


Strategic Technical Themes – Weekly Outlook





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Outlook and Technical Highlights

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

Axel Rudolph
+44 207 475 5721
axel.rudolph@commerzbank.com



<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>

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Summary

Key Points:

1. Asian currencies are weaker. The J. P Morgan Asia Dollar Index - failing at its 9 month downtrend.
2. We have seen Norwegian Krone strength over recent weeks, but EUR/NOK has now sold off to the key support at 8.2575/8.2465 and should recover. NOK/SEK – has reached the 2012-2014 downtrend at 1.0813, cover longs for now.
3. Maintain a negative bias to the Canadian Dollar. USD/CAD – correction appears to have already terminated at 1.0912.
4. US Dollar Index – Looking for support 200 week ma and uptrend at 79.92/87 to hold. EUR/USD strength is expected to peter out ahead of the 1.3833/94 downtrend and recent high.

Currency rankings VS Us Dollar over past 5 days



Source bloomberg

Bullish and bearish trending signals

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

Long Name	C1	C2	C3	C4
PLATINUM SPOT \$/OZ	✓	✓	✓	✓
Generic 1st 'JB' Future	✓	✓	✓	✓
10YR MINI JGB FUT Mar14	✓	✓	✓	✓
EUR-SKK X-RATE	✓	✓	✓	✓
LME ALUM ALY 3MO (\$)	✓	✓	✓	✓
GOLD SPOT \$/OZ	✓	✓	✓	✓
EUR-SEK X-RATE	✓	✓	✓	✓
EUR-CAD X-RATE	✓	✓	✓	✓
Coffee 'C' Future (continuous)	✓	✓	✓	✓
SILVER SPOT \$/OZ	✓	✓	✓	✓
LME TIN 3MO (\$)	✓	✓	✓	✓

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	✓	✓	✓	✓
SWISS FRANC SPOT	✓	✓	✓	✓
DOLLAR INDEX SPOT	✓	✓	✓	✓
NORWEGIAN KRONE SPOT	✓	✓	✓	✓
EUR-CZK X-RATE	✓	✓	✓	✓
USDMYR Spot Exchange Rate - Price of 1 USD in MYR	✓	✓	✓	✓
USDIDR Spot Exchange Rate - Price of 1 USD in IDR	✓	✓	✓	✓
EUR-NOK X-RATE	✓	✓	✓	✓
LME COPPER 3MO (\$)	✓	✓	✓	✓
JPY SWAP 5 YR	✓	✓	✓	✓
JPY SWAP 10 YR	✓	✓	✓	✓

1. A number of commodity markets are now showing bullish trending signals.
2. A weaker US Dollar, but this is approaching major support and we suspect the downside is limited.
3. Norwegian Krone strength (but note both EUR/NOK and NOK/SEK have reached key levels)

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.

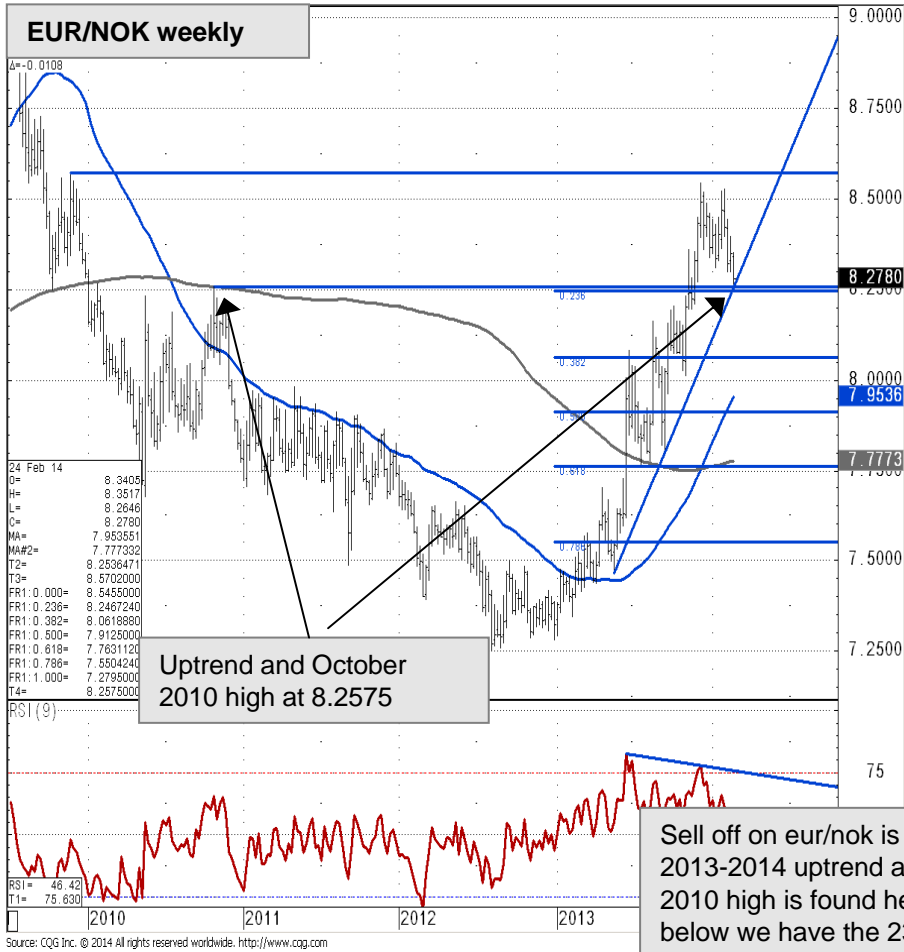
J. P Morgan Asia Dollar Index - failing at its 9 month downtrend.

