

FX Technicals

May 23, 2008 Vol. XLXIV, Issue 38

OVERVIEW: Still no overriding theme to the USD trade at this point. The most directional picture at this point is Euro, where weekly trend will lean bullish above 1.5570/45 next week and upside projects to 1.6035 for the week and 1.6205 for June. Will buy 1.5610/1.5570 there. Elsewhere, the intermediate pictures are either outright neutral – 102.12 to 105.51/106.10 JPY and 1.0215/00 to 1.0570 CHF – or contingency-based like the situation in \$/CAD where weekly trend is bearish, but offset by approaching May/Q2 supports at .9782 and .9700. Sterling is still a wildcard, with direction pivoting off 1.9870 or 1.9755/30.



JPY/USD, Previous NY Close – 104.15
Daily Resistance – 104.57; 105.06; **105.74**
Daily Support – 102.90; 102.40

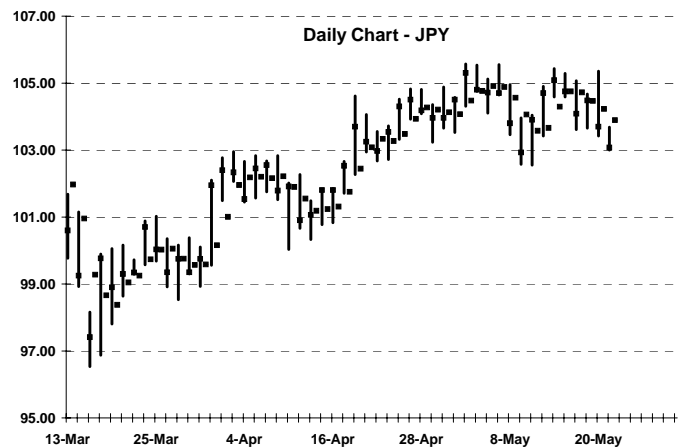
Weekly Resistance – 105.51; **105.85/106.06**
Weekly Support – 103.91; 102.75; **102.12**; 100.73

Projected Daily Range – 103.91 to 105.06

Projected Weekly Range – 102.12 to 105.85

Weekly Outlook – Neutral. Weekly trend is going to stay neutral and the USD remains in a broad range trade between June support at 102.12 and Q2/Q3 resistance at 105.85/106.10. The developing weekly setup is neutral as well, with boundaries slightly tighter. Developing weekly resistance is 105.51, then 106.79. Supports are forming at 103.91, 102.75 and the 102.12 level. Expecting range action from 102.12 to 105.51/106.10. Strategy is to be patient to trade against both sides.

Daily Comments – Neutral. Daily trend flipped back to neutral from bearish with Thursday's rally. The setup today is neutral and widespread. Resistance is 104.57, 105.06 and developing weekly level at 105.51. Supports are initial weekly level at 103.91, then 102.90/75. Expecting a sideways to higher day range from 103.91 to 105.06.



Position Strategy: Currently flat. On weakness, move 50% long at 102.12 developing June uptrend – stop on close under 102.00. On strength, move 25% short at 105.51; 50% short at 105.85/106.10 – stop on close above 106.20.



CHF/USD, Previous NY Close – 1.0315
Daily Resistance – **1.0330/40**; 1.0455
Daily Support – **1.0305**; 1.0215

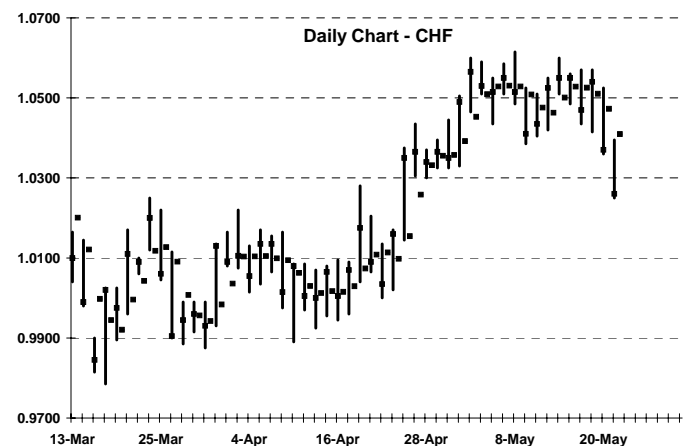
Weekly Resistance – 1.0540/70; 1.0660; 1.0735/65
Weekly Support – 1.0320; **1.0215/00**; 1.0055

Projected Daily Range – 1.0215 to 1.0455

Projected Weekly Range – 1.0215 to 1.0570

Weekly Outlook – Neutral. Weekly trend is expected to fall from bullish to neutral today, ending the 5-week uptrend and signaling a sideways-to-lower correction. The setup for next week looks evenly balanced. Resistance is forming at 1.0540, a fixed June level at 1.0570 and 1.0660. After an immediate weekly support at 1.0320, the main target below is developing June base at 1.0215/00, then drop to 1.0055. Expecting range action between June levels at 1.0200 and 1.0570 over the near term. Will set partial longs at 1.0215/00.

