

# Strategic Technical Themes – Weekly Outlook

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## Outlook and Technical Highlights

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## Summary

Key Points:
1. EUR/USD potential rising wedge remains viable and will complete on a close below 1.3492.
2. Positive bias for the US Dollar. But first the US dollar index needs to close above the 5 month resistance line at 80.97. AUD/USD weakness is pronounced. Breaking Fibo support at .9043.
3. GBP/CHF - 13 count and divergence of the daily RSI suggests pullback very likely.
4. Volatility is picking up - VIX above its 200 day ma should strengthen to 16.00 minimum. EUR/USD 3M implied Vol is right on the 7.4181 2 year downtrend – this needs to go back on the radar.
5. EU-US 10Y swap spread as reached interim target at -.8830 and this key support is looking exposed.
6. EU 10Y - US 10Y swap spread widening. Remains on target for - .8830.
7. The EU-GB 10Y swap spread is breaking major support at -0.74/-0.77 (2010 low + 61.8% retracement). This is a major break down point to -1.00 and is likely to act as a negative drag on EUR/GBP currency pair.
8. ITALY VS Spain 10Y spread again holds the -10 pivot, looking for this to narrow to zero and the 55 day ma
9. Negative bias on Bunds maintained, but essentially sidelined within the 55 and 200 day moving averages circa 142.47/140.66

## Technical Trade Ideas

Date	Instrument	Trade Idea	Stop	Take Profit	Outcome	P&L
30.10.2013	Bund	Sell at market, add 141.90 (13.11.2013)	Lower stop from 144.40 to 142.60	137.00	Short 141.70, exit at market as Dec contract about to expire – 141.06	+0.45%
27.11.2013	EUR/USD	Sell at market, add 1.3610	1.3670	1.3180	Short 1.3600	

## Expanded Majors performance VS USD over the last 5 days



Bloomberg 9.10 AM

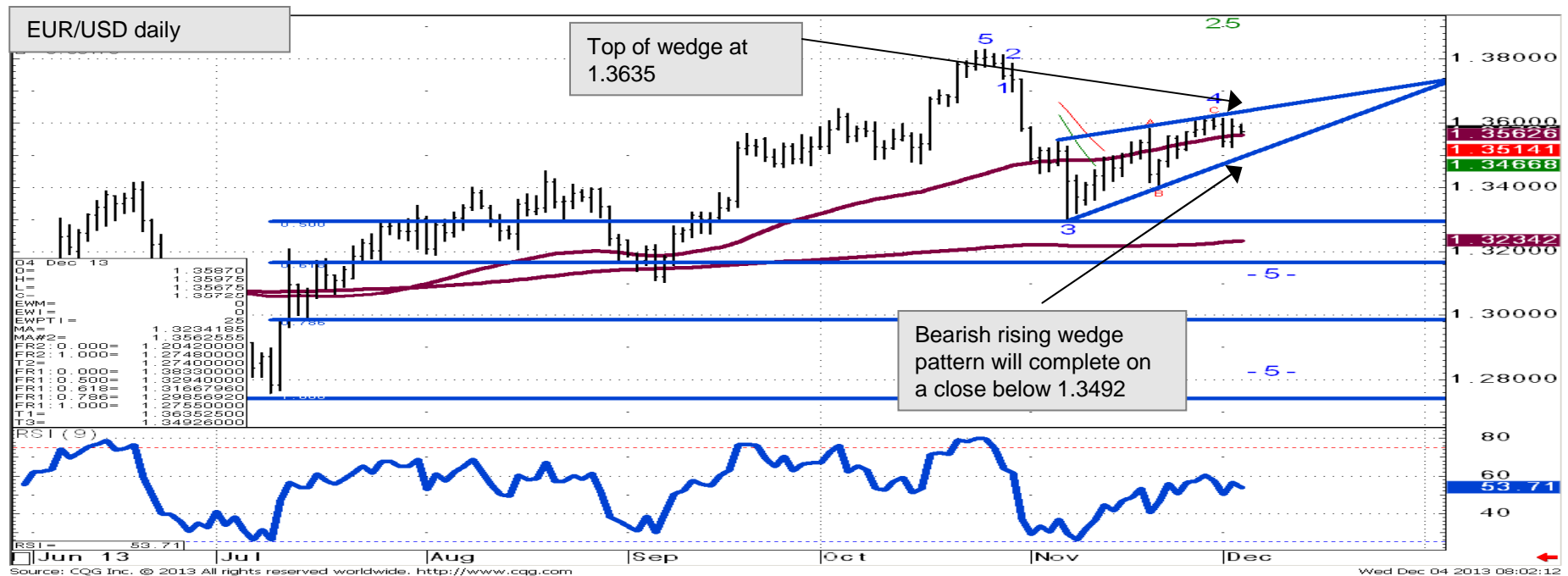
# EUR/USD potential rising wedge.

