

Chart Watch – FX Markets

Thursday, 19 September 2013

Outlook and Technical Highlights

Karen Jones

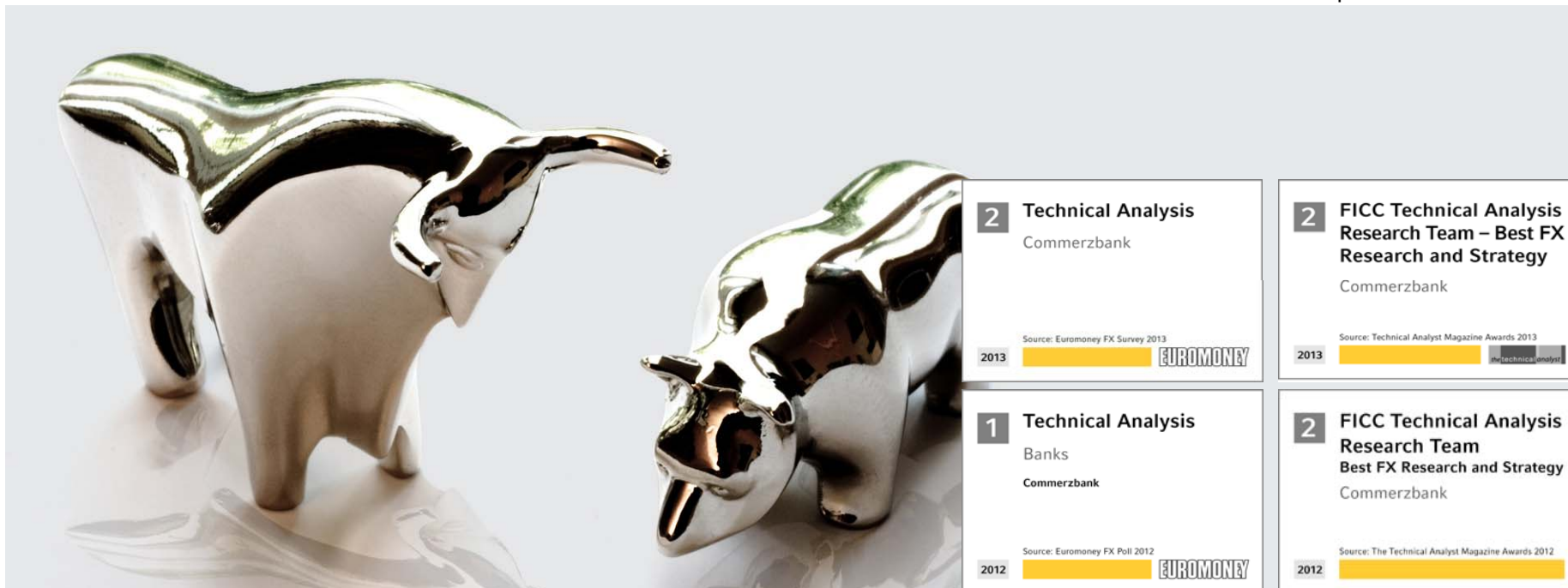
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FX Technical Outlook

| Themes | Short term view (1–3 weeks) |
|--|--|
| US Dollar damaged, but has not yet been dealt the 'killing blow' | <p>USD/CHF holds the 2012-2013 uptrend at .9092.</p> <p>USD/JPY holds its 3 month uptrend support at 97.36.</p> <p>EUR/USD breaks key short term resistance and attention reverts to the 1.3711 2013 high. This will need to be overcome on a weekly closing basis to confirm further significant upside intent.</p> <p>US Dollar Index has severed its 80.99 2011-2013 uptrend. Attention/focus is now on the 200 week ma and the 2012 uptrend at 79.78/55. This must hold for the Dollar to regain stability</p> <p>GBP/USD massive acceleration higher has left the market well placed to re-challenge the 1.6333 2009-2013 downtrend.</p> <p>AUD/USD has eroded key short term resistance and this has opened the way for a deeper rally short term.</p> |
| Emerging currencies are notably strong - TRY, BRL, ZAR | <p>USD/TRY has severed the uptrend and the 55 day ma and looks set to sell off further to the 1.9160 50% retracement and possibly the 1.8990 July low - this is key support medium term.</p> <p>USD/ZAR - Sell off introduces potential for a slide back to the 2011-2013 uptrend at 9.2917</p> <p>USD/BRL under pressure to sell off to the 2.1419 December 2012 high.</p> |
| Exit EUR/GBP shorts | Exit EUR/GBP Shorts - major divergence of the daily RSI and 13 count points to recovery |
| NOK strength is evident | EUR/NOK's acceleration lower has breached the 38.2% retracement at 7.81, looking for a move back to the 7.7659 July low and potentially the 7.7071 50% retracement. NOK/SEK looks has held the 8.50 support and looks like it is attempting to base. |

Technical Trade Ideas

| Date | Instrument | Trade Idea | Stop | Take Profit | Outcome | P&L |
|------------|----------------|----------------------------|-------------|-------------|------------------------------|-------|
| 18.09.2013 | GBP/USD | Sell at market, add 1.6000 | Stop 1.6050 | 1.5500 | Short 1.5955, stopped 1.6050 | -0.6% |

Bullish and bearish trending signals

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

| Long Name | C1 | C2 | C3 | C4 |
|-------------------------|----|----|----|----|
| Generic 1st 'TY' Future | ✓ | ✓ | ✓ | ✓ |
| EUR-SKK X-RATE | ✓ | ✓ | ✓ | ✓ |
| S&P 500 INDEX | ✓ | ✓ | ✓ | ✓ |
| CAD-JPY X-RATE | ✓ | ✓ | ✓ | ✓ |
| NEW ZEALAND DOLLAR SPOT | ✓ | ✓ | ✓ | ✓ |
| AUSTRALIAN DOLLAR SPOT | ✓ | ✓ | ✓ | ✓ |
| BRITISH POUND SPOT | ✓ | ✓ | ✓ | ✓ |
| GBP-JPY X-RATE | ✓ | ✓ | ✓ | ✓ |
| AUD-JPY X-RATE | ✓ | ✓ | ✓ | ✓ |
| EURO SPOT | ✓ | ✓ | ✓ | ✓ |
| FTSE 100 INDEX | ✓ | ✓ | ✓ | ✓ |
| DAX INDEX | ✓ | ✓ | ✓ | ✓ |
| LME TIN 3MO (\$) | ✓ | ✓ | ✓ | ✓ |

