

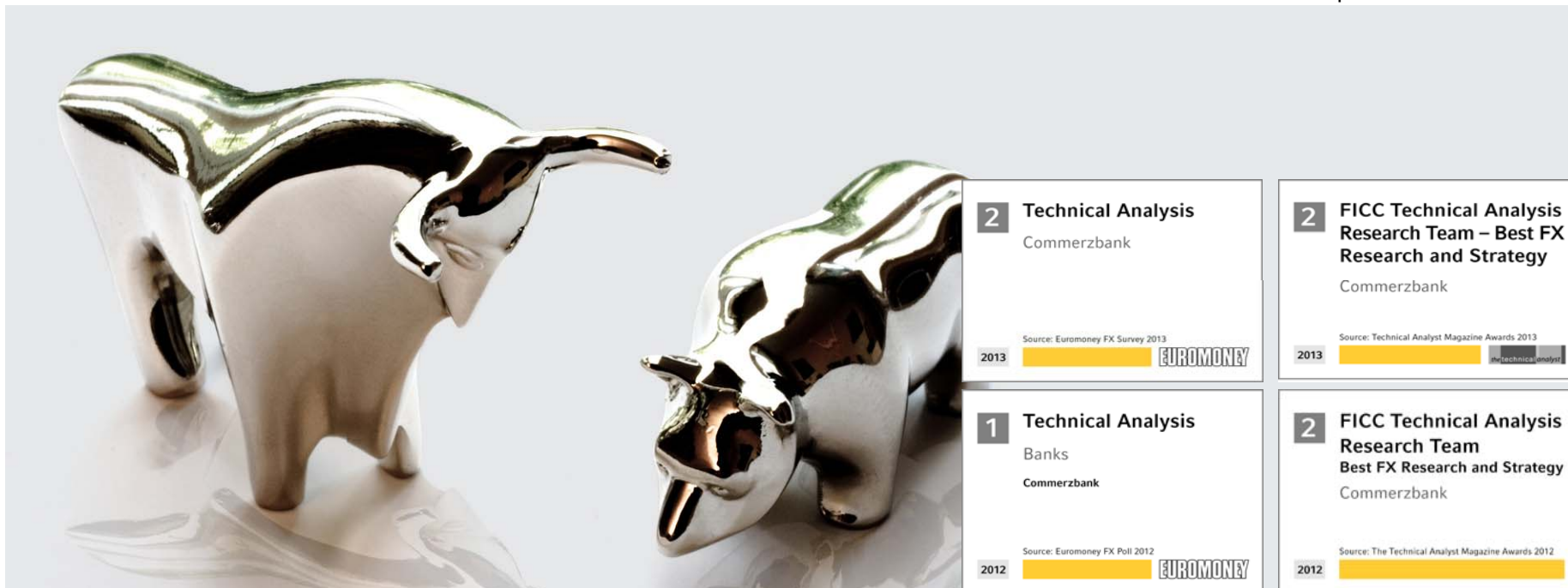
Chart Watch – FX Markets

Thursday, 04 July 2013

Outlook and Technical Highlights

Karen Jones
+44 207 475 1425
Karen.jones@commerzbank.com

Axel Rudolph
+44 207 475 5721
axel.rudolph@commerzbank.com



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FX Technical Outlook

Theme	Short term view (1–3 weeks)
The US Dollar low is in	<p>US Dollar index has rebounded off its 2 year uptrend at 82.50 and remains on track for the 8 year downtrend at 86.07.</p> <p>Near term EUR/USD has met target 1.2931/1.2885 and should see a small rebound ahead of further losses.</p> <p>There is some divergence of the daily RSI on the AUD/USD chart, however while capped by 0.9388/.9404 will remain directly offered.</p>
JY crosses are failing at the top of the daily clouds.	<p>EUR/JPY - Cloud resistance at 131.16, risks on downside to base of cloud at 126.47.</p> <p>USD/JPY – market failing at the top of the cloud at 101.28.</p> <p>Some caution warranted on other JY crosses – GBP/JPY has stalled at the top of the cloud at 154, but still holding trend line support at 149.40.</p>
FX vols are heading higher in the longer term	<p>EUR/USD 3 Month ATM implied Vol - Lots of resistance at 9.29/65 BUT looking like a longer term base.</p> <p>EUR/USD 1Y vol. Large base completes on a close above 9.6925.</p> <p>GBP/USD 3 mo ATM implied vol – an inverse head and shoulders pattern has completed.</p>
Latin American currencies are seeing some profit taking	<p>JP Morgan LACI Index has sold off to and is recovering from the 78.6% retracement support at 96.42.</p> <p>But MXN remains strong VS BRL</p>

Bullish and bearish trending signals

Bullish (ADX>20, MACD>0 and +DI>-DI)

Long Name	C1	C2	C3	C4
USDCZK Spot Exchange Rate - Price of 1 USD in CZK	✓	✓	✓	✓
USDPLN Spot Exchange Rate - Price of 1 USD in PLN	✓	✓	✓	✓
SWISS FRANC SPOT	✓	✓	✓	✓
NEW TURKISH LIRA SPOT	✓	✓	✓	✓
DOLLAR INDEX SPOT	✓	✓	✓	✓
NORWEGIAN KRONE SPOT	✓	✓	✓	✓
USD-SGD X-RATE	✓	✓	✓	✓
EUR-CZK X-RATE	✓	✓	✓	✓
BRAZILIAN REAL SPOT	✓	✓	✓	✓
RUSSIAN RUBLE SPOT	✓	✓	✓	✓
SWEDISH KRONA SPOT	✓	✓	✓	✓
JAPANESE YEN SPOT	✓	✓	✓	✓
USD SWAP SEMI 30/360 5YR	✓	✓	✓	✓

Bearish (ADX>20, MACD<0 and +DI<-DI)

