Week 40

07th October – 13th October 2009

Summary

MAJORS
+ Euro Dollar
+ Dollar Yen
+ Dollar Swiss
+ Sterling Dollar
+ US Dollar Index

CROSSES
+ Euro Yen
+ Euro Sterling
+ Euro Swiss
+ Sterling Yen

MINORS
+ US Dollar CAD Dollar
+ AUS Dollar US Dollar
+ NZ Dollar US Dollar
+ US Dollar SA Rand
+ US Dollar SING Dollar

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the FX Specialist guide

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Mark Sturdy

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Summary

Summary

MAJORS		
+ Euro Dollar	Stay BULLISH	chart structure does not indicate bull fatigue yet
+ Dollar Yen	Stay SQUARE	but s/term bears stay present
+ Dollar Swiss	Stay BEARISH	long term 76.4% retracement/support now tested – awaiting reaction
+ Sterling Dollar	Stay BEARISH	any s/term bounce not expected to be deep
+ US Dollar Index	Stay BEARISH	possible third/final downleg in process – Fibo projection now reached

CROSSES		
+ Euro Yen	Stay SQUARE	key 130.00/129.75 support eroded, but bears need close below
+ Euro Sterling	Stay BULLISH	bull signals have continued to strengthen
+ Euro Swiss	Stay BULLISH	still trying to break from consolidation mode
+ Sterling Yen	Stay BEARISH	key 146.74/146.12 support decisively broken

MINORS		
+ US Dollar CAD Dollar	Stay BEARISH	awaiting reaction now that long term 61.8% support reached
+ AUS Dollar US Dollar	Stay BULLISH	continued bull resolve questioned, with possible final upleg in process
+ NZ Dollar US Dollar	Stay BULLISH	possible third/final upleg unfolding – will key 76.4% area be reached?
+ US Dollar SA Rand	Stay SQUARE	price action currently holding above long term 76.4% level
+ US Dollar SING Dollar	Stay BEARISH	s/term downside has been restricted by channel base and Fibo projection support

Disclaimer

MAJORS

In **EUR/USD** the bulls remain in control – it is not until 1.4240 that crucial support is seen. **USD/CHF** has put important 76.4% support under pressure – reaction is awaited still. Downside in **USD/JPY** is uncertain, but we must respect the s/term bears for now. The **GBP/USD** daily chart continues to favour bears. In the **US Dollar Index** it remains unclear how much further the presumed third/final downleg can go.

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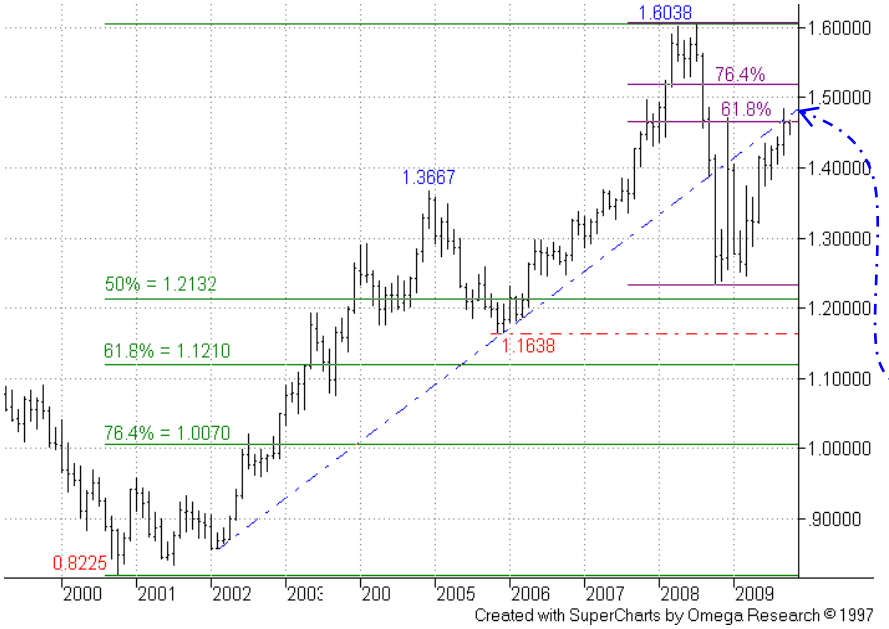
Euro Dollar



Euro Dollar – Monthly Chart:

The extent of last year's fall implied that a medium term bear move was underway, with long term bull momentum on the wane.

<u>Current strength is still viewed as corrective only</u>.

The old rising support/return line appears to be having some residual influence as resistance here.

More

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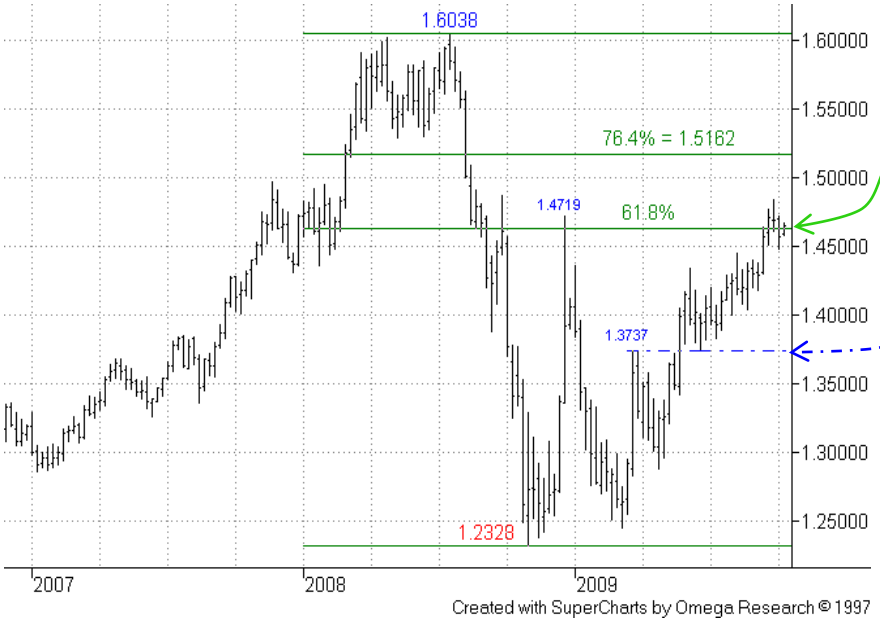
Euro Dollar



Euro Dollar – Weekly Chart:

Price action has once more returned to, and breached the 61.8% area – but it is unclear if the higher 76.4% level can be seen.

Bears have so far been thwarted by good support that emerged from the 1.3737 Mar high, with subsequent action a possible final leg.

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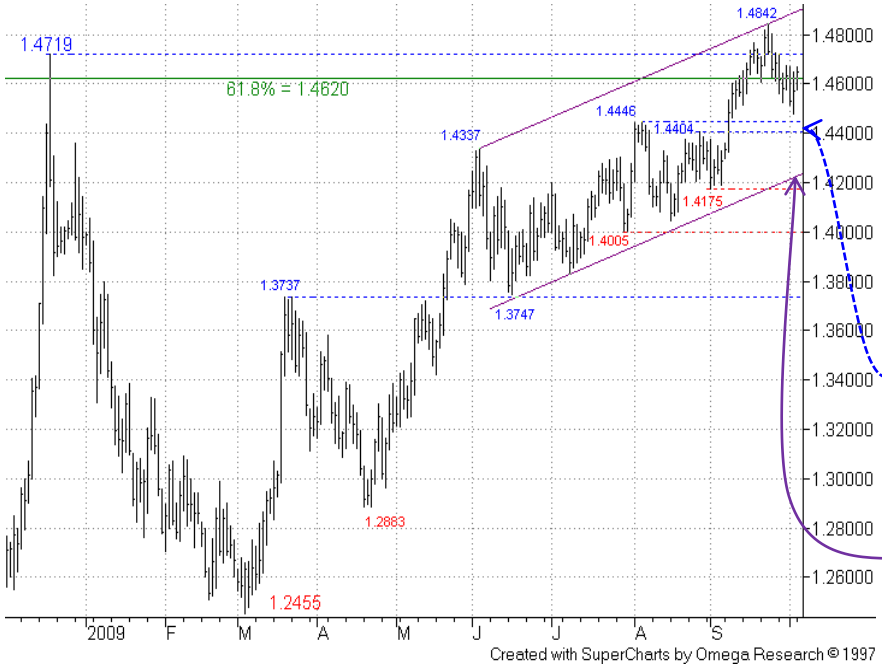
Euro Dollar



Euro Dollar – Daily Chart:

The current chart structure provides little evidence of bull fatigue, but the overall choppy nature of the recovery from 1.3747 Jun low does suggest a final upleg unfolding.

We are now looking at first interesting support from prior 1.4446/04 highs (shorter term bulls need this to hold, ideally), although the first key support from a medium term perspective is lower, around 1.4240, a projected bull channel base.