Bearish (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 | ✓ | ✓ | ✓ | ✓ |
| USDHUF Spot Exchange Rate - Price of 1 USD in HUF | ✓ | ✓ | ✓ | ✓ |
| USDKRW Spot Exchange Rate - Price of 1 USD in KRW | ✓ | ✓ | ✓ | ✓ |
| SWISS FRANC SPOT | ✓ | ✓ | ✓ | ✓ |
| DOLLAR INDEX SPOT | ✓ | ✓ | ✓ | ✓ |
| NORWEGIAN KRONE SPOT | ✓ | ✓ | ✓ | ✓ |
| Heating Oil Future (continuous) | ✓ | ✓ | ✓ | ✓ |
| RUSSIAN RUBLE SPOT | ✓ | ✓ | ✓ | ✓ |
| SWEDISH KRONA SPOT | ✓ | ✓ | ✓ | ✓ |
| Generic 1st 'DU' Future | ✓ | ✓ | ✓ | ✓ |
| EUR-HUF X-RATE | ✓ | ✓ | ✓ | ✓ |
| EUR-ZAR X-RATE | ✓ | ✓ | ✓ | ✓ |
| EUR-AUD X-RATE | ✓ | ✓ | ✓ | ✓ |
| EUR-NZD X-RATE | ✓ | ✓ | ✓ | ✓ |
| EUR-NOK X-RATE | ✓ | ✓ | ✓ | ✓ |
| EUR-RUB X-RATE | ✓ | ✓ | ✓ | ✓ |
| EUR-SEK X-RATE | ✓ | ✓ | ✓ | ✓ |
| JPY SWAP 5 YR | ✓ | ✓ | ✓ | ✓ |
| JPY SWAP 10 YR | ✓ | ✓ | ✓ | ✓ |

NB: This is NOT a model and is intended for reference only. It is a basic system to determine if a market is trending or not. It cannot judge strength of support or resistance or whether various momentum oscillators have diverged. For this reason it is possible that the we will occasionally hold a different position to that indicated by the tables above.

Currency ranking vs the US Dollar for the past 5 days



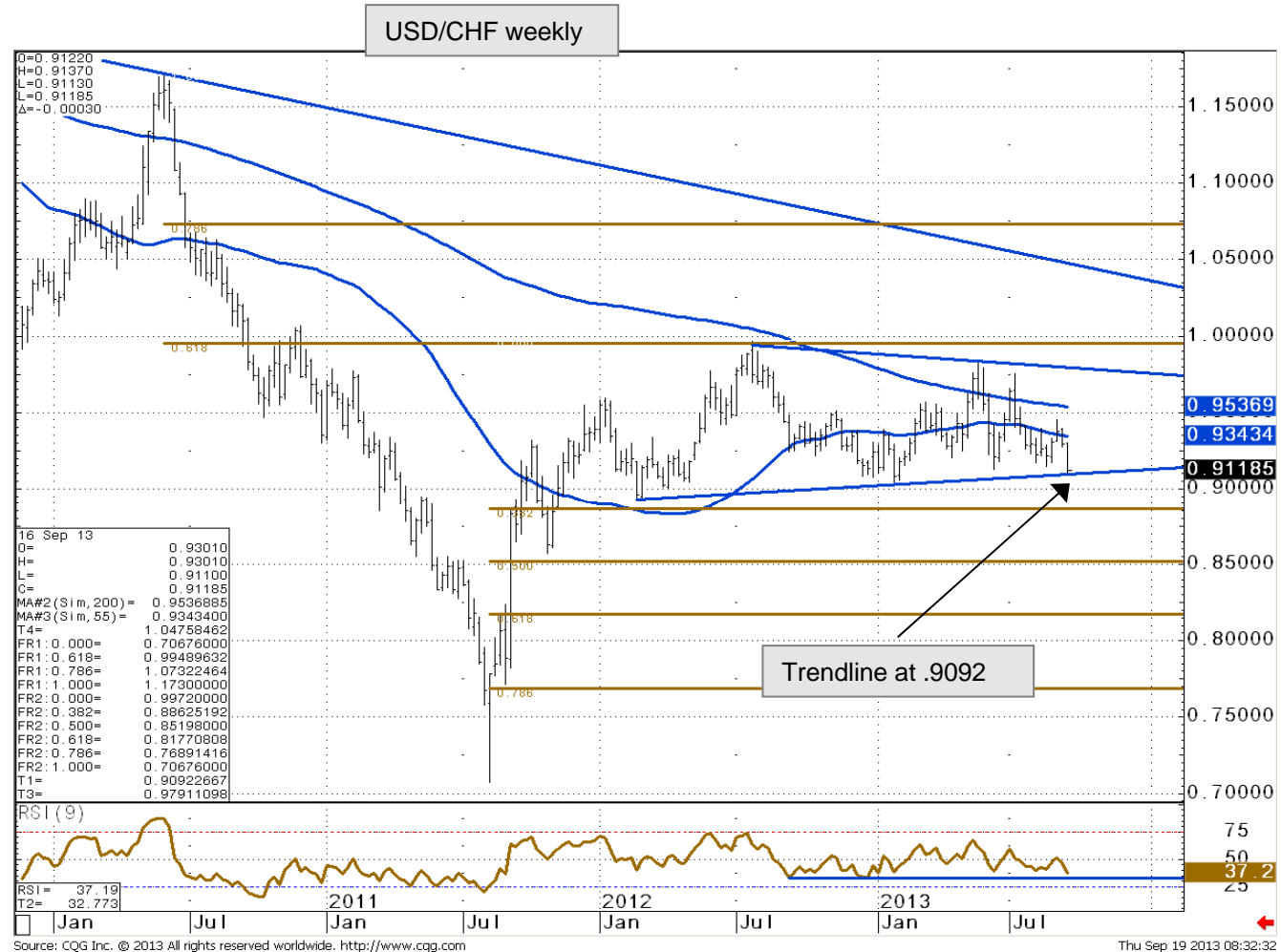
Source Bloomberg 10.12 AM

Dollar crushed - but holds key support VS CHF and JPY

USD/CHF holds the 2012-2013 uptrend at .9092

USD/CHF has crashed lower to the 2012-2013 support line lies at .9092. Currently our favoured view is for losses to hold this uptrend, however we would need to see a rapid bounce back above the .9146 August low just to alleviate immediate downside pressure and signal a return to .9261 – the 23.6% retracement of the move down from July.

