





Strategic Technical Themes

Wednesday, 02 October 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>Karen Jones +44 207 475 1425 Karen.jones@commerzbank.com</p>
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Summary

Key Points:
1. US Dollar approaching key support. Sell off by the US Dollar Index is at key support at 79.835/59 but should soon head higher again.
2. GBP/USD approaching its 2009-2013 downtrend at 1.6327. We would allow for initial failure.
3. EUR/USD we are looking for failure ahead of the 1.3670/1.3711 long term pivot.
4. Maintain a negative bias to EUR/GBP longer term.
5. AUD/NZD 2 year down move is reversing
6. Fixed Income futures upside now viewed as limited. US T-Notes - Looking for failure 126-30/127-08. Bund is failing ahead of the 140.95 end of August high and should remain capped by 141.82/90 (downtrend and Fibo).
7. Sovereign spreads – Italy 10Y VS Spain 10Y has exploded higher. Target is 0.50/0.52 and the initial resistance at 0.31. Italy 10Y Vs German 10Y - Seeing reversal ahead of the 2009-2013 uptrend at 227. Look for a break above the 200 day ma at 278.50 to confirm upside intent to 292.80 (55 week ma).
8. Spot gold is back under pressure – resuming down move. Target 1200 then 1100.
9. Credit charts are looking perkier i.e. ITRAXX 5Y above 4000 again, suggests some credit market weakness.

Technical Trade Ideas

Date	Instrument	Trade Idea	Stop	Take Profit	Outcome	P&L
02.10.2013	AUD/NZD	Buy 1.1350, add 1.1250	1.1210	1.1650		

Bullish and bearish trending signals

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

Long Name	C1	C2	C3	C4
Generic 1st 'RX' Future	✓	✓	✓	✓
US 10YR Note Future (continuous)	✓	✓	✓	✓
Generic 1st 'DU' Future	✓	✓	✓	✓
10YR MINI JGB FUT Dec13	✓	✓	✓	✓
EUR-SKK X-RATE	✓	✓	✓	✓
EUR-ZAR X-RATE	✓	✓	✓	✓
EUR-NOK X-RATE	✓	✓	✓	✓
BRITISH POUND SPOT	✓	✓	✓	✓
EURO SPOT	✓	✓	✓	✓
EUR-CAD X-RATE	✓	✓	✓	✓

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

Long Name	C1	C2	C3	C4
EUR SWAP ANNUAL 2 YR	✓	✓	✓	✓
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	✓	✓	✓	✓
SWISS FRANC SPOT	✓	✓	✓	✓
DOLLAR INDEX SPOT	✓	✓	✓	✓
Heating Oil Future (continuous)	✓	✓	✓	✓
EUR SWAP ANNUAL 5 YR	✓	✓	✓	✓
BRAZILIAN REAL SPOT	✓	✓	✓	✓
PLATINUM SPOT \$/OZ	✓	✓	✓	✓
SWEDISH KRONA SPOT	✓	✓	✓	✓
GOLD SPOT \$/OZ	✓	✓	✓	✓
EUR-HUF X-RATE	✓	✓	✓	✓
EUR-CHF X-RATE	✓	✓	✓	✓
CAD-JPY X-RATE	✓	✓	✓	✓
JAPANESE YEN SPOT	✓	✓	✓	✓
EUR-GBP X-RATE	✓	✓	✓	✓
EUR-AUD X-RATE	✓	✓	✓	✓
EUR-SEK X-RATE	✓	✓	✓	✓
EUR-CAD X-RATE	✓	✓	✓	✓
FTSE 100 INDEX	✓	✓	✓	✓
USD SWAP SEMI 30/360 10Y	✓	✓	✓	✓
JPY SWAP 5 YR	✓	✓	✓	✓
LME TIN 3MO (\$)	✓	✓	✓	✓
WHEAT FUTURE(CBT) Dec10	✓	✓	✓	✓

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.

1. US Dollar approaching key support

Sell off by the US Dollar Index is at key support at 79.835/59 but should soon head higher again