- > The JP Morgan Asia Dollar Index rallied to and failed at its 2013-2014 downtrend, which is currently located at 115.95. The market tested this resistance 3 times last week and is now showing signs of significant failure; it is also reinforced by the 200 day m.a. at 115.85. We assume that the market is resuming its longer term bear trend and look for a slide back to the January low at 114.82. It remains medium term bearish while trading below its January high at 116.18.
- > Once the January low at 114.82 has been fallen through, the 114.00/113.58 support area will be back in play. This is where minor support and the August low are to be found.
- > Further down lies the April 2010 high at 113.29 and also the 38.2% Fibonacci retracement of the 2009-2011 advance at 112.91.
- > Longer term the 50% retracement at 110.65 is also being targeted.
- > Weakness in the Asian currencies pairs is particularly noticeable for the USD/CNY (for the currency pair, the one year and one month non deliverable forward charts also). These have all eroded 2012-2014 downtrends and 55 day ma and all shot higher. USD/CNY has already cleared its 55 week ma at 6.1195. This together with the September 2013 high at 6.1209 should act as solid near term resistance. Above here would introduce scope to the 6.1568 June 2013 high. Dips lower should remain well supported 6.08/07.

J. P Morgan Asia Dollar Index - Daily



EUR/NOK has sold off to the key support at 8.2575/8.2465 and should recover



Sell off on eur/nok is approaching the 2013-2014 uptrend at 8.2575, the Oct 2010 high is found here and directly below we have the 23.6% retracement at 8.2465. With a TD perfected set up on the daily also - should see this band hold

