




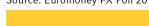

# Chart Watch – FX Markets


Wednesday, 23 October 2013

## Outlook and Technical Highlights

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<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  <b>the technical analyst</b></p>

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## Summary

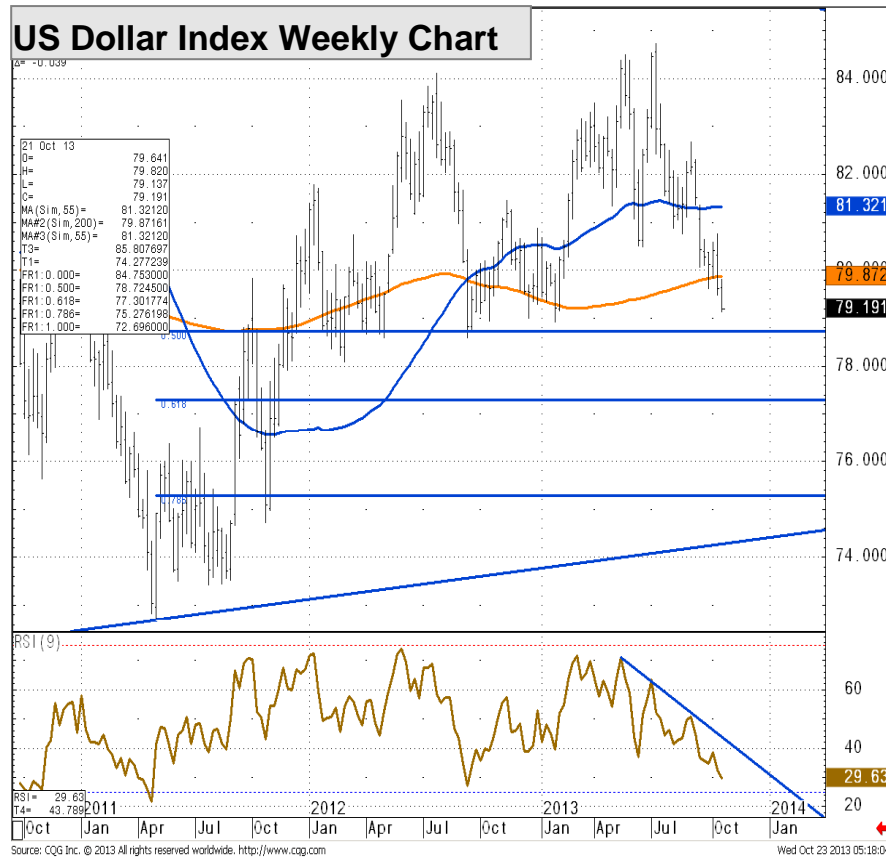
Key Points:
1. US Dollar has come under increasing downside pressure. EUR/USD is in new .23 month highs and the next key resistance zones at 1.3833 and then 1.3958/1.4003 – currently we have little to suggest this latter level will be taken out.
2. GBP/USD in line with USD weakness looks set for another run up towards key resistance (4 year downtrend) at 1.6317/69, where we remain alert to the idea of failure.
3. AUD/USD has reached its 200 day ma and we would allow for some profit taking here, NZD/USD daily RSI has diverged and together with a 13 count on the daily chart we are recommending that remain longs are exited.
4. Bund - Strong up session yesterday implies further near term strength – but indications remain that strength should terminate ahead of the 141.90 Fibonacci retracement
5. EU swap curves are narrowing near term – the EU 2-5Y has severed its 6 month uptrend.
6. Credit strength remain apparent. ITRAXX 5Y crossover is in new 5 year lows and there is little support of note until the 300 psychological zone