US Dollar Index Weekly Chart



GBP/USD approaching its 2009-2013 downtrend at 1.6327

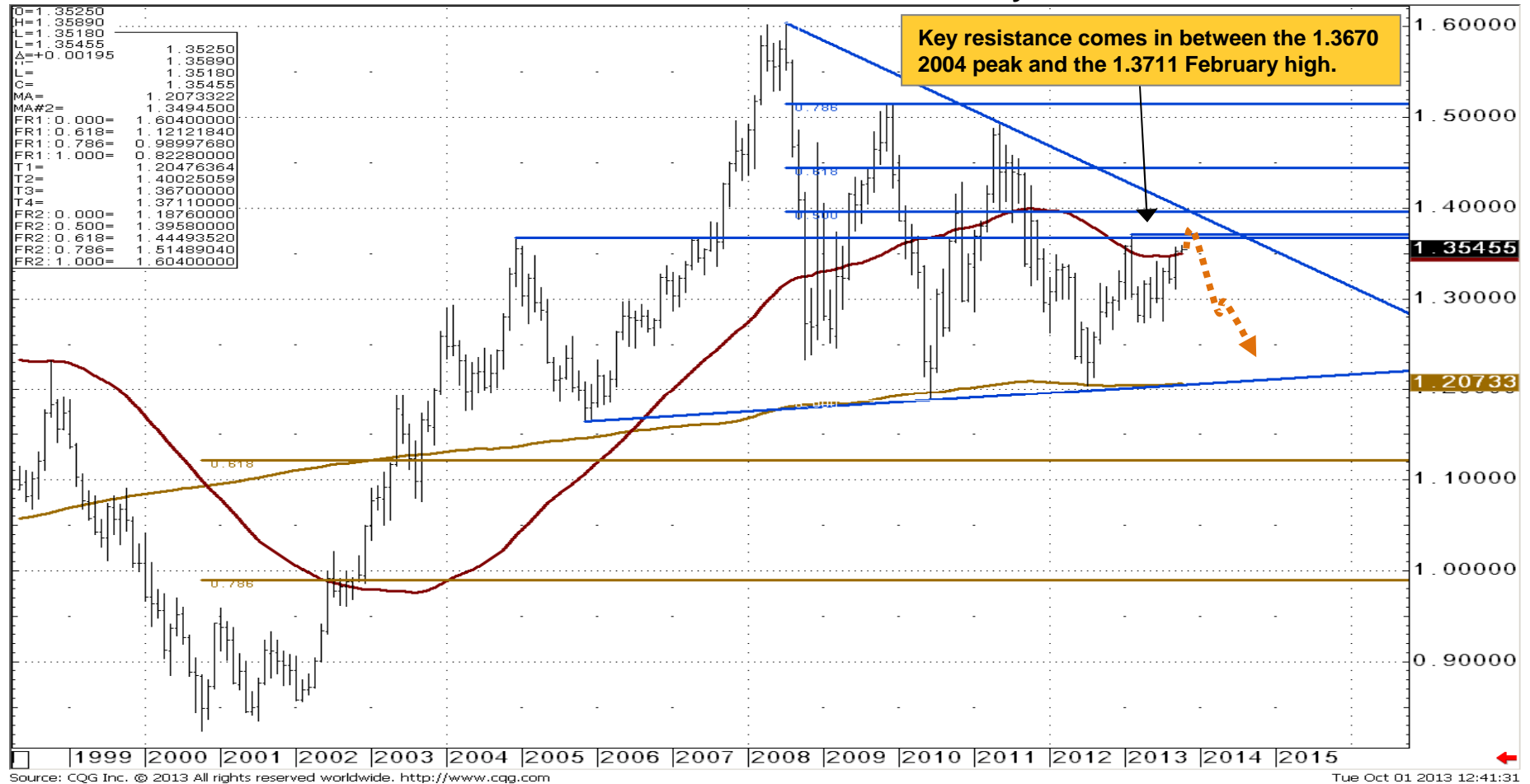
We would allow for initial failure



EUR/USD - Monthly Chart

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

EUR/USD Monthly Chart



Maintain a negative bias to EUR/GBP

Targets the 0.7750 2012 low longer term

- › EUR/GBP remains under pressure following its recent break below the 2012-2013 up trend. The market last month failed at failed at the top of a 4 year down channel, which is currently located at .8738 and given the erosion of the 55 and 200 week moving averages the short, medium and longer term outlooks continue to look negative.
- › Our initial target is the 50% retracement of the move up from the 2012 low, this is located at .8285 and is expected to act as the break down point to 0.8160 (the 61.8% of the same move) and eventually head back to the 2012 low at 0.7757 and potentially to the base of the channel, currently at 0.7579. The 2012 low of approximately 0.7750 is achievable by the end of 2014.
- › Short term rallies will find fairly good resistance at 0.8570/0.8512 (June low and the 2 month downtrend) and should remain contained by the 0.8652 end of August peak for the negative bias to remain entrenched.