Failure to hold over .9090 will see USD/CHF sell off to the .9023 2013 low and then the .8931 2012 low.



USD/JPY holds its 3 month uptrend support at 97.36

Neutral to positive bias remains while above here

USD/JPY has sold off towards, but recovered well ahead of the 97.36 support line. The market has held its cloud support at 97.64 and should recover from here.

Our initial upside target is the 100.62 September high then 101.54/60 July high and the Fibonacci retracement, with a long term Fibonacci retracement offering a 105.48 resistance point above here.

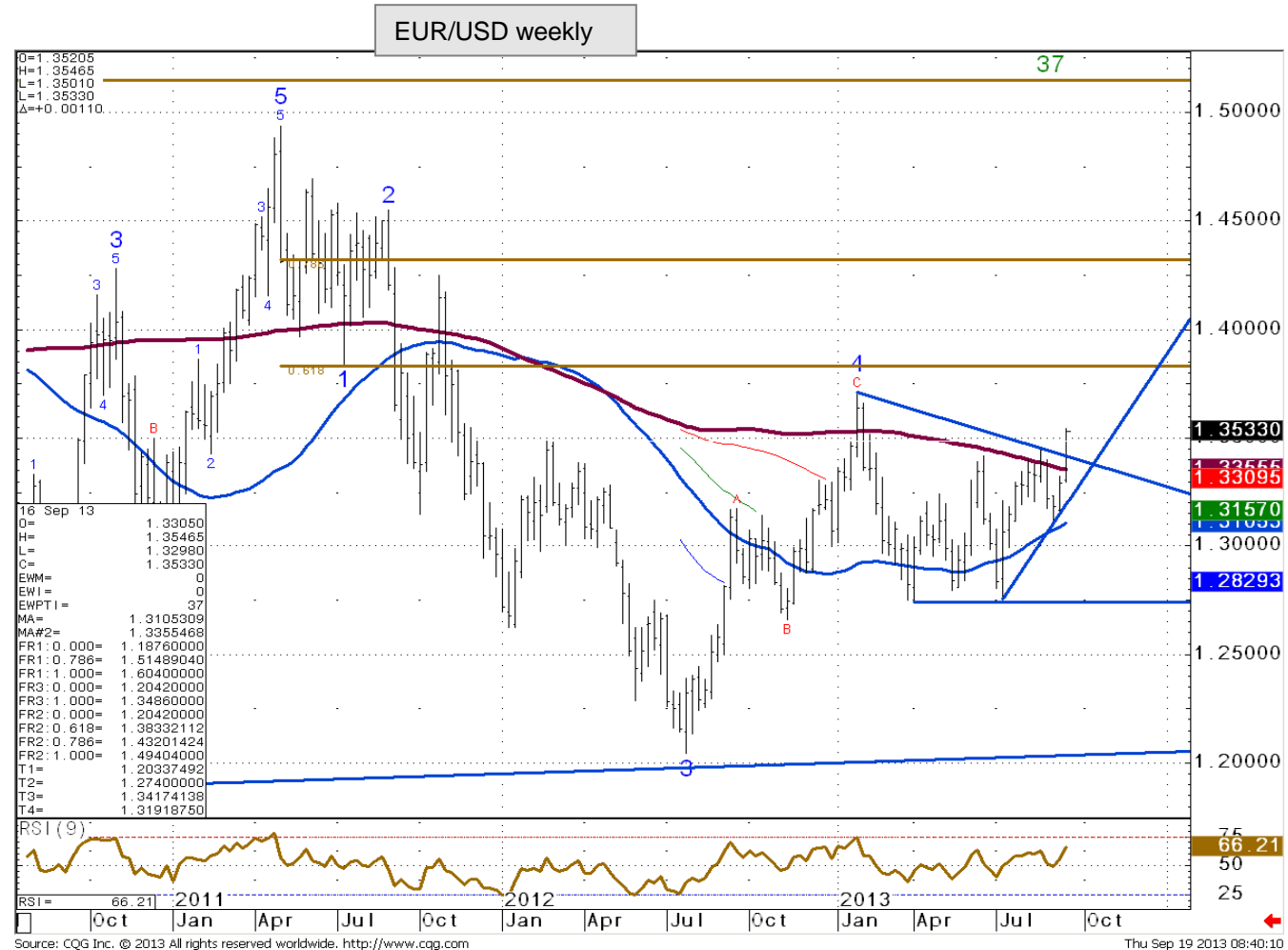
Below 97.36 we would revert to neutral as the risk will increase of further slippage to the 200 day ma at 95.89.



EUR/USD breaks key short term resistance and attention reverts to the 1.3711 2013 high

EUR/USD – has cleared the 1.3453 August high and the 1.3520 February high together with the 78.6% retracement of the sell off seen this year. , but is unlikely to reach the 1.3711 January high. The market remains bid above the 1.3373 accelerated uptrend and the risk has increased that we will see an attempt made on the 1.3711 February high