<u>We maintain a bull stance for now.</u>

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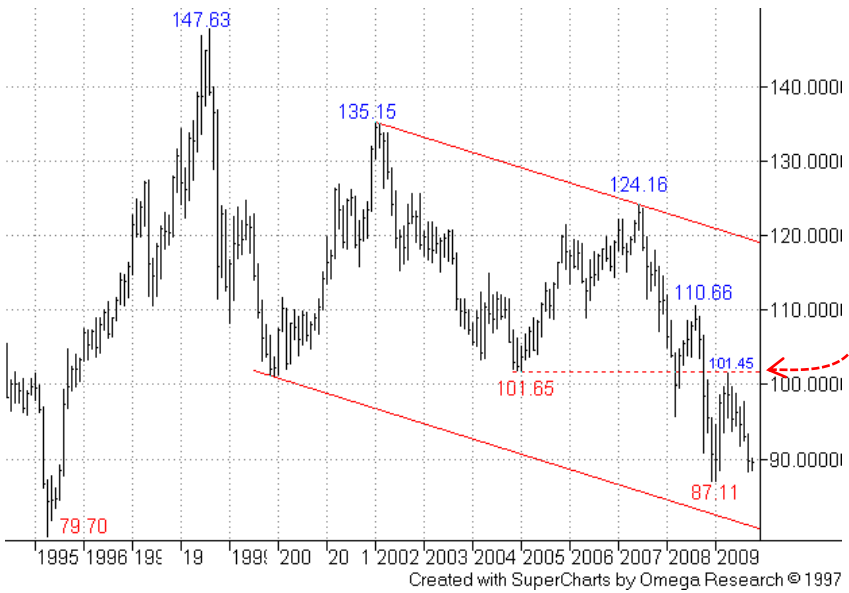
Dollar Yen

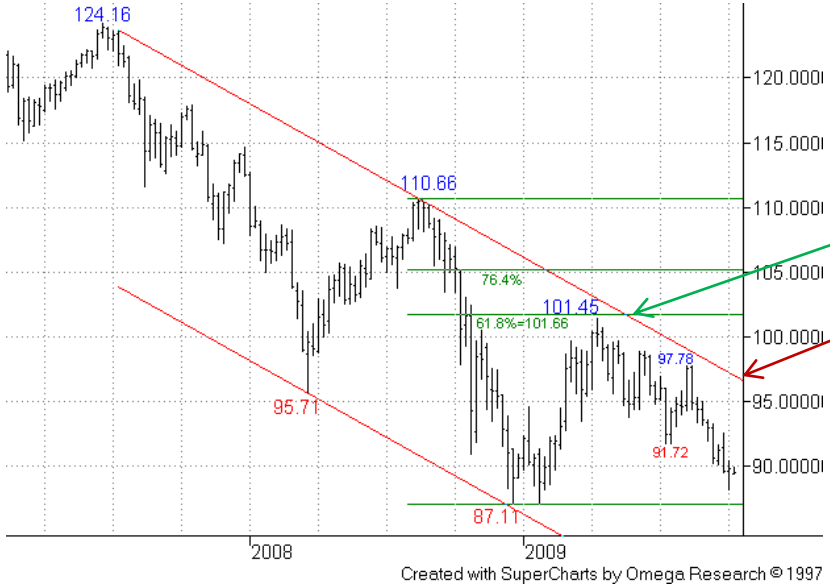


Dollar Yen – Monthly Chart:

Rebounds are currently assumed to be temporary.

Note how resistance emerged from around the old 101.65 Jan-05 low earlier this year

<u>Long term bear risk remains.</u>



Dollar Yen – Weekly Chart:

The recovery off support from the projected bear channel base came to a halt close to the 101.66 61.8% retracement.

Currently a recovery above the main falling resistance line, and then 97.78 Aug high, is needed to clear the way for bulls.

Meanwhile the 87.11 low is under scrutiny.

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Dollar Yen

Dollar Yen – Daily Chart:

The Dec/Jan 87.11 lows remain exposed at present, with s/term support having emerged from near 88.00 (1.618 swing off prior 91.72/97.78 upswing). The picture must be seen as s/term bearish, but we don't wish to get too negative at this stage.

Meanwhile, recovery back above the 91.72 13-Jul low and then 92.53 21-Sep high is required before shorter term bear risk is shaken off.

<u>We stay on the sidelines for now.</u>

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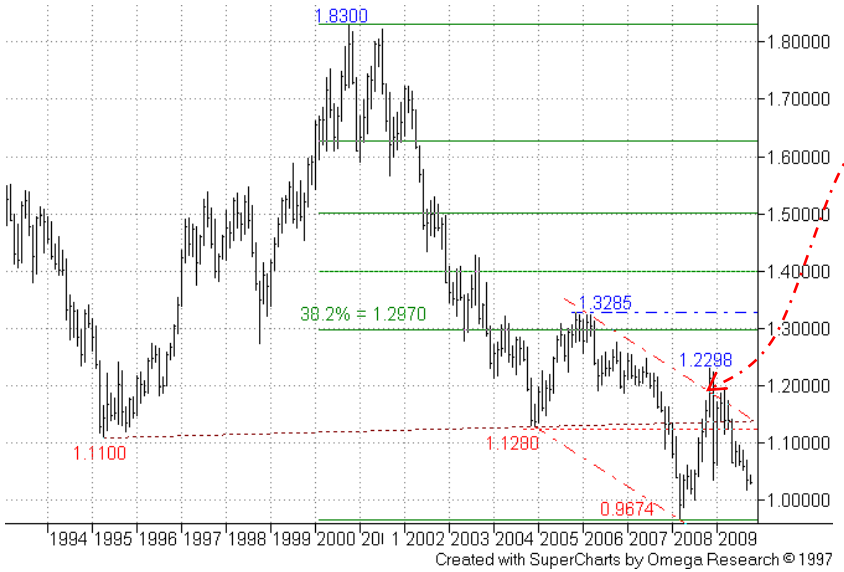
Dollar Swiss



Dollar Swiss – Monthly Chart:

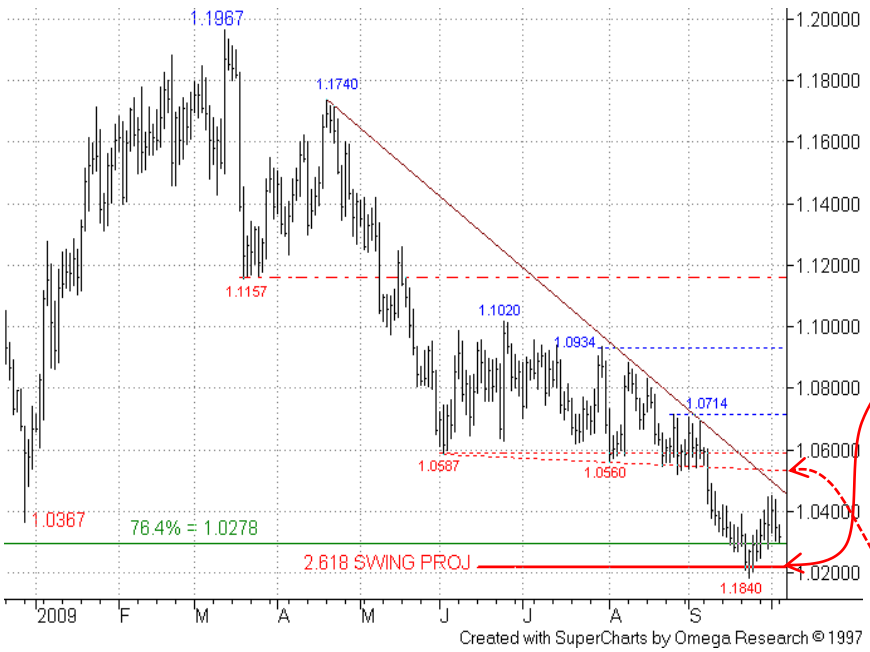
The recovery off 0.9674 Mar-08 low breached the bear channel top projection, hinting that (despite the subsequent deep pullback) long term bears were beginning to lose momentum.

Dollar Swiss – Weekly Chart:

The 1.0278 76.4% retracement has now been tested/eroded - we were initially uncertain if this could be seen.

We are currently on the lookout for support from around here.

Dollar Swiss



Dollar Swiss – Daily Chart:

The main 76.4% retracement level has been tested/eroded – and we remain uncertain about bears' continuing resolve *(a final downleg, from 1.1020 24-Jun high, in process?).*

Note the Fibo projection at **1.0214** (2.618 swing off prior 1.1157/1.1740 Mar/Apr rally) has been reached too.

Initial resistance is offered by the falling resistance line at 1.0450 currently, ahead of the former support line at 1.0530. A close above these would provide an initial bull sign, with a close above the 1.0714 26-Aug high providing confirmation.

