

# Strategic Technical Themes

Monday, 15 July 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>thetechnicalanalyst</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>
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# Summary

## Foreign Exchange:

Swift correction in US Dollar has been seen but the medium term uptrend is intact. Short term looking for the dollar to consolidate.

Negative bias for JY crosses while USD/JPY below 101.60, AUD/JPY below 93.00.

## Fixed Income:

The bund, bobl and Schatz corrections are coming to an end and we look for rallies to peter out shortly. The Bund is expected to falter ahead of 143.60/144.00, the Bobl ahead of 126.44/74 and the Schatz should fail ahead of its 100.68 55 week moving average. Maintain an overall negative bias.

EU 2-10 swap curve has reached an interim target of 1.5050 and is correcting lower – look for some consolidation here.

The EU-US 10Y swap spread is showing signs of reversal just ahead of the -1.00 psychological support and we would allow for further corrective moves here.

Even though the long term top in US 10Y T-Notes has been confirmed, the bounce off the current July low at 124-115 has further to go.

US 10Y yield - Continues to correct lower from its near two year high at 2.76 and could reach the 2.41 area.

## Credit

The ITRAXX 5Y Europe, Crossover and Senior Financial indices have all come off further from their June highs but may struggle around current support.

## Commodities

NYMEX Crude Oil - 2 year resistance line eroded. Triangle suggests a 113.00 target.

## Bullish and bearish trending signals

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

Long Name	C1	C2	C3	C4
Heating Oil Future (continuous)	✓	✓	✓	✓
Generic 1st 'JB' Future	✓	✓	✓	✓
S&P 500 INDEX	✓	✓	✓	✓
EUR-GBP X-RATE	✓	✓	✓	✓
PALLADIUM SPOT \$/OZ	✓	✓	✓	✓
FTSE 100 INDEX	✓	✓	✓	✓

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

Long Name	C1	C2	C3	C4
USDKRW Spot Exchange Rate - Price of 1 USD in KRW	✓	✓	✓	✓
AUD-JPY X-RATE	✓	✓	✓	✓

Many trending signals have switched off

**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.**

# Currency ranking vs the US Dollar for the past 5 days



Source Bloomberg 06.35 AM

## Technical Trade Ideas

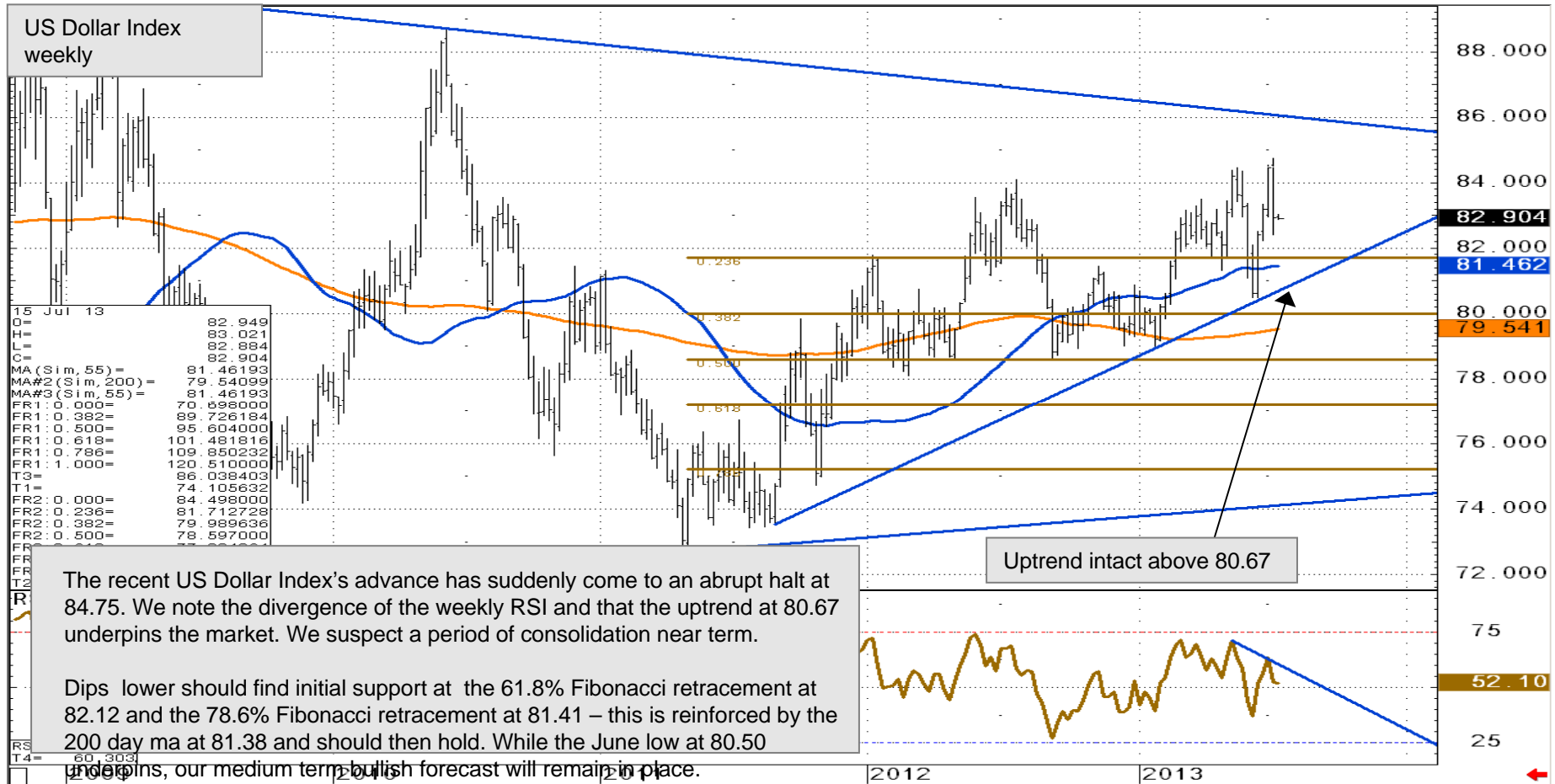
Date	Instrument	Trade Idea	Stop	Take Profit	Outcome	P&L
08.07.2013	bund	Sell 143.60, add 143.98	144.65	140	Short 143.60	



## Foreign Exchange:

# US Dollar Index

Divergence of the weekly RSI implies short term consolidation, uptrend intact above 80.67/50.



