





# Strategic Technical Themes

Wednesday, 18 September  
2013

## Weekly Outlook and Technical Highlights

<p><b>2</b> Technical Analysis Commerzbank</p> <p>Source: Euromoney FX Survey 2013</p> <p>2013  <b>EUROMONEY</b></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  <b>the technical analyst</b></p>	<p><b>1</b> Technical Analysis Banks Commerzbank</p> <p>Source: Euromoney FX Poll 2012</p> <p>2012  <b>EUROMONEY</b></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 Karen.jones@commerzbank.com</p>
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## Summary

Key Points:
1. We estimate that the US dollar weakness will terminate in approximately 1%, i.e that EUR/USD strength should fail ahead of 1.325.
2. AUD/USD strength is viewed as corrective and we look for this to terminate .9388/.9510 and resume its longer term down move.
3. We look for GBP/USD to falter ahead of the 1.6000/35 psychological and Fibonacci resistance
4. Short term strength in the bund is viewed as corrective and our favoured scenario is that this will fail circa 139.00/48.
5. EU and US swap curves are narrowing near term and we look for a slide back to the their respective 55 day moving averages
6. US T-Notes December contract is upside corrective and we are looking for a deeper corrective rebound to the 126-05 June high
7. Credit - bull move remains intact but looking for failure at previous highs.
8. Sovereign Spreads - Italy 10Y-Spain 10Y initial target met. Allow for profit taking.
9. Spot Gold support at 1300 has crumbled. Looking for a slide to 1272 then 1234 en route to the 1180 June low

## Technical Trade Ideas

Date	Instrument	Trade Idea	Stop	Take Profit	Outcome	P&L
22.08.2013	EUR/USD	Sell at 1.3370, add at 1.3420	Lower the stop from 1.3415 to 1.3350	1.3025	Short at 1.3370, stopped 1.3350	+0.15%
18.09.2013	GBP/USD	Sell at market, add 1.6000	Stop 1.6050	1.5500		

## Bullish and bearish trending signals

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

Long Name	C1	C2	C3	C4
Natural Gas Future (continuous)	✓	✓	✓	✓
EUR-SKK X-RATE	✓	✓	✓	✓
S&P 500 INDEX	✓	✓	✓	✓
NEW ZEALAND DOLLAR SPOT	✓	✓	✓	✓
AUSTRALIAN DOLLAR SPOT	✓	✓	✓	✓
BRITISH POUND SPOT	✓	✓	✓	✓
EURO SPOT	✓	✓	✓	✓
FTSE 100 INDEX	✓	✓	✓	✓
DAX INDEX	✓	✓	✓	✓