<u>We maintain a s/term bear stance for now though.</u>

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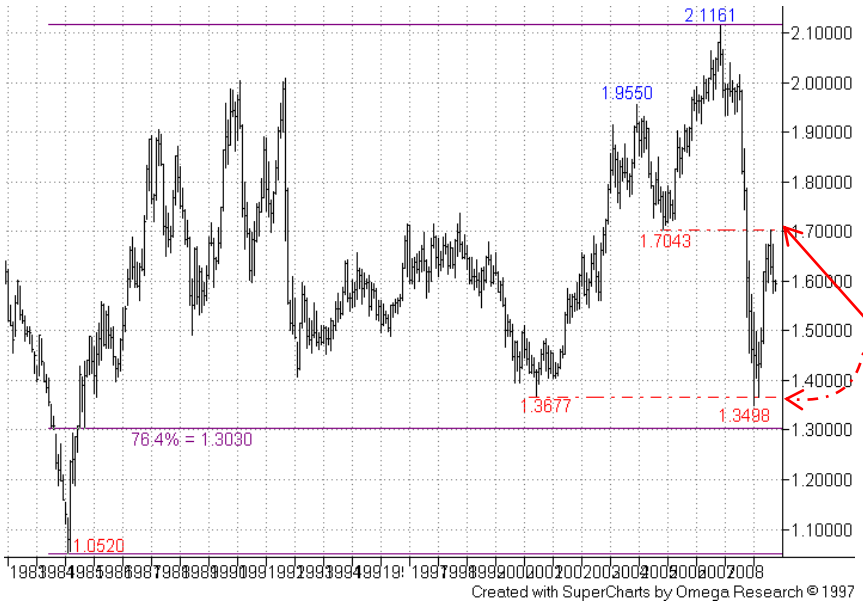
Sterling Dollar

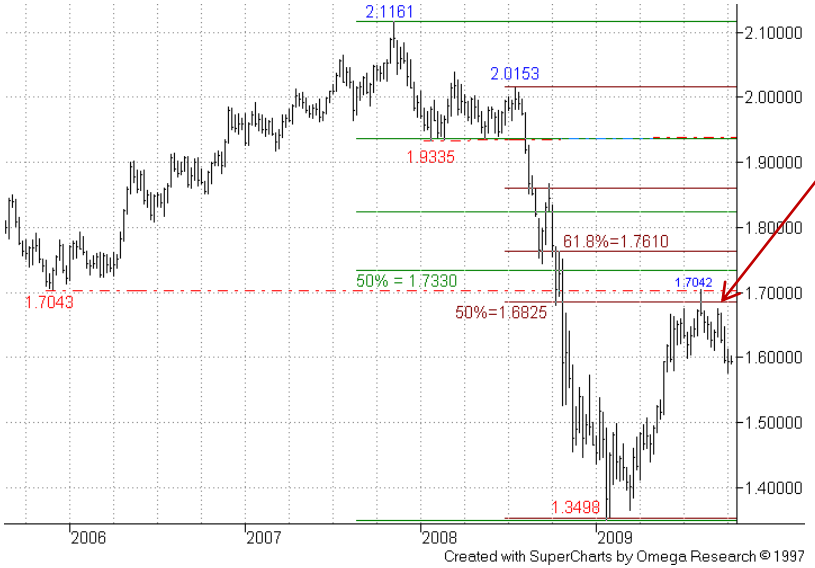


Sterling Dollar – Monthly Chart:

The powerful bear move saw a brief break of the 1.3677 Jun-01 low, but a quick reversal was prompted.

This reinforces the importance of this area of support.

The 1.7043 Dec-05 low now offers resistance.



Sterling Dollar – Weekly Chart:

The 50% level of the downmove from 2.0153 Jul-08 breakdown point was briefly exceeded, with the 1.7043 Dec-05 low providing the next barrier – *this has proved effective resistance so far.*

Bulls look to have run out of steam.

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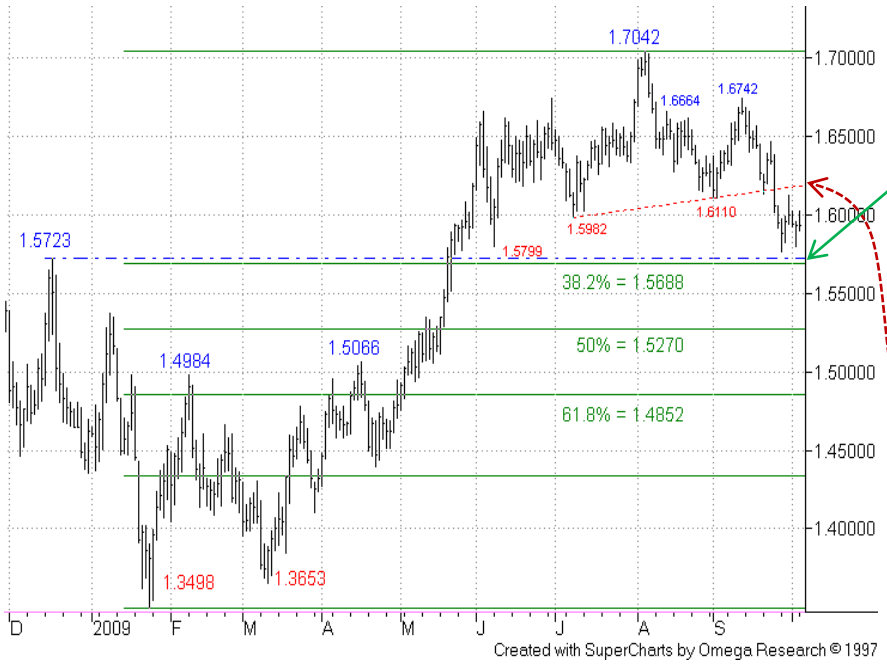

Sterling Dollar - Daily Chart:

Our initial downside target of 1.5723/1.5688 (Dec-08 high and 38.2%) was neared recently and s/term support at/above here is not a surprise. The next target would be the 1.5270 50% area.

First interesting resistance remains just ahead of the 1.6200 area, a s/term old support/return line – at this stage we don't look for a deep rebound.

Sellers on rallies may consider towards 1.6200, but initial stops would probably have to be above 1.6500 area (too wide?).

<u>We maintain a bear stance now.</u>

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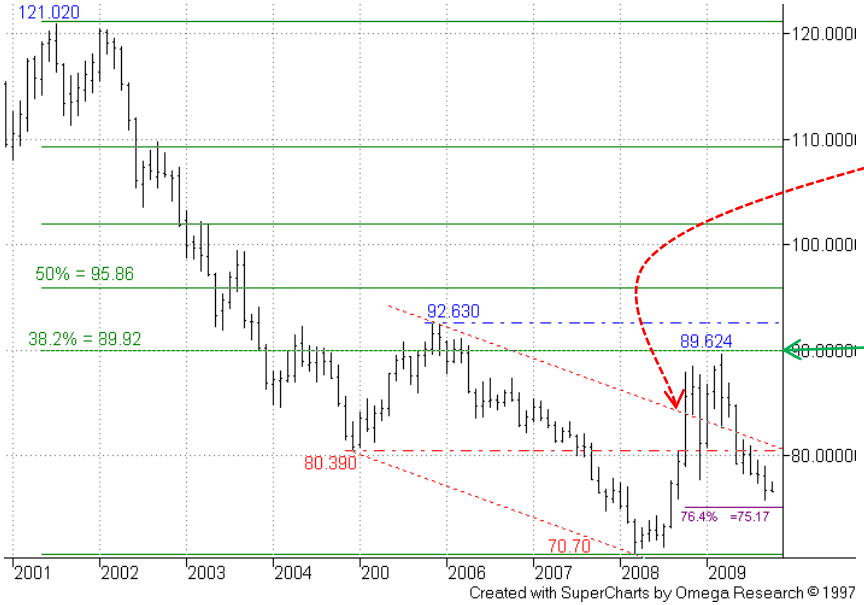
US Dollar Index



US Dollar Index – Monthly Chart:

The breach of the bear channel top projection in 2008 suggested bear momentum was on the wane, subsequent pullbacks more likely to be the precursor to a further bull leg.

The 38.2% retracement area, around 90.00 was neared earlier in 2009 – resistance here was not a surprise.

US Dollar Index – Weekly Chart:

The current pullback has been deeper than expected.

The area of 77.93/77.688, 61.8% pullback and Dec-08 low, offered a degree of support, but has now been violated, exposing lower 76.4% – also see Daily chart.

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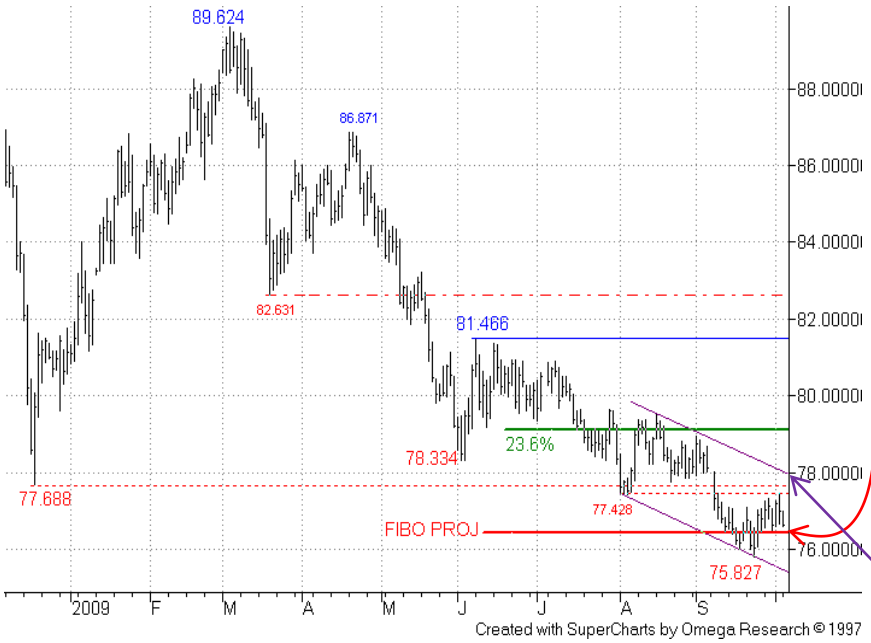

US Dollar Index – Daily Chart:

S/term consolidation has followed recent erosion of our Fibo projection at **76.40** (which is ahead of the 75.17 76.4% level on the Weekly chart.