The recent US Dollar Index's advance has suddenly come to an abrupt halt at 84.75. We note the divergence of the weekly RSI and that the uptrend at 80.67 underpins the market. We suspect a period of consolidation near term.

Dips lower should find initial support at the 61.8% Fibonacci retracement at 82.12 and the 78.6% Fibonacci retracement at 81.41 – this is reinforced by the 200 day ma at 81.38 and should then hold. While the June low at 80.50 underpins, our medium term bullish forecast will remain in place.

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# EUR/USD weekly chart

EUR/USD swiftly bounces off its 1.2740 April low but remains medium term bearish

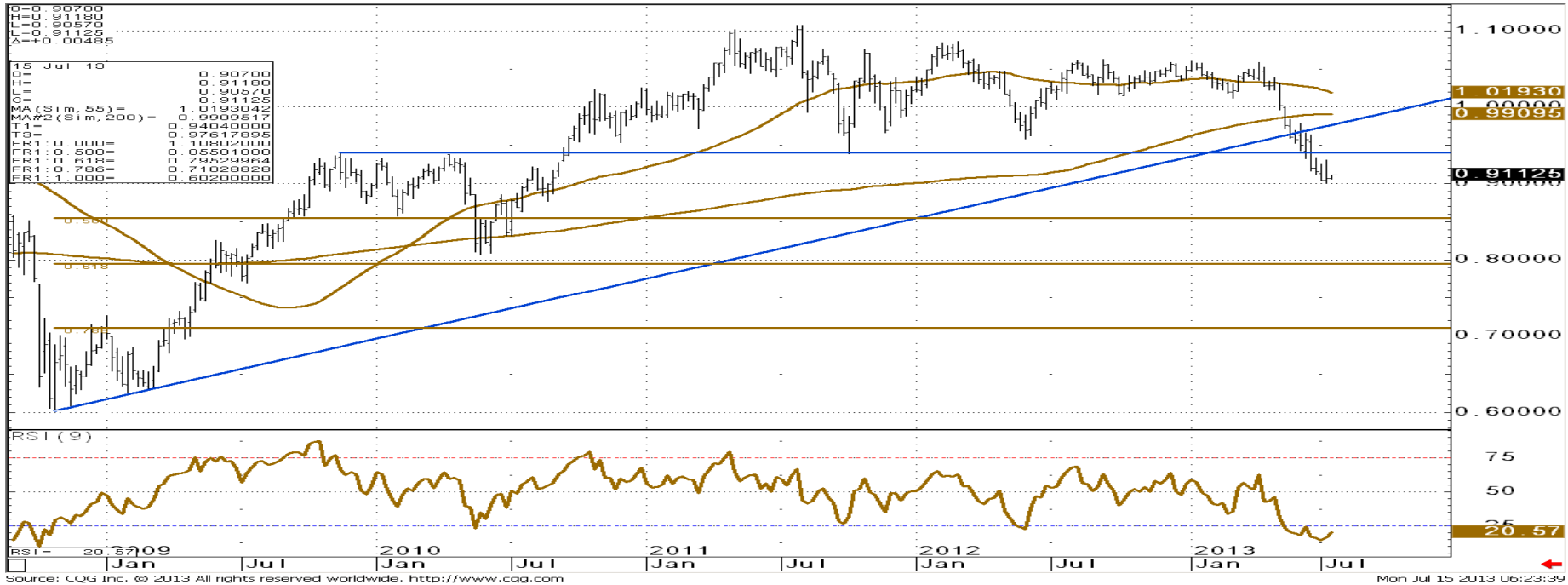
- > EUR/USD found support at the 1.2740 April low before briefly shooting back up to the 1.3200 region.
- > There a high may already be in place but even if this is not to be the case, EUR/USD is to remain below the 2011-13 resistance line and 55 week ma at 1.3386/1.3422.
- > Loss of 1.3000 should undermine near term stability and re-focus attention onto the 1.2740 support. For now we expect it will consolidate.
- > Below 1.2740 we target 1.2661 November low en route to the 1.2052 200 MONTH ma.





