



Week 45

11th November – 17th November 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

Disclaimer



The FX Specialist Guide

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Mark Sturdy

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Summary

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Disclaimer

Stay **SQUARE** a type of Key Reversal Week remains intact – a bear cloud still hovers overhead
Stay **BULLISH** s/term pullback may prove temporary, 89.00 76.4% offers key support
Stay **SQUARE** early signs of bear fatigue remain, but nothing conclusive
Go **SQUARE** key resistance at 1.6726/42 violated, but bull enthusiasm questioned
Stay **BEARISH** continue to await reaction around long term 76.4% support

Stay **SQUARE** key 129.75 support area has deflected bear attempts so far
Stay **BEARISH** recent Key Reversal Week heralded temporary pullback phase
Stay **BULLISH** still trying to break from consolidation mode
Stay **BEARISH** s/term rallies viewed as temporary

Stay **SQUARE** signs of bear fatigue appearing. 23.6% offers first resistance
Stay **BULLISH** but on the alert for an initial bear signal
Stay **SQUARE** not holding above the 76.4% recovery level
Stay **BULLISH** s/term deep pullback does not invalidate the signal yet
Stay **BEARISH** long term 76.4% pullback level now under test – awaiting better reaction



MAJORS

In **EUR/USD** the recent Key Reversal Week (albeit not the classic textbook one) has not yet been negated. **USD/CHF** has found support from an equality target – we await reaction here. A recent pullback in **USD/JPY** may yet prove temporary. **GBP/USD** s/term strength has sidelined bears for now. In the **US Dollar Index** a long term 76.4% pullback level remains under test.

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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.

Current strength may still be viewed as corrective only.

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

More



Euro Dollar

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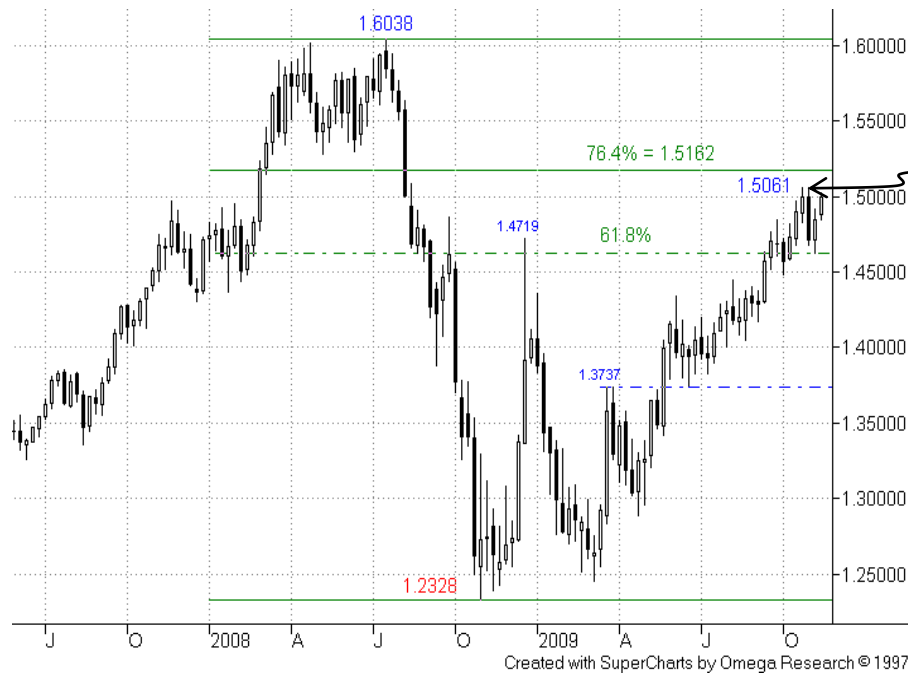
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Euro Dollar – Weekly Chart:

Ahead of the 76.4% recovery level a type of **Key Reversal Week** was seen – but not the strongest example of one (a more definite 'higher high' would have been useful).

At the time of writing it has not yet been negated, despite the ensuing strong bounce.

In any case, better negative signs would be required from the Daily chart.



Euro Dollar

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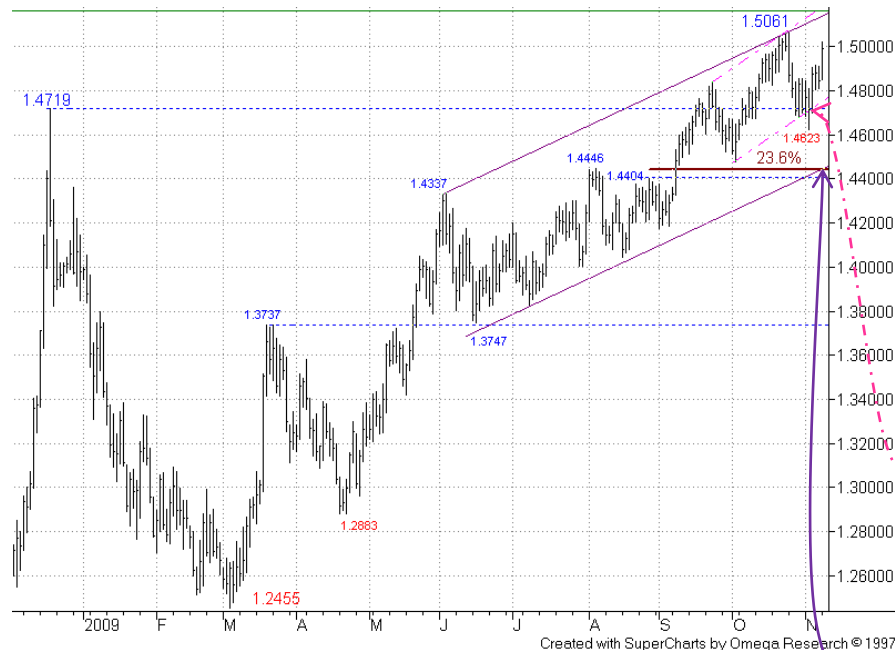
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In our 6th Nov Update we said that believers in that Key Reversal indication may favour speculative sales around 1.4950 (since exceeded) with the 1.5061 high offering a nearby risk level for stop purposes. Partial profits would be targeted towards 1.4650, with stops then reducing to cost. 1.4450 offers a further profit target. Others may wish for that close below 1.4623 before contemplating sell strategies.

Euro Dollar – Daily Chart:

For some time we had been thinking that the overall choppy nature of the recovery from 1.3747 Jun low implied a final upleg unfolding (prior to a better pullback, whether temporary or long-lasting).

A negative RSI divergence accompanied the latest pullback, but we have not seen a close below the s/term channel base which would have provided a negative sign. *At this stage a close below the 1.4623 03-Nov low would provide such a signal now.*

More key, however, is the area of the prior 1.4446/04 highs which also encompasses the 23.6% pullback level and bull channel base projection – support would be likely here, but an eventual break would signal a more prolonged bear phase was underway.

Meanwhile we switch to the sidelines.