Daily Comments – Neutral. An awkward day, with trend still officially bearish, but larger upside than downside risk. Supports today are 1.0305 and daily/June buy zone at 1.021/00. Resistance above the 1.0330/40 daily downtrend jumps to 1.0455. Projecting a 1.0215 to 1.0455 day range.



Position Strategy: Currently flat. On weakness, move 50% long at the 1.0215/00 June support – stop longs on close under 1.0175 May level for now. Day Trade: buy against 1.0215/00; exit day longs at 1.0455; wait to sell 1.0540/70 weekly/June zone.



Pound, Previous NY Close – 1.9790
 Daily Resistance – 1.9980; 2.0075
 Daily Support – 1.9725/15; **1.9695**; 1.9630

Weekly Resistance – **1.9790**; **1.9870**; 2.0065
 Weekly Support – 1.9755/30; 1.9545; 1.9345

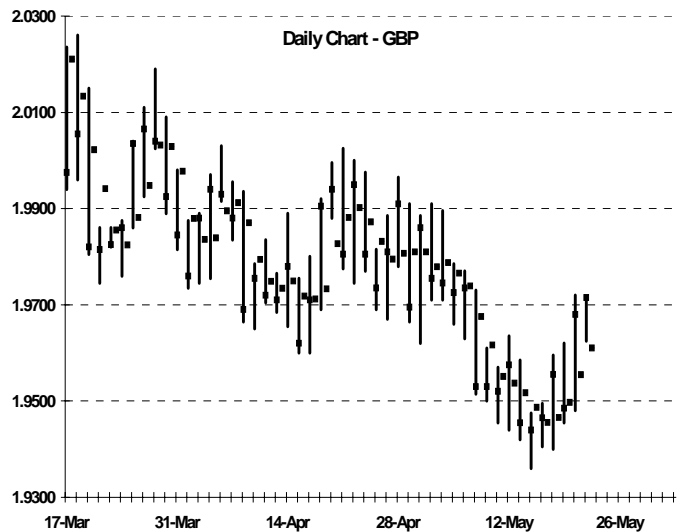
Projected Daily Range – 1.9695 to 1.9870

Projected Weekly Range – 1.9545 to 1.9870

Weekly Outlook – Bearish to neutral. Although direction moving forward remains uncertain, it is clear that the downtrend here is ending and failed to generate the expected breakdown this week. As it now stands, the situation for next week looks neutral. Resistance is June level at 1.9790, 1.9870, then 2.0065. Supports are combined June/weekly zone at 1.9755/30, then 1.9545. Projecting range action from 1.9545 to 1.9870 – but with neither of the boundaries reliable enough to trade against for now.

Daily Comments – Bullish to neutral. Daily trend remains bullish, but with upside today neutralized by the June/weekly levels at 1.9790 and 1.9870. First day level is 1.9980. Supports are 1.9725/15, the daily uptrend at 1.9695 and 1.9630. Expecting a 1.9715/1.9695 to 1.9870 day range.

Position Strategy: Currently 100% short at 1.9780 average from Thursday. Cover ½ immediately. Stop the rest on close above 1.9800 or intraday break above 1.9870. Day Trade: buy against 1.9725/15 and 1.9695; exit day longs at 1.9870.



European Currency Unit, Previous NY Close – 1.5720
 Daily Resistance – 1.5765; 1.5845; 1.6005
 Daily Support – 1.5695/90; **1.5605**; 1.5570

Weekly Resistance – 1.5860; 1.6035; **1.6205**
 Weekly Support – **1.5610/1.5570**; 1.5545; 1.5345

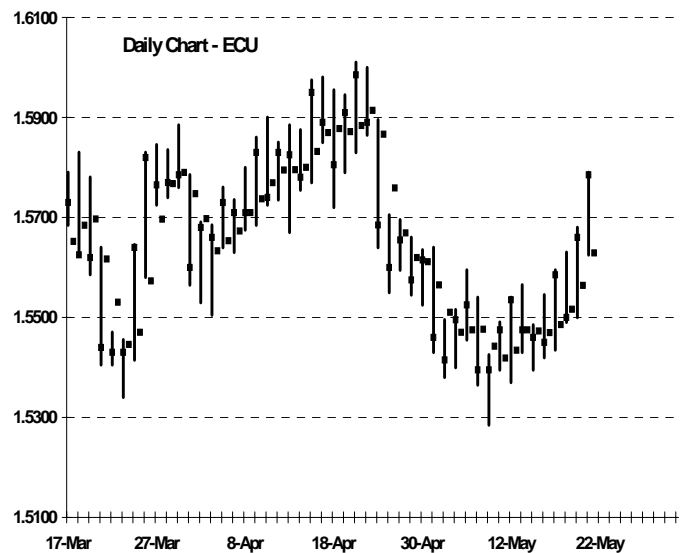
Projected Daily Range – 1.5610 to 1.5765

Projected Weekly Range – 1.5570 to 1.6035

Weekly Outlook – Neutral to bullish. Euro looks like the most direction pattern on the grid, with the cleanest buy structure. Although weekly trend is going to stay neutral, it will likely lean bullish above 1.5545 next week. The setup will point higher. The key zone for next week is forming at 1.5610 to 1.5570. Staying above there points minimally to the expiring May level at 1.5860, with weekly target at 1.6035 and the earliest June target at 1.6205. Supports under 1.5610/1.5570 are the 1.5545 weekly trend, then drop to 1.5345. Looking for a 1.5610/1.5570 to 1.6035 weekly range. Will set partial longs at 1.5610/1.5570.