AUD/NZD basing

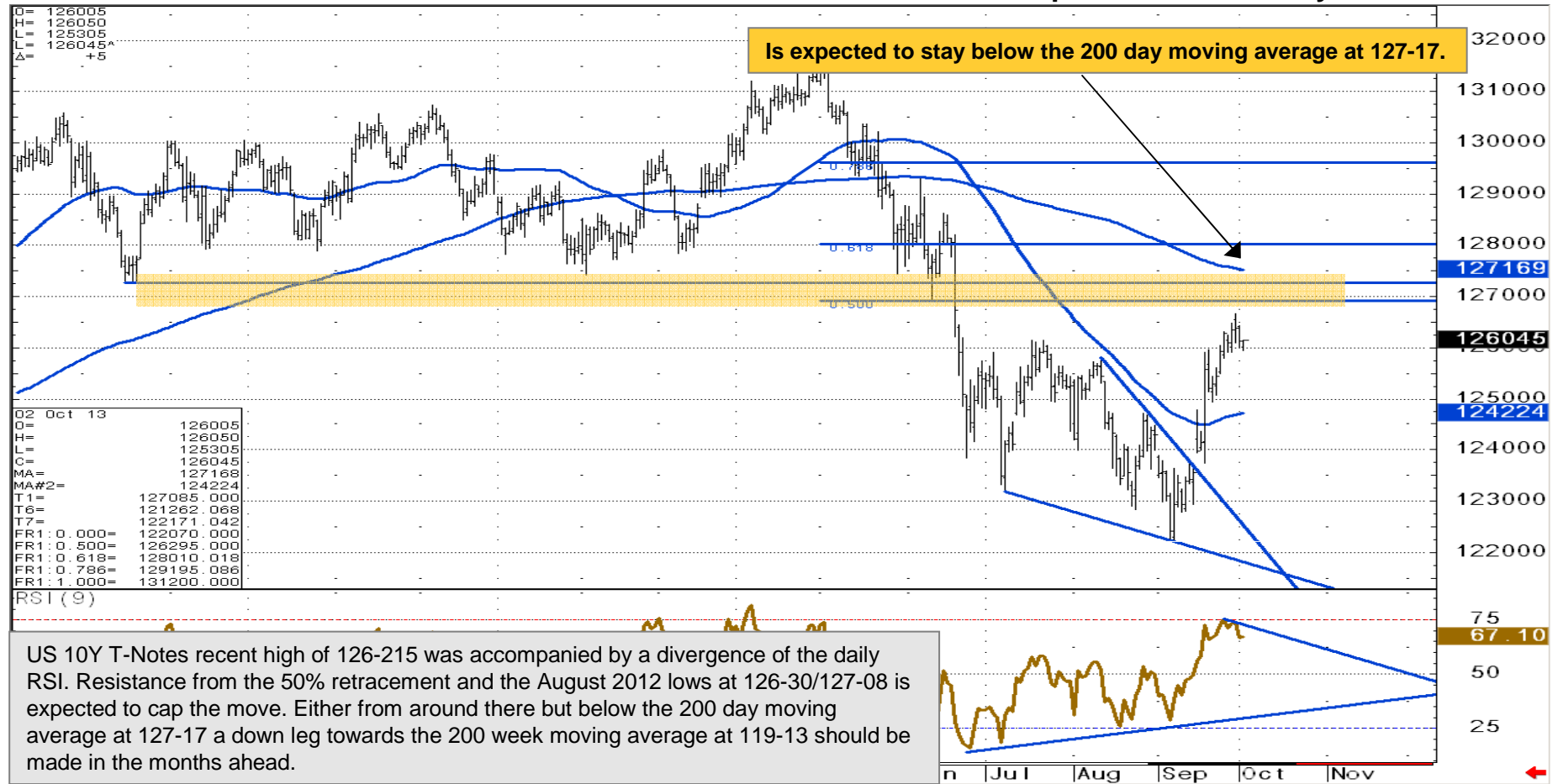
Large divergence of the weekly RSI suggests 2 year down move has ended



US 10Y T-Notes - Daily Chart

Looking for failure 126-30/127-08

US 10Y T-Notes Equalized Active Daily Chart



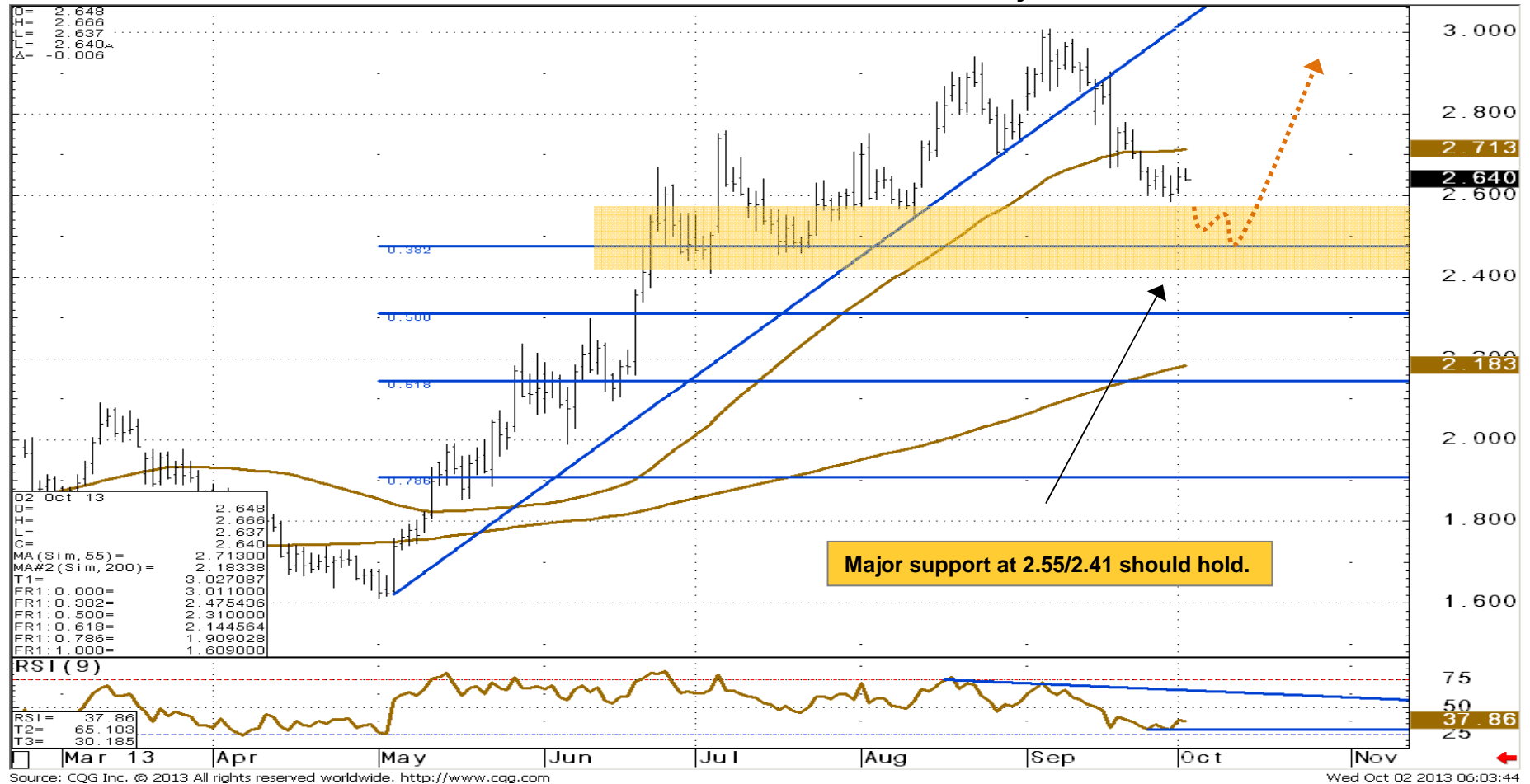
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Wed Oct 02 2013 06:02:10