Long Name	C1	C2	C3	C4
AUSTRALIAN DOLLAR SPOT	✓	✓	✓	✓
EURO SPOT	✓	✓	✓	✓
DAX INDEX	✓	✓	✓	✓

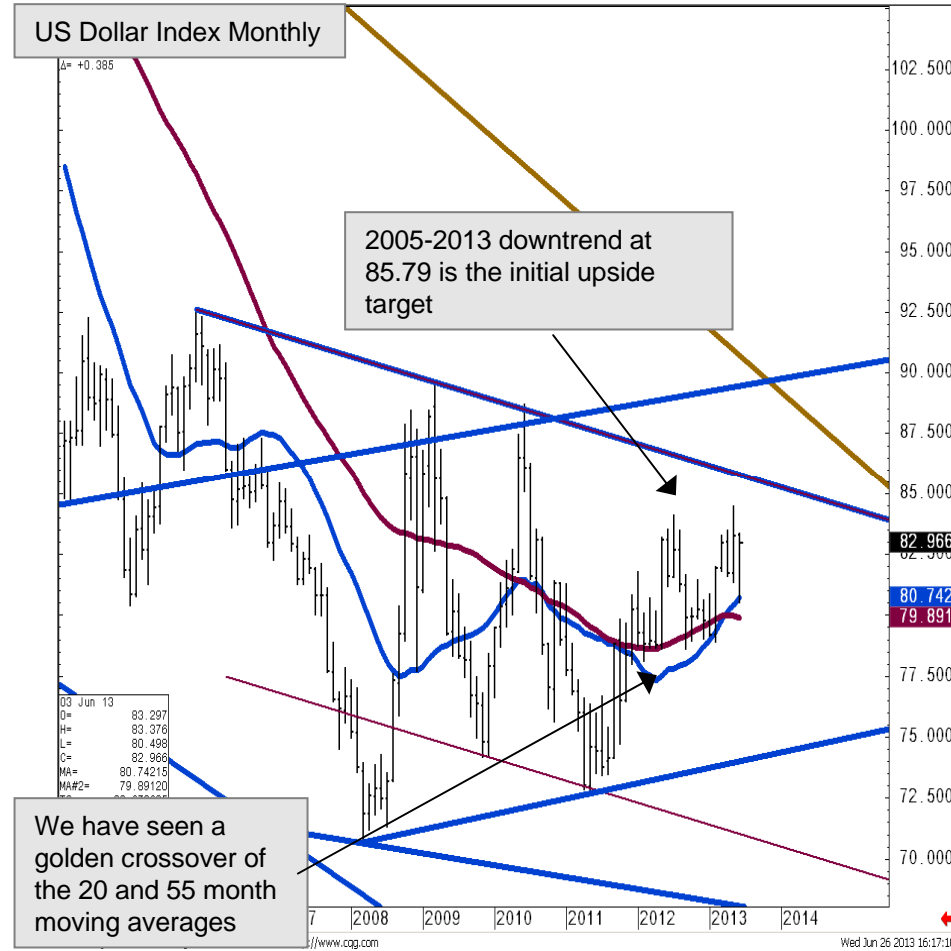
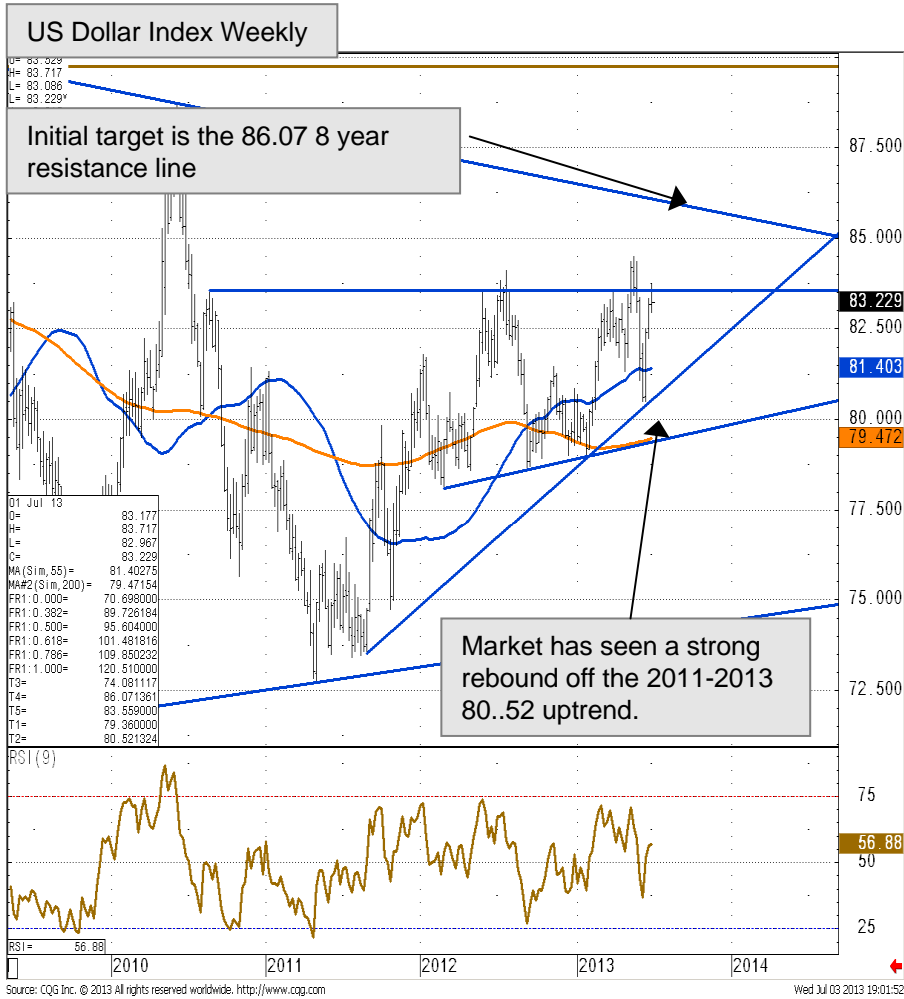
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Currency ranking vs the US Dollar for the past 5 days



