


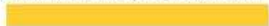


# Strategic Technical Themes

Monday, 26 August 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>Axel Rudolph</b> +44 207 475 5721 <a href="mailto:axel.rudolph@commerzbank.com">axel.rudolph@commerzbank.com</a></p>
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For important disclosure information please see end of document

## Summary

<b>Foreign Exchange:</b>
The USD/IDR 1 Month NDF exploded to the upside and has so far reached 11493 below which it now consolidates.
The USD/INR 1 Month NDF last week made a new all-time high at 66.34 before giving back some of its recent gains.
USD/BRL last week formed an interim high at its 4 ½ year peak made at 2.4540.
Last week an interim top was made at 3.2811 in EUR/BRL; it now targets the support line at 3.0668 over the next few days.
EUR/TRY overshot the 61.8% Fibonacci extension at 2.6447 and made a new all-time high at 2.6731.
USD/ZAR comes off its near 4 ½ year high at 10.4443 which may prove to be a false breakout higher.
EUR/GBP's reversal lower means that the August high at .8768 is another significant top. Negative divergence in EUR/USD points to a probable sell-off.
EUR/NOK's surge higher has exceeded the 8.0847 June peak but should stay below 8.2575.
NOK/SEK's failure at the 1.0731 2008 low means that the 1.0593 61.8% Fibonacci retracement is being eyed.
The US Dollar Index remains bid while above the 80.50 June low; this is key for the medium term trend.
<b>Fixed Income:</b>
September Bund futures made a near one year low at 139.06 but are to stage a bounce short term but still target 138.41.
The EU 10Y yield has come close to the psychological 2.00 region but looks short term overbought. The EU 2-10Y Swap Curve's widening continues.
US 10Y T-Notes are staging a recovery rally off last week's 124-000 low but medium term still target 123-245.
The US 10 Y yield made a new one year high, this time at 2.94, before consolidating. The US 2-10Y Swap Curve still widens.
The GBP 10Y Swap flirts with the 50% retracement at 2.91 around which it should stall for a while.
<b>Credit</b>
The ITRAXX 5Y Europe, Crossover and Senior Financial indices have all been capped by their 55 day moving averages and should decline short term.

## Bullish and bearish trending signals

Bullish (ADX>20, MACD>0 and +DI>-DI)							
Code Name	Long Name	C1	C2	C3	C4	Δ Success	Score
USSWAP2 Curncy	USD SWAP SEMI 30/360 2YR	✓	✓	✓	✓	4	4
TRY Curncy	TURKISH LIRA SPOT	✓	✓	✓	✓	4	4
SILV Comdty	SILVER SPOT \$/OZ	✓	✓	✓	✓	4	4
PLAT Comdty	PLATINUM SPOT \$/OZ	✓	✓	✓	✓	4	4
PALL Comdty	PALLADIUM SPOT \$/OZ	✓	✓	✓	✓	4	4
LMSNDS03 Index	LME TIN 3MO (\$)	✓	✓	✓	✓	4	4
JYSW2 Curncy	JPY SWAP 2 YR	✓	✓	✓	✓	4	4
HUI Index	NYSE Arca Gold BUGS	✓	✓	✓	✓	4	4
HO1 Comdty	Generic 1st 'HO' Future	✓	✓	✓	✓	4	4
GOLDS Comdty	GOLD SPOT \$/OZ	✓	✓	✓	✓	4	4
GBPJPY Curncy	GBP-JPY X-RATE	✓	✓	✓	✓	4	4
EUSA5 Curncy	EUR SWAP ANNUAL 5 YR	✓	✓	✓	✓	4	4
EUSA2 Curncy	EUR SWAP ANNUAL 2 YR	✓	✓	✓	✓	4	4
EUSA10 Curncy	EUR SWAP ANNUAL 10 YR	✓	✓	✓	✓	4	4
EURZAR Curncy	EUR-ZAR X-RATE	✓	✓	✓	✓	4	4
EURNZD Curncy	EUR-NZD X-RATE	✓	✓	✓	✓	4	4
EURNOK Curncy	EUR-NOK X-RATE	✓	✓	✓	✓	4	4
EURCAD Curncy	EUR-CAD X-RATE	✓	✓	✓	✓	4	4
EURAUD Curncy	EUR-AUD X-RATE	✓	✓	✓	✓	4	4
EUR Curncy	EURO SPOT	✓	✓	✓	✓	4	4

Bearish (ADX>20, MACD<0 and +DI<-DI)							
Code Name	Long Name	C1	C2	C3	C4	Δ Success	Score
RXA Comdty	EURO-BUND FUTURE Mar10	✓	✓	✓	✓	4	4
NZD Curncy	NEW ZEALAND DOLLAR SPOT	✓	✓	✓	✓	4	4
DU1 Comdty	Generic 1st 'DU' Future	✓	✓	✓	✓	4	4
AUD Curncy	AUSTRALIAN DOLLAR SPOT	✓	✓	✓	✓	4	4

**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

<HELP> for explanation.  
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Source Bloomberg 8.15 AM

## Technical Trade Ideas

Date	Instrument	Trade Idea	Stop	Take Profit	Outcome	P&L
01.08.2013	EUR/USD	Sell 1.3265, add 1.3370	Stopped out at 1.3425	1.3000	Short at 1.3318 stopped at 1.3425	-0.8%
22.08.2013	EUR/USD	Sell at 1.3370, add at 1.3420	Stop at 1.3455	1.3000	Short at 1.3370	0%

We were stopped out of our short EUR/USD position and lost -0.8%  
**but would like to reinstate our shorts at current levels since a false breakout to the upside could have been made these past few days.**



## Foreign Exchange:

## USD/IDR 1 Month NDF - Daily Chart

Exploded to the upside and has so far reached 11493 below which it now consolidates

- › The USD/IDR 1 Month NDF has suddenly left its recent consolidation phase and so far shot up to 11493, a level last seen in April 2009 and which is located above the 61.8% Fibonacci retracement of the 2009-13 decline at 11133 (see the weekly chart on the following page).
- › Around the 11500 level the current rally may pause.
- › If not, the 78.6% Fibonacci retracement at 11862 and the April 2009 peak at 11975 will be back in focus.
- › Good support is now seen between the 10566 June and the 10548 July highs.
- › Our long term bullish forecast will remain valid while the NDF trades above the 10080 July trough.

### USD/IDR 1 Month NDF Daily Chart



# USD/IDR 1 Month NDF - Weekly Chart

Has overshot the 61.8% Fibonacci retracement at 11133

USD/IDR 1 Month NDF Weekly Chart





## USD/INR 1 Month NDF - Daily Chart

Last week made a new all-time high at 66.34 before giving back some of its recent gains

- › Last week the USD/INR 1 Month NDF made a new all-time high at 66.34, to slightly above the 161.8% Fibonacci extension cluster at 66.08/55. Around it recent upside momentum has diminished, however.
- › Should 66.55 suddenly be overcome, though, the 67.50 region would be eyed.
- › We will retain our medium term bullish forecast while the NDF stays above its July low at 59.06.
- › Minor support above this level is seen at the 62.53 early August high, the 61.71 early July high and at the 60.80 late July low.
- › Further support comes in around the 55 day moving average at 60.83 and the 60.28 mid-July high.
- › Should an unexpected slip through the next lower July low at 59.06 occur, the 57.72 mid-June low could be back on the map. This we do not expect to happen.

