

Weekly Technical Commentary

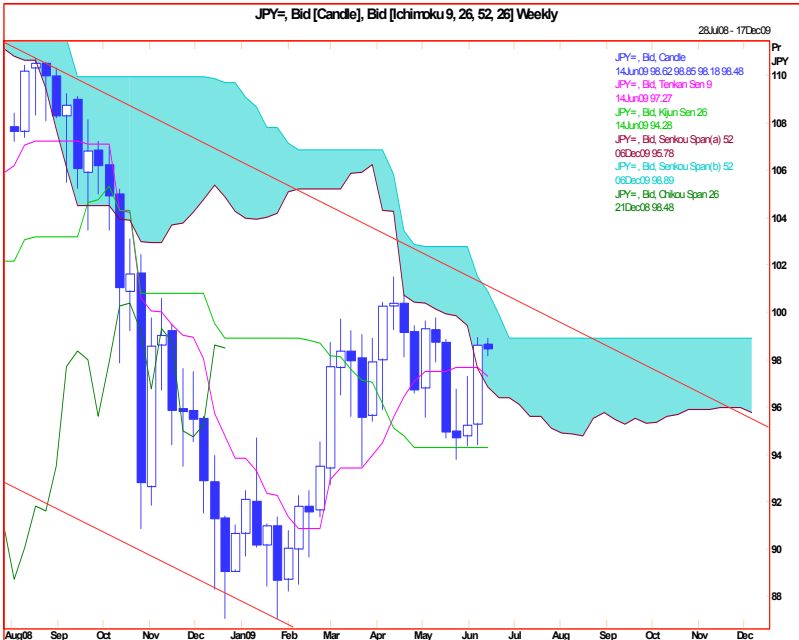
08 June 2009

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

Bloomberg Page: MIZH

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USD/JPY Chart Levels: Support 96.60..95.50..94.40..93.55. Resistance 99.00..99.80..100.75..101.45



This week

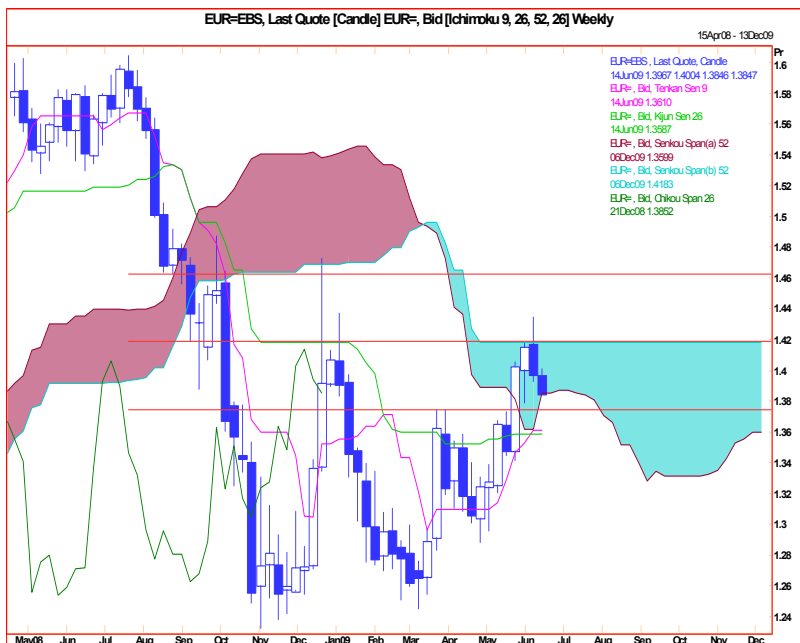
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This month

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Last week's strong rally from support at the 26-week moving average (which held for four consecutive weeks) has forced us to adjust our view. It signals a failed downside push and heralds yet more sideways trading in the broad band that has held since March (roughly between 94.00 and 100.50). Because the Ichimoku 'cloud' has become relatively narrow, and more importantly because it is now moving across the page rather than lower, it is unlikely to limit moves this summer. Note also that moving averages suggest a long dollar position so very mixed signals and maybe it might be better to leave this currency pair alone if possible. Implied volatility has not picked up as much as we had hoped.

EUR/USD Chart Levels: Support 1.3800..1.3750..1.3600..1.3425. Resistance 1.4000..1.4200..1.4339..1.4363.



This week

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The Euro reached a high at 1.4339 Thursday, its best level since January's high at 1.4363 and on the ECB's Effective Exchange rate it is not too far off the all-time high of 2008. The 1.4200 area is the 50% retracement of last year's losses and coincides with a large, flat-topped Ichimoku 'cloud' so we feel prices will thrash excitedly either side of here for another fortnight, maybe until month-end; this should lift implied volatility. Friday's sell-off has corrected the overbought situation while keeping momentum bullish. We feel the Euro should form another new interim base between 1.3800 and 1.3600, setting up for another strong rally in thin summer conditions.

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