

Strategic Technical Themes – Weekly Outlook

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Outlook and Technical Highlights

Karen Jones
+44 207 475 1421
Karen.jones@commerzbank.com

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Summary

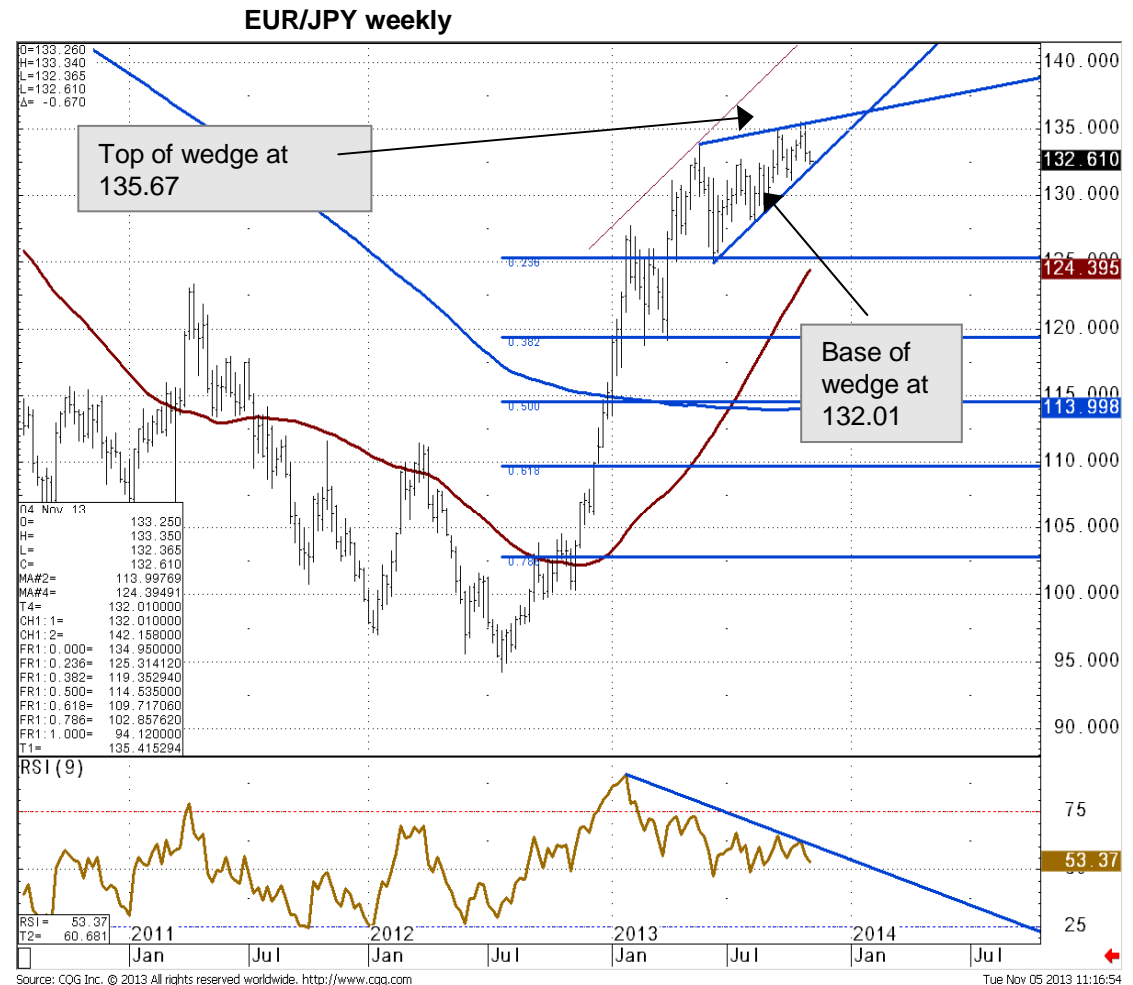
Key Points:
1. Potential rising wedge on EUR/JPY will complete on a close below 132.01 and introduce scope to 122.80.
2. EUR/USD – the technical evidence is overwhelmingly bearish
3. US Dollar holds MAJOR support and is expected to rise further
4. Bund has inched through 141.90 Fibo but is stalling ahead of the 200 day ma, allow for a slide back to the 140.05/139.80 region
5. US T-Notes have failed at the 61.8% retracement at 128-01, maintain a negative bias
6. Failed ahead of the 200 day ma and severed the short term uptrend - widening. EU 10Y swap under performing
7. Long Italy 10Y short Spain 10Y trend in place above -10/-9.85 2013 March high. Slight loss of upside momentum - liquidate longs.