US 10Y Yield - Daily Chart

Looking for the 2.55/2.41 major support zone to hold

US 10Y Yield Daily Chart



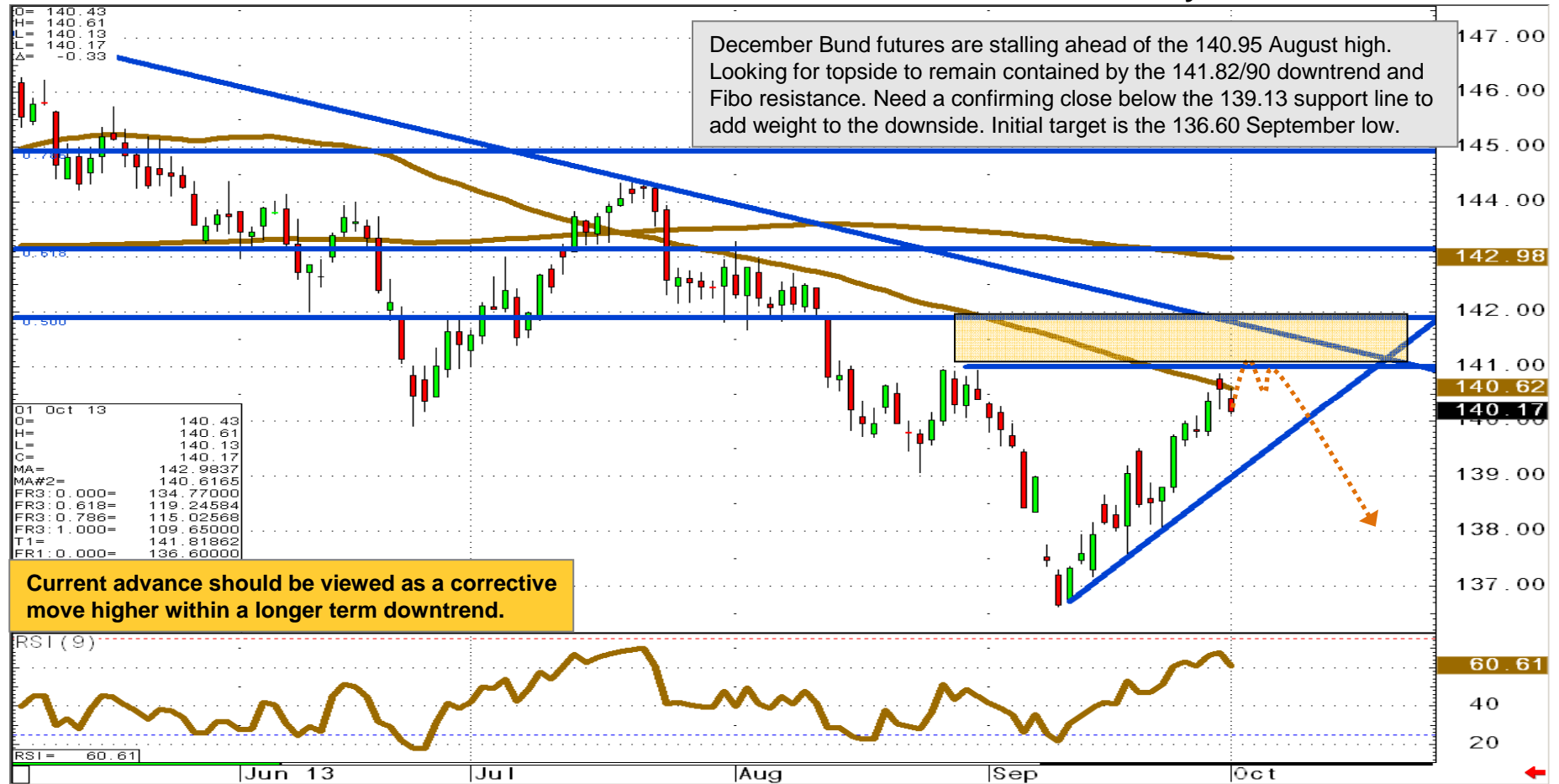
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Wed Oct 02 2013 06:03:44