# AUD/USD weekly – one of our favourite charts

Is bouncing back but remains directly offered below .9388/.9404



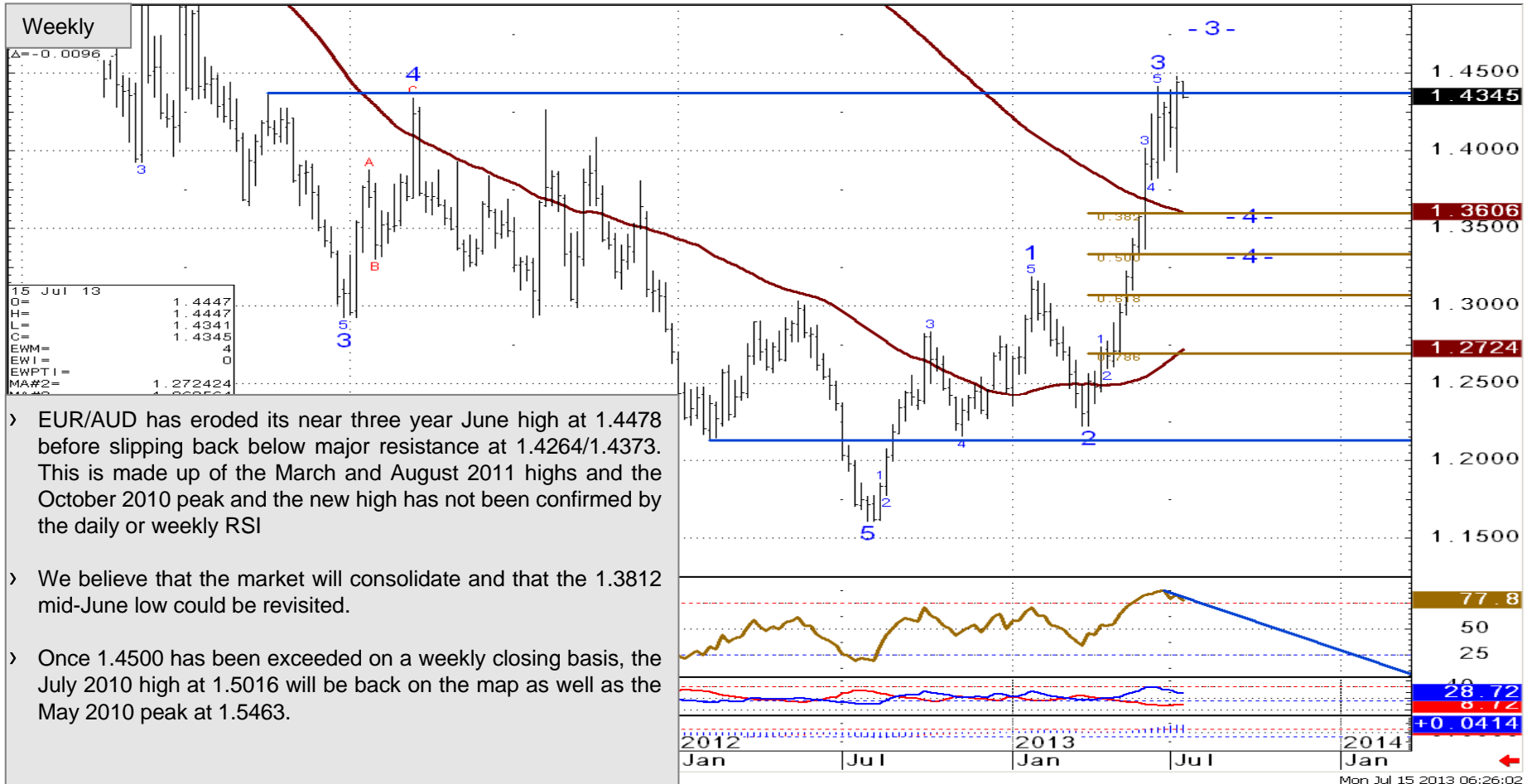
AUD/USD got smacked lower on Friday, tested the .9000 barrier but this has held on a closing basis. While we may see some near term consolidation around this level (we note once more the divergence of the daily RSI), near term rebounds are likely to remain quite tepid.

Key resistance is regarded as .9388/.9404 (the 2011 low and highs from 2009 and 2010), and while capped here our negative bias is entrenched. To trigger another leg lower we suspect that the market will need to sustain a break back below .9000.

A close below .9147 has seen recently and longer term the next target of .8550 engage en route to .8068, the 2010 low.

# EUR/AUD weekly

Break of the 1.4264/1.4373 resistance area not confirmed by the daily or weekly RSI



# USD/CAD - Daily Chart

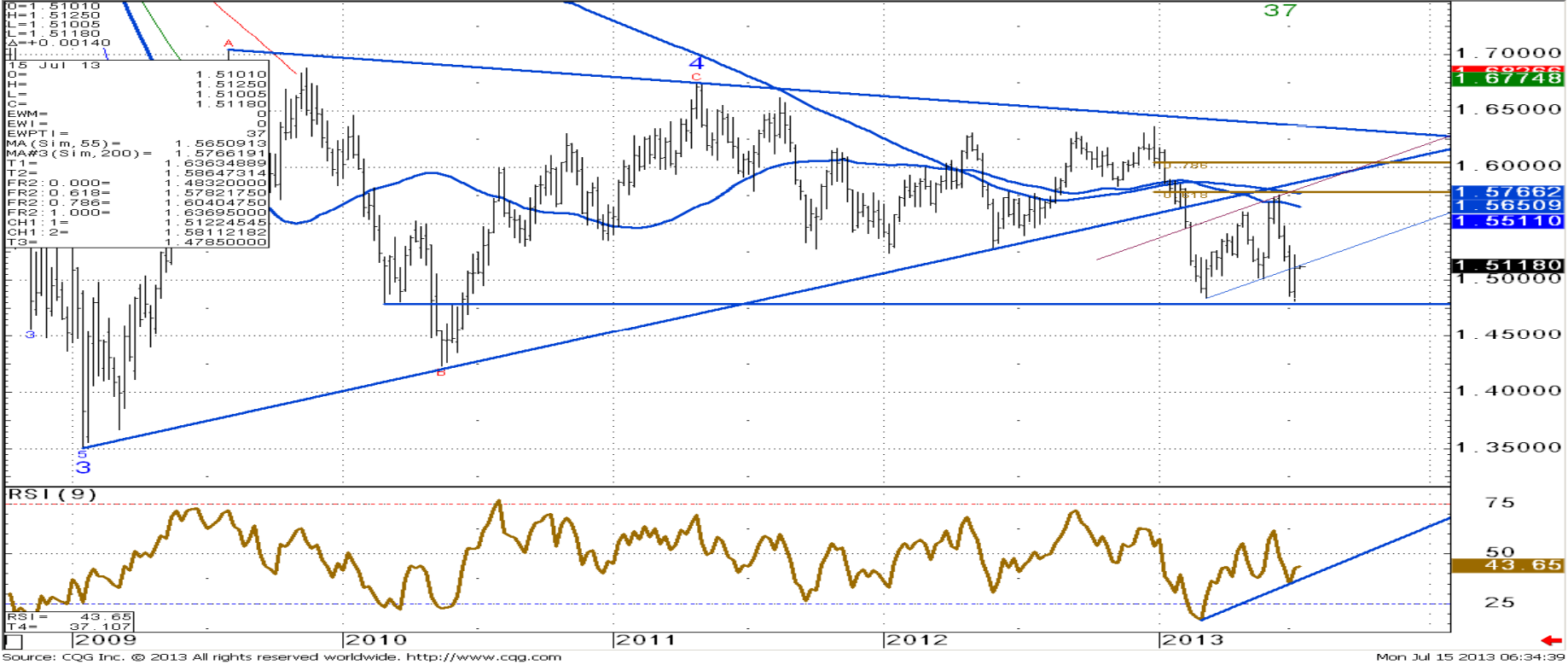
Made a 21-month high at 1.0608 from which it rapidly dropped. Divergence of RSI points to consolidation.