Technical Trade Ideas

Date	Instrument	Trade Idea	Stop	Take Profit	Outcome	P&L
30.10.2013	GBP/USD	Sell at market, add 1.6150	Stop 1.6270	1.5705	Short 1.6060	
30.10.2013	Bund	Sell at market, add 142.60, stop	stop 144.40	137.00	Short 141.50	

Potential rising wedge (bearish pattern) on EUR/JPY will complete on a close below 132.01 and introduce scope to 122.80

- › EUR/JPY we are viewing the pattern developing on the chart as a potential rising wedge pattern, this offers resistance at 135.67 and support at 132.01. These patterns are well documented reversal patterns and this one will complete on a weekly close below 132.01. We would also highlight the large bearish divergence of the weekly RSI on its recent move to a new high of 135.52 and highlight that the market recently reversed from its very long term retracement at 135.33 (23.6% retracement of the move down from the 1979 high). We look for this to now act as tough overhead resistance. All of these factors are bearish.
- › A weekly close below the 132.01 level should be enough to complete the pattern and introduce scope to 122.80. (See weekly chart attached).
- › Near term the market is seeing a small rebound from its 55 day ma at 132.68. We look for this to be tepid. Initial resistance lies 133.65.



EUR/USD – the technical evidence is overwhelmingly bearish

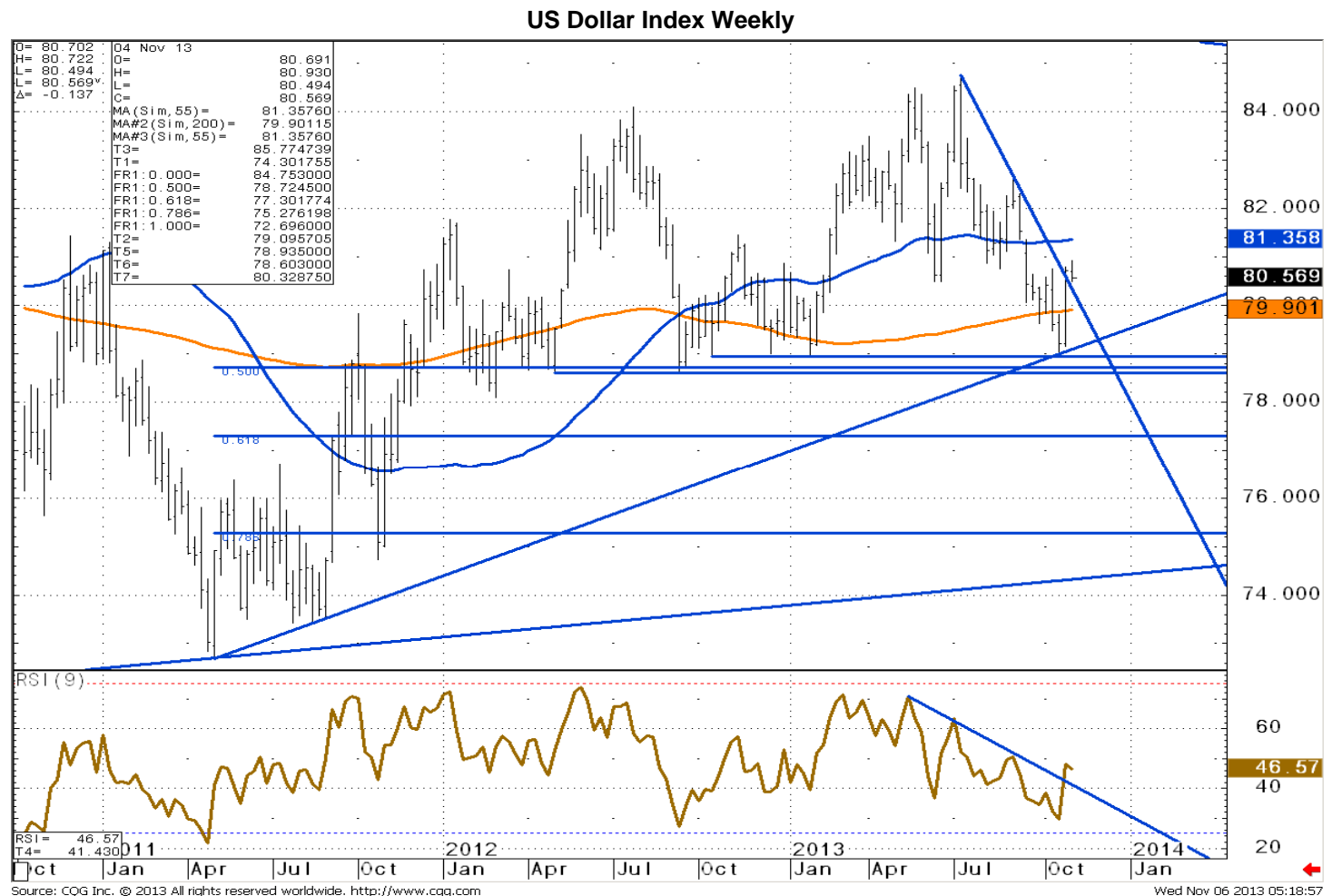
- › There are a number of technical developments which need to be highlighted on the longer term EUR/USD charts as they all suggest that the high at 1.3833 is likely to be a key intermediate turning point for the market (top).
- › The first one to mention is that the market has rallied to and seen emphatic rejection from the 61.8% retracement of the move down from 2011. This implies that the entire move higher from the 1.2042 July 2012 low was nothing more than a correction.
- › Secondly the Elliott wave count on the weekly chart is also implying that this is the end of the 4th wave and the next leg should be on the downside.
- › Thirdly we have seen a complex divergence of the weekly RSI, price action represents a bearish weekly engulfing pattern and on the monthly chart we have an inverted hammer.
- › Fourthly the market has failed just ahead of the 1.3958/1.4002 key resistance – this represents the 50% retracement of the move down from the 2008 peak and also the 2008-2013 resistance line.
- › Lastly we have a 13 count on the daily and on the weekly charts, we have not seen a 13 count on the weekly chart since 2008.
- › For the last piece of evidence, we would like to see a CLOSE below the weekly uptrend at 1.3446 for added confirmation, however the technical evidence is overwhelmingly bearish at this juncture.
- › This suggests that we will see EUR/USD resume its longer term bear trend. We would expect to see the market drop towards its 200 MONTH moving average at 1.2082 by end of 2014.