Source Bloomberg 08.02AM

US Dollar is the low in??Yes



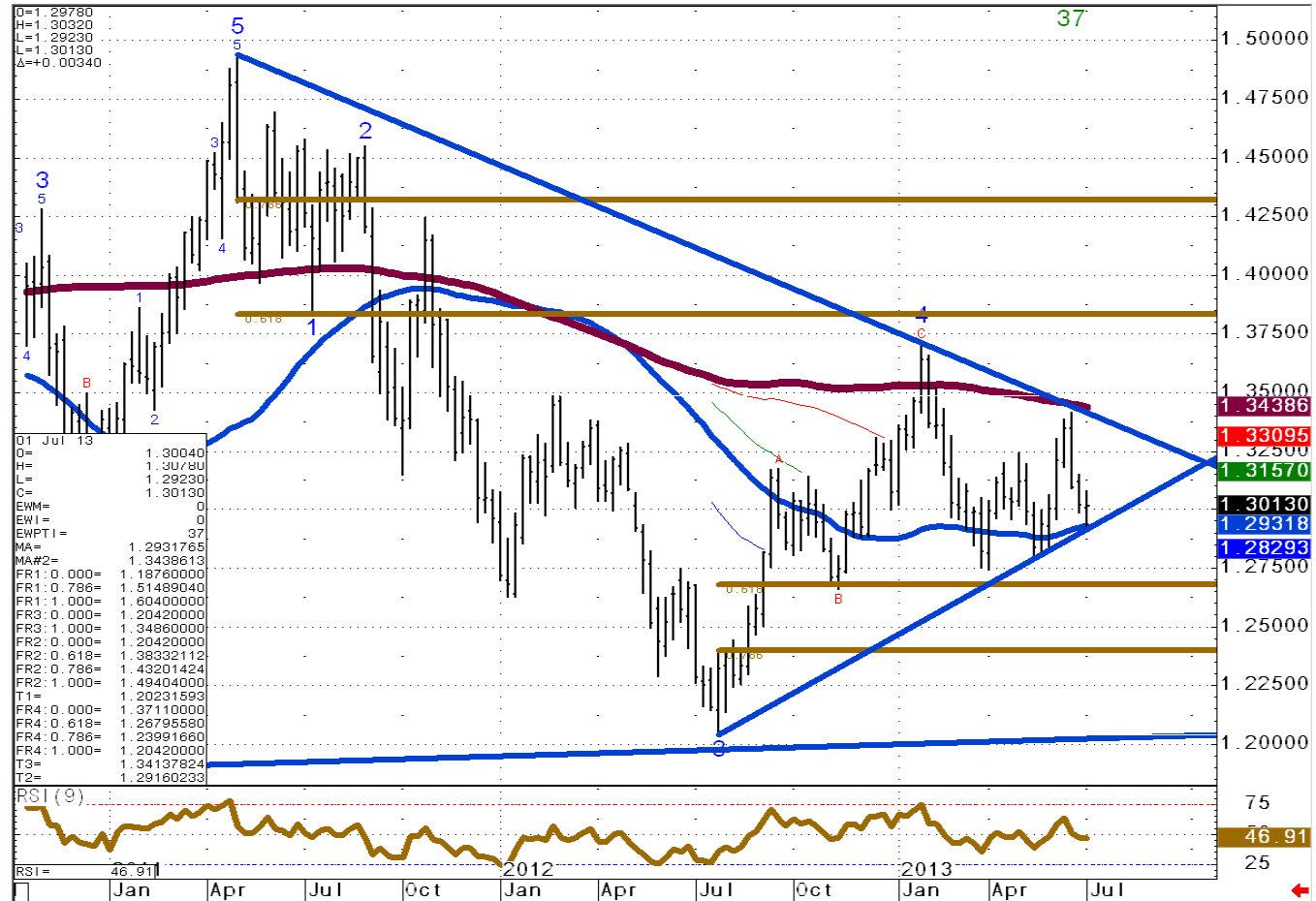
EUR/USD weekly chart

Market has sold off to the 55 week ma and uptrend, beyond a small rebound we look for this to be eroded.

EUR/USD has reached key support at 1.2931/1.2885, the 55 week moving average and the 2012-2013 uptrend and 78.6% retracement. We suspect this will hold the initial test ahead of losses to 1.2796, then the 1.2740 April low.

Rallies will have little to no impact while capped by the 1.3072/1.3103 resistance (55 and 200 day moving averages and the high from the 28th June). Key resistance remains 1.3414/39, the 200 week ma and the 2011-2013 resistance line.

Please note we would consider a weekly close below this 1.2885 zone as the trigger for a slide to 1.2661/80 and eventually 1.2051.

