

## Activity Low as Forex Traders Await U.S. Employment Report

Tuesday, 30 June 2009

Forex trading was extremely light on Monday as traders seem to already be waiting for the U.S. Non-Farm Payroll Report on July 2nd or have taken an early holiday ahead of the U.S. market holiday on July 3rd.

In addition to the U.S. economic report on July 2nd, the European Central Bank also has a meeting scheduled. Traders are not sure what the ECB will do on the 2nd. It has room to cut rates but many traders feel that it will leave rates unchanged. Traders also expect the ECB members to remain a little dovish on the economy because of low inflation. Do not expect any surprises by the ECB because like other central banks, it does not want to interfere with the global economic bottoming process.

If it does comment on anything, it may be about concerns that a rapid rise in the Euro will hurt export demand. This "verbal intervention" may be enough to keep downside pressure on the EUR USD.

At this time, the line in the sand seems to have been drawn at 1.41. Watch this area to see if traders try to trigger a short-covering rally while trading activity remains light.

Despite higher crude oil, the USD CAD was able to post a modest gain. The Main Trend is up. At this time the trend is not being threatened.

Clearing the minor retracement zone at 1.1298 to 1.1419 has this market in a position to rally to a major retracement zone at 1.1922 to 1.2191.

If this market does start to form a short-term top then look for a short-term correction to 1.2289 to 1.1207 before new buyers step up.

Like the Euro, traders are concerned that the rapid rise in the Canadian Dollar may hurt Canadian exports. Traders fear the Bank of Canada may take action to limit the upside of the Canadian Dollar if prices get too lofty.

British Pound traders did not have much to go on today. Trading was thin and volume extremely light. Traders have either taken an early holiday or are waiting for the U.S. Unemployment report on July 2nd.

With July 3rd a U.S. holiday, my feeling is that trading conditions will worsen as the week moves on. It is hard to believe that traders will take the early part of the week off and expect to pick it up on Non-Farm Payroll Day with a market holiday one day later.

Two main tops at 1.6621 to 1.6663 are holding the market back at this time. These two tops were made earlier in the month. Traders seem reluctant to buy strength as a major Fibonacci retracement price at 1.6944 can repel any attempt to break out.

The last key swing is 1.5801 to 1.6621. This range has formed a retracement zone at 1.6211 to 1.611. This area is providing the support at this time.

If this pair is topping, then this area will have to fail first in order to force the weaker longs out of the market.

The key to trading these thin conditions is not to chase the markets. Traders can easily get caught in breakout traps. Be patient and pick your spots preferably in value areas.

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