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

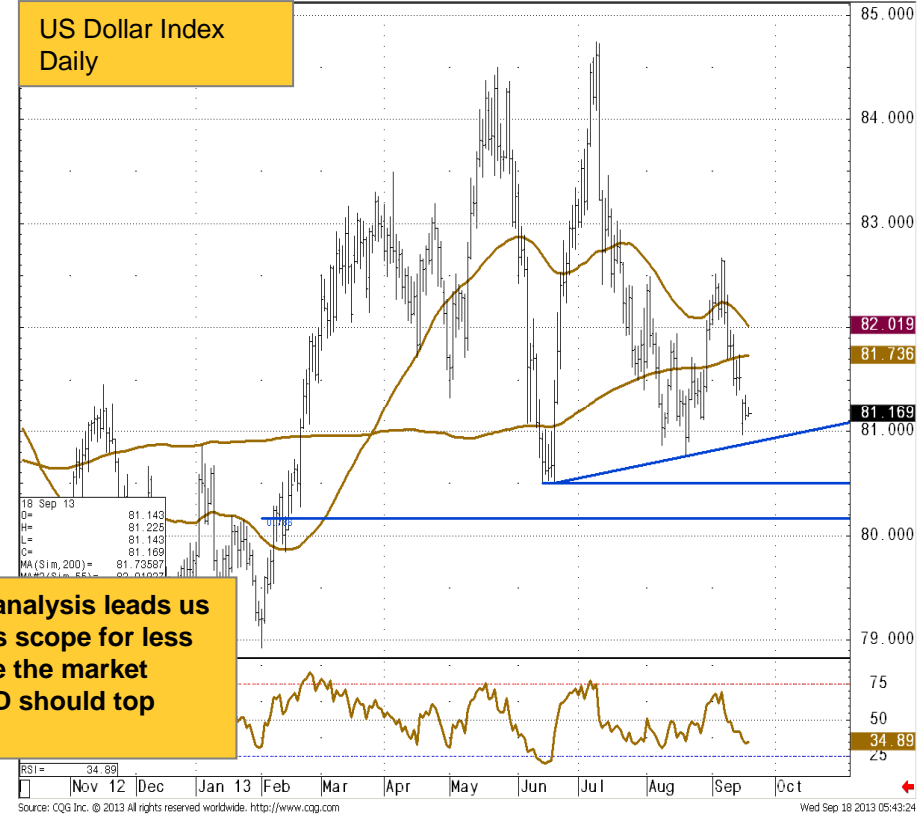
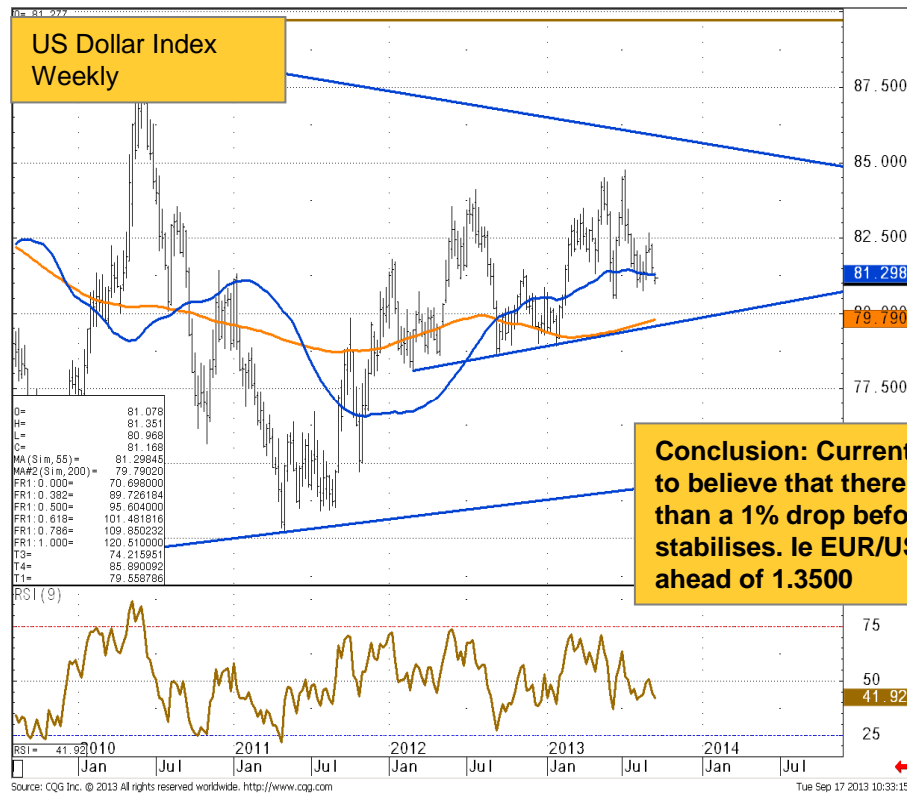
Long Name	C1	C2	C3	C4
USDCZK Spot Exchange Rate - Price of 1 USD in CZK	✓	✓	✓	✓
USDPLN Spot Exchange Rate - Price of 1 USD in PLN	✓	✓	✓	✓
USDHUF Spot Exchange Rate - Price of 1 USD in HUF	✓	✓	✓	✓
USDKRW Spot Exchange Rate - Price of 1 USD in KRW	✓	✓	✓	✓
DOLLAR INDEX SPOT	✓	✓	✓	✓
Heating Oil Future (continuous)	✓	✓	✓	✓
USD-SGD X-RATE	✓	✓	✓	✓
BRAZILIAN REAL SPOT	✓	✓	✓	✓
PLATINUM SPOT \$/OZ	✓	✓	✓	✓
RUSSIAN RUBLE SPOT	✓	✓	✓	✓
USDMYR Spot Exchange Rate - Price of 1 USD in MYR	✓	✓	✓	✓
EUR-PLN X-RATE	✓	✓	✓	✓
AMEX GOLD BUGS INDEX	✓	✓	✓	✓
GOLD SPOT \$/OZ	✓	✓	✓	✓
EUR-HUF X-RATE	✓	✓	✓	✓
EUR-ZAR X-RATE	✓	✓	✓	✓
EUR-GBP X-RATE	✓	✓	✓	✓
EUR-AUD X-RATE	✓	✓	✓	✓
EUR-NZD X-RATE	✓	✓	✓	✓
EUR-NOK X-RATE	✓	✓	✓	✓
EUR-RUB X-RATE	✓	✓	✓	✓
Coffee 'C' Future (continuous)	✓	✓	✓	✓
SILVER SPOT \$/OZ	✓	✓	✓	✓

The Dollar and precious metals weakness is evident, together with stock market strength