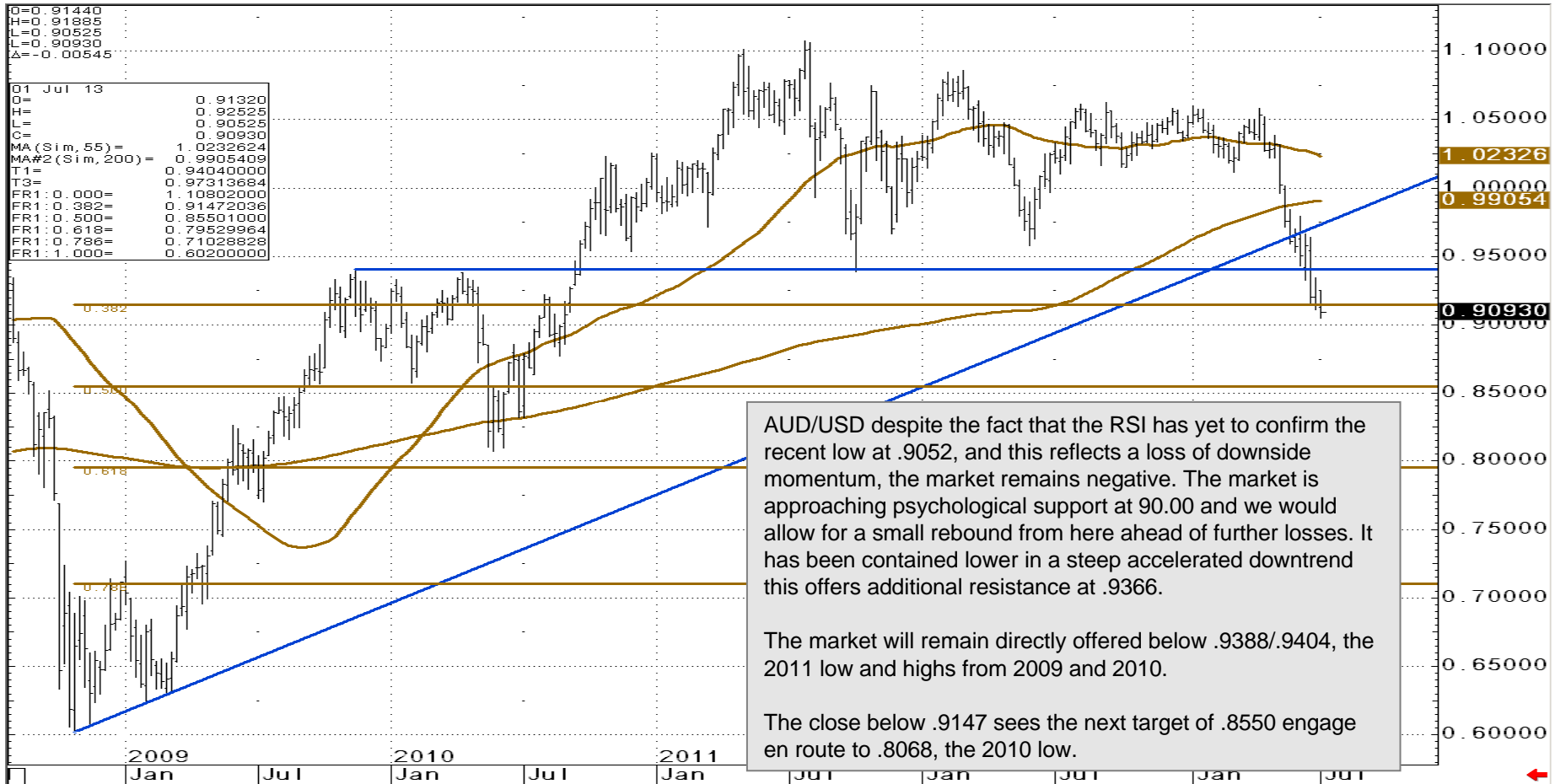


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AUD/USD weekly – one of our favourite trades

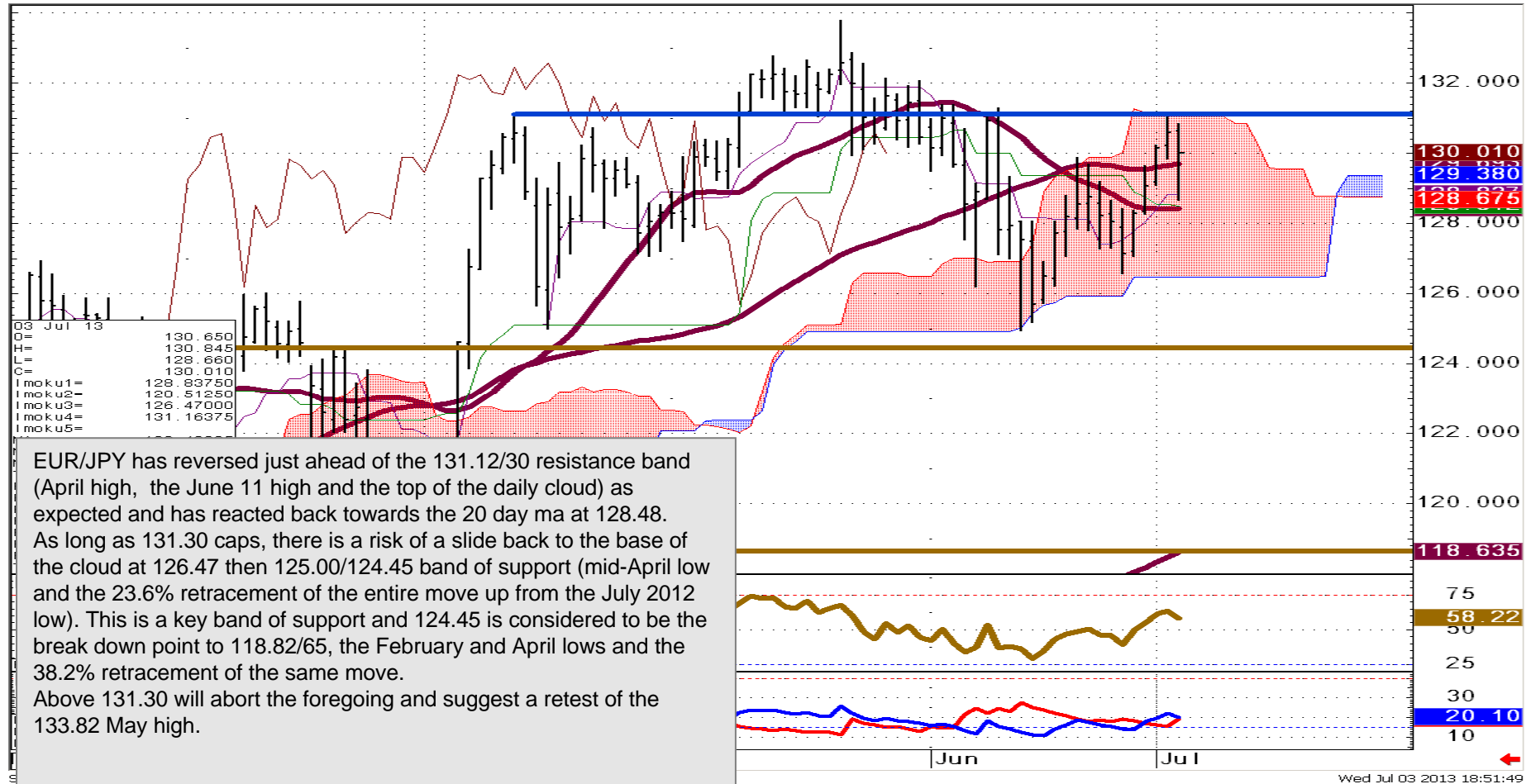
Continues to under perform. Remains directly offered below .9388/.9404



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JY crosses are failing at the top of the daily clouds.