Potential rising wedge pattern remains viable.

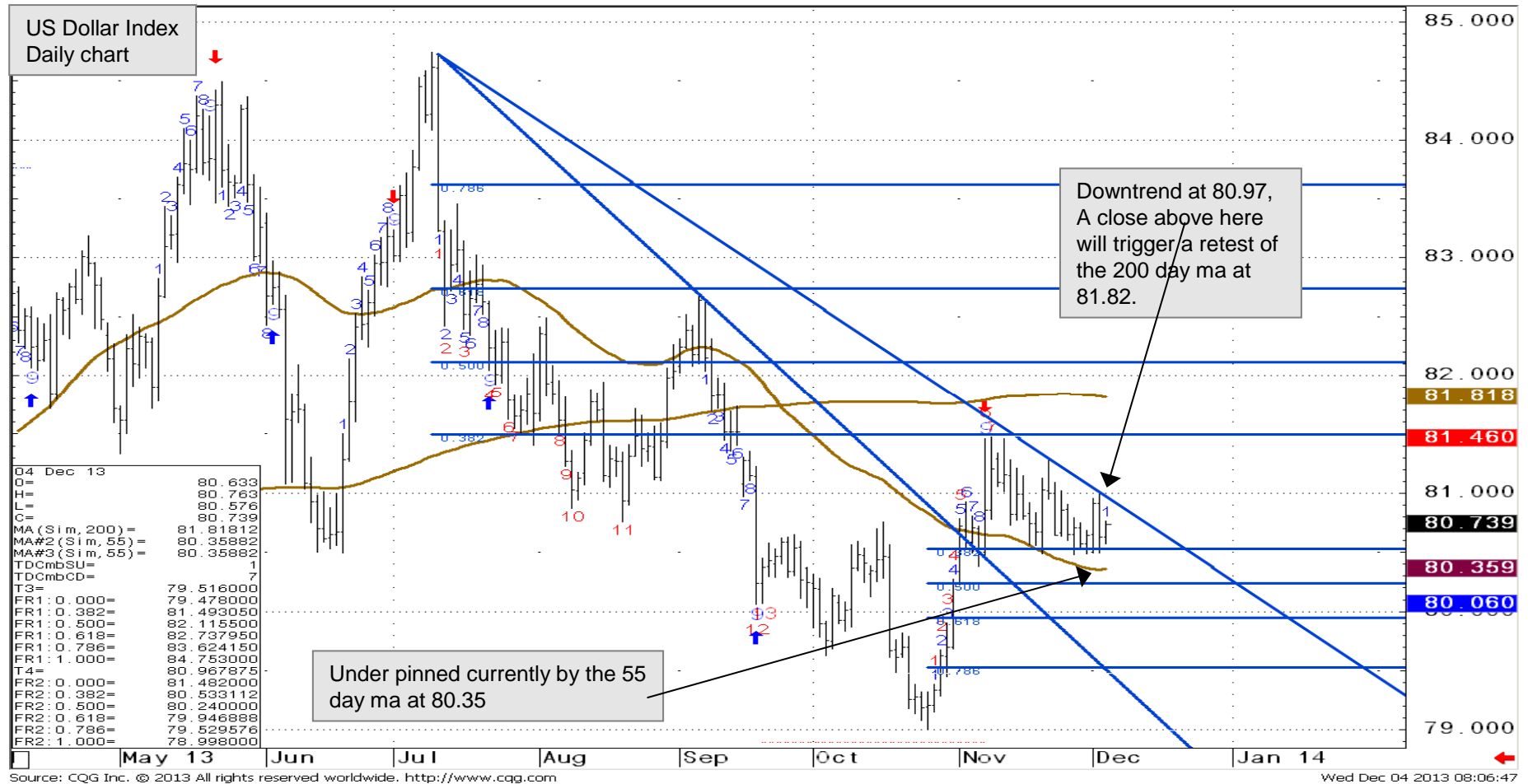
EUR/USD remains within confines of the rising wedge pattern. This offers resistance at 1.3635 today and support at 1.3492. We continue to view the pattern as a potential rising wedge pattern and a close below 1.3492 will complete it. We look for the 1.3295/94 zone to be retested (current November low and the 50% retracement of the move up from July).