US Dollar holds MAJOR support and is expected to rise further

Not only has the US Dollar Index reversed from the 2011-2013 uptrend (at 78.93) but it has also held over and rebounded from the 78.93 2013 low. Last weeks price action also represents a bullish engulfing pattern. There was also a doji charted on the monthly chart – all of which suggests that we should see further strength by the US dollar this month.

We also saw a weekly close above the 3 month downtrend at 80.59 last week. This should trigger an advance to initially 81.36 the 55 week ma then 82.55/67 the 61.8% retracement and the September high. Ideally dips lower will hold over 80.20/00 near term for another push higher.



Other USD Majors

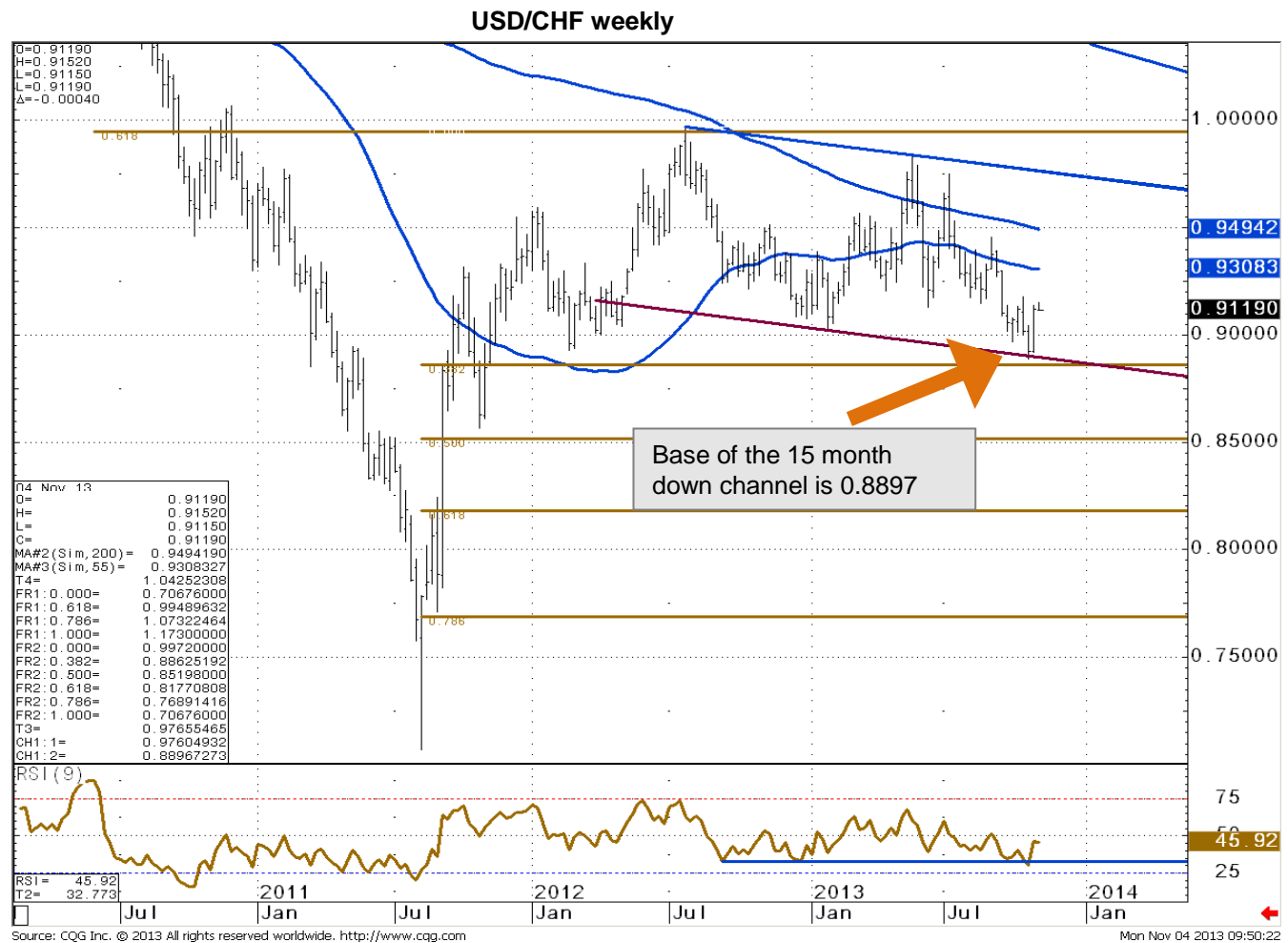
USD/CHF is reversing from the base of its 15 month down channel

USD/CHF has sold off to and has reversed sharply from the base of its 15 month down channel. This is located at 0.8896 this week and the this support is reinforced by the 38.2% retracement of the move up from 2011, which is located at .8862.

