





Strategic Technical Themes

Wednesday, 16 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>Axel Rudolph +44 207 475 5721 axel.rudolph@commerzbank.com</p>
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Summary

Key Points:
1. US Dollar strength is cautiously manifesting itself again. The US Dollar Index is to head higher again while 79.87/55 holds.
2. EUR/USD is probably in the process of topping out and should head lower again.
3. A top was formed at the 1.6259 GBP/USD current October high; targets the 1.5752/15 region.
4. EUR/AUD targets the July 2013 low and November 2011 high at 1.3864/11.
5. US 10Y T-Notes have formed another interim top and are heading lower again; inversely the 10 year yield is to rise again.
6. The September corrective rebound in December Bund futures has ended at 140.87; expect the 138.73 level to be hit next.
7. Credit strength has further to run.
8. Gold continues to decline and targets the 1208.08/1180.04 support zone next, then the 1162/1155 area.

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	0%



Foreign Exchange:

US Dollar Index - Weekly Chart

Provided that support at 79.87/55 continues to hold, the Dollar Index should head higher again

US Dollar Index Weekly Chart



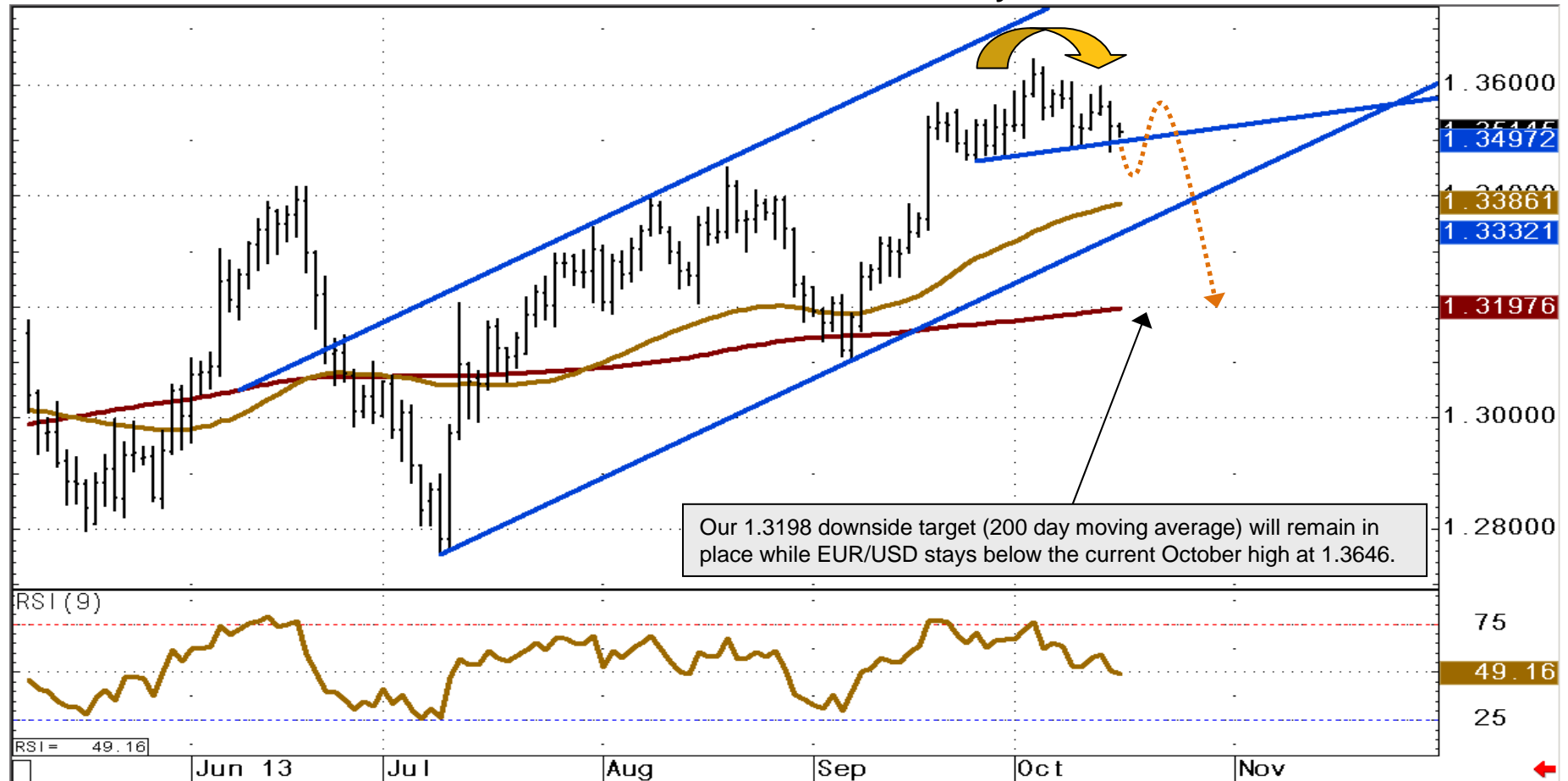
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EUR/USD - Daily Chart

