





# Strategic Technical Themes

Wednesday, 11 September  
2013

## Weekly Outlook and Technical Highlights

<p><b>2</b> Technical Analysis Commerzbank</p> <p>Source: Euromoney FX Survey 2013</p> <p>2013  <b>EUROMONEY</b></p>	<p><b>2</b> FICC Technical Analysis Research Team – Best FX Research and Strategy Commerzbank</p> <p>Source: Technical Analyst Magazine Awards 2013</p> <p>2013  <b>the technical analyst</b></p>	<p><b>1</b> Technical Analysis Banks Commerzbank</p> <p>Source: Euromoney FX Poll 2012</p> <p>2012  <b>EUROMONEY</b></p>	<p><b>2</b> FICC Technical Analysis Research Team Best FX Research and Strategy Commerzbank</p> <p>Source: The Technical Analyst Magazine Awards 2012</p> <p>2012 </p>	<p><b>Axel Rudolph</b> +44 207 475 5721 <a href="mailto:axel.rudolph@commerzbank.com">axel.rudolph@commerzbank.com</a></p>
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## Summary

<b>Fixed Income:</b>
Positive divergence points to a high risk of a sudden reversal higher in 10Y T-Notes soon being seen.
The US 10Y yield has so far shot up to 3.01 but is expected to stall and drop back towards the 2.76/2.67 region.
The US 2-10Y swap curve widens back to its August 2.525 high but is likely to struggle below the 2.59 June 2011 peak.
December Bund futures are expected to bounce off their 136.42 low and target the 138.22/99 resistance zone.
Further narrowing remains on the cards for the 10Y Spain vs. 10Y Germany spread.
The 10Y France vs. 10Y Germany spread stays sidelined between the 200- and 55-day moving averages around the .60 level.
<b>Credit:</b>
The ITRAXX 5Y Europe Index is heading back down towards the 2013 support line at 97.05 (short term credit strength).
<b>Foreign Exchange:</b>
Only a minor retracement lower is being seen in the US Dollar Index. It should soon head higher again.
Negative divergence on the daily USD/TRY chart points to a short term sell-off towards the 1.9750/1.9550 region.
Only a corrective move higher is being seen in EUR/USD. The currency pair should soon head lower again.
GBP/USD flirts with the 200 week moving average at 1.5737 and could hit the 1.5800/1.6000 area next.
GBP/JPY is heading up towards the 160.00 region and has the 2009 peaks at 162.60/163.11 in its sights.

## Bullish and bearish trending signals

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

Code Name	Long Name	C1	C2	C3	C4	Δ Success	Score
USSWAP10 Curncy	USD SWAP SEMI 30/360 10Y	✓	✓	✓	✓	4	4
NZD Curncy	NEW ZEALAND DOLLAR SPOT	✓	✓	✓	✓	4	4
LMSNDS03 Index	LME TIN 3MO (\$)	✓	✓	✓	✓	4	4
GBPJPY Curncy	GBP-JPY X-RATE	✓	✓	✓	✓	4	4
GBP Curncy	BRITISH POUND SPOT	✓	✓	✓	✓	4	4
EUSA5 Curncy	EUR SWAP ANNUAL 5 YR	✓	✓	✓	✓	4	4
EUSA10 Curncy	EUR SWAP ANNUAL 10 YR	✓	✓	✓	✓	4	4
AUD Curncy	AUSTRALIAN DOLLAR SPOT	✓	✓	✓	✓	4	4

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

Code Name	Long Name	C1	C2	C3	C4	Δ Success	Score
USA Comdty	US LONG BOND(CBT) Jun07	✓	✓	✓	✓	4	4
RXA Comdty	EURO-BUND FUTURE Dec13	✓	✓	✓	✓	4	4
PALL Comdty	PALLADIUM SPOT \$/OZ	✓	✓	✓	✓	4	4
JYSW5 Curncy	JPY SWAP 5 YR	✓	✓	✓	✓	4	4
JYSW2 Curncy	JPY SWAP 2 YR	✓	✓	✓	✓	4	4
EURNZD Curncy	EUR-NZD X-RATE	✓	✓	✓	✓	4	4
EURGBP Curncy	EUR-GBP X-RATE	✓	✓	✓	✓	4	4
EURCAD Curncy	EUR-CAD X-RATE	✓	✓	✓	✓	4	4
EURAUD Curncy	EUR-AUD X-RATE	✓	✓	✓	✓	4	4
DU1 Comdty	Generic 1st 'DU' Future	✓	✓	✓	✓	4	4

#### Trade idea:

Date	Instrument	Trade Idea	Stop	Take Profit	Outcome	P&L
22.08.2013	EUR/USD	Sell at 1.3370	Lowered profit stop from 1.3415 to 1.3350	1.3025	Short at 1.3370	+0.85%