- › USD/CAD's advance to its 21-month high at 1.0608 has been followed by a rapid sell-off to 1.0328, close to the 1.0341 March peak and the 1.0297 April high. We note the divergence of the daily RSI and suspect that the market will remain corrective/consolidative over the short term.
- › In view of the impulsive surge higher having been made over the past few weeks, further upside remains in store for the months to come, however.
- › The 1.0656/75 resistance area (July and August 2010 highs and the 2011 peak) will be targeted once the current July high at 1.0608 has been overcome on a daily chart closing basis.
- › Another potential longer term upside target can be seen around the 2010 peak at 1.0850, made in May of that year.
- › Key support is regarded as 1.0075/1.0096 (uptrend, 55 and 200 week moving averages).

USD/CAD Daily Chart



# GBP/USD – bounces off its March low and long term Fibo at 1.4854/32

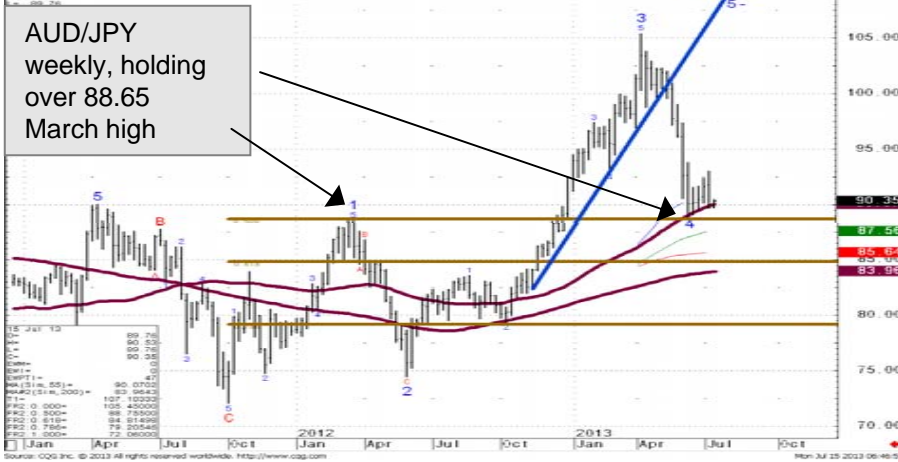


GBP/USD's rebound from support at 1.4854/32 is viewed as corrective only (the 61.8% retracement of the 2009 move higher and the March low). The Elliott wave count is implying that this is corrective only and suggests the rally will fail circa 1.5220 ahead of the more important 1.5305 level (50% retracement). Provided it does so, attention should revert to the 1.4854/32 support.

Above 1.5305 neutralises the immediate outlook for recovery to the 1.5530/1.5603 band, the 78.6% retracement and 200 day ma.

# Negative bias for JY crosses

While USD/JPY below 101.60, AUD/JPY below 93.00





## Fixed Income:

# Bund Futures - Daily Chart

Correction is expected to terminate 143.60/144.00

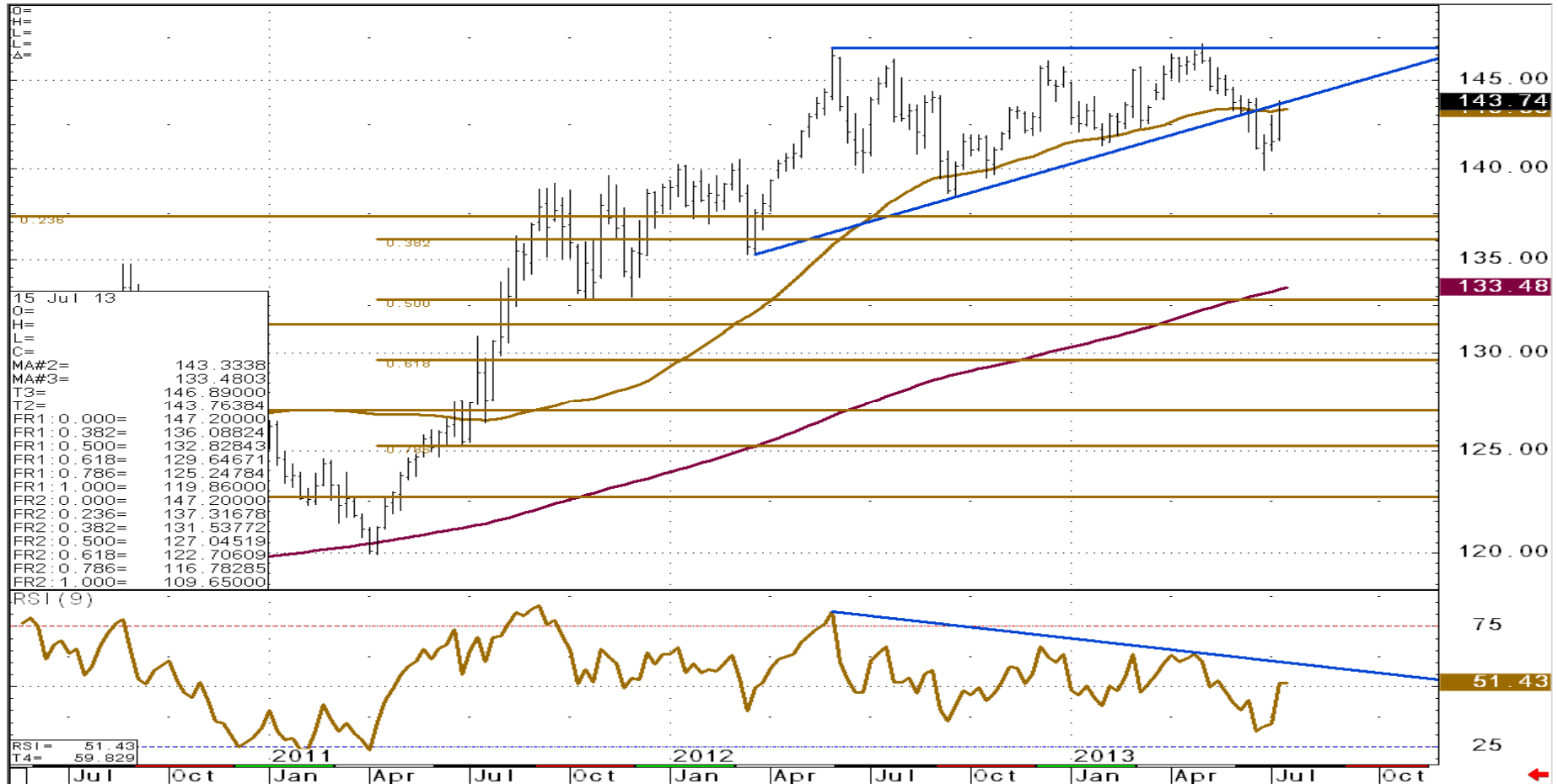
- September Bund futures bounce from the 139.90 level is ongoing and we note that the Elliott wave count/Fibonacci retracement and 55 day moving average come in at 143.60/144.00. A move to and failure in this zone is our favoured scenario.
- We have recently seen the market break down from the 2012-2013 uptrend, this is currently located at 143.64 and is expected to act now as additional resistance. A rally back to here and failure would be regarded as a 'return to point of break down' and be viewed negatively. The 55 week ma is also found here at 143.27 and is expected to act as additional resistance.
- Above 144.00 resistance is layered right up to the 147.20 recent high. We remain of the opinion that the market has topped from a longer term stance and this view will remain entrenched while below the 147.20 high.
- The divergence of the weekly and monthly RSI, indicate that the market has in fact topped longer term and the medium term risks remain on the downside. Below 139.90 we look for losses towards 138.41, the September 2012 low. This would be considered to be only the initial downside target. Longer term we look for losses to 132.99/82, the lows from the end of 2011 and the 50% retracement of the 2011-2013 move.