A close below 1.3492 will target initially 1.3229 then the 61.8% retracement at 1.3166. If we utilise the move down from October and measure down a move of equal magnitude, this would offer a potential longer term target of 1.2892.

Above 1.3650, will allow for another run up to 1.3750, 1.3833 which is expected to provoke failure.



# Positive bias for the US Dollar. But first the US dollar index needs to close above the 5 month resistance line at 80.97

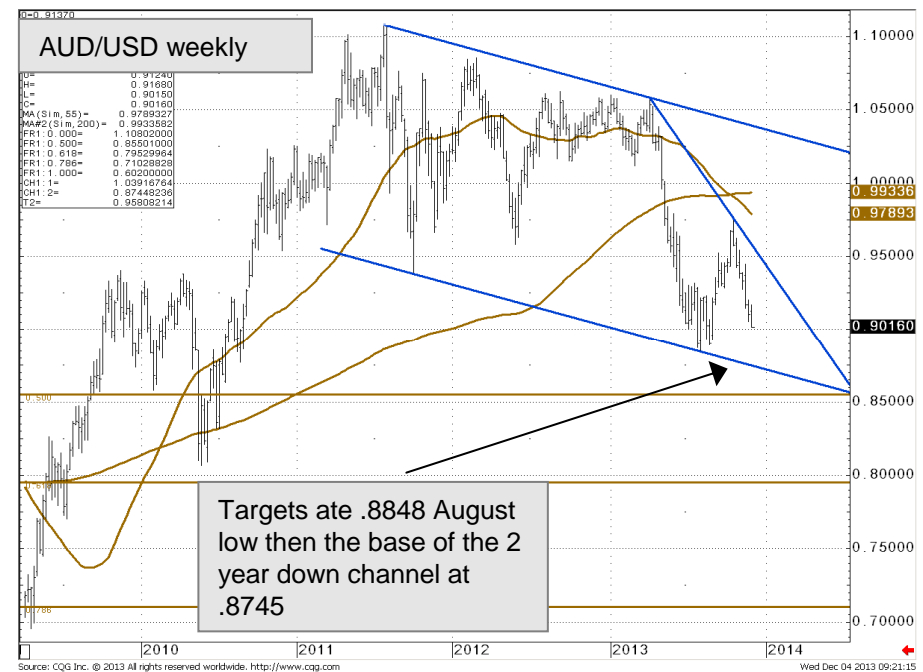


# AUD/USD weakness is pronounced. Breaking Fibo support at .9043

AUD/USD has sold off towards but continues to hold over .9043, the 78.6% Fibonacci retracement of the move up from August. We would allow for a small rebound, but are looking for this to remain relatively tepid and look for the topside to remain ideally contained by the resistance line at .9294.

