



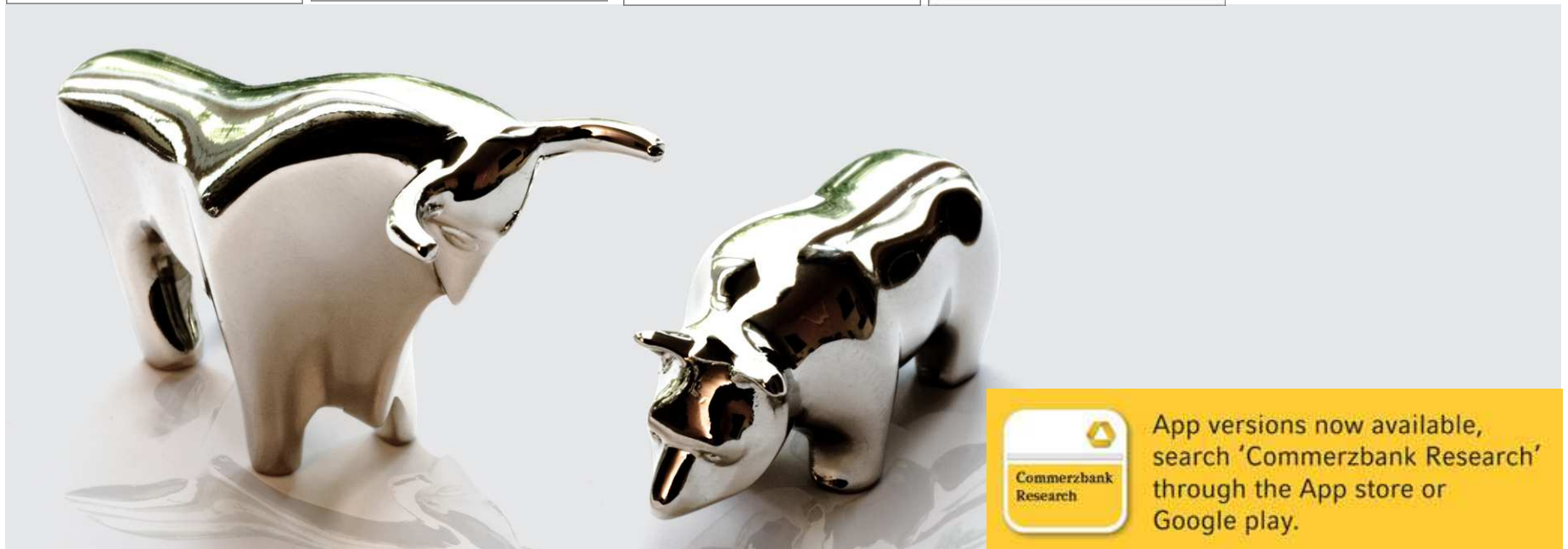


# Strategic Technical Themes

Wednesday, 09 October 2013

## Weekly Outlook and Technical Highlights

<p><b>2</b> Technical Analysis Commerzbank</p> <p>Source: Euromoney FX Survey 2013</p> <p>2013 </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 </p>	<p><b>1</b> Technical Analysis Banks Commerzbank</p> <p>Source: Euromoney FX Poll 2012</p> <p>2012 </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>Karen Jones</b> +44 207 475 1425 <a href="mailto:Karen.jones@commerzbank.com">Karen.jones@commerzbank.com</a></p>
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## Summary

Key Points:
1. We wish to neutralise our outlook for USD/.JPY as we are concerned by the price action by the Nikkei and the positive correlation between these market suggests our longer term bullish bias is no longer appropriate.
2. We have concerns regarding further upside for the stock markets – in particular the FTSE and the S+P. However so far we have not seen any sell signals, but we suspect that these markets are topping.
3. What would weaker stocks mean for fixed income?? The correlation of S+P to US 10Y yields is much, much lower. Historically the stocks and fixed income futures markets are negatively correlated, but this drop in the correlation suggests that even if stocks do come off, the positive impact on the fixed income markets may not be so strong
4. We maintain a negative bias on Bund while below 141.90 and on US T-notes while below its 200 day ma (127-15)
5. Italy 10Y VS Spain 10Y maintain a longer term widening bias while above the -11.5
6. US Dollar Index has held key support at 79.61 but should soon head higher again. GBP/USD is expected to fail ahead of its 1.6327 4 year downtrend.
7. AUD/NZD attempting to base
8. USD/CAD looking more bid in range looking for a rally towards the 1.0626/61 highs.