Daily Comments – Bullish to neutral. Daily trend is bullish, but with a more neutral setup after Thursday's pullback. Initial support is the level that turns neutral under 1.5695/90, with weekly buy zone at 1.5610/1.5570 below there. Day resistance is 1.5765 and 1.5845/60. Expecting a 1.5610 to 1.5765 day range.

Position Strategy: Currently flat. Move to 25% long at 1.5630/10 today; 50% long at 1.5570 – stop on close under 1.5550. Day Trade: buy against daily trend at 1.5630 and 1.5610/1.5570; sell 1.5860/90.





CAD/USD, Previous NY Close – .9845
 Daily Resistance - **.9876/77**; .9929/32
 Daily Support - .9829/24; .9720

Weekly Resistance – .9896/.9905; **1.0002/20**; 1.0055
 Weekly Support - .9782; **.9700**/.9685

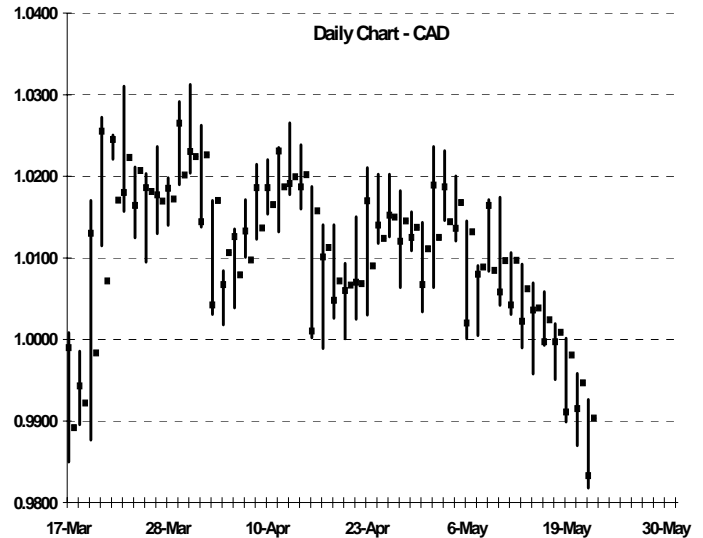
Projected Daily Range – **0.9782 to 0.9876**

Projected Weekly Range – **0.9700 to 1.0002**

Weekly Outlook – Bearish to neutral. Weekly trend is set to turn formally bearish with any settle under 1.0070/88 today. But although the weekly (and June) setup points lower, the overall picture is neutralized by the expiring May level at .9782 and larger Q2 support at .9700. Key resistance for next week is the combined weekly/May zone at .9896/.9905 and the developing weekly trend at 1.0002/20. Bearish daily trend also intersects at .9876 today. Expecting .9700 to 1.0002 weekly range. Will add shorts at 1.0002/20; cover at .9782 and .9700.

Daily Comments – Bearish to neutral. Daily trend is still bearish, but with an overall neutral and balanced setup today. Resistance is .9876/77 daily trend and combined weekly/June zone at .9896/.9905. Supports are day zone at .9828/24 and the May cover level at .9782. Expecting a .9876 to .9782 day range.

Position Strategy: Currently 25% short at 1.0160/64. On strength, add to 50% short at 1.0002/20 – stop on close above 1.0020. Will cover shorts at .9782 and .9700. Day Trade: sell .9896/.9905; cover at .9828/24; buy .9782.



Australian Dollar, Previous NY Close - .9555
 Daily Resistance - .9586; .9631/47
 Daily Support - .9529/24; .9433

Weekly Resistance - **.9594/.9614**; .9731/50
 Weekly Support - **.9475**; .9360

Projected Daily Range – **0.9475 to 0.9586**

Projected Weekly Range – **0.9370 to 0.9731**

Weekly Outlook – Bullish to neutral. Aussie failed to hold above the Q2 breakout zone at .9594/.9614 Thursday, and the overall setup is back to neutral here despite the continuing weekly uptrend. Besides .9595/.9614, resistance for next week is .9731/50. Supports for next week are the developing weekly uptrend at .9475 and June base at .9360. The fact daily trend fell neutral Thursday signals a retreat to test .9475 weekly trend. No new position strategy for now.

Daily Comments – Neutral. Daily trend fell from bullish to neutral with Thursday's backup, signaling a correction lower. The setup today is neutral. Resistance is .9586, the Q2 zone at .9594/.9614 and .9631/47. Supports are .95289/24 and the developing weekly uptrend at .9475. Looking for a .9586 to .9475 day range.

Position Strategy: Current flat after stopping the .9594/.9601 shorts on the close above .9620. Will reset to 50% short at .9731 – stop on close above .9764 today. Day Trade: buy .9595/88 and .9572; exit at .9684; sell .9731.