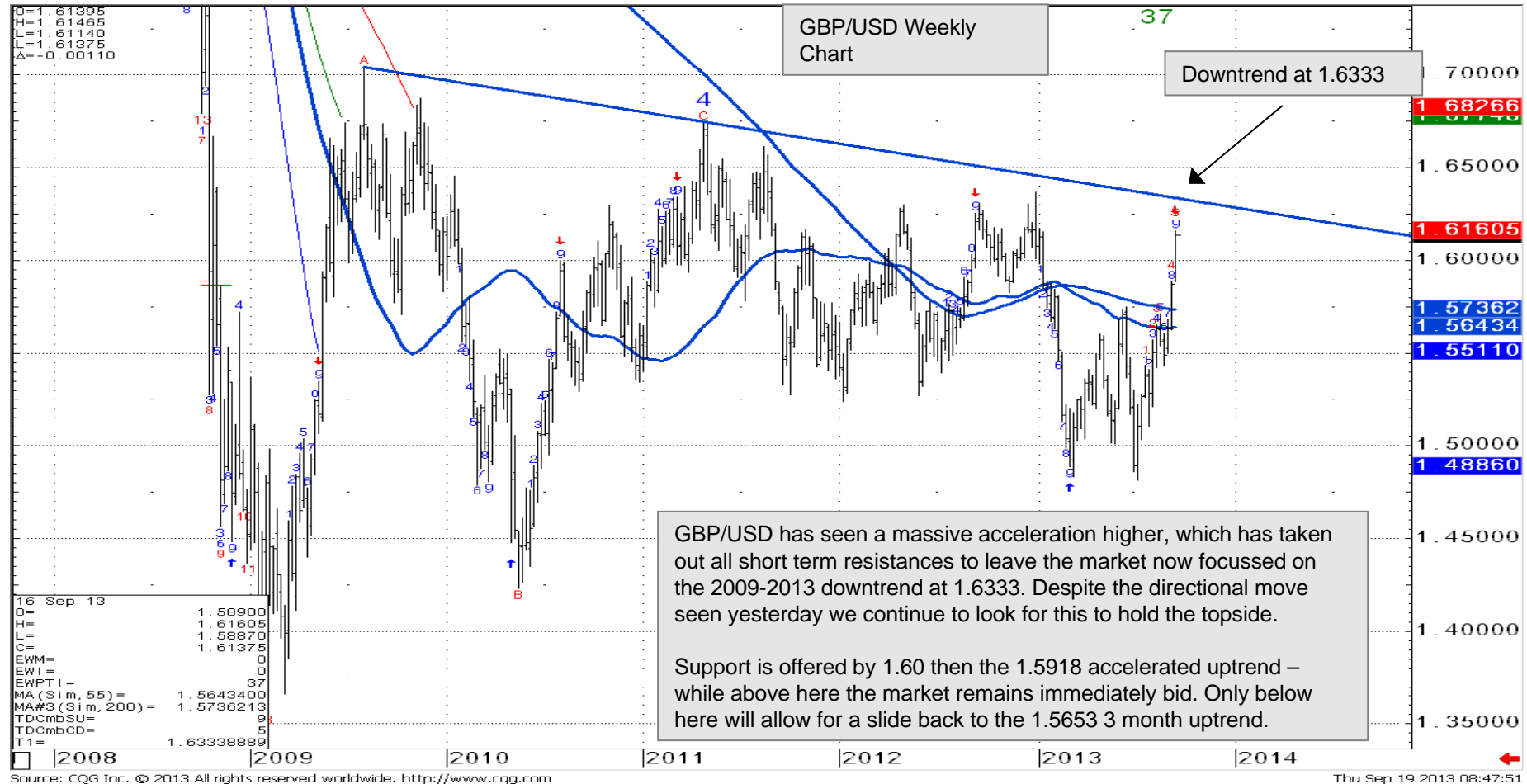
Initial support is the 1.3453 August high above the 1.3373 accelerated uptrend – only a close below here would alleviate immediate upside pressure and signal a slide back to the 1.3241/1.3163 55 and 200 day ma.



This has hurt the US dollar - US Dollar Index has severed its 2011-2013 uptrend



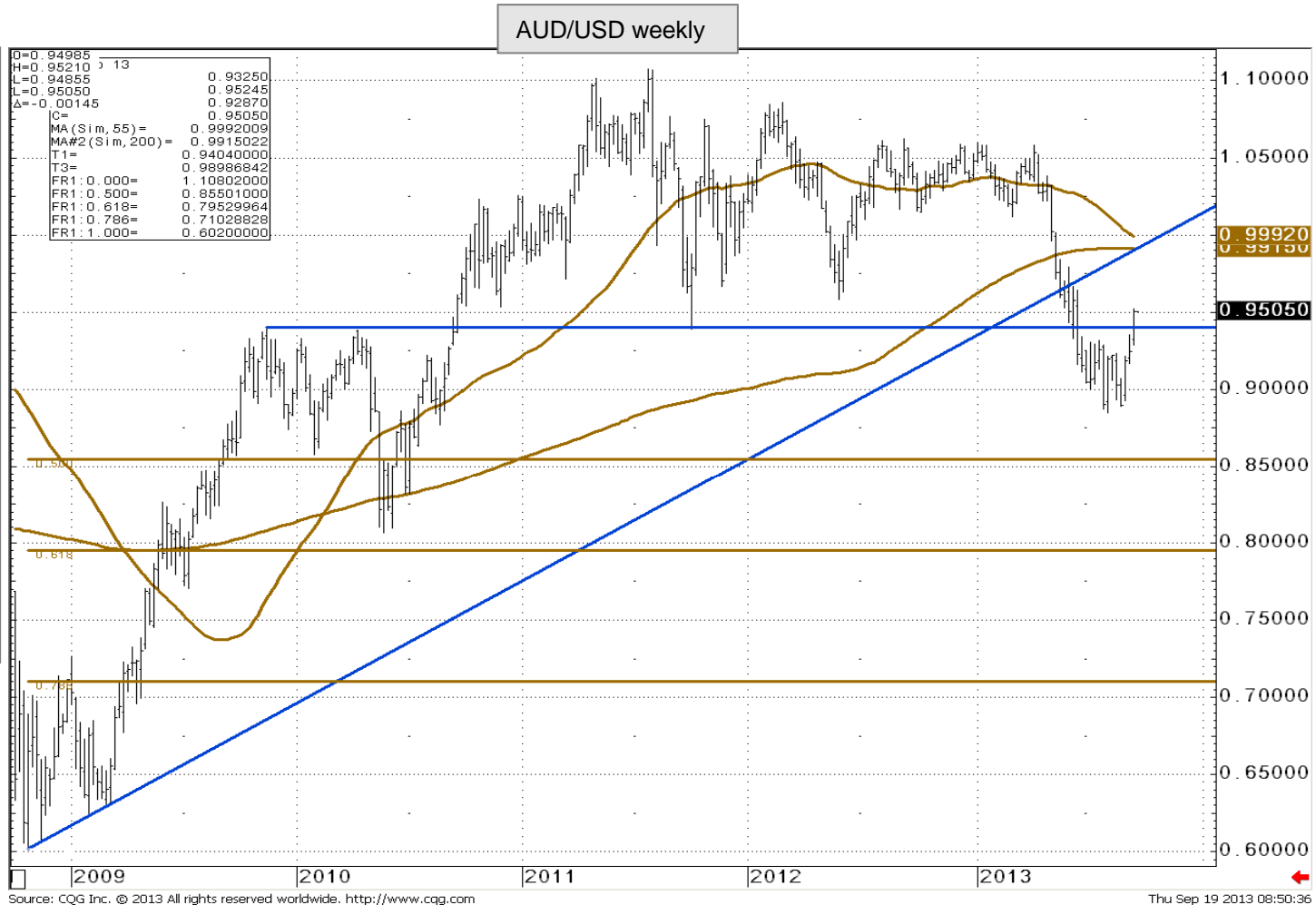
GBP/USD massive acceleration higher has left the market well placed to re-challenge the 1.6333 2009-2013 downtrend