**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.**

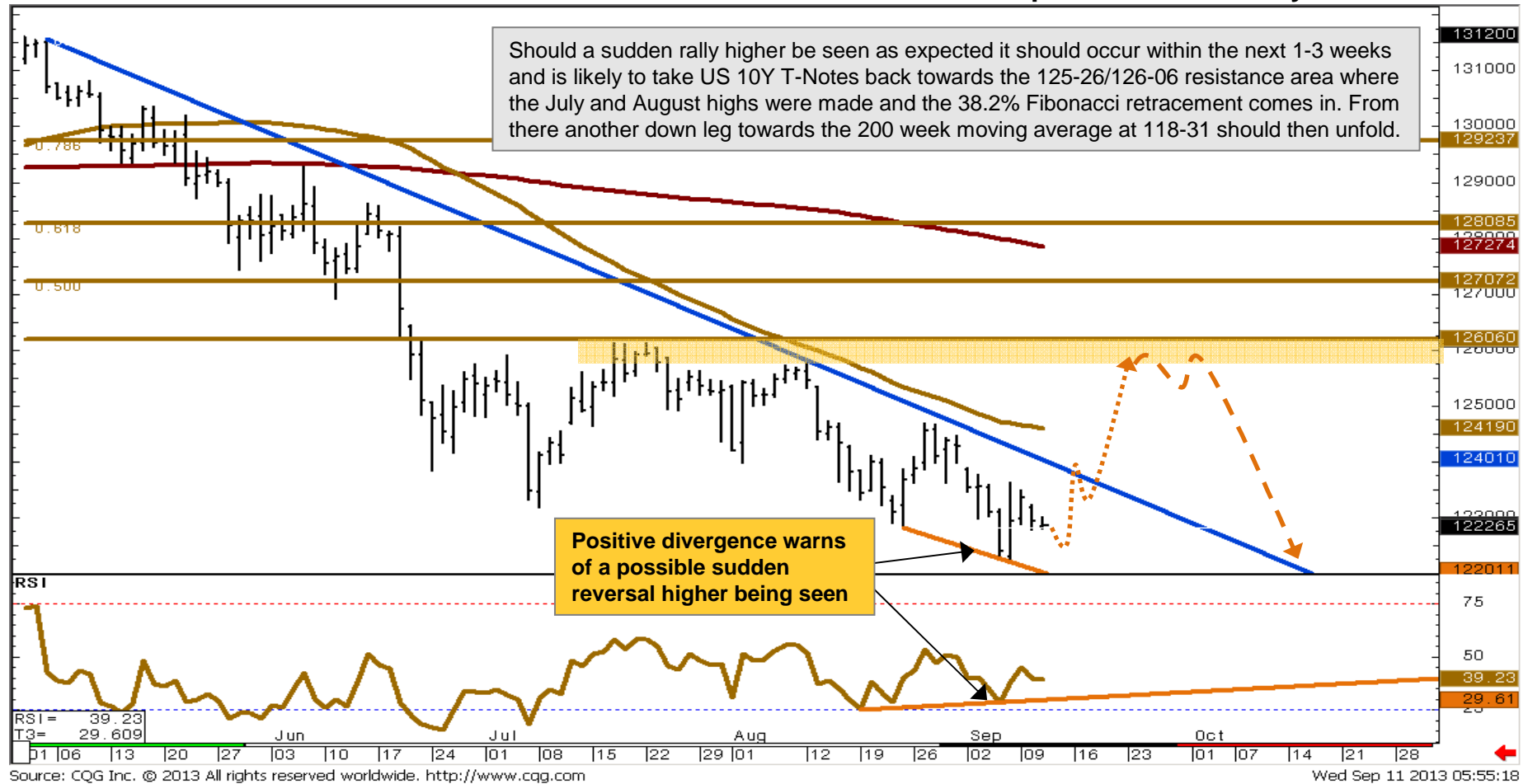


## Fixed Income:

# US 10Y T-Notes - Daily Chart

Positive divergence points to a high risk of a sudden reversal higher soon being seen

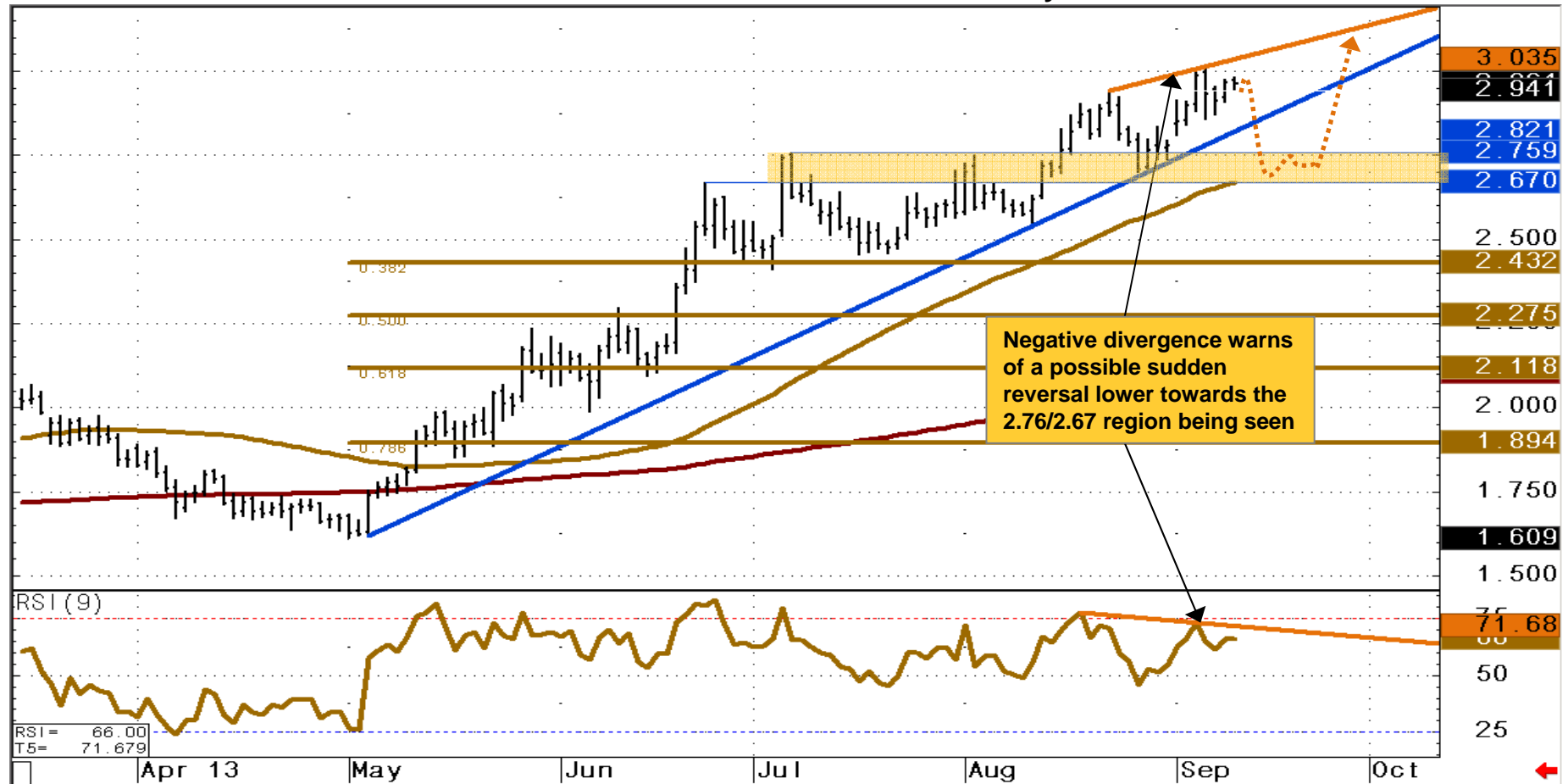
## US 10Y T-Notes Equalized Active Daily Chart