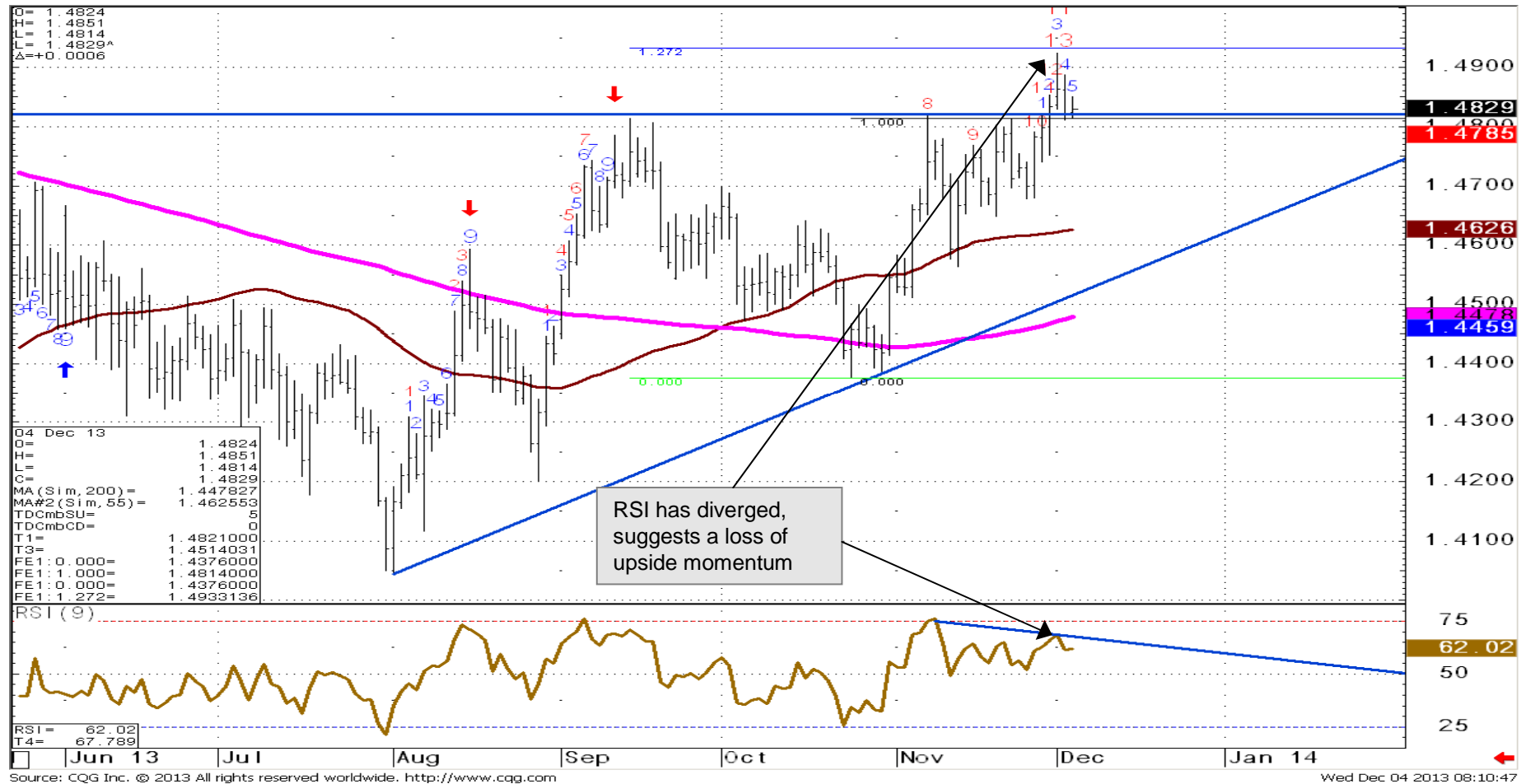
We then look for a break below .9043 to trigger the next leg down to the .8848 August low and .8745, the base of a 2 year down channel. The .9043 level is expected to act as the next trigger on the downside.

Intraday rallies should still remain capped by .9170/.9238. An immediate negative bias will be maintained while rallies remain capped by the .9294 6 week resistance line.



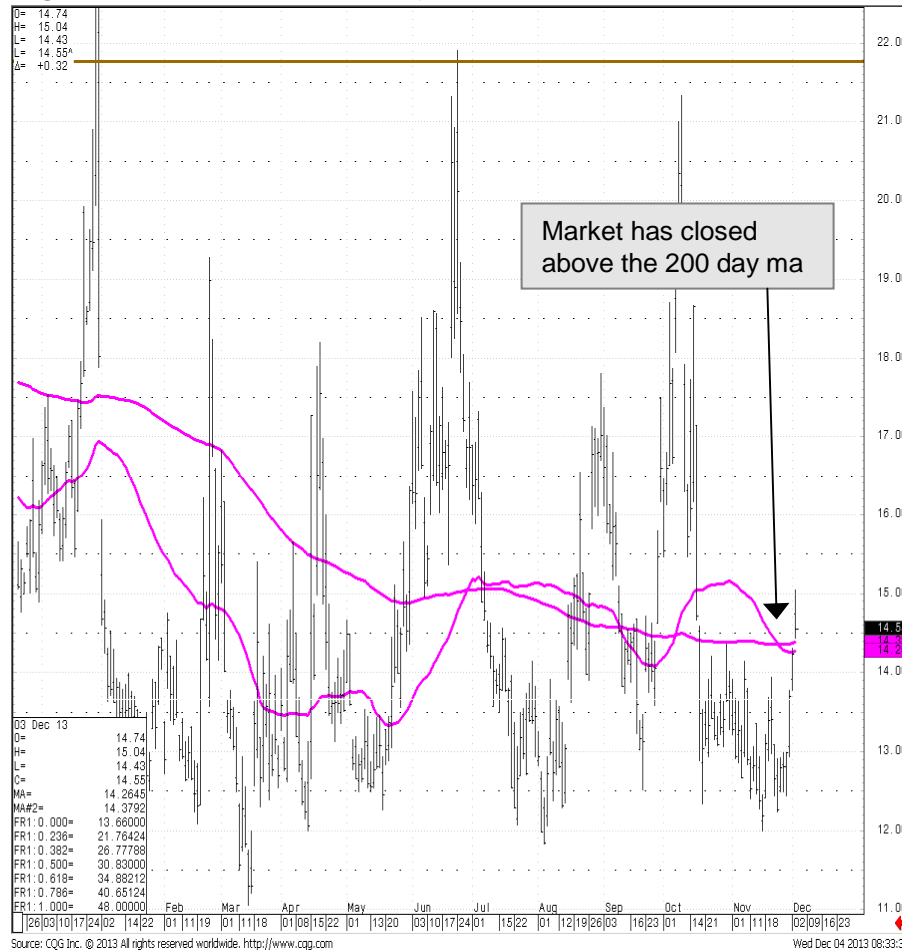
# GBP/CHF - 13 count and divergence of the daily RSI suggests pullback very likely