## Technical Trade Ideas

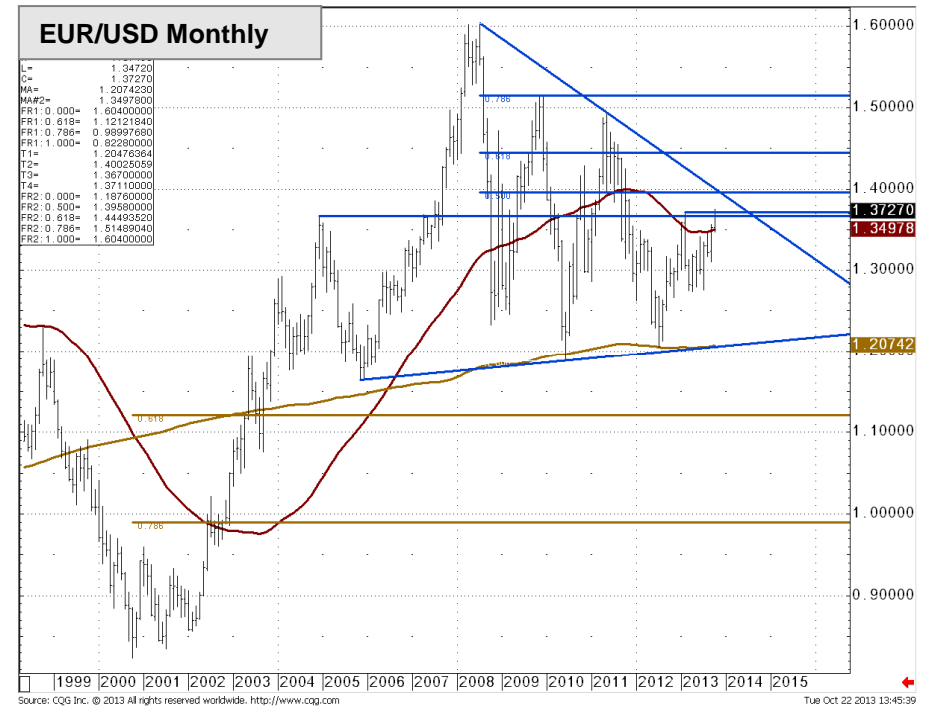
Date	Instrument	Trade Idea	Stop	Take Profit	Outcome	P&L
02.10.2013	AUD/NZD	Buy 1.1350	Raise stop from 1.1210 to 1.1295	1.1650	Long 1.1350, current 1.1470	

# US Dollar Index - Weekly Chart

Weighing on the downside



The market has eroded the 200 week ma and 2012-2013 uptrend. Next support band is the 78.72/60 540% retracement of the move from 2011 and the September 2012 low), we would expect it to find some support here.