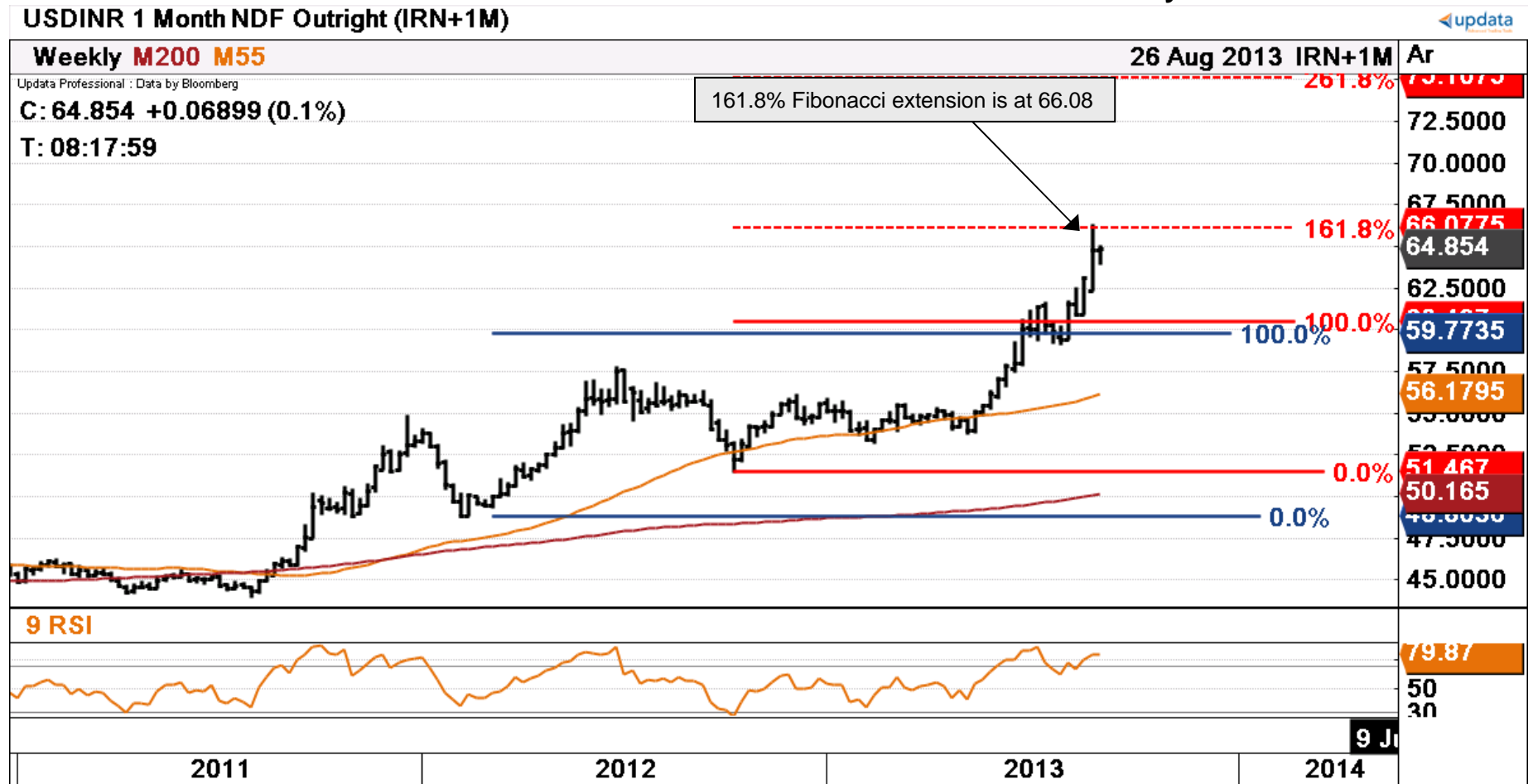
### USD/INR 1 Month NDF Daily Chart



# USD/INR 1 Month NDF - Weekly Chart

Has reached the 161.8% Fibonacci extension at 66.08 around which the rally has paused

USD/INR 1 Month NDF Weekly Chart



## USD/BRL - Daily Chart

Last week formed an interim high at its 4 ½ year peak made at 2.4540

- › Last week USD/BRL made a four and a half year high at 2.4540, very close to the 2009 peak at 2.4554, before swiftly coming off on Friday.
- › An interim top is thus in place and the breached June-to-August resistance line, now support line, at 2.3326 is now in focus, together with the area seen between this year's support line at 2.3074 and the 55 day moving average at 2.2648. Within it the current steep sell-off should at least pause.
- › We will retain our medium term bullish view while the currency pair remains above the 2.2637 current August low, however.
- › Above 2.4540/54 lurks the 38.2% Fibonacci retracement of the 2002-11 descent at 2.4736.
- › Further up lies the psychological 2.5000 region.
- › Another potential upside target is the 100% Fibonacci extension of the 2011-12 rise, projected higher from the 1.9433 March 2013 low, at 2.5564.