## 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	Long 1.1350	

# Nikkei Dow - Monthly chart

Market has recently reversed from the 1996-2013 downtrend at 15742



## Nikkei VS USD/JPY - a positive correlation of approx 0.45



# Comparing the Daily Patterns suggests caution for USD/JPY

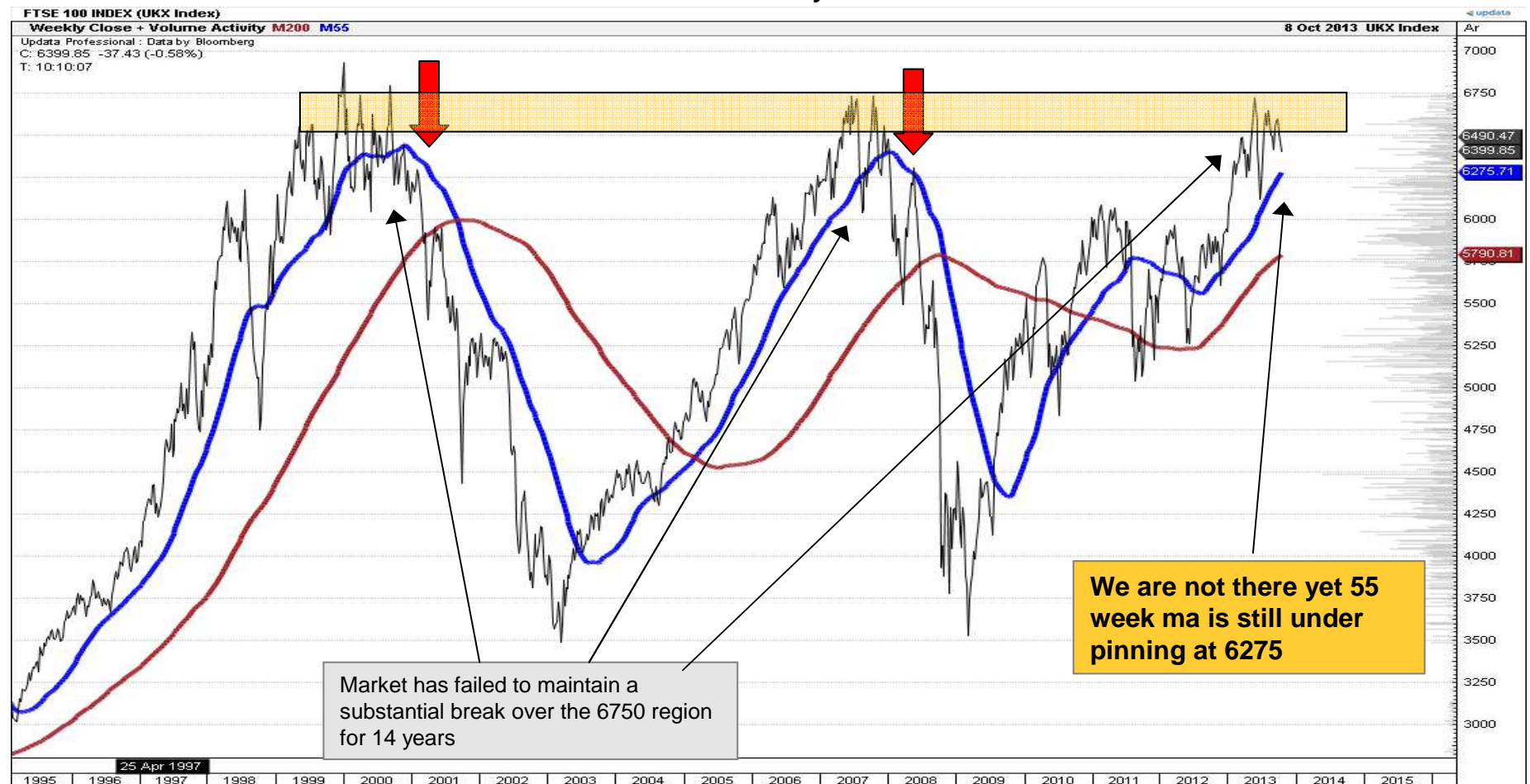


Very similar daily patterns are discernable on both charts, we had previously assumed that the one on USD/JPY was a potential bullish consolidation. Given the long term downtrend on the Nikkei and the current pretty high correlation, we will neutralise our longer term forecast on USD/JPY