AUD/USD has eroded key short term resistance and this has opened the way for a deeper rally short term

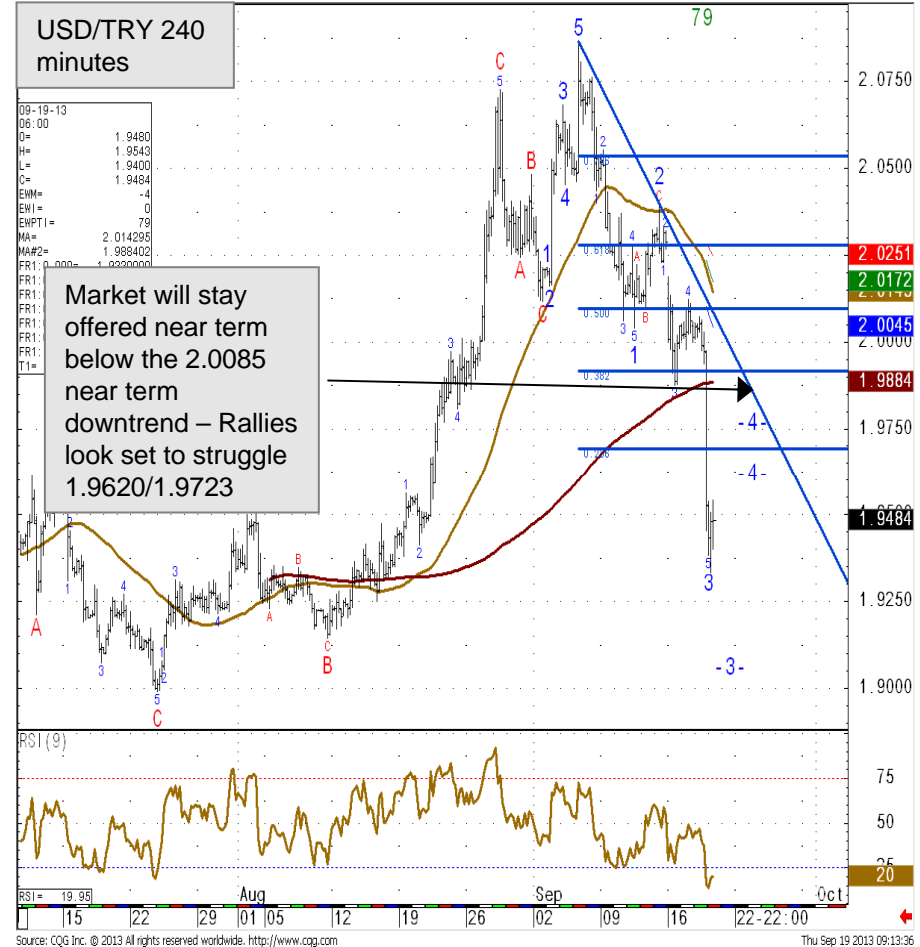
AUD/USD has eroded key resistance, at .9388/.9404 (2011 low and 2009 high) and channel resistance at .9436 and accelerated higher to the .9510 Fibonacci retracement. While it is likely to consolidate here, we look for dips lower to hold over the 0.9350 accelerated uptrend and while above here it will remain bid.

Immediate resistance is the .9580 May 2012 low and then the .9665 June high and the .9715 50% retracement of the move down from April.