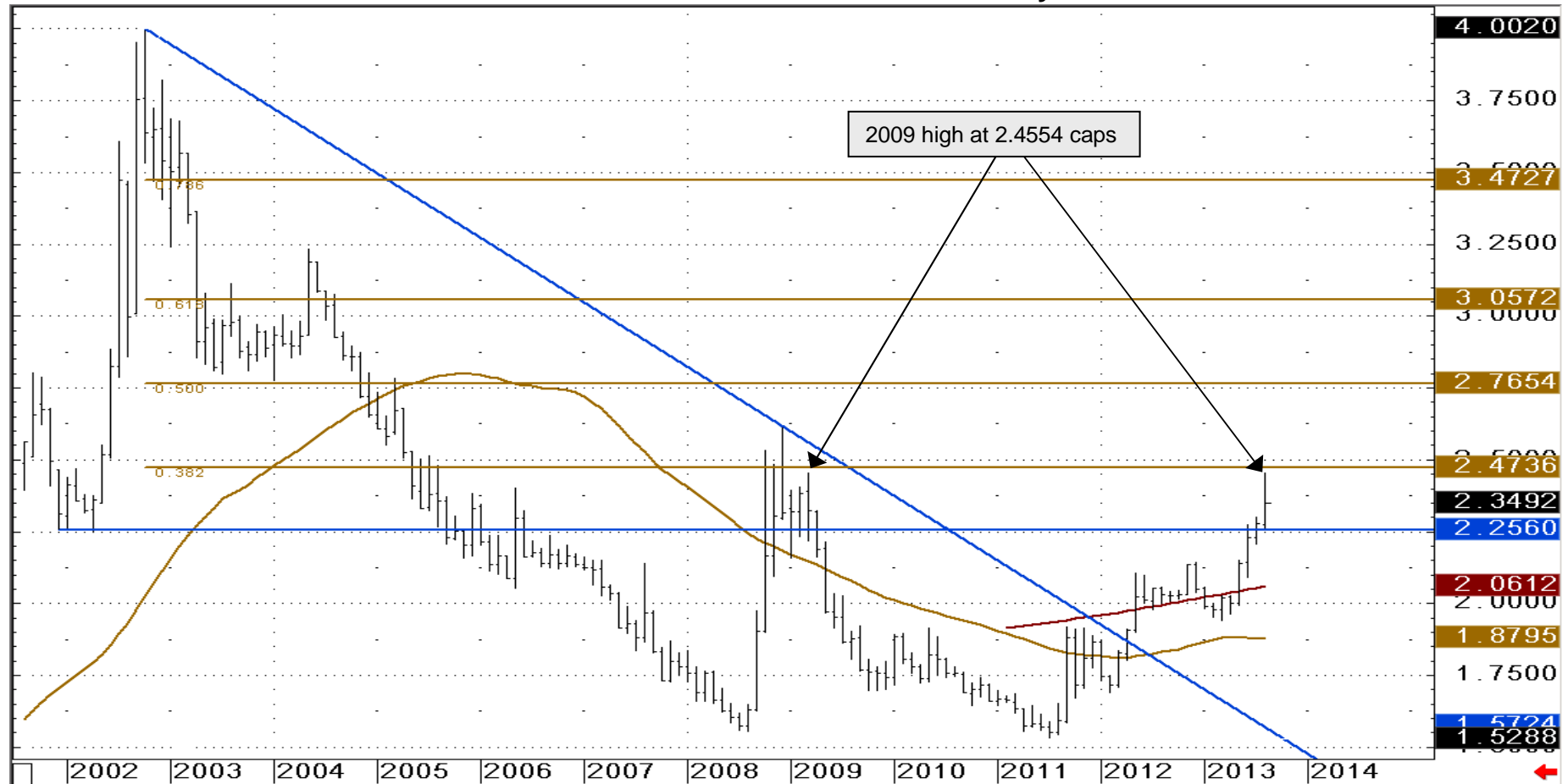
USD/BRL Daily Chart



# USD/BRL - Monthly Chart

Is being capped by the 2009 high at 2.4554

USD/BRL Monthly Chart



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Mon Aug 26 2013 08:25:18

## EUR/BRL - Daily Chart

Last week an interim top was made at 3.2811; targets the support line at 3.0668

- › On Friday EUR/BRL suddenly came off its multiyear high at 3.2811 and thus formed an interim top.
- › The 3.1013 early August high and the four month support line at 3.0668 are therefore being targeted.
- › More significant support can be seen between the 3.0061 June high and the 2.9869 55 day moving average, though.
- › Should 3.2811 be unexpectedly be bettered this week, however, the October 2008 peak at 3.3487 will be in focus. This level and the minor psychological 3.3500 area are further potential upside targets.
- › Once overcome, the 3.4000 region will be back in the picture, together with the 3.4516/3.4738 December 2008 highs.
- › We will retain this bullish forecast while the currency pair remains above its 2.9986 August low.

EUR/BRL Daily Chart



## EUR/TRY - Daily Chart

Overshot the 61.8% Fibonacci extension at 2.6447 and made a new all-time high at 2.6731

- › Last week EUR/TRY overshot the 61.8% Fibonacci extension at 2.6447 and made a new all-time high at 2.6731.
- › At present, even though upside momentum is on the wane, there is no technical sign of any reversal lower being made.
- › Above the current 2.6731 high lies the minor psychological 2.7000 level.
- › Still further up is another potential upside target at the 100% Fibonacci extension at 2.7485.
- › We will retain our immediately bullish forecast while EUR/TRY stays above its 2.5484 current August low or a clear reversal signal has been made.

EUR/TRY Daily Chart



## USD/ZAR - Daily Chart

Comes off its near 4 ½ year high at 10.4443 which may prove to be a false breakout higher

- › USD/ZAR's recent acceleration higher has led to the May-to-July highs at 10.2850/10.3610 being overcome and a high at 10.4443 being made.
- › From there a drop back to the breached June-to-August resistance line at 10.1831 has so far been seen.
- › The early August high at 10.0443 and the 55 day moving average at 9.9878 could also be hit before the currency pair levels out. Below it lies the four month support line at 9.8621.
- › Were the current high at 10.4443 unexpectedly be bettered this week, however, the 10.6956/10.7900 region would be targeted. It is made up of the 2009 peak, 78.6% Fibonacci retracement of the 2008-11 decline and the November 2008 high.
- › In case of it being exceeded, the 2008 peak at 11.8708 will be back in the picture as well.
- › We will retain our bullish forecast while the currency pair stays above the current August low at 9.7298.