Bund Futures – Daily Chart

Bund is failing ahead of the 140.95 end of August high (continuation chart)

December Bund Futures Daily Chart



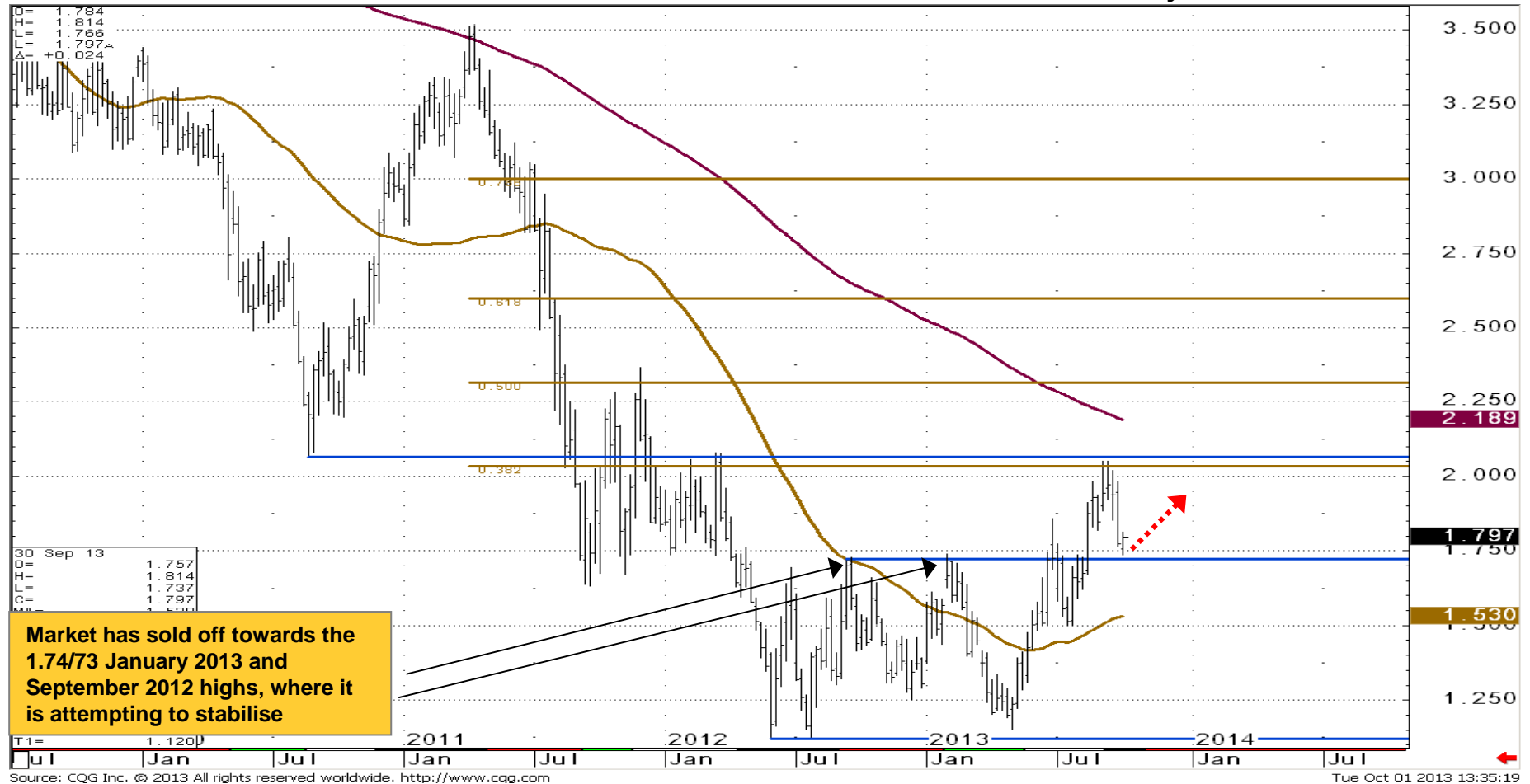
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Tue Oct 01 2013 13:29:47