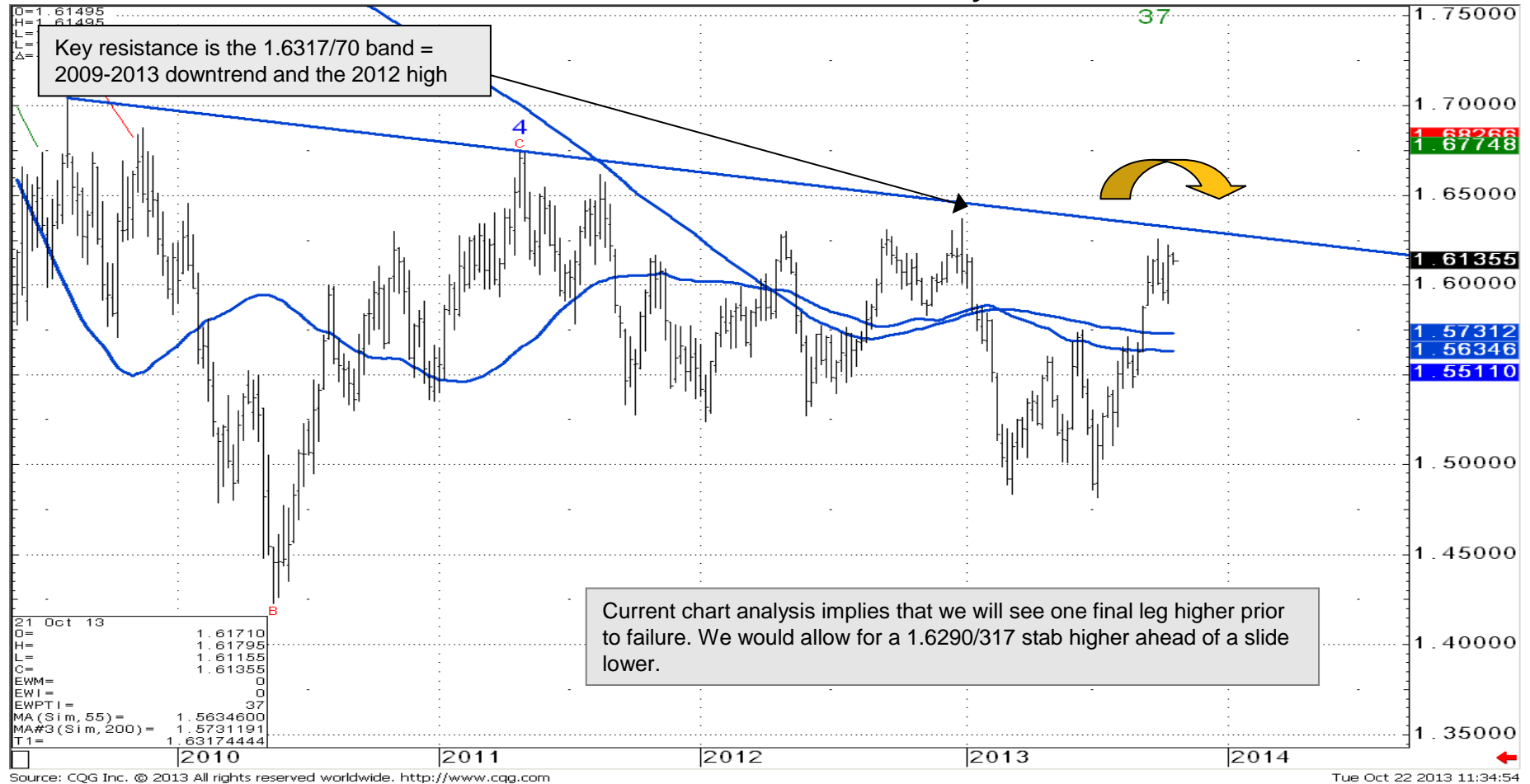


EUR/USD is in new 23 month highs. The next resistance is the top of the 3 month channel at 1.3833/37, this is also the location of the 61.8% retracement of the move down from 2011 and represents the last defence for the major resistance at 1.3958/1.4002 band, which represents the 50% retracement of the move down from 2008 and the 2008-2013 resistance line. While we acknowledge that the market is bid near term, we have very little to suggest that this latter level will be overcome.

# GBP/USD - Weekly

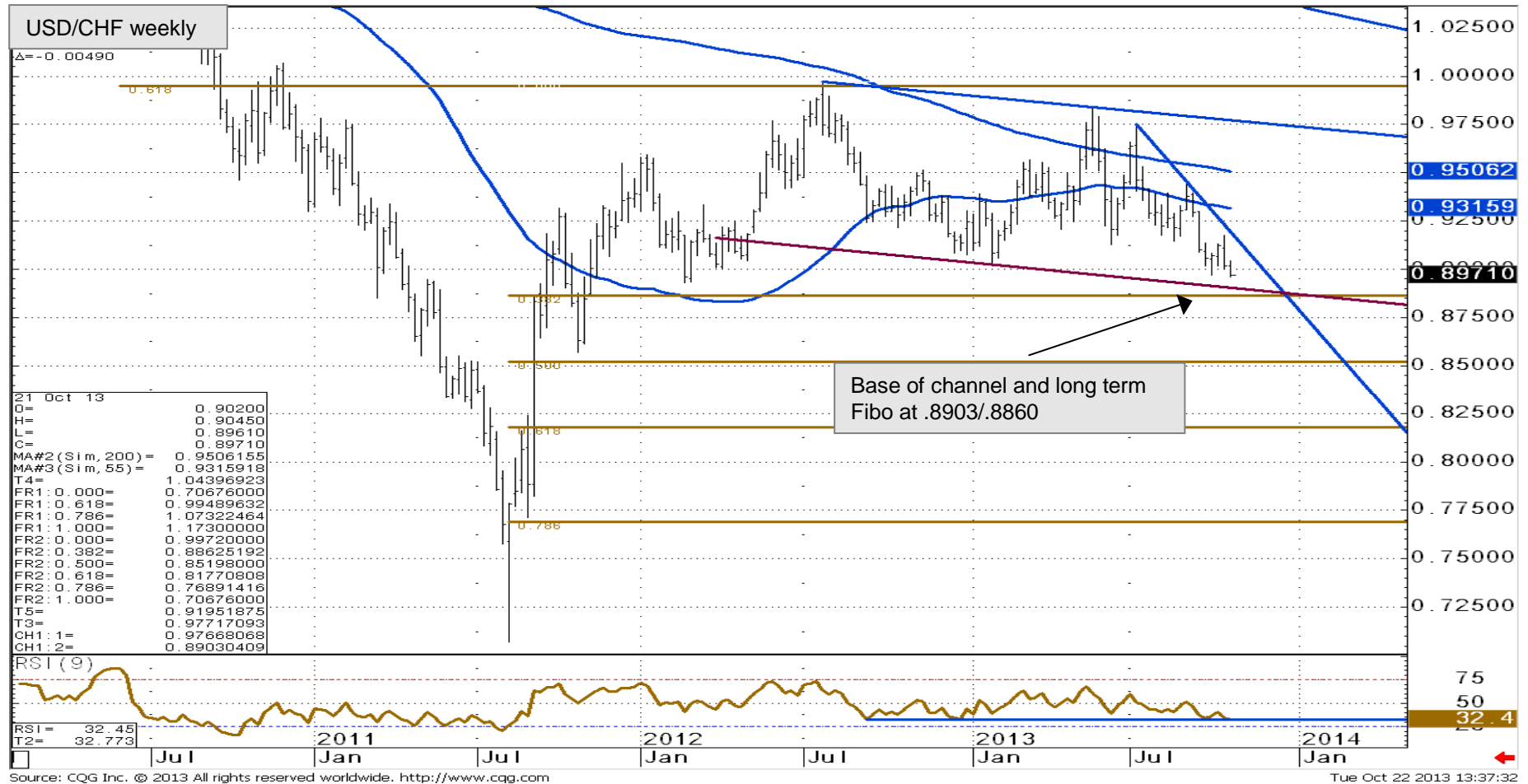
Major resistance seen at 1.6317/70

GBP/USD Daily Chart



# USD/CHF - heading to the base of its 15 month channel at .8903/00

Should see market attempt to stabilise circa .8903/.8860 (38.2% retracement and channel)