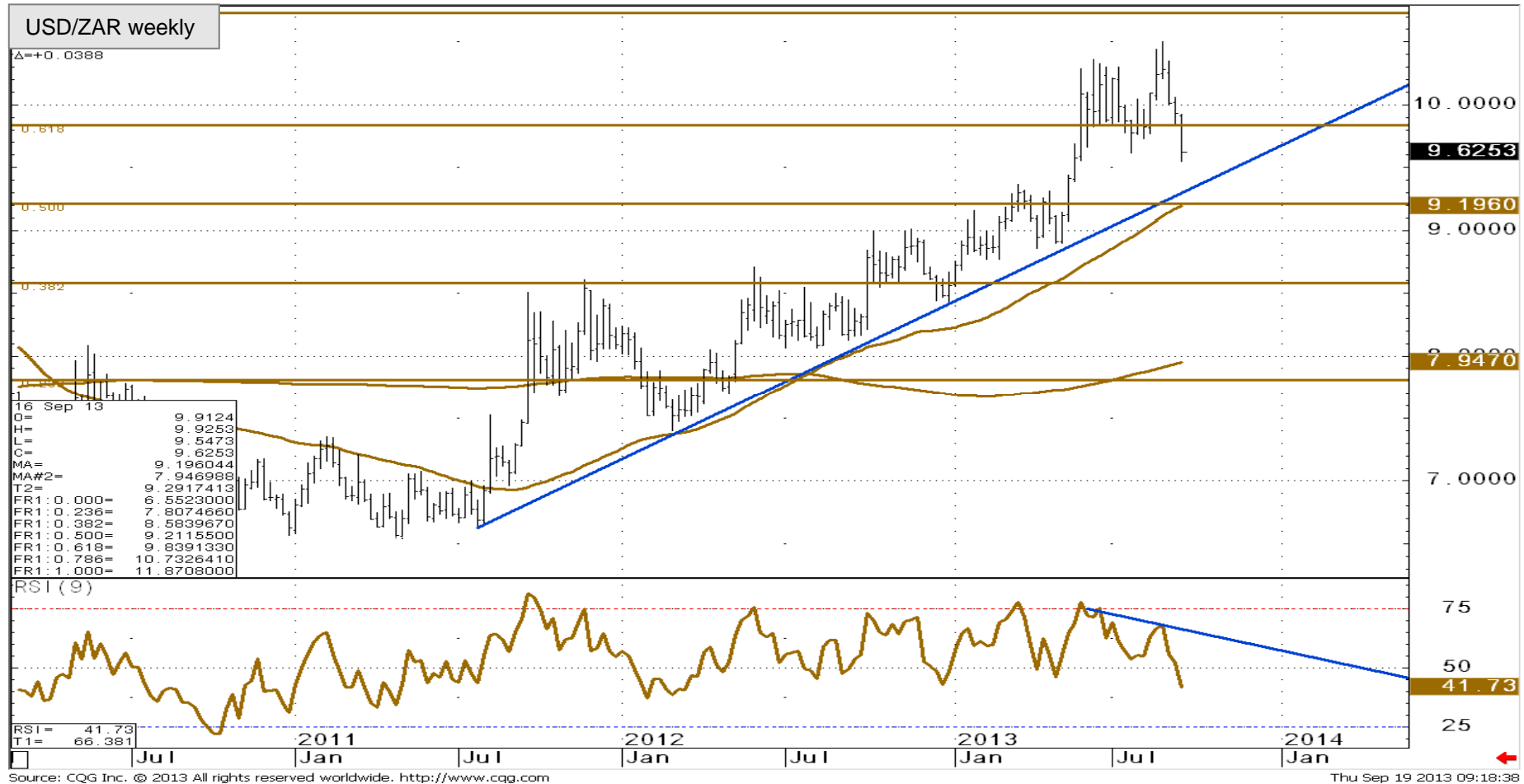
Emerging currencies are notably strong - TRY, BRL, ZAR

USD/TRY has severed the uptrend and the 55 day ma and looks set to sell off further to the 1.9160 50% retracement and possibly the 1.8990 July low - this is key support medium term



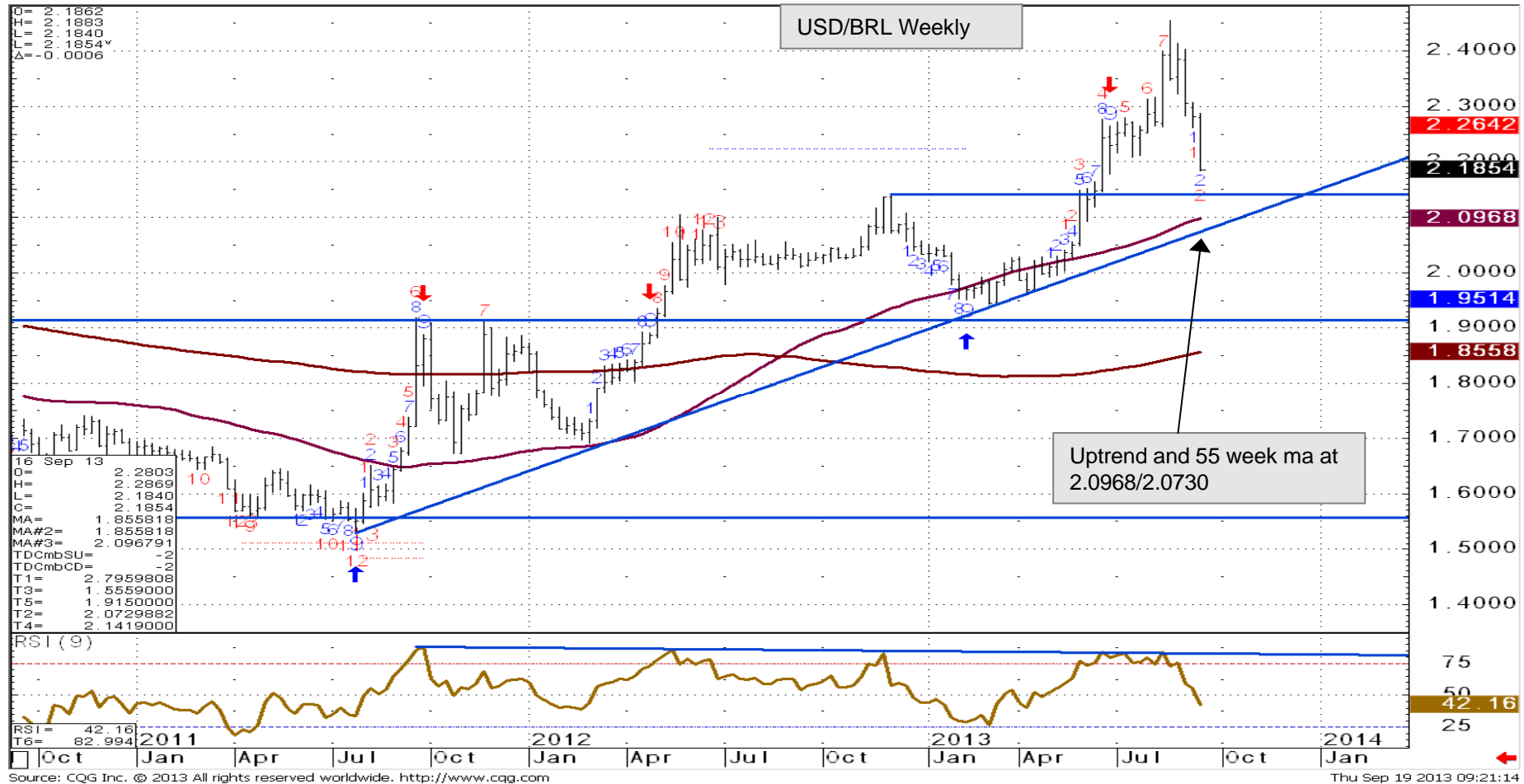
One to go back on the radar - USD/ZAR

Sell off introduces potential for a slide back to the 2011-2013 uptrend at 9.2917