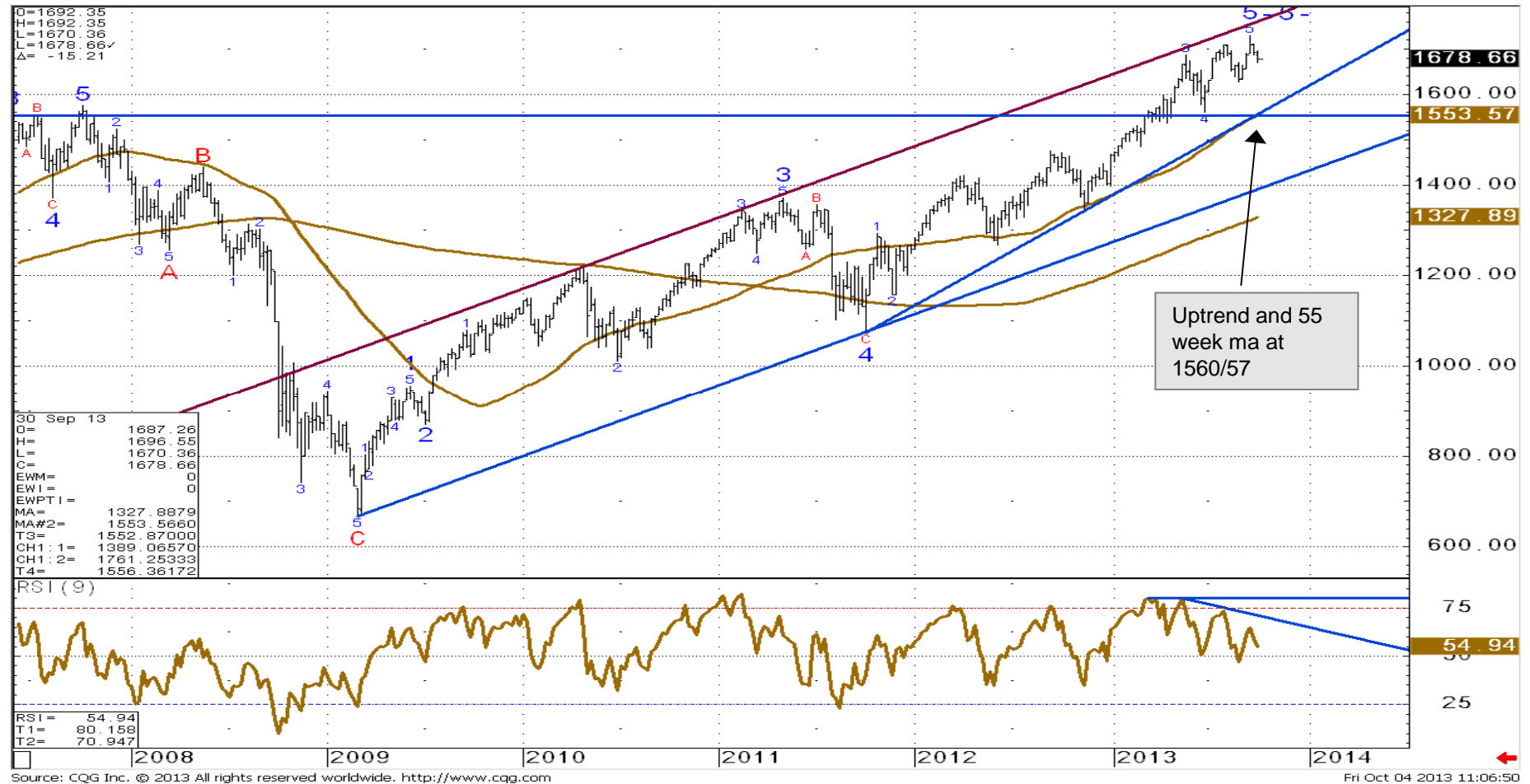


## We have some concerns regarding further upside for FTSE 100

Please note however that the market only starts to break down in a **substantial** way when price falls below the 55 week ma - this is at 6275 currently



## S+P - The combination of failure at the top of its 4 year up channel with a diverging weekly RSI is worrying



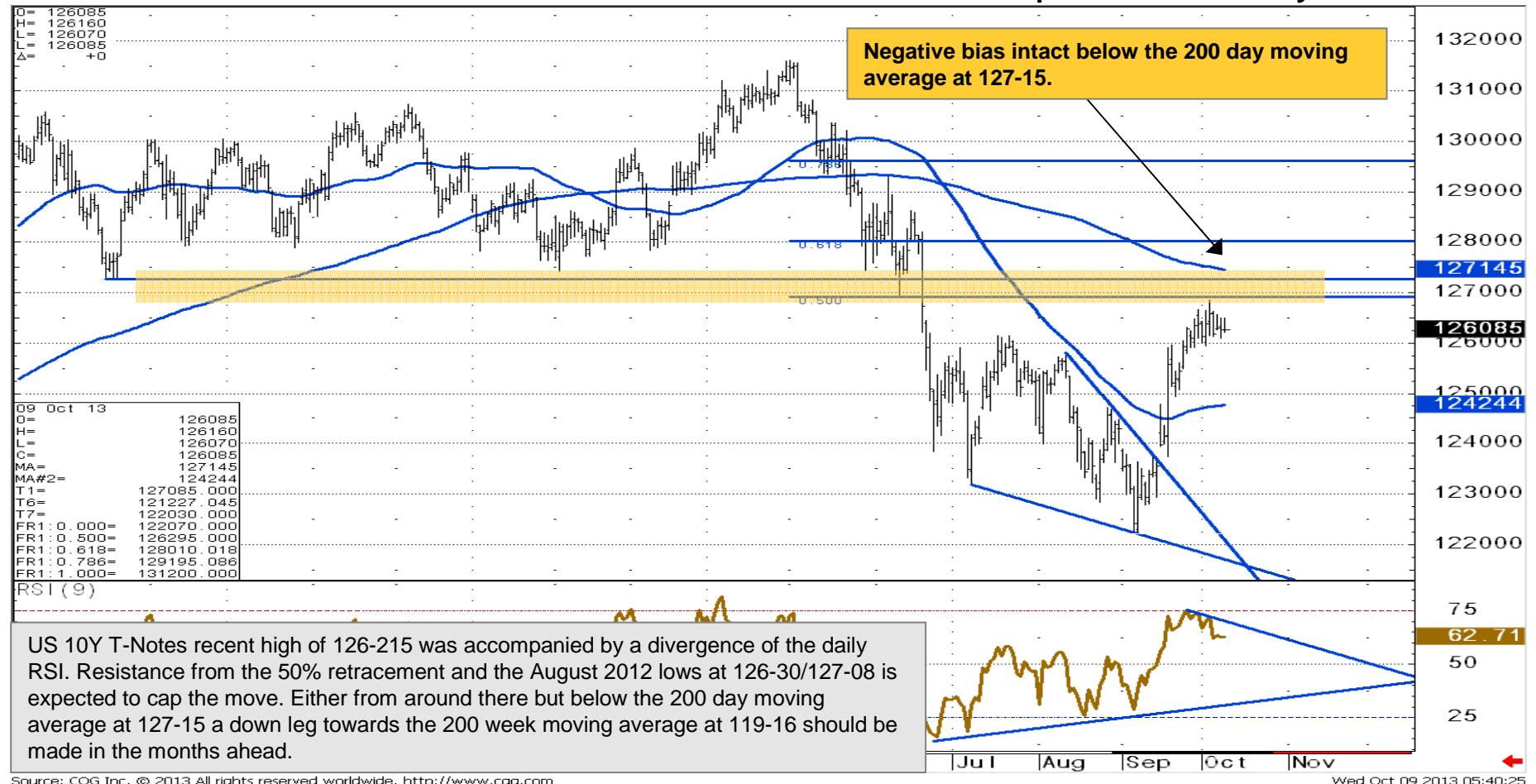
**What do weaker stocks mean for fixed income??** The correlation of S+P to US 10Y yields is much much lower