EUR/USD is probably in the process of topping out and should head lower again

EUR/USD Daily Chart



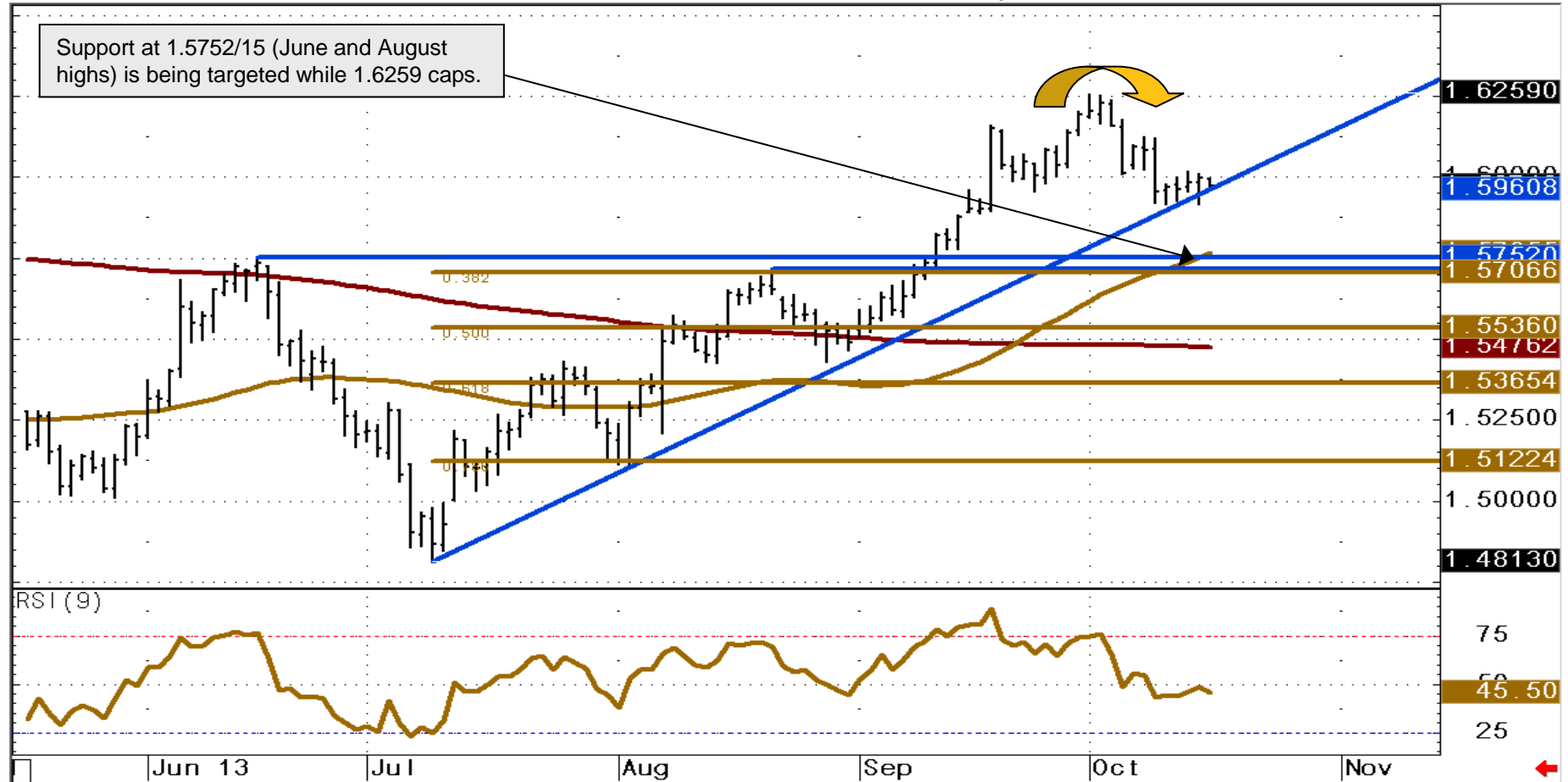
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GBP/USD - Daily Chart

A top was probably formed at the 1.6259 current October high; targets the 1.5752/15 region