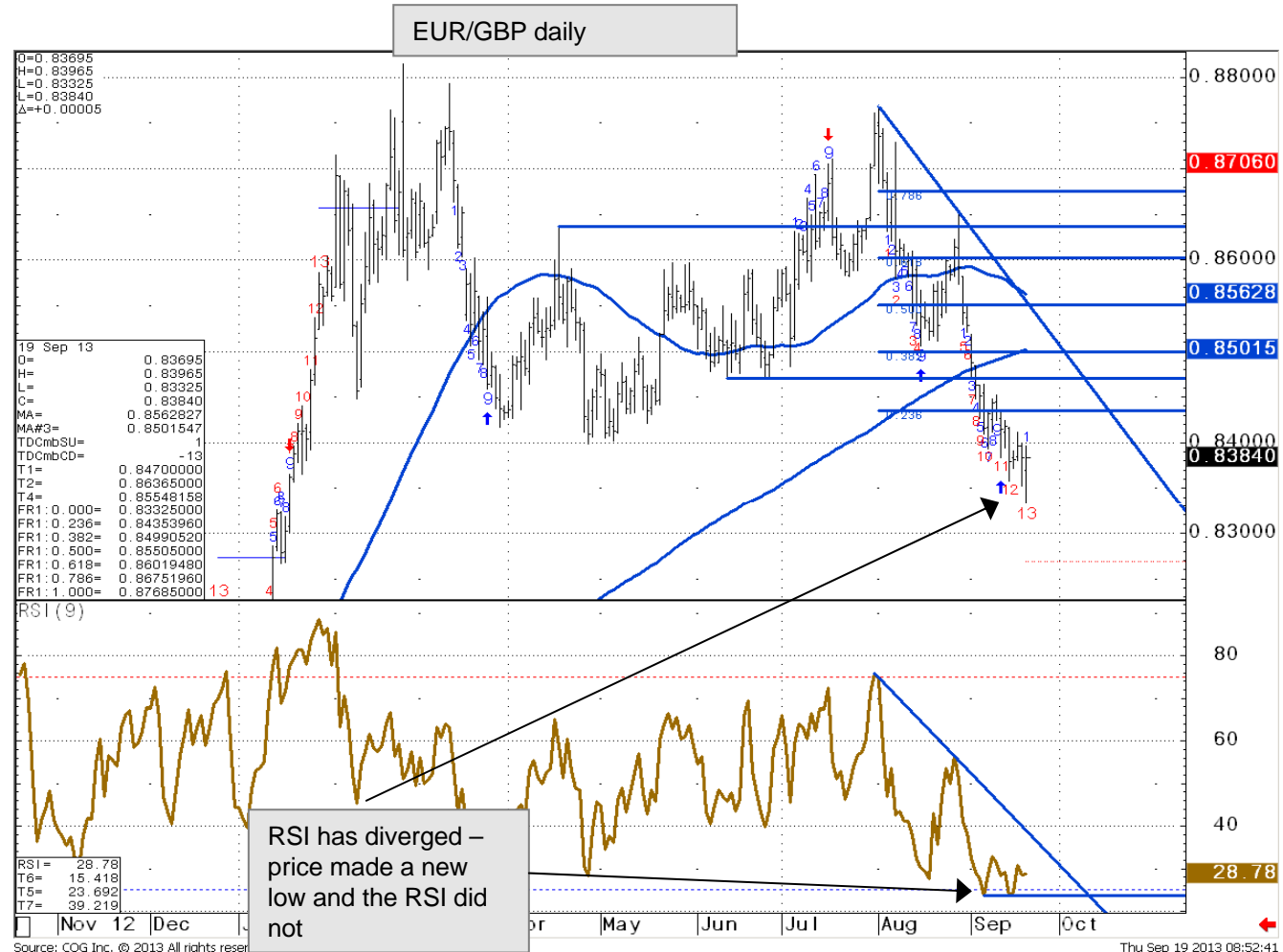
USD/BRL under pressure to sell off to the 2.1419 December 2012 high