Dollar Yen

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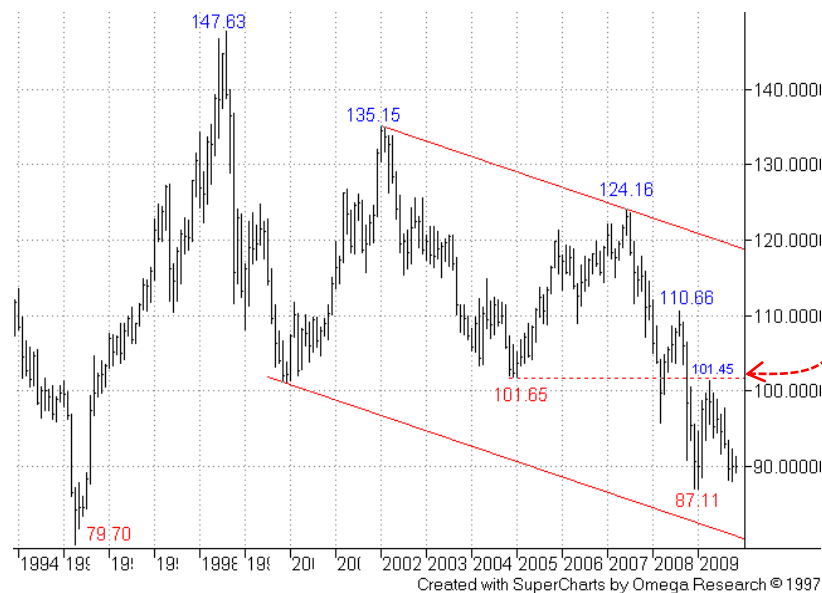
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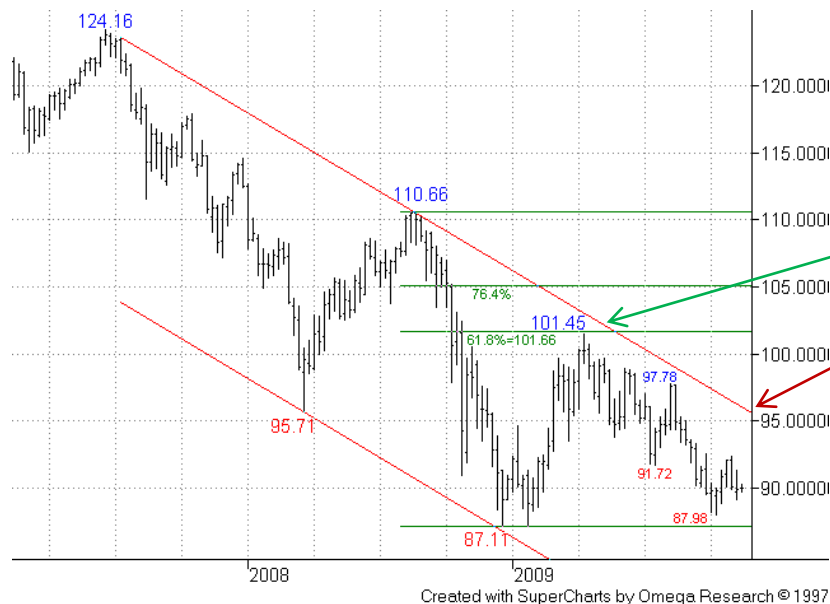


Dollar Yen – Monthly Chart:

Rebounds are currently assumed to be temporary.

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

Long term bear risk remains.



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 remains under scrutiny.



Dollar Yen

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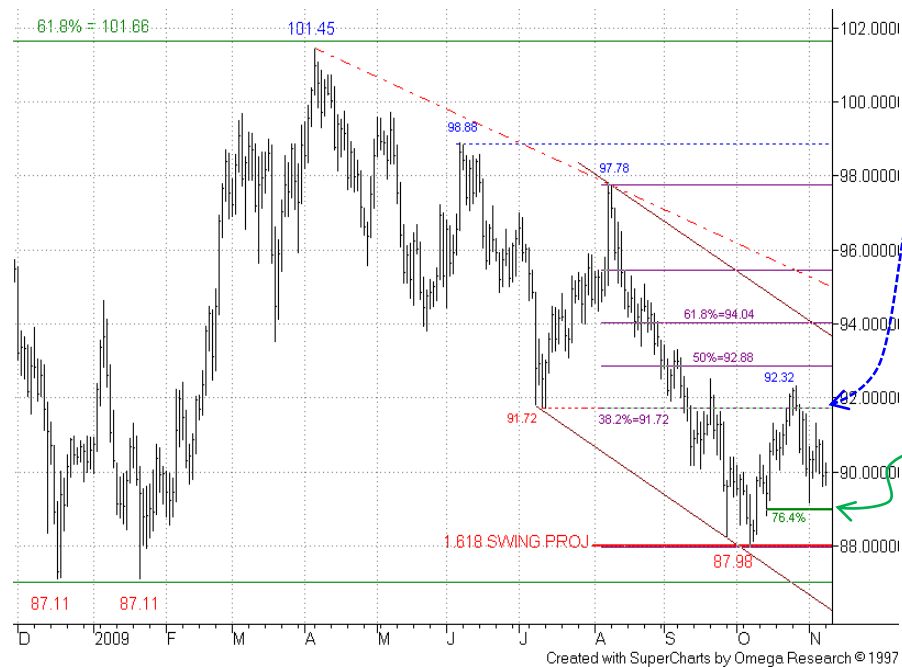
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Dollar Yen – Daily Chart:

The rally off earlier Fibo support briefly exceeded the 91.72 13-Jul low and 38.2% level before pulling back.

The question remains whether or not this will be temporary ahead of another bull leg.

If so, then ideally 76.4% support at 89.00 should hold and we may later target the 93.70/94.00 area, bear channel top projection and 61.8% level.

For any potential buyers above 89.00, say 89.25, the 87.98 low offers a limited risk level, with stops just below. Partial profits would be favoured around 92.00, stops then rising to cost.

We maintain a bull stance for now.



Dollar Swiss

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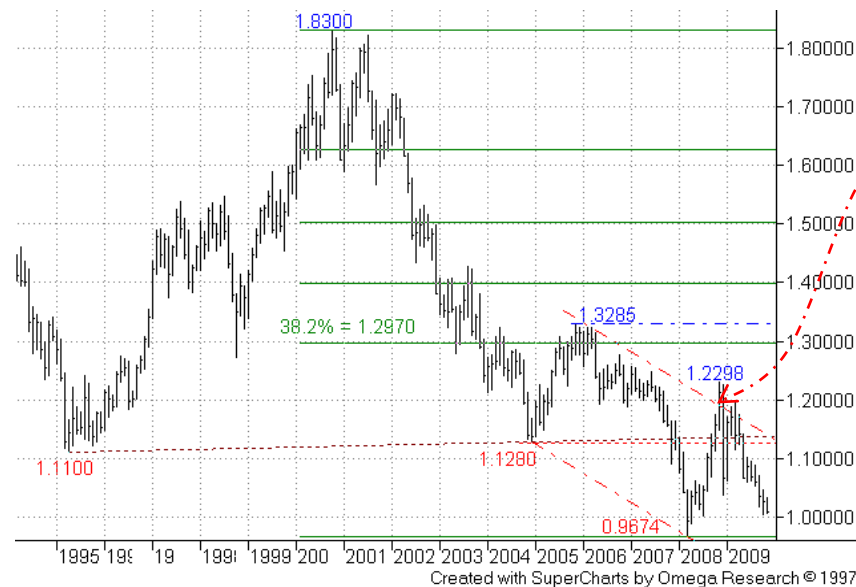
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Dollar Swiss – Monthly Chart:

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:

After breaking the 1.0278 76.4% retracement there has emerged s/term support from an equality target at 1.0036 (1.2298-1.0367' downmove extended off 1.1967 high).



Dollar Swiss

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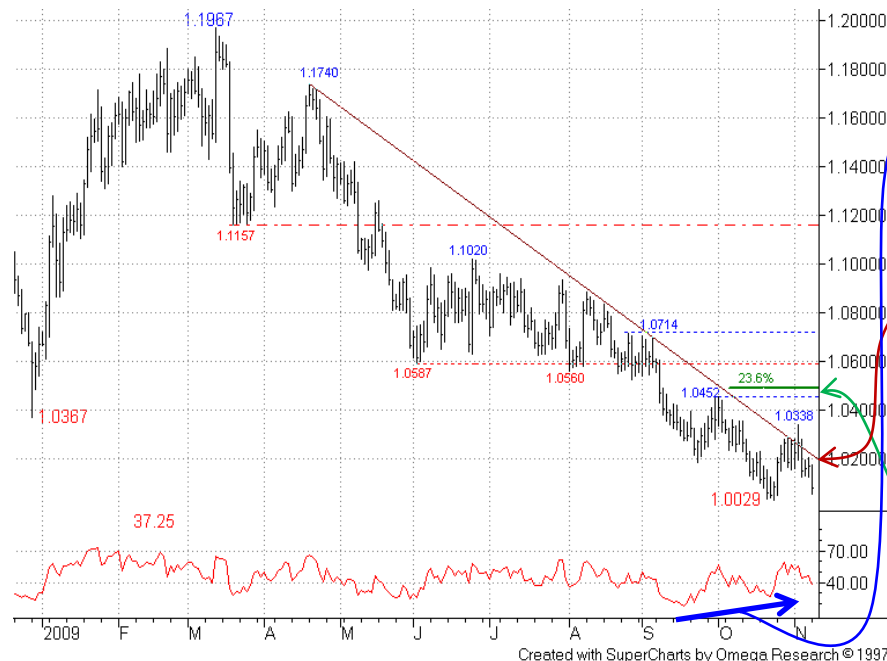
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Dollar Swiss – Daily Chart:

The positive divergence on the daily RSI remains of interest, still hinting at bear fatigue.

Initial resistance from the falling resistance line was eroded, but a close above this has not been seen – at this stage a close above the 1.0338 03-Nov high would provide an initial bull signal.

A close above higher 1.0452/86 (01-Oct high and 23.6% bounce level) would be the next bull sign.