# US 10Y Yield - Daily Chart

Has so far shot up to 3.01 but is expected to stall and drop back towards the 2.76/2.67 region

US 10Y Yield Daily Chart



## US 2-10Y Swap Curve - Daily Chart

Widens back to its August 2.525 high but is likely to struggle below the 2.59 June 2011 peak

- › During August the US 2-10Y swap curve widened to the minor psychological 2.50 level and reached a high of 2.525 before narrowing slightly. This high is now back within grasping distance.
- › Above 2.52 lurks the 2.55 March 2011 low and the 2.59 June 2011 high, both of which should be reached before the end of the year but are likely to cap in the days ahead.
- › Further up the 2010 and 2011 peaks can be seen at 2.73 and also at 2.81.
- › We will retain our long term widening bias while the swap curve remains above the 2.155 late June low.
- › Support is seen around the 2.415 July high.
- › Over the next few weeks some renewed narrowing back towards the 55 day moving average at 2.33 is likely to be seen.

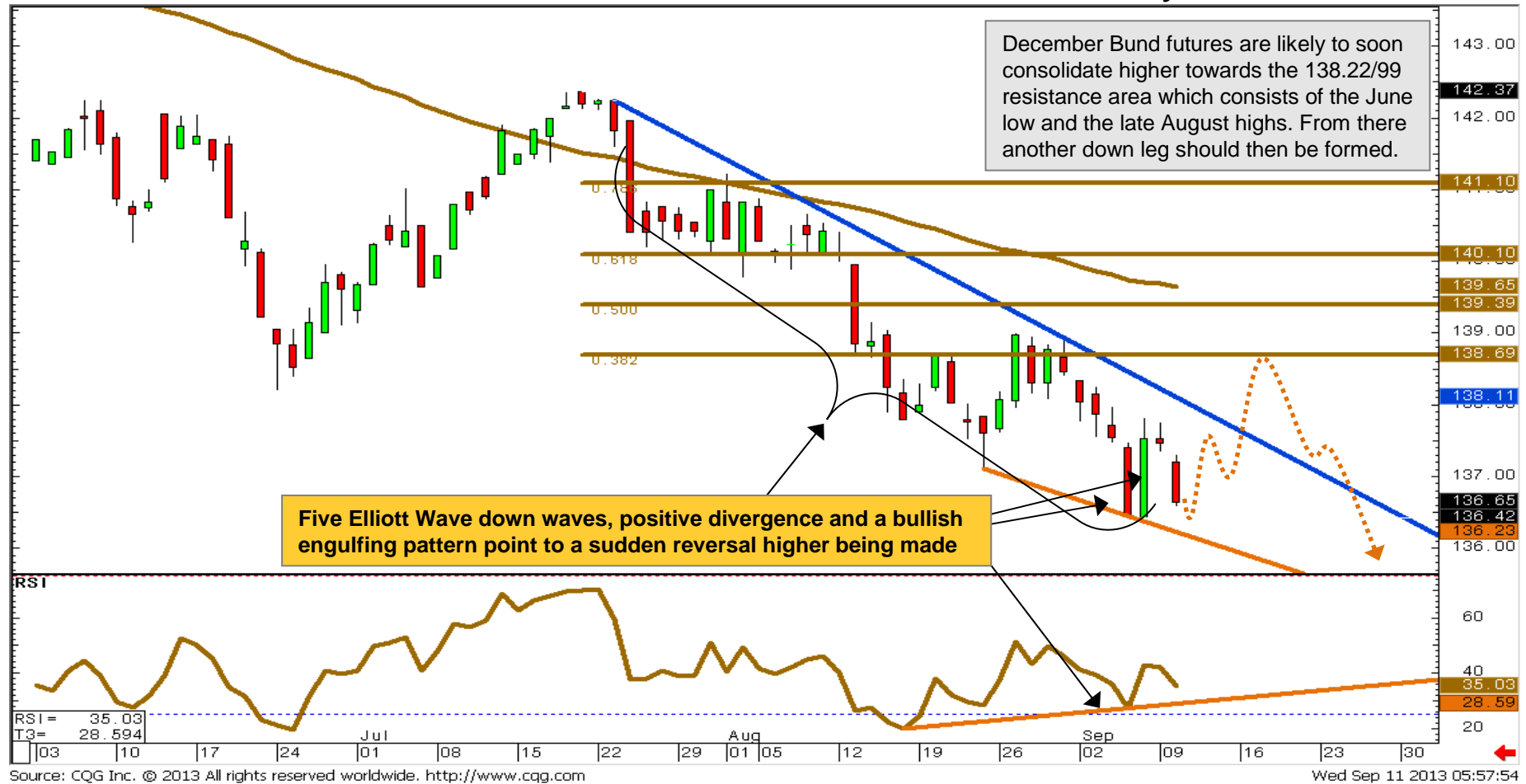
US 2-10Y Swap Curve Daily Chart



# Bund Futures – Daily Chart

Are expected to bounce off their 136.42 low and target the 138.22/99 resistance zone