GBP/USD Daily Chart



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GBP/USD - Weekly Chart

Formed another top in the 1.6250/1.6400 region which capped since 2011

GBP/USD Weekly Chart



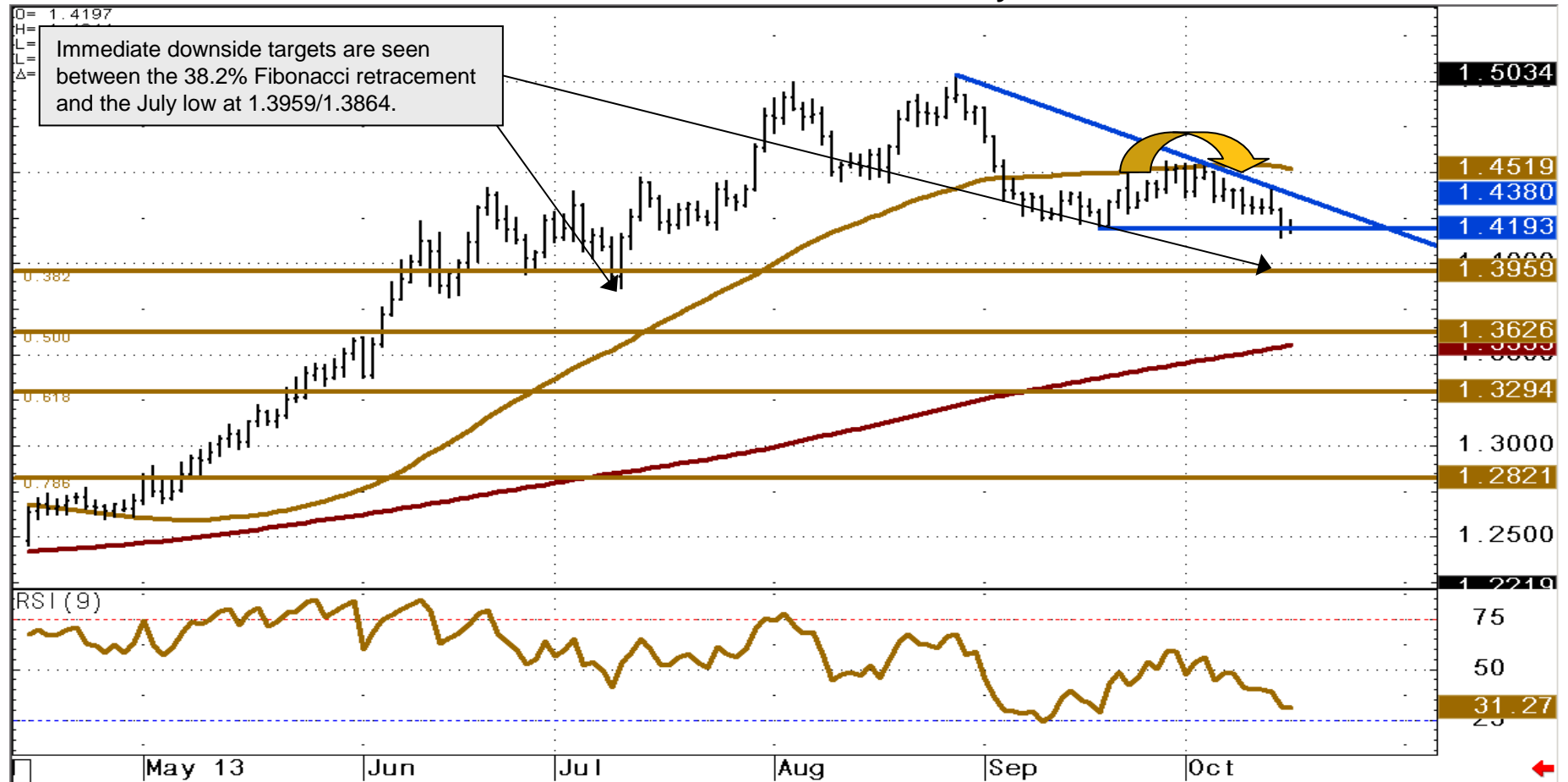
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EUR/AUD - Daily Chart

A interim top was made at 1.4562 in late September; targets the 1.3959 level and then 1.3864

EUR/AUD Daily Chart



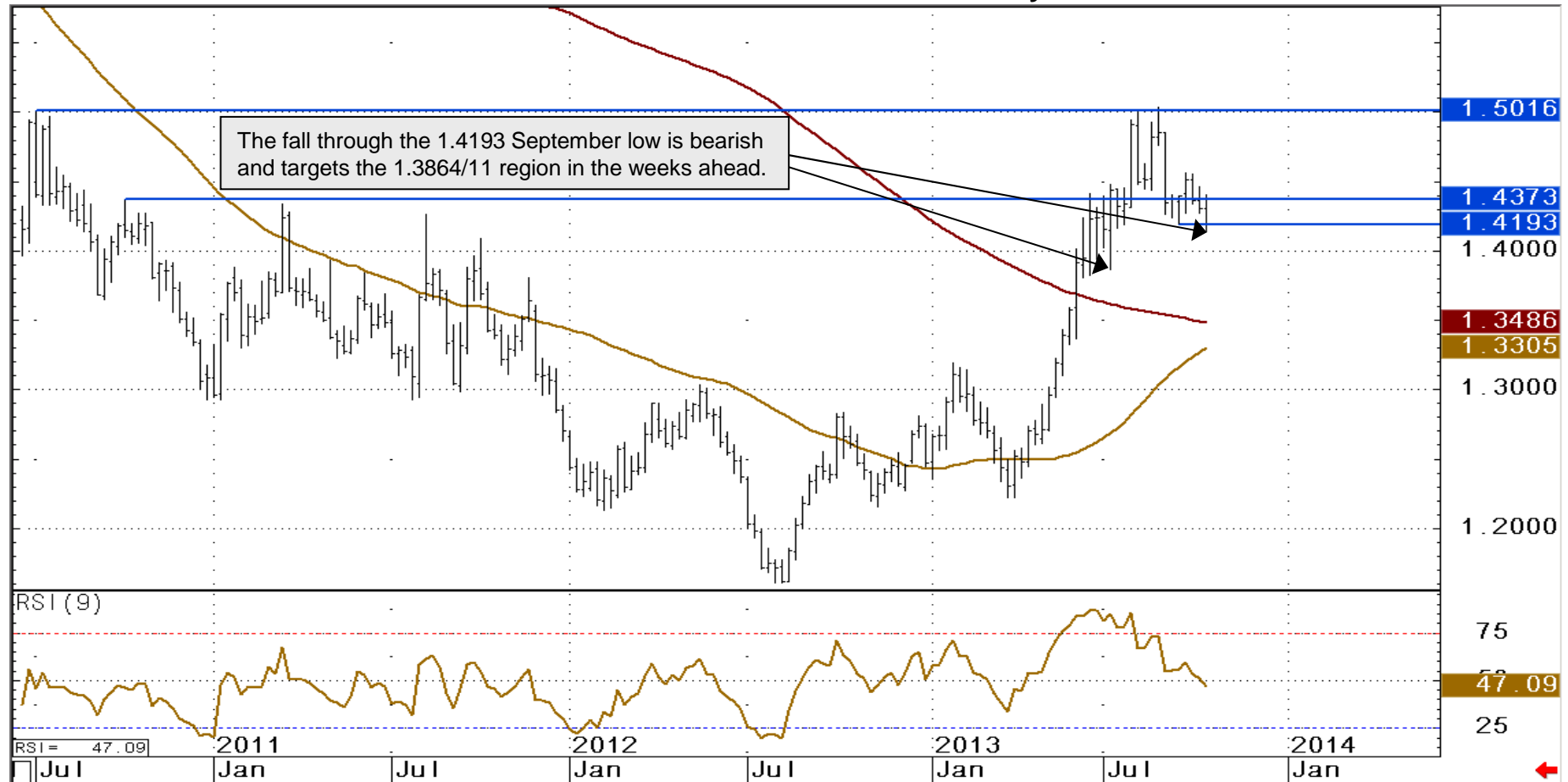
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EUR/AUD - Weekly Chart