The prior 1.0560/87 lows offer a higher barrier and warn against chasing the market up here.

We maintain a sidelined stance s/term.



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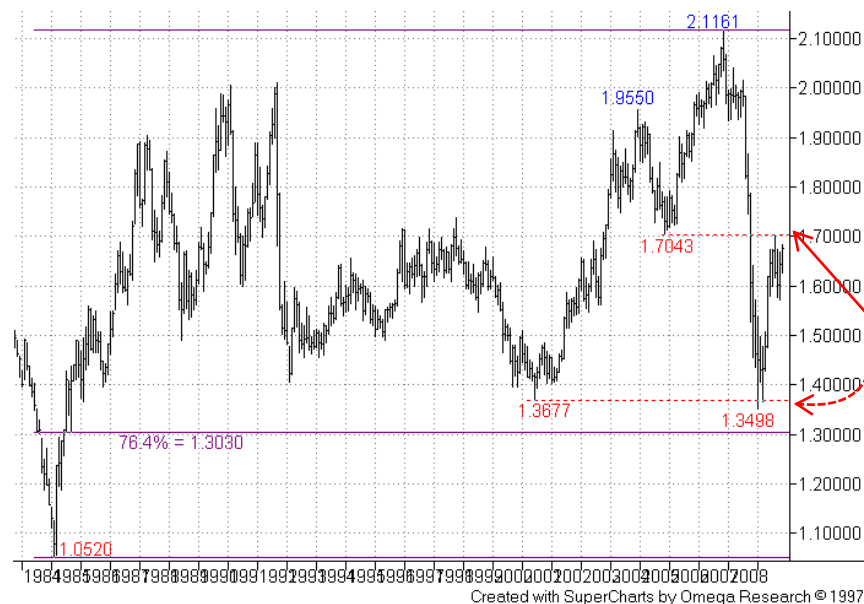
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Sterling Dollar

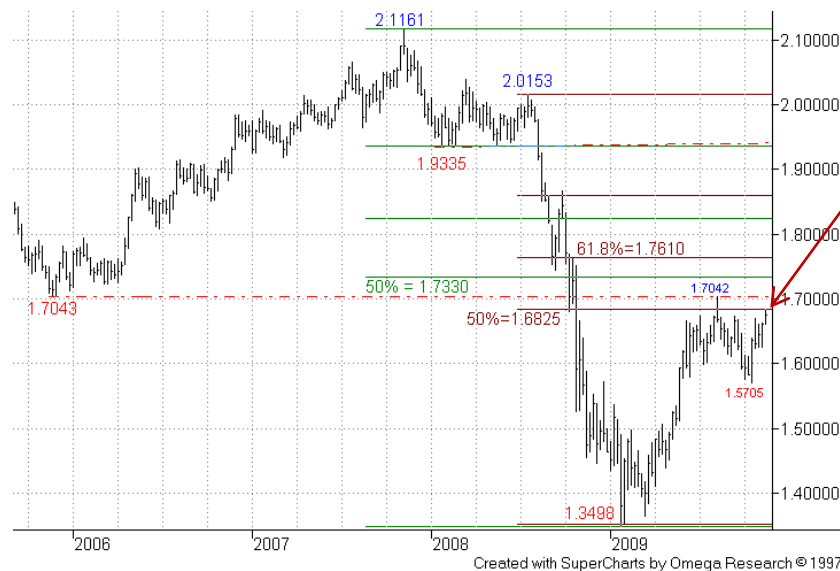


Sterling Dollar – Monthly Chart:

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.



Sterling Dollar

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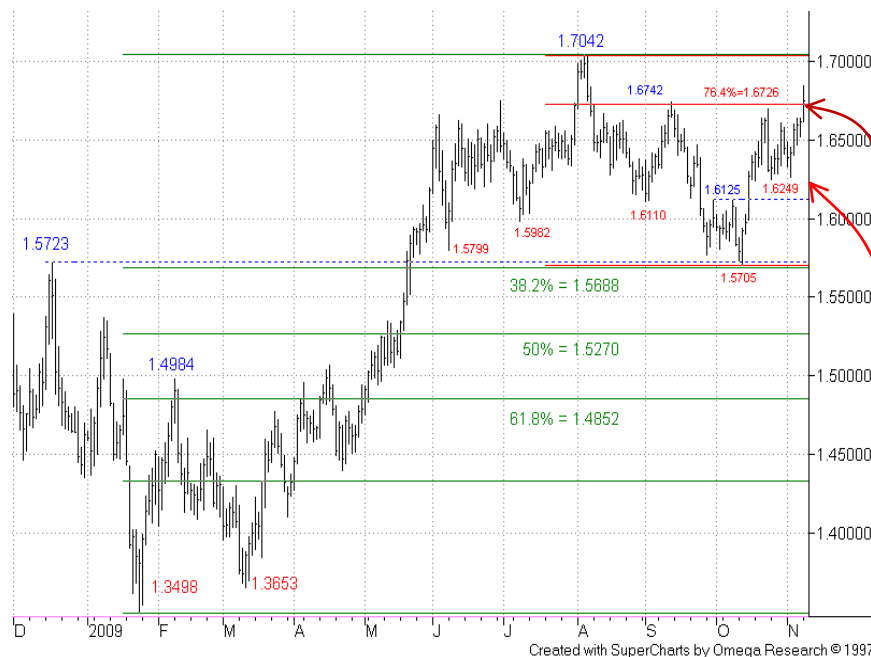
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Sterling Dollar - Daily Chart:

The strong bounce from our initial bear target area of 1.5723/ 1.5688 (Dec-08 high and 38.2%) has now violated key resistance from 1.6742 11-Sep high and 76.4% level just below.

This puts bears on the sidelines for now – it is currently unclear, however, whether bulls have the desire to keep pushing higher.

At this stage a close back below the 1.6249 26-Oct low would provide a fresh negative signal.

Shorts will now be closed following the break of 1.6726/42 resistance.

We switch to the sidelines for now.



US Dollar Index

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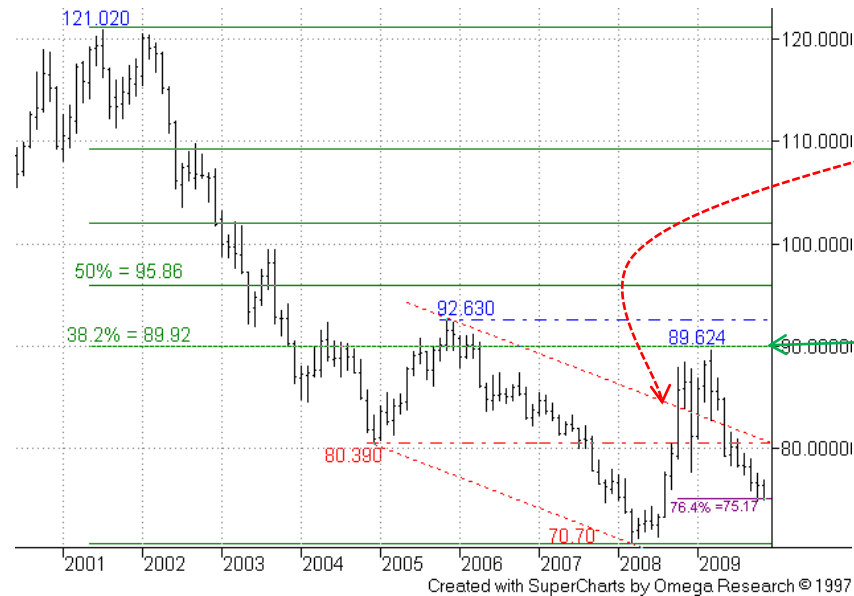
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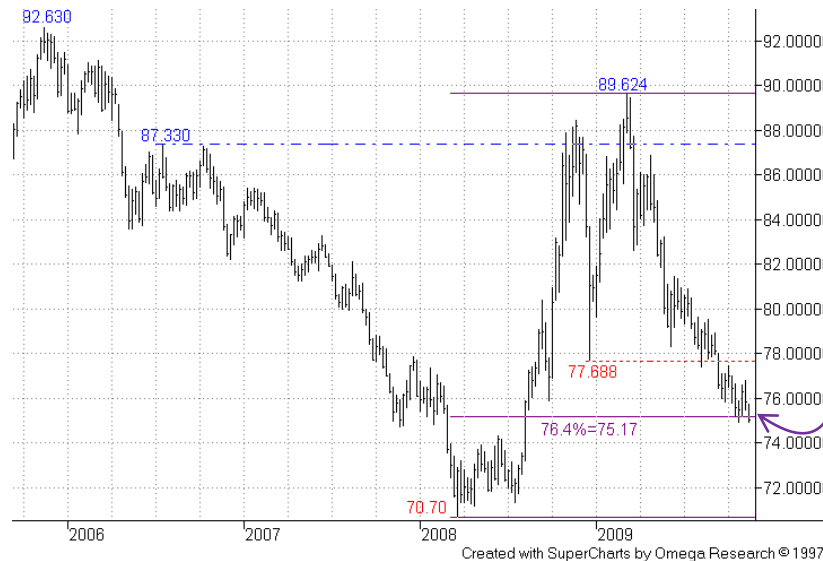
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US Dollar Index – Monthly Chart:

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 deep pullback has now tested the 76.4% 75.17 level and we await reaction here, looking for evidence of support.



