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Market Update

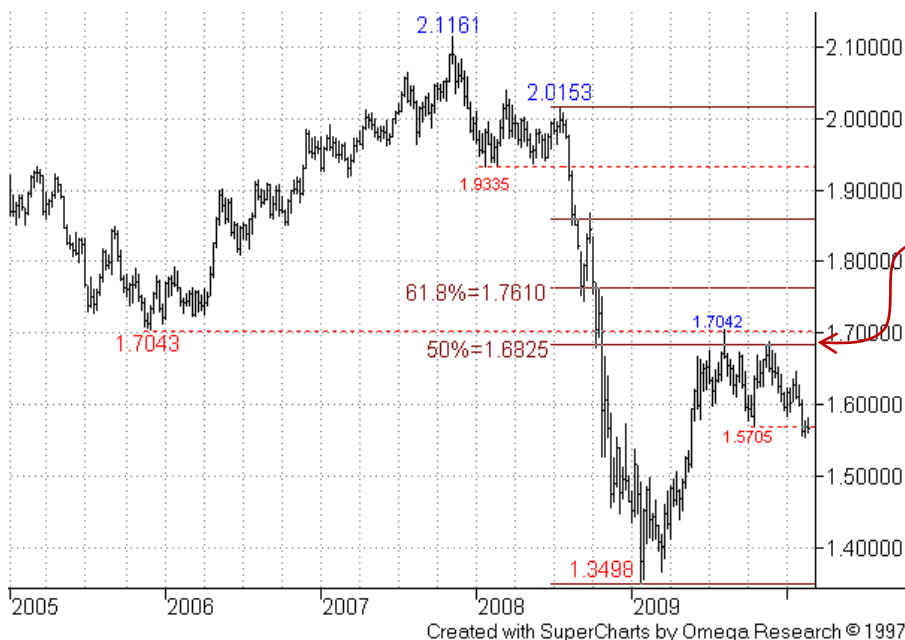
18th February 2010

GBP/USD Support Only Temporary

After finding strong resistance last year GBP/USD has now started to break through 38.2% support, which was effective in Oct-09. Slightly lower support has emerged but s/term rallies should be temporary prior to a deeper pullback.

The FX Trader's view

WEEKLY CHART:



Last year's recovery found clear resistance from the 2005 1.7043 low,

but also note that this was close to a 50% retracement, of the fall from the Jul-08 2.0153 breakdown point.

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DAILY CHART:

Recent violation of the 38.2% pullback level was a negative sign, but in the **Commodity Specialist Guide** we had been anticipating s/term support from a bear channel base projection, running through 1.5500 currently.

This has been seen, though rally attempts have been muted so far – resistance coming from the 1.5830 30-Dec low.

In the event of renewed strength bears don't want to see higher resistance from the small channel top projection (approaching 1.6200 now) exceeded at this stage.

Meanwhile, a break/close below 1.5500 would immediately expose the 1.5270 50% pullback – sometimes a good level in GBP-related markets. However, the power should be there to push lower shorter term, with a 1.5100 Fibi projection next on the list.

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