30 UK M4 Money Supply (YoY) AUG P 12.90% vs. 13.00%
- 08:30 UK M4 Sterling Lending (BP) AUG P 15.1B vs. 24.6B

- 09:00 EC Construction Output SA MoM JUL
- 09:00 EC Construction Output WDA YoY JUL

10:00 UK U.K. CBI September Industrial Trends

- 12:30 CA Wholesale Sales MoM JUL 0.50% vs. 0.20%
- 12:30 US Initial Jobless Claims Sep-15 321K vs. 319K**
- 12:30 US Continuing Claims Sep-08 2575K vs. 2585K**

14:00 US Leading Indicators AUG -0.40% vs. 0.40%

16:00 US Philadelphia Fed. SEP



The Risk Today:

EurUsd: with 1.4100 in sight, 1.4000 holds as the primary support level.

GbpUsd support at 2.0025 with 2.0200 as a target. The pair finding resistance at the 2.0100 handle.

UsdJpy is still in a range, with initial support at 114.75 and resistance up to 117.00. Anything below 112.60 is very bearish.

UsdChf has broken 1.1742 with a vengeance and is now very bearish. The pair will target 1.1629, a strong support. A recovery to 1.1900 would be bullish again.

Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.4333 S	2.0657 K	119.11 T	1.2000 S
1.4200 S	2.0363 S	117.17 S	1.1926 S
1.4165 S	2.0234 T	116.39 M	1.1826 M
1.4050	2.0097	115.48	1.1734
1.4000 S	2.0000 S	114.80 S	1.1700 K
1.3968 M	1.9883 S	112.64 M	1.1629 S
1.3827 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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- ▶ [US data still weak; Pound falls sharply on Northern Rock trouble](#)
- ▶ [Dollar unchanged even after better than expected Jobless claims](#)
- ▶ [Solid industrial data from Europe sends Euro to all-time high](#)

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