US Dollar Index

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US Dollar Index – Daily Chart:

Recent support came from a falling support line here, at the same time as the test of that long term 76.4% level.

As we keep stating, 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 above the 76.817 03-Nov high would also violate the small bear channel top projection and provide an initial bull signal. Recovery through prior 77.428/77.688 lows would provide next encouragement.

Meanwhile we must maintain a s/term bear stance for now.



CROSSES

Price swings in **EURJPY** have so far held above key support from a 76.4% level. S/term weakness in **EURGBP** following a recent Key Reversal Week, is still assumed to be temporary. **EURCHF** can still favour the bulls, but the prolonged consolidation phase is frustrating. The outlook in **GBPJPY** remains on the negative side for now.

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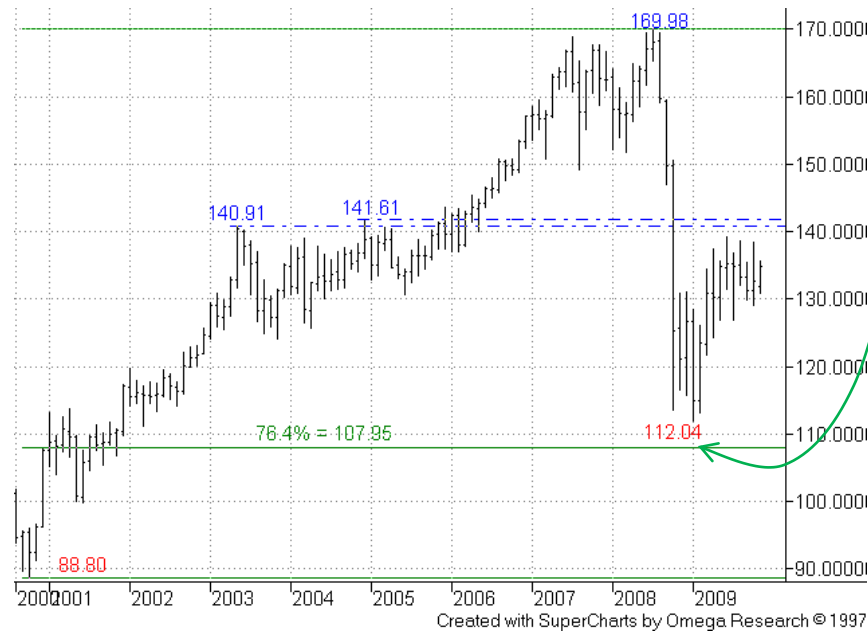
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Disclaimer

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 earlier this year, and lie close to a technical level on the Weekly chart.

More



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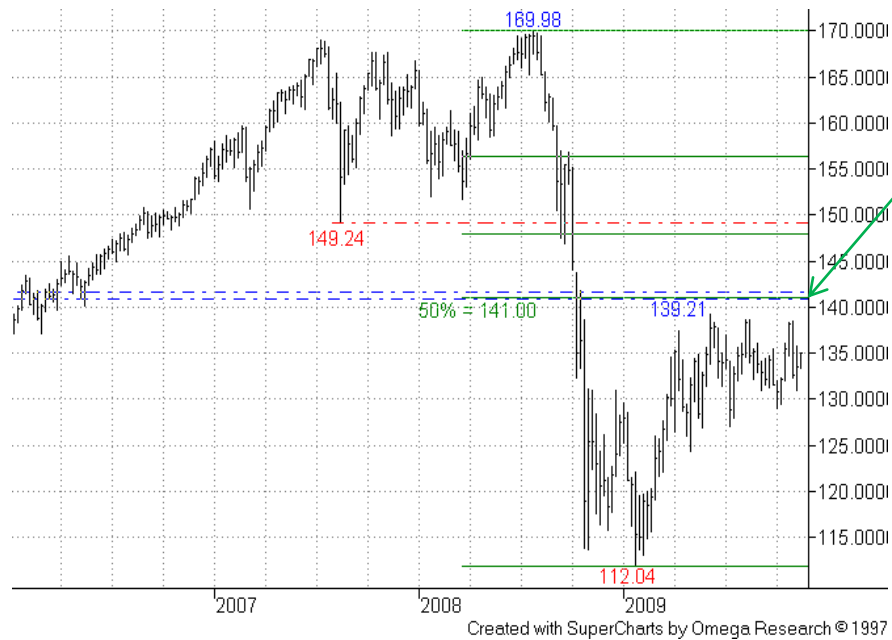
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Disclaimer

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.



Euro Yen

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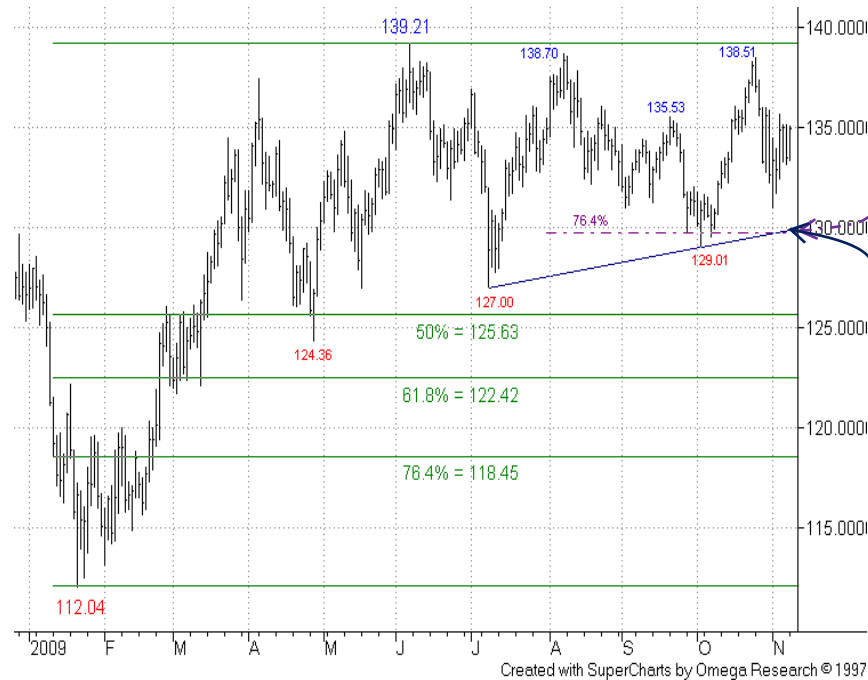
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Disclaimer



Euro Yen – Daily Chart:

We have been sidelined for some while now – bears have so far been restrained by the absence of a close below the key 129.75 76.4% support area.

Such a close would also violate the small rising support line, and clear the way for a test of the lower 125.63 50% retracement.

We maintain a sidelined stance for now.



