

Daily FX Commentary

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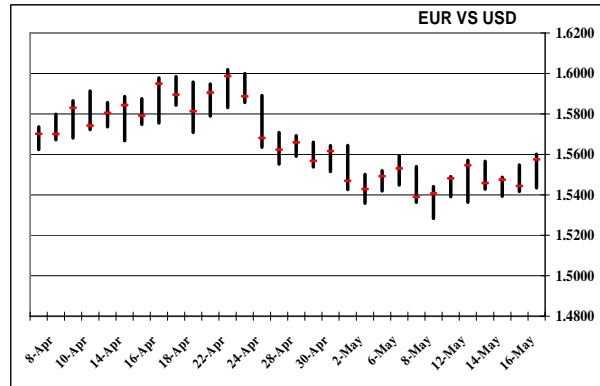
20-May-08

USD

The dollar rose against the euro Monday, boosted by more gains in US stock markets and a report suggesting the US economy may avoid a recession. The Conference Board's Leading Economic Indicators index rose by a modest 0.1% in April. Though not a big gain, it at least met economists' expectations and suggested to worried investors that the U.S. economy is at least not contracting. Monday afternoon in New York, the euro was at \$1.5513, while the dollar was at ¥104.30. Analysts say data out of Europe Tuesday may create more robust price action for the USD/EUR.

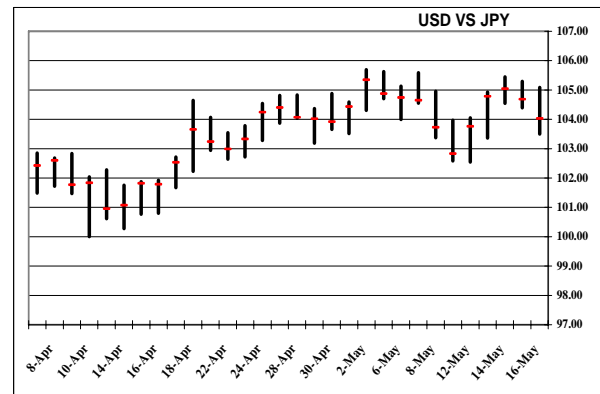
EUR

EUR/USD to consolidate. EUR/USD supported by elevated oil price, hawkish ECB policy stance. But EUR/USD topside limited unwinding of long-EUR/JPY carry trades amid lower risk appetite, deteriorating euro-zone economic environment. EUR/USD daily chart slightly positive-biased. Immediate resistance at 1.5596 (hourly chart), then at 1.5632 (yesterday's high); support at 1.5484 (yesterday's low), then at 1.5418 (Thursday's low).



YEN

USD/JPY to consolidate as markets await BOJ: expected to stand pat; focus on Gov. Shirakawa's 0630 GMT news conference. Daily chart mixed as five- and 15-day moving averages meandering sideways, inside-day-range pattern completed yesterday, but MACD & stochastics in bearish mode, parabolic stop-and-reverse in bullish mode. Immediate support at 103.60 (yesterday's low), then at 103.50 (Friday's low); breach would expose downside to 102.55 (May 12 low); resistance at 104.69 (yesterday's high), then at 105.08 (Friday's high).



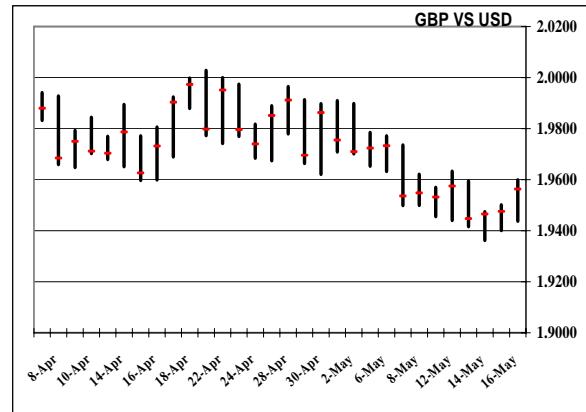
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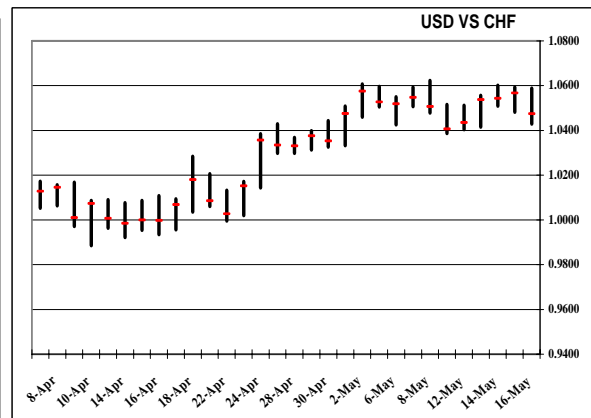
GBP

GBP/USD to consolidate. Undermined by deteriorating UK economic environment, broadly stronger USD undertone, unwinding of long-GBP/JPY carry trades amid reduced risk appetite. But GBP/USD downside limited by UK-U.S. yield gap, BOE's concerns over above-target inflation. GBP/USD daily chart mixed stochastics bullish near oversold, but MACD still in bearish mode. Immediate resistance at 1.9551 (hourly chart), then at 1.9624 (yesterday's high); support at 1.9451 (yesterday's low), then at 1.9438 (Friday's low).