## Bund Futures September Chart



# Bund - Weekly Chart

Executing a return to point of break out. Previous uptrend now resistance at 143.76



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Mon Jul 15 2013 06:51:10



# EU 10Y Yield

Corrective set back expected to stabilise circa 1.50 region prior to further strength

- › The EU 10Y yield rally is correcting lower near term and the Elliott wave count is suggesting that we should see the market stabilise circa 1.50 prior to recovery.
- › It recently registered a daily close above the major resistance at 1.74 but has yet to register a weekly close above here. Currently the market is downside corrective and we await a WEEKLY close above 1.74 as added confirmation but this is merely likely to DELAY a concerted break higher at this stage.
- › Provided that the 1.5050/1.4580, the 200 day and the 55 week moving averages are not disturbed the base remains viable together with its 2.36 upside target.
- › We continue to believe that the low is in at 1.12 from an intermediate perspective (see weekly chart on the next slide).

EU 10Y Yield Daily Chart



# Bobl Futures

Rebound is expected to terminate 126.44/74

- › September Bobl futures have continued to make gains and have reached tougher resistance at 126.44/74, its 55 week ma and 78.6% retracement and we look for the market to fail here. Once this has been seen, a slide back towards the 124.00 region is favoured.
- › Below the market we have support 124.88 and this guards 123.80 and the 123.40 January low on the equalised chart. Below here we target 122.42 the 2012 low and the 121.68 200 week ma.
- › Longer term the 118.20/23.6% retracement of the 2008-2013 up move is our longer term target.
- › The price action is negative and we view the pattern as having topped. Key resistance is the top of the 2012-13 resistance line at 127.58 – a longer term bearish bias will remain entrenched while we trade below here.

**Bobl Futures Daily Continuation Chart**



# EU 5Y Swap – Daily Chart

Retracement likely to terminate ahead of 1.02-0.98 look for signs of recovery.

- › The EU 5Y Swap has continued to correct lower, but is indicated to stabilise circa 1.02-0.98 and resume its up move. We note that the 1.04 low charted last week is indicated to be the end of wave 4 and we favour recovery. The January high at 1.24 is expected to offer some resistance en route to the recent 1.46 June high.
- › The market has recently registered a weekly close above 1.24 and this has confirmed the base. This offers an upside measured target to 1.77. Just ahead of here lies the 2008-2013 resistance line at 1.55/56 and 1.69, the 2010 low. Initial resistance is the 1.46/1.50 psychological level.
- › The 55 week ma is also found at 0.968 band (55 week ma) and is reinforced by the 55 and 200 day moving averages at 1.00/.9480.
- › While above here the market will remain well placed to break higher. Below here would merely cause us to neutralise for a while, we continue to view the 0.685 April low as the interim low in place for the market.

EU 5Y Swap Daily Chart



# Schatz Futures

Rally is expected to terminate ahead of the 110.67/68 55 week moving average and Fibonacci retracement.

- September Schatz futures move higher appears to be terminating just ahead of the 110.67/78.6% retracement of the move down from May.
- We note the TD perfected set up on the daily chart and look for failure. Loss of 110.35 should be enough to signal losses to the 110.02/109.98 region, which is the location of the 23.6% retracement of the 2011-2012 up move and the 2012 low. The rally is viewed as corrective and is expected to terminate ahead of the 110.68 55 week ma.
- Beyond 109.98 we look for a further drop to extend towards 109.50/27, the 200 week moving average and the October 2011 low.
- Above the 110.68 resistance (not favoured), would imply a retest of 110.92 2012-2013 downtrend, if seen this is again expected to hold and provoke failure.

Schatz Futures Daily Continuation Chart



# EU 2Y Swap

We believe the market has based circa 0.4640/0.42

- > The EU 2Y swap has sold off to and showing signs of recovery from the 55 and 200 day moving averages at 0.4820/0.4715. A recovery above 0.6250/0.6330 (July high) will trigger a rally towards the 0.783 June high.
- > The market has recently failed to chart a weekly close above 0.73 and has seen a vicious retracement. The sell off is views as a correction only and the Elliott wave count is indicating that the 0.4640 low was the end of the fourth wave.
- > The swap has recently based at .33 and the 2012 low at 0.30 is viewed as the major low/floor for the down move. The market has decent interim support at .42, the March low.
- > A weekly close above 0.73 would be viewed as significant and complete a sizeable base, which would offer an upside measured target to 1.16 (long term target).
- > We believe that we are at the end stage of the long term down move.
- > Above 0.73 initial resistance lies at 0.82, the 23.6% retracement of the move down from 2011.

