


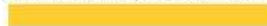


Strategic Technical Themes

Wednesday, 25 September 2013

Weekly Outlook and Technical Highlights

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

Foreign Exchange:
The Dollar Index is approaching key support at 79.82/50 but should soon head higher again.
We expect USD/CHF to level out in the .9087/.8931 region and then to advance again.
USD/JPY is probably consolidating within a continuation triangle but should eventually shoot up to the 110 region.
We are looking for failure in EUR/USD ahead of the 1.3670/1.3711 long term pivot.
The recent sharp acceleration higher in GBP/USD is expected to falter in the 1.6302/1.6369 resistance area.
Fixed Income:
US 10Y T-Notes dig into the 125-26/126-045 resistance area but are expected to stay below the 127-195 level.
The US 10Y yield probes the 2.67/2.41 major support zone which we expect to hold.
Short term narrowing in the US 2-10Y swap curve should end in the 2.34/2.21 region and be followed by renewed widening.
December Bund futures are expected to stall in the 139.90/140.95 region.
The German 10Y Bund yield should stabilise in the 1.86/1.74 region and then head higher again.
Further narrowing remains on the cards for the 10Y Spain vs. 10Y Germany spread.
Narrowing is being seen in the 10Y Italy vs. 10Y Germany spread but the 2010-13 support line at 227.80 should offer support.
The 10Y Italy vs. 10Y Spain spread has been rejected by the November 2011 low at 10.41 which should be bettered in future.
Credit:
The last few days' impulsive move higher in the index points towards renewed credit weakness.

Bullish and bearish trending signals

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

Code Name	Long Name	C1	C2	C3	C4	Δ Success	Score
JBA Comdty	JPN 10Y BOND(TSE) Mar10	✓	✓	✓	✓	4	4
GBP Curncy	BRITISH POUND SPOT	✓	✓	✓	✓	4	4
EURCZK Curncy	EUR-CZK X-RATE	✓	✓	✓	✓	4	4
EUR Curncy	EURO SPOT	✓	✓	✓	✓	4	4

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

Code Name	Long Name	C1	C2	C3	C4	Δ Success	Score
USSWAP5 Curncy	USD SWAP SEMI 30/360 5YR	✓	✓	✓	✓	4	4
USSWAP10 Curncy	USD SWAP SEMI 30/360 10Y	✓	✓	✓	✓	4	4
SILV Comdty	SILVER SPOT \$/OZ	✓	✓	✓	✓	4	4
SEK Curncy	SWEDISH KRONA SPOT	✓	✓	✓	✓	4	4
RUB Curncy	RUSSIAN RUBLE SPOT	✓	✓	✓	✓	4	4
PLAT Comdty	PLATINUM SPOT \$/OZ	✓	✓	✓	✓	4	4
JYSW10 Curncy	JPY SWAP 10 YR	✓	✓	✓	✓	4	4
HO1 Comdty	Generic 1st 'HO' Future	✓	✓	✓	✓	4	4
GOLDS Comdty	GOLD SPOT \$/OZ	✓	✓	✓	✓	4	4
EUSA5 Curncy	EUR SWAP ANNUAL 5 YR	✓	✓	✓	✓	4	4
EUSA2 Curncy	EUR SWAP ANNUAL 2 YR	✓	✓	✓	✓	4	4
EURCHF Curncy	EUR-CHF X-RATE	✓	✓	✓	✓	4	4
DXY Curncy	DOLLAR INDEX SPOT	✓	✓	✓	✓	4	4
COA Comdty	BRENT CRUDE FUTR Mar10	✓	✓	✓	✓	4	4
CHF Curncy	SWISS FRANC SPOT	✓	✓	✓	✓	4	4
BRL Curncy	BRAZILIAN REAL SPOT	✓	✓	✓	✓	4	4

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.