# US 10Y T-Notes - Daily Chart

Looking for failure 126-30/127-08

US 10Y T-Notes Equalized Active Daily Chart

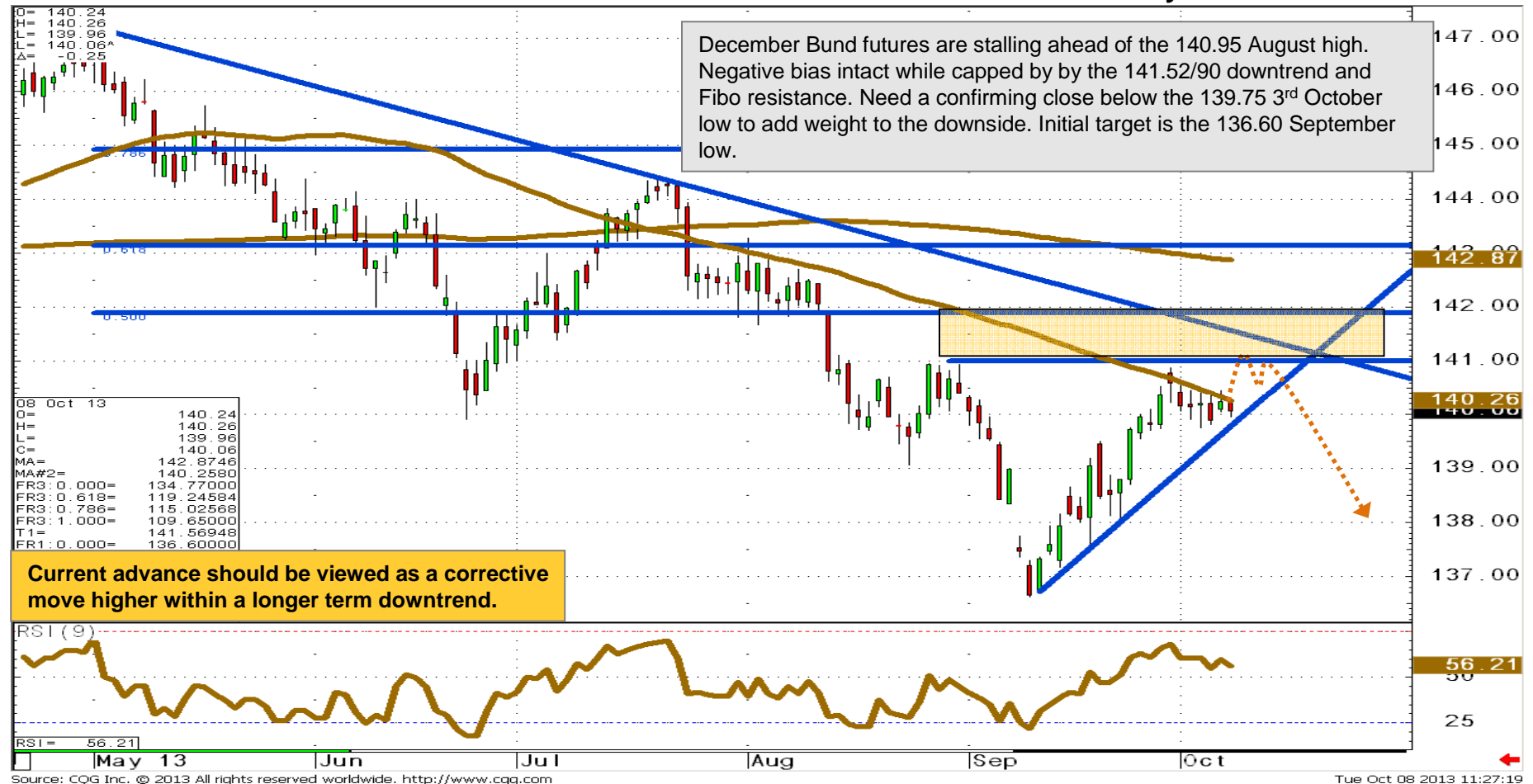


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# Bund Futures – Daily Chart

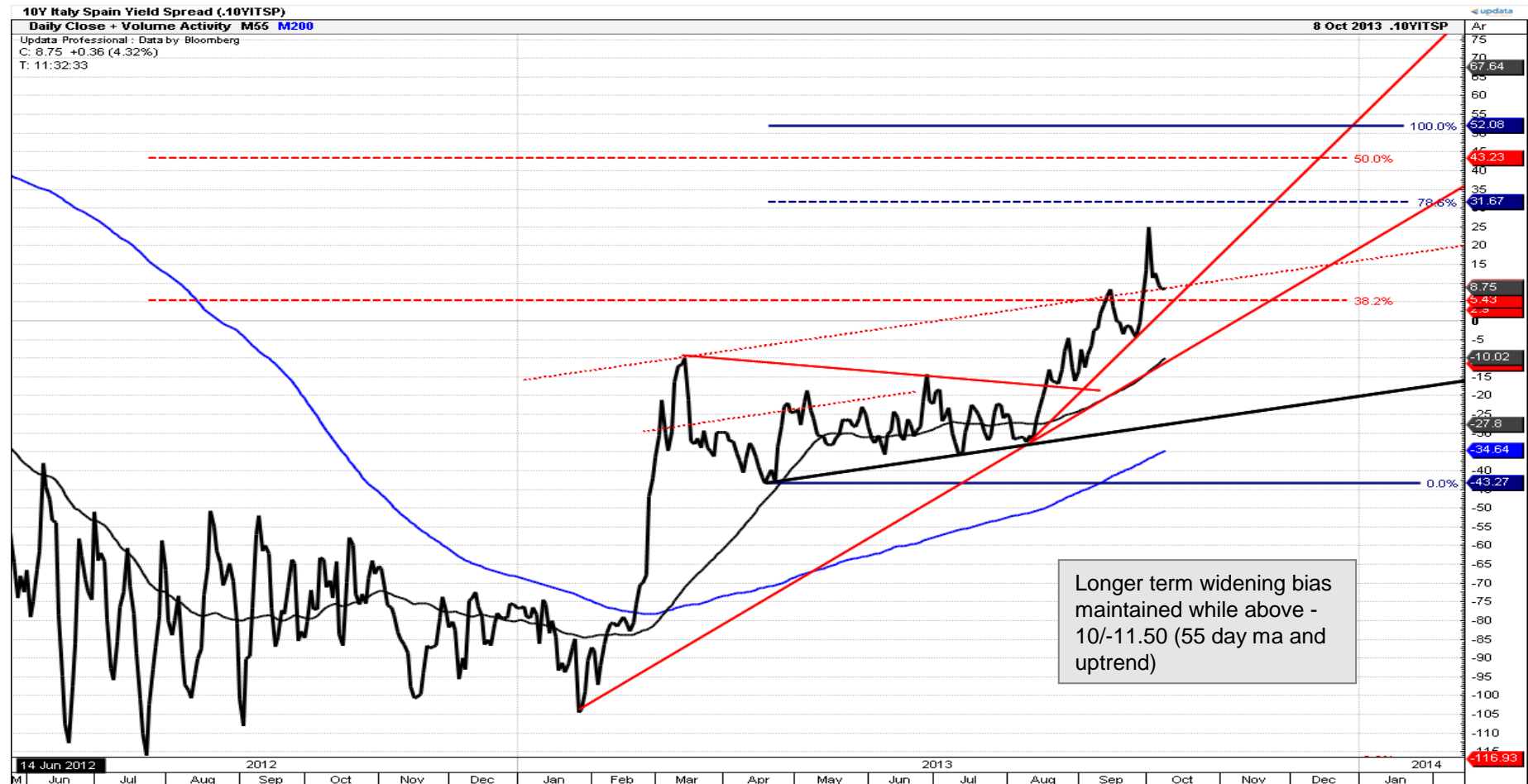
Bund is failing ahead of the 140.95 end of August high (continuation chart)