December Bund Futures Daily Chart

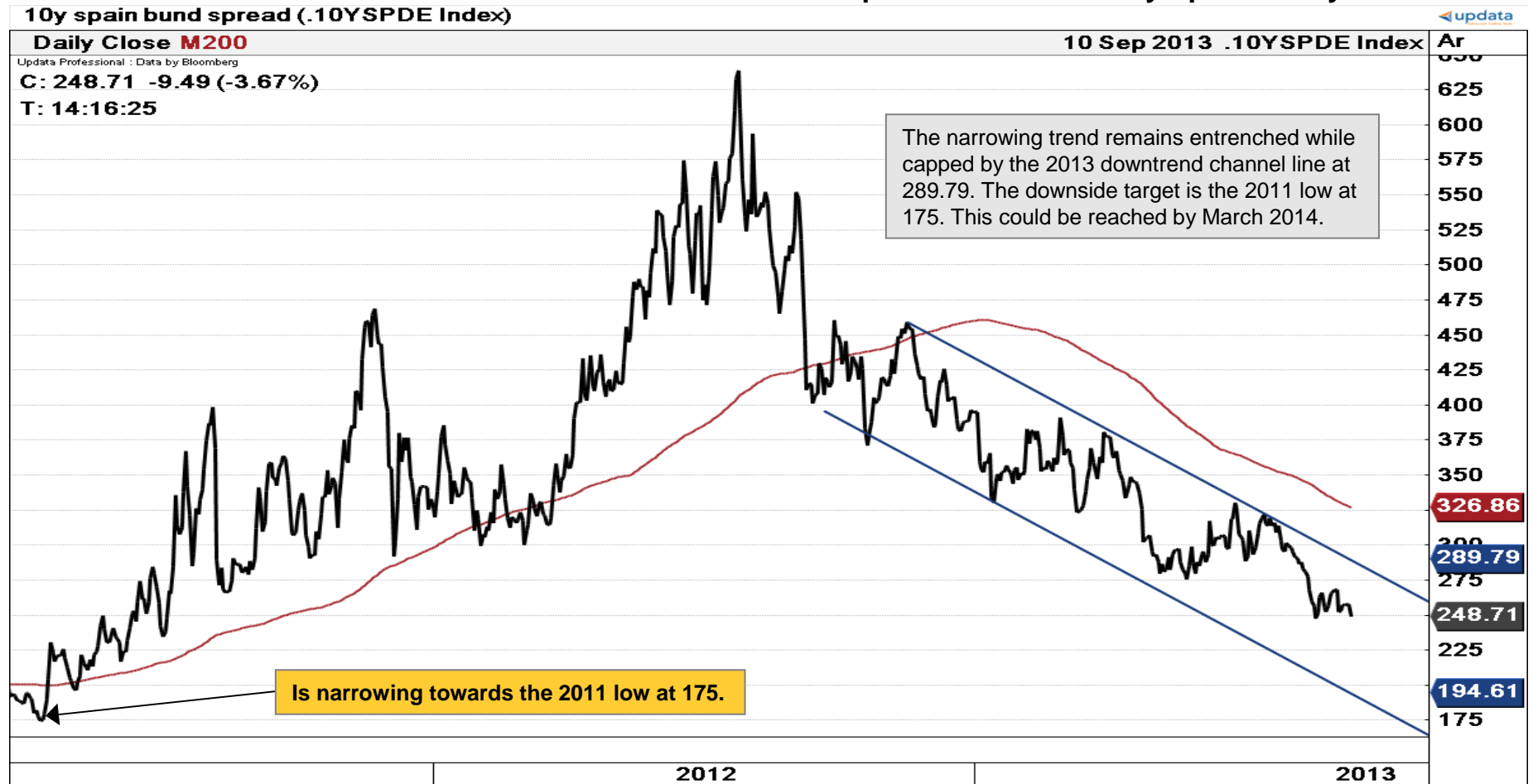




# 10Y Spain vs. 10Y Germany Spread – Daily Chart

Further narrowing remains on the cards

10Y Spain vs. 10Y Germany Spread Daily Chart



# 10Y France vs. 10Y Germany Spread – Daily Chart

Remains sidelined between the 200- and 55-day moving averages around the .60 level

10Y France vs. 10Y Germany Spread Daily Chart





# Credit

# ITRAXX 5Y Europe Index - Daily Chart

Is heading back down towards the 2013 support line at 97.05 (short term credit strength)

- › **The ITRAXX 5Y Europe index** remains capped by the resistance area made up of the 55- and 200-day moving averages at 104.37/90 and **is heading back down towards the 2013 support line and the 78.6% Fibonacci retracement at 97.05/96.38. There it should again hold.**
- › Within the next few weeks we expect the August high at 107.52 to be overcome. This would then lead us to change our neutral outlook to a bullish one (credit weakness) with the 2012-13 resistance line at 121.51 then being in focus.
- › Should it be bettered, the 132.52 June high will be targeted. Above it lurks the 150 region.
- › **The risk of a significant bottom being formed will remain in place while the index stays above the 94.45 August low.**

