

Technical Analysis

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Outlook for EUR/JPY to end 2007



Comment: For three consecutive years EUR/JPY has been struggling with resistance around 140.00. This should come as no surprise as it is where quarterly trendline resistance lies and all Euro bounces (or Deutschmark ones) have held below it since the mid 1970's. We feel that the rally that started in 2001 is part of a new ultra-long term cycle of Yen weakness against many currencies, and we are poised to move up another notch. Some time this quarter we should rally to 145.00 and the psychological level at 150.00 where some consolidation is likely. Late in 2006 we shall allow for a squeeze up to the October 1998 high at 164.00. Then a lot more consolidation in H1 2007 roughly between 155.00 and 167.00. By the end of 2007 there is a small chance that this cross might hit 180.00.

A monthly close below 137.00 would force us to adjust.

Chart Levels:

Support	Resistance	Direction of Trade
137.00*	143.60*	
135.00	145.00/146.00*	
130.00	150.00	
125.00*	160.00	
120.00	164.00**	

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

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Charts provided by Reuters.