Targets the July 2013 low and November 2011 high at 1.3864/11

EUR/AUD Weekly Chart



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Fixed Income:

US 10Y T-Notes - Daily Chart

Are beginning to keel over and target the 55 dma at 124-26 on their way to the 122-07 low

- › December 10Y T-Notes recently failed slightly below the 50% retracement of the May-to-September decline at 126-295 and are now trading back around the 38.2% Fibonacci retracement at 125-26.
- › Our anticipated down leg towards the 200 week moving average at 119-20 should have begun last week.
- › The first downside target can be seen along the 55 day moving average at 124-26, followed by the 123-235 September 18 low.
- › We will maintain our bearish forecast while the futures contract trades below the 50% retracement at 126-295.
- › Above it meanders the 200 day moving average at 127-13.

US 10Y T-Notes Equalized Active Daily Chart



US 10Y T-Notes - Weekly Chart

Corrective rebound is to soon come to an end with another down leg lurking around the corner

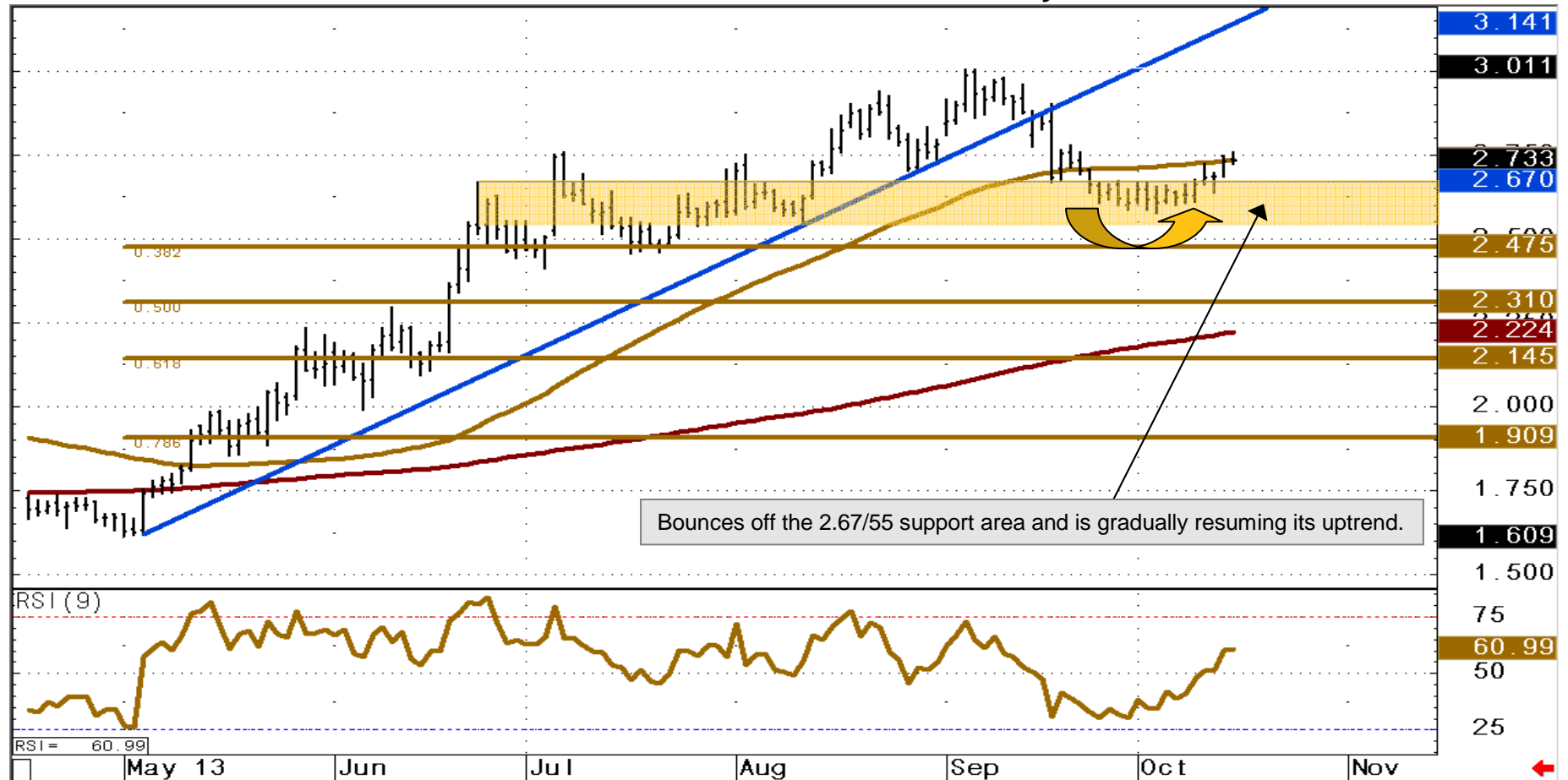
US 10Y T-Notes Equalized Active Weekly Chart