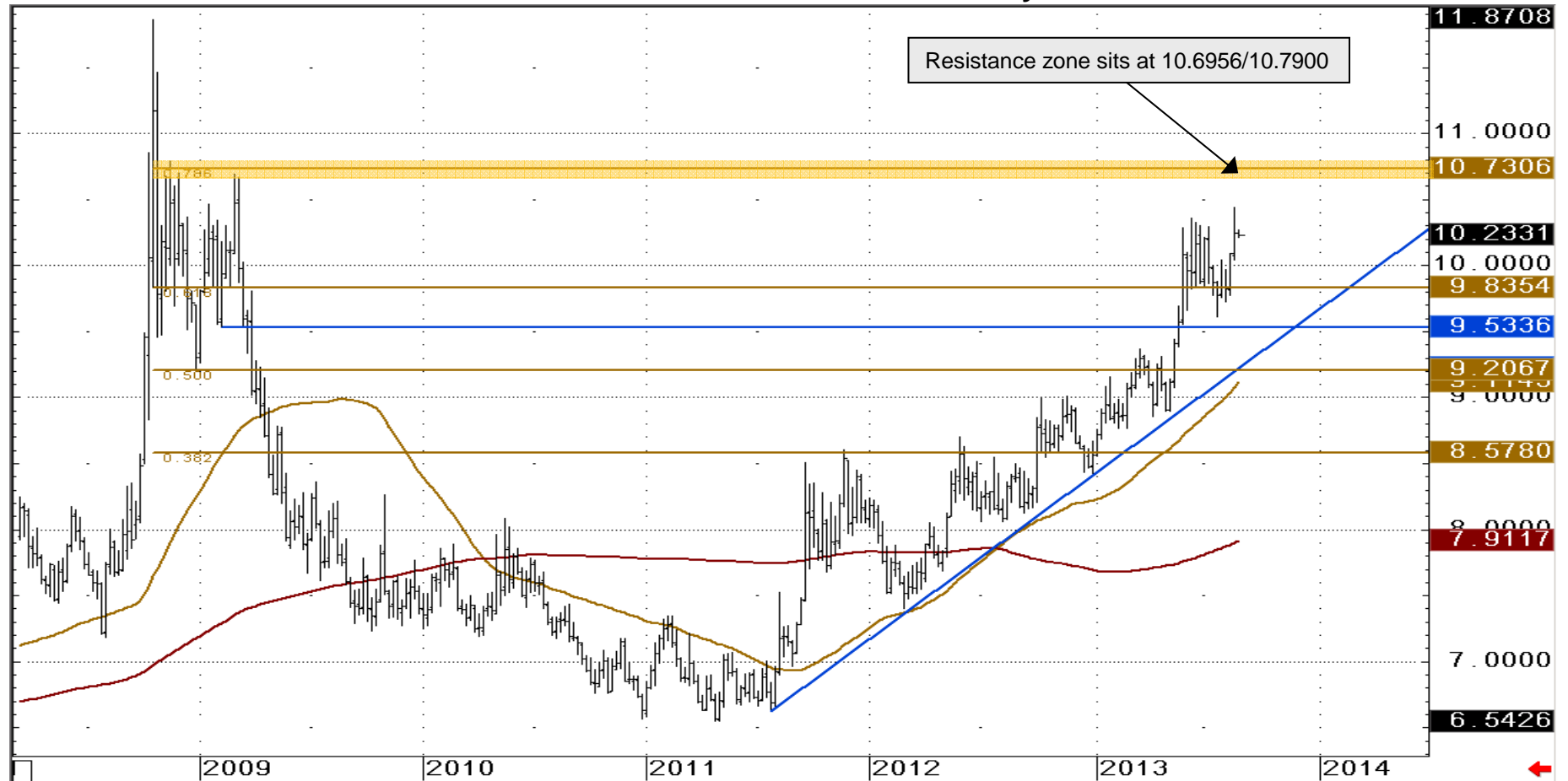
USD/ZAR Daily Chart



# USD/ZAR - Weekly Chart

Is losing upside momentum ahead of the 10.6956/10.7900 resistance zone

USD/ZAR Weekly Chart



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Mon Aug 26 2013 08:52:36



## EUR/GBP – Daily Chart

EUR/GBP's reversal lower means that the August high at .8768 is another significant top

- › EUR/GBP made another significant top at .8768 in early August.
- › Last week's drop through the .8582 July 23 low has confirmed the trend reversal.
- › EUR/GBP is currently trading back around the 55 day moving average at .8588 but should soon be heading lower again.
- › It still has the 2012-13 uptrend line at .8510 in focus, a fall through which will push the June low at .8470 back into the picture.
- › We expect to see a sell-off towards the 200 day moving average at .8469 being seen over the coming weeks now that the current August high at .8769 has been highlighted as a significant top.

Daily EUR/GBP Chart



## EUR/USD – Daily Chart

Negative divergence points to a probable sell-off

- › The negative divergence seen between the daily RSI and the EUR/USD current August high at 1.3453 points to a top being formed.
- › Confirmation of this would be a drop through the steep two month support line at 1.3324 and a fall through last week's 1.3298 low.
- › Only a drop through the next lower 1.3208/1.3188 support area will mean that a significant top has indeed been made.
- › Should an unexpected rise above last week's 1.3453 high be seen, though, our view will probably be incorrect. In this case the 1.3500/20 region will be in focus. It consists of the minor psychological level and 13th February high.
- › This is regarded as the last defence for the 1.3711 February peak.
- › We do not favour such a strong rise, though, and believe that the currency pair is already topping out.

Daily EUR/USD Chart



## EUR/NOK – Weekly Chart

EUR/NOK's surge higher has exceeded the 8.0847 June peak but should stay below 8.2575

- › EUR/NOK is shooting skywards and has exceeded the 8.0847 June high.
- › The next higher 8.1888/8.2575 major resistance area is expected to stall the current rally, however. It consists of the May and July as well as the October 2010 highs.
- › Should this not be the case, the 38.2% Fibonacci retracement of the 2008-12 decline at 8.3680 will be in the picture.
- › We will retain our medium term bullish forecast while EUR/NOK continues to trade above the mid-August 7.7738 low and the 200 week moving average at 7.7694.
- › From there the latest up surge has begun which is why it is technically significant.

Weekly EUR/NOK Chart

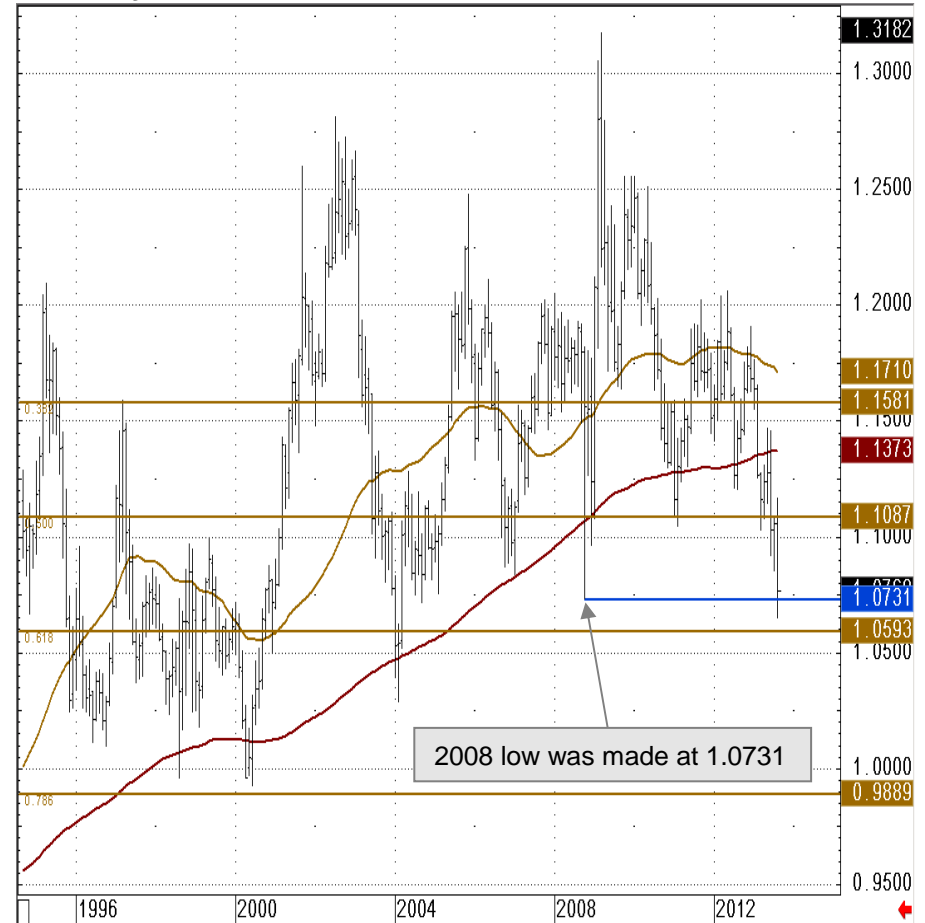


## NOK/SEK – Monthly Chart

Failure at the 1.0731 2008 low means that the 1.0593 61.8% Fibonacci retracement is being eyed

- › Last week NOK/SEK briefly fell through the 2008 low at 1.0731 before recovering back above it.
- › Another fall through it will have the 61.8% Fibonacci retracement of the 1992-to-2009 rise at 1.0593 in its sights.
- › Potential support on the way down comes in around the 1.0755 February 2005 low and around the 1.0718 September 2004 low (see the monthly chart on the right) as well as at last week's 1.0653 trough.
- › Major resistance can be seen between the 1.1033/49 March 2013 and February 2011 lows and the current August high at 1.1167.
- › While the currency pair remains below 1.1167, our long term bearish forecast will remain in place.