We still await a better reaction around here - *as previously stated, it is possible we are seeing a third/final downleg (from 81.466 08-Jun high) in the move that commenced from the 89.624 Mar high.*

At this stage a close outside the small bear channel top projection (78.00 just now) would provide an initial, though not conclusive, bull sign.

<u>Meanwhile we must maintain a s/term bear stance at present.</u>

CROSSES

Key support in **EURJPY** at/above 129.75 has come under pressure, but no close below as yet. Bulls in **EURGBP** show no sign of tiring, following a recent push above key channel resistance. **EURCHF** can still favour the bulls, but the prolonged consolidation phase is frustrating. A clear breakdown in **GBPJPY** has put bears in the driving seat now.

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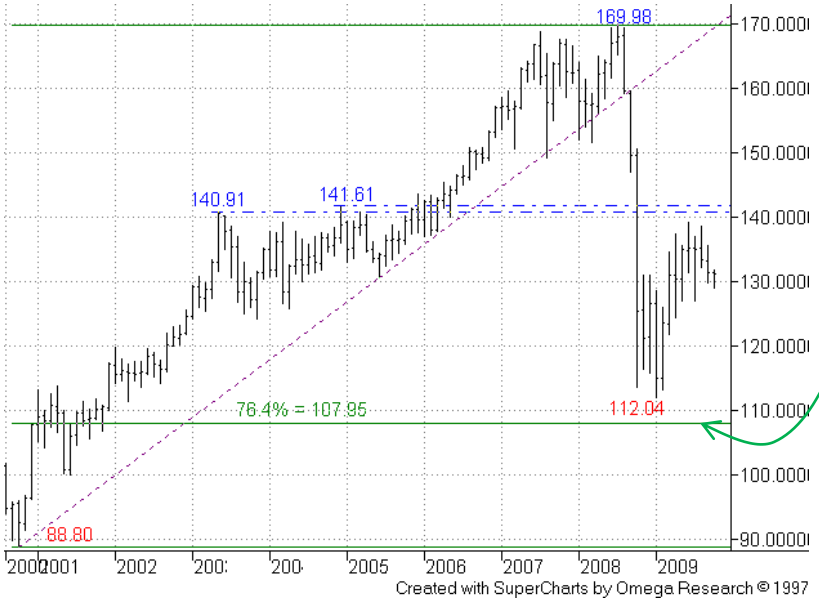
Euro Yen



Euro Yen – Monthly Chart:

After the break below the significant 141.61/140.91 highs the downmove fell short of the 76.4% 107.95 level.

Those old highs were neared recently, and lie close to a technical level on the Weekly chart.

More

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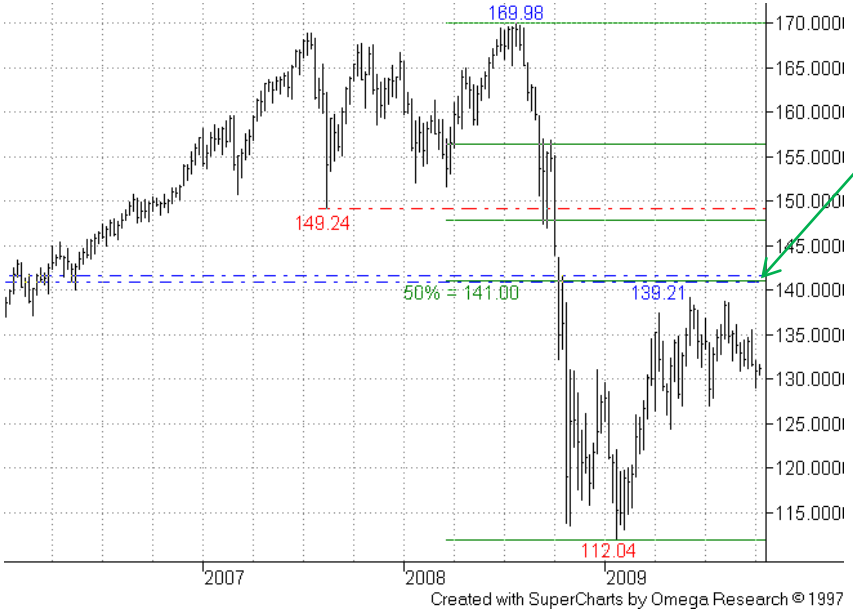
Euro Yen



Euro Yen – Weekly Chart:

This year's recovery earlier had the 141.00 50% level in its sights – it remains elusive for now and there is currently bear risk.

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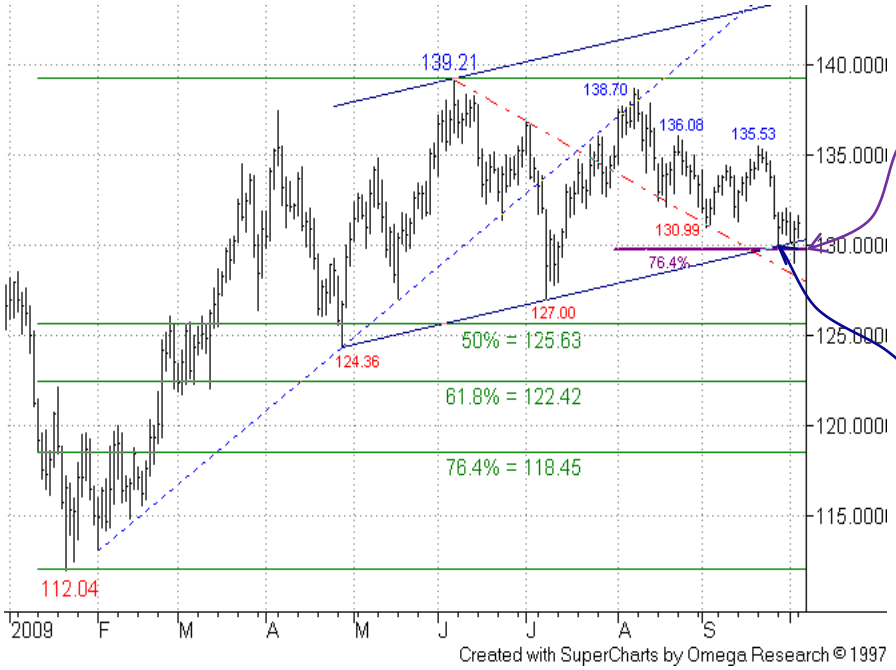
Euro Yen



Euro Yen – Daily Chart:

The key support at /above the 129.75 76.4% level has now come under pressure – *but there hasn't been a close below yet, which is still required for an initial bear signal/trigger.*

The recent failure at the 135.53 21-Sep high, back to the rising support line looks like an early bear sign – a recovery/close above this high is needed to shake off current bear risk.

The first bear target would be the 125.63 50% retracement. Initial support may well be found here, but subsequent move lower could close in on the 118.45 76.4% retracement before next decent support emerges.

<u>We maintain a sidelined stance for now</u>, but ready to switch to bearish.

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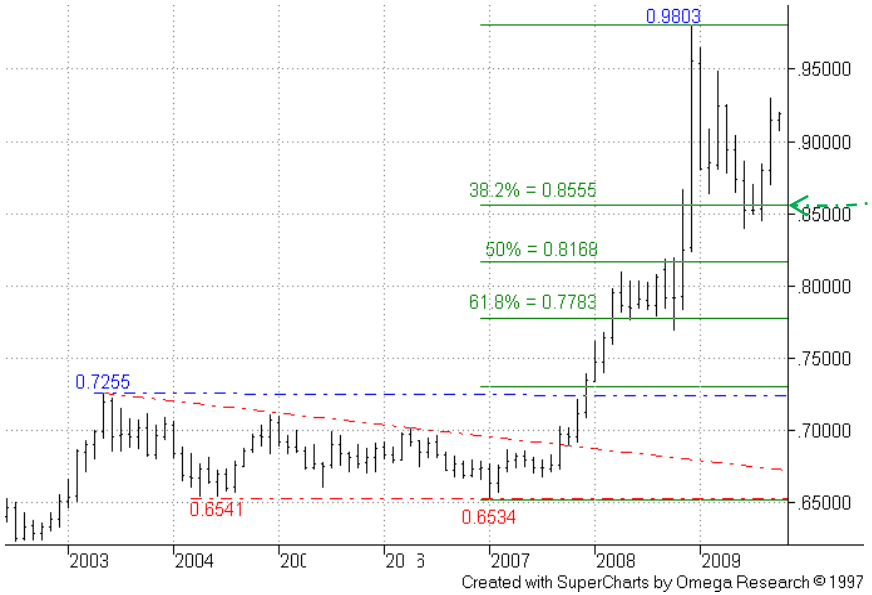
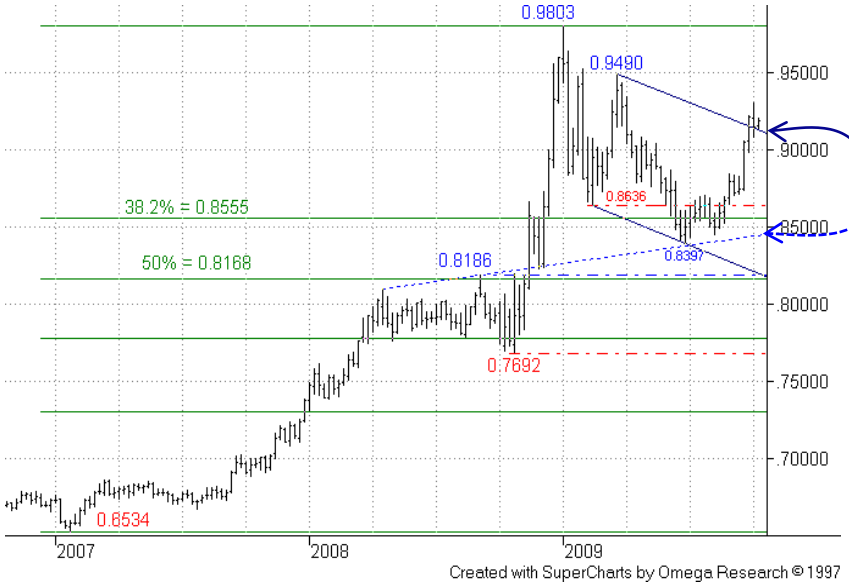
Euro Sterling