Euro Sterling

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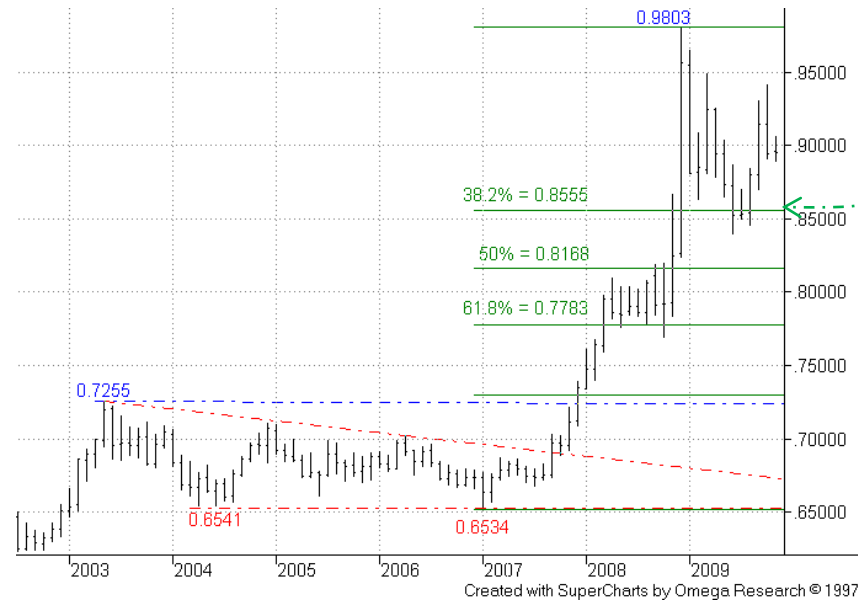
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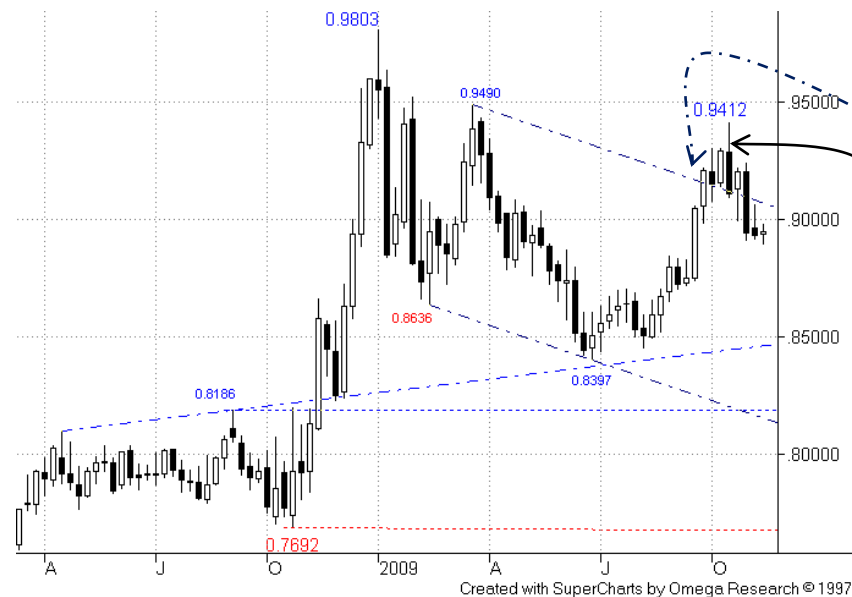
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Euro Sterling – Monthly Chart:

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:

The close above the bear channel top projection was a bullish sign.

However, the recent **Key Reversal Week** recently marked the start of a temporary pullback phase.



Euro Sterling

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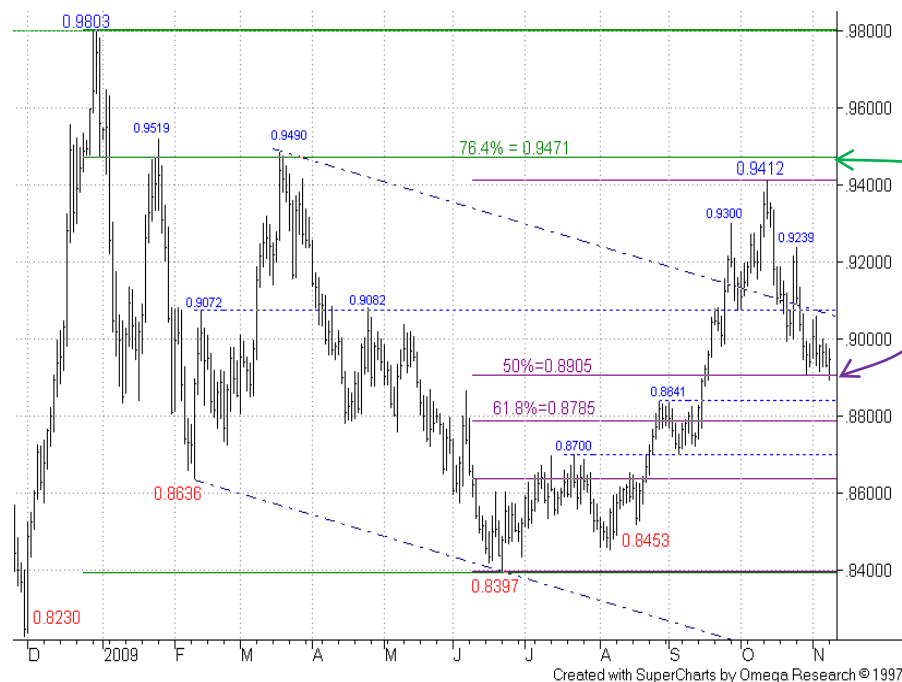
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Euro Sterling – Daily Chart:

The recent reversal, ahead of the 76.4% recovery level, has continued to be supported by the 50% retracement.

As before, we can't yet rule out more on the downside before more lasting support is found.

This wouldn't jeopardise the medium term bull outlook.

We maintain a s/term bear stance for now.



Euro Swiss

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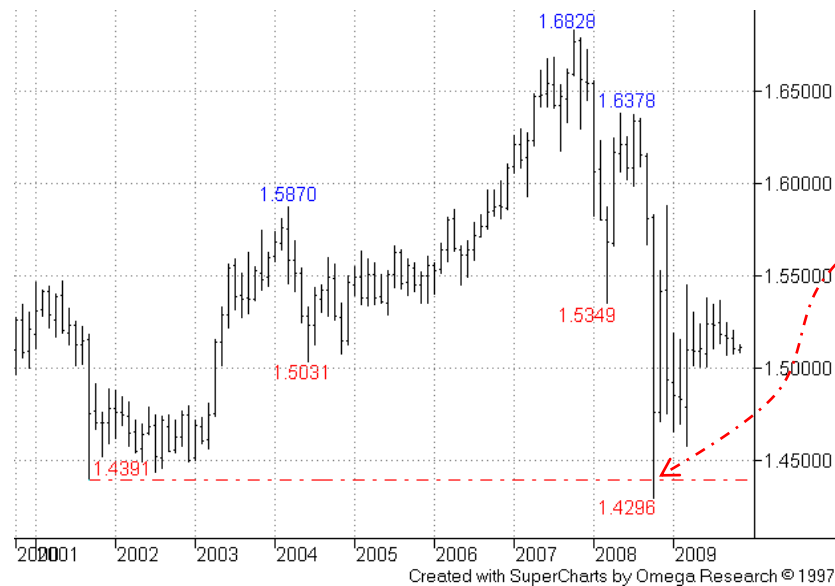
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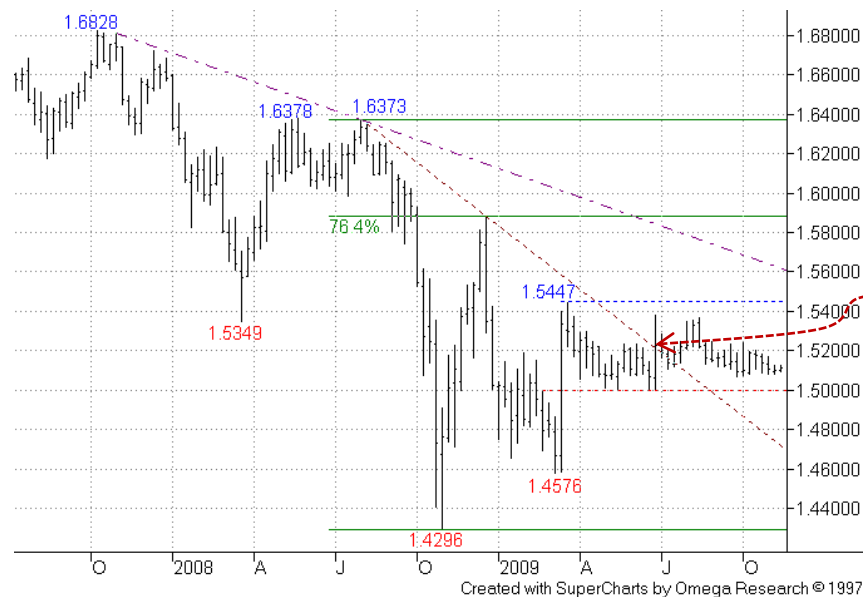
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Euro Swiss – Monthly Chart:

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.*



Disclaimer



We maintain a bull stance for now.