**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 - how far with the US dollar fall?

First point to make is that the US Dollar remains in a long term bull trend, second point is that the 200 week ma and the 2012-2013 support line at 79.79/79.55 should continue to under pin the market for that view to remain valid



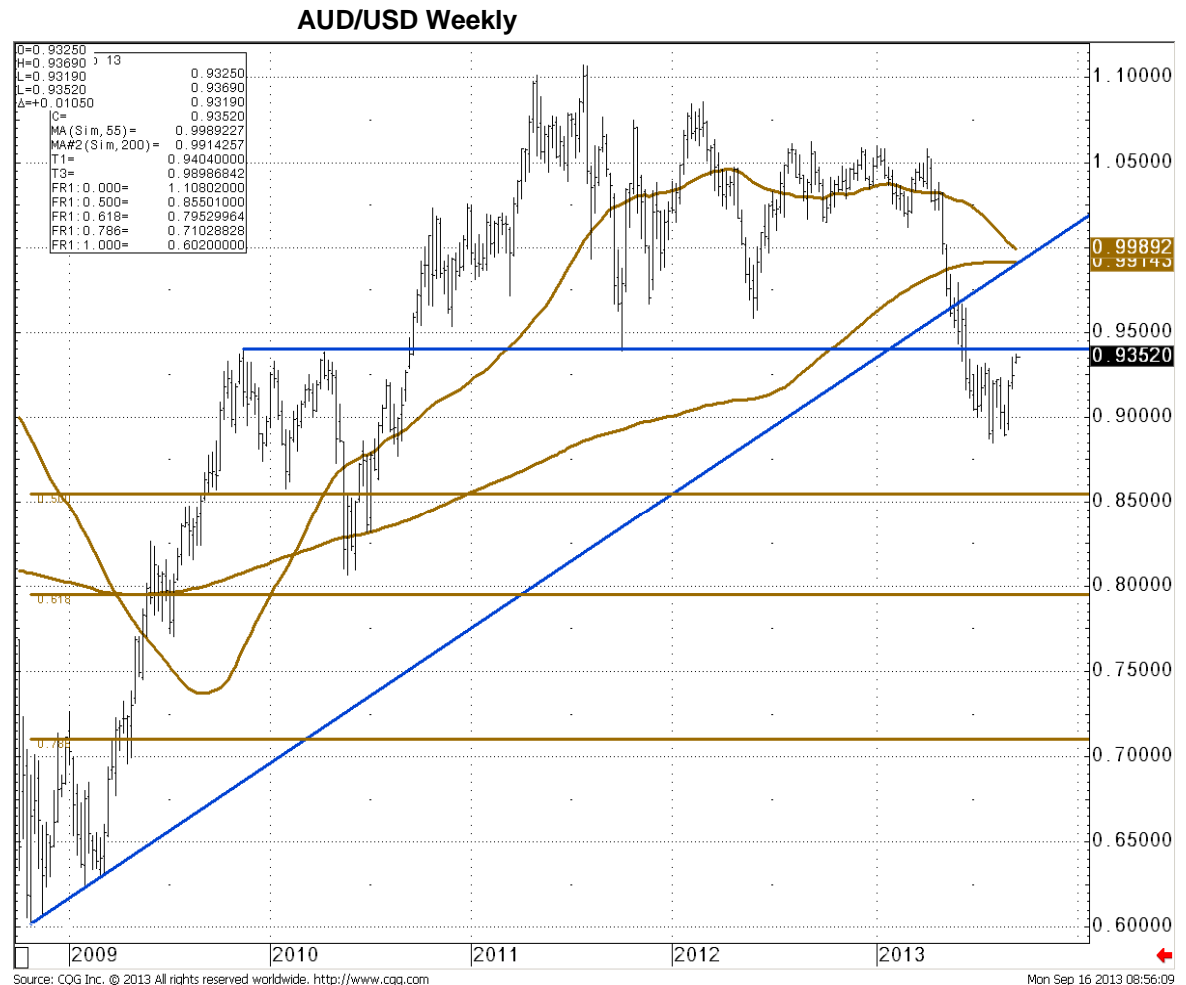
**Conclusion: Current analysis leads us to believe that there is scope for less than a 1% drop before the market stabilises. ie EUR/USD should top ahead of 1.3500**

**Strong support available ahead of here at 80.50/80.17 = the June low and the 78.6% retracement of the move this year. Intraday Elliott wave counts are indicating that the move will terminate ahead of 80.50**