German 10Y Bund Yield - Daily Chart

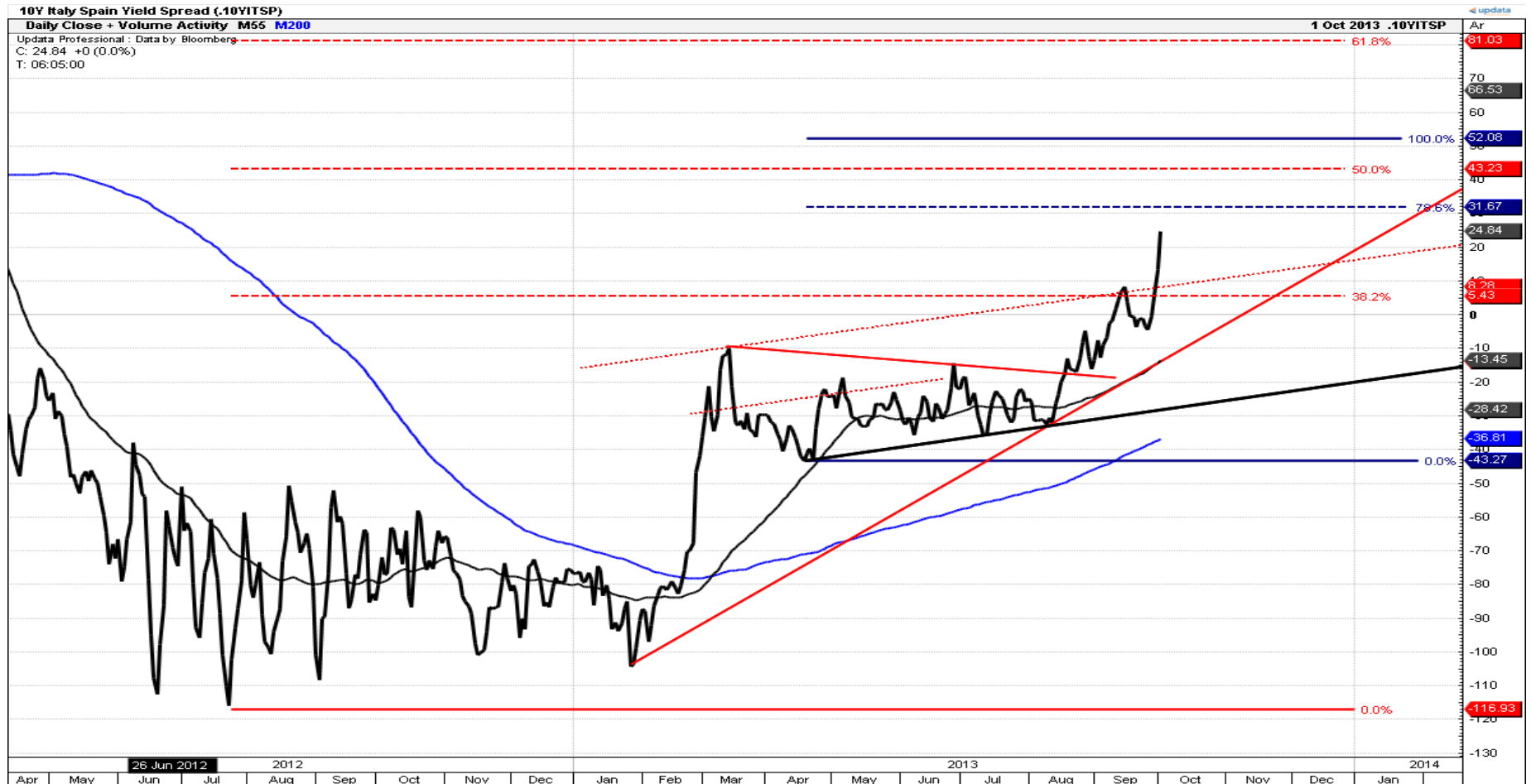
Should stabilise in the 1.86/1.74 region and then head higher again

German 10Y Bund Yield Daily Chart



Italy 10Y VS Spain 10Y daily chart

Target is 0.50/0.52. Initial resistance at 0.31



Spain 10Y VS Germany 10Y

Remains contained in a down channel



Italy 10Y VS Germany 10Y

Seeing reversal ahead of the 2009-2013 uptrend at 227. Look for a break above the 200 day ma at 278.50 to confirm upside intent to 292.80 (55 week ma)



Spot Gold - failed at the 55 day ma at 1345

Resuming downmove

- › We continue to believe that **the medium term downtrend remains intact** and will do so while no daily chart close above the September 19 high at 1375.37 is being made.
- › The 1272.56 August low remains in focus. We also find just above here the 61.8% retracement at 1277 and it is possible that this zone will hold the initial test.
- › Failure at 1272.56 will confirm that gold has resumed its medium term downtrend.
- › In such a scenario the 1200/1100 region will be back in the picture.
- › Only an unexpected rise above the 1434.05 August peak would void this forecast and target resistance at 1487.62/1488.17 instead. A first sign of this scenario becoming likely would be a daily close above the September 19 high at 1375.37.



