

Weekly Technical Commentary

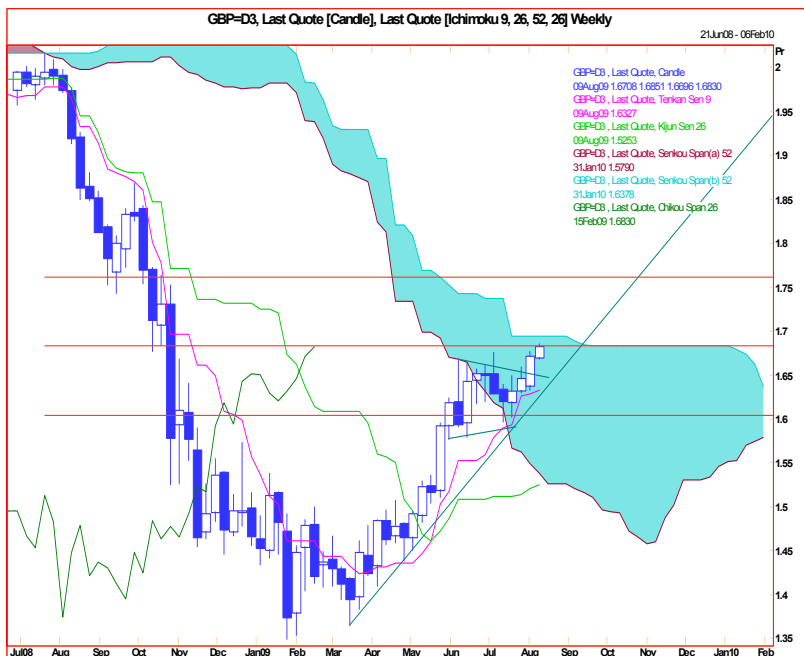
03 August 2009

Links: <http://www.mizuho-sc.com/>

Bloomberg Page: MIZH

Website: <http://www.mizuho-cb.co.uk/>

GBP/USD chart Levels: Support 1.6700..1.6500..1.6300..1.6000. Resistance 1.6850..1.7000..1.7100..1.7500.

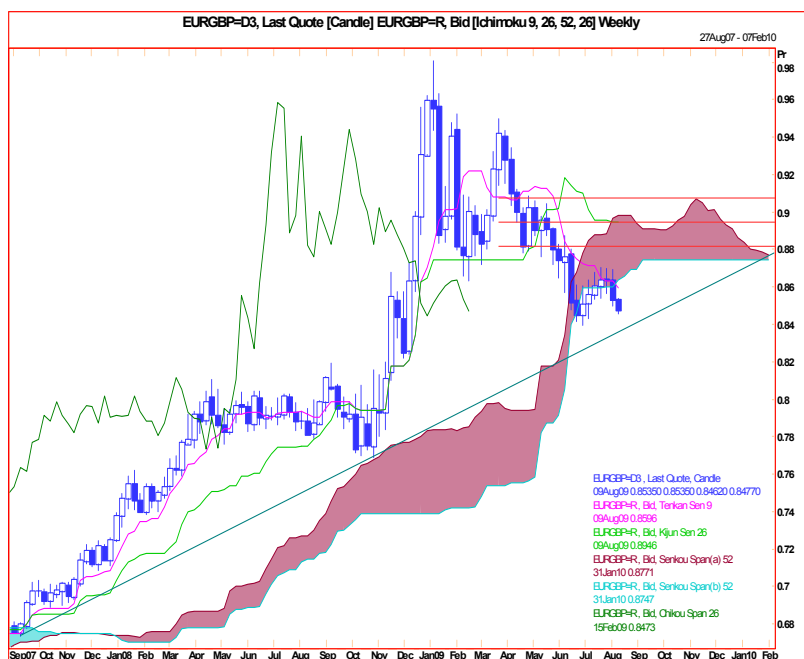


This week

This month

After ten weeks of 'triangle' consolidation, at last! A weekly close higher than anything since October so that we have now retraced 50% of the losses since last summer. The measured targets from this breakout are 1.7100 and then 1.7500, part of the ultra-long term trend to generalised US dollar weakness. This may have come as a surprise to some but other currencies are also gaining against the US dollar so it's a dollar problem rather than sterling in vogue. Futures volume has been good and though running about half of the 2007/2008 peak open interest is picking up. Note record volume in Canadian dollar futures suggest the US investor has grasped the threat of devaluation, at least against its northern neighbour.

EUR/GBP chart Levels: Support 0.8400..0.8250..0.8200..0.8000. Resistance 0.8535..0.8600..0.8700..0.8750.



This week

This month

After consolidating in a neat tiny range under 0.8700 for six weeks the large weekly Ichimoku 'cloud' looks set to push the cross lower. A re-test of this year's low at 0.8400 looks imminent and a weekly close below here should add to current strong bearish momentum. A monthly close below it completes a massive long term top, so that sterling would be unlikely to move above this area for many years to come. This pivotal area for the currency pair, two standard deviations from the very long term mean is so important that we may hover around here for a whole month or more before we see a decisive downside break. Until then rallies, which will probably struggle to move significantly above 0.8600, are therefore selling opportunities.

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