

HD Dollar Run Stalls as Rates, Risk and Data Moderate**WC** 2,137 words**PD** 5 August 2014**SN** Middle East North Africa Financial Network (MENAFN)**SC** MENAFI**LA** English**CY** Copyright 2014. Middle East North Africa Financial Network Inc.**LP**

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Talking Points:

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* Dollar Run Stalls as Rates, Risk and Data Moderate

* British Pound Advances for Only Second Time in 14 Days

* Australian Dollar: Data Flow Increases with RBA Decision

Dollar Run Stalls as Rates, Risk and Data Moderate

The Dow Jones FXCM Dollar Index (ticker = USDollar) – after its impressive run these past three weeks – kicked off this new period on a weak footing. Following the best performance in six months, the greenback slipped against most of its major counterparts – with a notable exception for EURUSD. Like most fledgling trends nowadays, this currency needs more **firm** fundamental ground to drive it forward with broader market conditions favoring congestion over trend. Little of that was in evidence Monday. The rate expectations that soared last week after the GDP and FOMC decision combination find the two-year Treasury yield (a sensitive asset and time frame to rate forecasting) 20 percent off Thursday's high. Not even Richmond Fed President Jeffrey Lacker's remarks that the market may be underestimating the timing and pace of the Fed's return to hikes seems to have inspired rate watchers – and unlike Fisher and Plosser who spoke a hawkish game last week wee, he is a voter in 2015. A moderate in 'fear' that built up through volatility measures last week was another off-putting development for the safe haven currency. [The FX-based volatility measure has fallen back below 5 percent](#). Ahead, the docket will try its hand at stirring one of these key trends or perhaps just short-term volatility. Service sector activity readings and an economic sentiment survey are top billing.

British Pound Advances for Only Second Time in 14 Days

GBPUSD has advanced for only the second time in 14 trading days. Though the dollar has contributed to this impressive move, the sterling carries its own responsibility as it has dropped against most majors over that same period. The source of this bearish performance is not difficult to identify. Just as interest rate expectations drove the pound higher for a full year, a moderation of buoyant expectations are in turn pulling the market back. We can see this in Gilt yields and swaps which have slipped support on six weeks of congestion. Less-than-perfect data helped this along. Last week, consumer sentiment, housing inflation and manufacturing activity readings curbed growth expectations. Ahead, we have the service sector PMI for and a proprietary retail inflation indicator from BRC both for July.

Australian Dollar: Data Flow Increases with RBA Decision

The Australian dollar takes the prize for top fundamental driver this week. Off to an aggressive start, we have already seen July inflation statistics from TD cool (2.6 percent from 3.0), June retail sales beat (0.6 percent versus 0.3 expected) and this morning's service sector activity gauge rise (49.2 from 47.6). This is a robust mix of data for the economy – tempered inflation and improved growth. However, Aussie dollar traders want more. They want rate hikes. We won't see that at today's RBA decision, but we may see a commentary to suggest a time frame.

Euro Performance Doesn't Match Yields after Portuguese Bank Bailout

Crisis averted...at least some markets seem to think so. Over the weekend, Portugal's Banco Espírito Santo was rescued. A €4.9 **billion** bailout would still saddle shareholders and junior creditors with losses rather than force a bail-in scenario where depositors and senior debt holders were spared (only possible because general market conditions are steady). Portugal's 10-year **bonds** rallied on the news, but the optimism didn't spread much further. Eurozone **equity** indexes and sovereign yields were mixed, while the Euro edged down.

New Zealand Dollar Volatility Expectations on Employment Data Release Moderate

Rate expectations built the Kiwi dollar up, and their moderation is now keeping it anchored. For rate expectations, swaps maintain the market is only pricing in a 4 percent probability that the next RBNZ decision will realize the 5th consecutive hike. That compares to the 86 percent chance priced in going into the previous meeting. Since the central bank lifted rates to 3.50 percent a week-and-a-half ago, the kiwi is down against all major counterparts (0.1 percent versus the CAD to 1.7 percent against the USD). Though a pause is likely, the hawkish regime is not likely over. That said, data like the upcoming employment figures for 2Q will play an important part in stabilizing the currency. The jobless rate is expected to have dropped to a 5.8 percent, five-year low while wage growth is seen recovering to 0.5 percent growth.

