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BOE and ECB leave rates unchanged; Euro rallies on Trichet speech

News and Events:

The Bank of England and European Central Bank left interest rates unchanged at 5.75% and 4.00% respectively. The euro rallied after ECB President Trichet reiterated that price control remains the primary concern, especially during less stable economic times. The Bank of England left rates unchanged because, according to some, it was still too early to tell for how long market instability would continue and how much it would hamper the economy.

Investors await US labor figures, primarily the August unemployment rate and non-farm payrolls, expected to be at 4.6% and 110k (vs 92k) respectively.

Yesterday, we wrote: (In Gold) "there are two scenarios to observe very carefully:

- i. Gold hitting a short-term double top between \$688 and \$695.
- ii. The break-out of the major triangle formation, and confirmed by a break through \$695 will causing Gold shooting upwards toward \$730 for a long term double top."

We have achieved scenario number one, with spot Gold hitting a high of \$698 and closing for the day at \$695! Look for a small correction back to the top trend-line, after which scenario number two may kick-in. Happy are those who were long Gold yesterday.



Today's Key Issues (time in GMT):

10:00 EC Euro-Zone OECD Leading Ind. JUL
10:00 GE Industrial Prod. YoY (nsa wda) JUL
10:00 GE Industrial Production MoM (sa) JUL

11:00 CA Unemployment Rate AUG
11:00 CA Net Change in Employment AUG

12:30 US Change in Nonfarm Payrolls AUG
12:30 US Unemployment Rate AUG
12:30 US Change in Manufact. Payrolls AUG
12:30 US Average Hourly Earnings MoM AUG
12:30 US Average Hourly Earnings YoY AUG
12:30 US Average Weekly Hours AUG
14:00 US Wholesale Inventories JUL

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The Risk Today:

EurUsd remains in a range for the past ten days. We are near the resistance level of 1.3720; a daily close above that would signal-in the bulls with an eye for 1.3840. On the downside, 1.3631 is a minor support, which if broken, bears eye the lower support of 1.3550.

GbpUsd formed a wedge pattern but has not broken out to the downside, yet. On the downside, 2.0077 will have to fail as a strong support for the start of a second bearish leg. On the upside, any close above 2.0285 will open the door for another move up to 2.0462.

UsdJpy very much stuck in a range between 113.92 and 116.52 as investors decide whether to take on or reduce risk. A break of 113.92 will eye the lower low of 111.60.

UsdChf finds strong support and 1.1960. The pair had bounced off the lower trend line on August 6th at 1.1819. We eye a break of 1.2160 to return to the upper trend line at 1.2330.

Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.3840 K	2.0664 K	119.07 T	1.2193 S
1.3760 M	2.0467 S	117.61 M	1.2156 T
1.3690 S	2.0278 S	116.41 S	1.2113 S
1.3676	2.0178	115.16	1.2018
1.3639 M	2.0039 T	114.57 S	1.1962 S
1.3550 S	1.9963 K	113.84 M	1.1882 M
1.3438 T	1.9891 S	111.70 T	1.1815 T

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

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