December Bund Futures Daily Chart



# Italy 10Y VS Spain 10Y daily chart

Target is 0.50/0.52. Initial resistance at 0.31



# US Dollar attempting to stabilise at key support

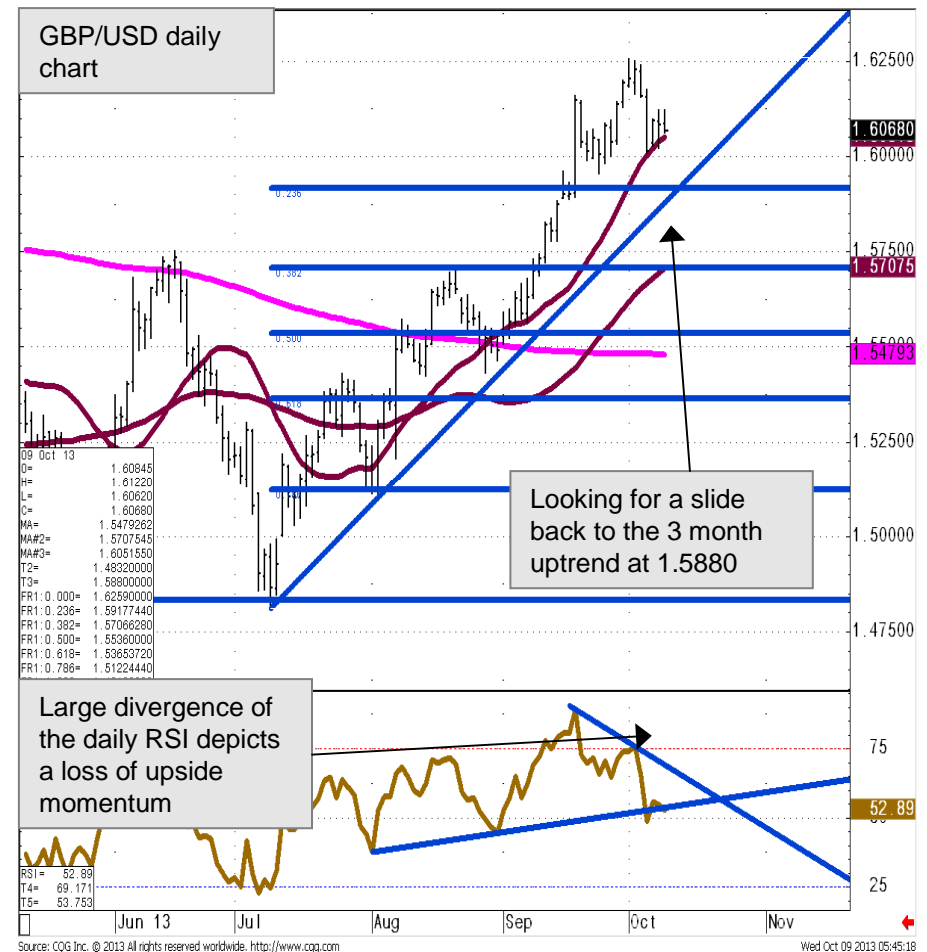
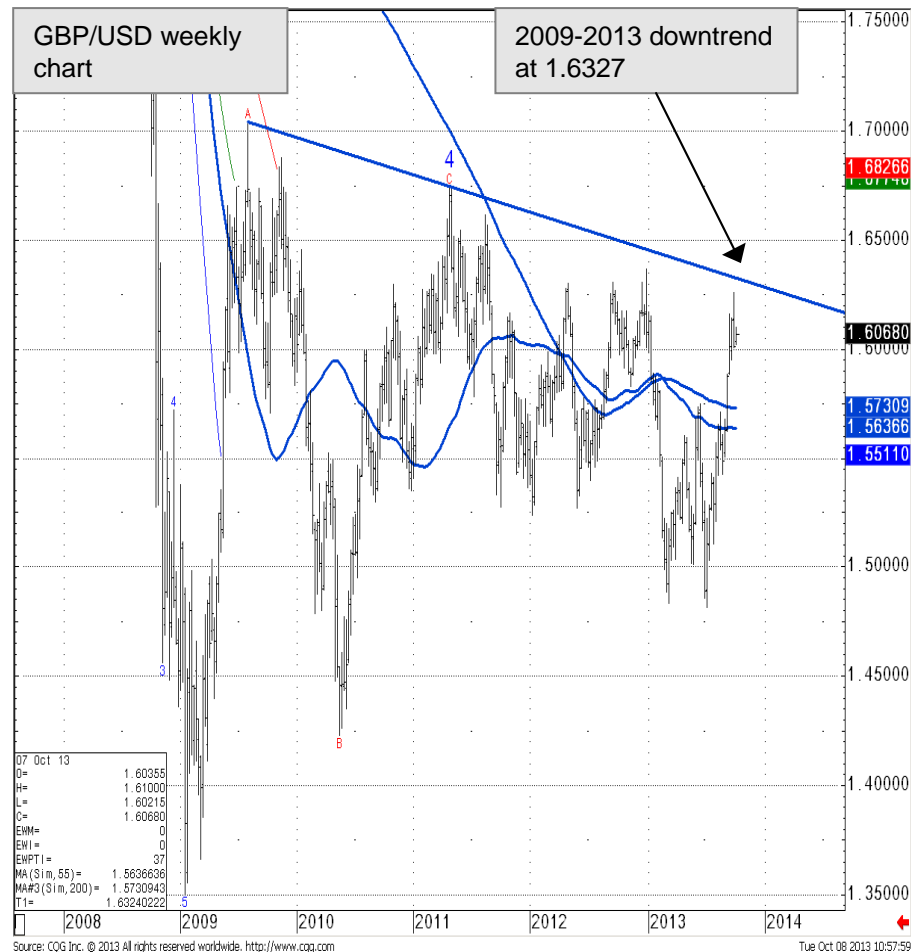
Sell off by the US Dollar Index has held key support at 79.61 but should soon head higher again