Monthly NOK/SEK Chart



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Mon Aug 26 2013 09:00:12

## US Dollar Index - Weekly Chart

Remains bid while above the 80.50 June low; this is key for the medium term trend

- › Over the past couple of weeks the US Dollar Index dropped back towards the June low at 80.50 but managed to stabilise above it.
- › As long as it holds, our medium term bullish forecast will remain valid.
- › Upside targets for the months ahead are the 84.10/75 2012 as well as May and July 2013 highs.
- › The 78.6% Fibonacci retracement of the 2010-11 decline at 85.28 and the 2005-13 resistance line at 85.97 also remain in focus.
- › Should key support at 80.50 be fallen through, however, the 200 week moving average at 79.70 and the September 2012 to January 2013 lows at 78.92/60 could be retested before the long term uptrend resumes.
- › We expect the 80.50 support area to hold, though, and for renewed upside to be seen in the weeks to come.

US Dollar Index Weekly Chart





## Fixed Income:

## Bund Futures - Daily Chart

Made a near one year low at 139.06 but are to stage a bounce short term but still target 138.41

- › September Bund futures have slipped through the 139.90 June low and so far made a near one year low at 139.06.
- › It is likely that a correction to the upside will be seen over the next few days since the daily RSI did not confirm this latest price low and thus shows positive divergence.
- › Any bounce should not detract from the overall bearish picture, however.
- › Once a daily close below 139.06 has been made, the September 2012 low at 138.41 will be in focus. This is only our initial downside target.
- › Longer term we look for losses to the end of 2011 lows at 132.99/89 (see the weekly chart on the following page).
- › Minor resistance can be seen around last week's 140.71 high and then at the current August high at 143.29. While below here immediate downside pressure should be maintained. We remain of the opinion that Bund futures have topped from a longer term stance and this view will remain entrenched while they stay below the 147.20/53 highs.

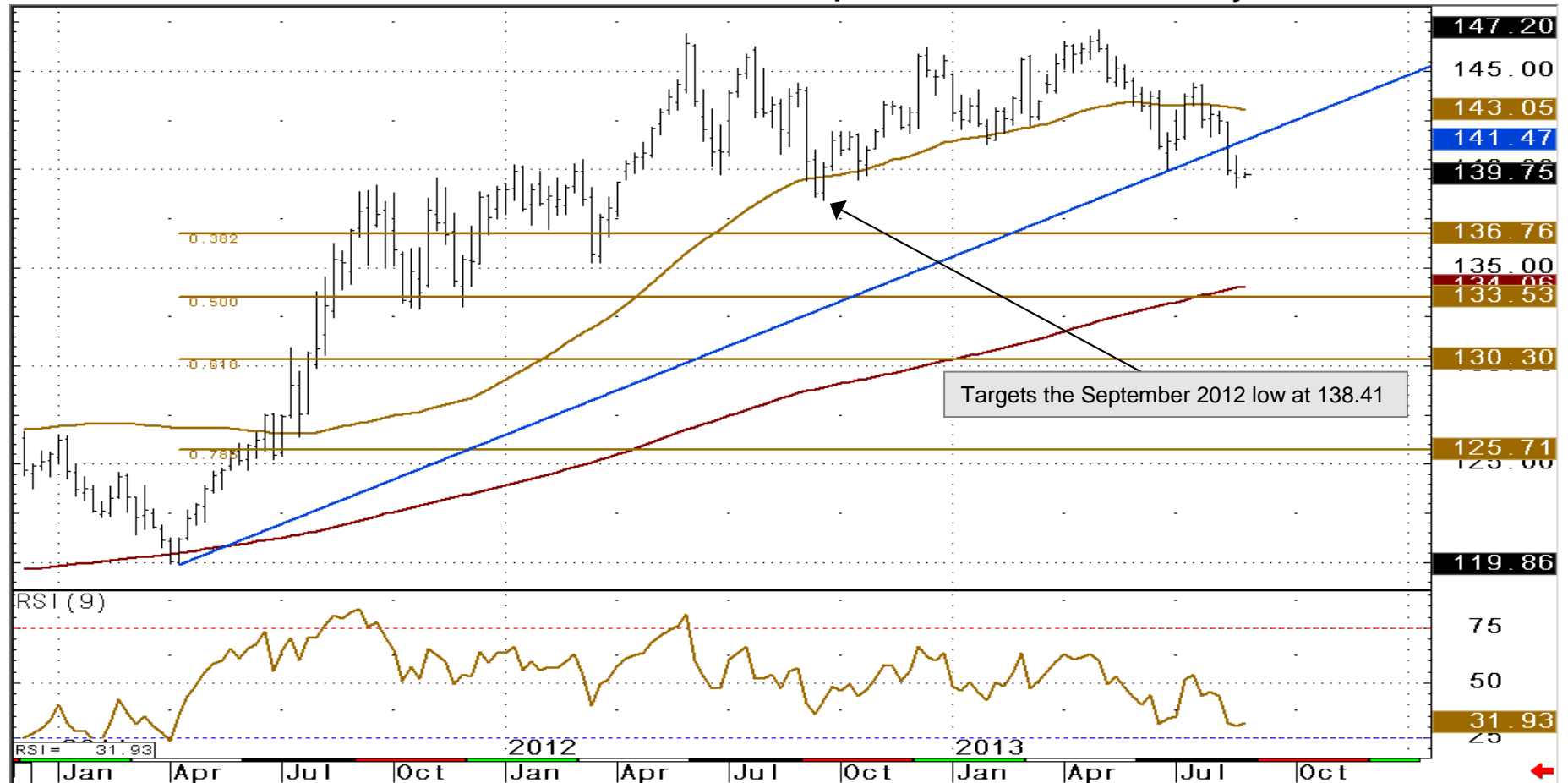
September Bund Futures Daily Chart



# Bund Futures - Weekly Chart

Is rapidly dropping towards the September 2012 low at 138.41

September Bund Futures Weekly Chart



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Mon Aug 26 2013 09:09:38



## EU 10Y Yield - Daily Chart

Has come close to the psychological 2.00 region but looks short term overbought

- › Last week the EU 10Y yield came to within two ticks of the psychological 2.00 mark before slipping lower. A short term top thus seems to be in place with at least the 1.86 June high expected to be revisited.
- › A short term consolidation should be seen since last week's high has not been confirmed by the daily RSI which produced negative divergence.
- › We will retain our slightly longer term bullish forecast while the yield remains above the 1.83 August 23 low.
- › While staying above the May-to-August support line at 1.655 the yield remains overall bullish.
- › Our medium term bullish view will stay intact while the yield remains above the July trough at 1.50.
- › We continue to believe that the low is in at 1.12 from a long term perspective (see weekly chart on the next page). Further up the August 2010 low and March 2012 high at 2.06/08 are also being targeted as is the 2.36 upside measured target.

EU 10Y Yield Daily Chart



## EU 2-10Y Swap Curve

Widened to levels last seen in January 2011 and nears the 2009-13 resistance line at 1.64

- › Widening in the EU 2-10Y swap curve is still being seen with it getting ever closer to the 2009-13 resistance line at 1.64 now that the 61.8% Fibonacci retracement of the 2009-12 narrowing phase at 1.56 has been exceeded.
- › Around the 2009-13 resistance line at 1.64 the swap curve could stall for a few days.
- › Above it lies the December 2010 high at 1.73.
- › Our longer term upside target is seen at 1.94, the 2010 peak.
- › We will maintain our medium term widening bias while the swap curve stays above the 1.32 July low.

