

Weekly Technical Commentary

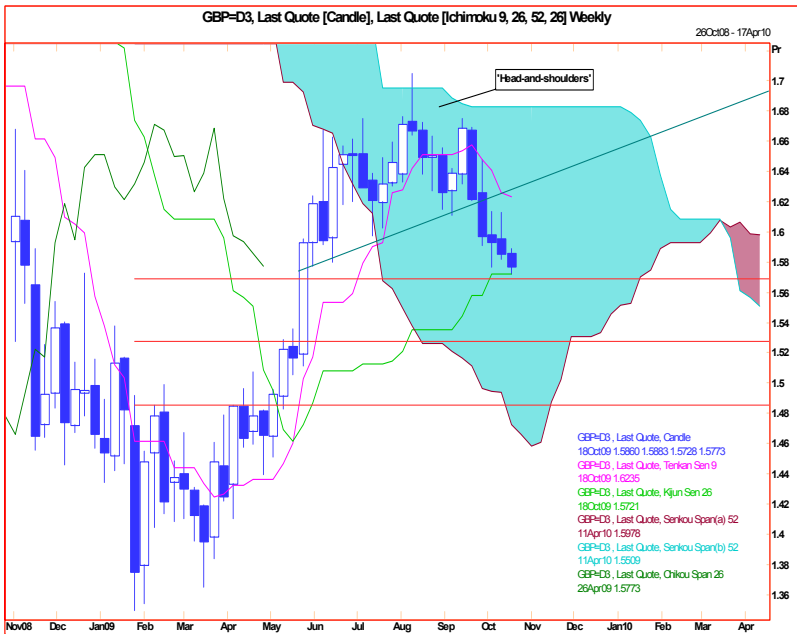
12 October 2009

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

Bloomberg Page: MIZH

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

GBP/USD chart Levels: Support 1.5725..1.5685..1.5500..1.5260. Resistance 1.5885..1.5925..1.6130..1.6235.

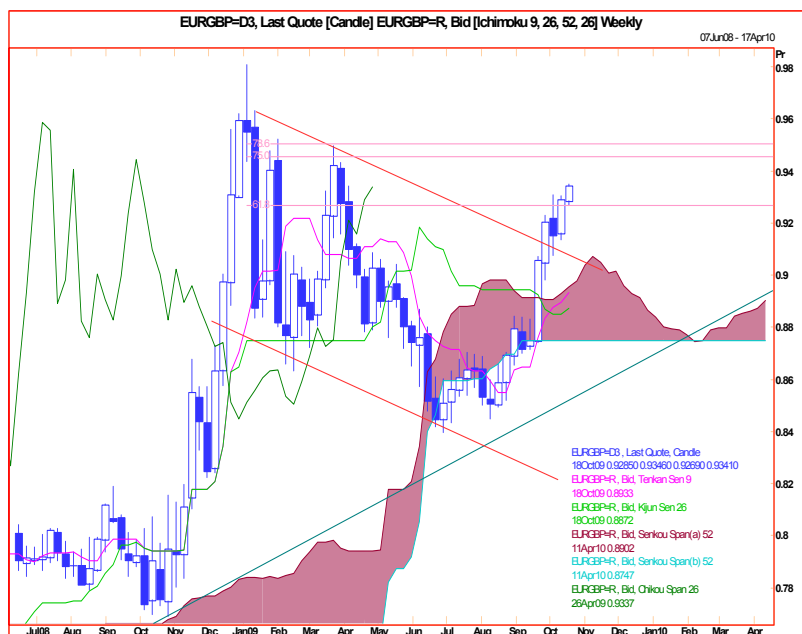


This week
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This month
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Consolidating under the 'neckline' of an irregular 'head-and-shoulders' top and now testing the 26-week moving average and 38% Fibonacci support. We shall continue to allow for a sharp drop, to the 1.5575 area and probably no lower than 1.5275. This drop should end suddenly, more than likely with a 'spike low'. Note that this corrective move lower might be difficult to trade and will eventually see a resumption of what we feel is the long term trend to higher Cable. Because the weekly Ichimoku 'cloud' is so very large we could easily hold inside here until year-end. One-month at-the-money implied volatility rallied from 10.65% and should move on up to 14.50%. Futures volume, though not open interest, remains high.

EUR/GBP Chart Levels: Support 0.9270..0.9200..0.9140..0.9075. Resistance 0.9350..0.9430..0.9500..0.9600.



This week
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Last week's one small chance of sterling regaining its balance and a toehold was squandered. This bodes badly for the pound, here and against all other currencies – just a question of degree. It is currently weaker than it was in 1995/1996, against the Euro and on the Bank of England's Trade-weighted basis. It now looks almost inevitable that it will re-test the record high at £0.9805 set in January, despite decent resistance around £0.9600. Weekly moving averages are bullish, momentum as strong as it was in December, and the measured targets from the enormous 'flag' are 1.0300 and possibly 1.1000. Remember the Chinese proverb: 'be careful what you wish for'.

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