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Market Update

16th July 2009

US Dollar/Yen Downside Risk

Last week important supports in USD/JPY were violated, swinging the directional bias in favour of shorter term bears. Now that the dust has settled we take a look at the current technical position of this market.

The FX Trader's view



WEEKLY CHART:

This chart previously found strong resistance from the 61.8% recovery level.

Latest weakness, reinforced by the support line break, at least postpones any attempt higher –we currently don't know whether this is a temporary pullback phase or if the 87.11 lows are at serious risk.

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DAILY CHART:

We must respect the bears after last week's break below key 94.00/93.82 support.

But we are reluctant to give a name to the apparent top formation as its importance is uncertain.

In Tue's **FX Trading Guide** we noted s/term support could be seen from the bear channel base projection so this week's rebound is no surprise.

It enabled us to establish theoretical shorts in a suggested 93.80/94.00 area, initial stops at 95.25 and targeting 92.00 for partial profits.

First resistance is now offered by the 94.86 23-Jun low and ideally

this will hold. A stronger recovery through 96.99 01-Jul high would negate the bear view.

Meanwhile, channel base support notwithstanding, the bears have a sporting chance of seeing a move lower to the 90.50 76.4% area. There are also two Fibo projections quite near to this, although we reserve judgment as to how effective these are in USD/JPY.

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