

Daily Market Report for Thursday 5th of November 2009.

Market comment

S&P 500 futures closed up Wednesday and chart now shows a successful test, which is opening for a move higher to potentially test 1100 key resistance. Need to see a strong punch through this level to force stops and avoid selling from longs to get a successful break out. All probably comes down to the US payrolls figure out on Friday. A strong number would most likely result in a test of 1100 and a weak number would most likely open for move down towards 980 key support. We expect the unemployment rate to tick above 10% this or next month. Gold is continuing to rally and really close to breaking above 1100 today and looking at the chart there is room for more. The 75% quartile of the current rising trend channel is at 1116 right now, meaning it will only be overbought once it goes above that level in our models. Lots of Speculation that China will buy the rest of the IMF gold quote for sale after the India deal was announced. That is not unlikely in our opinion. In Forex the volatilities are dropping this morning an extreme spike over the recent days following the FOMC announcement to hold rates steady at 0 to 0.25% last night. FOMC signaled that rates will most likely remain low for an long period of time, which also gave boot to risk appetite trades and JPY was sold throughout today in US session. We expect volatility to drop off again even more next week. We generally think JPY has limited scope for a very strong rally as BOJ will most likely step in and prevent the JPY from moving much below 87 vs. USD. Remember that Toyota was out last week saying that if JPY got stronger they had to move their production abroad. We can mention it again as we have done over the past few months, Japan has really weak looking fundamentals with ageing population, weak domestic spending, huge public debt and now a strong JPY. That is not a good mix to have in our opinion and it is unlikely that JPY can sustain a substantial rally when the fundamentals are that bad. It is normally that JPY benefits from risk aversion and we don't want to step against that trend just yet, but at lower levels in both AUDJPY and EURJPY we would favor longs. We have called for shorts in NZD for some time now and that has worked out nicely with NZD coming down from 0.76 to 0.7083 start of this week. Looks like decent support down at 0.7083 so could potentially bounce higher off that level short term. So we prefer to look for higher levels to get back in short. We expect AUD to continue to perform strongly and dips to be supported as other Central Banks are still clearly behind RBA in the tightening cycle. Crude had problems to stay above 81 USD level once again yesterday and clearly rejected on the move above 82 USD per barrel last week. This price action signals weakness and unless equities make substantial rally we favor looking for a short trade in Crude over the next weeks. Same with Wheat and Soybeans, both made bearish reversals last week. However Monday price action is was bullish and looking at the chart the volume actually dried up on the decline with signals lack of selling pressure. According to head of commodities research, Jeffrey Currie at Goldman Sachs, annual demand growth for Soybeans is expected to be 3,5%, 2,5% for corn and 1% for Wheat.

Some interesting news stories:

New Zealand's Rising Jobless Rate, Currency Gains Slow Recovery - Bloomberg -
<http://www.bloomberg.com/apps/news?pid=20601110&sid=aa0YtPMMH8LM>

BOJ Says Ending Programs Not Precursor to Rate Rise - Bloomberg -
http://www.bloomberg.com/apps/news?pid=20601110&sid=ahg_jK3TGoI4

Gold price poised to test \$1,100 as it sets new record - The Telegraph -

<http://www.telegraph.co.uk/finance/personalfinance/investing/gold/6501970/Gold-price-poised-to-test-1100-as-it-sets-new-record.html>

Darling warns RBS could still need more money after £33.5bn bailout - The Times -

http://business.timesonline.co.uk/tol/business/industry_sectors/banking_and_finance/article6901900.ece

Fed Statement Translation: “Game On for the Carry Trade” - The WSJ -

<http://blogs.wsj.com/marketbeat/2009/11/04/fed-statement-translation-game-on-for-the-carry-trade/>

Dovish Fed keeps pressure on dollar - The FT -

<http://www.ft.com/cms/s/0/fe0679ca-c92b-11de-b551-00144feabdc0.html>

Technical's

Euro: Failed to get above 1.51 and the correction was triggered when it broke below 1.4850 earlier this week and successfully held 1.4670 last week. Key resistance remains 1.4925 and weak below this level and it has failed to get above 1.4920 on two consecutive days.

Cable: Still looks well supplied towards 1.67, but BoE statement was supportive today, so might see a test of this 1.67 is tomorrow's US nonfarm payrolls is good.

USDJPY: Was rejected at 92.50 last week and trading down below 91.50 Wednesday, which opens for a test of 89.88. Good support 88 and expect JPY to struggle to break that level.

Swissy: Did indeed move towards 1.04 as we expected, but back below 1.02 as FOMC statement resulted in USD selling. Need to get out of the 1.01 to 1.04 range to trigger a more directional move.

AUDUSD: Still trading inside the rising trend channel that has been in place since 13th of July 09. The rising support of this trend line is down 0.8940 today with overhead resistance at 0.9470.

USDCAD: Sellers stepping in the 1.08 to 1.09 resistance zone moving it down towards the 1.06 previous key support level. CAN unemployment data out Friday, which is a big potential mover for CAD, so pay attention.

EURJPY: Looking well bid after Monday's stop hunting move. Key resistance remains 138.72, with good support down at 131 (Monday's low).

GBPJPY: Key levels remains 147 support and 153.30 resistances. Technically bullish above 147.

AUDJPY: We called for a correction to 82 and that level was broken Wednesday. AUD is strongly correlated to equities. We expect the direction in equities to drive AUD as well. Keep an eye on US nonfarm payrolls for direction.

Levels	Euro	Cable	USDJPY	Swissy	AUDUSD	USDCAD	EURJPY	GBPJPY	AUDJPY
Res2	1.5284	1.6750	95.29	1.07	0.9470	1.1125	140	153.26	90.26
Res1	1.5050	1.6670	92.54	1.0453	0.93	1.0960	138.72	152	85
Sup1	1.4670	1.6252	89.26	1.0013	0.8940	1.0226	131	148	80.74
Sup2	1.4550	1.5720	87.13	0.9889	0.8850	1.0000	127.02	147.10	76.35

Our outlook

Pair	Our strategy Today	Our medium term forecast
EURO	Weak below 1.4925	Our 1.50 year-end target reached
Cable	BoE statement should be supportive for GBP, so looking for a test of 1.67	Negative on both GBP and USD
USDJPY	Looking for a test of 89.88	weaker JPY, 100 or higher by year end
USDCAD	Bearish, supply above 1.08 and minor support at 1.06	Reached our target of 1.0350
EURJPY	Good bounce off 131 support, bullish for a test of 135.80	140 level within 3 months
AUDJPY	Our target at 82 reached, watch S&P for direction	85 target hit
GBPJPY	Key support is 147.10 and key resistance 152, play range	153 target hit, stand aside
AUDUSD	Bullish above 0.8970 rising support	95 within 4 weeks

Risk Warning: Any information in this report is based on data considered to be reliable, but no representations or guarantees are made by Avantage Financial GmbH with regard to the accuracy of the data. This information is provided on condition that we accept no responsibility, legal or other for its contents. We, including our directors, officers, employees or publishers, disclaim all liabilities. Any statement constitutes only current opinions, which are subject to change. Neither the information nor any opinion expressed shall be construed to be, or constitute an offer to sell or a solicitation of an offer to buy any investments mentioned herein. Regardless of the account type you choose, there are risks inherent in trading, including the risk of loss greater than the original investment. The opportunity for profit creates a corresponding risk of loss. Anyone wishing to invest in any of the products mentioned should seek their own financial or professional advice. Prices can go down as well as up. Past performance is no guarantee of future results.