# Foreign Exchange

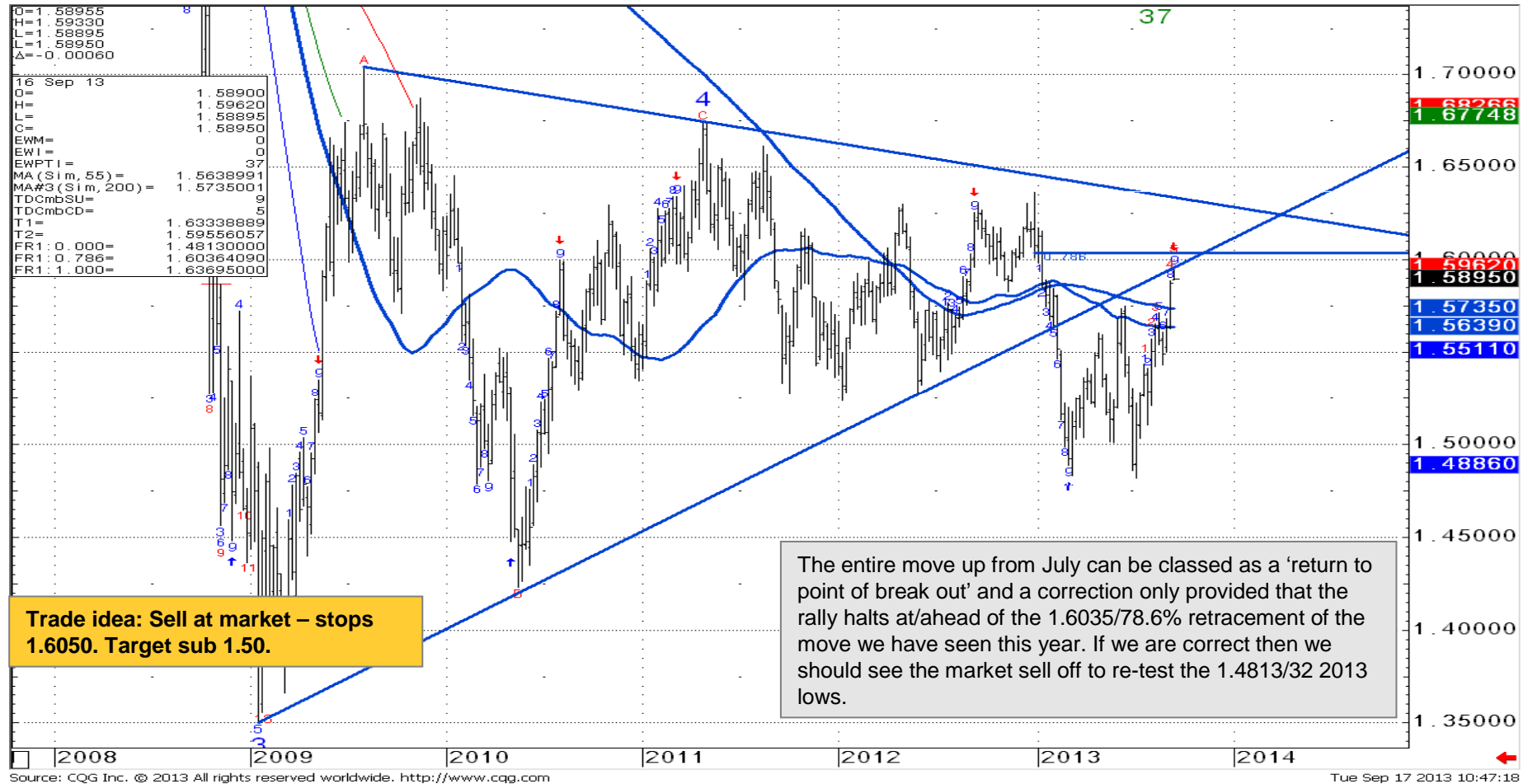
## AUD/USD strength remains corrective only

- › The rebound seen from the end of August from the .8848/93 supports has been fairly solid, but remains well within the confines of a correction only. The rally will shortly encounter the previous break down point at .9388/.9404. This represents the November 2009 high, the April 2010 high and the October 2011 low, it is considered to be tough resistance and our favoured view is that we will see failure between here and the 0.9510/38.2% retracement of the move that we have seen this year so far.
- › We note that the daily chart is suggesting that the sideways to higher corrective move which has been evident since the beginning of August is in fact an 'a-b-c' correction which is nearing completion. We do have another Elliot wave count on the weekly chart, which suggests that the correction could reach the 50% retracement resistance at .9715, however this is less favoured.
- › Longer term the market completed a large top in June 2013 (1.1080-.9388), which offers a downside measured target to approximately 0.7700. This top and target will remain entrenched while capped by the 0.9715 resistance.