The weekly candle is a bullish engulfing and this suggests that we are likely to see some further Dollar strength.

Ideally we would like to see a close above the 4 month resistance line at .9165 to confirm reversal, but for now will look for only tepid set backs from this resistance line.

A close above here is favoured and should see an eventual recovery to .9605 the 55 MONTH moving average.

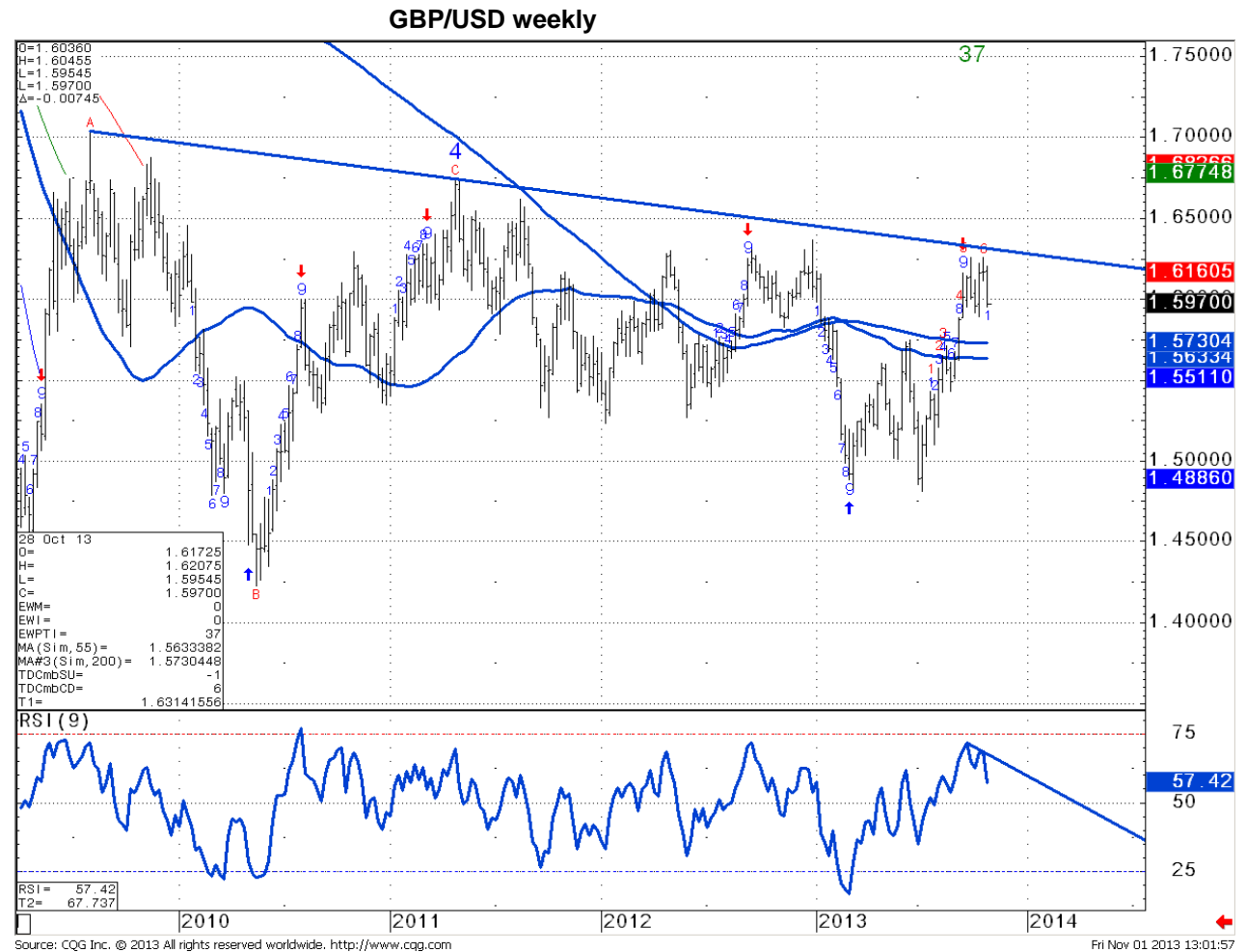


GBP/USD has failed at its 4 year downtrend

GBP/USD is showing signs of failure from its 4 year downtrend at 1.6314. We note the divergence of the weekly RSI on the recent move to a new high and also the TD perfected set up on the weekly chart as well.

The daily chart is looking increasingly like a potential double top pattern and a close below 1.5895 will complete the pattern to introduce scope to 1.5535.

