

Technical Analysis

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Quarterly Outlook for JPY



Comment: The rally late in March 2009 forced the dollar higher than we had expected, taking consensus opinion completely by surprise and forcing a major shift in economic forecasters' views (February's three-month target was 91.00 dollar/Yen replaced by 99.00 in April 1st's FOREX/POLL). Over the next three months we favour another upside probe, possibly a fairly dramatic 'spike high', up to the 106.00/107.50 area so that one-month at-the-money implied volatility remains between 14.00% and 22.00%. Very late in Q2 2009 or early in Q3 we favour a drop back below 98.00, which in turn should send prices tumbling to 85.00 in H2 2009.

A weekly close below 98.00 hints that an interim high is already in place and prices will turn sharply lower.

Chart Levels:

Support	Resistance	Direction of Trade
99.00	100.55	
98.00	101.45	
95.50*	102.00*	
93.50*	104.00	
92.35	105.65/106.00*	

Produced by London Branch - Nicole Elliott +44-20-7786-2509 (email Nicole.Elliott@mhcb.co.uk)

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Charts provided by Reuters.