Euro Sterling – Monthly Chart:

Earlier erosion of the key 0.8555 38.2% retracement threatened the long term bull run, suggesting that the 2009 bear move had further to go.

However, lack of follow-through and other factors (see below) have increased bull risk once more.



Euro Sterling – Weekly Chart:

Good support emerged from the rising support line.

Latest action has seen a close above the bear channel top projection, suggesting medium term downside momentum has dissipated now.

We must respect the bulls again.

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Euro Sterling

Euro Sterling – Daily Chart:

A small consolidation ensued after the break through the bear channel top projection and test of 61.8% recovery level.

The next target remains the 76.4% area, with little in the chart structure to suggest impending fatigue.

Note s/term support emerged from the old 0.9082/72 highs. If these give way we still would not expect a deep pullback at this stage.

<u>We maintain a bull stance for now</u>.

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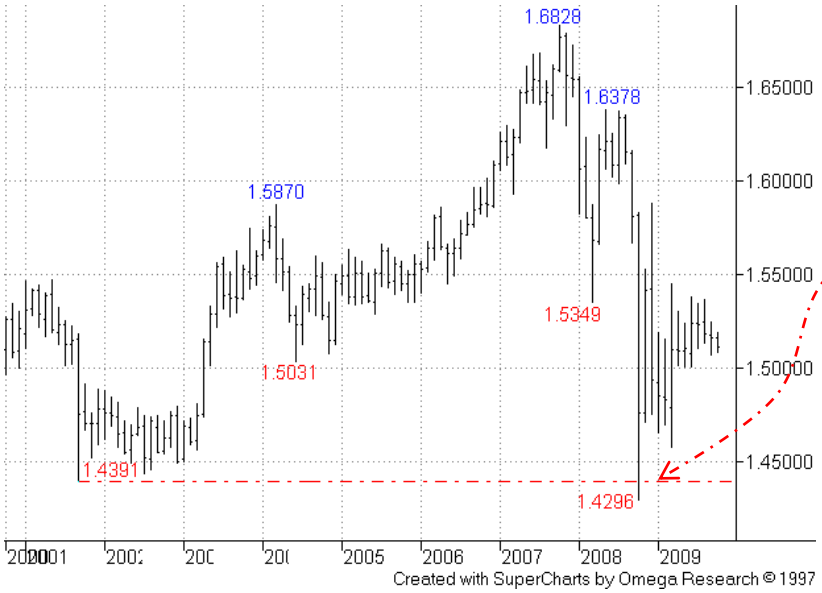
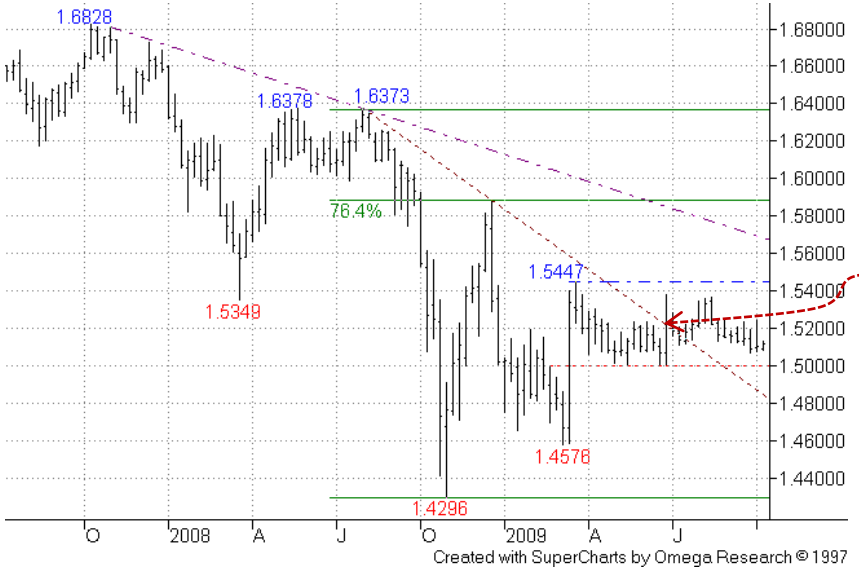


Euro Swiss – Monthly Chart:

The major 1.4391 low of 2001 was pierced, but only briefly.

Initial recovery after then was dramatic, and the action has been broadly consolidative since.



Euro Swiss – Weekly Chart:

We have been viewing price action since the 1.5447 Mar high as corrective/consolidative ahead of another bull leg.

Resistance from the falling resistance line was earlier breached, and this remains a positive signal for now – *but a break above 1.5447 would be a useful confirming sign.*

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Euro Swiss

Euro Swiss – Daily Chart:

The prolonged consolidation phase continues, but patient bulls stay on a cautious footing after the recent erosion of the 1.5106 09-Jul low support.

S/term resistance is offered by recent 1.5232/42 highs – a close above here would offer mild encouragement, with a further break above the falling resistance line at 1.5330 would provide a stronger bull sign.

Focus would then turn to the 1.5447 16-Mar high and 1.5575 76.4% level.

While upside momentum is threatened it would take a break of the key 1.5000 area to quash bullish ambitions.

<u>We maintain a bull stance for now.</u>

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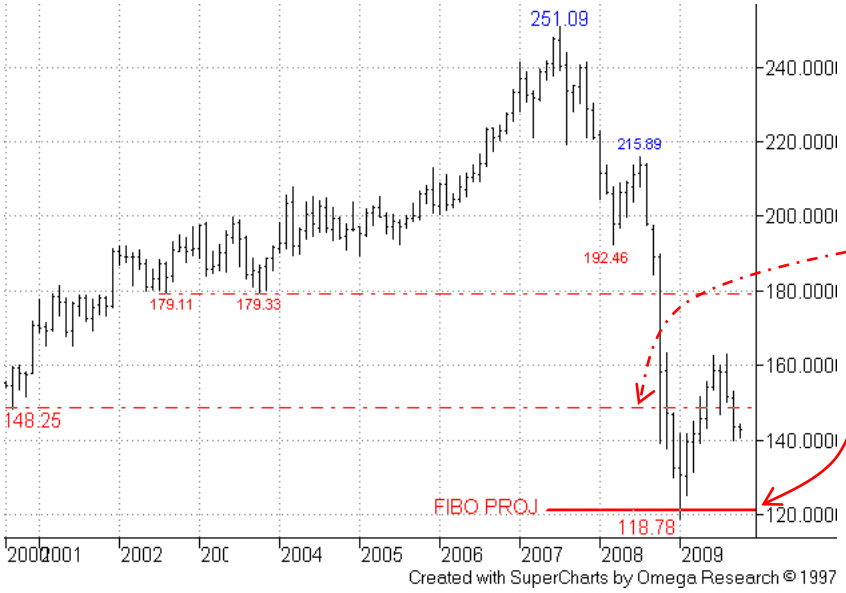
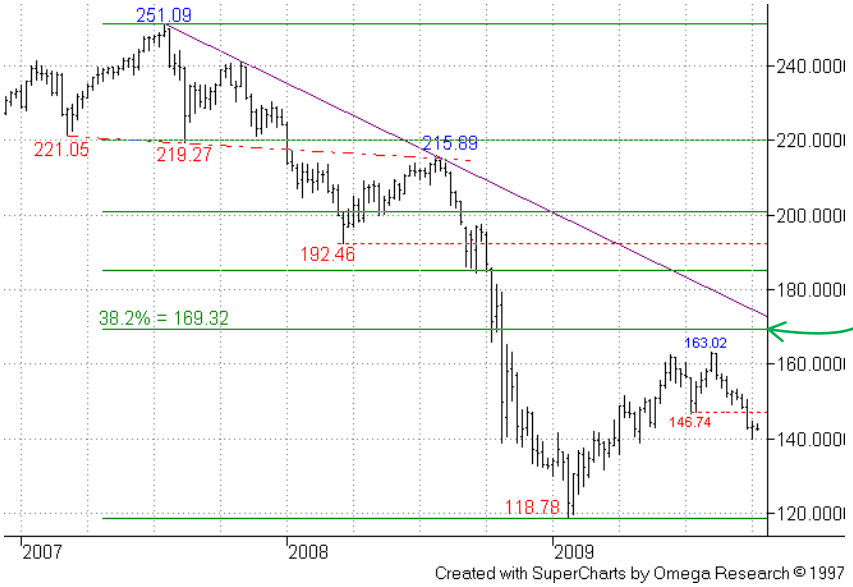


Sterling Yen – Monthly Chart:

The substantial fall here (price more than halved over the last two years) breached the level of the major 148.25 Sep-2000 low last year.