## ITRAXX 5Y Europe Index Daily Chart



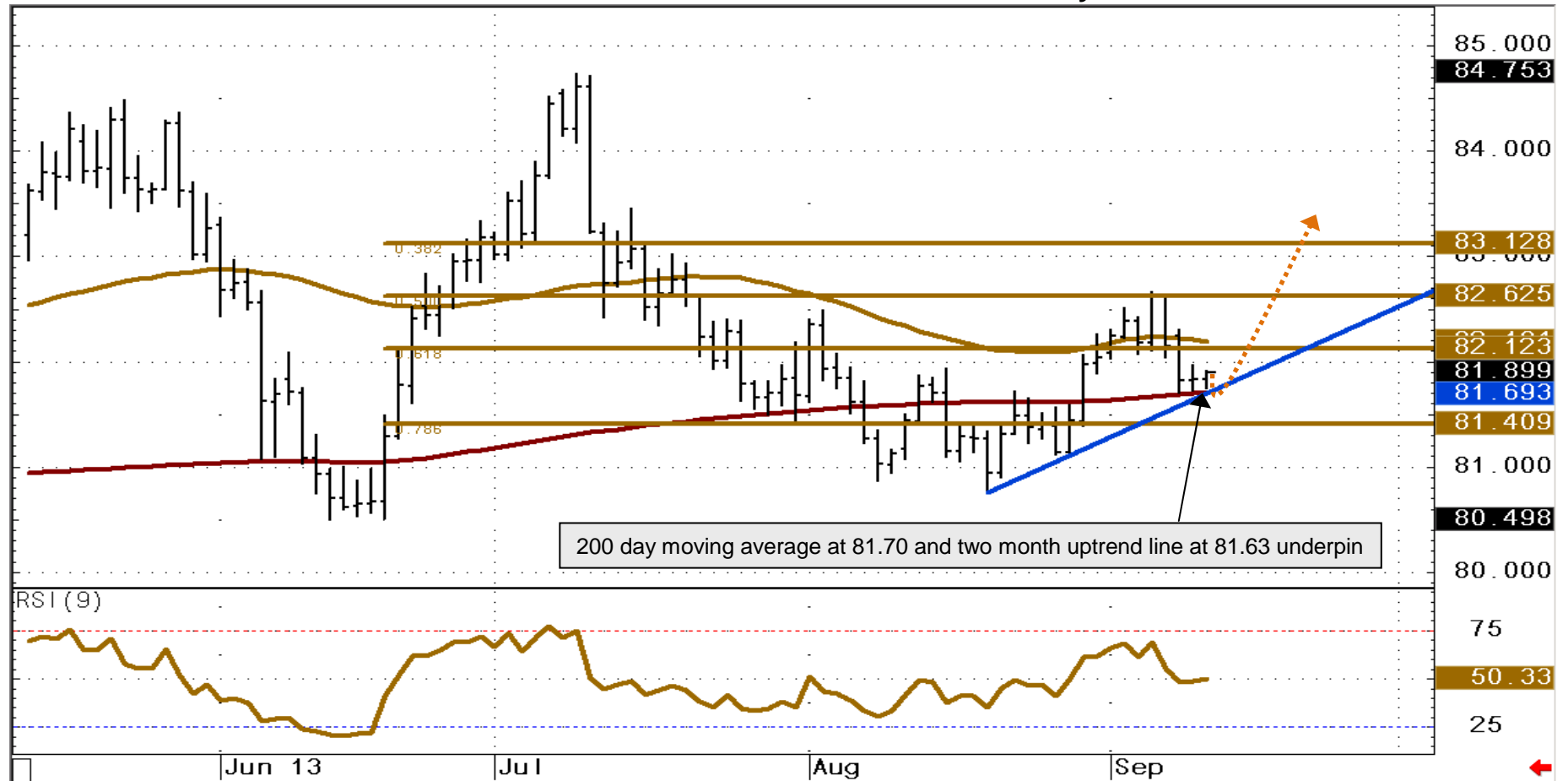


## Foreign Exchange:

# US Dollar Index - Daily Chart

Only a minor retracement lower is being seen; the Dollar Index should soon head higher again

US Dollar Index Daily Chart



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Wed Sep 11 2013 06:01:20

## US Dollar Index - Weekly Chart

The 2013 support line at 80.95 and the 80.50 June low remain key for the medium term trend

- › Over the past few weeks the US Dollar Index retested but held at its 2013 support line, currently at 80.94.
- › As long as it and the next lower June low at 80.50 continue to hold, our medium term bullish forecast will remain valid.
- › Upside targets for the months ahead are the 84.10/75 2012 as well as May and July 2013 highs.
- › The 78.6% Fibonacci retracement of the 2010-11 decline at 85.28 and the 2005-13 resistance line at 85.96 also remain in focus.
- › Should key support at 80.94/50 be fallen through, however, the 200 week moving average at 79.76 and the September 2012 to January 2013 lows at 78.92/60 could be retested before the long term uptrend resumes.
- › We expect the 80.94/50 support area to hold, though, and for renewed upside to be seen in the weeks to come.

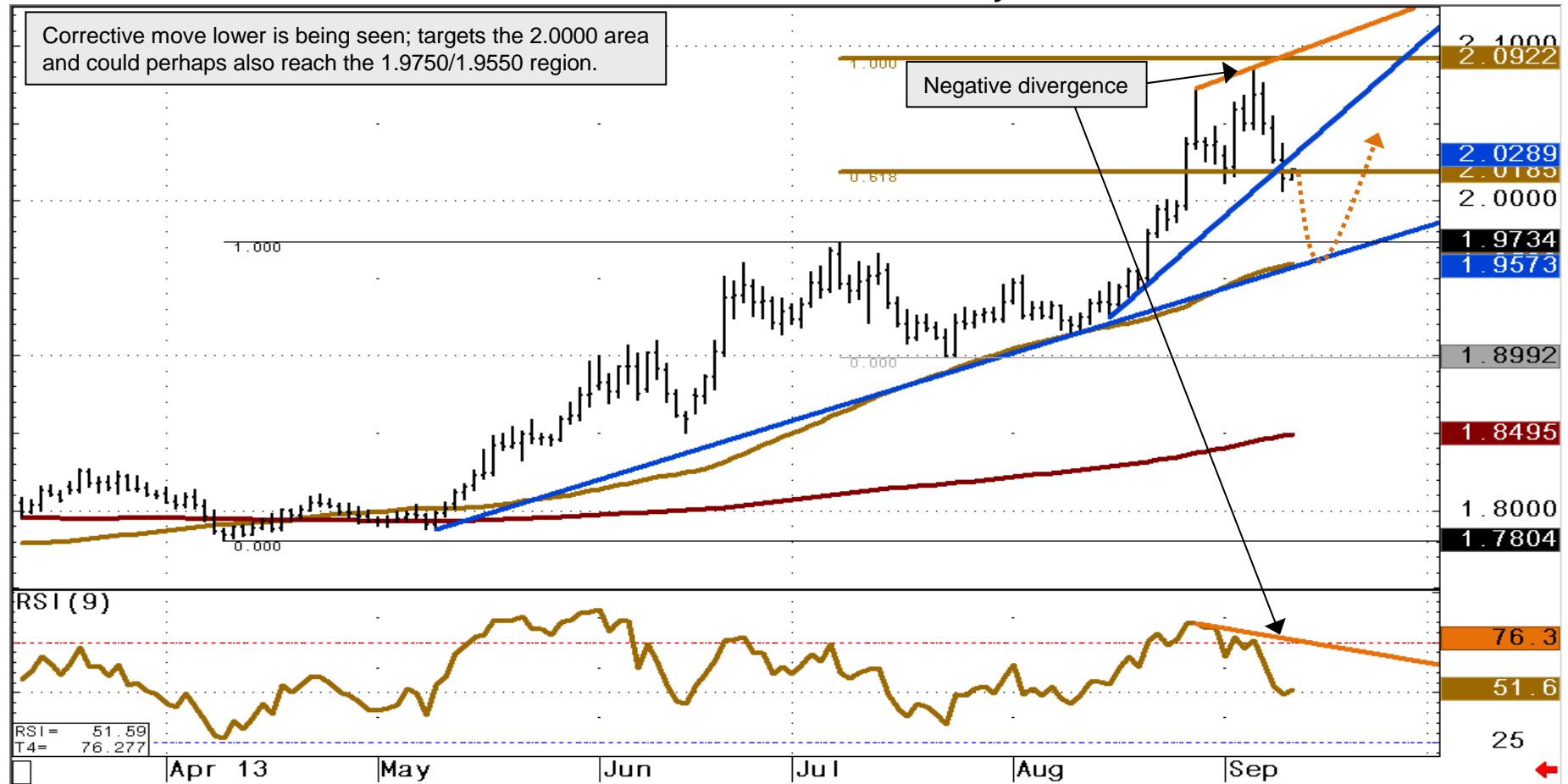
US Dollar Index Weekly Chart



# USD/TRY - Daily Chart

Negative divergence points to a short term sell-off towards perhaps the 1.9750/1.9550 region