Emerging Markets: Russia to Offer Economic Update, India a Rate Decision

Following Thursday's sharp drop in Emerging Markets – a victim of the broad risk aversion swoon – the segment's capital markets but in for a strong Monday performance. The MSCI Emerging Market ETF jumped 0.9 percent for the biggest advance in two weeks; while the Bloomberg's sovereign bond index was far more restrained in its own effort. Amongst the currencies, performance was more mixed. The South African Rand rose 0.2 percent and Turkish Lira advanced a modest 0.1 percent. On the opposite side of the balance, the Argentine Peso dropped another 0.3 percent to a recent record low following its default while the Mexican Peso edge 0.1 percent lower. Ahead, the focus will be on the Indian Rupee and Russian Ruble. An Indian central bank rate decision and Russian PMI figures present distinct event risk.

Gold Speculative COT Interests Slip, Futures Trading Hits 5 Year Low

A 0.4 percent drop from **gold** to open the new trading week doesn't exactly suggest the bears are in charge in a meaningful way. However, there are other aspects to its performance that suggest the bulls are pulling back their support. From price alone, the metal closed in the red 8 of the past 10 active trading session. On the positioning side, last week's Commitment of Traders report from the CFTC showed futures speculators eased back 4.8 percent from July's 18-month high. Meanwhile, the [FXCM SSI showed long interest amongst retail traders jumped 69 percent from last week](#). More generally, open interest behind the market is fading – or perhaps shifting. As general activity – measured by the ATR – rises, open interest behind the **gold** futures market has dropped to a five-year low. Traders want volatility.**Bring the economic calendar to your charts with the [DailyFX News App](#).

ECONOMIC DATA

GMT	Currency	Release	Survey	Previous
Comments				
01:30	AUD	Trade Balance (Australian dollar) (JUN)	-2000M	-1911M
The nation has observed a decline in trade balance since March of this year				
01:35	JPY			
Japan Services PMI & Markit (JUL)		49	The Composite PMI	
has shown a rising trend since April this year, while the services PMI dipped from 49.3 in May to 49.0 in June				
01:35	JPY	Japan Composite PMI - Markit (JUL)	50	
01:45	CNY	HSBC China Services PMI (JUL)	53.1	
Both PMI figures reported last month were the highest since April 2013				
01:45	CNY	HSBC China Composite PMI (JUL)	52.4	
04:30	AUD	Reserve Bank of Australia Rate Decision	2.50%	2.50%
The central bank intends to keep the cash rate at 2.5%, unchanged since August 2013				
5:00	RUB	Russia Composite PMI & HSBC (JUL) (EM)	50.1	
How hard have sanctions hit Russia				
06:00	CHF	UBS Real Estate Bubble Index	1.22	
Switzerland has seen an uptrend in housing prices since September 2009				
07:45	EUR	Spain Composite PMI & Markit (JUL)	55.2	
The sentiment of Purchasing managers will play a huge role in driving monetary policy expectations from the ECB as the central bank tries to encourage economic growth and consumer spending through stimulus. Lower than expected figures will increase speculation of added stimulus in the Eurozone.				

07:45	EUR	Italy Composite PMI – Markit (JUL)	54.20
07:50	EUR	France Composite PMI - Markit (JUL F)	49.4 49.4
07:55	EUR	Markit/ Germany Composite PMI - Markit (JUL)	55.9 55.9
08:00	EUR	Eurozone Services PMI - Markit (JUL F)	54.4 54.4
08:00	EUR	Eurozone Composite PMI - Markit (JUL F)	54 54
08:30	GBP	Official Reserves (Changes)	\$994M

The official reserves have seen a trend of falling below and moving above 0 in alternate periods this year

08:30	GBP	UK Composite PMI - Markit (JUL)	58 58
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Both reports have seen a minor negative trend in the last three months

08:30	GBP	UK Services PMI - Markit (JUL)	58 57.7
09:00	EUR	Euro-Zone Retail Sales (MoM)	0.5% 0.0%

An expected pick up in retail sales would ease some concern in lending and jobless troubles