Sterling Yen

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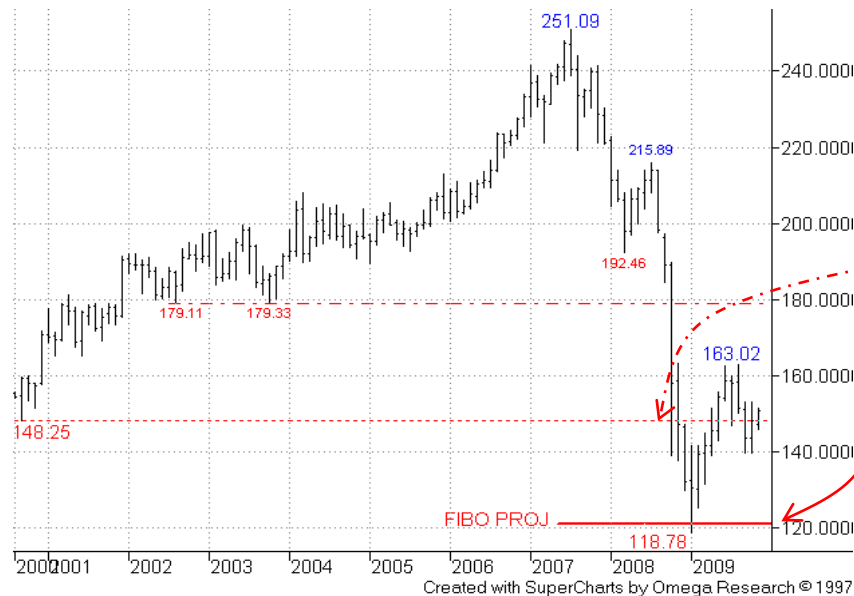
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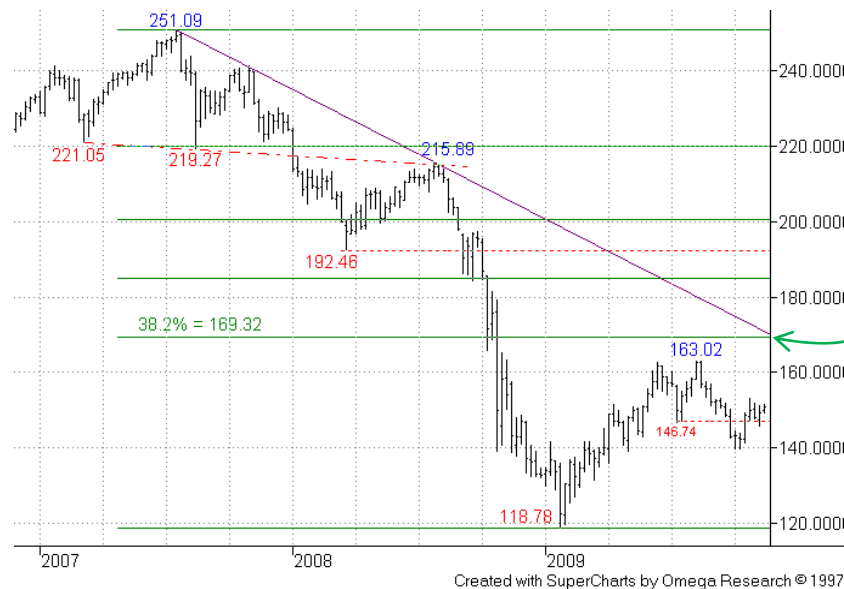


Sterling Yen – Monthly Chart:

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 having topped out now.



Sterling Yen

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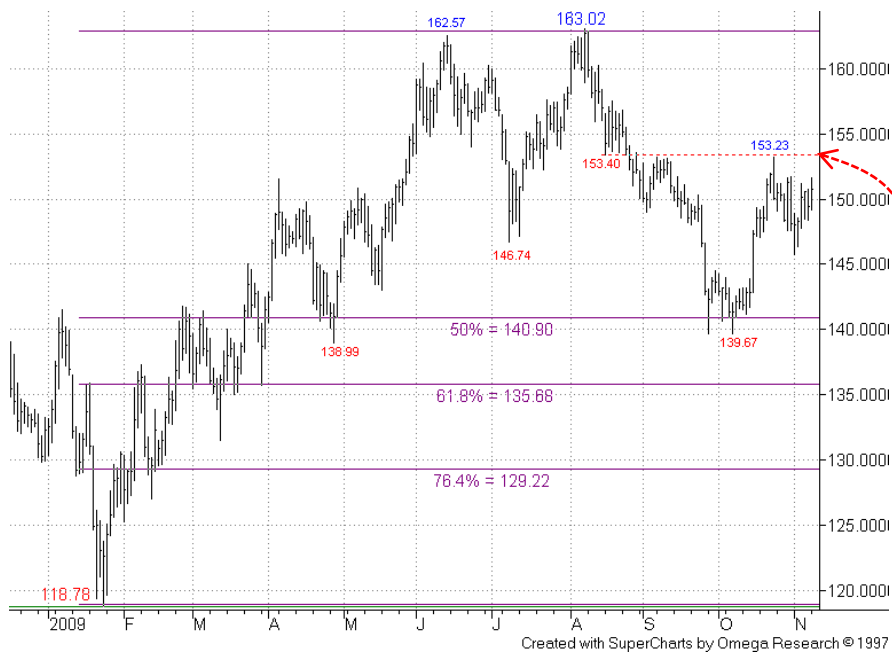
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Sterling Yen – Daily Chart:

We have been assuming that any s/term strength would be temporary (corrective) ahead of another bear leg.

We had not wanted to see the 153.40 17-Aug low area surpassed and, conveniently, this recently proved effective resistance.

As before, a close above the 153.23/40 area would sideline the bears.

Meanwhile we can look for a retest of the 139.67 Oct low and probable break below.

We maintain a bearish stance for now.



MINORS

In **USD/CAD** a s/term recovery has found s/term resistance from the 23.6% retracement level. Initial bull fatigue was indicated in **NZD/USD** recently, but **AUD/USD** has so far avoided showing similar signs. An initial bull signal was now seen in **USD/ZAR**, now followed by a deep pullback.

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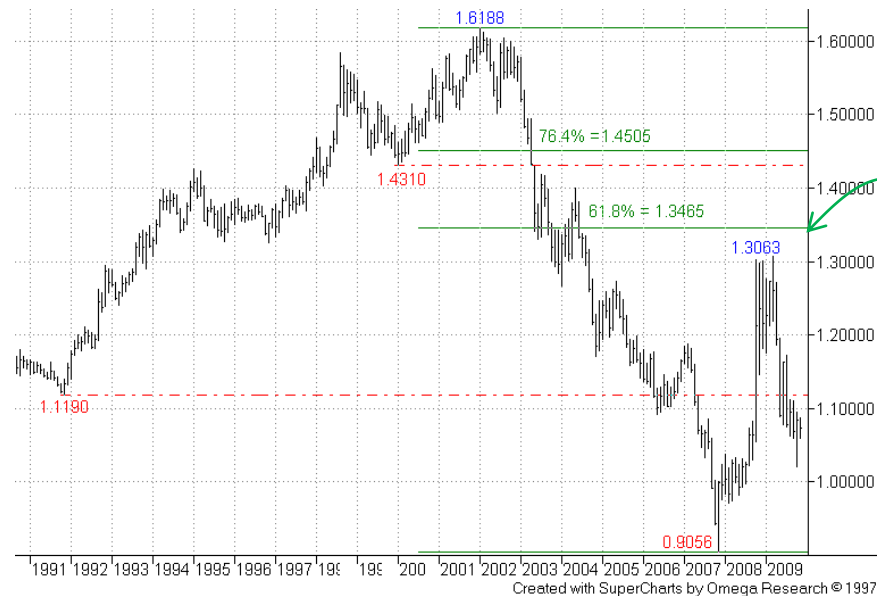
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US Dollar CAD Dollar



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%.

Subsequent pullback has turned out deep.