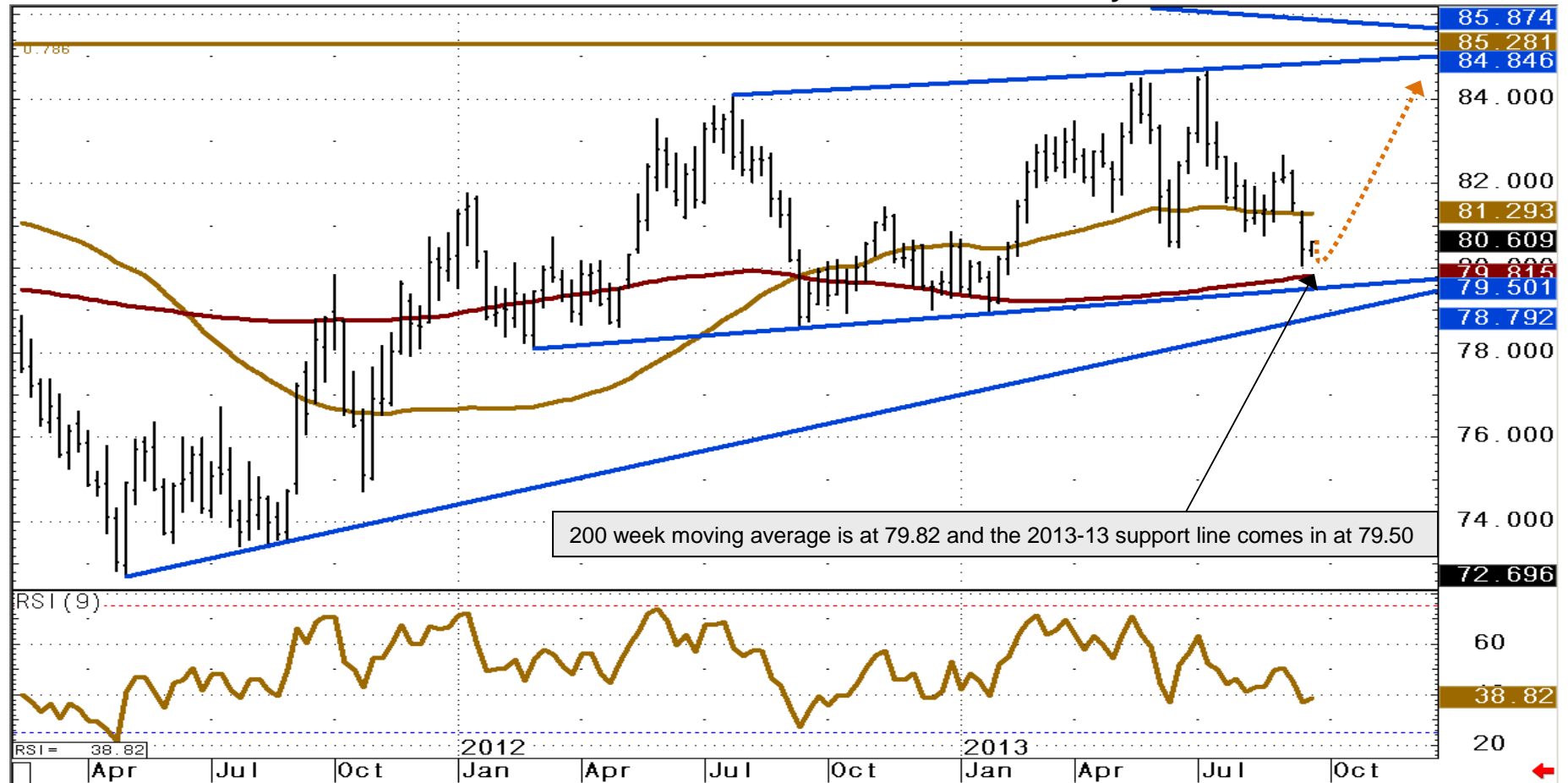


Foreign Exchange:

US Dollar Index - Weekly Chart

The Dollar Index is approaching key support at 79.82/50 but should soon head higher again

