

**Weekly Technical Commentary**

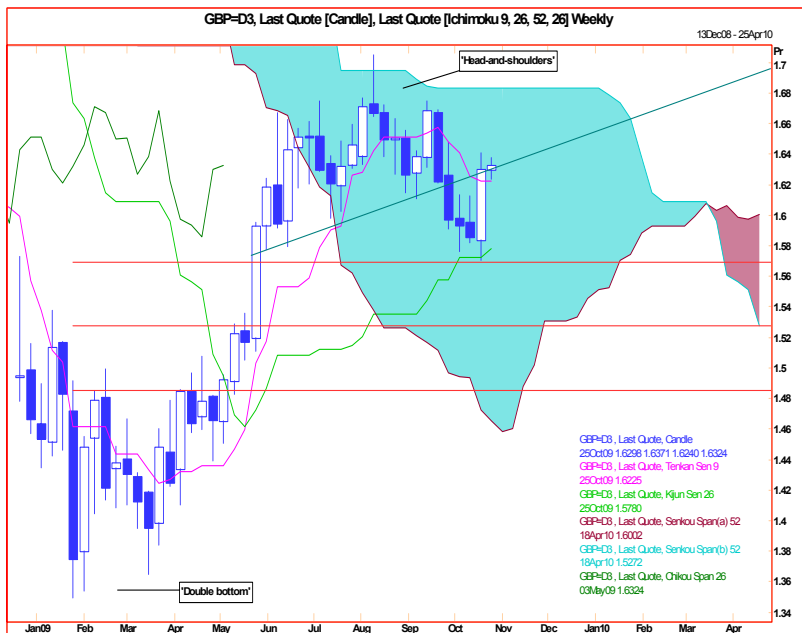
**19 October 2009**

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

Bloomberg Page: MIZH

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

**GBP/USD chart Levels: Support 1.6200..1.6000..1.5800..1.5700. Resistance 1.6400..1.6500..1.6625..1.6745.**



**This week**  
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**This month**  
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Just as we had feared: the irregular 'head-and-shoulders' top failed to meet even its first downside target, stopped dead in its tracks by first long term Fibonacci support and the 26-week moving average. It formed a 'bullish engulfing' candle on the weekly chart hinting that it ought to hold above 1.5700 through to year-end (and then more). However, because the weekly Ichimoku 'cloud' is so very large we could easily hold inside here until year-end, trading randomly in zigzags regularly re-testing the 1.5700 area. One-month at-the-money implied volatility rallied from 10.65% and should rally to 14.50%. Futures volume remains high suggesting this is the only 'cheap' currency for Americans to diversify into.

**EUR/GBP Chart Levels: Support 0.9100..0.9000..0.8900..0.8750. Resistance 0.9225..0.9300..0.9413..0.9500.**



**This week**  
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**This month**  
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Apparently we are not alone in getting this pair wrong; since June Reuters Polling have median forecasts dropping for this pair, down to £0.8700 in 12 months' time the latest stab at forecasting. Last week's 'bearish engulfing' candle has at least bought a breathing space for the pound, and the top of the Ichimoku 'cloud' dips after the first week of November, a combination which just might allow for broadly sideways trading for several months yet. However, weekly moving averages are bullish, upside momentum strong, the Euro no longer overbought and on the Trade Weighted basis it is still perilously close to the all-time low. Be very careful indeed and prepared to shift view.

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Charts provided by Reuters.