

12/03/09 - Dollar Makes Impressive Gains against JPY

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The U.S. Dollar rallied against the Yen on Wednesday amid speculation that the Japanese government would intervene in order to prevent its currency from rising any further. The intervention would be an attempt to help the Japanese export industry, which has suffered due to the high yielding JPY. The Dollar has taken advantage of this, making impressive gains throughout the afternoon on Wednesday and into the evening. The greenback has advanced as high as 87.81 against the Yen, leaving last week's record low numbers behind.

Economic News

USD ? Dollar Gains on Yen, Reports Losses against High Risk Currencies

Despite the Dollar reaching a six-week high against the Yen on Wednesday, the greenback slid among the more volatile currencies, as risk appetite appeared to be returning to investors. After Australia's retail sales climbed in recent months, and rumors spread that the Australian interest rates would soon be raised, the AUD rose to 92.93 U.S. cents against the Dollar. The kiwi also gained against the ailing USD, trading at 72.58 U.S. cents. With the USD only making slight gains against the Euro on Wednesday, traders may want to pay attention to events on Thursday to see which way the Dollar moves.

There are a number of news events today that could impact the USD in trading. Set to be released at 13:30 GMT, this week's unemployment claims could prove beneficial for the Dollar if the forecasted number of 479K is true. This would represent an increase over the figure from last week, and could cause investors to rally around the safe haven Dollar. Traders may also want to pay attention to the ISM Non-Manufacturing PMI, set to be released at 15:00 GMT. The report is a survey of several hundred purchasing managers, and is a good indicator of how businesses are performing in the U.S. If the report comes in as predicted at around 51.6, the Dollar could suffer, as this figure would mean that American businesses are performing well.

This may lead to increased risk taking among investors.

EUR ? Euro Extends Gains Ahead of ECB Meeting

The Euro was up 0.2% against the Dollar in early morning trading on Thursday, ahead of a key meeting of the European Central Bank (ECB) later in the day. Additionally, the Euro was able to make impressive gains against the Yen, trading at above the 132.50 line, up 0.7% from last night. While the ECB is expected to keep interest rates unchanged for the time being, there are rumors that some of the emergency measures taken last year to prop up the currency could be removed.

The Euro did not fair as well against the other high risk currencies, and suffered losses against the Aussie in early morning trading. The AUD hit an 8-day high against the Euro, trading above 1.6200 earlier today. The British Pound also made gains against the Euro in trading on Wednesday falling to a session low of 90.36 pence. If ECB decides to keep interest rates low, traders can expect the Euro to continue a downward trend against the other high risk currencies

JPY ? Yen Continues to Slide amid Rumors of Government Intervention

The Yen continued its downward slide against its major currency rivals on Wednesday amid rumors that the Japanese government will intervene in order to devalue the currency. A high yielding Yen has been hurting the Japanese export industry, leading to calls among officials to appeal to both the American and European governments to intervene in order to stabilize the currency. In addition, amid signs that the global economic recovery was progressing, investors turned away from the JPY as a safe haven, turning to riskier currencies instead. The Yen declined to 132.34 against the Euro, and 87.74 against the Dollar.

The Yen also faced some troubling news in early morning trading on Thursday, as Bank of America reported that it will pay back the \$45 billion it received in a U.S. tax payer bailout earlier this year. Investor confidence increased as a result, further damaging the safe haven Yen.

Crude Oil ? Crude Falls below \$77 Following U.S. Inventory Report

Following the release of a U.S. government report detailing the supply and consumption levels of Oil in America, Crude prices dropped below the \$77 mark in trading on Wednesday. The report showed that gasoline supplies rose 4 million

barrels, while consumption levels dropped 3.2% from a year ago in the world's largest energy consumer.

Oil also fell due to new data that came out of Russia, showing the country's output at record highs for the second month in a row. According to the Energy Ministry, Russia's output remained at 10.07 million barrels a day in November, up 2.9% from last year.

Analysts are predicting that Oil prices will stay between \$75 and \$82 for some time. Traders may want to watch out for any changes in output numbers due to volatility in the Middle East. If output drops for any reason, prices could go up and break the \$82 barrier.

Technical News

ERU/USD

A fresh bearish cross is evident on the hourly Slow Stochastic chart and an impending bearish cross is seen on the 2 hour and daily Slow Stochastic, while the hourly and 4 hour RSI floating near the overbought territory, indicating that an impending downward correction maybe taking place.

GBP/USD

The hourly Slow Stochastic shows a fresh bearish cross while the 4 hour RSI is floating in the overbought territory indicating that a downward correction might take place in the near future. Going short for the day might be advised.

USD/JPY

Yesterday's bullish run may be coming to an end today as the pair seems to be floating in the over bought territory as evident on the hourly and 2 hour RSI, while the daily, 2 hour and 4 hour Slow Stochastic exhibit a bearish cross. Going short for today may be a good choice.

USD/CHF

The typical range trading on the hourly chart continues. The daily chart RSI is floating in neutral territory. However, a bullish cross is forming on the 2-hour Slow

Stochastic while the 4 hour RSI is floating near the over sold territory indicating a bullish correction might take place in the nearest future. Going long might be a wise choice for today.

The Wild Card

USD/SEK

The recent bearish run for the pair may be seeing a correction today as the hourly, 2 hour and 4 hour RSI are floating in the oversold territory with the hourly Slow Stochastic is showing a fresh bullish cross. Forex traders may be advised to go long for the day.

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