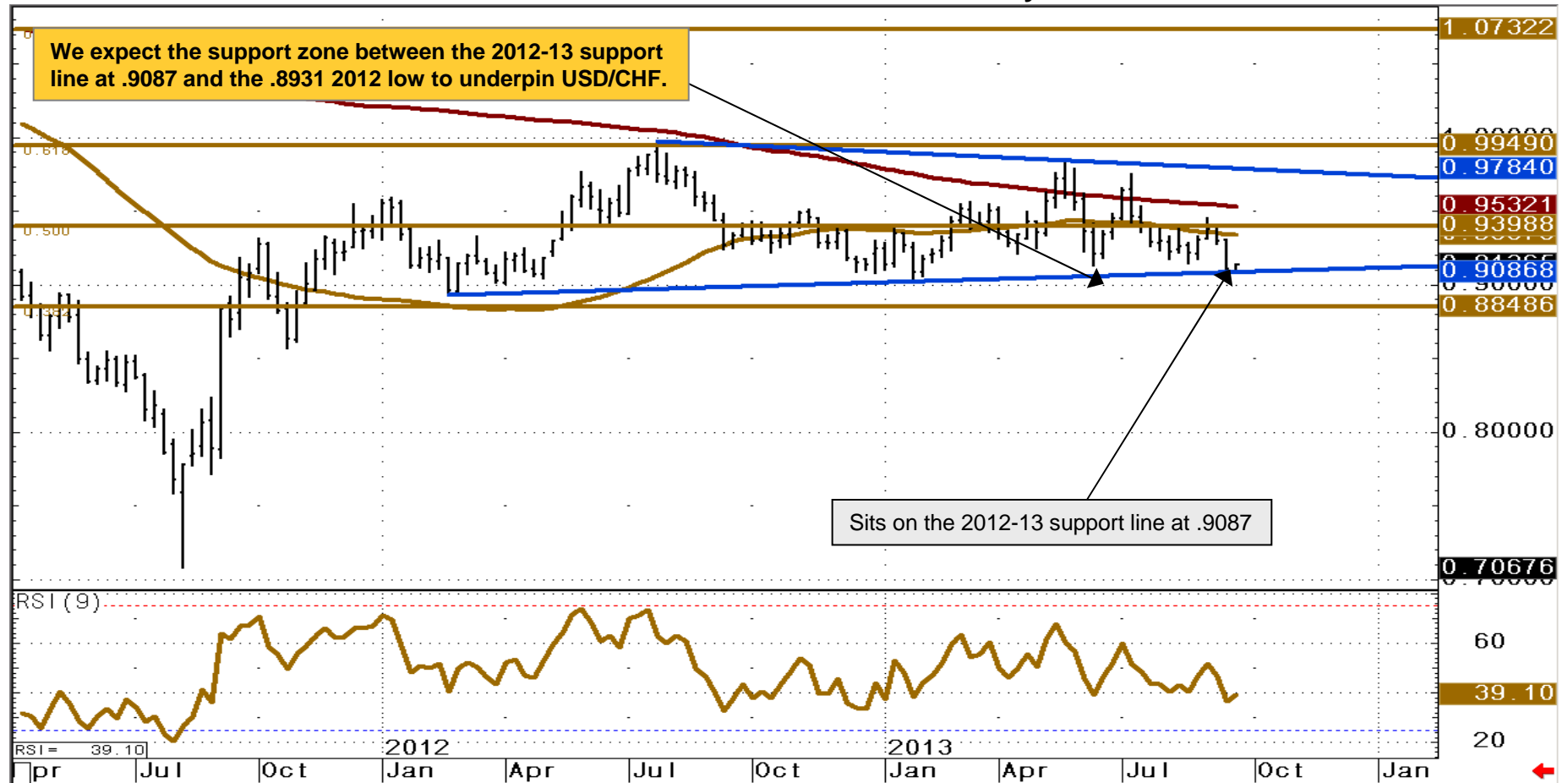
US Dollar Index Weekly Chart



USD/CHF - Weekly Chart

We expect the currency pair to level out in the .9087/.8931 region and then to advance again

USD/CHF Weekly Chart



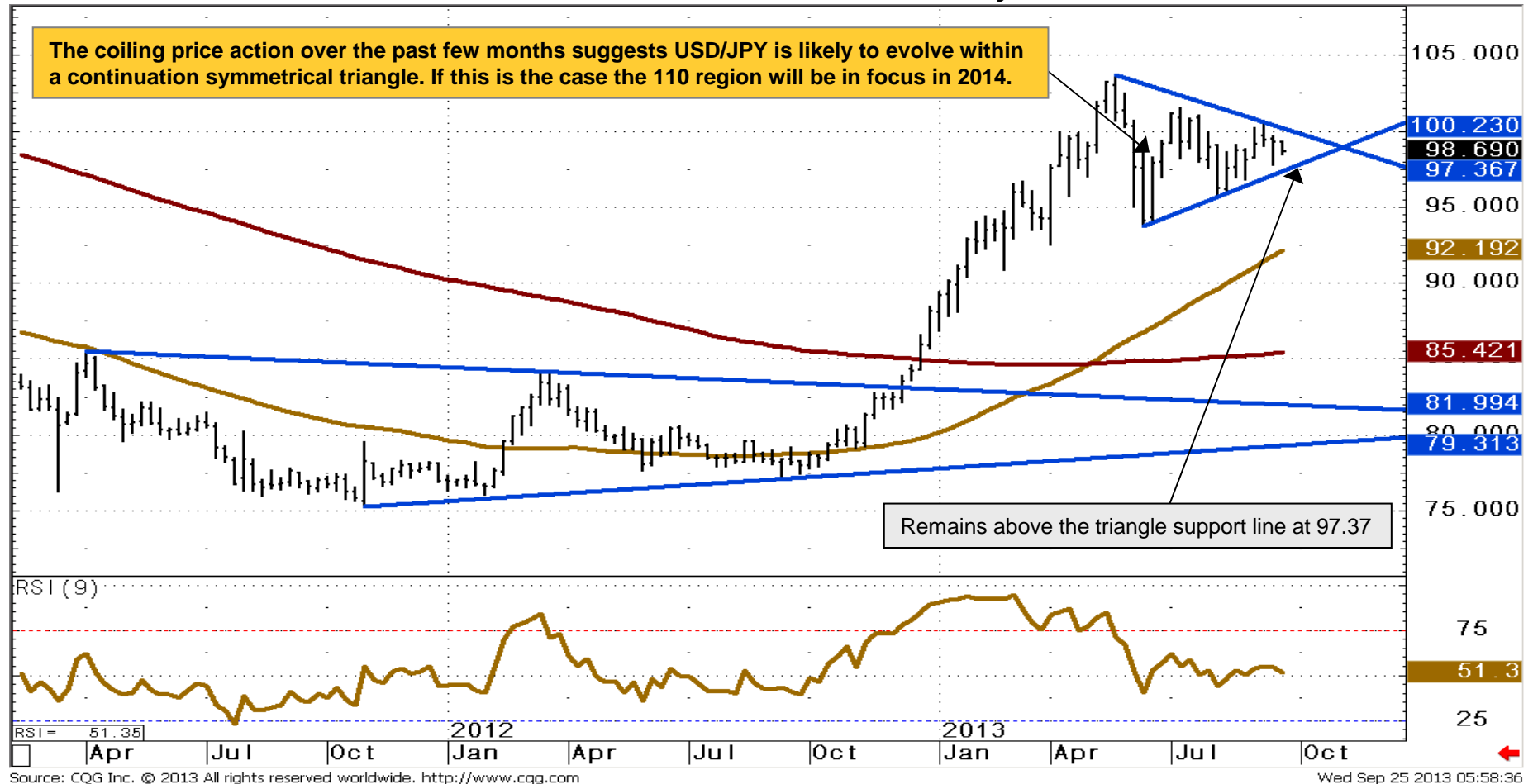
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USD/JPY - Weekly Chart