09:00	EUR	Euro-Zone Retail Sales (YoY)	1.4% 0.7%
13:45	USD	US Services PMI - Markit (JUL)	60.8 61

Healthy PMI data will further boost interest rate expectations after a better than expected GDP report

13:45	USD	US Composite PMI - Markit (JUL)	60.9
14:00	USD	ISM Non-Manufacturing Composite (JUL)	56.50 56.00

The composite had observed an increasing trend from February till last month when it fell by 0.3 points

14:00	USD	IBD/TIPP Economic Optimism (AUG)	47.30 45.60
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Represents the confidence that consumers have on the economy, a lower than 50 figure has been reported since December 2012

22:45	NZD	Unemployment Rate (2Q)	5.8% 6.0%
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Employment rates remain in focus for the RBNZ as more and more people are joining the work force. The central bank expected unemployment rate to be around 5% by 2015.

22:45	NZD	Employment Change (QoQ) (2Q)	0.7% 0.9%
22:45	NZD	Employment Change (YoY) (2Q)	4.0% 3.7%
22:45	NZD	Average Hourly Earnings (QoQ) (2Q)	0.6% 0.7%
23:01	GBP	BRC Shop Price Index (YoY) (AUG)	-1.6% -1.8%

There has been a broader trend of falling shop prices since May 2013.

GMT Currency Upcoming Events & Speeches

02:30	NZD	Finance Minister English to Speak in Canberra
3:00	CNY	

China's Jiangxi Province to Sell 8.58 Bln Yuan in 7. 10-Yr **Bonds**

4:30	INR	Reserve Bank of India Rate Decision (Emerging Market)
-:-	USD	U.S.-African Summit, Washington, DC

SUPPORT AND RESISTANCE LEVELS

To see updated SUPPORT AND RESISTANCE LEVELS for the Majors, visit [Technical Analysis Portal](#)

To see updated PIVOT POINT LEVELS for the Majors and Crosses, visit our [Pivot Point Table](#)

CLASSIC SUPPORT AND RESISTANCE

EMERGING MARKETS 18:00 GMT			SCANDIES CURRENCIES 18:00 GMT				
Currency			USD/MXN	USD/TRY	USD/ZAR	USD/HKD	USD/SGD
USD/SEK	USD/DKK	USD/NOK					
Resist 2			13.5800	2.3800	12.7000	7.8165	1.3650
7.5800	5.8950	6.5135					
Resist 1			13.3250	2.3000	11.8750	7.8075	1.3250
7.3285	5.8475	6.3145					
Spot			13.2247	2.1418	10.7169	7.7500	1.2479
6.8969	5.5678	6.2834					
Support 1			12.8350	2.0700	10.2500	7.7490	1.2000
6.7750	5.3350	5.7450					
Support 2			12.6000	1.7500	9.3700	7.7450	1.1800
6.0800	5.2715	5.5655					

INTRA-DAY PROBABILITY BANDS 18:00 GMT

\CCY EUR/USD GBP/USD USD/JPY USD/CHF USD/CAD AUD/USD NZD/USD EUR/JPY

Gold

Res 3	1.3468	1.6986	103.53	0.9144	1.0977	0.9377	0.8580	138.62
1304.30								
Res 2	1.3449	1.6960	103.35	0.9130	1.0960	0.9359	0.8562	138.38
1299.11								
Res 1	1.3429	1.6935	103.18	0.9116	1.0944	0.9342	0.8544	138.15
1293.92								
Spot	1.3391	1.6884	102.82	0.9088	1.0911	0.9306	0.8507	137.68
1283.53								
Supp 1	1.3353	1.6833	102.46	0.9060	1.0878	0.9270	0.8470	137.21
1273.14								
Supp 2	1.3333	1.6808	102.29	0.9046	1.0862	0.9253	0.8452	136.98
1267.95								
Supp 3	1.3314	1.6782	102.11	0.9032	1.0845	0.9235	0.8434	136.74
1262.76								

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CO frbri : Federal Reserve Bank of Richmond

RE porl : Portugal | austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania | eecz : European Union Countries | eurz : Europe | weurz : Western Europe

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AN Document MENAFI0020140805ea8500027