US Dollar Index Weekly Chart



# GBP/USD approaching its 2009-2013 downtrend at 1.6327

We would allow for initial failure



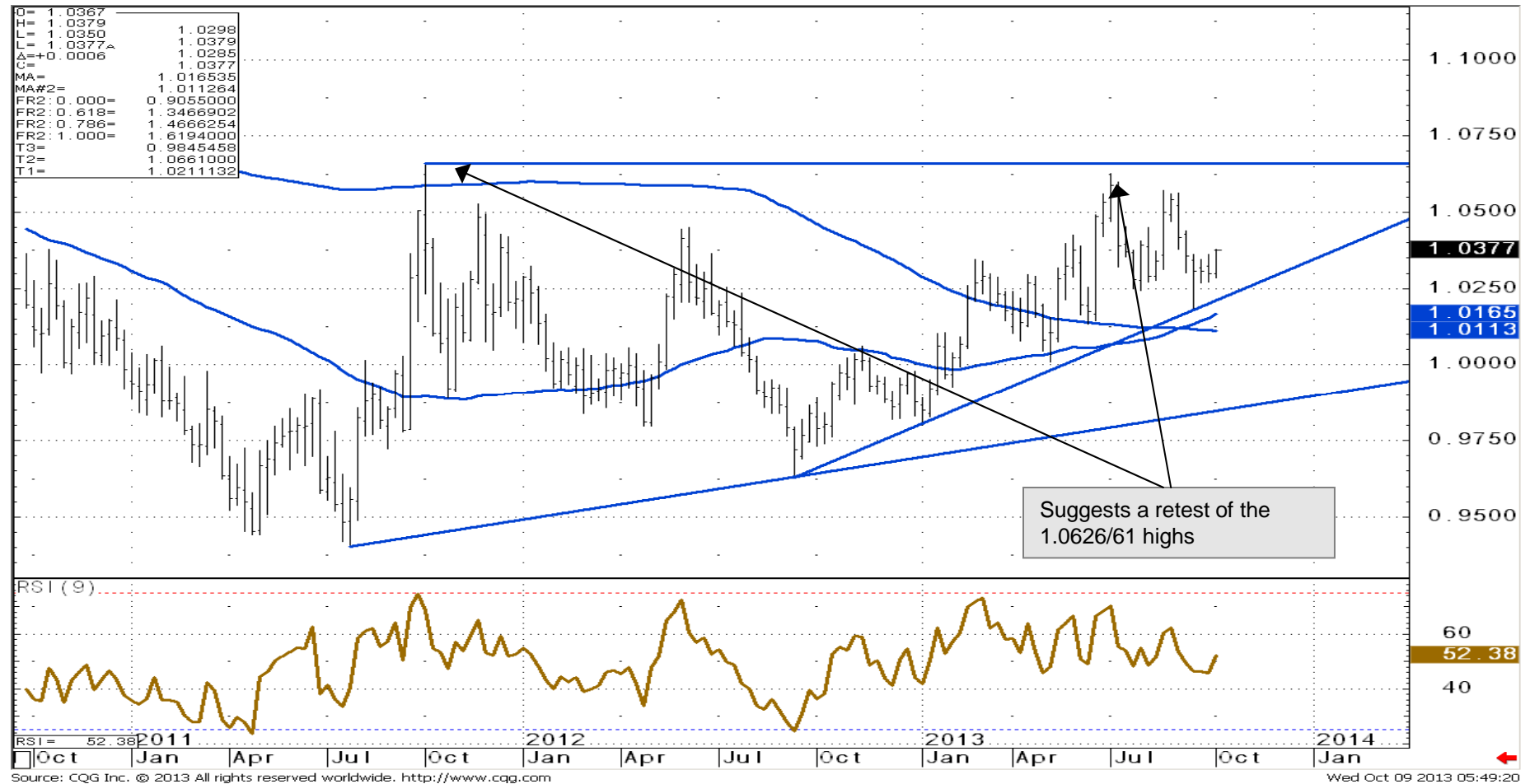
# AUD/NZD basing

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








# USD/CAD is looking perkier

Positive bias above the 2012-2013 uptrend at 1.0210







## Tracking Key Technical Themes - FX

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	
25.09.2013	GBP/USD approaching its 2009-2013 downtrend at 1.6327. We would allow for initial failure.	Stop 1.6330		
25.09.2013	EUR/USD we are looking for failure ahead of the 1.3670/1.3711 long term pivot.	Stop 1.3715		
02.10.2013	Maintain a negative bias to EUR/GBP longer term.	Long term stop on view .8738. Target 0.7750. Short term stop is 0.8500	Maintain negative bias below 0.8500	
02.10.2013	AUD/NZD 2 year down move is reversing	Positive bias above 1.1150	Long 1.1350, add 1.1250, stop 1.1210. TP 1.1650	