US 10Y Yield - Daily Chart

Has found support in the 2.67/55 region and is gradually heading higher again

US 10Y Yield Daily Chart



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US 2-10Y Swap Curve - Daily Chart

Short term narrowing ended in the 2.34/2.21 region with widening now being seen

- › The US 2-10Y swap curve's corrective narrowing move has ended at the current October low at 2.28.
- › Widening towards the 2.39/415 July and early August highs is currently taking place.
- › Further up sits the 2.52 August high, a rise above which will have the 2.55 March 2011 low and the 2.59 June 2011 high in its sights. Both of these levels should be reached before the end of the year.
- › Still further up the 2010 and 2011 peaks can be seen at 2.73 and also at 2.81.
- › We will retain our long term widening bias while the swap curve remains above the 2.155 late June low.
- › Support below the 2.28 level but above the 2.155 late June low can be seen around the 2.275 August low and at the next lower 2.21 late July low.

US 2-10Y Swap Curve Daily Chart



Bund Futures – Daily Chart

The September corrective rebound ended at 140.87; expect the 138.73 level to be hit next

December Bund Futures Daily Chart



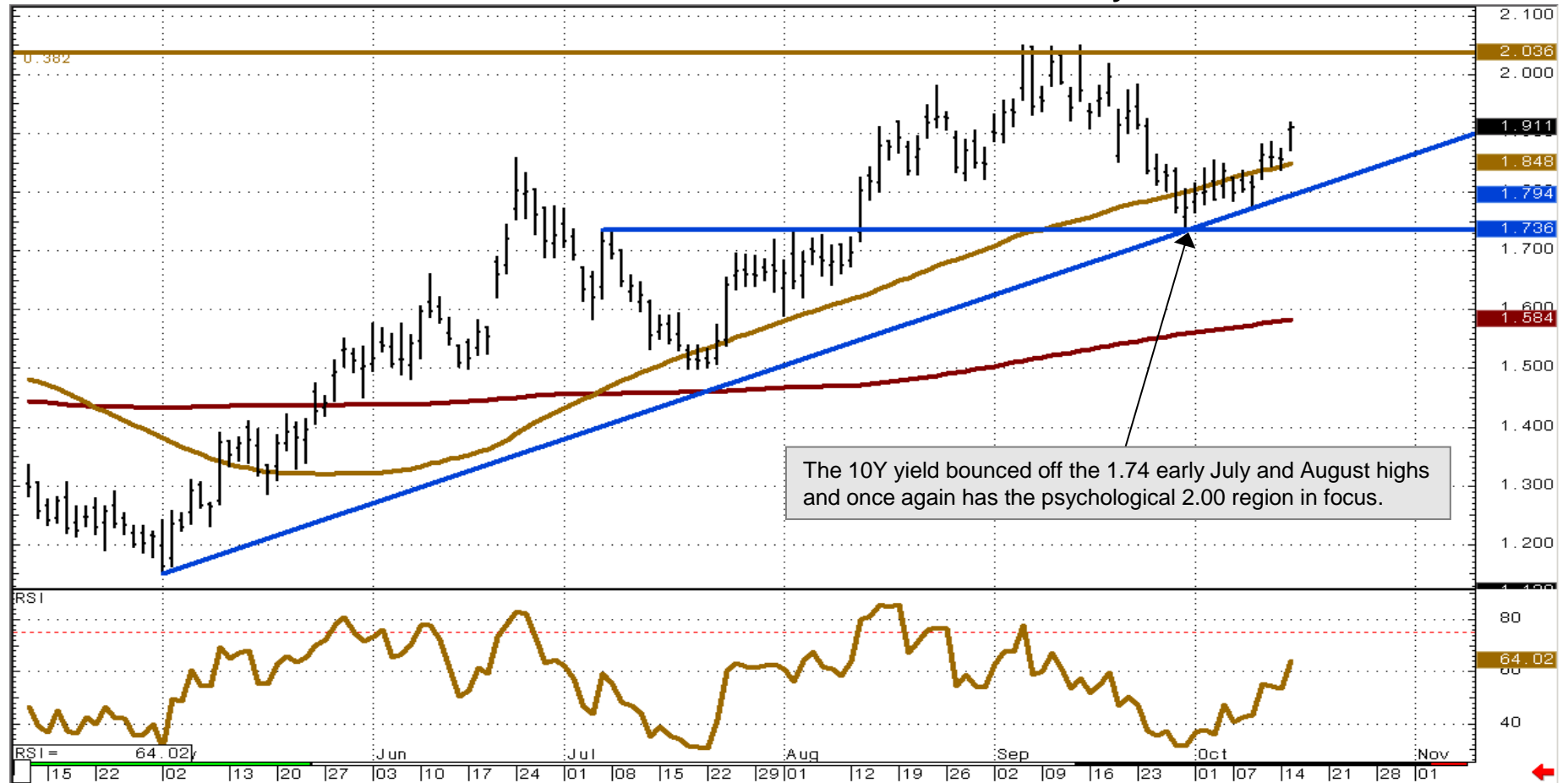
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German 10Y Yield – Daily Chart

