

01/27/10 - Federal Funds Rate Leading Event in Today's Market

Federal Funds Rate Leading Event in Today's Market

The most important event of the trading day is likely going to be the Federal Open Market Committee's (FOMC) Federal Funds Rate statement at 19:15 GMT. With Fed Chairman Ben Bernanke's recent re-confirmation there is an opportunity for him to return some market optimism with a renewed mission statement with this rate statement. Hawkish statements may give a boost to the USD in the minutes after the release, and traders should pay especially close attention to any indication for a time-table regarding future rate hikes.

Economic News

USD ? Bernanke Confirmation May Produce Hawkish Statements

Following yesterday's surge in USD strength, the EUR/USD cross now appears to be consolidating in expectation of a volatile movement. After rising over 100 pips, the USD now floats near 1.4070 against the 16-nation European currency. The greenback experienced similar results against the British Pound and currently trades at the 1.6120 price level.

The American economy is expected to publish a number of significant reports today. With impacting housing data due at 15:00 GMT, there is a possibility of a build-up towards USD strength if the New Home Sales report can provide positive news for the US economy.

On the other hand, the most important event of the trading day is likely going to be the Federal Open Market Committee's (FOMC) Federal Funds Rate statement at 19:15 GMT. With Fed Chairman Ben Bernanke's recent re-confirmation there is an opportunity for Chairman Bernanke to return some market optimism with a renewed mission statement with this rate statement. Hawkish statements may give a boost to the USD in the minutes after the release.

EUR ? EUR Down Despite Rising German Business Climate

The Euro-Zone economy may take a back seat in today's trading with the flurry of economic news releases coming from Britain, the United States, and New Zealand. The EUR has traded down against most of its counterparts following the USD's surge in yesterday's trading. The EUR/USD pair currently sits near the 1.4070 price

level and a consolidation has begun to shape which could return strength to the 16-nation currency if today's releases return a level of risk appetite.

Yesterday's release of the German Ifo Business Climate report, which showed better than expected results, surprisingly lowered the value of the EUR as true market sentiment may still be lagging. Britain's declining GDP figures may have countered a measure of market optimism, but today's CBI Realized Sales report could bring risk appetite back if results meet or exceed expectations.

Most investors will be paying close attention to the reports coming out of the United States surrounding the US housing market and short-term interest rates. The Federal Open Market Committee's (FOMC) rate statement at 19:15 GMT will likely bring with it the most volatility to today's market. If Fed Chairman Ben Bernanke can put forth more realistic expectations about future rate hikes, we may see the USD surge in short-term trading, pushing the EUR into a strongly bearish direction.

JPY ? BOJ Monthly Rate Report on Tap Today

Despite the US Dollar's recent gains, the Japanese Yen has in fact outpaced the greenback in gaining momentum against its currency counterparts. Against the USD, the JPY has climbed towards the 89.00 price level from near 92 over the past day, marking a significant rise despite the Dollar's extended bullishness.

Today's major event from the United States is not directly related to the Yen, but the Bank of Japan (BOJ) is due to release its monthly report regarding the statistical data surrounding its interest rate decisions. This report has the ability to impact the Yen by giving more accurate information about the decisions made at the highest levels in the BOJ. However, it should be noted that today's market movement is indeed going to revolve around US Fed Chairman Ben Bernanke's rate policy statement at 19:15 GMT and traders would be unwise not to pay attention to his statements.

Crude Oil ? Spot Crude Oil Breakout Anticipated by Investors

A steadily declining price of oil has many investors worried that a breakout is almost overdue. The price declined from roughly \$84 a barrel down 11% to just under \$75 a barrel over the past few weeks, but has recently leveled off into a consolidation trend on the technical charts, indicating a volatile price movement in the near future.

Some speculators would say that today's rate statement from the US Federal Reserve regarding interest rates is creating a high level of pressure in the Forex and commodities markets and the price of spot crude oil could potentially jump in price if the US Dollar takes a hit from today's news. If the EUR/USD is able to rebound, the anticipated breakout of Crude Oil may very well take place today with a price target back towards \$80 a barrel being reached in the next few days.

Technical News

EUR/USD

The EUR/USD cross has been experiencing much bearish behavior in the past 2 weeks. However, there is much technical data that supports a bullish move for today. The RSI of the daily and 4-hour charts indicates that the pair floats in the oversold territory, leading to the conclusion that an upward correction is imminent. Going long with tight stops may turn out to pay off today.

GBP/USD

The cross has been dropping for the past week now, as it now stands at the 1.6125 level. The Slow Stochastic of the daily chart shows a bullish cross, indicating that an upward correction is imminent. This view is also supported by the RSI of the 4-hourly chart. Going long might be a wise choice.

USD/JPY

There is a fresh bullish cross forming on the daily chart's Slow Stochastic indicating a bullish correction might take place in the nearest future. The upward direction on the 4-hour chart's Momentum oscillator also supports this notion. When the upward breach occurs, going long with tight stops appears to be preferable strategy.

USD/CHF

The bullish trend is losing its steam and the pair seems to consolidate around the 1.0470 level. The daily chart's RSI is already floating in an overbought territory suggesting that a recent upwards trend is losing steam and a bearish correction is impending. Going short with tight stops might be a wise choice.

The Wild Card

Silver

Silver prices are once again dropping, and it is currently traded around \$16.90 an ounce. And now, the daily chart's Slow Stochastic is giving bullish signals, indicating that silver prices might go up. This might give forex traders a great opportunity to enter a very popular trend.

Article Source: [Federal Funds Rate Leading Event in Today's Market](#)

Source: [ForexYard](#)