

Dollar Unchanged Against The Euro After The China Plan

During the first day of the week, the euro closed almost unchanged against the dollar around \$1.2730, erasing earlier gains, which were caused by the news that China announced its own economic stimulus package to fight the financial crisis. One of the world's largest economies, which is the main source of the global GDP growth, intends to inject \$600 billion in its economy. The initial reaction after the announcement of the plan was very positive and caused a recovery of the risk appetite, but the optimism faded quickly as investors considered that the measures will not be enough to avert the global recession. The concerns worsened the sentiment on the US equity markets, from which benefitted the yen. The dollar fell against the Japanese currency to 97.70 yen, while the euro was down to 124.44 yen. Overall, the currency market remains jittery in this moment of uncertainty and major currencies continue to trade in range, waiting for some direction of the equity markets. Investors await the G-20 meeting in Washington scheduled for the weekend, hoping that more measurements will be discussed.

EUR/USD

The short term picture remains neutral as the euro continues to consolidate near the resistance level at 1.3110. If broken successfully, next target will be the resistance at 1.3320, which is 61.8% retracement of the 1.1640-1.6035 rise, followed by 1.3680. A successful break of 1.3320 will give us a signal that the positive mid-term trend is resumed, otherwise the negative risk remains and we may witness new declines. On the downside support is seen at 1.2500, followed by 1.2340 and the psychological 1.2000.



Support	1.2500	1.2340	1.2000
Resistance	1.3100	1.3320	1.3680

USD/JPY

The short term picture remains neutral as the pair consolidates in a narrow range around the level at 98.70, which is 23.6% retracement of the 124.12-90.90 drop. On the upside resistance is seen at 100.55, followed by the key level at 103.50, which is 38.2% retracement of the mentioned drop, and 105.60. A successful break of 103.50 will give us a signal that the mid-term uptrend has resumed, otherwise the negative risk remains and we may witness new declines. On the downside support is seen at 95.75, followed by 90.85 and 85.00.



Support	95.75	90.85	85.00
Resistance	100.55	103.50	105.60

GBP/USD

The short term picture remains neutral as the sterling consolidates in a narrow range near the support level at 1.5540. If broken successfully next targets will be the supports at 1.5420 and 1.5270. On the upside resistance is seen at 1.6650, which is 23.6% retracement of the 2.1150-1.5266 drop. If broken successfully, next targets will be 1.6900 and the key level at 1.7510, which is 38.2% Fibo retracement. The downside risk remains, as far as, the pair stays below 1.7510, and its overcoming will give us a signal the mid-term positive trend has resumed.



Support	1.5540	1.5420	1.5270
Resistance	1.6650	1.6900	1.7510

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