Continuation downward saw a test of a Fibo projection around **121.00.**

The market recovered back above that old 148.25 low, but now failed to stay above.



Sterling Yen – Weekly Chart:

The market has failed ahead of the 169.32 38.2% recovery level, the shorter term trend looking to have topped out now.

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+ Sterling Yen

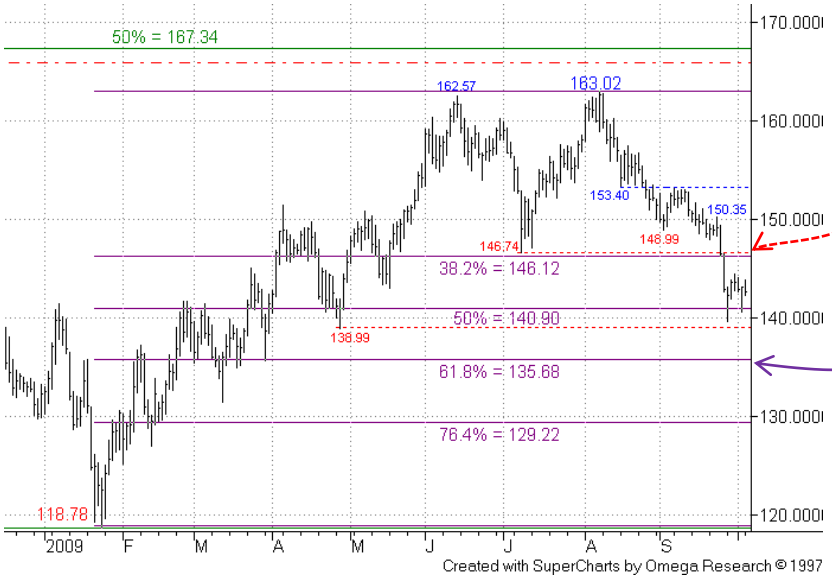
MINORS
+ US Dollar CAD Dollar
+ AUS Dollar US Dollar
+ NZ Dollar US Dollar
+ US Dollar SA Rand
+ US Dollar SING Dollar

Disclaimer

Sterling Yen

Sterling Yen – Daily Chart:

In the end, the market has failed ahead of the 167.34 50% level on the Daily chart – the bear break is clear.



Key support from the 146.74 08-Jul low and 146.12 38.2% pullback failed – that low remains first resistance now.

S/term rallies should prove temporary and sellers may initially try and position just ahead of 146.74, stops not much above.

Next downside target is the 61.8% 135.68 area, near to our first Fibo projection (not shown).

At this stage bears do not want to see a recovery through the153.40 17-Aug low area.

<u>We maintain a bearish stance now.</u>

MINORS

Support in **USD/CAD** looks to be emerging at a long term 61.8% pullback level – and the weekly RSI indicates possible bear fatigue. **AUD/USD** and **NZD/USD** have stayed firm, but we still like the idea that final uplegs are unfolding. **USD/ZAR** and **USD/SGD** continue to favour the bears for now.

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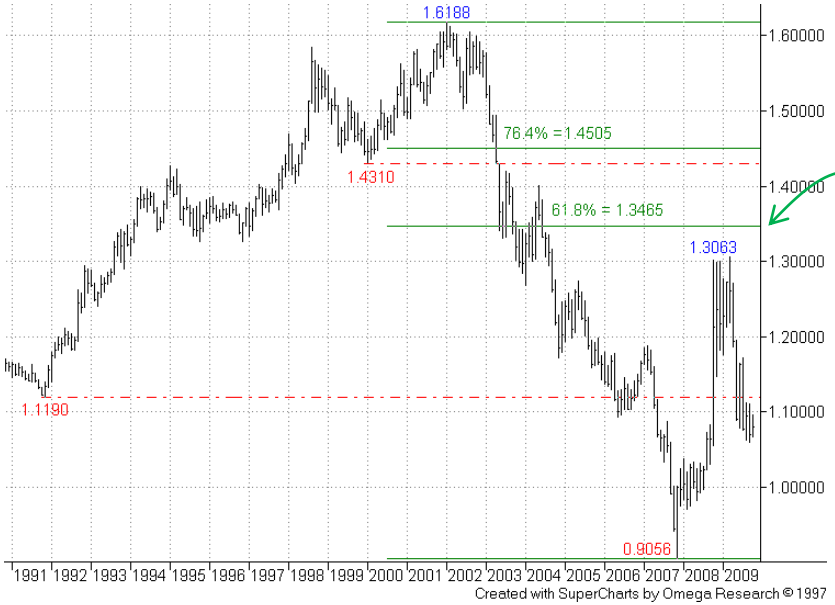
US Dollar CAD Dollar



US Dollar CAD Dollar – Monthly Chart:

The recovery off the 0.9056 Nov-07 low failed to reach the next retracement level of the 2002-2007 losses, at 61.8%.

This can remain a later target , but the latest pullback has turned out deeper than expected.

More

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US Dollar CAD Dollar

US Dollar CAD Dollar – Weekly Chart:

The drop back from clear resistance around the 1.1759 Jan low has now hit the 61.8% pullback level exactly (not usual).

We continue to note the positive divergence on the weekly RSI, implying that bears are tiring.

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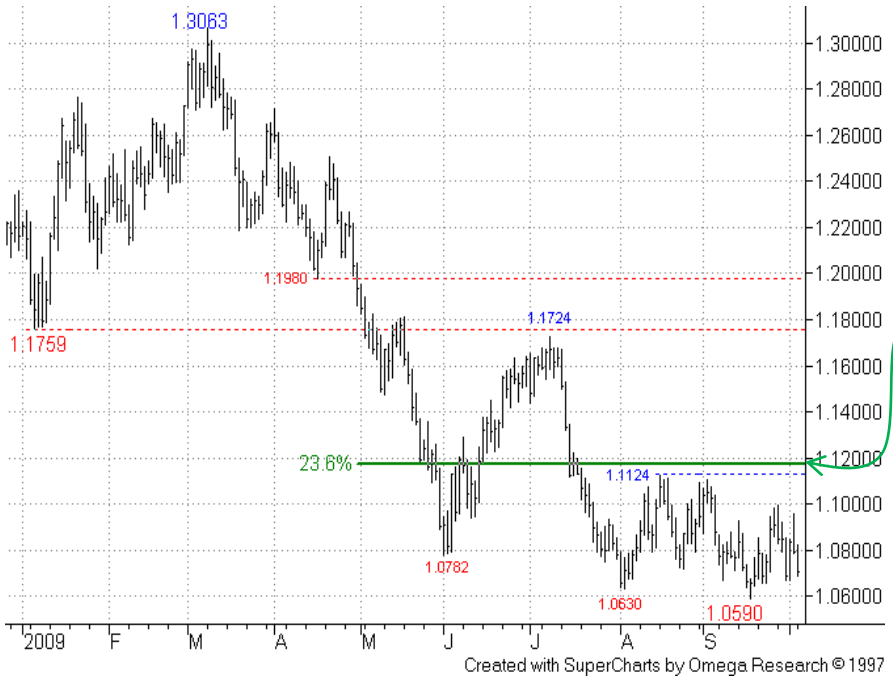
US Dollar CAD Dollar



US Dollar CAD Dollar – Daily Chart:

No changes here , with bears continuing to lack conviction, with the 1.0590 recent low nicely at the 61.8% level.

As before, a recovery through the 1.1124 17-Aug high , and then 23.6% of the whole decline from 1.3063 peak (at 1.1175 currently) is needed for a decent bullish sign.

<u>Meanwhile we maintain a s/term bear stance for now</u>, but keep in mind the signs on the Weekly chart that may suggest downside could be limited.

