

Dollar is steady awaiting US data for direction

News and Events:

The Dollar steadied versus the Euro and Yen on Monday at the start of a busy week for US data which should shed light on the extent to which the credit markets turmoil is taking a toll on growth. Trading was subdued due to a Labor Day public holiday in the United States.

High-yielding currencies got a boost as risk aversion eased after the Federal Reserve and US government gave assurances that they would protect the economy from the sub-prime mortgage crisis. Fed Chairman Ben Bernanke repeated late last week that the central bank would take all necessary steps to protect the economy from the market volatility but would not bail out lenders or investors suffering big losses. US President George W. Bush pledged to help homeowners in danger of defaulting on risky mortgages, but emphasized that the government would not rescue the mortgage lending industry. The comments reassured investors, spurring a rally on Wall Street on Friday. In foreign exchange, reduced risk aversion made people more willing to hold carry trades where purchases of high-yielder like the New Zealand dollar are funded by cheap borrowing in currencies such as the Yen.

US data due this week includes the Institute for Supply Management's manufacturing activity in August on Tuesday, the Fed's beige book summary of the economy's performance on Wednesday and the monthly non-farm payrolls report on Friday. Economists expect a median reading of 53.0 for the ISM index versus 53.8 in July. Central banks will be also closely watched with the Bank of England, the ECB, Sweden's Riksbank and the Bank of Canada all making crucial interest rate decisions. The market is looking for the Fed to cut rates by at least 25 basis points to 5% at its Sept. 18 policy meeting. ECB President Jean-Claude Trichet has tried to keep policy options open but many market players expect the ECB to keep rates steady at 4.00 percent this week. The Dollar was steady against the Yen at 115.81. It was nearly unchanged against the Euro -0.1% at 1.3616. The yen came under pressure from data released on Monday that showed weaker capital spending in the second quarter. More analysts expect that Japanese rate hikes may be delayed.



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Today's Key Issues (time in GMT):

08.30 UK August Construction PMI 60.6 vs 61.8

09.00 EUR 2Q Euro zone GDP revised 0.3% vs 0.7% (QoQ)

09.00 EUR 2Q Euro zone GDP revised 2.5% vs 3.1% (YoY)

09.00 EUR July Euro zone PPI revised 0.1% vs 0.1% (QoQ)

09.00 EUR July Euro zone PPI revised 1.7% vs 2.3% (YoY)

14.00 US July Construction Spending 0% vs -0.3%

14.00 US July ISM Manufacturing Index 53 vs 53.8

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
1.3615	2.0180	115.65	1.2080
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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