EU 2-10Y Swap Curve Daily Chart



## US 10Y T-Notes - Daily Chart

Are staging a recovery rally off last week's 124-000 low but medium term still target 123-245

- › Last week September 10Y T-Notes made a one year low at 12 at 124-000 before a short covering rally ensued. This should run out of steam ahead of or around the 126-055/140 area (resistance line and 55 day moving average).
- › Failure at 124-000 will put 38.2% retracement of the move down from May at 123-245 on the map.
- › Medium term we still look for a retest of the May 2012 low at 123-005 en route to 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.
- › Resistance at 126-22/127-10 is to cap, if reached at all. Significant resistance can be seen between the 128-14 August 2012 low and the 128-195 May 2013 low.
- › We will retain our overall bearish forecast while the futures contract remains below the 130-15 June high.

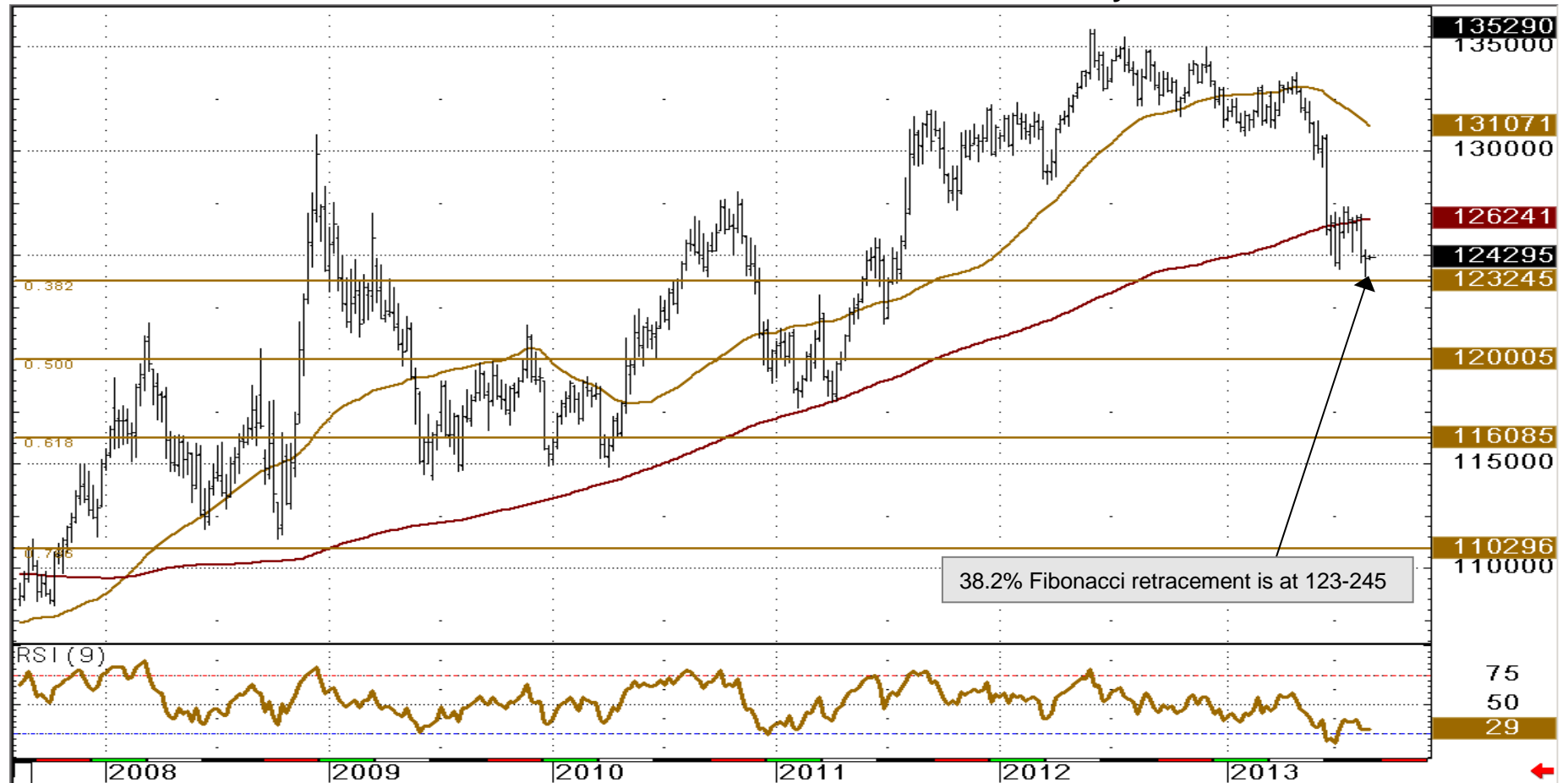
US 10Y T-Notes Equalized Active Daily Chart



# US 10Y T-Notes - Weekly Chart

Found interim support slightly above the 38.2% Fibonacci retracement at 123-245

US 10Y T-Notes Weekly Chart



## US 10Y Yield - Daily Chart

Made a new one year high, this time at 2.94, before consolidating

- › The US 10Y yield has not only risen above resistance at 2.85/855 but also above the 38.2% retracement of the move down from the 2007 peak at 2.89 while en route to the psychological resistance level at 3.00. last week it hit 2.94 before giving back some of its recent gains.
- › The upper triangle line at 2.745 and the June high at 2.67 are likely to be revisited over the coming days.
- › Our medium term bullish view will remain in place while the yield remains above the July low at 2.41, however.
- › We will retain our long-term bullish views while the yield stays above the June low at 1.99.
- › Support above this level but below the 2.30 mid-June high comes in at the 2.24 May peak.