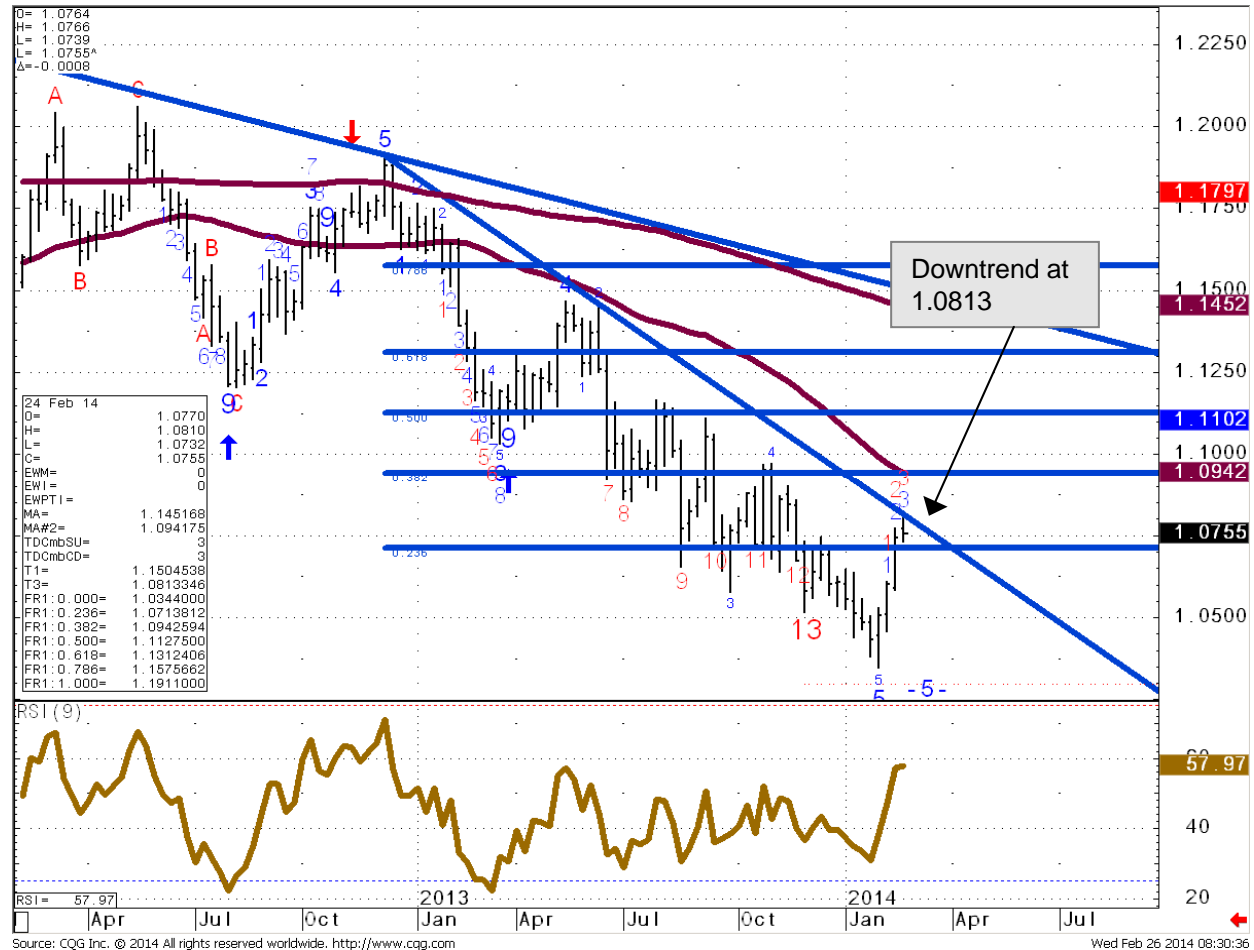
NOK/SEK – has reached the 2012-2014 downtrend at 1.0813, cover longs for now

On the 5th February we noted that NOK/SEK was approaching its 2004 low at 1.0289 and we recommended tightening stops on shorts as we noted the 13 count on the monthly chart as well.

The market did indeed reverse just ahead of its 1.0289 low and we now note in addition, the 13 count on the weekly chart and the divergence of the weekly RSI. **We are starting to think that the market is in the embryonic stages of reversing its 5 year bear trend.**

The market has reached key resistance offered by the 1.0813 2012-2014 resistance line and is likely to see some near term profit taking. A close above here is needed to confirm short to medium term reversal and allow recovery to the 1.0942 55 week ma and beyond.

NOK/SEK weekly chart



USD/CAD – correction appears to have already terminated at 1.0912.

Looking for 1.1189/1.1244 resistance to be eroded

- Our initial upside target of 1.1187/1.1244 has been met, this is the 1991 low and the 50% retracement of the move down from 2009-2011. The setback that we have seen from here is viewed as an 'a-b-c' correction which terminated at 1.0912. We believe the USD/CAD chart is well placed to resume its bull move and will do so once the 1.1244 resistance is taken out.
- We maintain that the USD/CAD chart is bullish longer term. It has completed a large base between 1.0660 and 0.9403, this base took almost 3 years to complete, and the pattern broke higher earlier this year. It offers an upside measured target to 1.19 longer term. Given that the base took 3 years to complete, this target is achievable in approximately half of that time, i.e. by Q2 2015. We should therefore see the Canadian Dollar come under pressure throughout much of this year.
- Below 1.0850 would trigger a deeper sell off to the previous high charted in 2011 at 1.0660, however key support remains the 1.0418 2012-2014 uptrend – while above here a longer term upside bias is maintained.