Is probably consolidating within a continuation triangle but should eventually shoot up to 110

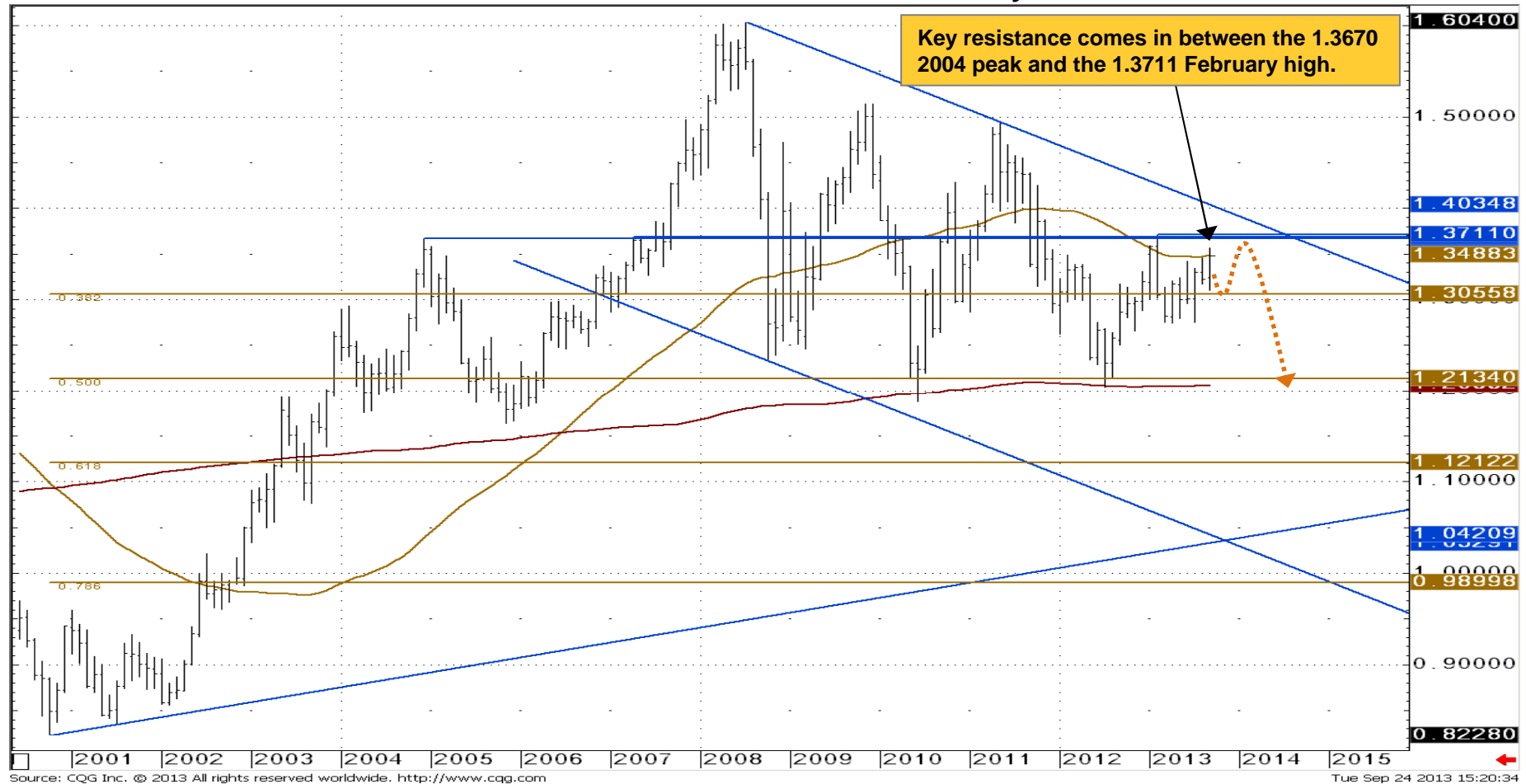
USD/JPY Weekly Chart



EUR/USD - Monthly Chart

We are looking for failure ahead of the 1.3670/1.3711 long term pivot

EUR/USD Monthly Chart



GBP/USD - Weekly Chart

Recent sharp acceleration higher is expected to falter in the 1.6302/1.6369 resistance area

