

Yen Falls Amid Expectations For Interest Rate Cuts In Japan

The yen fell against the dollar and the euro on Thursday after the interest rate cut in USA helped for the recovery of the equity markets. The gains of global stocks made the dollar rise to 98.61 yen, and the single currency advanced to 127.30 yen. An additional pressure on the yen was caused by the speculations that Bank of Japan will cut interest rates on its meeting on Friday for the first time since March 2001. Analysts expect 25bp reduction to 0.25%. The euro fell against the dollar to \$1.2930, in a volatile trading, after touching intraday high at 1.3300.

The American currency advanced after the forecasts that its demand will grow until the end of the month. Fund managers worldwide are expected to buy substantial amounts of dollars as the month-end approaches to neutralize hedges because of the reduction in their portfolios. At this moment the US currency moves are highly reflecting the equity markets. Analysts are mostly skeptical about the markets' renewed optimism, noting a recovery in risk appetite may not be sustainable and demand for dollars may remain intact. As a result we may expect the euro to decline further to the levels around \$1.2000 as the markets head lower again. During the day the US GDP data came out. The preliminary reading showed a drop by 0.3%, while a decline of 0.5% was estimated. Nevertheless, this is the biggest contraction of the US economy since 2001.

EUR/USD

The short term picture worsened as the euro failed to test the key resistance level at 1.3320, which is 61.8% retracement of the 1.1640-1.6035, and which pushed the pair down to its starting point. So far first target will be the resistance at the psychological 1.3000, followed by the key 1.3320. A successful break of 1.3320 will give us a signal that the positive mid-term trend is resumed and will target 1.3680. On the contrary, the negative risk remains and 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	1.3000	1.3320	1.3680

USD/JPY

The short term picture remains neutral as the pair consolidates in a narrow range near the resistance level around 98.70, which is 23.6% retracement of the 124.12-90.90 drop. Its overcoming will target the next key resistance level at 103.50, which is 38.2% retracement of the mentioned drop. A successful test of 103.50 will give us a signal that the mid-term uptrend has resumed. On the contrary, the downside risk remains the rise will appear to be just a corrective one. On the downside support is seen at 95.75, followed by 90.85 and 85.00.



Support	95.75	90.85	85.00
Resistance	98.70	103.50	105.50

GBP/USD

The short term picture remains neutral as the sterling consolidates in a narrow range near the resistance 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% retracement of the mentioned drop. The downside risk remains, as far as 1.7510 holds, and its overcoming will give us a signal the mid-term positive trend has resumed. On the downside support is seen at 1.5600, followed by 1.5420 and 1.5270.



Support	1.5600	1.5420	1.5270
Resistance	1.6650	1.6900	1.7510

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