EUR/JPY - Cloud resistance at 131.16, risks on downside to base of cloud at 126.47

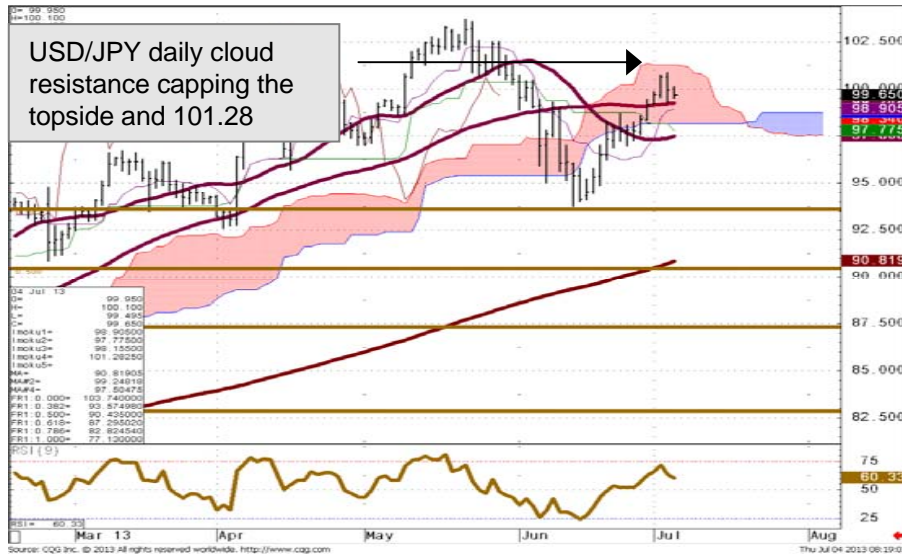


USD/JPY – market failing at the top of the cloud at 101.28

USD/JPY has I suspect temporarily topped just ahead of the 101.28 cloud, and also the previous uptrend, which now acts as resistance at 101.27 (see chart attached). We also note the 13 count on the 240 minute chart. All 3 suggest that we should see initial failure here.

In order for the chart pattern to come under pressure however we will need to see a break back below the base of the cloud at 98.15. Below here will leave the market on the defensive and likely to slide back to 97.27/96.44/95.25 en route to the 93.75 recent low.

Above the cloud will target the 103.74 May high.