GBP/USD Weekly Chart



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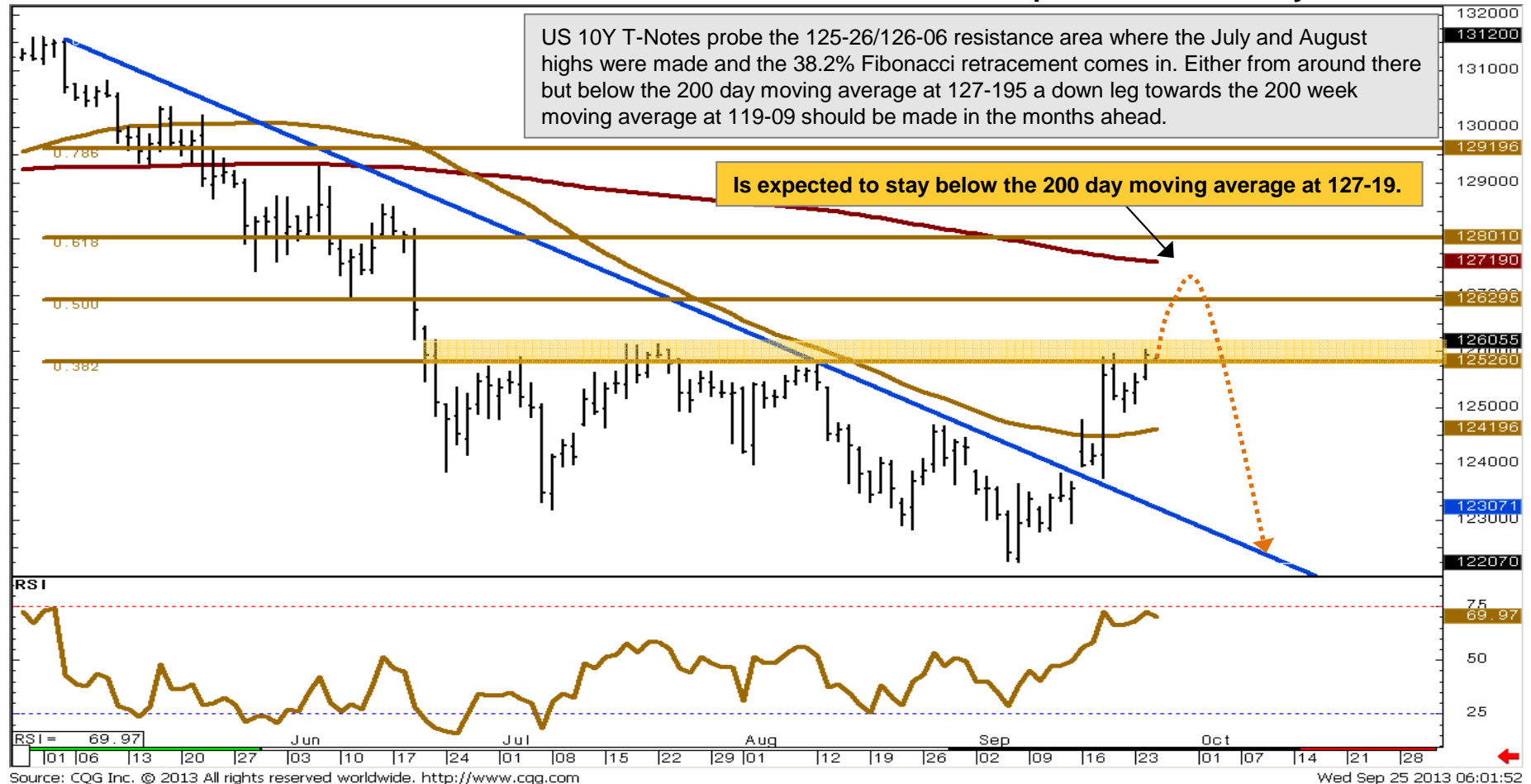


Fixed Income:

US 10Y T-Notes - Daily Chart

Dig into the 125-26/126-045 resistance area but are expected to stay below the 127-19 level

US 10Y T-Notes Equalized Active Daily Chart



US 10Y Yield - Daily Chart

Probes the 2.67/2.41 major support zone which we expect to hold

US 10Y Yield Daily Chart



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US 2-10Y Swap Curve - Daily Chart

Short term narrowing should end in the 2.34/2.21 region and be followed by renewed widening

- › The US 2-10Y swap curve is once again narrowing and is now trading back below the 55 day moving average at 2.37.
- › Between it and the 2.34 late August low the swap curve is expected to stabilise. From there renewed widening should then be seen.
- › Above the 2.52 August high 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.
- › 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 below the 2.34 level but above the 2.155 late June low can be seen around the 2.275 August low and at the next lower 2.21 late July low.

