

The dollar extended its gain versus the euro and the sterling

The dollar extended its gains against the euro and the sterling on Wednesday amid bigger demand for greenbacks as a result of tight credit conditions on the market. Trading will remain choppy in the coming days as markets eagerly anticipate the successful passage of the U.S. Administration's \$700 billion rescue plan. Democratic and Republican leaders predicted that the U.S. financial rescue will win approval in the Senate and urged opponents in the House to drop their objections to the bill. The market continues to shrug off weak US economic reports, instead focusing on the government's ability to successfully navigate through the financial turmoil and limit the scope for a deep and prolonged recession. The September manufacturing ISM fell to its lowest level since October 2001 at 43.5 versus 49.9 in August, dipping further beneath the key 50-level that distinguishes between expansion and contraction.

Sterling fell yesterday as much as 1% to \$1.7634, the lowest level since Sept. 12, after an industry report showed U.K. manufacturing contracted last month at its fastest pace in 16 years. Against the euro, the pound decreased as much as 0.5 percent to 79.53 pence.

The euro fell to 1.3975 against the dollar decreasing 0.7% from Tuesday. Today the ECB is largely expected to leave interest rates unchanged at 4.25%. The subsequent press conference from Bank President Trichet will unlikely offer any new insight into the ECB's policy direction over the coming months with the offsetting risks of deteriorating economic fundamentals and lingering inflationary pressure.

EUR/USD

The euro continued to fell against the dollar, registering seventh consecutive drop. The picture remains negative, and first support is seen at the key 1.3881 level. In short-term first resistance is seen at 1.4380, which is 61.8% Fibo retracement of the 1.3360-1.6035

movement and 23.6% Fibo of the 1.6035-1.3881 movement. Next resistances are expected at 1.4700 and 1.4900, as the first one is 50.0% Fibo of the mentioned upsurge.



Support	1.3881	1.3545	1.3360
Resistance	1.4380	1.4700	1.4900

USD/JPY

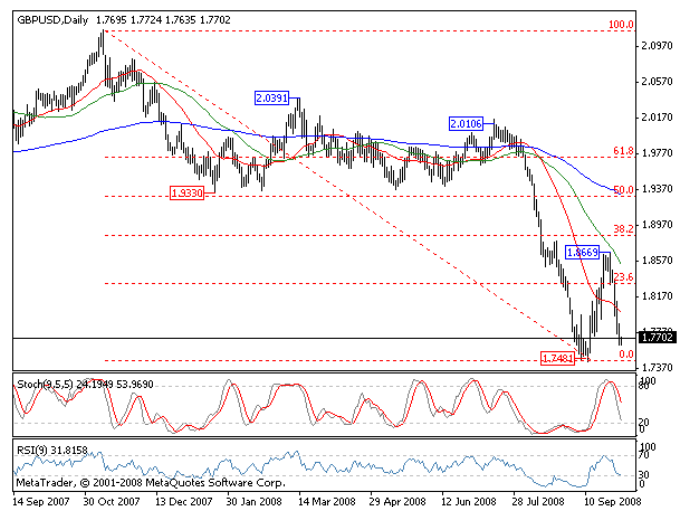
The dollar slid lightly against the yen reaching day low at 105.32. The short-term picture remains negative, and to renovate the positive trend the dollar must break above 110.00. Intermediate resistances are seen at 106.60, 107.70 and 108.40, as the first one is 38.2% Fibo retracement of the 124.9575 movement and the second one is 23.6% Fibo of the 95.75-110.64 movement. On the opposite side supports are expected at 103.50 and 102.45, as the last one is 23.6% Fibo of the mentioned drop.



Support	103.50	102.50	100.30
Resistance	106.60	107.70	108.40

GBP/USD

The sterling continued to decline against the dollar passing below the support at 1.7750. The picture remains negative, as the sentiment oscillators RSI and stochastic give us a good signal for this statement. Today first support is seen at 1.7450, which is the lowest level for the past 2 years. A break below that level will move the target on 1.7220 and 1.7030. On the opposite direction first resistance is seen around 1.8100, which coincides with 20 SMA, followed by 1.8323 and 1.8660.



Support	1.7450	1.720	1.7030
Resistance	1.8100	1.8323	1.8660

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