ITRAXX 5Y Crossover Index

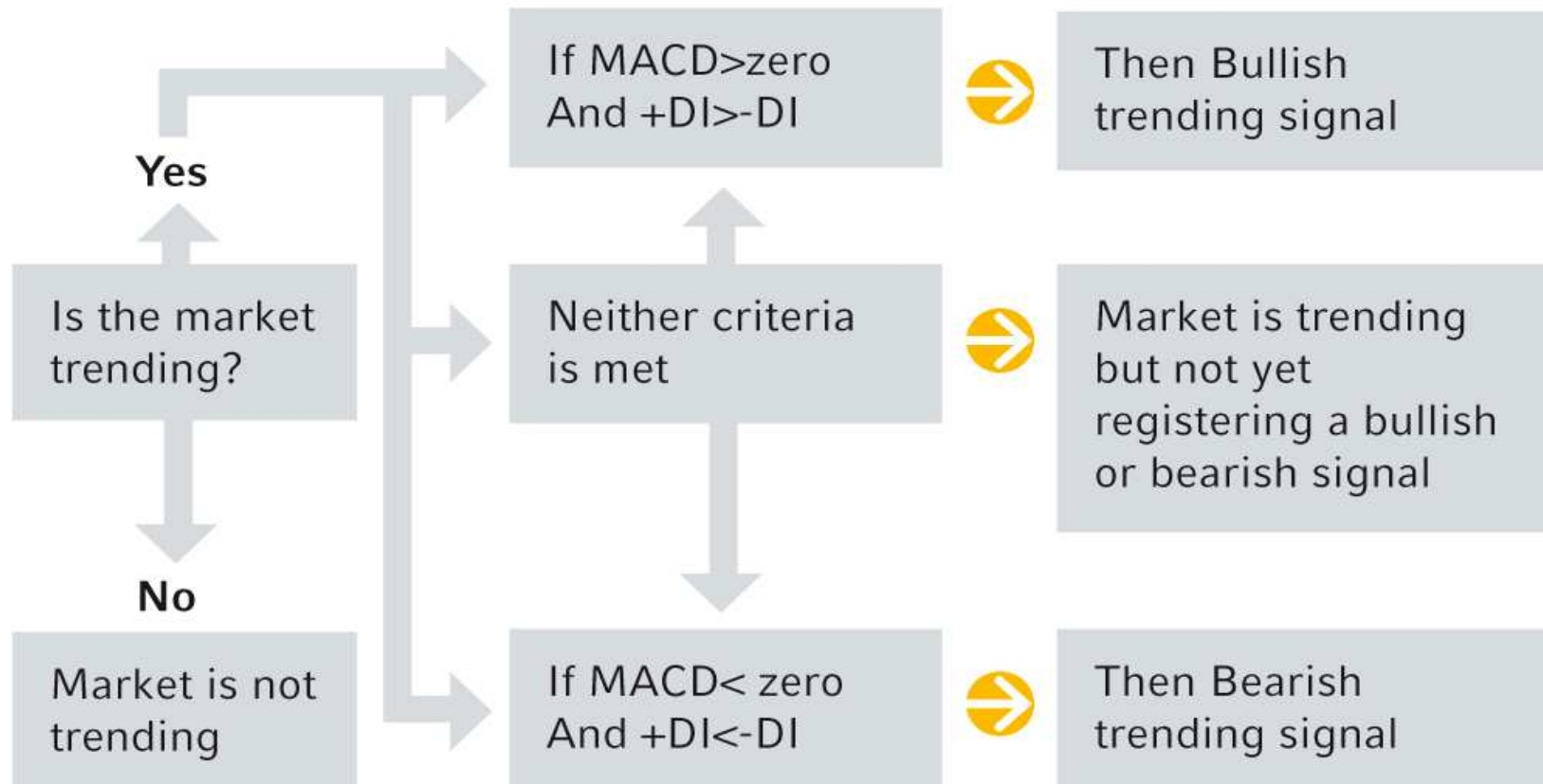
Market has regained 400 and is looking perkier (credit weakness)

- › The ITRAXX 5Y Crossover index bounced off the 365.96 May low because of the rollover but the 2013 resistance line has also been eroded together with psychological resistance at 4.00.
- › We expect to see renewed upside in the index (credit weakness) with the 200 day moving average at 428.38 then being in focus as well as the August peak at 439.83.
- › Should the latter level also be bettered, the 2011-13 downtrend line at 482.69 will be back in the picture as well.
- › Major support sits at 365.96/364.47 (May and September lows) and we expect it to underpin going forward.
- › Should it unexpectedly give way, the 350 region will be back in the picture. It is where the 2011 low was made at 352.03.