US 2-10Y Swap Curve Daily Chart



Bund Futures – Daily Chart

December Bund futures are expected to stall in the 139.90/140.95 region

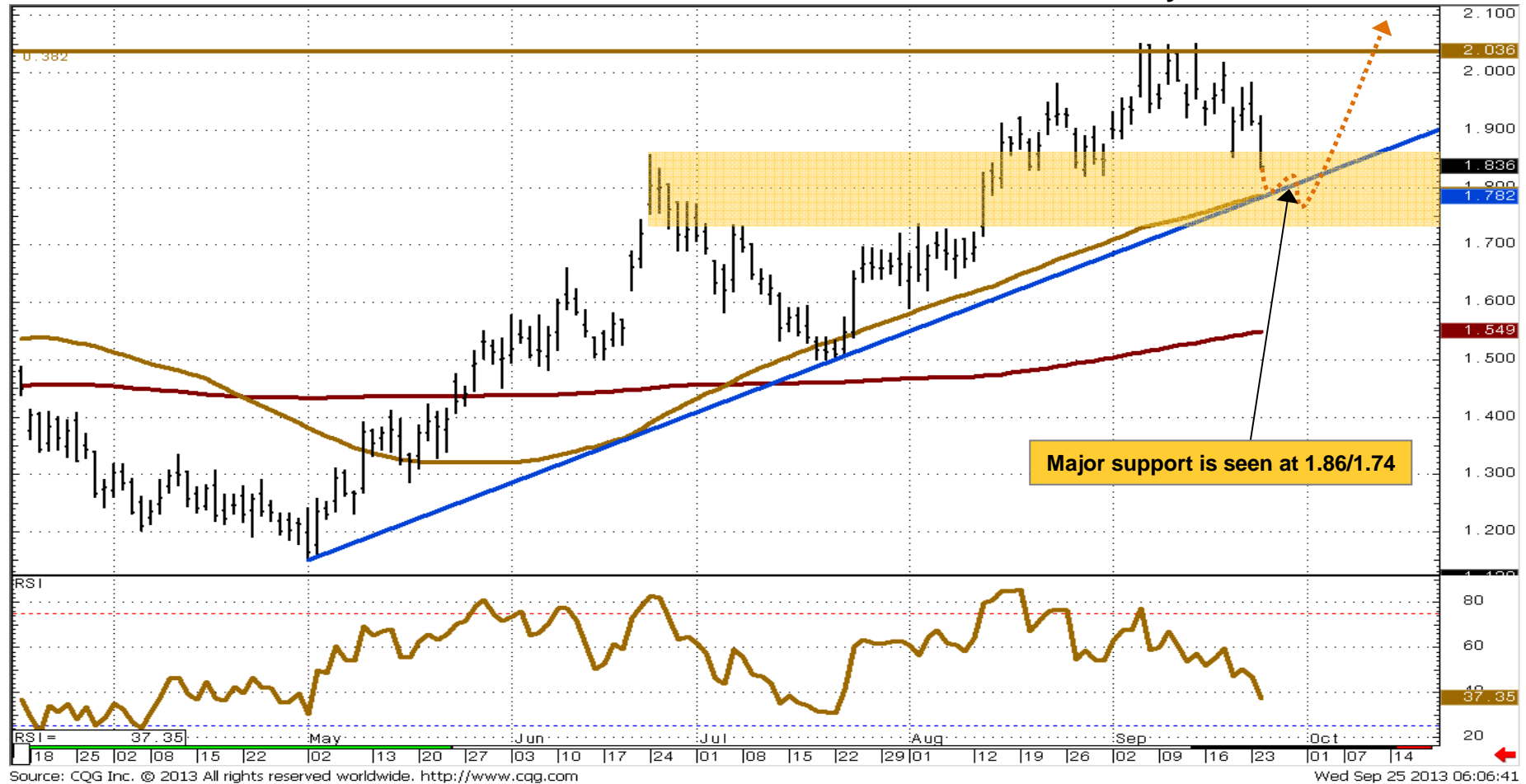
December Bund Futures Daily Chart



German 10Y Bund Yield - Daily Chart

Should stabilise in the 1.86/1.74 region and then head higher again

German 10Y Bund Yield 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 Italy vs. 10Y Germany Spread – Daily Chart

Further narrowing is being seen but the 2010-13 support line should offer interim support

10Y Italy vs. 10Y Germany Spread Daily Chart



10Y Italy vs. 10Y Spain Spread – Daily Chart

Has been rejected by the November 2011 low at 10.41 which should be bettered in future, though