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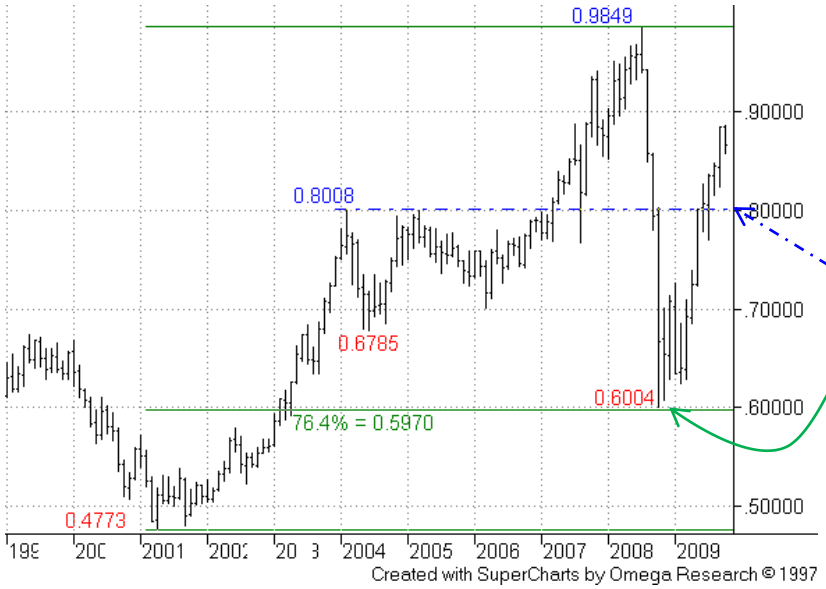
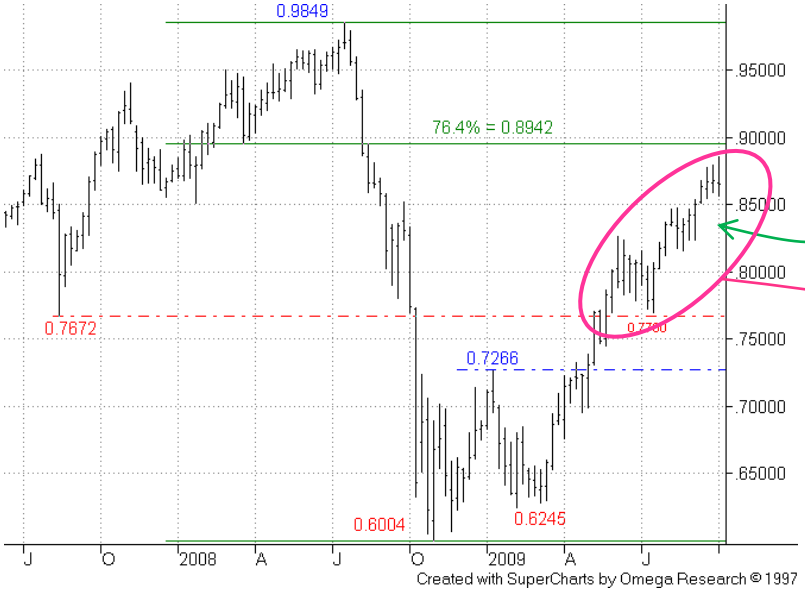


AUS Dollar US Dollar – Monthly Chart:

Losses in 2008 found good support from the 76.4% retracement level (this was also effective in NZD/USD).

The area of the significant highs in 2004/ 2005 around 0.8000 was decisively exceeded, but see below.



AUS Dollar US Dollar – Weekly Chart:

We wait to see if the 0.8942 76.4% area will be reached.

…the upleg from the 0.7700 Jul low may be a final one, the structure of this looks quite typical of a last leg.

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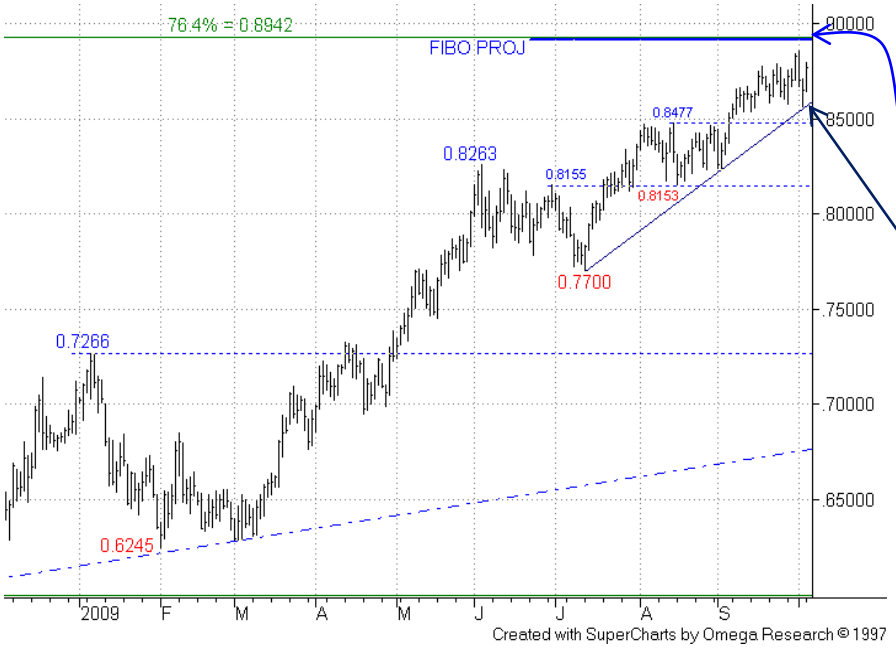
AUS Dollar US Dollar



AUS Dollar US Dollar – Daily Chart:

S/term action has closed in on our next Fibo projection at 0.8900, close to the 76.4% level.

Support from the rising support line has been tested and breaks of this plus the 0.8477 14-Aug high are needed to signal bull fatigue creeping in (in fact, at this stage, a quick reversal/close below the 0.8566 02-Oct low would be an effective s/term bear sign).

A further close below the 0.8150s support is required for a better negative sign.

<u>We maintain a s/term bull stance for now.</u>

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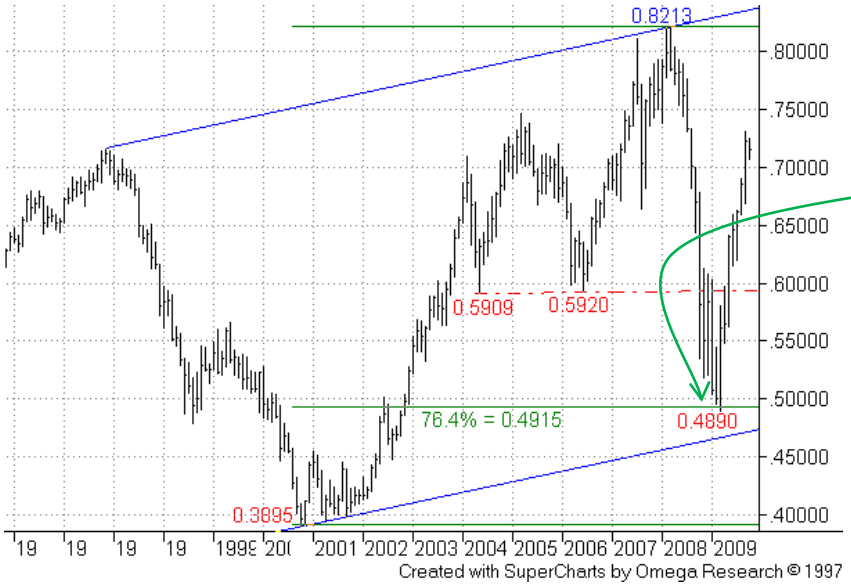
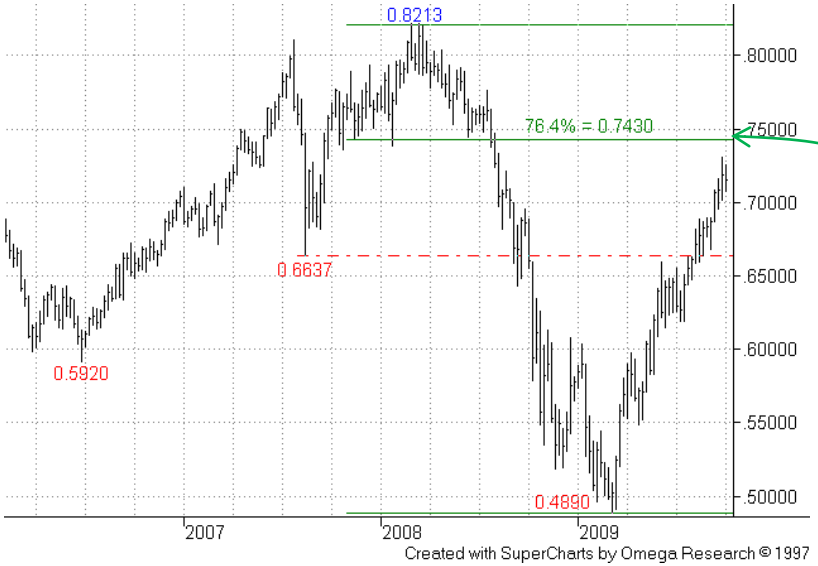
NZ Dollar US Dollar



NZ Dollar US Dollar – Monthly Chart:

The sharp fall eventually tested the 0.4915 76.4% retracement area – it worked spectacularly well as support.