USD/TRY Daily Chart

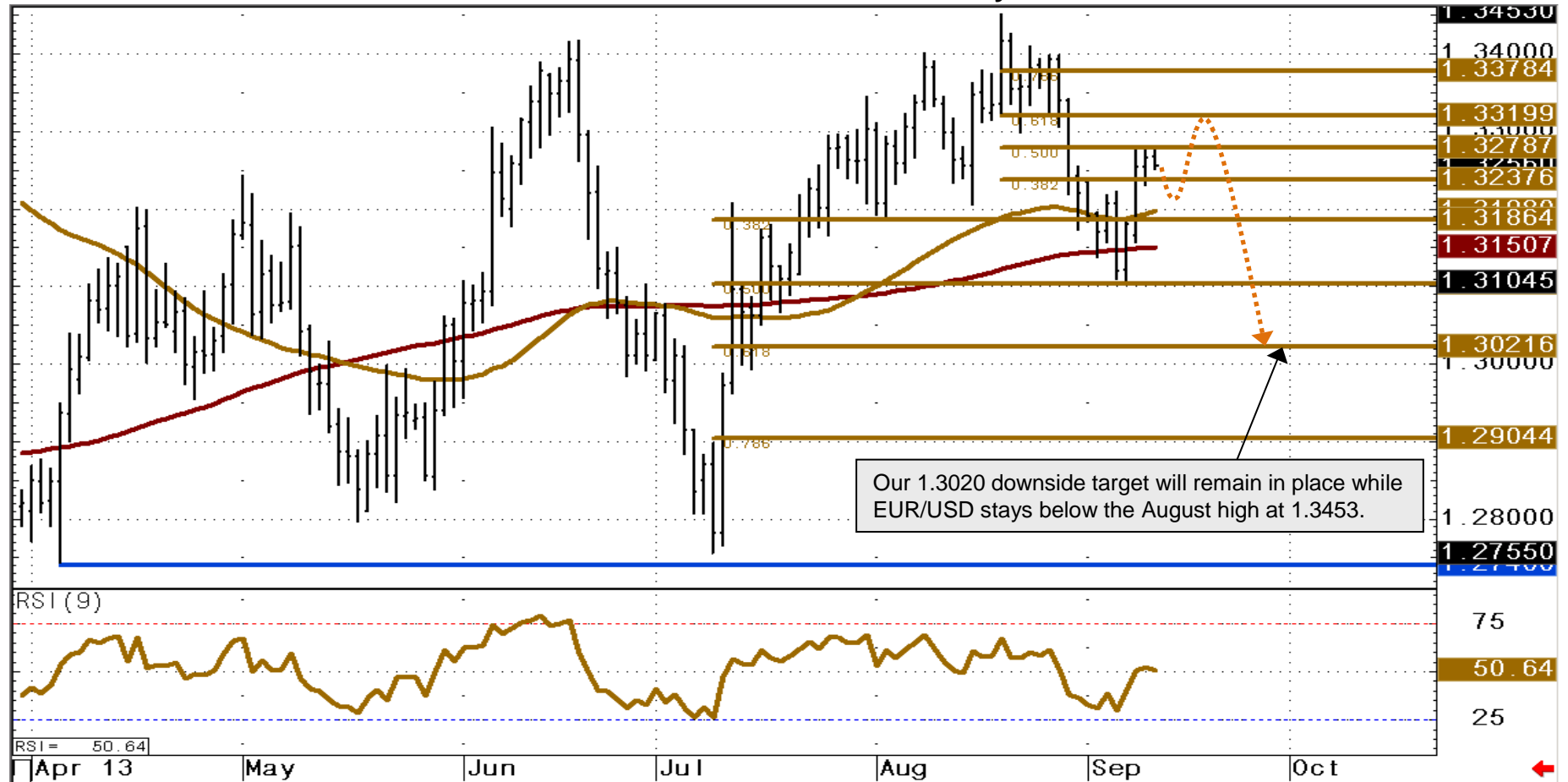




# EUR/USD - Daily Chart

Only a corrective move higher is being seen; EUR/USD should soon head lower again

EUR/USD Daily Chart



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# GBP/USD - Daily Chart

Pushes into the 1.5715/52 resistance area a rise above which will target the 1.5800/1.6000 zone