USD/CAD – daily chart



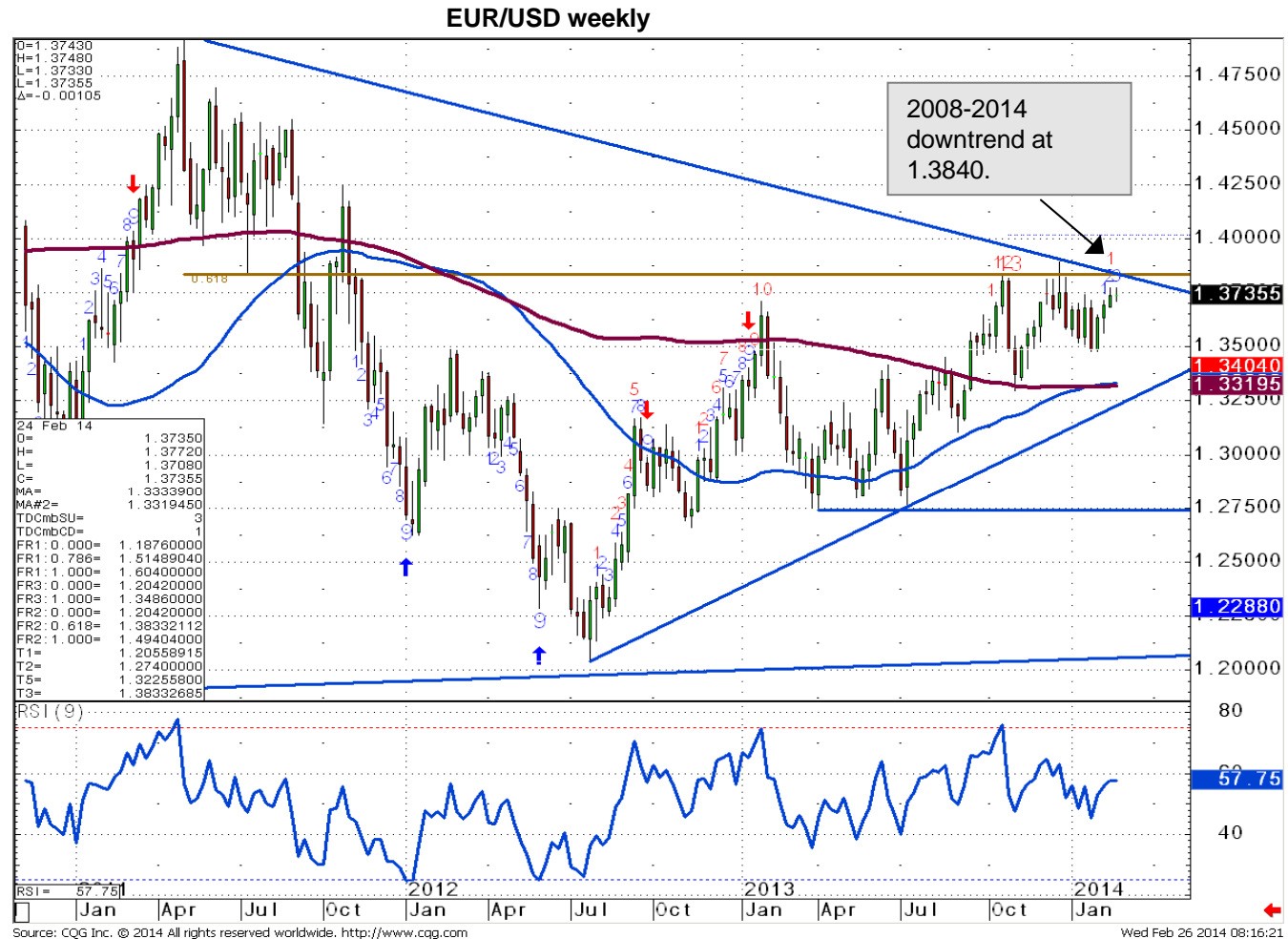
US Dollar Index – Looking for support 200 week ma and uptrend at 79.92/87 to hold.

