

Bush and Bernanke gave no clear indication on Friday speeches

News and Events:

The Dollar gained against the Euro but fell against the Yen on Friday as investors debated whether the credit crisis would drag on global growth despite initial enthusiasm for a White House plan to help US homeowners cope with tough lending conditions.

President George W. Bush and Federal Reserve Chairman Ben Bernanke said in separate speeches on Friday that there would be no bailout of speculators and gave no indication an end to mortgage market turmoil is near, sparking a small safe-haven bid in the dollar. But most gains eroded as investors came to realize that Bernanke offered little new guidance on the outcome of a Fed policy meeting in September, and Bush's plan was viewed as vague and perhaps too limited to contain market turbulence.

UsdJpy fell 0.21% to 115.77 after earlier touching session lows 115.50.

EurJpy was down 0.5% to 157.41. EurUsd traded around session lows at 1.3621, down 0.29%, largely pressured by the decline in the EurJpy and other crosses.

Dealers said volume thinned out as the New York session progressed as people prepared to leave early for the long holiday weekend in the United States, with markets closed on Monday for Labor Day.

High-yielding currencies such as the Australian dollar and the New Zealand dollar initially gained on news reports about the White House plan, which was mostly aimed at enabling troubled homeowners to renegotiate their mortgages with their lenders to avoid default. Investors have been reducing their exposure to risky assets as the crisis that began in the US sub-prime mortgage market spread to other markets. The main beneficiary has been the Yen, as investors unwind carry trades, in which a low-yielding currency such as the yen is used to finance purchases of higher-yielding, riskier assets. The New Zealand dollar was on course for the largest monthly drop against the yen since October 1998, and the Australian dollar was set for the biggest monthly loss against the Yen since September 2001. The market's attention will likely focus on whether economic data from now until the next Fed policy meeting on Sept. 18 would reflect enough weakness to cause policy-makers to cut the benchmark fed funds rate. The central bank has kept its target for fed funds, the rate banks charge each other for overnight loans, steady at 5.25% since late June 2006.



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Today's Key Issues (time in GMT):

US and Canada Labor Day Holiday – Market Closed

07.30 CHF August PMI 62 vs 63

08.00 EUR August RBS/NTC Manufacturing PMI 54.2 vs 54.9

08.30 UK August CIPS/NTC Manufacturing PMI 55 vs 55.7

The Risk Today:

EurUsd is consolidating between 1.3563 and 1.3720 last week low and high. Nearby support cut in at 1.3550, August 24 low, ahead of 1.3449 low from August 22nd. A move below this would be necessary to threaten the current uptrend, and confirmation of trend end under 1.3360. On the upside, a break toward 1.3687 will pave the way for extended gains to 1.3858 key resistance.

GbpUsd need to confirm a clear break of Trendline resistance 2.0195 to confirm recent uptrend. A break there is required to trigger gains towards 2.0272 and 2.0395 resistances. On the downside and further to recent development, market looks for a decline towards 1.9916, August 23rd low and potentially 1.9653 key level from August 17th.

UsdJpy The downtrend remains intact below 117.13. Renewed weakness may break toward 113.67 support down to 111.60, August 17th low, and may open the way to 110.30 (61.8% retracement). On the uptrend, resistance holds 117.13 August 23rd high, before 118.93 (former 23.6% retracement). Trendline resistance (former downtrend channel) might slow the break up on 116.61.

UsdChf is consolidating after having hit 1.2216 and 1.1819 August high and low. On the uptrend, 1.2183 (38.2% retracement of 1.2771 to 1.1819 decline) is holding strong resistance. Initial support holds 1.1989 Friday low. There is very light support till 1.1819. A break down might open the way toward 1.1529 (61.8% projection).

Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.3858 K	2.0395 K	118.93 S	1.2216 S
1.3776 M	2.0272 S	117.13 M	1.2183 T
1.3687 S	2.0195 S	116.61 T	1.2113 S
1.3635	2.0165	116.00	1.2070
1.3563 M	1.9916 S	113.67 M	1.1962 S
1.3550 P	1.9653 K	111.60 K	1.1819 T
1.3396 T	1.9622 S	110.30 T	1.1529 S
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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