GBP/USD Daily Chart

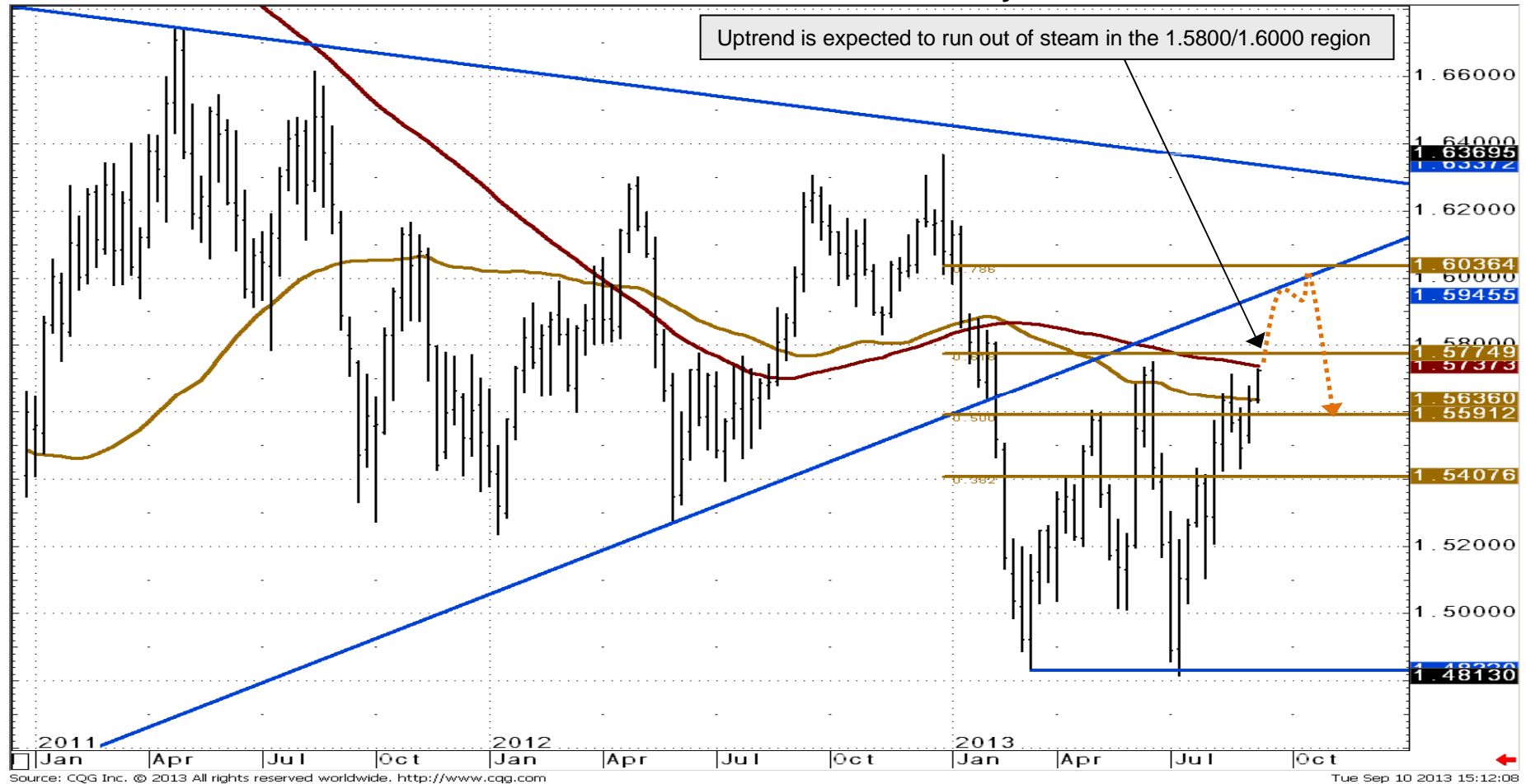


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# GBP/USD - Weekly Chart

Flirts with the 200 week moving average at 1.5737 and could hit the 1.5800/1.6000 area next

GBP/USD Weekly Chart



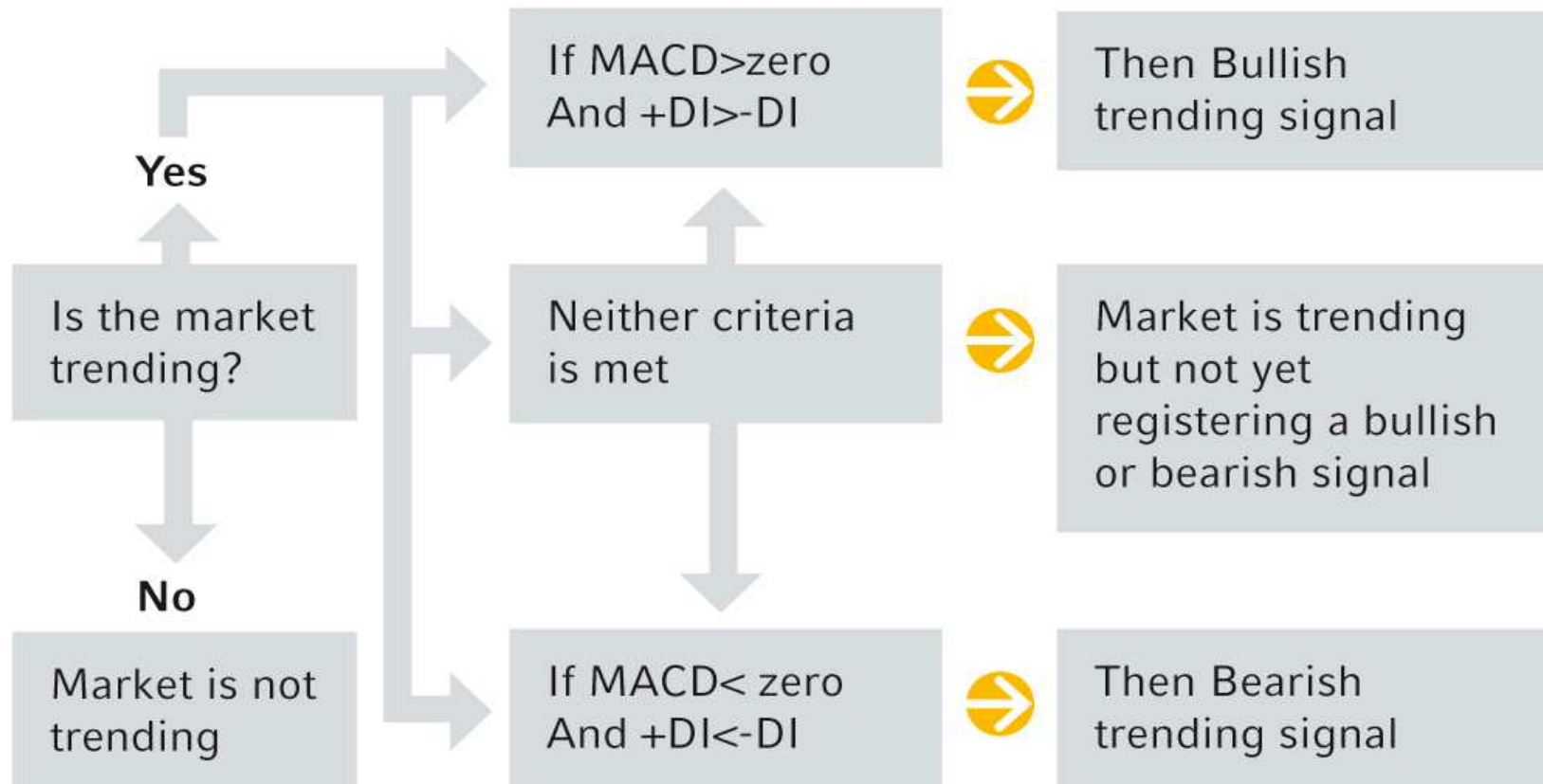
# GBP/JPY - Weekly Chart

Is heading up towards the 160.00 region and has the 2009 peaks at 162.60/163.11 in its sights