The psychological 2.00 region will remain in play while support at 1.74 underpins

German 10Y Yield Daily Chart



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Credit

ITRAXX 5Y Europe Index - Daily Chart

Credit strength has further to run

- › Since the index has been rejected by the 61.8% Fibonacci retracement of this year's rise at 104.10 a few weeks ago, it has been dropping towards significant support at 89.12/86.54 which is now being probed.
- › There the index is likely to stabilise again.
- › If this were not to be the case, the September/October 2009 lows at 79.45/38 would be eyed.
- › Only a rise above last week's high at 101.40 would point towards renewed credit weakness. This does not seem to be on the radar for now.
- › Our medium term outlook remains neutral at present.

ITRAXX 5Y Europe Index Daily Chart





Commodities:

Gold - Daily Chart

Continues its downtrend and targets the 1208.08/1180.04 support zone next, then 1162/1155

- › Gold continues its descent and since it traded below last week's three month low at 1262.72 on Tuesday we have reverted to a bearish outlook.
- › The first downside target is the 78.6% Fibonacci retracement of the June-to-August advance at 1234.40 but the next lower June and July lows at 1208.08/1180.04 represent more significant targets for the weeks to come.
- › **The long term downtrend is expected to take the gold price to the 1162.45/1154.72 support zone, made up of the January 2010 high, July 2010 low and the 61.8% Fibonacci retracement of the 2008-11 uptrend.**
- › We will retain our negative outlook while gold remains below the late September high at 1344.55.

Support	Resistance	1-Week View	1-Month View
1234.4&1208.8	1305.9&1316.7	➔	➔
1180.0&1162.4	1330.2&1344.5		

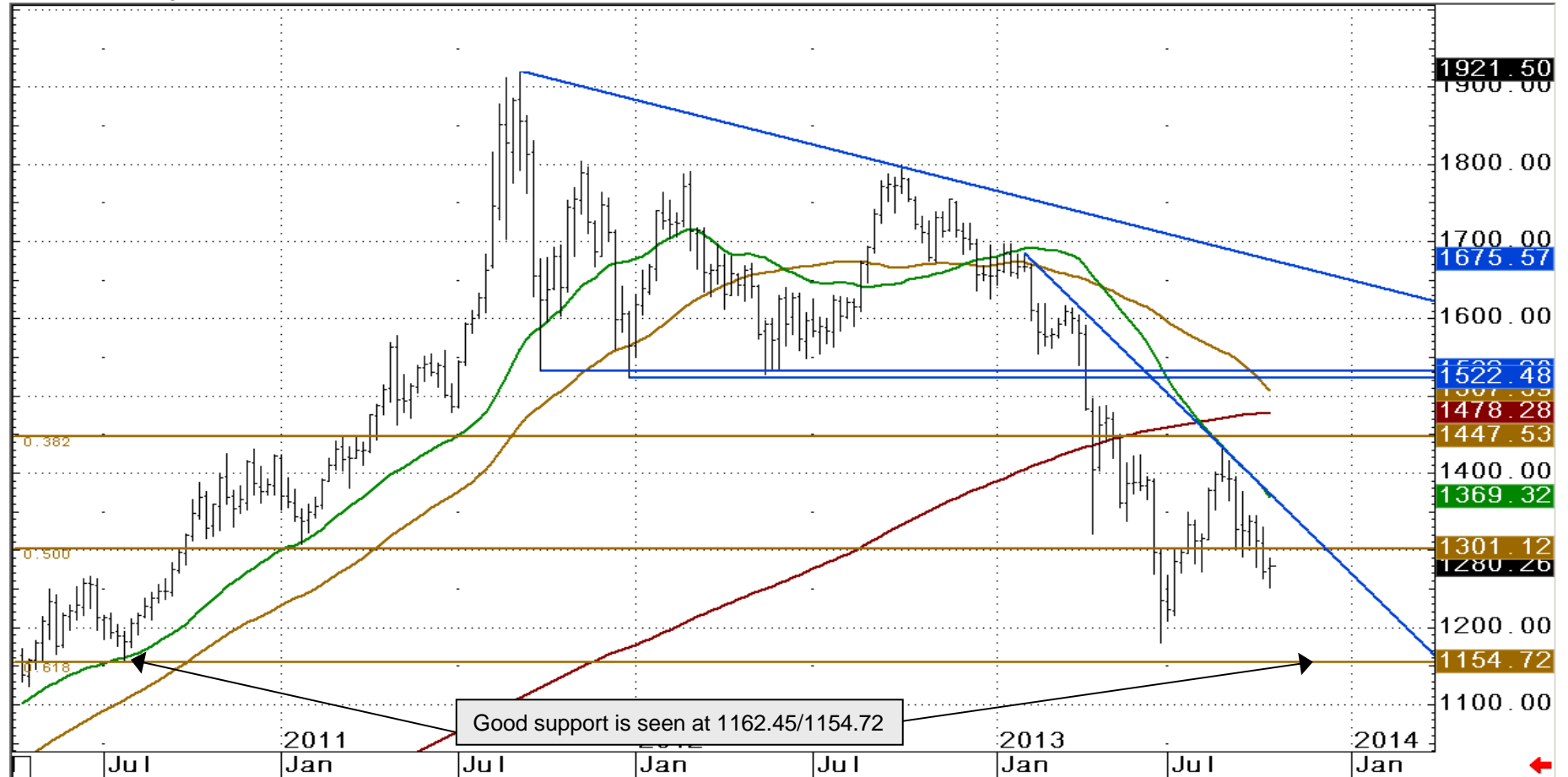
Gold Daily Chart



Gold - Weekly Chart

Targets the 1162.45/1154.72 support zone






Gold Weekly Chart







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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 1.6330		
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	
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 (127-13)	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	