All in all the chart pattern is looking more and more negative. Directly above the market we have dense resistance, which extend to the 1.6370 December 2012 resistance and while capped here we will maintain a negative bias.



Bund has inched through 141.90 Fibo but is stalling ahead of the 200 day ma, allow for a slide back to the 140.05/139.80 region



US T-Notes have failed at the 61.8% retracement at 128-01, maintain a negative bias

To confirm would like to see a close below the 125-16 mid October low



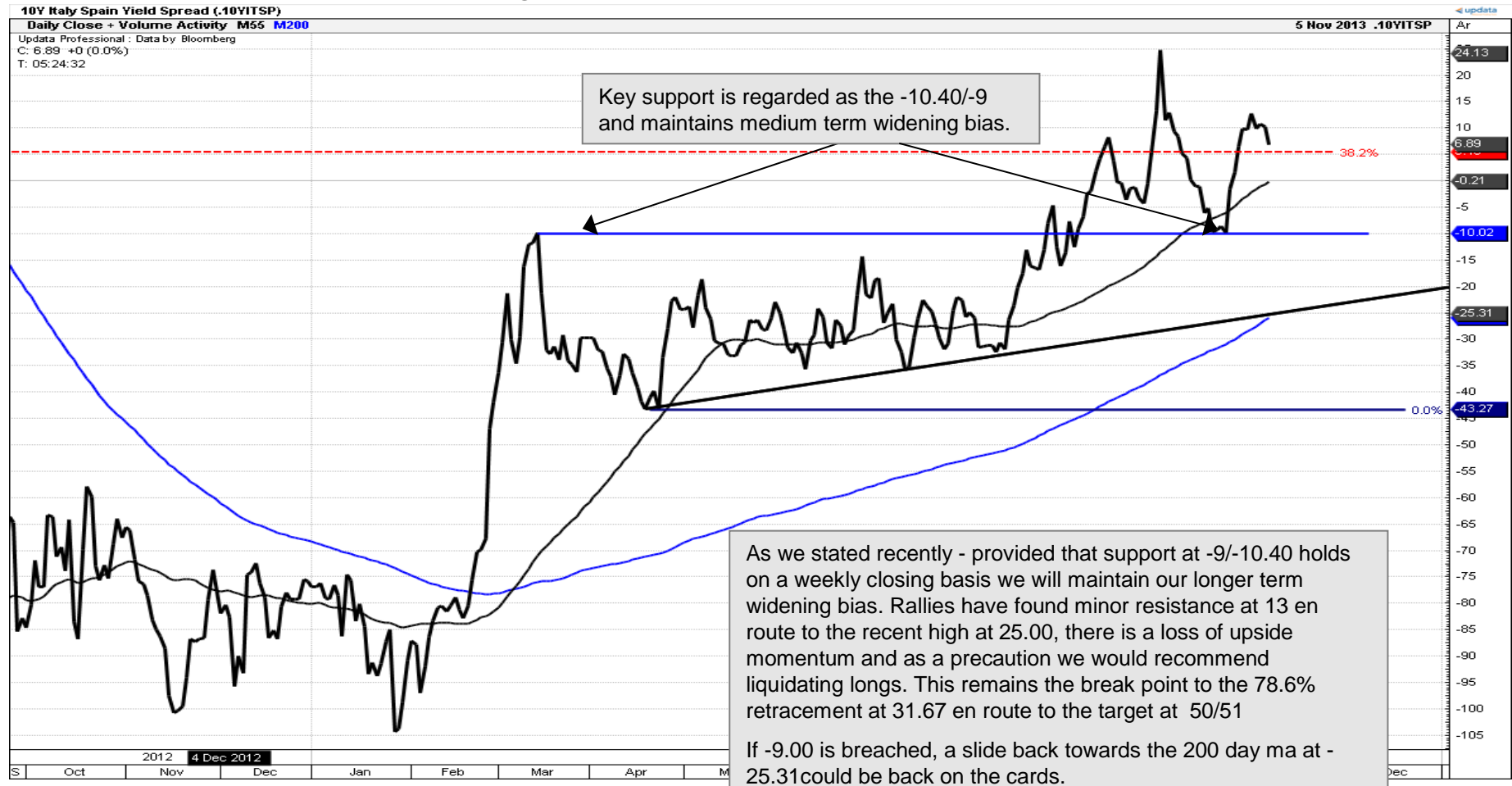
EU 10Y VS US 10Y swap

Failed ahead of the 200 day ma and severed the short term uptrend - widening. EU 10Y swap under performing






Italy VS Spain 10Y spread





Long Italy 10Y short Spain 10Y trend in place above -10/-9.85 2013 March high. Slight loss of upside momentum. Liquidate longs.








