

Weekly Technical Commentary

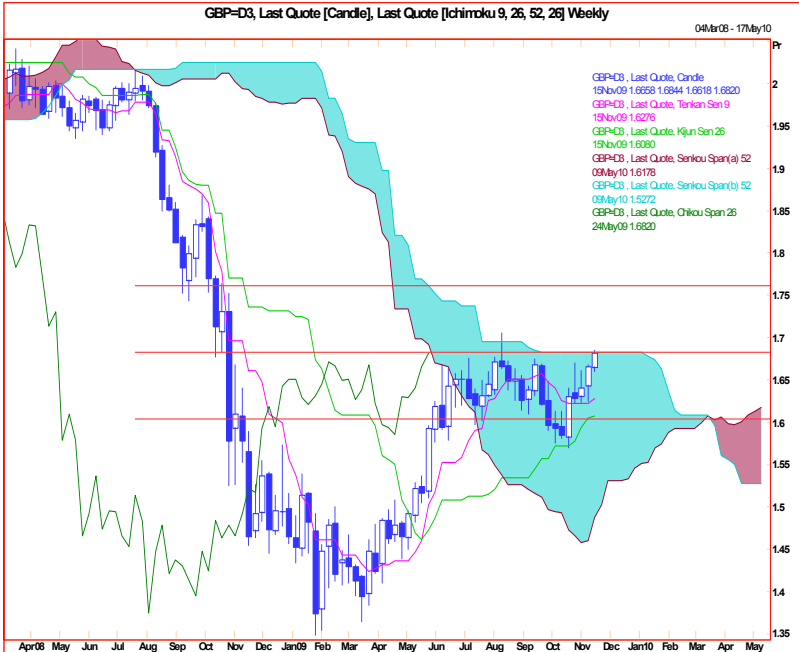
16 November 2009

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

Bloomberg Page: MIZH

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

GBP/USD chart Levels: Support 1.6500..1.6260..1.6100..1.5700. Resistance 1.6850..1.7044..1.7520..1.7635.



This week

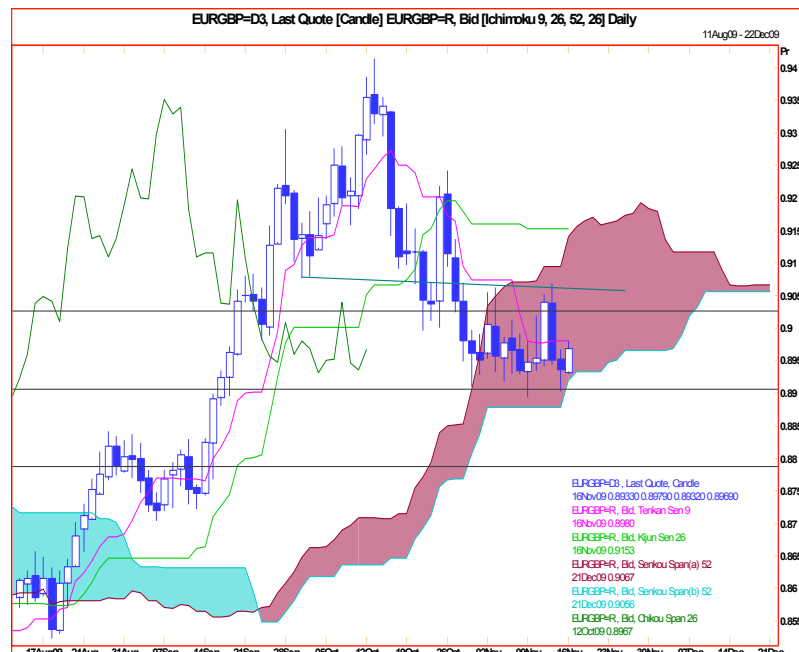
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This month

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Trying but not quite there yet. Cable managed a weekly close at this year's highest level, but under Fibonacci resistance which coincides with the top of a massive Ichimoku 'cloud'. Obviously a sustained break above here is needed to set off the next rally, forcing many into short-covering and reviewing their outlook. The pound is no longer overbought and bullish momentum is almost at its strongest since late 1990. Futures volume remains high though subdued open interest suggests a lot of day-trading. On a trade weighted basis it has rallied for five consecutive weeks but is still about 20% below where it was at the start of 2007, when cracks in the financial system first appeared. These are still with us.

EUR/GBP chart Levels: Support 0.8930..0.8850..0.8800..0.8750. Resistance 0.8980..0.9020..0.9065..0.9155.



This week

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This month

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Consolidating under the 'neckline' of an irregular 'head-and-shoulders' top and inside a very large Ichimoku 'cloud'. Allow for more of the same this week and possibly until the end of this month when the lower edge of the 'cloud' rises by a penny. This should gently ease prices down towards 0.8600. One-month at-the-money implied volatility should base in the 10.00% area and move back up to 14.00% towards year-end. As the mean view is that this pair should hold above 0.8800 for the next twelve months, many will have to review assumptions and economic consequences. Long term only when this pair starts holding consistently under 0.8400, two standard deviations from the calculated mean of the last twenty years, is L/T sterling weakness avoided.

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