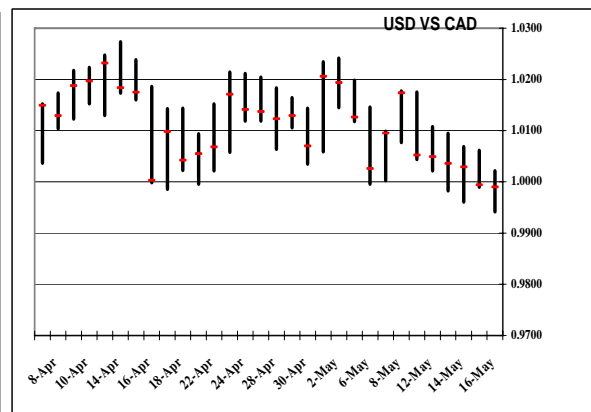
CHF

USD/CHF to range-trade. Undermined by unwinding of CHF-funded carry trades. But USD/CHF downside limited by improved USD sentiment. Data focus: 0715 GMT Swiss April PPI, import price index. USD/CHF daily chart mixed as five- and 15-day moving averages meandering sideways, stochastics in bearish mode, MACD turning bearish. Immediate support at 1.0440 (hourly chart), then at 1.0411 (yesterday's low), followed by 1.0387 (May 9 low); resistance at 1.0572 (yesterday's high), then at 1.0588 (Friday's high).



CAD

USD/CAD to consolidate with bearish bias. Hurt by near-record oil price. But downside limited by stronger USD undertone, expectations BOC will cut rates 25 bps June 10, unwinding of long-CAD/JPY carry trades as risk appetite falls. Daily chart negative as MACD & stochastics bearish, although latter oversold: suggests steady or lower trading near-term. Support at 0.9896, then at 0.9874; breach would expose downside to 0.9795; resistance at 0.9943, then at 0.9999.



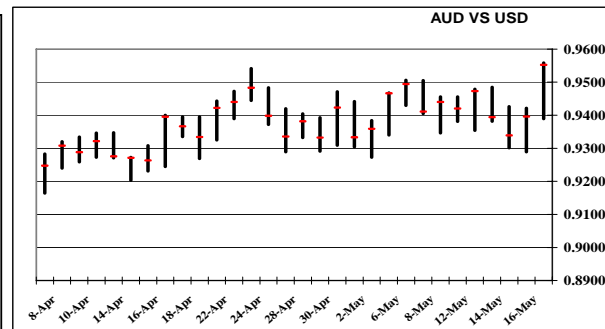
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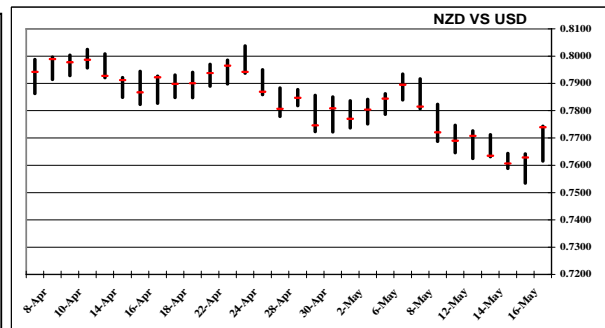
AUD

AUD/USD to consolidate after yesterday's 24-year high of 0.9570. Focus on 0130 GMT RBA May monetary policy meeting minutes. AUD/USD underpinned by wide Aussie-U.S. yield gap, firm gold price. But Aussie gains limited by unwinding of long-AUD/JPY carry trades amid lower risk appetite. AUD/USD daily chart positive-biased as MACD & stochastics in bullish mode. Immediate resistance at 0.9570; breach would expose upside to 0.9648 (April 1984 peak); support at 0.9508 (yesterday's low), then at 0.9485 (previous cap set May 13).



NZD

NZD/USD to consolidate. Remains weighed by concerns of weakening NZ economy. NZD/USD also undermined by unwinding of long-NZD/JPY carry trades amid reduced investor risk appetite. But NZD/USD downside buttressed by wide Kiwi-U.S. yield advantage. NZD/USD daily chart mixed as stochastics bullish, but MACD still in bearish mode. Immediate support at 0.7702 (yesterday's low); breach would expose downside to 0.7615 (Friday's low); resistance at 0.7773 (yesterday's high); breach would target 0.7824 (downtrend line from April 23 high of 0.8038).



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