

The yen continued its rally

In the middle of the week the picture on the currency market remained unchanged, as the yen and the dollar extended their gains versus the basket of currencies.

The yen rose against all of the major currencies yesterday on speculation investors will unwind carry trades, in which they get funds in a country with low borrowing costs and buy assets where returns are higher. Japan's currency gained 4% against the euro reaching 124.63, the lowest level since November 2003. The sterling fell near 8 year low versus the yen reaching 157.75. Against the dollar, the yen traded at 97.22, following 2.7% gain.

On the other hand, the U.S. currency surged to 1.2746 against the euro for the first time since November 2006. Although the FOMC will likely cut rates by 50-basis points to 1.0% when it meets next week, markets anticipate more aggressive policy easing from the ECB in the near-term to support the struggling economy. The dollar has reached 5-year-high against the sterling at 1.6138. The cable remains weak, after Bank of England Governor Mervyn King warned of an imminent recession in the UK economy and hinted at the need for aggressive policy easing to stimulate demand.

On Wednesday's latest news, Reserve Bank of New Zeland eased the interest rate with 1% to 6.5%, as expected. Today the focus will be on fundamentals from U.K., with retail sales and BBA loans for house purchase - both for September. Month over month sales are expecting to fell with 0.6% compared with the previous 1.2% gain, while year over year sales are seen at 2.2% compared to 3.3% a year earlier.

EUR/USD

The euro continued to be weak against the dollar falling for sixth straight day, but in mid term we might expect correction in positive side, as the sentiment oscillators are entering in oversold levels. Till then first support is seen at 1.2677, followed by 1.2475 and 1.2185. On the opposite side, resistance is expected at 1.3319, which is also 61.8% retracement of the 1.1640-1.6035 movement. A break above that level will move the target on the key level at 1.3838, which is 50.0% Fibo of the mentioned movement.



Support	1. 2677	1. 2475	1. 2185
Resistance	1. 3319	1. 3838	1. 4356

USD/JPY

The dollar posted its biggest decline against the yen for the past two weeks. The short term picture seems to be negative with first key support expected on the 13-year-low at 95.75. A break below that level will move the target deeper on the border of 90 yen. On the opposite direction only break above 102.50, which is 23.6% retracement of the 124.12-95.75 movement, will give us a signal for renewing the positive sentiment. Above that level next resistances are seen at 103.80 and 106.60.



Support	95,75	90,00	88,50
Resistance	102.50	103.80	106.60

GBP/USD

The sterling extended its huge decline against the U.S. currency reaching new record lows for the past 5 years. First support of the cable is seen at 1.5865, followed by 1.5620 and the key level at 1.5445. On upside direction, first resistance is expected at 1.6535, which is 61.8% Fibo retracement of the 1.3677-2.1159 movement. A break above that level will move the target to 1.7150 and the key level at 1.7500.



Support	1.5865	1.5620	1.5443
Resistance	1.6535	1.7150	1.7500

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