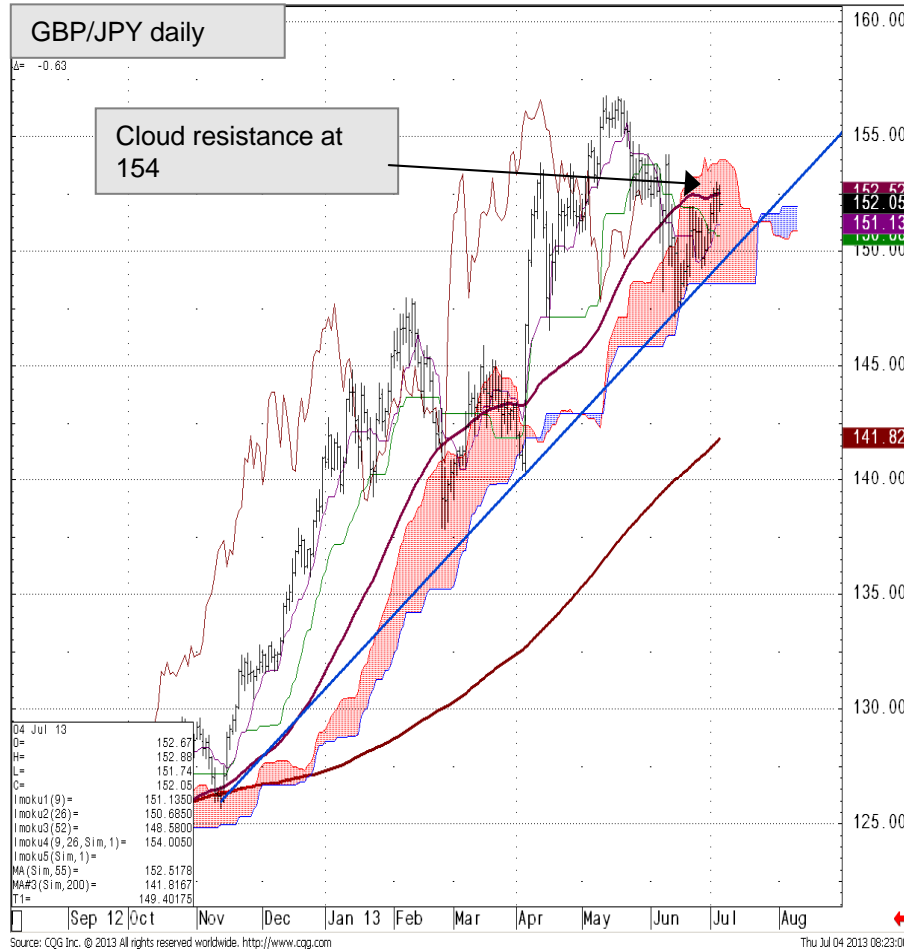


Daily USD/JPY Chart



Some caution warranted on JY crosses

GBP/JPY top of cloud at 154, but still holding trend line support at 149.40

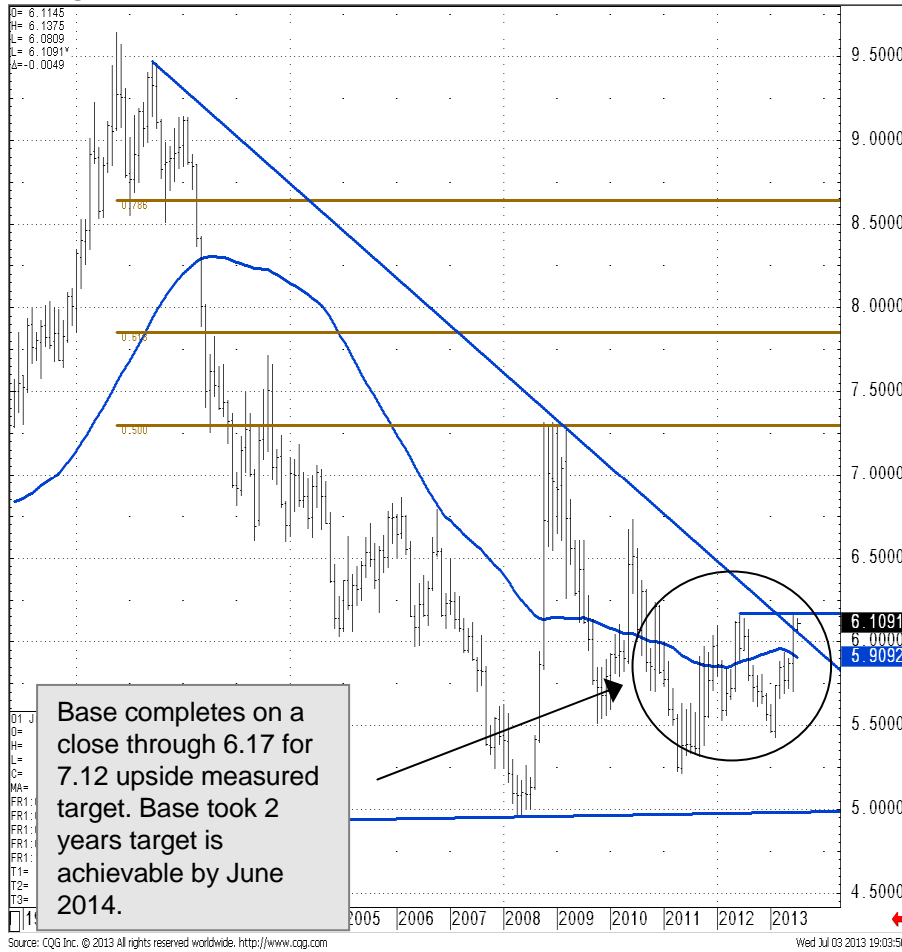


NOK/SEK – scope for the lows for past 9 years at 1.0730/20. However diverging RSI suggests some caution – tighten stops on shorts



