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Market Update

15th May 2009

USD/JPY Turns Negative

Between Jan-Apr of this year the USD/JPY chart saw a good recovery. However, resistance was found at a clear technical level and bulls started to look tired. Fresh weakness here has now provided a signal that favours the bears, at least in the shorter term.

The FX Trader's view



WEEKLY CHART:

This year's recovery from near the base of a medium term bear channel came to a halt close to the 101.66 61.8% retracement.

We had expected this would be a tough resistance to breach.

Note that the channel top now coincides with this retracement, making this a key technical level.

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DAILY CHART:

In the **Commodity Trading Guide** we had identified the 100.00 area as key resistance, and a recent bounce off 38.2% support failed just ahead of this.

We were ready to turn s/term bearish on a break of the 95.59 28-Apr low and the bear channel base projection – this has now happened.

Support from around 94.12-28, a Fibo projection and 50% retracement, would not surprise, but the power should be there to push lower in due course. The 90.50 76.4% area may well be targeted later on.

Any sellers on rallies towards the rising return line (say ahead of 97.00), will likely have initial stops above 99.72 07-May high,

but looking to tighten soon to improve risk/reward. The bear case goes awry if price recovers above that 99.72 high.

Note: In last week's Update we highlighted key support in USD/CAD centering on 1.1530. After a brief erosion of this, it seems to be working nicely s/term.

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