10Y Italy vs. 10Y Spain Spread Daily Chart





Credit

ITRAXX 5Y Europe Index - Daily Chart

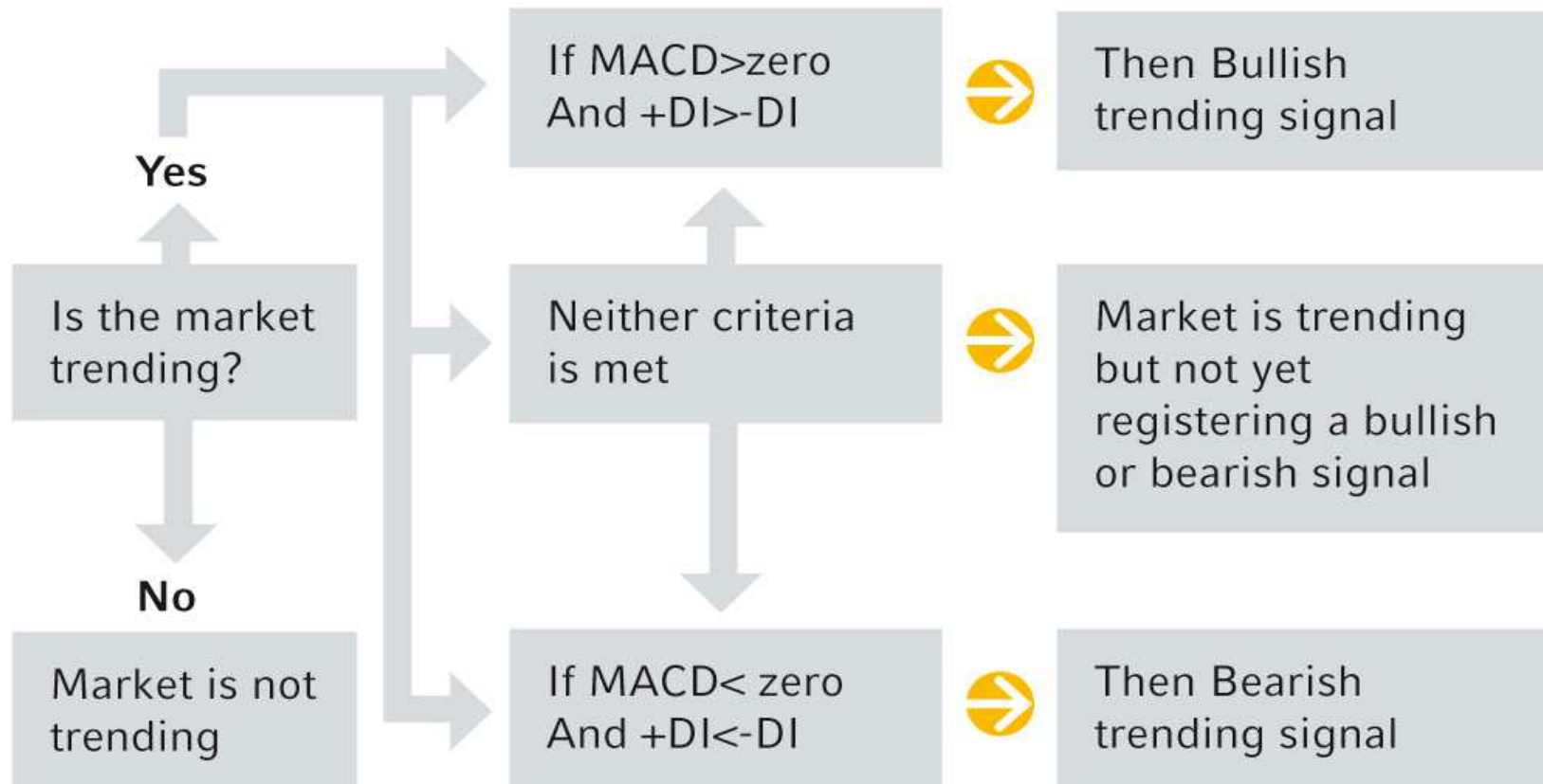
The last few days' impulsive move higher in the index points towards renewed credit weakness

- › Last week the ITRAXX 5Y Europe index came close to touching the 86.54 May low by dropping to 89.12 before swiftly reversing its trend.
- › **We are of the opinion that another significant low has thus been made in the 89.12/86.54 region and that a reversal higher is currently being made. This means credit weakness in the weeks to come.**
- › First the 2013 resistance line and 55 day moving average at 100.04 will need to be bettered and then a rise to above the 107.52 August high be seen for a longer term reversal higher to be confirmed.
- › Were the August peak to be overcome, the 2012-13 resistance line at 119.51 would be back in the picture.
- › Our medium term outlook has switched back from neutral to bullish for the index (meaning credit weakness).
- › Major support at 89.12/86.54 should hold, if retested at all.
- › If this were to be unexpectedly not the case, the September/October 2009 lows at 79.45/38 would be eyed.