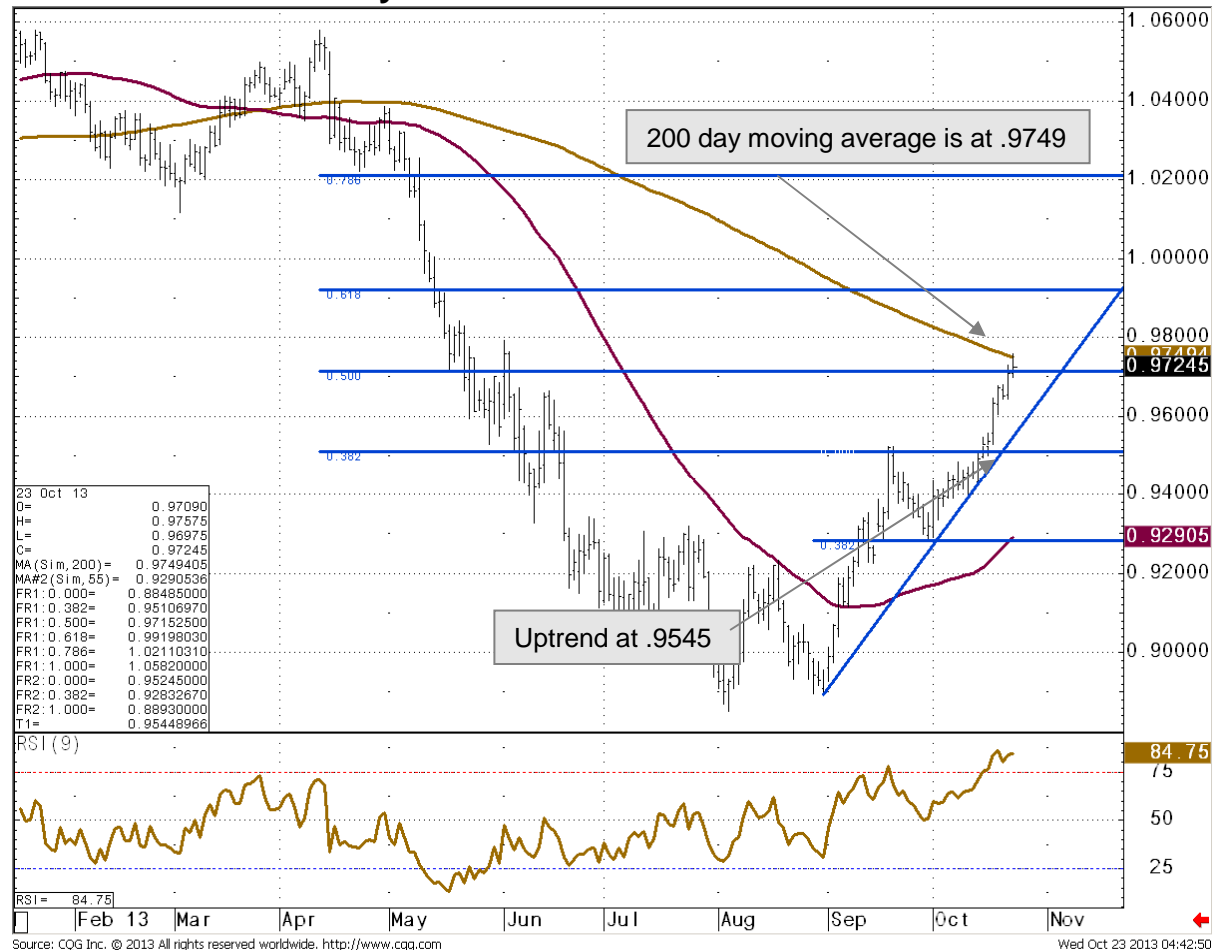
# AUD/USD – has reached the 200 day moving average at .9749, allow for profit taking

AUD/USD has maintained upside pressure to reach the 200 day moving average at .9749. We would anticipate that this will provoke some profit taking and would recommend tightening stops on long positions/lightening positions.

Beyond this, the current Elliott wave counts are suggesting that we then look for an extension of the upmove towards 0.9920, the 61.8% retracement of the same move. Here we also find the 55 and 200 week moving averages at .9910/25 and here we expect to see failure.

Immediate upside bias is maintained above the .9545 6 week uptrend.