## Tracking Key Themes - FX

Date	Theme	Stop on view/Target	Additional Comment	Outcome
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			
09.10.2013	Stock markets topping			
09.10.2013	USD/CAD positive above 1.0210	1.0600		

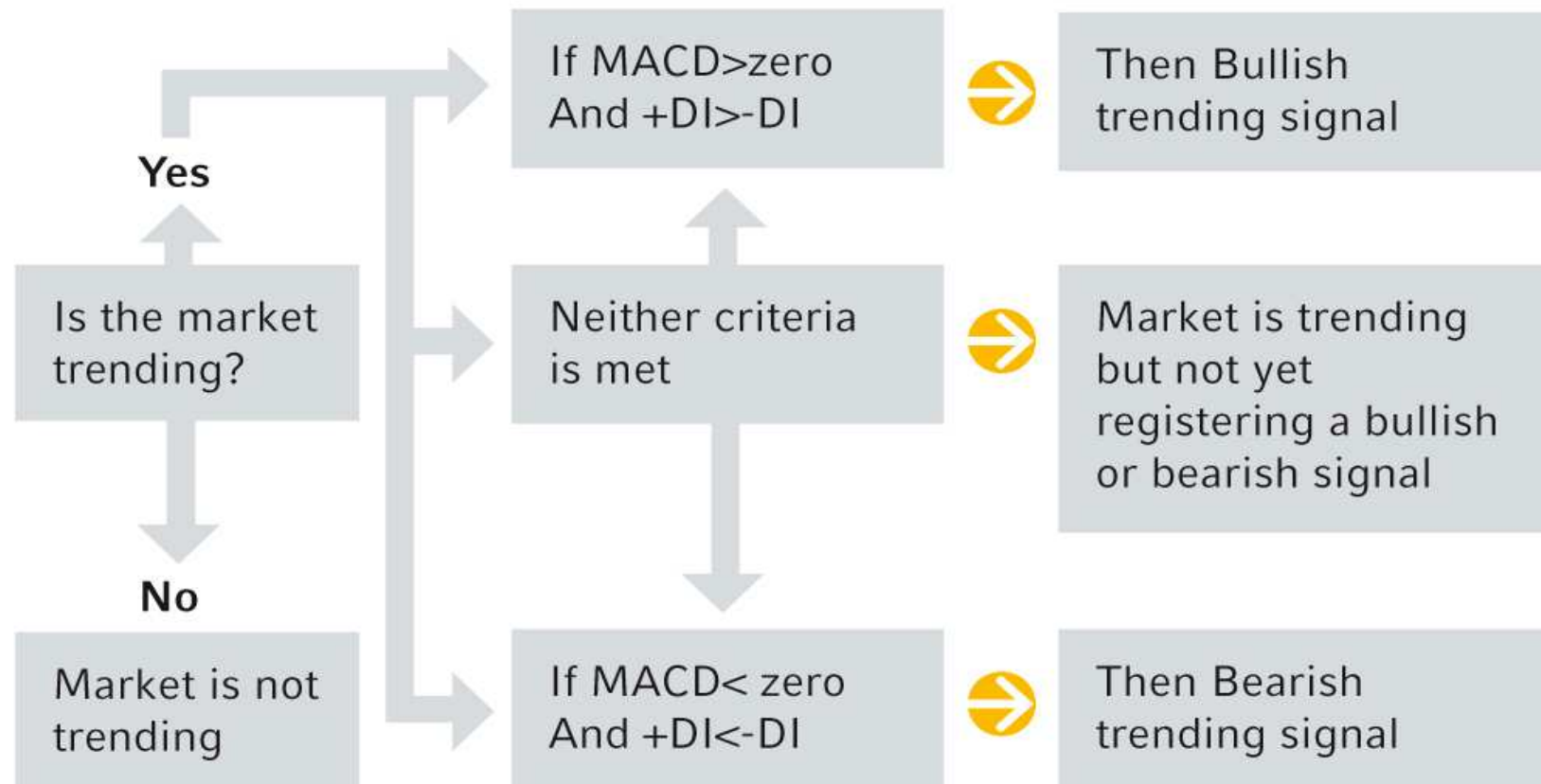
## Tracking key Technical Themes - Fixed Income

Date	Theme	Stop on view/Target	Additional Comment	Outcome
25.09.2013	Fixed Income futures upside now viewed as limited. US T-Notes - Looking for failure 126-30/127-08.	Stop 200 day ma (127-15)	Negative longer term since end of May (price circa 129-00)	
02.10.2013	Bund is failing ahead of the 140.95 end of August high and should remain capped by 141.82/90 (downtrend and Fibo).	Lower stop from 142 to 141.90	Negative longer term since end of May (price circa 144/145)	
06.09.2013	Sovereign spreads – Italy 10Y VS Spain 10Y has exploded higher. Target is 0.50/0.52 and the initial resistance at 0.31.	Target 0.50. Raise Stop from -13 to -11.50	Call made when price circa -7. Currently corrective (narrowing).	
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 277 to confirm upside intent to 292.80 (55 week ma).	Stop 228, target 292.80	Call made circa 240-245	

## Tracking Key Themes – Credit/Commodities/Other

Date	Theme	Stop on view/Target	Additional Comment	Outcome
April 2013	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	
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)		