- › US Dollar is weaker but we are looking for key support to hold.
- › Essentially the US Dollar Index is sidelined within its 55 and 200 week moving averages, but it has now sold off to the 200 week ma at 79.92. This is reinforced by trendline support at 79.87 and ideally we look for this to hold and provoke recovery. This would target its 55 week moving average (currently at 81.50)
- › The definition of a bull trend is higher reaction highs and higher reaction lows and this remains the case for the US Dollar – the last reaction low was at 79.00 and support is found down to 78.60 - while above here our longer term bullish view is intact.
- › The break above the 55 week moving average at 81.50 is expected to act as the catalyst for a rally to the 2005-2014 down trend currently at 85.57. However the market appears to be in no hurry to take this out and meanwhile is likely to ease lower to test the support offered just below 80.00, which we continue to look to hold.









EUR/USD strength is expected to peter out ahead of the 1.3833/94 downtrend and recent high.


- EUR/USD is holding sideways just below the 1.3805/ 78.6% retracement, which is regarded as the last defence for the 1.3894 December high. Note the 2008-2014 downtrend is located 1.3833.
- A break below the 1.3685 (last Fridays low) is needed to alleviate upside pressure and signal a slide back to the 1.3562, 12th February low and then the 1.3522 3 month support line.






Tracking Key Technical Themes – Current FX

Date	Theme	Stop on view/Target	Additional Comment	Outcome
29.01.2014	A technical buy signal has been seen on AUD/NZD and a major reversal higher should follow.	Long 1.06, stop 1.0730 (profit stop). Target 1.09		
29.01.2014	CAD/MXN large top developing. Sell intraday rallies to 11.95, add 12.20	Short 12.07, lower stop from 12.50 to 12.40. Take profit at 11.00		
12.02.2014	US Dollar Index – has failed at the 55 week ma and 200 day ma at 81.50 and is easing lower. Weakness viewed as temporary and expected to hold 79.92/78.60.	Long 80.00, add 79.70, stop 78.55		
19.02.2014	USD/CAD maintain longer term bullish bias – near term weakness is viewed as corrective	Long 1.0930, raise stop to 1.0930. Target 1.1450.		
19.02.2014	EUR/USD strength is expected to peter out ahead of the 1.3840/94 downtrend and recent high.	Short 1.3750, add 1.3800, stop 1.39		
19.02.2014	Remain bearish Turkish Lira. Both EUR/TRY and USD/TRY have sold off to key supports and are showing signs of recovery.	Long USD/TRY 2.1880, stop 2.1700. Target 2.30		

Tracking Key Technical Themes – Current FX

Date	Theme	Stop on view/Target	Additional Comment	Outcome
19.02.2014	NOK/SEK - signs of Norwegian strength gaining traction, we suspect that we are in the embryonic stages of reversing the 5 year bear trend.	Buy 1.06, 1.0550 band, stops 1.0430	Cover at market, (circa 1.0775). It has reached downtrend/initial target	






Tracking Key Technical Themes – Current Fixed Income

Date	Theme	Stop on view/Target	Additional Comment	Outcome
15.01.2014	French 10Y - Germany 10Y spread expected to widen	Long 0.654, target 0.90, stop 0.56		
05.02.2014	Bund – convergence of resistance at 144.37/86 suggests that the market should struggle here, tighten stops on any longs	Short 144.37. Stop 144.86. Take profit 142.32.		
12.02.2014	US T-Notes - The recent up surge has been rejected by the 126-14/255 resistance zone we look for this to weaken further.	Short 125-19, add 126-00, stop 126-10		






Tracking Historical Key themes

Date	Total no of key themes covered	No of successful themes	No of losing themes	Outcome
Q4 2013	30	20	10	66% successful
Q1 2014 (so far)	30	17	6	We have had 7 trades which were stopped at cost.






Historical Key themes – Q1 2014

Date	Theme	Stop on view/Target	Additional Comment	Outcome
27.11.2013	USD/CAD - approaching major resistance at 1.0661 2011 high – this is now exposed.	Market circa 1.0550, stopped at cost	Have reached the 1.0661 high, raise stops on any longs to the entry point circa 1.0550	
04.12.2013	AUD/USD weakness is pronounced. Breaking Fibonaci support at .9043.	Added to shorts.9043, target .8750.Lower profit stop to .8975.	Profit stop hit	
11.12.2013	Bund – negative bias persists	Assume short at 141.26, Target 138.79 met – shorts covered	Negative below 142.25	
11.12.2013	Italy 10Y -Germany 10Y spread has eroded its 4 year uptrend	Stays offered below the 55 day ma at 231. Entry point 225. Target is 200.	Target at 200 met	
04.12.2013	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.Lower stop to entry point at -0.7370	Stopped at entry point	