Elliot wave count suggesting a retracement to 1.4770/20



# Volatility picking up

VIX above its 200 day ma should strengthen to 16.00 minimum. EUR/USD 3M implied Vol is right on the 7.4181 2 year downtrend – this needs to go back on the radar





# EU-US 10Y swap spread as reached interim target at -.8830 and this is looking exposed



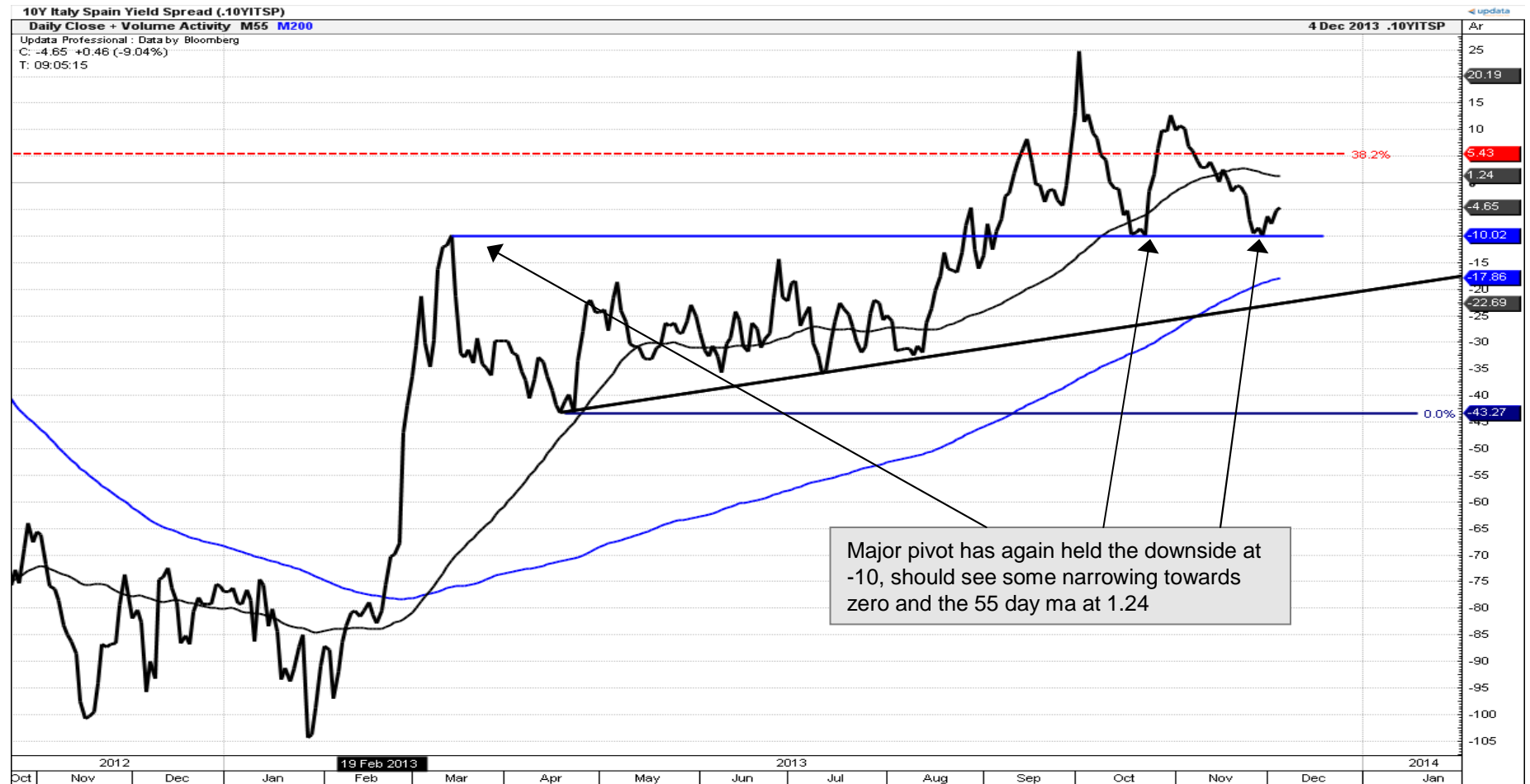
# EU GBP 10Y swap spread - daily chart

The spread is breaking -0.74/-0.77 (2010 low + 61.8% retracement). Major break down point to 1.00



# ITALY VS Spain 10Y spread again holds the -10 pivot

Look for recovery to the 55 day ma at 1.24 currently








# Negative bias on Bunds maintained, but essentially sidelined within the 55 and 200 day moving averages circa 142.47/140.66





To confirm a top a close below the 140.53 is needed.