# Looking for GBP/USD to falter

We believe the market should fail ahead of the 78.6% retracement at 1.6035



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Tue Sep 17 2013 10:47:18

# Fixed Income - the bund

Upside correction - where is this likely to terminate?



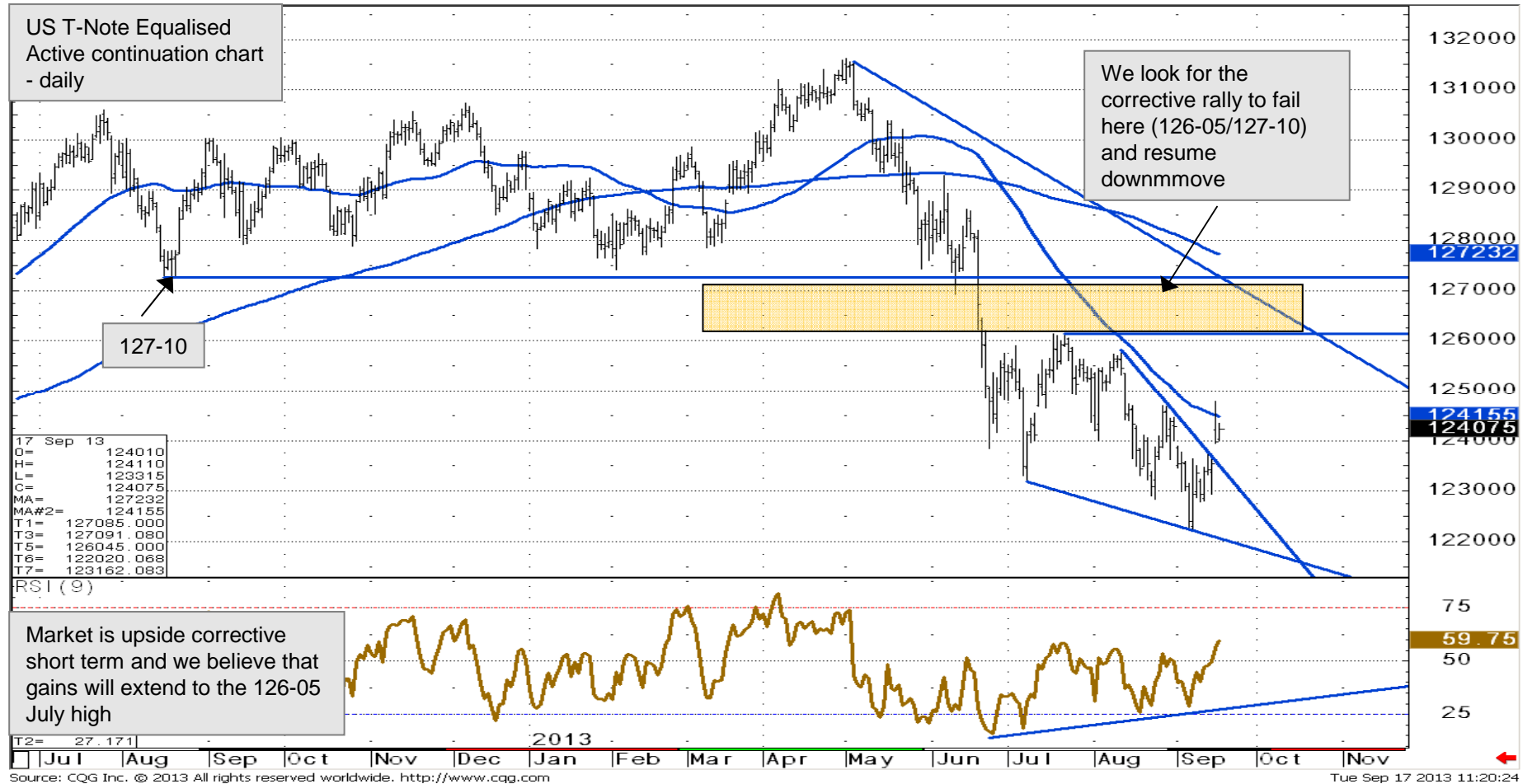
# EU swap curves are correcting lower (narrowing near term)

EU 2-10 swap curve: We look for a slide back to the 55 day ma and uptrend at 1.495/1.4827





# US T-Notes December contract looking for a deeper corrective rebound to the 126-05 June high



# US Swap curves are narrowing near term

US 2-10 swap looking for a slide back to the 2.415 July high and potentially to 2.36 55 day ma



