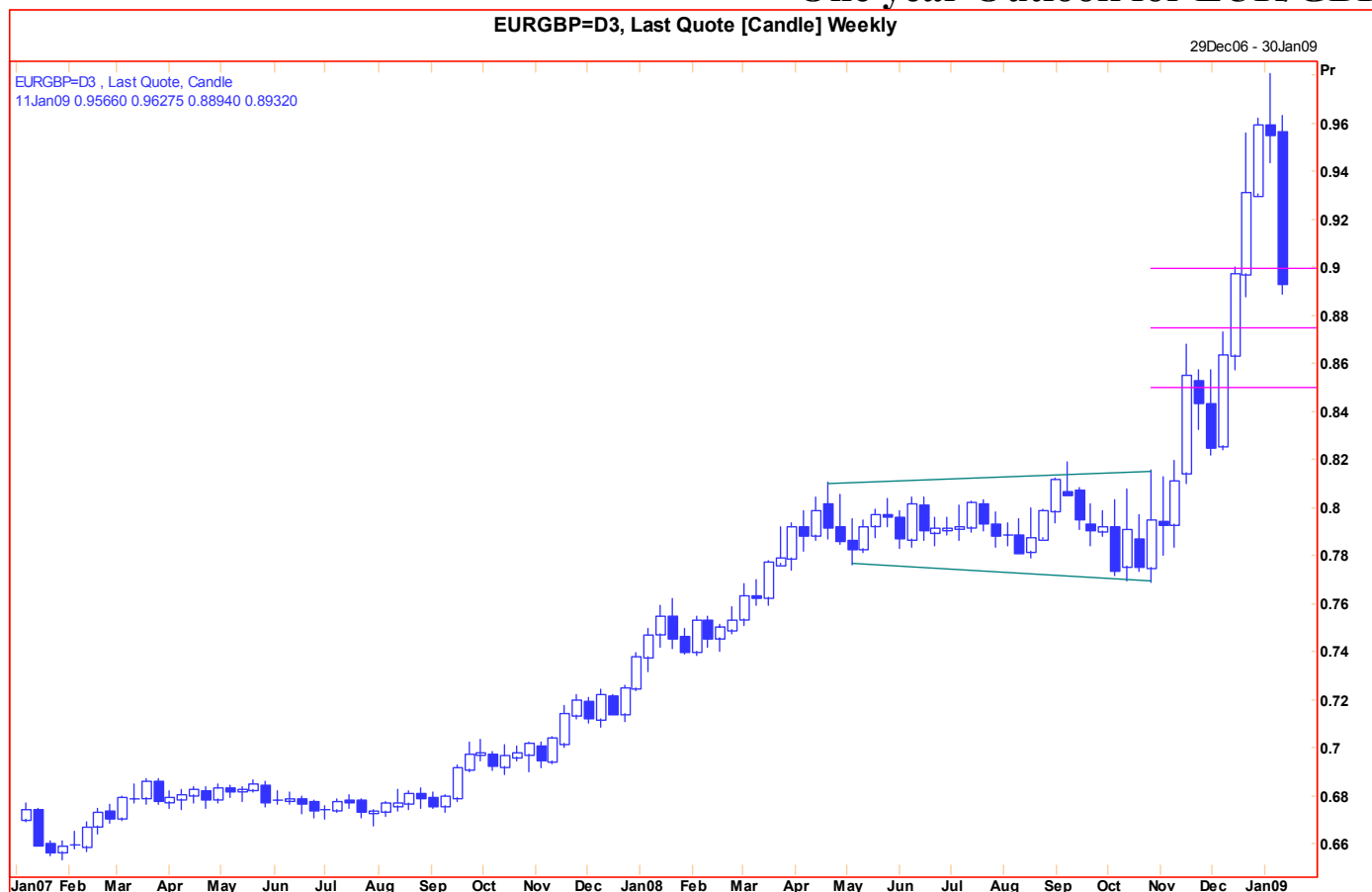


**Technical Analysis**

**08 January 2009  
One year Outlook for EUR/GBP**



**Comment:** So far this week we have undone the huge rally in the last two weeks of December, with the year-end high at 0.9805 an 'evening star' candle and forming an important top. During this quarter we favour a lot of consolidation between 0.8800 and 0.9600, though a collapse back down to December's opening level at 0.8250 cannot be completely ruled out. Q2 should be dominated by more very large and random price swings at a slightly lower level, say between 0.8200 and 0.9000. Only in Q3 will prices begin to stabilise and hold in narrower ranges, so that one-month at-the-money implied volatility falls from the current record level just under 20.00% to closer to 10.00%. By year-end a drop to 0.8000, maybe 0.7700, is possible.

A weekly close above 0.9600 would force us to review.

**Chart Levels:**

Support	Resistance	Direction of Trade
<b>0.8885</b>	<b>0.9200</b>	
<b>0.8800*</b>	<b>0.9300</b>	
<b>0.8750</b>	<b>0.9500</b>	
<b>0.8600</b>	<b>0.9625*</b>	
<b>0.8200*</b>	<b>0.9805**</b>	

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Charts provided by Reuters.