Key support remains the 2.0962/2.0730 55 week ma and 2011-2013 uptrend



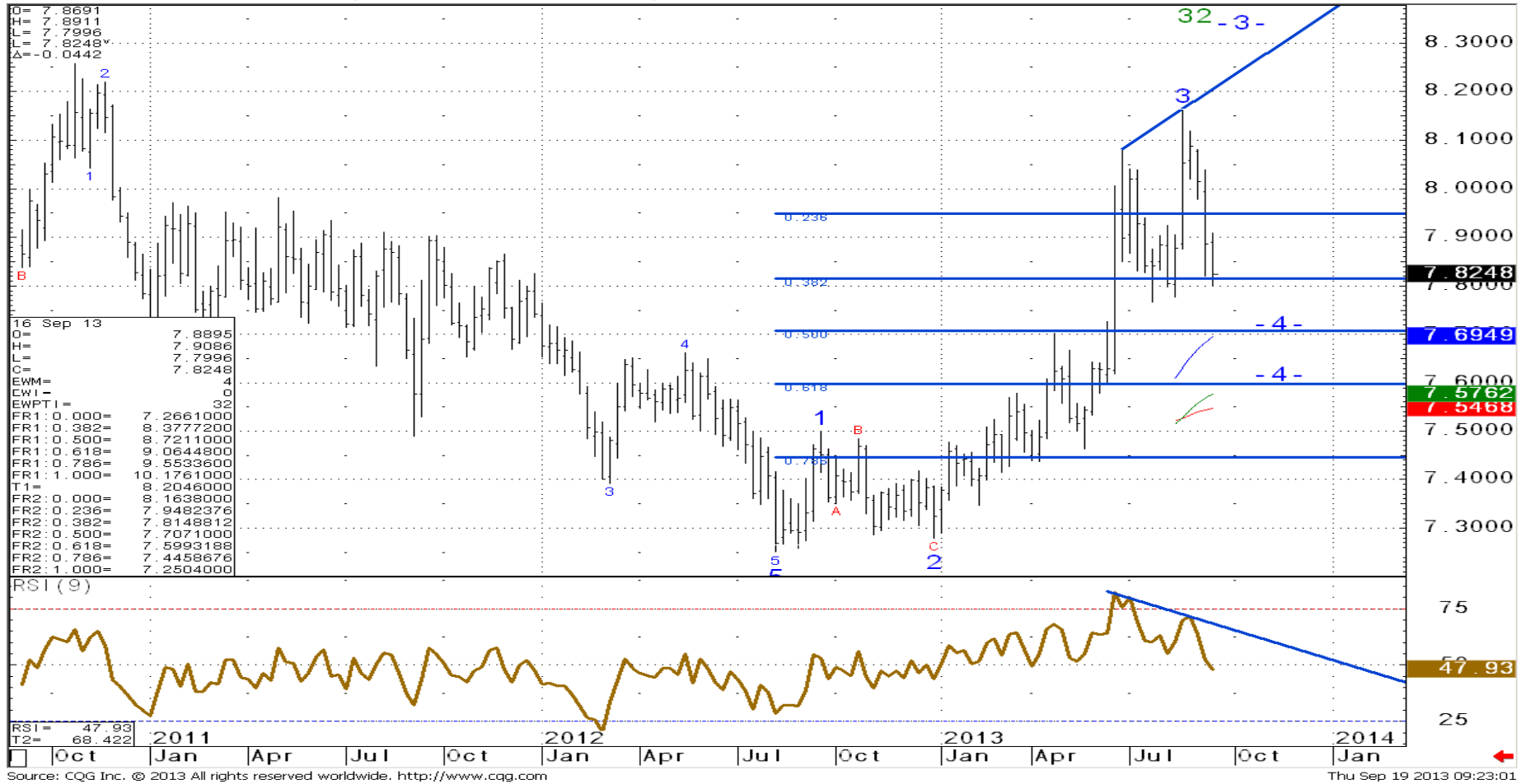
Exit EUR/GBP Shorts - major divergence of the daily RSI and 13 count points to recovery

EUR/GBP charted a new low of 0.8332 and this has yet to be confirmed by the daily RSI. We note the 13 count on the daily chart and we view the down move as losing momentum and if not already done so we would exit short positions. Any rebounds will find initial resistance at .8435 (Fibo) then the June low at .8470. Longer term the market has reversed from the top of a 4 year channel and longer term downside targets of .8280/.8155/.7980 have been introduced (Fibonacci retracements of the move up from 2012).



Elsewhere NOK strength is evident

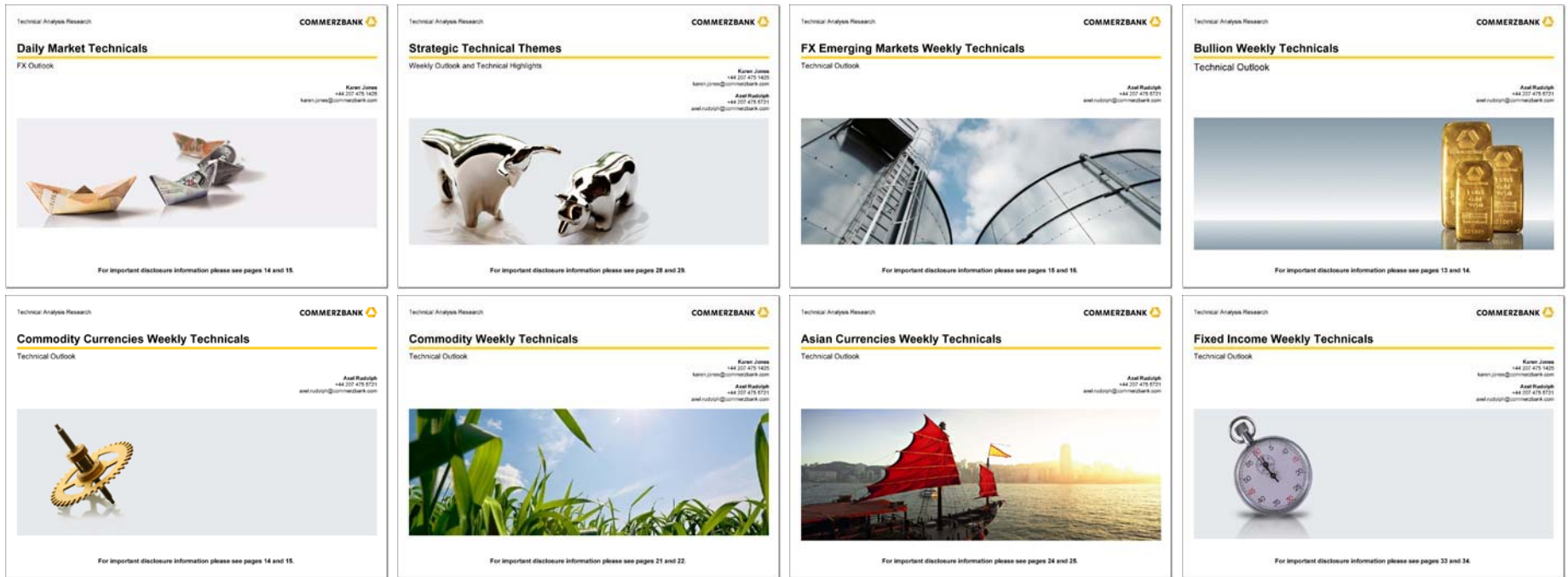
EUR/NOK's acceleration lower has breached the 38.2% retracement at 7.81, looking for a move back to the 7.7659 July low and potentially the 7.7071 50% retracement



NOK/SEK has based at 1.0653

It looks well placed to tackle the 1.1095/1.1111 recent high and 1.1255 200 day ma





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