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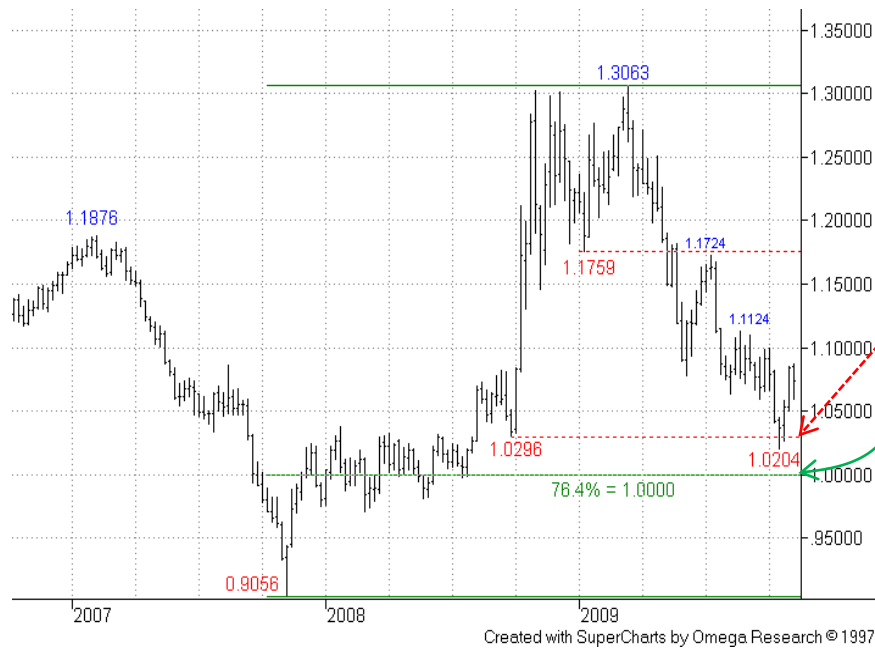
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US Dollar CAD Dollar



US Dollar CAD Dollar – Weekly Chart:

The downmove has so far stopped short of the 76.4% level at 1.0000.

Ahead of here we have been noting the 1.0296 Sep-08 low, the take-off point for the last major upleg – it was briefly eroded but a rebound has been prompted.



US Dollar CAD Dollar

Summary

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US Dollar CAD Dollar – Daily Chart:

Recent recovery through the 1.0590 17-Sep low signalled initial bear fatigue.

S/term the 1.0880 23.6% level has provided effective resistance – a recovery through this and 1.0992 28-Sep high would be bullish signs here.

Meanwhile we maintain a sidelined stance.



AUS Dollar US Dollar

Summary

MAJORS

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

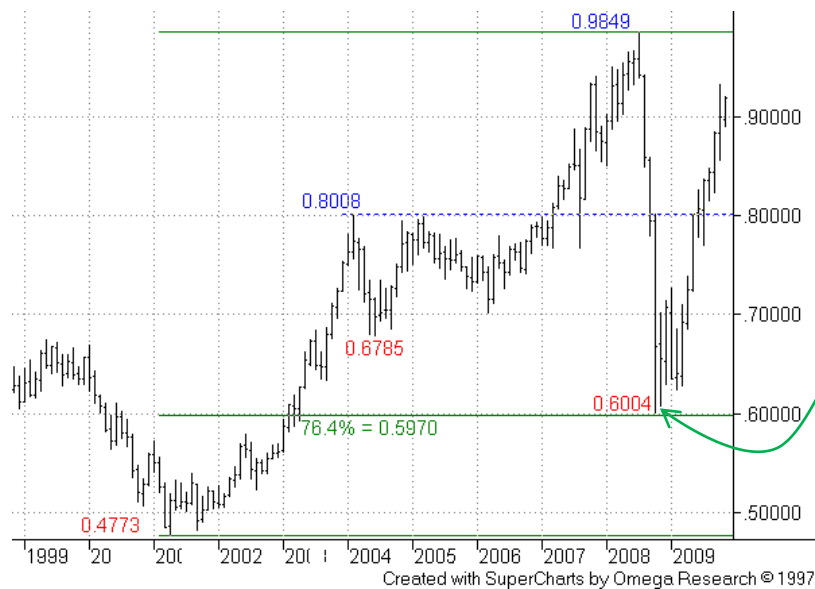
CROSSES

- + Euro Yen
- + Euro Sterling
- + Euro Swiss
- + Sterling Yen

MINORS

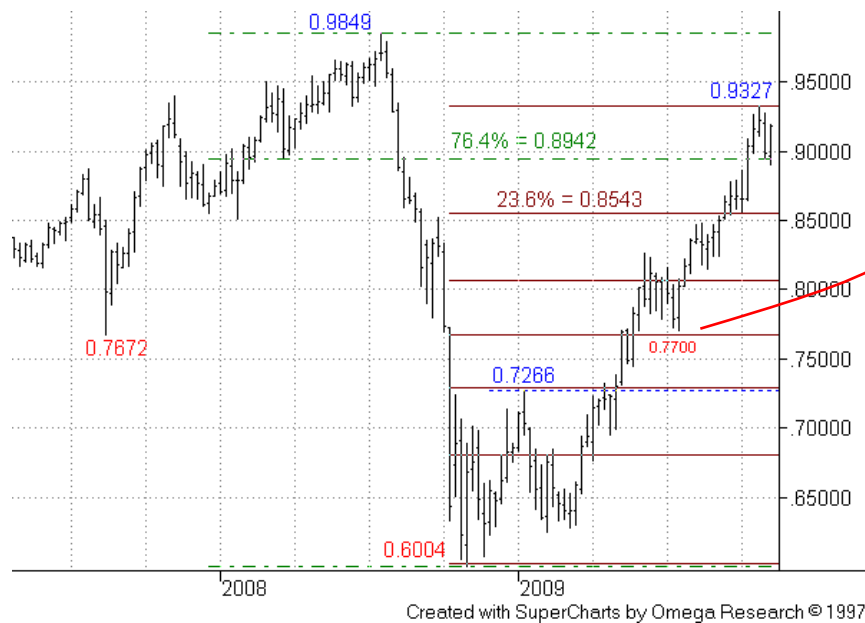
- + US Dollar CAD Dollar
- + AUS Dollar US Dollar
- + NZ Dollar US Dollar
- + US Dollar SA Rand
- + US Dollar SING Dollar

Disclaimer



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).



AUS Dollar US Dollar – Weekly Chart:

The upleg from the 0.7700 Jul low continued to extend, beyond the 0.8942 76.4% area.

The Daily chart has so far avoided showing signs of bull fatigue.



AUS Dollar US Dollar

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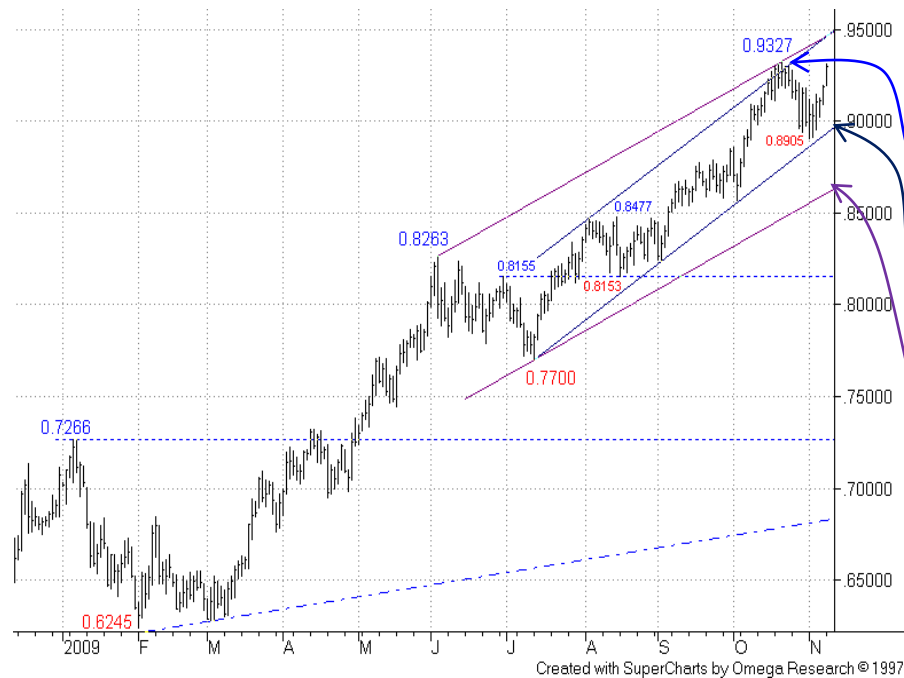
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AUS Dollar US Dollar – Daily Chart:

Recent strength faltered at our first channel top projection.

However, a close below the 0.8905 02-Nov low, which would also mean violation of the rising support line, is needed for an initial negative sign, heralding a deeper pullback phase.

We would then note support from a channel base projection around 0.8610.

Meanwhile we must maintain a bull stance for now.