Daily AUD/USD Chart

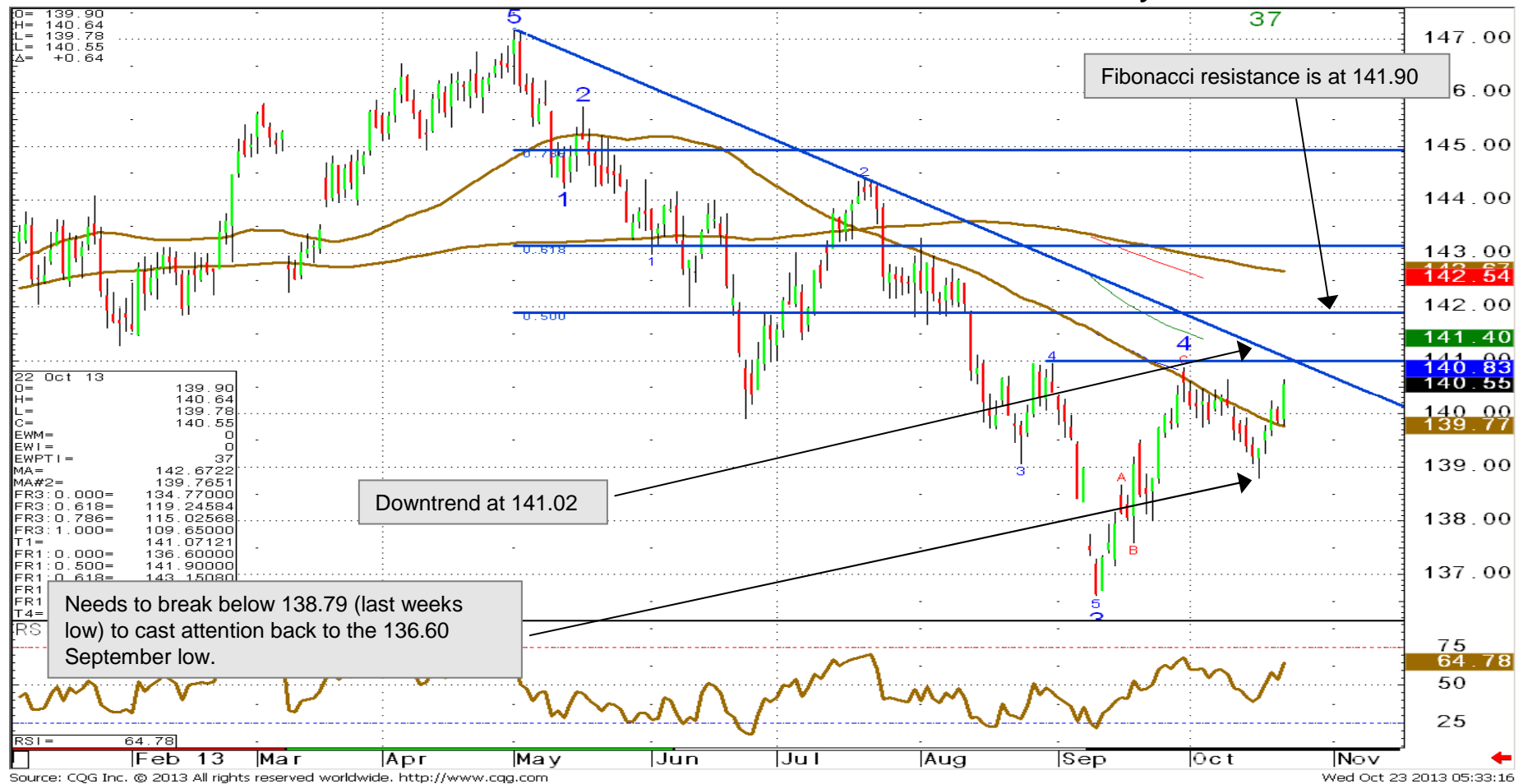


## NZD/USD - divergence of the daily RSI AND 13 count suggests time to exit long positions



# Bund Futures - Daily Chart

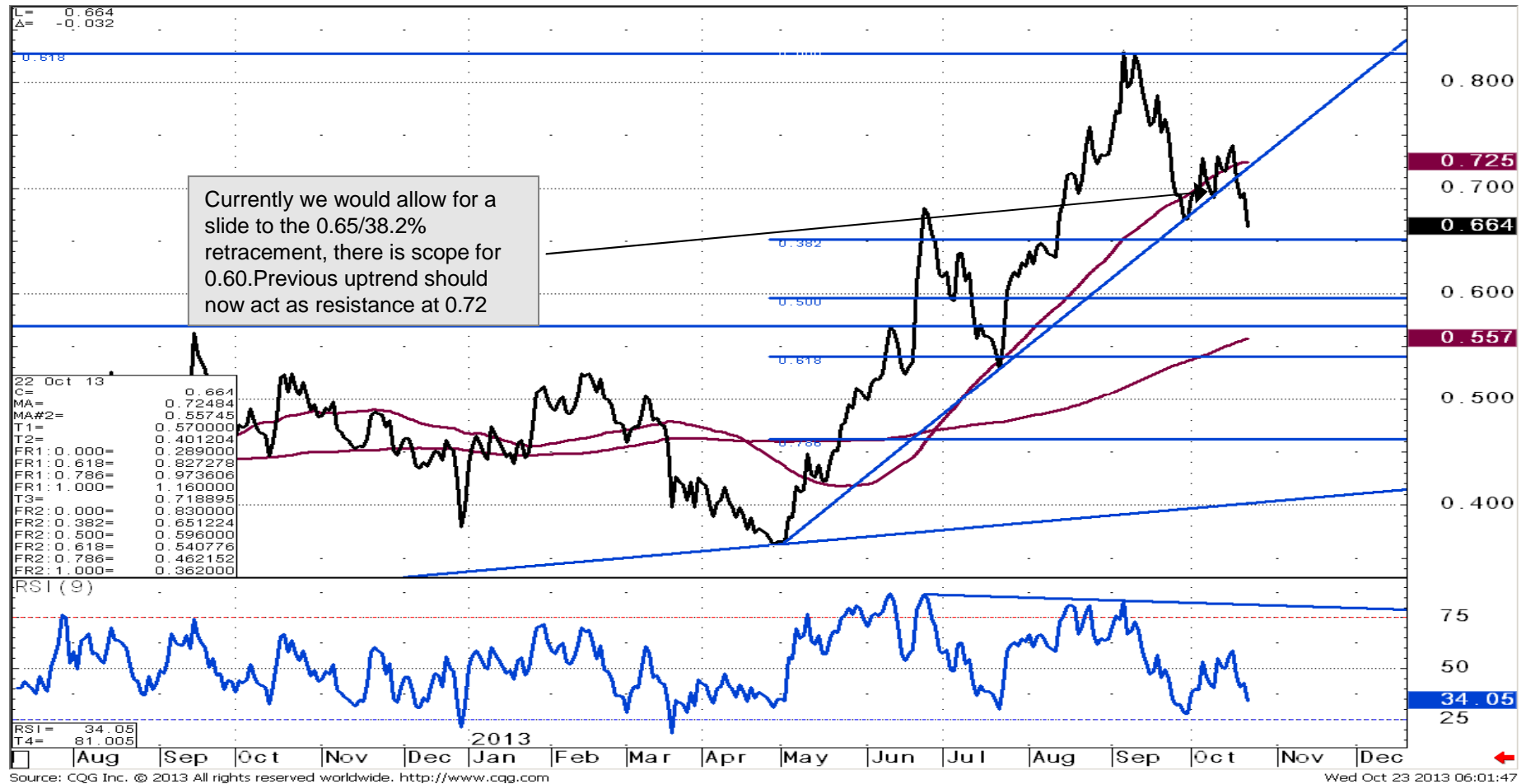
Strong up session yesterday implies further near term strength – but indications remain that strength should terminate ahead of the 141.90 Fibonacci retracement





# EU swap curves are narrowing near term

EU 2-5 year swap curve has severed its 6 month uptrend and looks set to react lower still








# ITRAXX 5Y crossover

In new 5 year lows








## 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 1.6370		
25.09.2013	EUR/USD we are looking for failure ahead of the 1.3670/1.3711 long term pivot.	Stop 1.3715	Stopped on view – strength looks set to extend further to 1.3833, potentially 1.3958/1.4002.	
02.10.2013	Maintain a negative bias to EUR/GBP longer term.	Long term stop on view .8738. Target .7750. Short term stop is .8500	Maintain negative bias below .8500, just stopped, but view remains still longer term negative	
02.10.2013	AUD/NZD 2 year down move is reversing	Positive bias above 1.1150	Long 1.1350, raise stop to 1.1295. TP 1.1650	
09.10.2013	USD/CAD positive above 1.0210	1.0600		


## Tracking Key Technical Themes - FX

Date	Theme	Stop on view/Target	Additional Comment	Outcome
16.09.2013	EUR/AUD - An interim top was made at 1.4562 in late September; targets the 1.3959 level and then 1.3864	Target 1.3959, stop 1.4410	<b>23.10.2013 – take profit on short EUR/AUD positions</b>	




## Tracking key Technical Themes - Fixed Income

Date	Theme	Stop on view/Target	Additional Comment	Outcome
25.09.2013	US T-Notes - Looking for failure 126-30/127-08.	200 day ma (127-12), eroded, short term outlook neutralised	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 141.00/90 (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. Target is 0.50/0.52 and the initial resistance at 0.31.	Target 0.50. Stop -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	
16.09.2013	US 2-10 swap curve. Short term narrowing should halt in the 2.21 region.	Market has reached this support	Needs to regain the 55 day ma at 2.377 to confirm widening	