EU 2Y Swap Daily Chart



# EU 2-10Y Swap Curve

Market has reached interim target of 1.5050- the 61.8% retracement

- › The EU 2-10Y swap curve met its next interim target of 1.5050, the 61.8% retracement of the move down from 2010. The market has seen quite emphatic rejection from here and is seeing a long over-due correction lower (narrowing) near term.
- › **We would allow for a retracement back towards the 1.3020/1.2670 band – the location of the 55 and 200 day moving averages.**
- › Slightly longer term, the market has recently eroded the 200 week ma at 1.355 and taken out the 1.40 peak. It has recently broken higher from a trend channel, this is expected to act as support on pullbacks, it is located at 1.26/25, and while above here an immediate widening bias will be maintained. Below here would merely neutralise the chart and allow for slippage towards the 1.20 region.
- › The move above 1.40 has seen a longer term upside target of 1.98 engage. Interim target would be 1.5050/61.8% retracement of the move down from 2010 and then 1.73 the high from the end of 2010.
- › Initial supports lie at 1.3480, 1.3000

EU 2-10Y Swap Curve Daily Chart



# EU-US 10Y Swap Spread

Market has reversed just ahead of -1.000

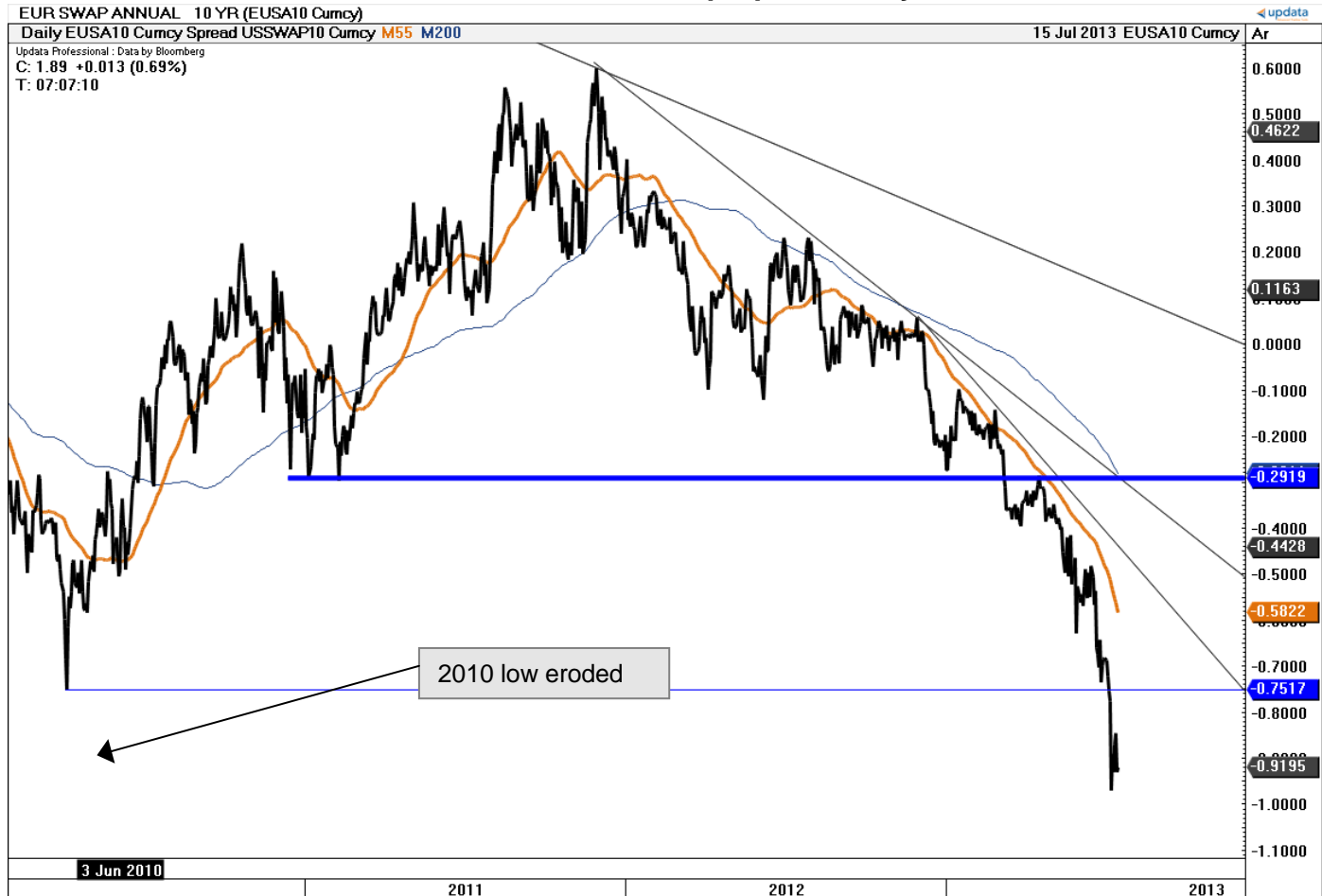
The EU-US swap spread has maintained downside pressure (widening) But appears to have reversed ahead of -1.000.

We would allow for a retracement towards the 0.7520 2010 low, where we suspect the rally will fail.

While rallies remain capped by the 55 day ma at -0.5822 the widening bias remains fully entrenched.

Longer term we look for losses back to 14 year uptrend at -1.0417

## EU-US 10Y Swap Spread Daily Chart



# EU -US 10Y Swap Spread - weekly

Longer term target is the -1.0403 14 year uptrend





# US 10Y T-Notes - Daily Chart

Long term top is in place but bounce off the 124-115 interim low is being seen

- › This week September 10Y T-Notes rapidly dropped to a 14-month low, this time at 124-115, from where they are currently recovering.
- › This recovery is likely to run out of steam between the 127-025 current July high and the two month downtrend line at 127-315.
- › Once the decline resumes and a fall through 124-115 is being seen, the May 2012 low at 123-005 will be in focus as well as the October 2011 low at 121-16.
- › We continue to believe that a major long term top has been formed over the past year or so and that we won't revisit the 132-255 May peak.
- › Selling any rallies should be the strategy for the years to come since the 2007-13 uptrend line has been breached.
- › Minor resistance is seen at the current 127-025 July high and more significant resistance between the 128-14 August 2012 low and the 128-195 May 2013 low. We will retain our bearish forecast while the futures contract remains below the 130-15 June high on a daily closing basis.