Historical Key themes – Q1 2014

Date	Theme	Stop on view/Target	Additional Comment	Outcome
18.12.2013	EUR/NOK - divergence of the weekly RSI points to short term failure at the 8.5455 peak. We look for a slide back to 8.2575/8.2465	Weakness seen BUT could be an 'a-b-c correction'. Exit any shorts		
18.12.2013	EUR/AUD - Probes key resistance at 1.5477/1.5617 which is likely to cap in the short term.	Short circa 1.55. Shorts exited circa 1.53		
08.01.2014	The Bund looking for rebound to remain capped 140.59/141.30, stay longer term bearish	Short 140.59. Lower stop from 141.30 to 141.15. Target 138.80	Stopped 141.15	
08.01.2014	JPY allow for a corrective rally. USD/JPY, EUR/JPY risk of a correction lower near term.	Short circa 104.90, lower stop from 105.50 to profit stop 104.50. Exit 102.25	Profit stopped 104.50, for a small profit	
11.12.2013	EUR/USD approaching major long term resistance at 1.38-1.40 which is expected to cap the upside	Short 1.3760, lower profit stop from 1.3700 to 1.3625. Target 1.3350.	profit stop hit	






Historical Key themes – Q1 2014

Date	Theme	Stop on view/Target	Additional Comment	Outcome
08.01.2014	USD/CAD - Break out of its recent consolidation is bullish.	Long circa 1.0800. Raise profit stop from 1.0840 to 1.0900. Target 1.1185	Daily RSI is diverging – exit longs at market (circa 1.0966)	
08.01.2014	USD/TRY - Upside momentum is diminishing but it could still reach the 2.2681/2.2739 Fibonacci cluster.	Long circa 2.17, raise stop to a profit stop 2.2250	Extremely close to target – exit longs at market (circa 2.2455)	
15.01.2014	Swiss Franc remains weak. USD/CHF – has executed a return to point of break out on its daily chart (retested and held its previous downtrend)	Long .9070, raise stop to entry point .9070	Stopped at entry point	
08.01.2014	US Dollar strength - The US Dollar Index is bouncing from its 2011-2014 uptrend. Initial target is the 55 week ma at 81.45	Long 80.95, raise stop from 80.50 to 80.95.	Stopped at entry point	
06.11.2013	US T-Notes have failed at the 61.8% retracement at 128-01, maintain a negative bias	Target 200 week ma (120 currently). Assume short from 125-22. Lower the profit stop to 124-25	Profit stopped	






Historical Key themes – Q1 2014

Date	Theme	Stop on view/Target	Additional Comment	Outcome
08.01.2014	USD/CAD - Break out of its recent consolidation is bullish.	Long circa 1.0800. Raise profit stop from 1.0840 to 1.0900. Target 1.1185	Daily RSI is diverging – exit longs at market (circa 1.0966)	
11.12.2013	Spain 10Y - Germany 10Y spread fails at the 55 day ma and resumes narrowing.	Target 172.50. Narrowing intact below 55 day ma. Short 222, lower stop to 233	Exit this trade, we note the divergence of the daily RSI. Exit at market circa 195	
08.01.2014	USD/TRY - Upside momentum is diminishing but it could still reach the 2.2681/2.2739 Fibonacci cluster.	Long circa 2.17, raise stop to a profit stop 2.2250	Extremely close to target – exit longs at market (circa 2.2455)	
22.01.2014	We remain longer term bearish on Bunds but we acknowledge major resistance is not encountered until 142.31 and we remain unable to rule out a move to here before down	View stopped above 142.31		


Historical Key themes – Q1 2014

Date	Theme	Stop on view/Target	Additional Comment	Outcome
15.01.2014	Sterling strength on its crosses. EUR/GBP targets .8160 then .8000	Short .8310, place stop .8350. Lower stop to .8310 and take profit at .8175	Stopped at entry point	
22.01.2014	USD/SGD is well placed to break up from a 3 year range.	Long 1.2770, raise stop to 1.2690. Exit at entry point	stopped	
22.01.2014	USD/KRW 1 Month NDF - clear base evident, maintain a positive bias.	Assume long 1070, stop 1068. Take profit at the 200 day ma at 1093	Recent key day reversal suggests caution. Exit at market (circa 1079)	
22.01.2014	Latin American currencies are under performing Asian currencies. Buy USD/MXN on dips to 13.20.	Assume long 13.20. Target 13.61. Raise stop from 13.15 to 13.26 (profit stop). Target 13.90	Profit stopped at 13.26 (long 13.20)	
29.01.2014	We view recent strength in USD/JPY as corrective and are not convinced that the move down from the 105.50 region is over – we continue to allow for losses to 100.00.	Assume short 103.00. Lower the stop to 101.90 (profit stop). Exit 100.65.	Just missed our take profit by 3 ticks. Profit stopped 101.90	