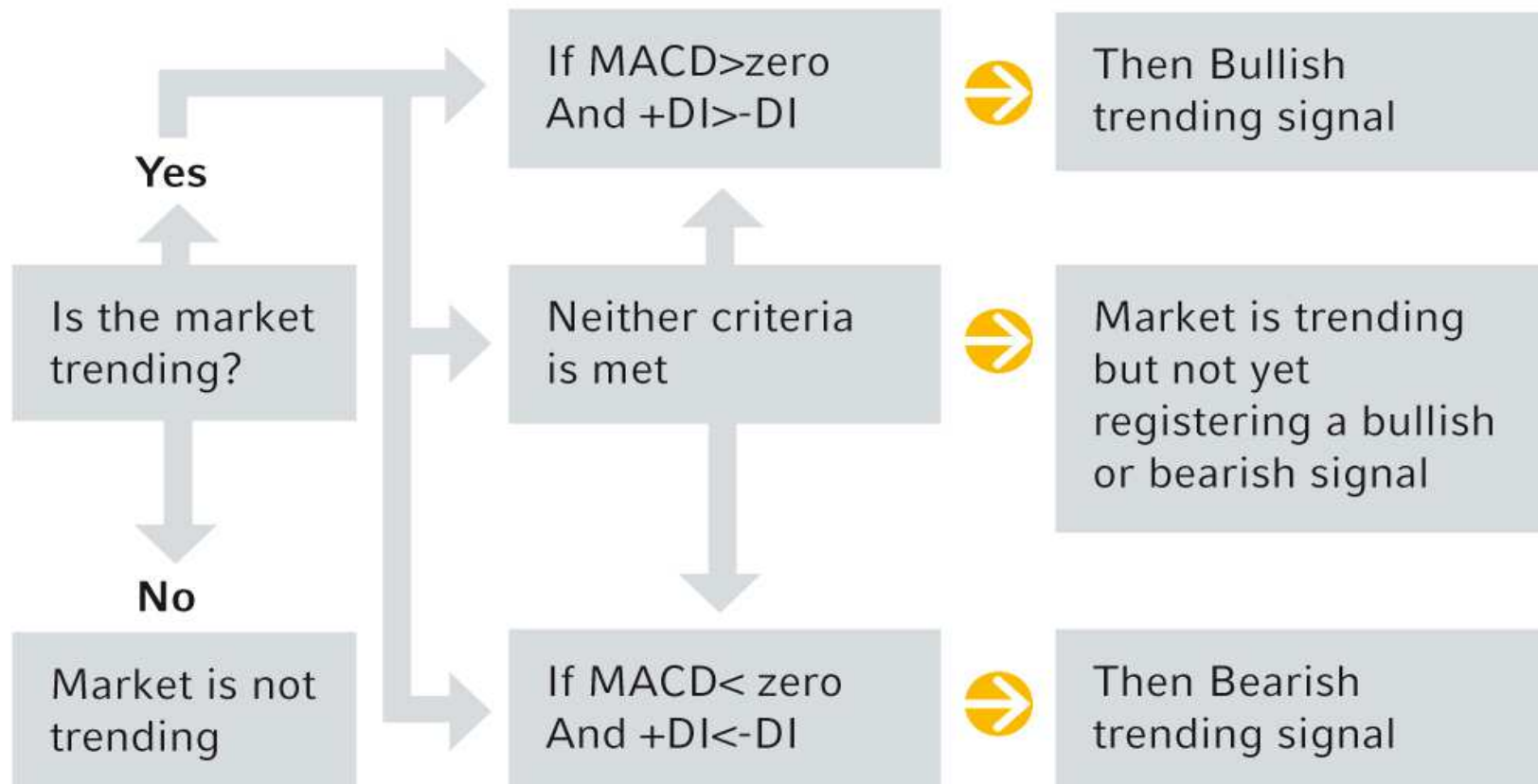
## Tracking Key Themes – Credit/Commodities/Other

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)	Stopped – fallen to new 5 year lows	

