

[The Dollar Index \(DXY\)](#) - Economic data released on Friday 12th Aug underperformed, against the market expectations. The Retail Sales figure showed no growth in July, compared to a revised, robust, 0.8% gain in June. The Core Retail Sales reading plunged to -0.3% in July from, a strong, revised 0.9% in June. Consumer spending has driven the tepid economy in the first half year, as a result of increased jobs, growing wages and low energy prices. The slide of retail sales figures in July was caused by a decrease in consumer spending on clothing, electronics, restaurants and bars. The consumer spending on food and drinks has seen the biggest drop since May 2011. Whereas, the demand for automobiles, furniture, and online sales have increased in July. Retail goods now only accounts for one-third of consumer spending, while two-thirds are on services. The PPI figure fell to -0.4% in July, compared to 0.5% in June, resulting from cost-reduction in service sector and energy products. It has seen the first decline since March 2016 and the biggest decline since September 2015. It implies the inflation rate will likely be tempered, and the Fed's 2% inflation target will be more difficult to be achieved. After the data was released, the dollar index dived from 95.815 to a one-week low of 95.18, a 0.663% fall. On the 4 hourly chart, the downside of the uptrend line was broken on Friday, followed by a sharp rebound, after testing the support level at 95.20. It is currently trading above the support level at 95.60. The next support line is at 95.565 followed by 95.53 and 95.48. The resistance level is at 95.70 followed by 95.78 and 95.90. The lower-than-expected figures, showed the decline of

consumer spending and weak inflation growth, has lifted the market concerns on the performance of the US GDP in the third quarter, and has lowered the market expectations on a Fed rate hike by the end of the year. AUDUSD After Friday's data, AUDUSD rose to 0.7724 from 0.7671, a 0.691% rise. However, due to the sharp rebound of the dollar, the Aussie subsequently dropped to 0.7636, testing the downside uptrend support line at 0.7630, and held. July data out of China, showed that the economic slowdown has deepened. Foreign investment continues to fall and domestic demand and consumer spending in the summer has shown weakness. As a result, the Aussie's bullish momentum may be restrained. USDJPY After the data was released on Friday, USDJPY fell to 100.823 from 102.267, a 1.4% fall, testing the significant support line at 101.00 and held. The QoQ and YoY Q2 Japan GDP figures released at 00:50 GMT+1 on Monday, were below market expectations. The QoQ Q2 GDP showed no growth, compared to 0.5% growth in the previous quarter. The YoY Q2 GDP rose by only 0.2%, from 2% in Q1. After the disappointing data was released, the strong support line at 101.00 was tested again and held. Keep an eye on the trend of the dollar index, as it will influence the trend of USDJPY.

Today's important market news

Time: GMT

- 14:00 NAHB Housing Market Index
- 20:30 RBNZ Governor Wheeler Speech

Source: Fxpro Forex Broker (Review and Forex Rebates Up to 85%)