# Credit - bull move remains intact but looking for failure at previous highs. ITRAXX 5Y Crossover Index - Daily Chart



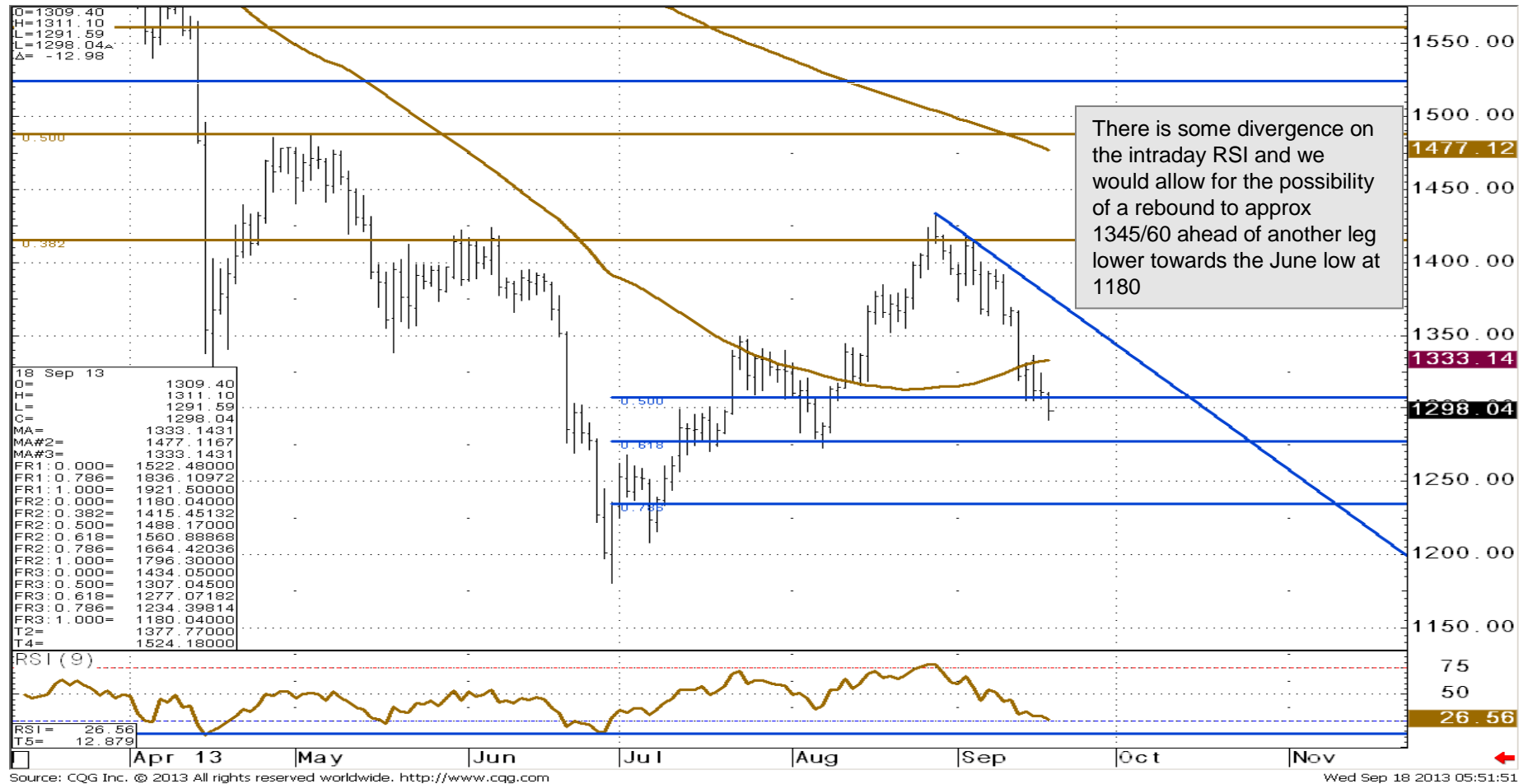
Looking for support down to 365/350 to hold