ITRAXX 5Y Europe Index Daily Chart



Trending Filter



Glossary

ADX

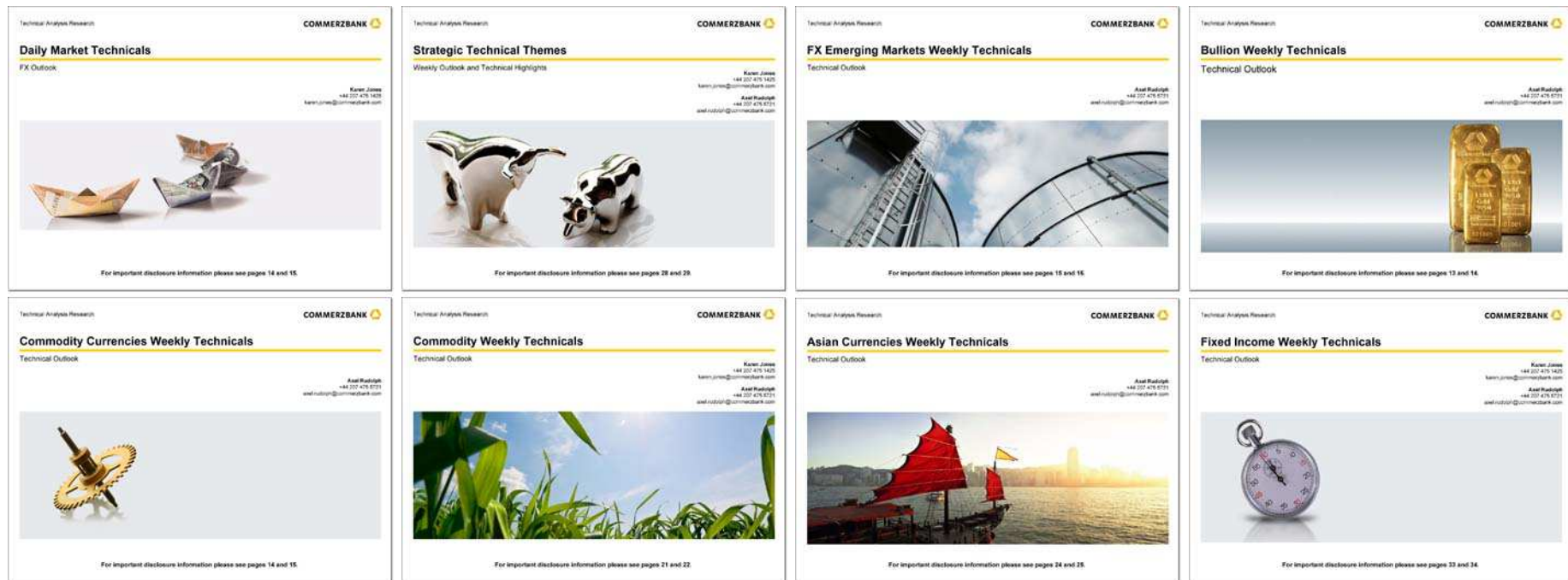
J. Welles Wilder developed the Average Directional Index (**ADX**) to evaluate the strength of a current trend. The ADX is an oscillator that fluctuates between 0 and 100. Even though the scale is from 0 to 100, readings above 60 are relatively rare. Low readings, below 20, indicate that the market is 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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- Wednesday:** Daily Market Technicals (FX), Commodity Weekly, Commodity Currencies Weekly Technicals;
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- Friday:** Daily Market Technicals (FX), Fixed Income Weekly Technicals.

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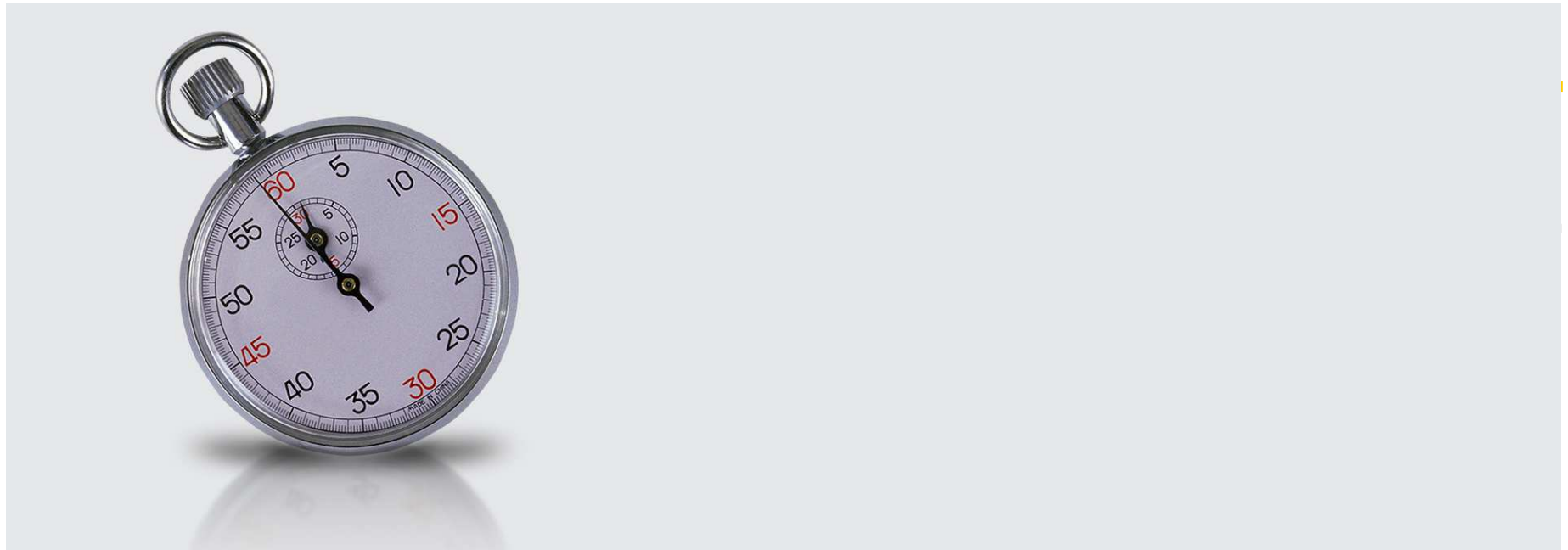
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