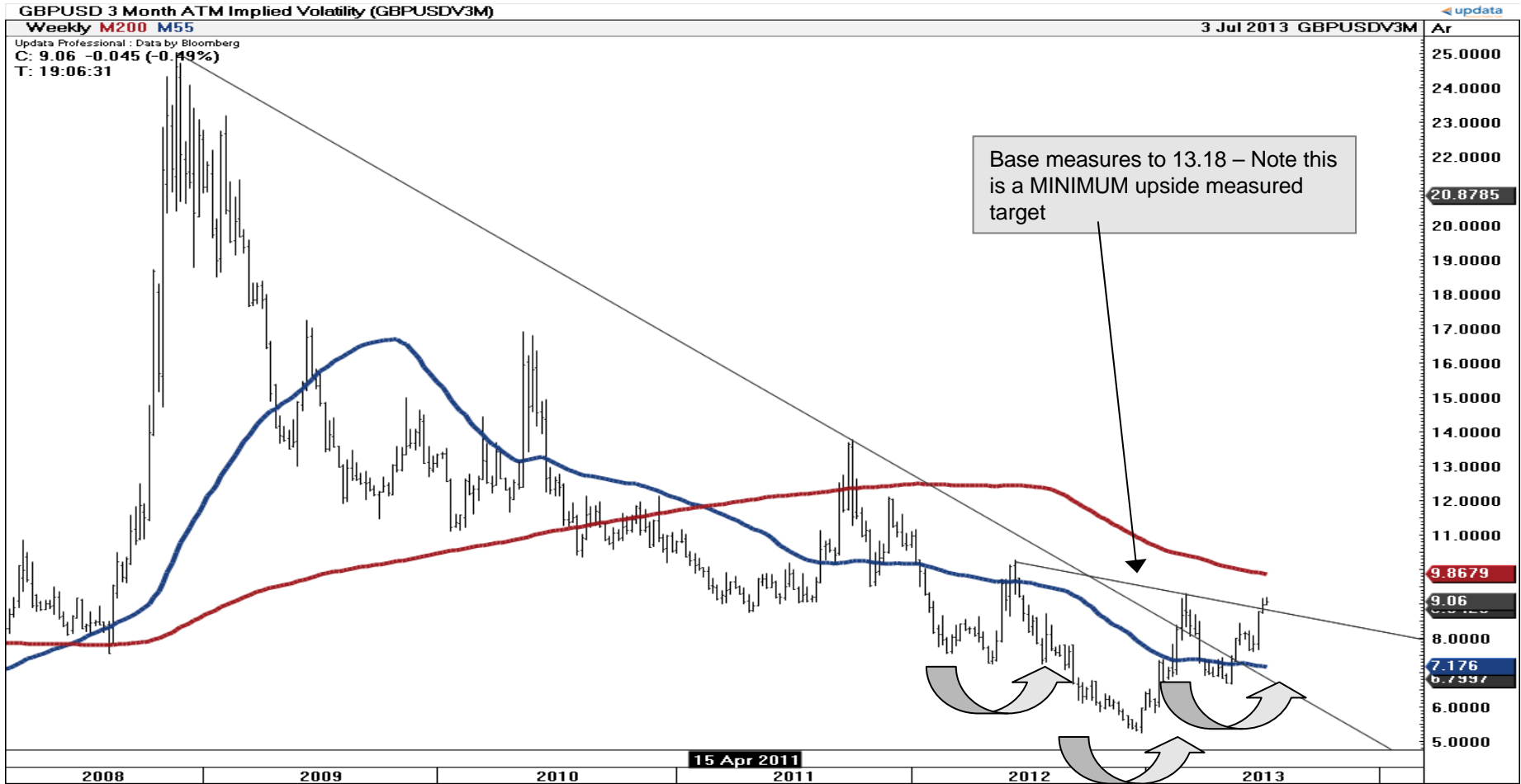
USD/NOK Monthly Chart

The 2001-2013 downtrend has been eroded a close above the 6.1704 2012 high will confirm a long term base



GBP/USD 3 mo ATM implied vol

Inverse head and shoulders has completed



EUR/USD 3 Month ATM implied Vol

Lots of resistance at 9.29/65 BUT looking like a longer term base.



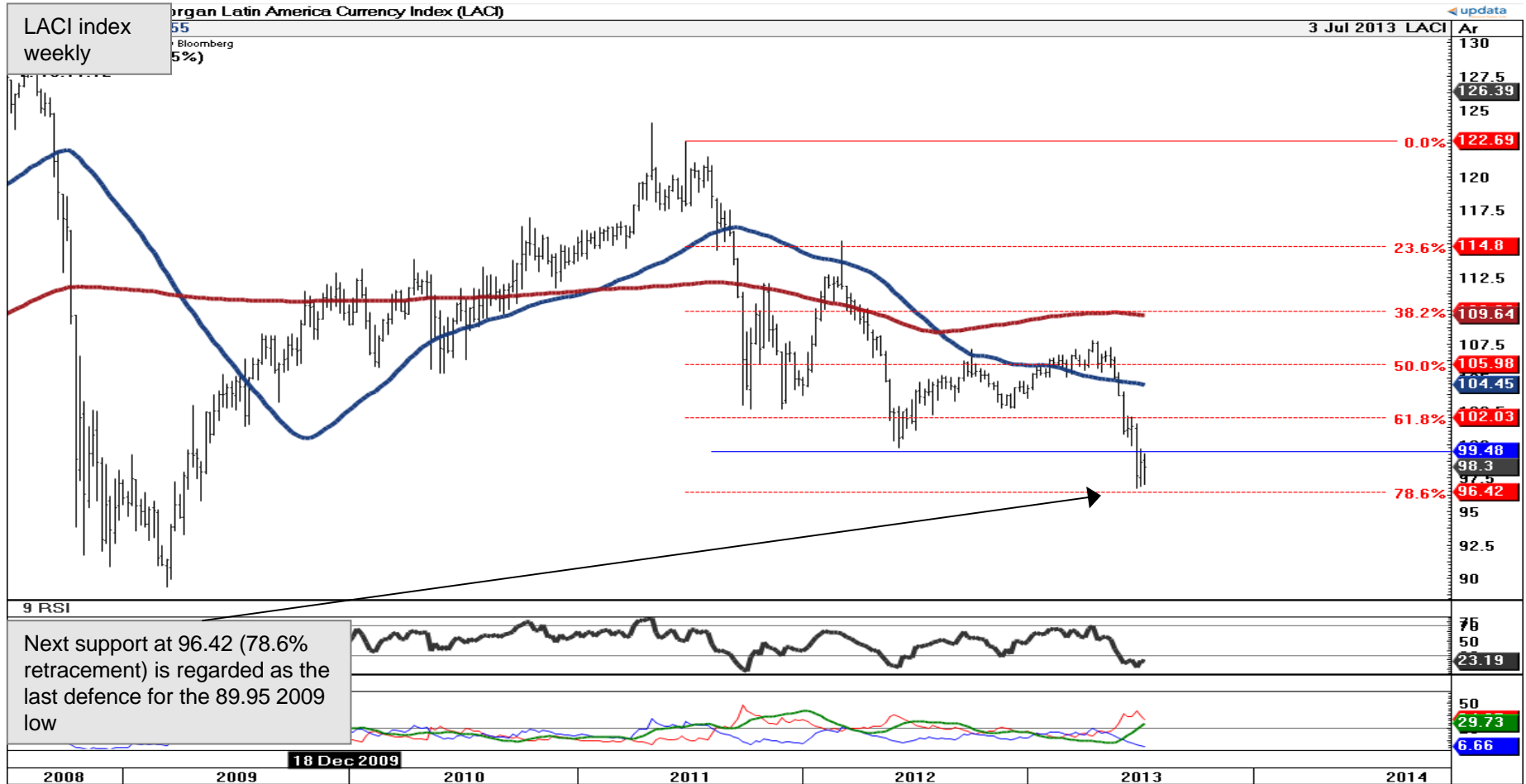
EUR/USD 1Y vol

Large base completes on a close above 9.6925



Latin America currencies are seeing some profit taking

JP Morgan LACI Index has sold off to and is recovering from the 78.6% retracement support at 96.42 – this is now the 3rd week at this support

