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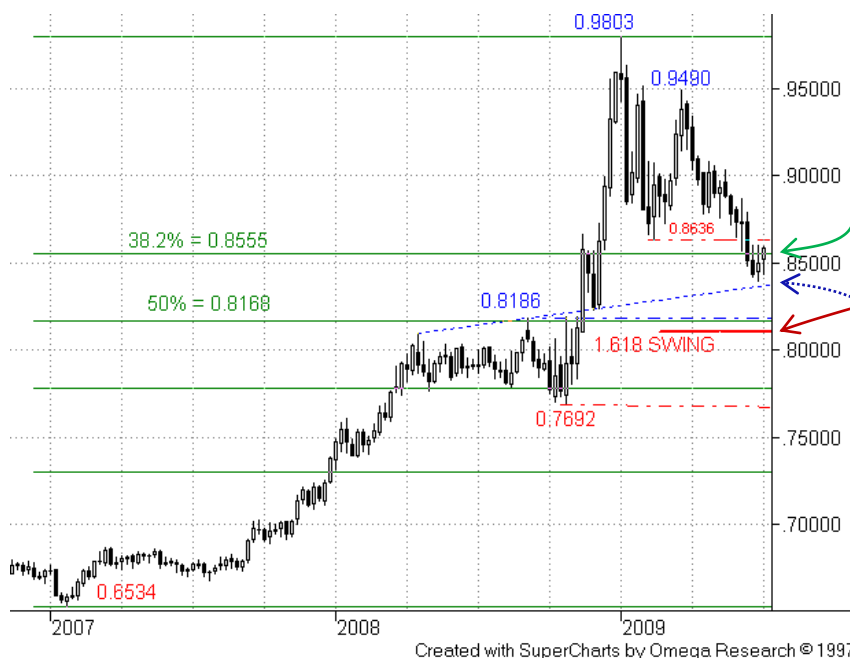
## Market Update

02<sup>nd</sup> July 2009

### Temporary Bounce in EUR/GBP Now Possible

A few weeks ago a long term 38.2% support in EUR/GBP was violated, adding weight to the medium term bearish argument that we have been favouring. However, without this view being threatened, there is a decent chance for a shorter term bounce, subject to a certain resistance yielding.

#### The FX Trader's view



#### WEEKLY CHART:

Breaks of both the 0.8636 Feb low and 0.8555 38.2% level have helped the bears' cause.

Next main support here starts at the **0.8186** Sep-08 high, through **0.8168** 50% level and down to a 1.618 swing projection (off prior 0.8636-0.9490 upleg) around **0.8108**.

*But, note how temporary support has emerged from the old rising resistance/return line.*

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#### DAILY CHART:

As well as the nearby rising return line there was also a Fibo projection just above 0.8400, which may have helped to give bears pause.

In the FX Trading Guide we have said that a close above the 0.8636/55 area (10-Feb low and 23.6%) would be s/term bullish (this has provided effective s/term resistance earlier today).

We would at least target the 0.8815 38.2% level and, at this stage, would probably not look beyond the higher 0.8945 50%.

An assessment of the relative strengths of EUR and GBP should

take into account the Almost-Key Reversal Day seen in Cable on 30-Jun, which we view as a fresh bear sign, a possible blow-off move prior to a more concerted bear attempt...In EUR/GBP the bears would win out on a break below the 0.8397 22-Jun low. **High risk, pre-emptive buys on dips could favour the 0.8535-15 area, stops just below 0.8397, targeting 0.8800 for partial profits, stops then rising to cost. We are reluctant to trades breaks as these provide the least favourable entry level, so after a close above 0.8636/55, buyers may favour waiting for a suitable dip, to be later discussed in upcoming FX Trading Guides.**

**Note for FX Trading Guide Subscribers:** As suggested in this week's Guide we maintained a bear view in GBP/USD in the absence of a close above the 1.6661 03-Jun high. This was, as mentioned above, supported by a near key reversal day on 30-Jun. Any sellers on rallies may favour the low end of a 50%-61.8% rebound from whatever low at the time (currently 1.6535-85), generous initial stops just above 1.6744 30-Jun high, or less generously above the 76.4% level (1.6645/50 currently). Target towards 1.6000 for partial profits. In EUR/USD we had tweaked our short stops to just above a 76.4% level, to 1.4205. A subsequent bounce came within a whisker of this but, hopefully, short positions remain intact.

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