Tracking Key Technical Themes - FX

Date	Theme	Stop on view/Target	Additional Comment	Outcome
25.09.2013	GBP/USD approaching its 2009-2013 downtrend at 1.6321. We would allow for initial failure.	Stop 1.6370, lower stop to 1.6270	1.5705	
09.10.2013	USD/CAD positive above 1.0210	Target 1.0600. (06/11/2013) - Has not managed to clear 1.0500 and looks likely to consolidate, exit longs,		
				






Tracking key Technical Themes - Fixed Income

Date	Theme	Stop on view/Target	Additional Comment	Outcome
30.10.2013	Bund - bid near term BUT strength is still indicated to be corrective and it should fail ahead of 141.90, but we are going to give it some room and allow for a test of the 55 week ma at 142.78	144.40		
06.09.2013	Sovereign spreads – Italy 10Y VS Spain 10Y. Target is 0.50/0.52 and the initial resistance at 0.31.	Target 0.50. Stop -11.50. Exit at market as upside momentum appears to be waning (06.11.2013)	Call made when price circa -7.	
06.09.2013	Italy 10Y Vs German 10Y - Seeing reversal ahead of the 2009-2013 uptrend at 228. Look for a break above the 200 day ma at 275 to confirm upside intent to 286 (55 week ma).	Stop 228, target 274.25 (200 day m.a.)	Call made circa 240	
16.09.2013	US 2-10 swap curve. Short term narrowing should halt in the 2.21 region.	Market has reached this support (rebound from 2.2060 low. Take profit at market (06.11.2013)	Needs to regain the 55 day ma at 2.37 to confirm widening	





Historical Key themes

Date	Theme	Stop on view/Target	Additional Comment	Outcome
25.09.2013	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.	Stop 79.20	Make or break time for the dollar. Take profit 80.50. Profit target met.	
April 2013	Gold we neutralise this bearish call date 09.10.2013 and recommend exiting shorts		Major bearish call was made at the beginning of April 2013 when gold was trading at 1560	
09.10.2013	Neutralise the longer term view on USD/JPY as we are concerned regarding the longer term impact of the Nikkei on price			
25.09.2013	EUR/USD we are looking for failure ahead of the 1.3670/1.3711 long term pivot.	Stop 1.3715	Stopped on view – strength looks set to extend further to 1.3833, potentially 1.3958/1.4002.	
02.10.2013	Maintain a negative bias to EUR/GBP longer term.	Long term stop on view .8738. Target .7750. Short term stop is .8500	Maintain negative bias below .8500, just stopped, but view remains still longer term negative	