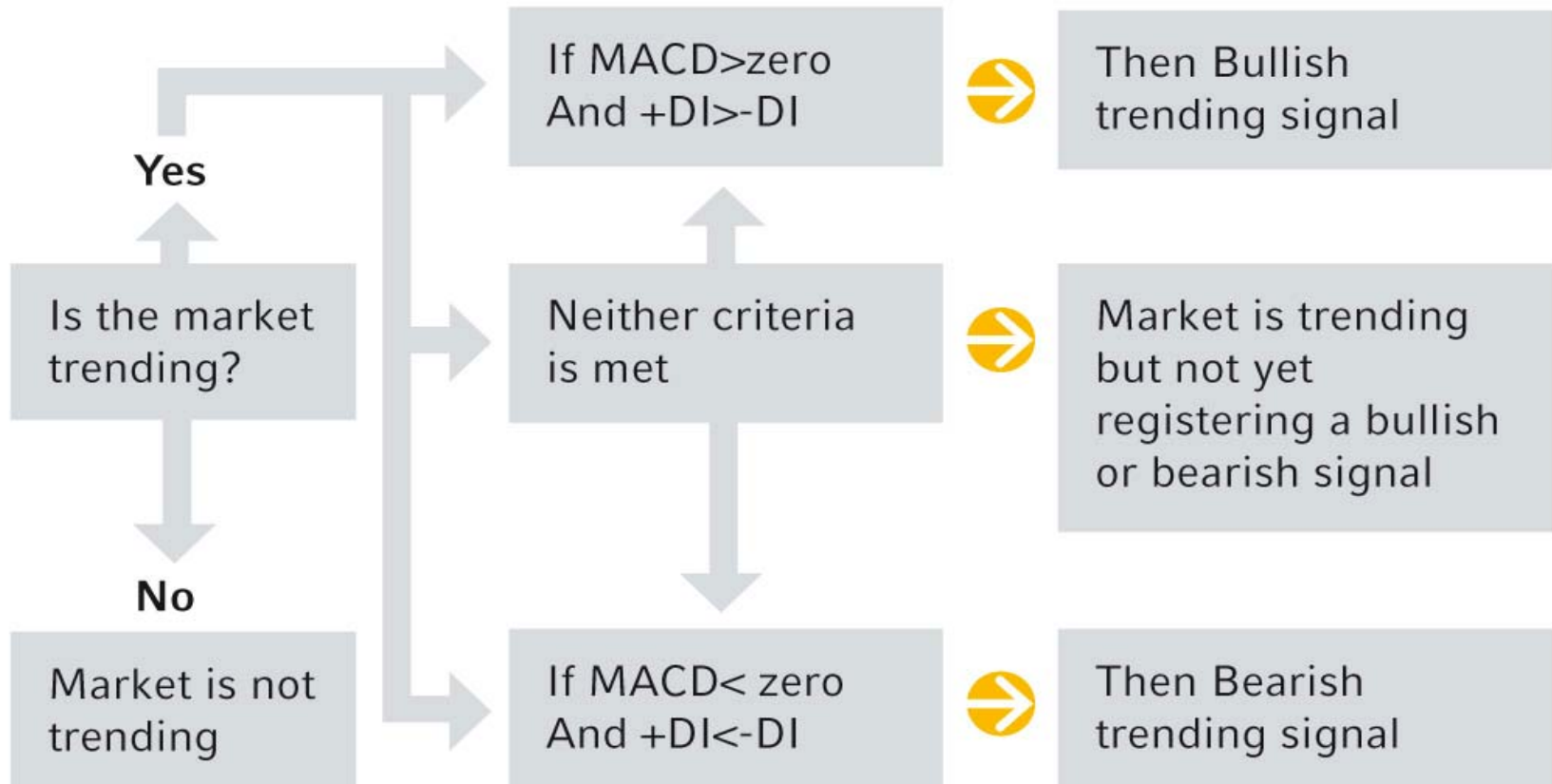
Historical Key themes – Q1 2014

Date	Theme	Stop on view/Target	Additional Comment	Outcome
29.01.2014	One to watch - EUR/USD 3 mo implied vol. Formation developing is a potential falling wedge, this implies that stabs lower should hold circa 6.40 for recovery to 7.86/7.95 (55 week ma).	Volatility circa 6.72 on 29.01.2014. Raise stop to entry point. Exit 7.85.	Stopped at entry point	
05.02.2014	GBP/USD – looking more negative – sitting on key 1.6259/29 support, this is the break down point to 1.5855 November low.	Short 1.6340, add 1.6450, stop 1.6525.	stopped	
05.02.2014	USD/NOK in 4 year highs, buy the dips. NOK/SEK approaching target, tighten stops on shorts.	Buy 6.23, add 6.17	Looks like a false break higher, if have not already done so exit. Currently circa 6.14	
05.02.2014	ITRAXX 5Y Senior Financial - Rebound has stalled at the 23.6% retracement at 107.	Assume short circa 104.00. Target 90.00, lower the stop to 100.60 (profit stop)	Target met	
22.01.2014	USD/MYR 1 Month NDF and is about to overcome the 3.3468 August peak and the 50% retracement.	Long 3.3350. Raise stop from 3.2940 to 3.3050. Target 3.44	Stopped 3.3050	

Historical Key themes – Q1 2014

Date	Theme	Stop on view/Target	Additional Comment	Outcome
19.02.2014	RUB basket has maintained upside pressure and is in new highs- the only target we have of note is the 41.88/1.618 Fibonacci projection	Target met. Longs circa 41.60 exited 41.88		

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.

Technical Analysis Research **COMMERZBANK**

Daily Market Technicals
FX Outlook

Karen Jones
+44 202 475 1620
karen.jones@commerzbank.com



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Strategic Technical Themes
Weekly Outlook and Technical Highlights

Karen Jones
+44 202 475 1620
karen.jones@commerzbank.com

Axel Rutolph
+44 202 475 6721
axel.rutolph@commerzbank.com