US 10Y Yield Daily Chart

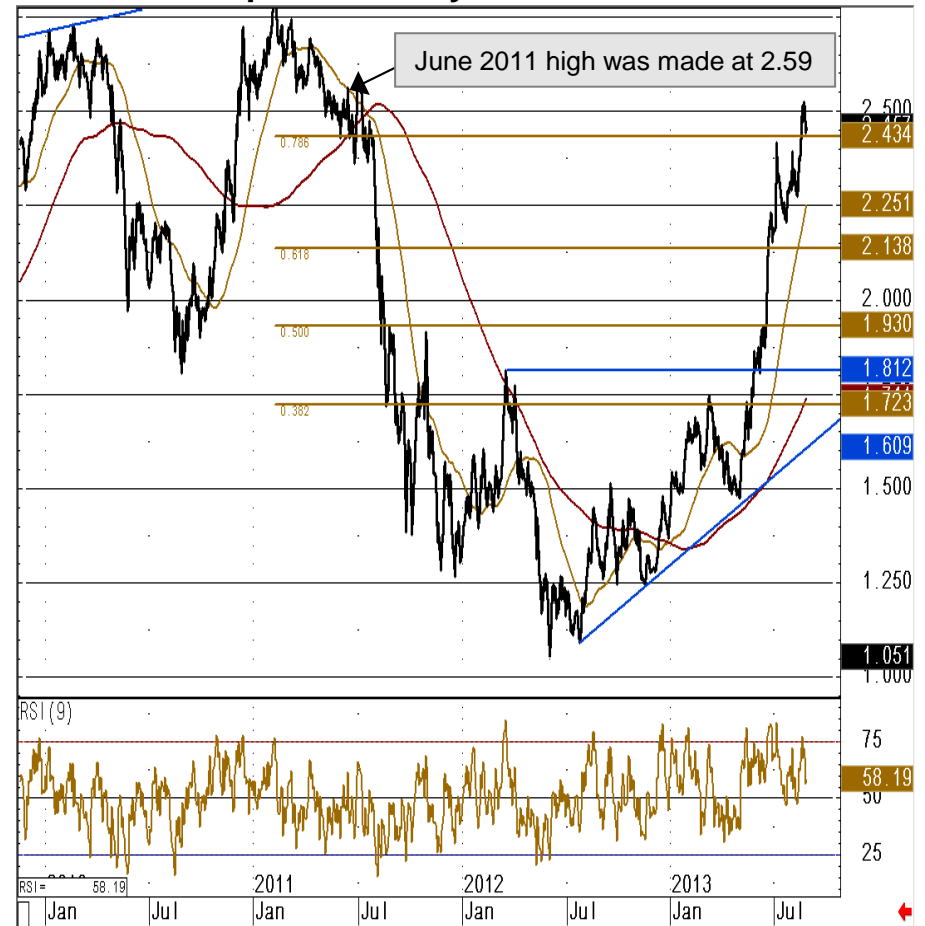


## US 2-10Y Swap Curve - Daily Chart

Widens sharply and nears the 2.59 June 2011 peak

- › The US 2-10Y swap curve has so far widened to the minor psychological 2.50 level around which it should pause.
- › Above it lurks the 2.55 March 2011 low and the 2.59 June 2011 high.
- › 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 55 day moving average at 2.25.
- › Minor support comes in around the 2.415 July high.

US 2-10Y Swap Curve Daily Chart



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Mon Aug 26 2013 09:51:36

## GBP 10Y Swap - Weekly Chart

Flirts with the 50% retracement at 2.91 around which it should stall for a while

- › The GBP 10Y swap has so far made a 1 ¾ year high by shooting up to 2.90, a rise above which will put the 2.91/92 resistance area on the map. It consists of the October 2011 high and the 50% retracement of the 2011-13 decline.
- › Around these levels the swap should consolidate for a few days before it continues its ascent towards the psychological 3.00 level.
- › These upside targets will remain in play while the swap stays above its 2.31 July low.
- › The swap has confirmed its long term bottoming formation and should rise further in the months to come.

### GBP 10Y Swap Weekly Chart





# Credit



# ITRAXX 5Y Europe Index - Daily Chart

Comes off the 55 day moving average at 106.26

- › The ITRAXX 5Y Europe index has suddenly risen above the 103.36 late July high and reached the 55 day moving average at 106.26 which capped it.
- › We have thus once again neutralised our forecast.
- › A rise above the current 106.31 August high would mean further credit weakness with the index heading back up towards the 200 day moving average at 109.34.
- › Should it be bettered, our outlook would become bullish, meaning that further credit weakness is to be seen, with 132.52 June high being targeted.
- › Above it lurks the 150 region.
- › We will retain our current neutral forecast while the index remains in the 109.49 to 94.45 band, the latter being the current August low.

## ITRAXX 5Y Europe Index Daily Chart



## ITRAXX 5Y Crossover Index - Daily Chart

Has been rejected by the 55 day moving average at 431.96

- › The ITRAXX 5Y Crossover index stabilised around the 392 July trough and shot back up to the 55 day moving average at 431.96. This caps at present.
- › Nonetheless we have neutralised our forecast and will revert to being bullish once the current August peak at 433 has been overcome.
- › In this case the 200 day moving average at 440.95 will be targeted and should be overcome.
- › Such a rally should trigger a retest of the 2011-2013 downtrend line at 510.55.
- › We will retain our neutral forecast while the index stays between the current 433 and 392 August extremes.
- › Only an unexpected fall through the 366 May low would target the 2011 low at 353 now.

### ITRAXX 5Y Crossover Index Daily Chart



## ITRAXX 5Y Senior Financial Index - Daily Chart

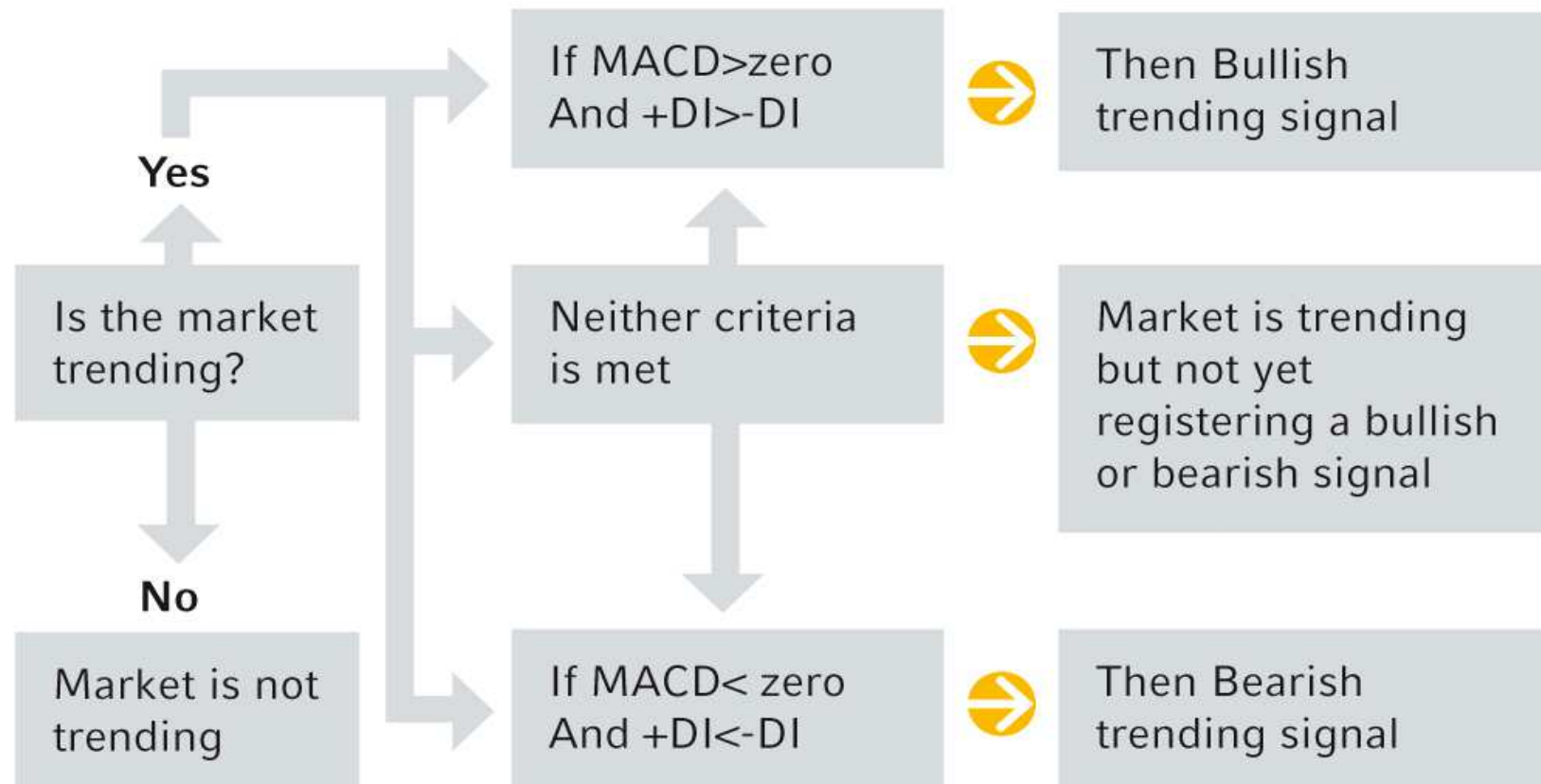
Has shot back up towards the 200- and 55-day moving averages around 153 which cap

- › The ITRAXX 5Y Senior Financial index suddenly changed tack last week and shot back up towards the 200- and 55-day moving averages around 153. These capped, though.
- › A rise to above the 55- and 200-day moving averages around the 153 level will point towards a renewed up leg towards the 2012-13 resistance line at 169.53 being made. This would mean renewed credit weakness.
- › Until the index breaks out of its August 150/134 range we will stay neutral, however.
- › Major support continues to be seen at 123/121. It is made up of the January and the 2011 low.