## Tracking Key Technical Themes - FX

Date	Theme	Stop on view/Target	Additional Comment	Outcome
06.10.2013	EUR/USD – the technical evidence remains bearish	Initial target 1.3295. Then 1.3180		
20.10.2013	Renewed Yen weakness is being seen	Initial target USD 103.74		
20.11.2013	USD/NOK needs to stay on the radar - it is approaching the 6.2657 50% retracement, a close above which will complete a long term base.	Place a stop on longs below 6.05. Market was circa 6.12 on 20.11.2013		
27.11.2013	USD/CAD - approaching major resistance at 1.0661 2011 high – this is now exposed.	Market circa 1.0550	Have reached the 1.0661 high, raise stops on any longs to the entry point circa 1.0550	
27.11.2013	On the radar - EUR/USD 3 month implied vol.	Attention is on the 7.4181 downtrend, this is considered to be exposed.		






## 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	Lower stop from 144.40 to 142.60.	Bund stalling ahead of the 200 day ma, allow for a slide back to the 140.05/139.80 region	
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 230, target 265 end of September high and then 269.99 (200 day m.a.)	Call made circa 240	
06.11.2013	US T-Notes have failed at the 61.8% retracement at 128-01, maintain a negative bias	Target 200 week ma (119-07 currently)		
06.11.2013	EU 10Y swap under performing the US 10Y swap.	Target approx -0.8800/30, the mid August low	Target met	

## 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 view on USD/JPY as we are concerned regarding the longer term impact of the Nikkei on price		Broke up from Triangle mid November	
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	
06.09.2013	Sovereign spreads – Italy 10Y VS Spain 10Y. Target is 0.50/0.52 and the initial resistance at 0.31.	Exit at market as upside momentum appears to be waning (06.11.2013)	Call made when price circa -7.	
09.10.2013	USD/CAD positive above 1.0210	(06/11/2013) - Has not managed to clear 1.0500 and looks likely to consolidate, exit longs,		