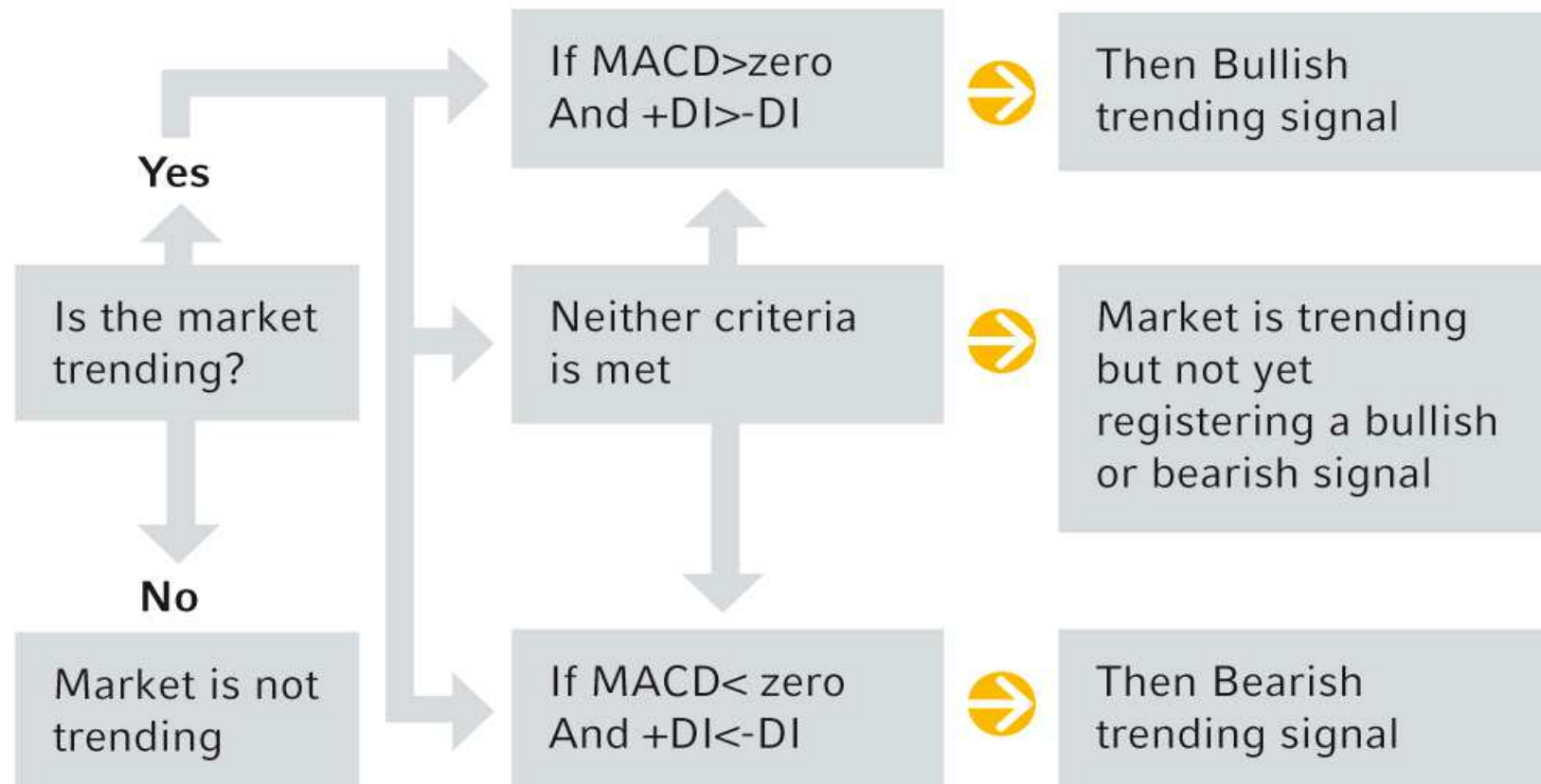
Historical Key themes

Date	Theme	Stop on view/Target	Additional Comment	Outcome
16.09.2013	EUR/AUD - An interim top was made at 1.4562 in late September; targets the 1.3959 level and then 1.3864	Target 1.3959, stop 1.4410	23.10.2013 – take profit on short EUR/AUD positions (the market has rallied since)	
25.09.2013	US T-Notes - Looking for failure 126-30/127-08.	200 day ma (127-12), eroded, short term outlook neutralised	Negative longer term since end of May (price circa 129-00)	
02.10.2013	Credit charts are looking perkier i.e. ITRAXX 5Y above 400 again, suggests some credit market weakness.	Stop on view 360. TP circa the 200 day ma (426)	Stopped – fallen to new 5 year lows	
02.10.2013	AUD/NZD 2 year down move is reversing	Positive bias above 1.1150	Trade update 25.10.2013 Long 1.1350, raise profit stop to 1.1425. TP 1.1577= +2%	
23.10.2013	EUR/USD is in new .23 month highs and the next key resistance zones at 1.3833 and then 1.3958/1.4003 – currently we have little to suggest this latter level will be taken out.	Stop 1.4050, lower stop to 1.3850, take profit 1.3650.	Take profit hit	

Historical Key themes

Date	Theme	Stop on view/Target	Additional Comment	Outcome
23.10.2013	NZD/USD daily RSI has diverged and together with a 13 count on the daily chart we are recommending that remain longs are exited.		NZD/USD failed and has eroded its uptrend	
23.10.2013	AUD/USD has reached its 200 day ma and we would allow for some profit taking here		AUD did fail at its 200 dma as suggested	
02.10.2013	Bund is failing ahead of the 140.95 end of August high and should remain capped by 141.00/90 (downtrend and Fibo).	Lower stop from 142 to 141.90. Stop hit	Negative longer term since end of May (price circa 144/145)	
30.10.2013	EUR/USD - signals suggest risk of failure ahead of 1.40 is high		EUR/USD failed at 1.3833 and sold off sharply	