### ITRAXX 5Y Senior Financial Index Daily Chart



## Trending Filter



# Glossary

## ADX

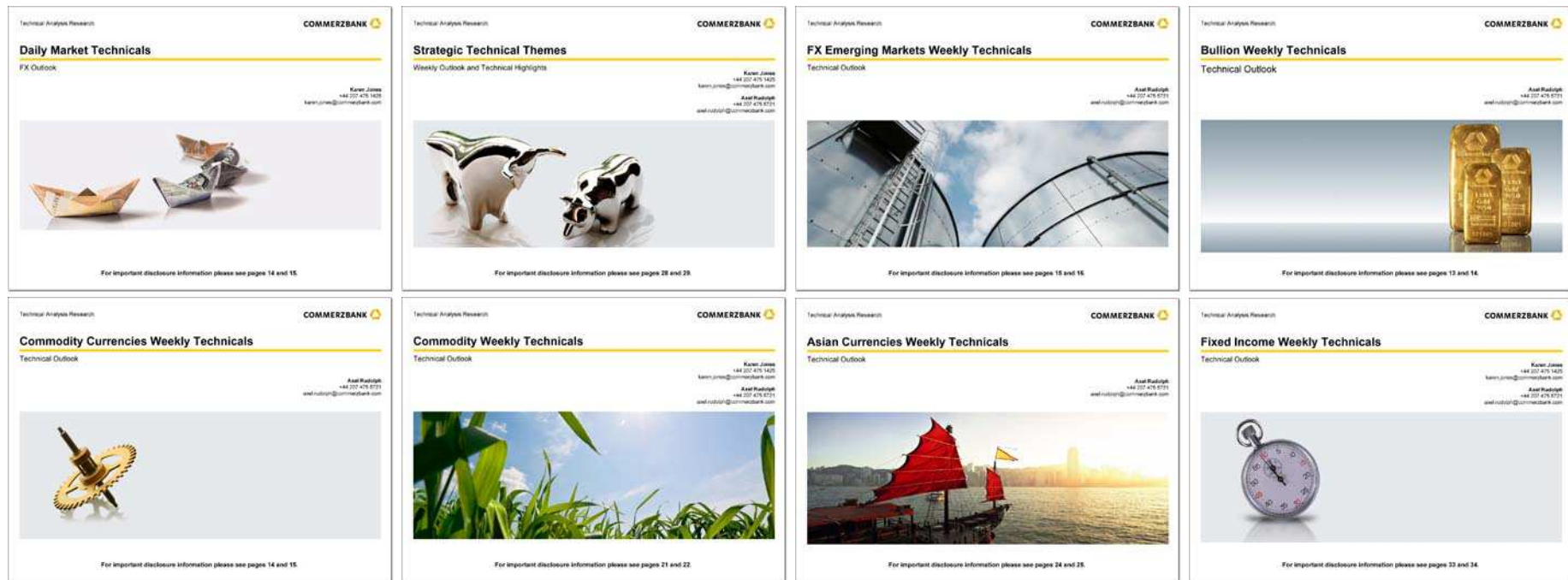
J. Welles Wilder developed the Average Directional Index (**ADX**) to evaluate the strength of a current trend. The ADX is an oscillator that fluctuates between 0 and 100. Even though the scale is from 0 to 100, readings above 60 are relatively rare. Low readings, below 20, indicate that the market is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



## Other technical analysis reports we publish are:

- Monday:** Daily Market Technicals (FX), FX Emerging Markets Technicals;
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- Wednesday:** Daily Market Technicals (FX), Commodity Weekly, Commodity Currencies Weekly Technicals;
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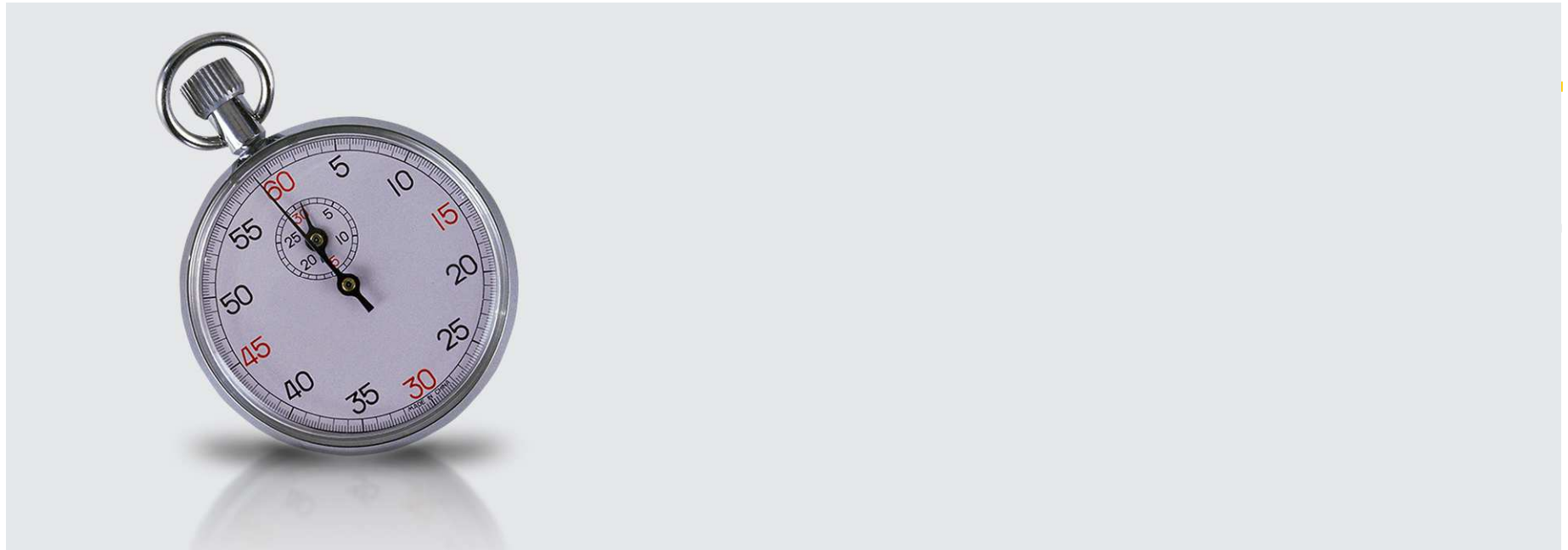
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