NZ Dollar US Dollar

Summary

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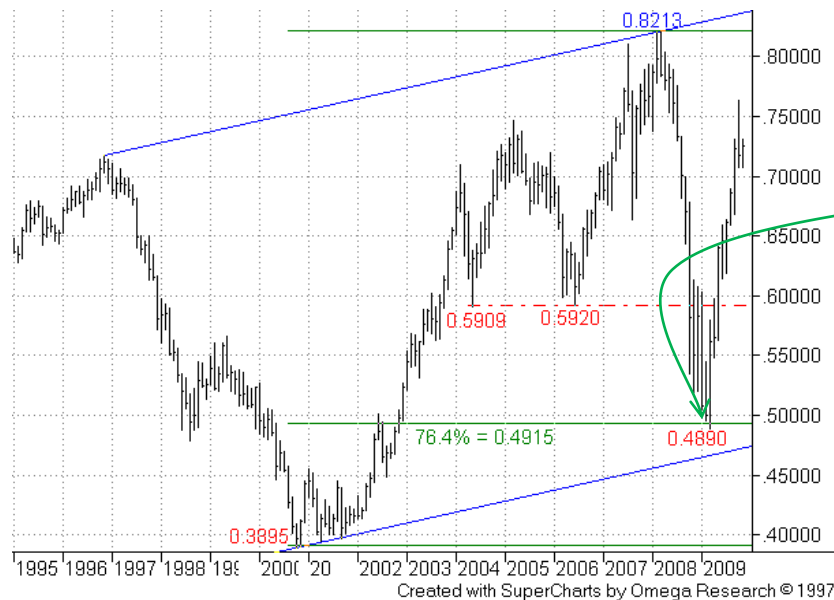
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MINORS

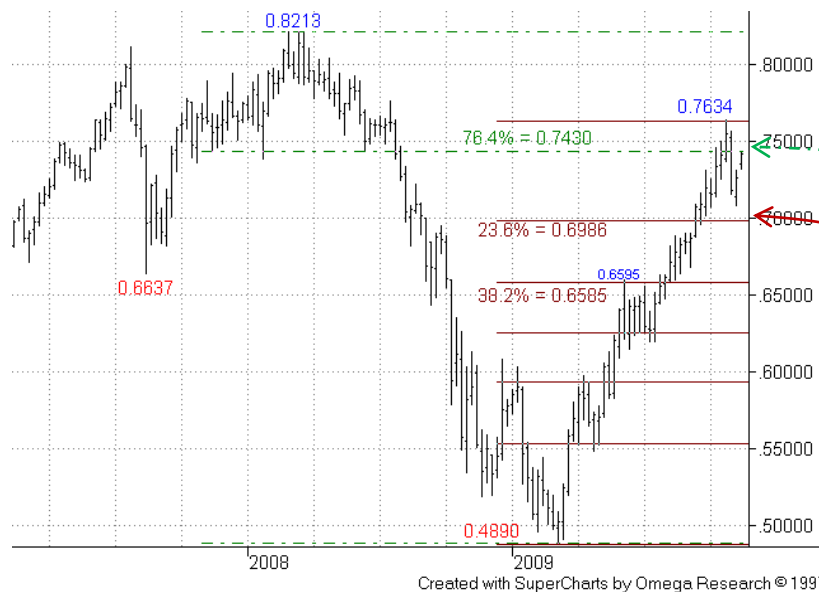
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Disclaimer



NZ Dollar US Dollar – Monthly Chart:

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



NZ Dollar US Dollar – Weekly Chart:

The break above the 0.7430 76.4% retracement has not been sustainable.

On the downside the first interesting level is the 23.6% pullback.



NZ Dollar US Dollar

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NZ Dollar US Dollar – Daily Chart:

The rising support line has been eroded but, so far, price has stuck around here – nevertheless it gave a small negative hint, increasing chances that a s/term rally will be the precursor to another bear leg.

However, more key is the bull channel base projection around 0.7070, and that 0.6986 23.6% pullback level – closes below these would show the chart structure changed in favour of the bears.

We maintain a sidelined stance here.



US Dollar SA Rand

Summary

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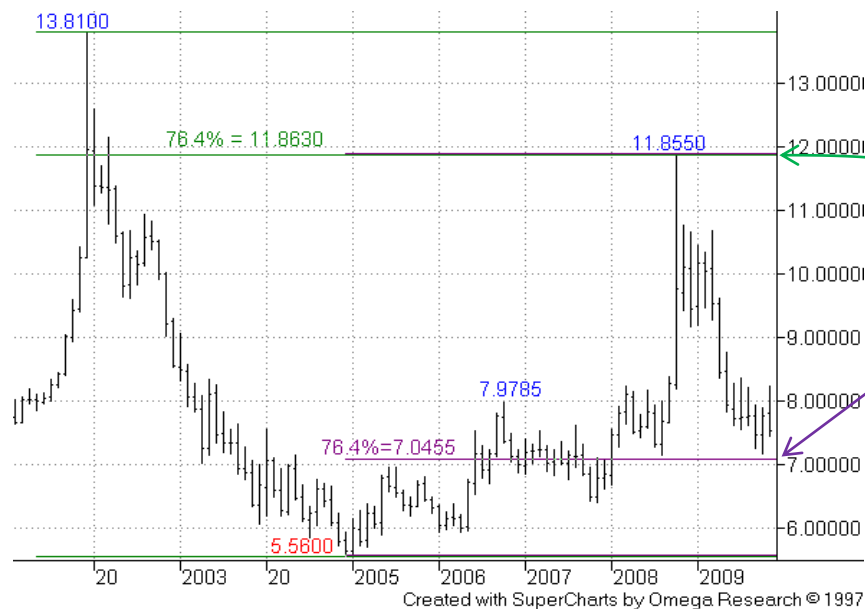
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US Dollar SA Rand – Monthly Chart:

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

Subsequent weakness turned out to be quite pronounced, and neared the 76.4% pullback level before finding potentially interesting support.



US Dollar SA Rand – Weekly Chart:

The pullback earlier 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.

The positive weekly RSI divergence, suggesting bear fatigue, was confirmed by recent strength in the market.



US Dollar SA Rand

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US Dollar SA Rand – Daily Chart:

The recent break above the s/term bear channel top projection gave an initial bull signal.

We thought that resistance from the 23.6% recovery level (of whole decline from Oct-08) could prompt a pullback, which is now being seen.

These initial pullbacks are often deep, but do not therefore invalidate the prior bull sign.

However, a quick recovery is needed, else the 7.1800 Oct low is vulnerable.

We maintain a bull stance for now.



US Dollar SING Dollar

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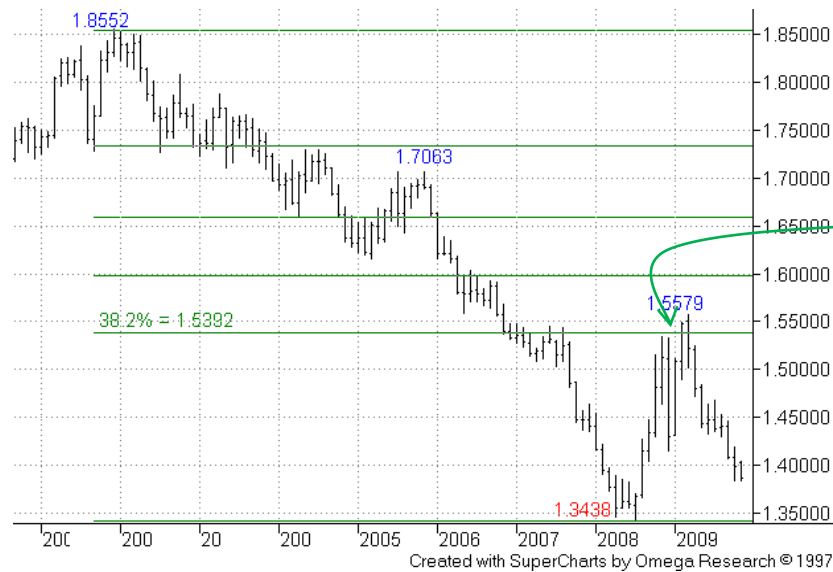
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Disclaimer



US Dollar SING Dollar – Monthly Chart:

Recovery off the Jul-08 low failed to hold above the 38.2% retracement level of the major fall from the Dec-01 peak.



US Dollar SING Dollar – Weekly Chart:

The drop back ahead of the 1.5678 61.8% recovery level earlier violated the Dec-08 low, and has now eroded the 76.4% pullback level.

Better reaction is awaited here.

Little in the chart structure implies bear fatigue currently, however.



US Dollar SING Dollar

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US Dollar SING Dollar – Daily Chart:

The downtrend recently paused, but bears have remained dominant.

Initially, a recovery/close through falling resistance and then 1.4055 29-Oct high would be a small bull sign.

Then, further recovery through the falling old support/return line at 1.4255 plus early Aug lows around 1.4300 is needed to reinforce this.

Meanwhile we must maintain a bear stance for now.



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