# Sovereign Spreads - Italy 10Y-Spain 10Y

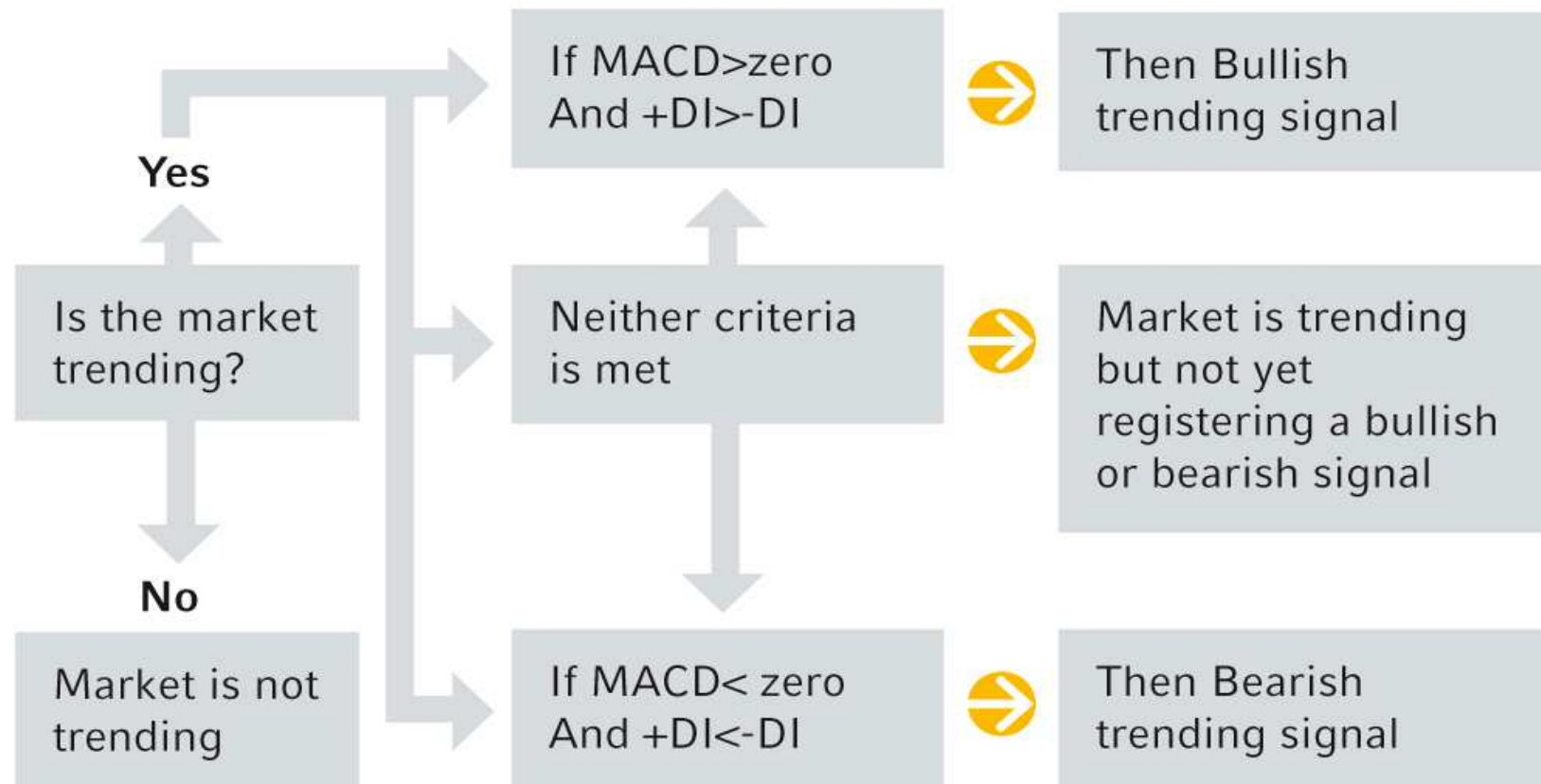
Initial target met (5.5=38.2% retracement)