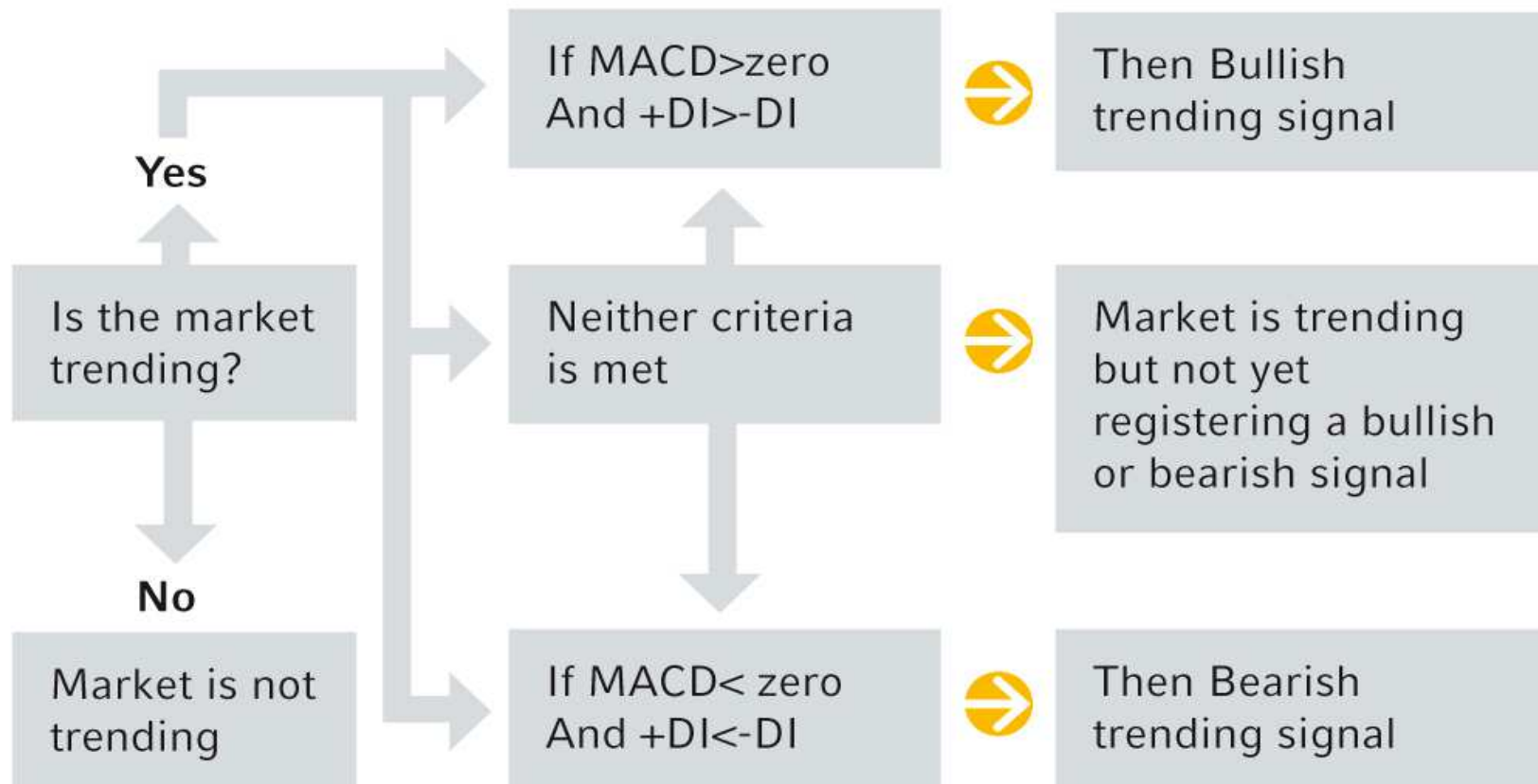
## Historical Key themes

Date	Theme	Stop on view/Target	Additional Comment	Outcome
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	
25.09.2013	GBP/USD approaching its 2009-2013 downtrend at 1.6321. We would allow for initial failure.	Stop 1.6270, lower stop to 1.6120. Target 1.5705	Stopped out at 1.6120 with a loss of -0.40%	
06.10.2013	Potential rising wedge on EUR/JPY will complete on a close below 131.82 and introduce scope to 122.80.	Never got the close to complete the pattern, and pattern is now void		
06.10.2013	US Dollar holds MAJOR support and is expected to rise further	Initial target 55 week ma at 81.39 already met		
20.10.2013	Potential top in GBP/USD will only complete on a close below 1.5855.	Looking for failure ahead of 1.6370	We have NOT seen a weekly close above 1.6370 – caution.	
27.11.2013	AUD weakness is pronounced. AUD/USD remains bearish	Initial target .9043/78.6% retracement has been met		

## Historical Key themes

Date	Theme	Stop on view/Target	Additional Comment	Outcome
06.11.2013	EU 10Y swap under performing the US 10Y swap.	Target approx -0.8800/30, the mid August low	Target met	

