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Euro reversed gains after less hawkish interest rate remarks from ECB officials

News and Events:

The Euro made its biggest drop against the Dollar in the past three weeks on Wednesday as soft economic data and comment from European policy-makers indicated the weaker US currency is hurting euro zone economic growth. A manufacturing activity indicator, the Euro zone PMI, dropped to an almost three-year low in April. Another report showed German manufacturing activity also declined. Demand for the European currency slid further after comments by a member of European Central Bank Governing Council, Christian Noyer, put down speculation of further interest rate increases by the bank. In addition, Jean-Claude Juncker, the chairman of the euro zone finance ministers, said the Euro's exchange rate is now excessively volatile.

Yesterday at close, EurUsd was down 0.59% at 1.5881, after hitting intraday 1.5999 high. It traded at a record 1.6019 high on Tuesday, the highest level since its inception in 1999. UsdJpy was up 0.54% at 103.48. GbpUsd dropped 0.85% to 1.9791. UsdChf rose 0.62% at 1.6133 after hitting 1.6167 high.

A slide in British mortgage approvals to a record low in March underlined serious weakness in the housing market and suggested the Bank of England may continue cutting rates. The data wiped out initial sterling gains made on BoE minutes showing there was dissent within the central bank over its decision to cut interest rates by 25bp to 5% this month.

The ECB is expected to keep its key interest rate on hold at 4%, while the US Federal Reserve is expected to lower its benchmark from 2.25% later this month. The Euro's record high on Tuesday was boosted by hawkish remarks from ECB officials, including Noyer's comments in an interview with French radio network RTL that the central bank will do what is needed to bring inflation back to target. But Noyer later said markets had misinterpreted his remarks as a hint on the direction in which interest rates might move, The Wall Street Journal reported in its online edition.



Today's Key Issues (time in GMT):

07:30 SEK March PPI -0.1% vs 0.6% (MoM)
07:30 SEK March PPI 3.1% vs 4.2% (YoY)
08:00 EUR April German Ifo business climate **104.3 vs 104.8**
08:00 EUR April German Ifo current conditions **111 vs 111.5**
08:00 EUR April German Ifo expectations **98 vs 98.4**
08:00 EUR February Euro-zone Current account NSA €-19.1B previously
08:00 EUR February Euro-zone Current account SA €-10.6B previously
08:00 EUR February Euro-zone Net investment flows €22.1B previously
08:30 GBP March Retail Sales **-0.3% vs 1% (MoM)**
08:30 GBP March Retail Sales **4.3% vs 5.5% (YoY)**
08:30 GBP April CBI trends - orders 4 vs 7
12:30 USD March Durable Goods ex-defense **-0.1% vs -1.5%**
12:30 USD March Durable Goods ex-transport **0.4% vs -2.4%**
12:30 USD March Durable Goods orders **0% vs -1.1%**
12:30 USD weekly Initial claims **375k vs 372k**
12:30 USD March Non-def capital good ex-aircraft 0% vs -2.4%
14:00 USD March New Home sales previously **-1.8%**
15:00 USD April KC Fed Manufacturing previously -5
23:30 JPY March Japan CPI core nationwide 1.2% vs 1%
23:30 JPY March Japan CPI overall nationwide previously 0.6%
23:30 JPY April Japan CPI core Tokyo 0.5% vs 0.6%

The Risk Today:

EURUSD Euro reversed part of early week gains going away from Tuesday 1.6019 all time high. Medium term trading range is still set between 1.5800 – 1.6200. Strong support hold 1.5528 (23.6% retracement of 1.4311-1.5904 advance). Psychological 1.5000 level marks strong key support before 1.4500 pivot point. Key resistance holds 1.6200 market target. Initial support hold 1.5511 April 3rd low. Minor resistance holds 1.6000 key level.

GBPUSD Cable has been consolidating just over 1.9800. Further strength may open the way toward 2.0000 psychological level. Confirmation over 2.0100 major pivot point would set Cable free for more uptrend. Actual trading range is 1.9800 – 2.0000. Renewed pressure below 1.9800 may open the way down to 1.9337 January low and 1.9105 (50% retracement of 1.7049 – 2.1162 advance).

USDJPY It confirmed strength over 102. Further advance may open the way up to 105, then 110.10 strong (Trendline) resistance and mid January double top ahead of 111.92 early January high. Fail to overtop 105 will bring back weakness in 100 – 103 consolidation trading range. Minor support holds 102.95 early April high.

USDCHF Market still remains weak below 1.0200. It is currently looking for direction with an ongoing triangle chart figure. Below 1.0000; strong support holds 0.9639 17th March low. Over 1.0000: uptrend would only return with a confirmation over 1.0200 resistances. Early January double top 1.1191 marks strong resistance.

Resistance and Support:

EURUSD	GBPUSD	USDJPY	USDCHF
1.6200 T	2.0577 T	111.92 K	1.0500 S
1.6019 M	2.0447 S	110.10 T	1.0285 M
1.6000 K	2.0100 P	105.00 S	1.0200 S
1.5845	1.9770	103.70	1.0185
1.5528 S	1.9650 S	102.95 M	1.0000 P
1.5400 T	1.9337 S	100.00 P	0.9639 K
1.5000 K	1.9105 K	95.74 S	0.9500 T
S: Strong, M: Minor, T: Trendline, K: Keylevel, P: Pivot			

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- ▶ [Traders await US housing data today; Dollar gains some ground](#)
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