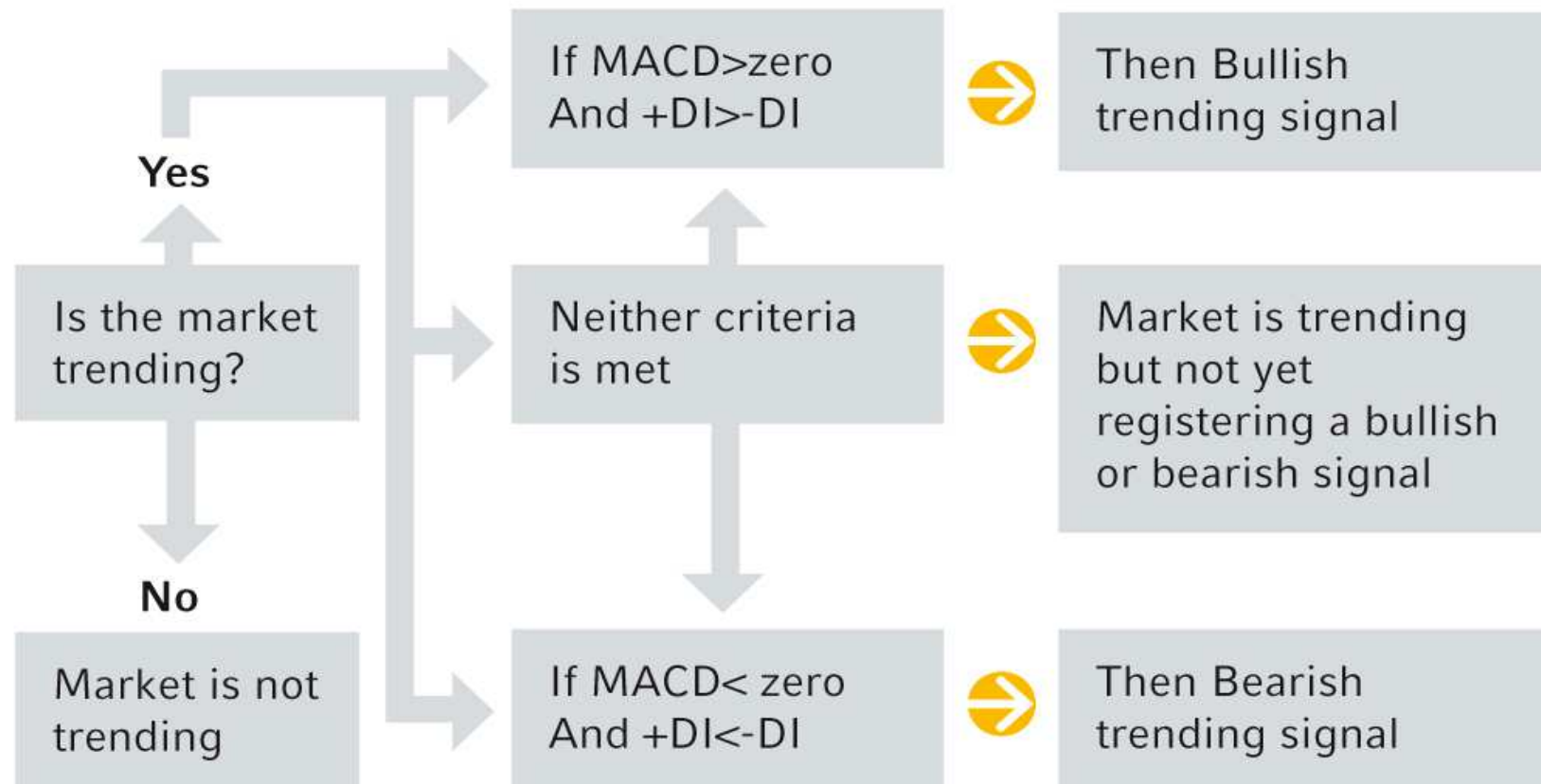
Tracking Key Themes – Credit/Commodities/Other

Date	Theme	Stop on view/Target	Additional Comment	Outcome
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)		

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	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			