## US 10Y T-Notes Equalized Active Daily Chart



# US 10Y Yield - Daily Chart

Continues to correct lower from its near two year high at 2.76 and could reach the 2.41 area

- › Last week the US 10Y yield rapidly shot up to 2.76, a level last seen in August 2011, before giving back some of its recent gains and so far slipping to 2.51.
- › It is likely that the yield will consolidate further in the near future and that it will slip to the 2.41 current July low and the three month uptrend line at 2.39.
- › Once the rise resumes, however, the September 2010 high and the 61.8% Fibonacci retracement of the 2011-12 decline at 2.85/855 will be in focus.
- › We will retain our medium- and long-term bullish views while the yield stays above the May low at 1.61.
- › Support above this level but below the three month channel support line at 2.39 can be seen between the 2.30 mid-June high and the 2.24 May peak and also between the 55 day moving average at 2.16 and the March high at 2.09. Please note the Elliot wave count is indicating that the 38.2% should hold at 2.32.

US 10Y Yield Daily Chart



# US 10Y Yield - Weekly Chart

Has reached but then been rejected by the 2007-13 downtrend line at 2.74

US 10Y Yield Weekly Chart



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Fri Jul 12 2013 07:53:26



# Credit

# ITRAXX 5Y Europe Index - Daily Chart

Has reached the 114/104 support zone which holds at present

- › The ITRAXX 5Y Europe index has come off its 132.52 June high and practically reached the 55-day moving average at 104.35. Around it the index may level out again.
- › Further support is to be found between the 102.08 January low and the 96.21 mid-May high.
- › While the latter underpins, the risk of the 132.52 June high being exceeded, remains in place.
- › Such a move would make us adopt a bullish index stance (negative on credit) and lead us to target the 150 region and above. At present this is not on the cards, however.
- › For now we believe that further range trading around the 200 day moving average is to be seen.

## ITRAXX 5Y Europe Index Daily Chart



# ITRAXX 5Y Crossover Index - Daily Chart

Probes the 55-day moving average at approximately 426 which seems to be offering support

- › The ITRAXX 5Y Crossover index is still coming off its 528.79 June high and tests the 55-day moving average at approximately 426. Around it the index may stabilise.
- › While trading above the next lower 400 mark, the risk of the June high at 528.79 being taken out, remains in place.
- › Should this happen and the long term downtrend line at 537.39 be breached, the 566.94 November 2012 peak will be back in focus and our forecast therefore change to being medium term bullish.
- › At present we continue to hold onto our neutral medium stance, however.

## ITRAXX 5Y Crossover Index Daily Chart



# ITRAXX 5Y Senior Financial Index - Daily Chart

Has practically reached the 55 day moving average at 151.19 which could offer support

- › The ITRAXX 5Y Senior Financial index has come off its 190.19 June high and has so far dropped close to the 55-day moving average at 151.19. Around it the index may well level out, however.
- › Further support can be seen around the 138.98 March low.
- › While above here, the risk of another spike higher being seen before year end, remains in place.
- › A rise above the June high at 190.19 will push the March high at 201.42 and probably also the 38.2% Fibonacci retracement of the 2012-13 descent at 211.52 to the fore.
- › Major support is seen at 131.49/122.64, made up of the May and January lows.