## 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.

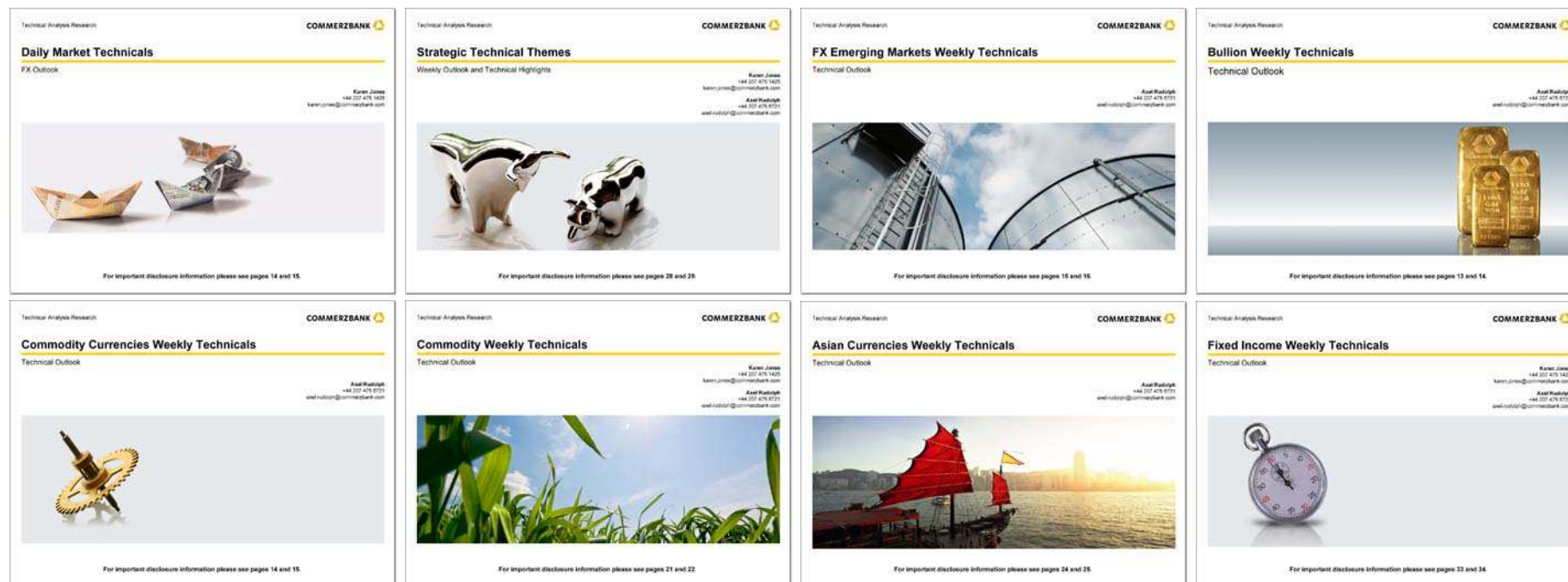
Even though the scale is from 0 to 100, readings above 60 are relatively rare. Low readings, below 20, indicate that the market is not trending and high readings, above 40, indicate a strong trend. It does not determine if the trend is bullish or bearish BUT just establishes whether a trending situation 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;
- Thursday:** Daily Market Technicals (FX), Asian Currencies Weekly Technicals, FX Strategy;
- Friday:** Daily Market Technicals (FX), Fixed Income Weekly Technicals.

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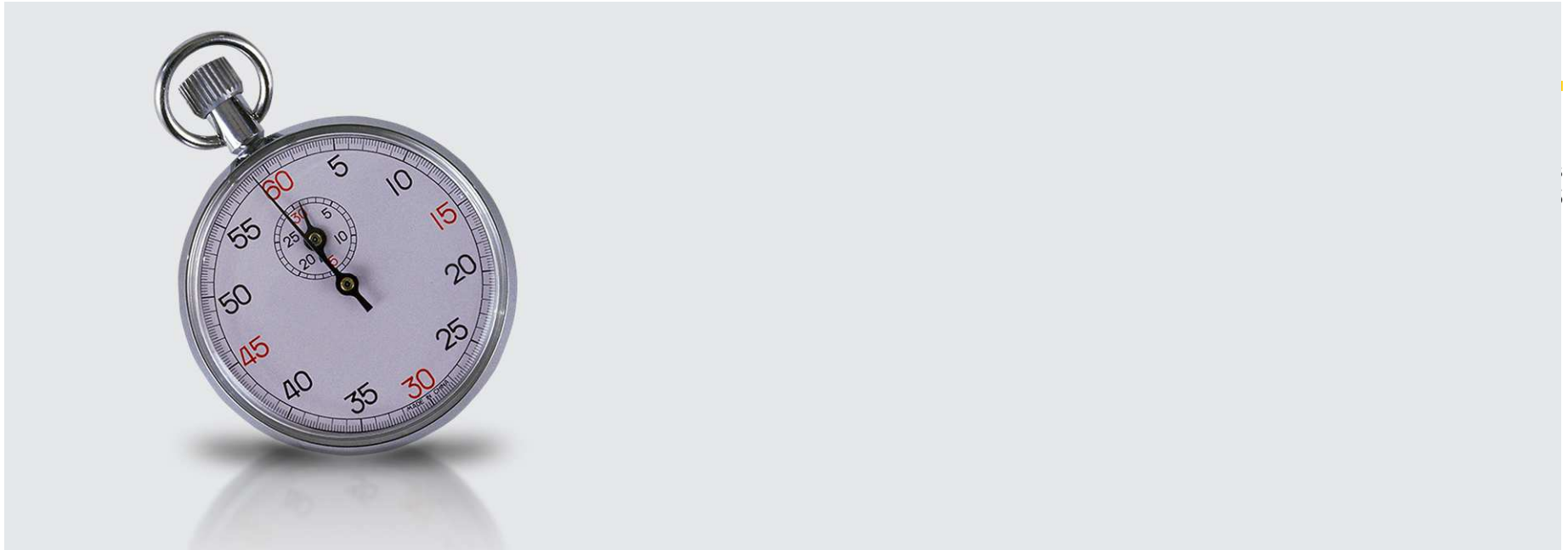
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