## 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	Gold 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

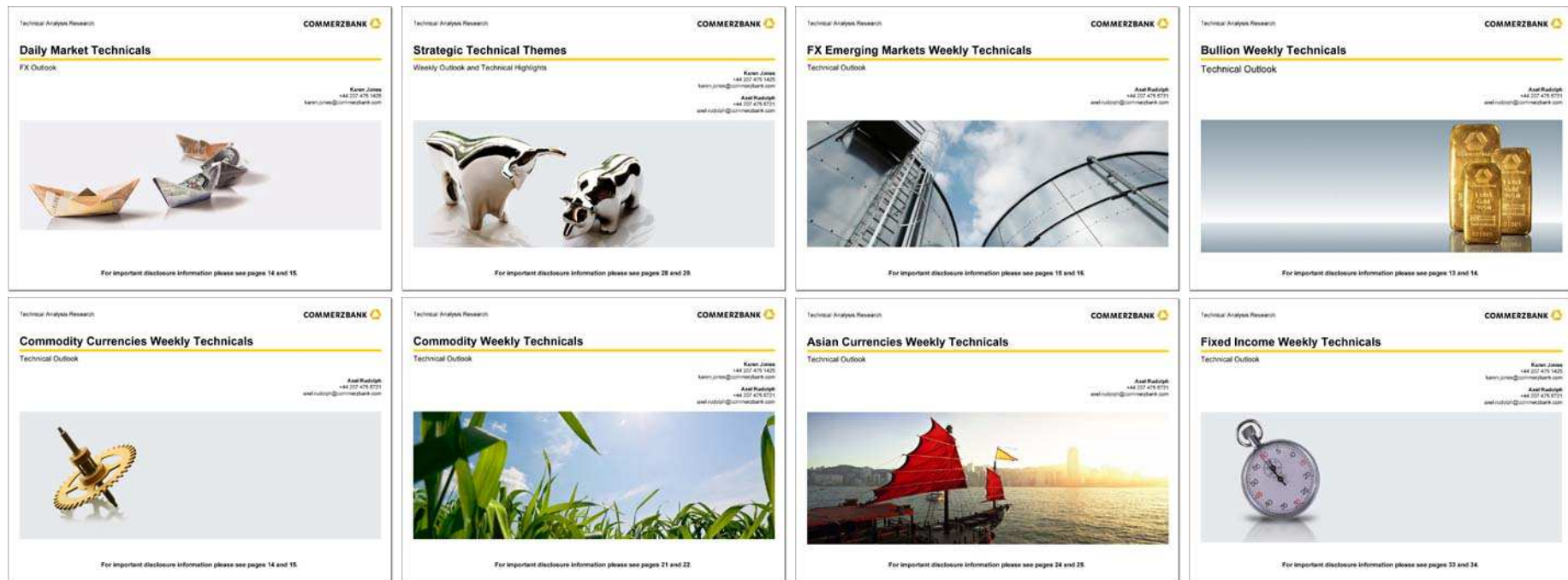
J. Welles Wilder developed the Average Directional Index (**ADX**) to evaluate the strength of a current trend. The ADX is an oscillator that fluctuates between 0 and 100. Even though the scale is from 0 to 100, readings above 60 are relatively rare. Low readings, below 20, indicate that the market is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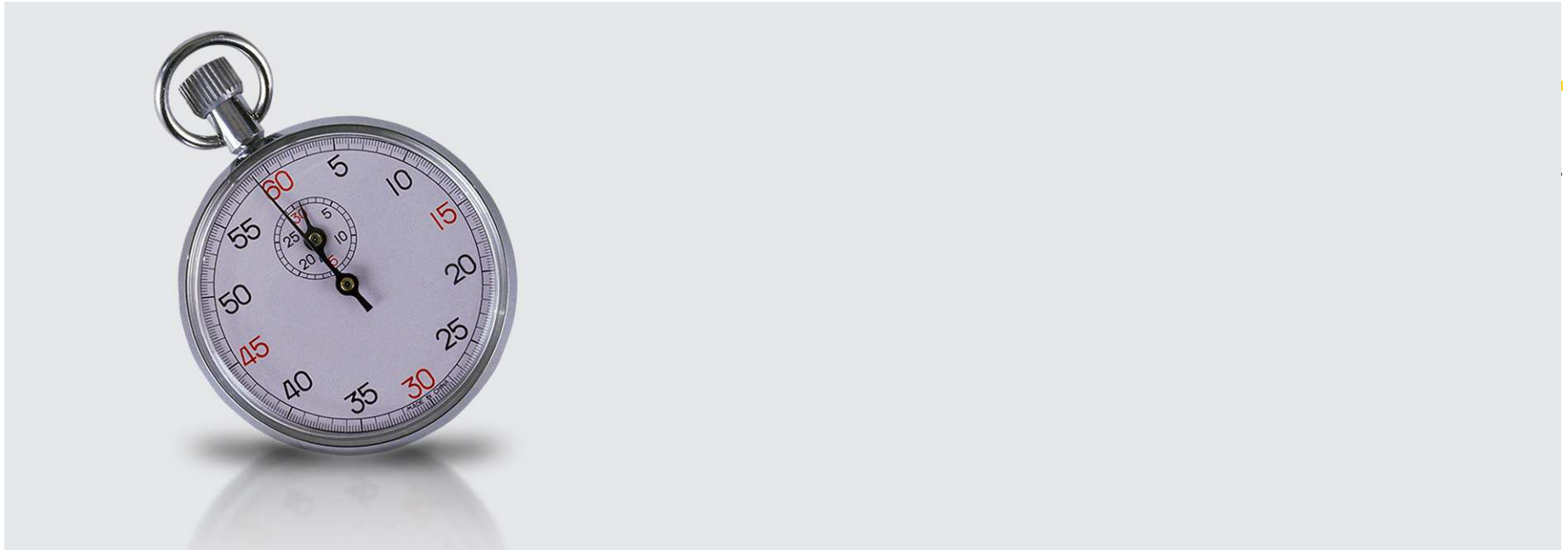
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