## Trending Filter



# Glossary

## ADX

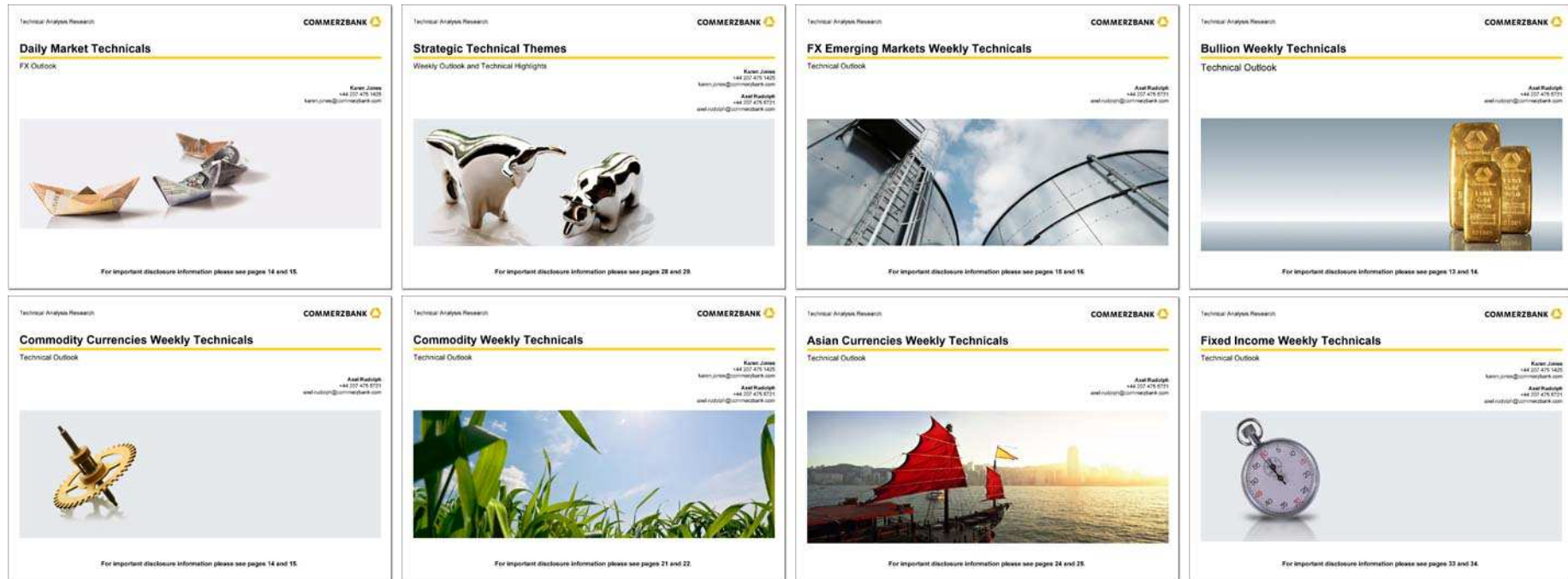
J. Welles Wilder developed the Average Directional Index (**ADX**) to evaluate the strength of a current trend. The ADX is an oscillator that fluctuates between 0 and 100. Even though the scale is from 0 to 100, readings above 60 are relatively rare. Low readings, below 20, indicate that the market is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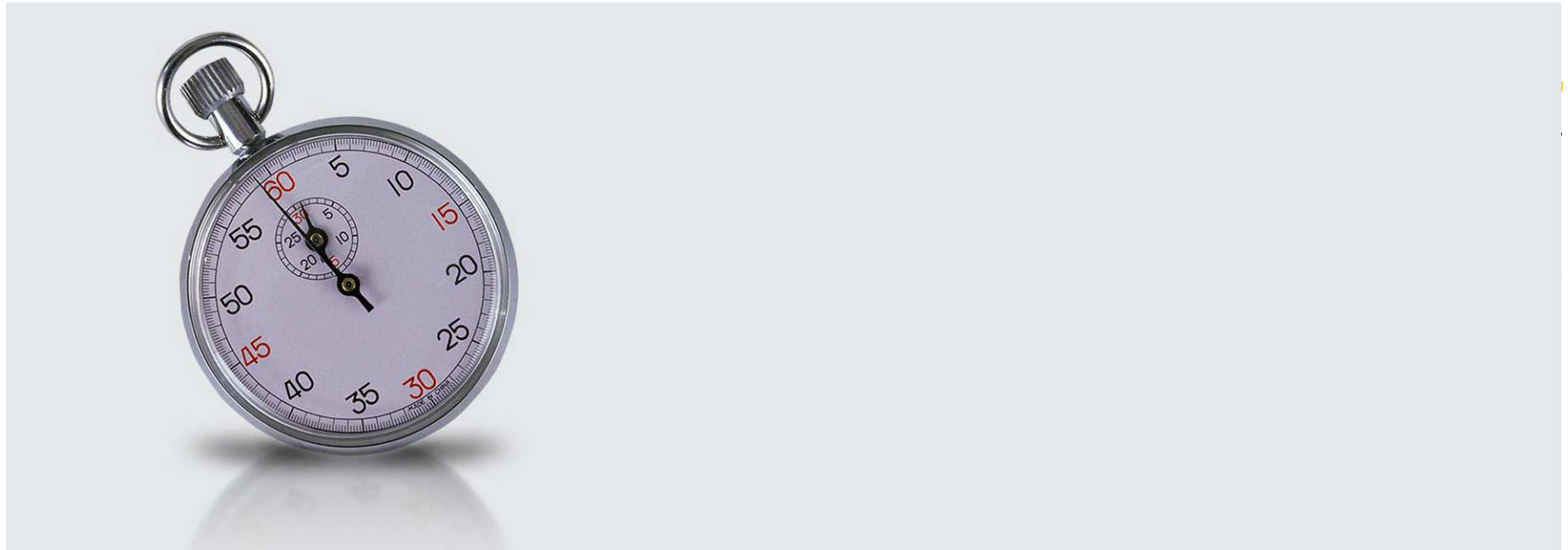
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