NZ Dollar US Dollar – Weekly Chart:

It is unclear if bulls will have the power to reach the higher 0.7430 76.4%, but it does coincide nicely with the next main Fibo projection though…

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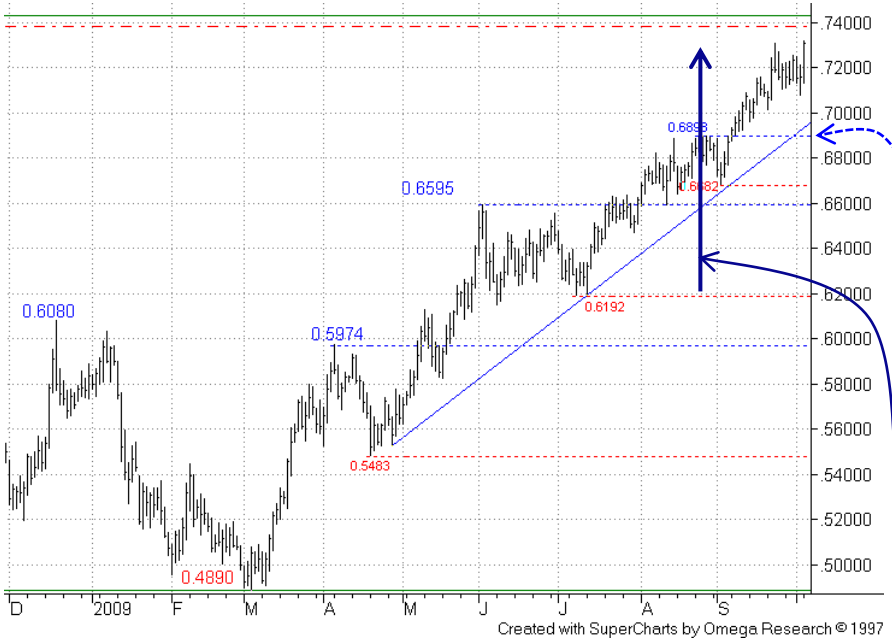

NZ Dollar US Dollar – Daily Chart:

The chart structure shows no immediate signs of bulls tiring – breaks below the late Aug highs in the 0.6890s (and rising support line just above) would provide the initial bear sign, however.

Meanwhile we have to keep in mind that 0.7430 76.4% level on the Weekly chart and a projection around 0.7400.

We currently maintain our thought that a final/third upleg is unfolding.

<u>We keep to our bull stance for now.</u>

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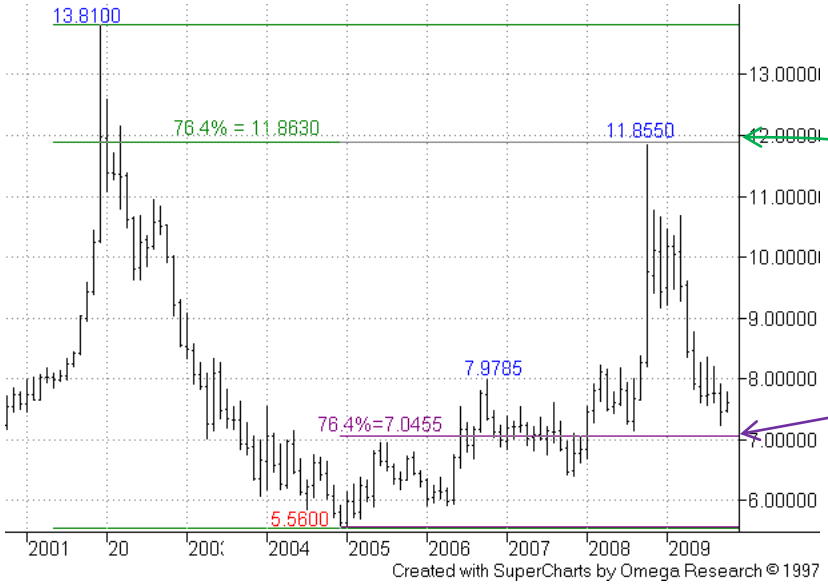

US Dollar SA Rand – Monthly Chart:

Clear resistance was found at the long term 76.4% recovery level.

Subsequent weakness turned out to be quite pronounced, and earlier key support just under 8.0000 failed.

The lower 7.0455 76.4% retracement is quite close now.

US Dollar SA Rand – Weekly Chart:

The pullback recently violated the 76.4% level of the Nov-07/Oct-08 upmove at 7.6875, after trying to find support here.

On this chart note rising support running through 7.0000 currently.

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US Dollar SA Rand

US Dollar SA Rand – Daily Chart:

The first of two lower Fibo projections, **7.1600** (1.618 swing off prior 7.5600/8.2100 rally) was neared, after a recent breach of a 7.6000 support area.

Currently also keep in mind the lower 7.0455 76.4% level from the Monthly chart, and a Fibo projection around 6.9000 which is close to the rising support line from the Weekly chart.

Near resistance remains around the 7.5600 Jul low. At this stage a recovery through the small channel top projection area around 7.9500 is needed to properly encourage bulls.

<u>We maintain a sidelined stance for now</u>.

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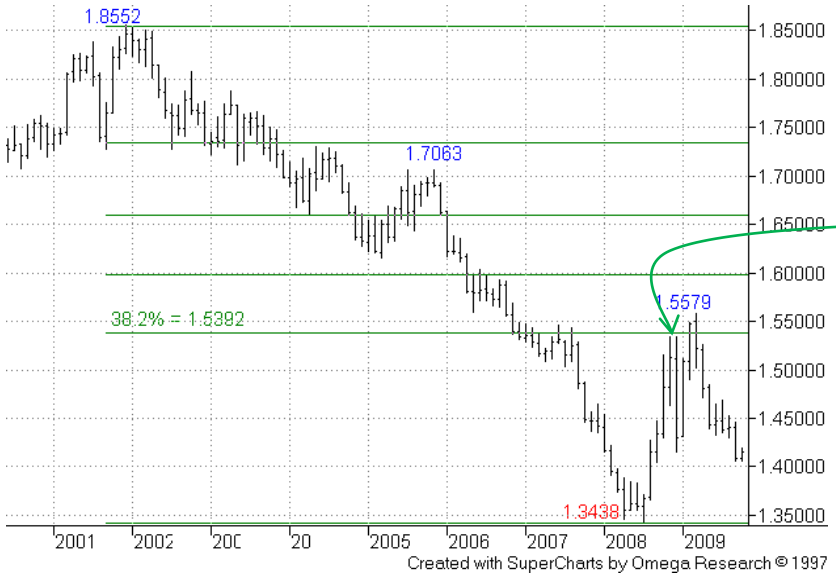

US Dollar SING Dollar – Monthly Chart:

Recovery off the Jul-08 low earlier found good resistance from the 38.2% retracement of the major fall from the Dec-01 peak.

This was subsequently eroded, but price action failed to hold above.

US Dollar SING Dollar – Weekly Chart:

The drop back ahead of the 1.5678 61.8% recovery level had found support at/above the 1.4255 61.8% pullback level – but this has now been breached.

The Dec-08 low has also been violated – this now exposes the lower 76.4% 1.3943 level .

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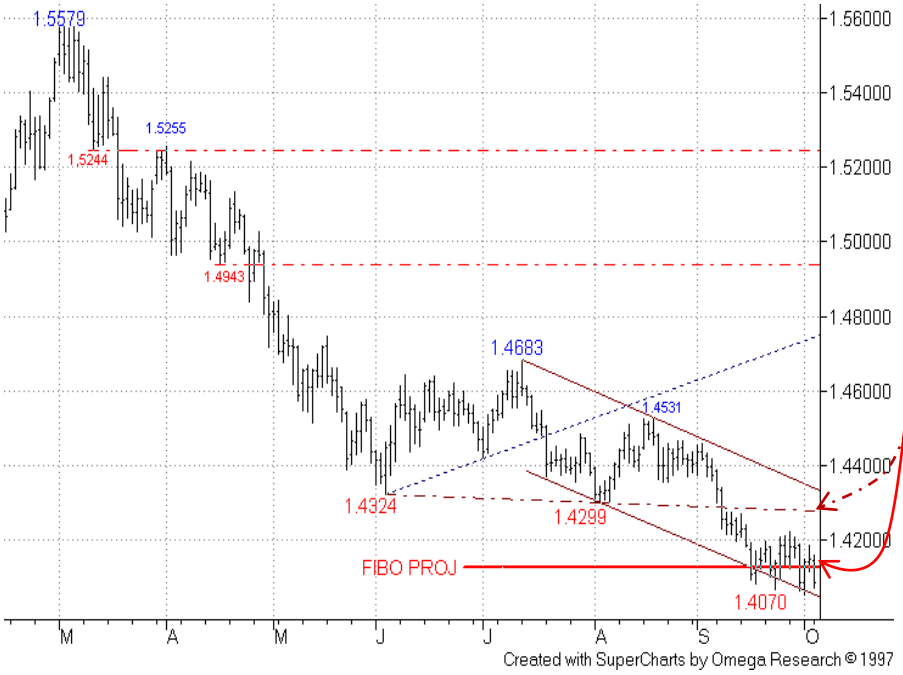

US Dollar SING Dollar – Daily Chart:

S/term action has stayed consolidative after recent erosion of our **1.4130** Fibo projection, finding a degree of support still from the bear channel base projection (but under pressure today).

A recovery back above the falling old support/ return line at 1.4275 plus early Aug lows around 1.4300 is the first of several steps required to start shaking off bear risk.

The second step would be recovery above the falling resistance at 1.4350 currently.

<u>We maintain a s/term bear stance for now</u>.

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