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Technical Analysis Research **COMMERZBANK**

FX Emerging Markets Weekly Technicals
Technical Outlook

Axel Rutolph
+44 202 475 6721
axel.rutolph@commerzbank.com



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Bullion Weekly Technicals
Technical Outlook

Axel Rutolph
+44 202 475 6721
axel.rutolph@commerzbank.com

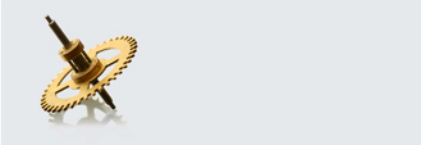


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Technical Analysis Research **COMMERZBANK**

Commodity Currencies Weekly Technicals
Technical Outlook

Axel Rutolph
+44 202 475 6721
axel.rutolph@commerzbank.com



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Technical Analysis Research **COMMERZBANK**

Commodity Weekly Technicals
Technical Outlook

Karen Jones
+44 202 475 1620
karen.jones@commerzbank.com

Axel Rutolph
+44 202 475 6721
axel.rutolph@commerzbank.com



For important disclosure information please see pages 21 and 22.

Technical Analysis Research **COMMERZBANK**

Asian Currencies Weekly Technicals
Technical Outlook

Axel Rutolph
+44 202 475 6721
axel.rutolph@commerzbank.com



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Technical Analysis Research **COMMERZBANK**

Fixed Income Weekly Technicals
Technical Outlook

Karen Jones
+44 202 475 1620
karen.jones@commerzbank.com

Axel Rutolph
+44 202 475 6721
axel.rutolph@commerzbank.com



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- Monday:** Daily Market Technicals (FX), FX Emerging Markets Technicals;
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Commerzbank AG	Commerzbank AG London Branch	Commerz Markets LLC	Commerzbank AG	Commerzbank AG
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 Tel: + 1 212 703 4000	71 Robinson Road, #12-01 Singapore 068895 Tel: +65 631 10000	29/F, Two IFC 8 Finance Street Central Hong Kong 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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