Trending Filter



Glossary

ADX

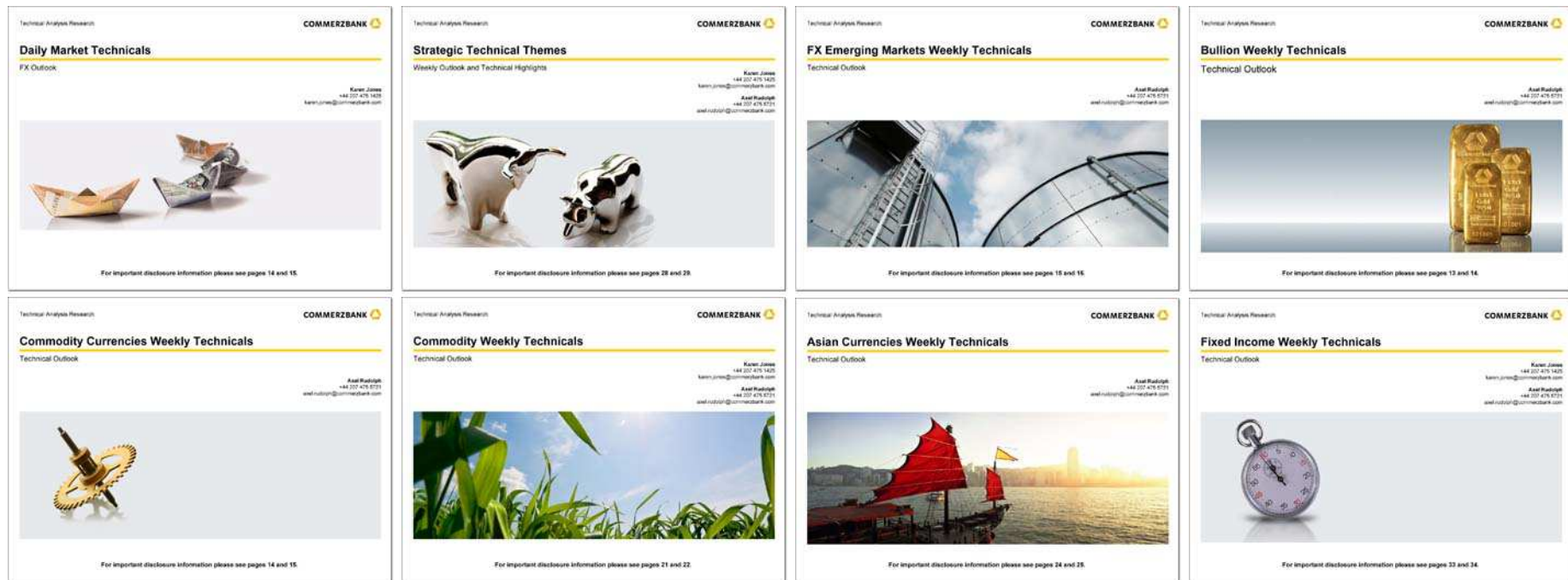
J. Welles Wilder developed the Average Directional Index (**ADX**) to evaluate the strength of a current trend. The ADX is an oscillator that fluctuates between 0 and 100. Even though the scale is from 0 to 100, readings above 60 are relatively rare. Low readings, below 20, indicate that the market is 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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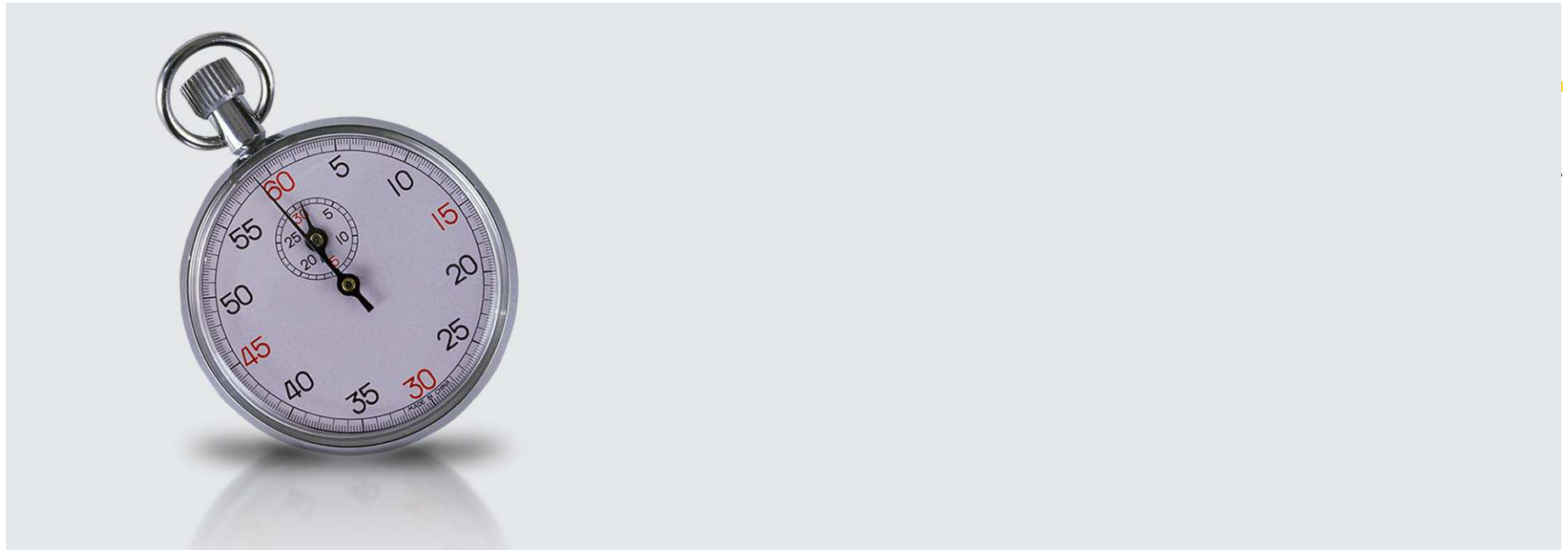
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DLZ - Gebäude 2, Händlerhaus Mainzer Landstraße 153 60327 Frankfurt	PO BOX 52715 30 Gresham Street London, EC2P 2XY	2 World Financial Center, 32nd floor New York, NY 10020-1050	71 Robinson Road, #12-01 Singapore 068895	29/F, Two IFC 8 Finance Street Central Hong Kong
Tel: + 49 69 136 21200	Tel: + 44 207 623 8000	Tel: + 1 212 703 4000	Tel: +65 631 10000	Tel: +852 3988 0988



Karen Jones
Head of FICC Technical Analysis

Tel. +44 207 475 1425
Mail karen.jones@commerzbank.com

Axel Rudolph
Senior FICC Technical Analyst

Tel. +44 207 475 5721
Mail axel.rudolph@commerzbank.com

Zentrale
Kaiserplatz
Frankfurt am Main
www.commerzbank.de

Postfachanschrift
60261 Frankfurt am Main
Tel. +49 (0)69 / 136-20
Mail info@commerzbank.com

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