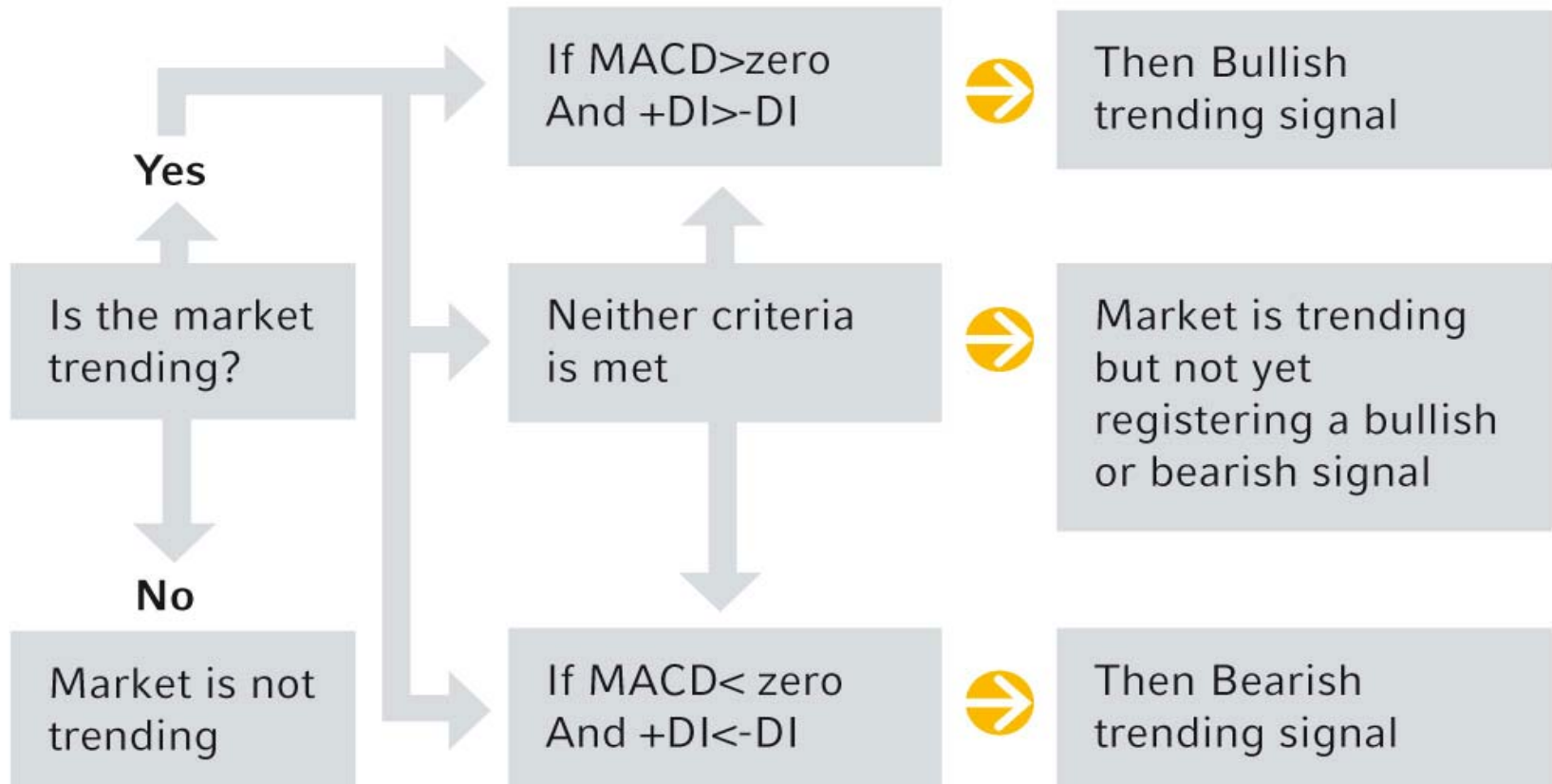


MXN/BRL weekly chart

May see some profit taking at the 0.1765/78.6% retracement. However while under pinned by the 55 week ma at 0.1595, the bullish trend is preserved. Beyond 0.1765 targets 0.1900/15



Trending Filter



Glossary

ADX

J. Welles Wilder developed the Average Directional Index (**ADX**) to evaluate the strength of a current trend. The ADX is an oscillator that fluctuates between 0 and 100. Even though the scale is from 0 to 100, readings above 60 are relatively rare. Low readings, below 20, indicate that the market is not trending and high readings, above 40, indicate a strong trend. It does not determine if the trend is bullish or bearish BUT just establishes whether a trending situation exists.

DI+ = positive directional indicator, DI- = negative directional indicator. Buy and sell signals are generated when DI+ and DI – crossover.

Moving Average Convergence/Divergence (**MACD**),

MACD uses moving averages, which are lagging indicators, to include some trend-following characteristics. These lagging indicators are turned into a momentum oscillator by subtracting the longer moving average from the shorter moving average. The resulting plot forms a line that oscillates above and below zero, without any upper or lower limits. There are many ways to use this indicator but the simplest is that when above zero is denotes market strength and when below zero denotes market weakness.

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For important disclosure information please see pages 14 and 15

Karen Jones
+44 202 475 1620
karen.jones@commerzbank.com

Azul Rutiglian
+44 202 475 6721
azul.rutiglian@commerzbank.com

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Karen Jones
+44 202 475 1620
karen.jones@commerzbank.com

Azul Rutiglian
+44 202 475 6721
azul.rutiglian@commerzbank.com

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Azul Rutiglian
+44 202 475 6721
azul.rutiglian@commerzbank.com

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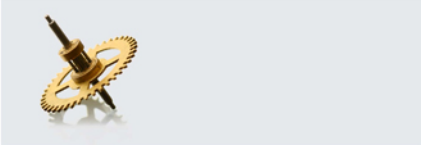


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Azul Rutiglian
+44 202 475 6721
azul.rutiglian@commerzbank.com

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Azul Rutiglian
+44 202 475 6721
azul.rutiglian@commerzbank.com

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Karen Jones
+44 202 475 1620
karen.jones@commerzbank.com

Azul Rutiglian
+44 202 475 6721
azul.rutiglian@commerzbank.com

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Azul Rutiglian
+44 202 475 6721
azul.rutiglian@commerzbank.com

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Karen Jones
+44 202 475 1620
karen.jones@commerzbank.com

Azul Rutiglian
+44 202 475 6721
azul.rutiglian@commerzbank.com

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Tel: + 49 69 136 21200	Tel: + 44 207 623 8000	Tel: + 1 212 703 4000	Tel: +65 631 10000	Tel: +852 3988 0988