## ITRAXX 5Y Senior Financial Index Daily Chart





## Commodities

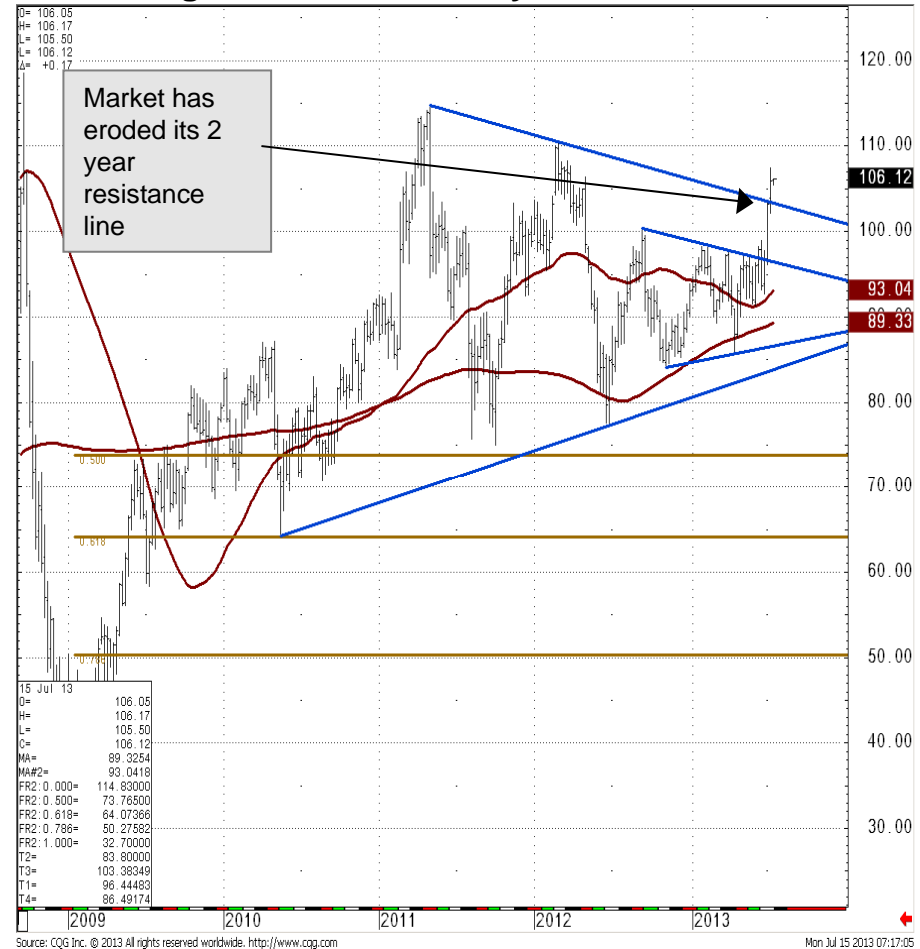


# Nymex Light Crude Oil – Daily Chart

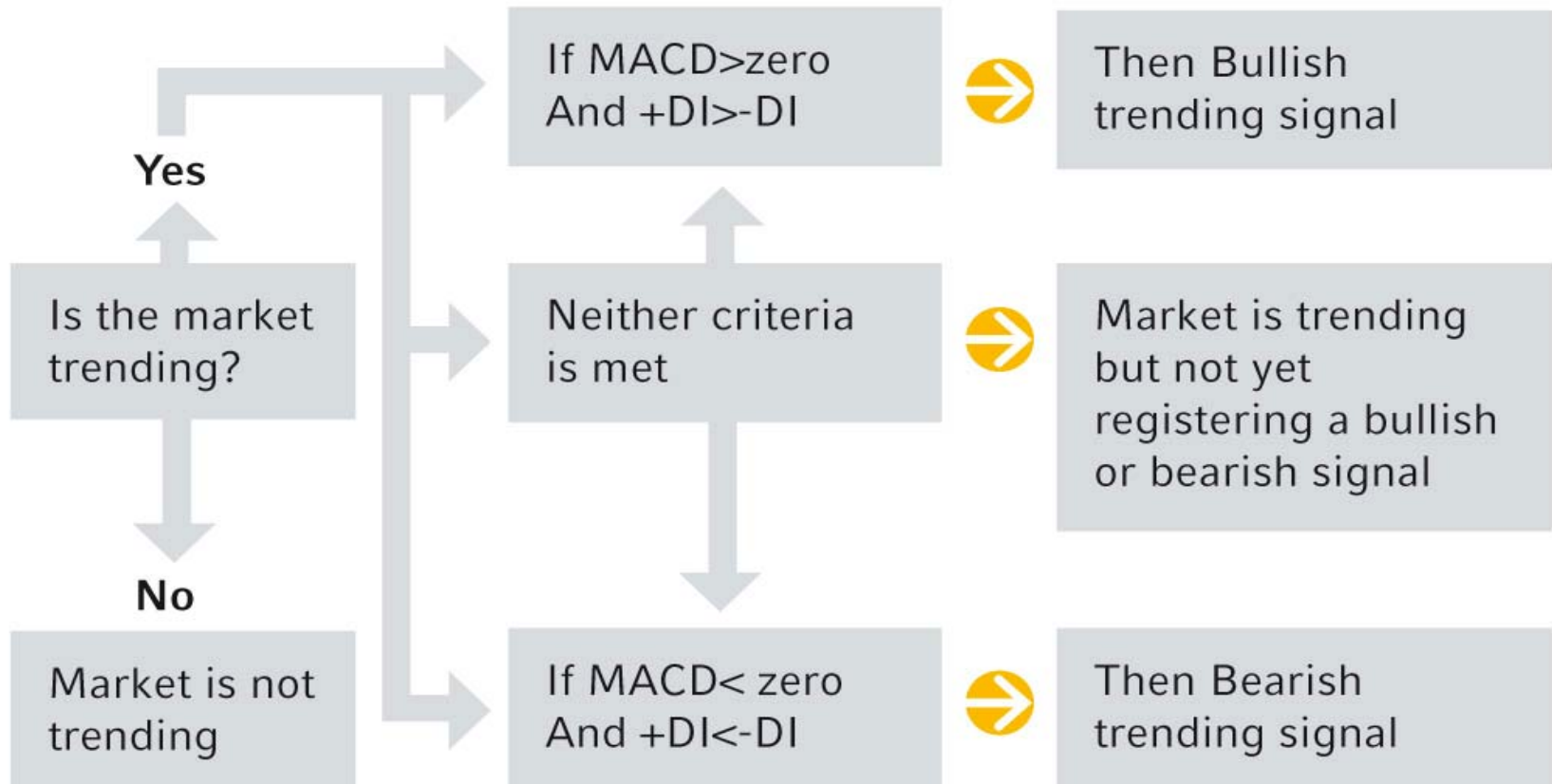
2 year resistance line eroded

- › WTI Crude Oil has eroded the 103.50/84 resistance, the 78.6% retracement of the move down from 2011 and the resistance line drawn from the same peak. The market has registered a daily and weekly close above here. Meanwhile we note the TD perfected set up on the daily chart and although this suggests caution, for now we will go with the break higher.
- › The Elliott wave count on the daily chart suggests a possible pull back into the 103.50/101.15 range. Providing the previous highs at 98.24 hold an upside bias will persist. While above here scope remains to the 110.55 2012 high and even the 114.83 2011 high. **Note that the triangle offers a 113.00 upside measured target.**
- › Previous resistance at 98.30 should now act as support. The 55 week ma at 93.04 is acting as a short term floor for the market and while above here further upside probes look probable.

**NYMEX Light Crude Oil Weekly Continuation Chart**



# 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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**Daily Market Technicals**  
FX Outlook



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Technical Analysis Research **COMMERZBANK**

**Strategic Technical Themes**  
Weekly Outlook and Technical Highlights



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**FX Emerging Markets Weekly Technicals**  
Technical Outlook



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**Bullion Weekly Technicals**  
Technical Outlook

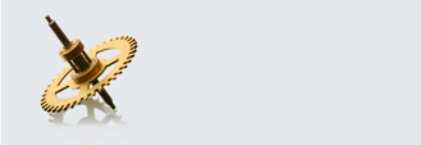


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**Commodity Currencies Weekly Technicals**  
Technical Outlook



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**Asian Currencies Weekly Technicals**  
Technical Outlook



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**Fixed Income Weekly Technicals**  
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## Other technical analysis reports we publish are:

- Monday:** Daily Market Technicals (FX), FX Emerging Markets Technicals;
- Tuesday:** Daily Market Technicals (FX), Bullion Weekly Technicals;
- 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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