ITRAXX 5Y Crossover Index Daily Chart



Trending Filter



Glossary

ADX

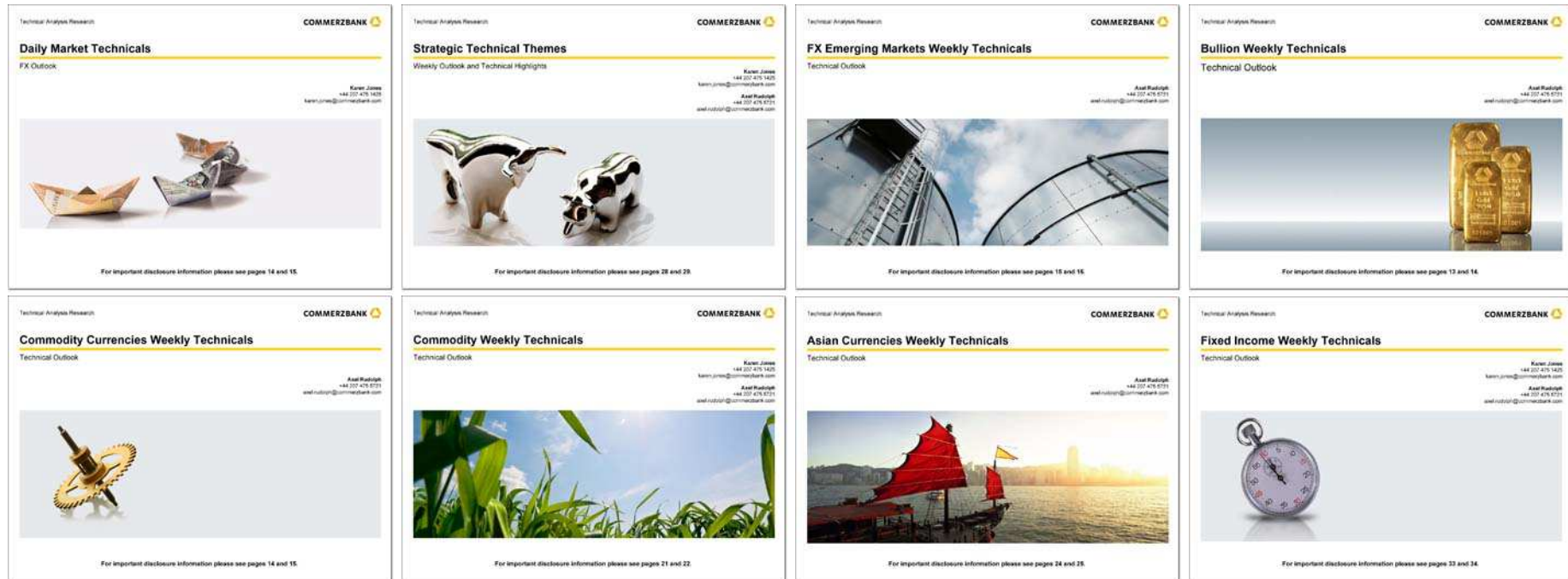
J. Welles Wilder developed the Average Directional Index (**ADX**) to evaluate the strength of a current trend. The ADX is an oscillator that fluctuates between 0 and 100. Even though the scale is from 0 to 100, readings above 60 are relatively rare. Low readings, below 20, indicate that the market is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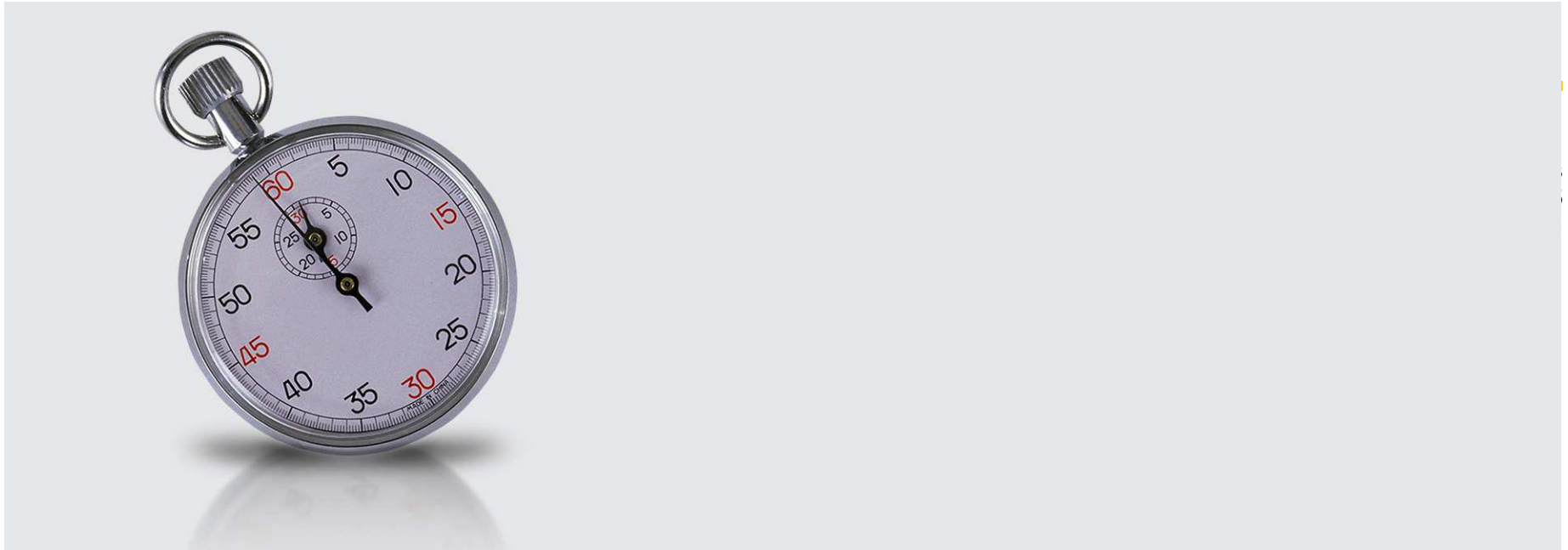
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