GBP/JPY Weekly Chart



## Trending Filter



# Glossary

## ADX

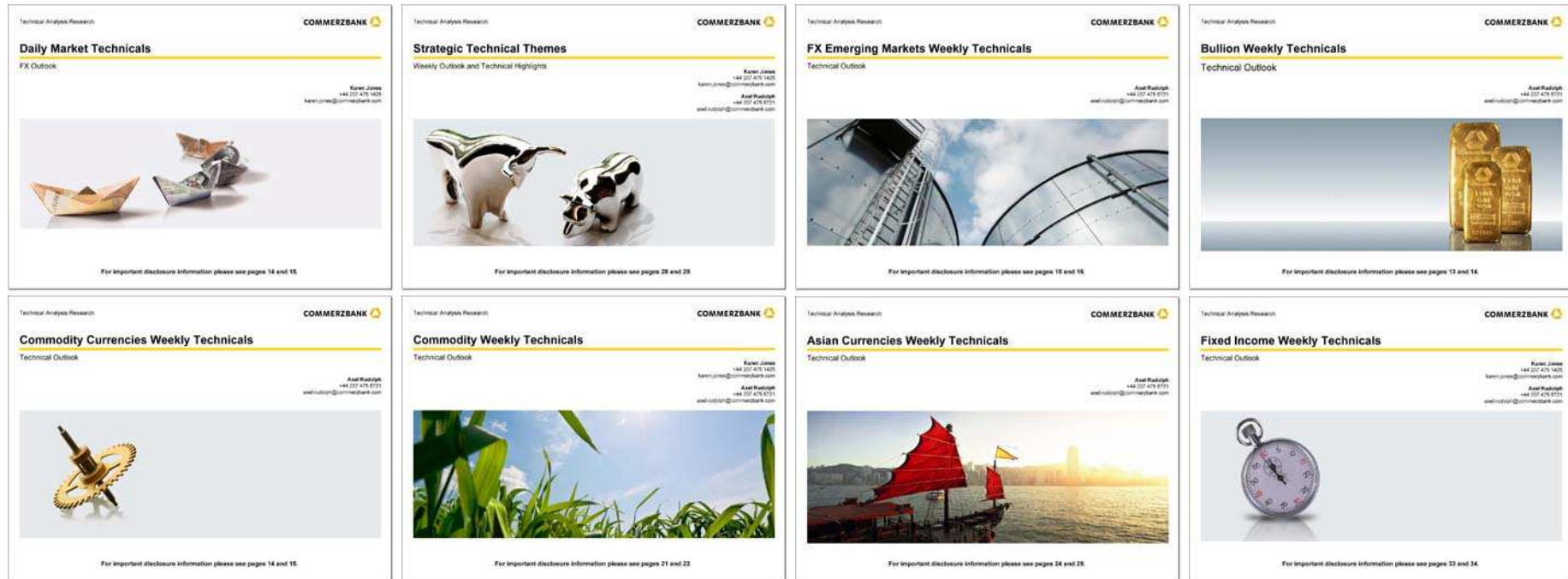
J. Welles Wilder developed the Average Directional Index (**ADX**) to evaluate the strength of a current trend. The ADX is an oscillator that fluctuates between 0 and 100. Even though the scale is from 0 to 100, readings above 60 are relatively rare. Low readings, below 20, indicate that the market is 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.

**NB: This is NOT a model and is intended for reference only – it a basic system to determine if a market is trending or not, it cannot judge strength of supports 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.**



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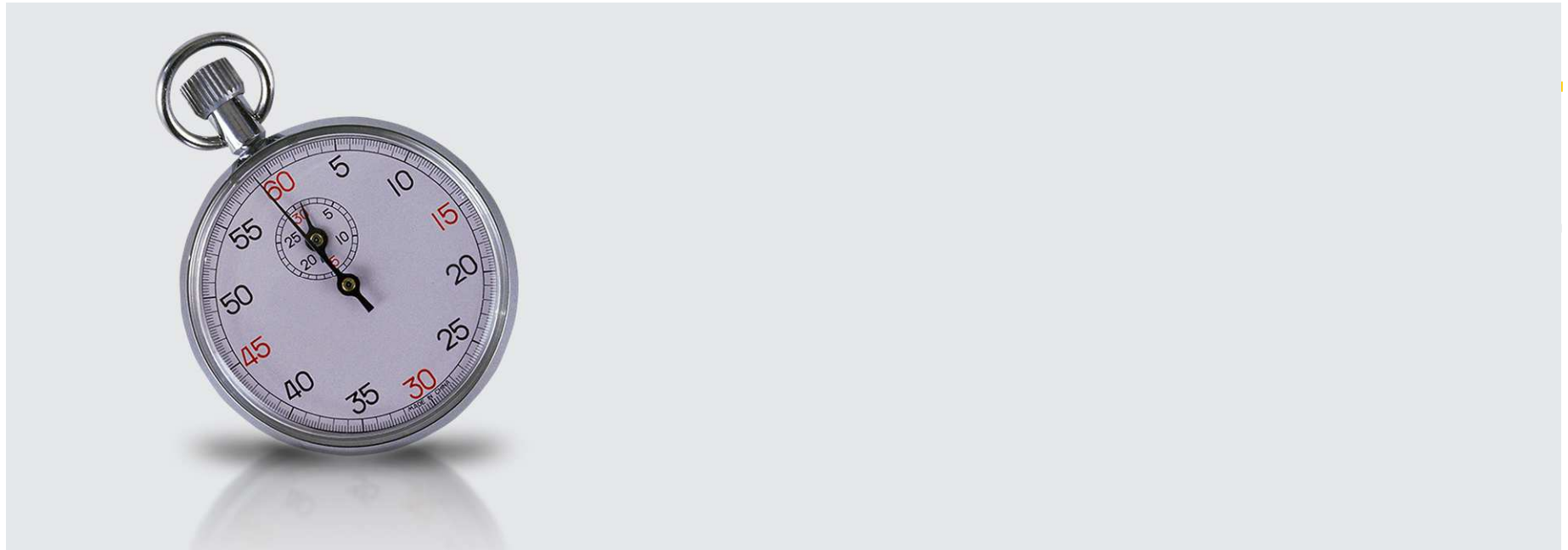
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