Trending Filter



Glossary

ADX

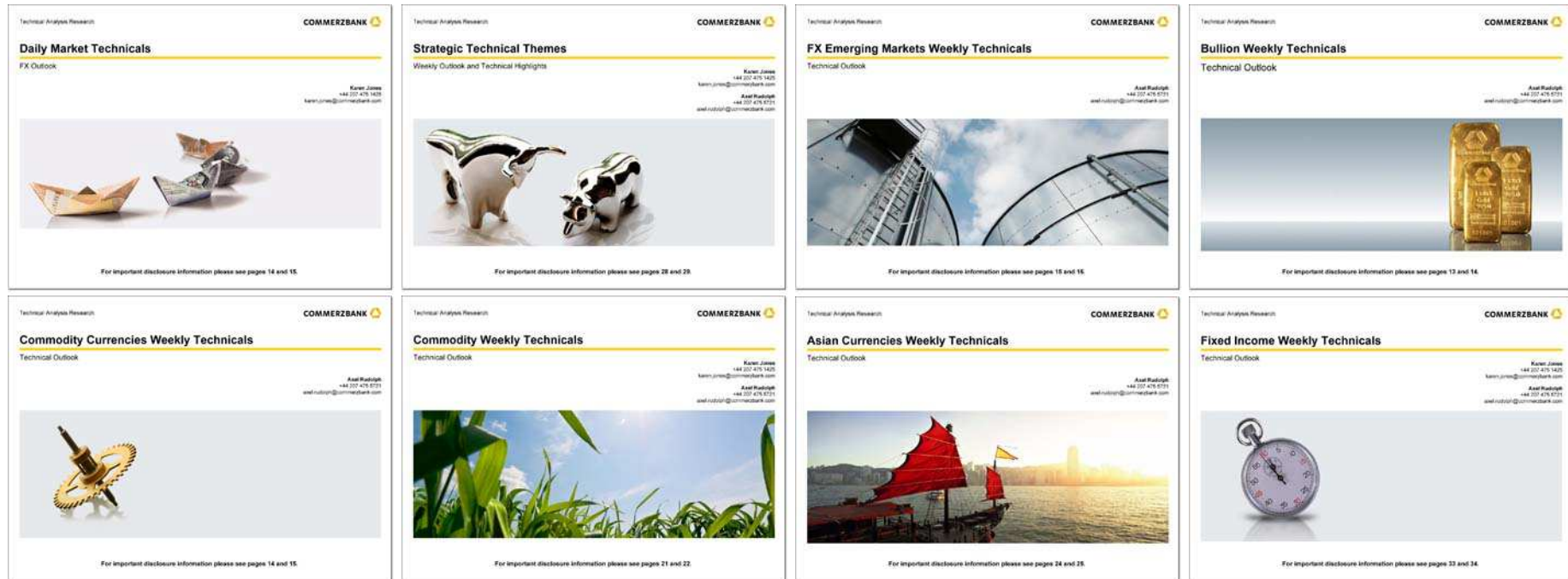
J. Welles Wilder developed the Average Directional Index (**ADX**) to evaluate the strength of a current trend. The ADX is an oscillator that fluctuates between 0 and 100. Even though the scale is from 0 to 100, readings above 60 are relatively rare. Low readings, below 20, indicate that the market is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

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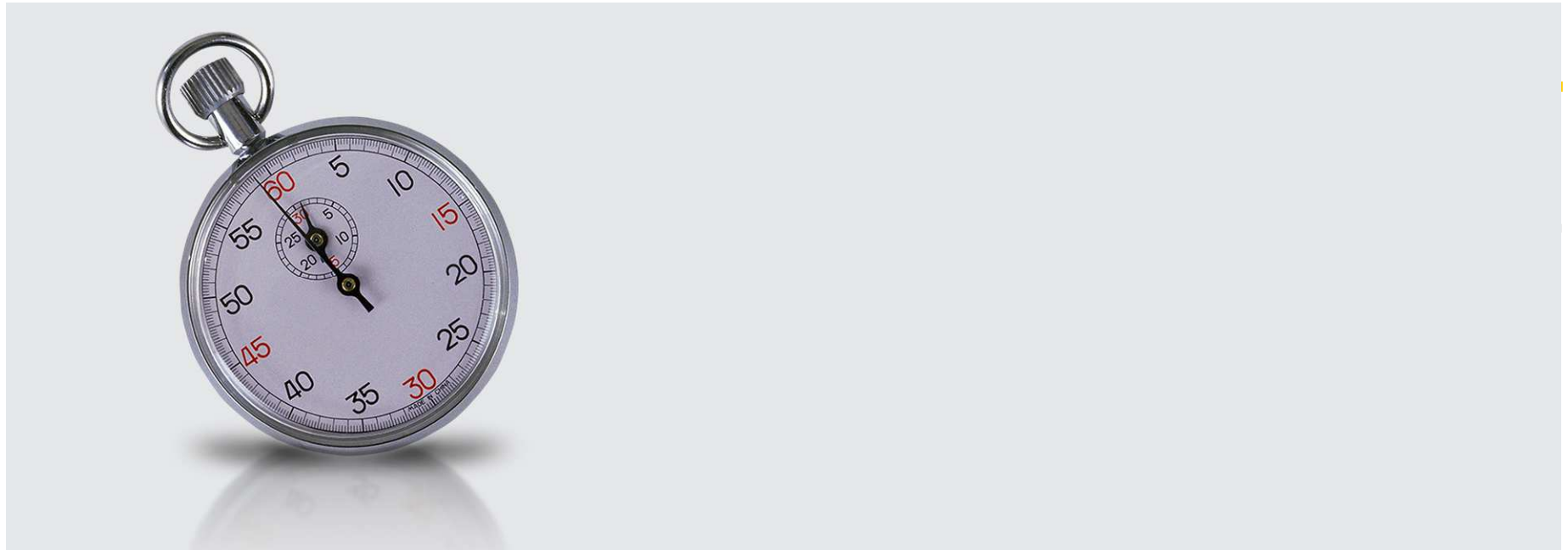
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