**Spot Gold support at 1300 has crumbled.** Looking for a slide to 1272 then 1234 en route to the 1180 June low



## Trending Filter



# Glossary

## ADX

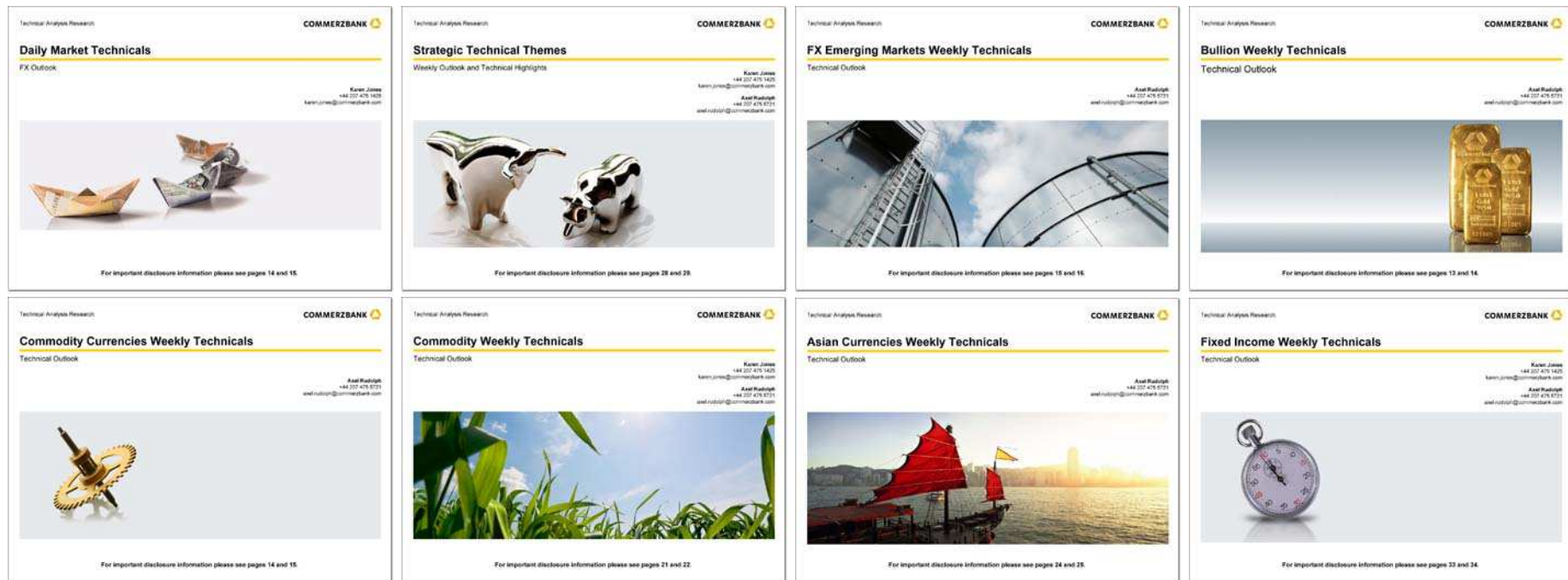
J. Welles Wilder developed the Average Directional Index (**ADX**) to evaluate the strength of a current trend. The ADX is an oscillator that fluctuates between 0 and 100. Even though the scale is from 0 to 100, readings above 60 are relatively rare. Low readings, below 20, indicate that the market is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

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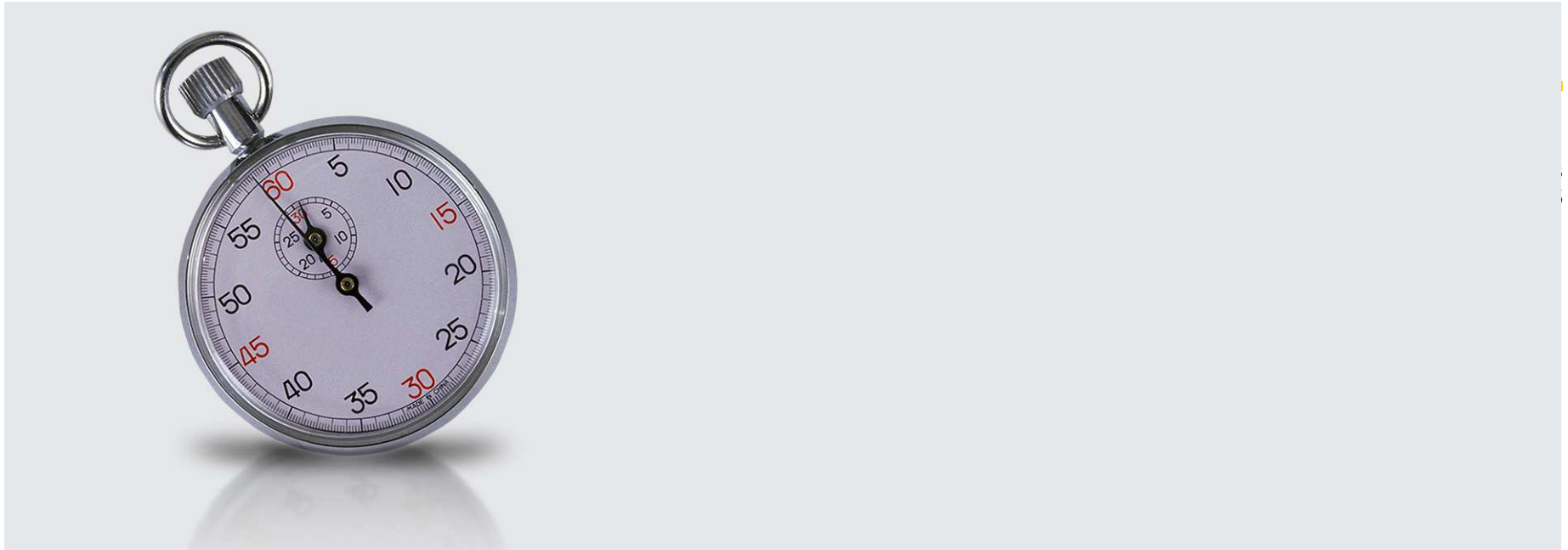
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