

Weekly Technical Commentary

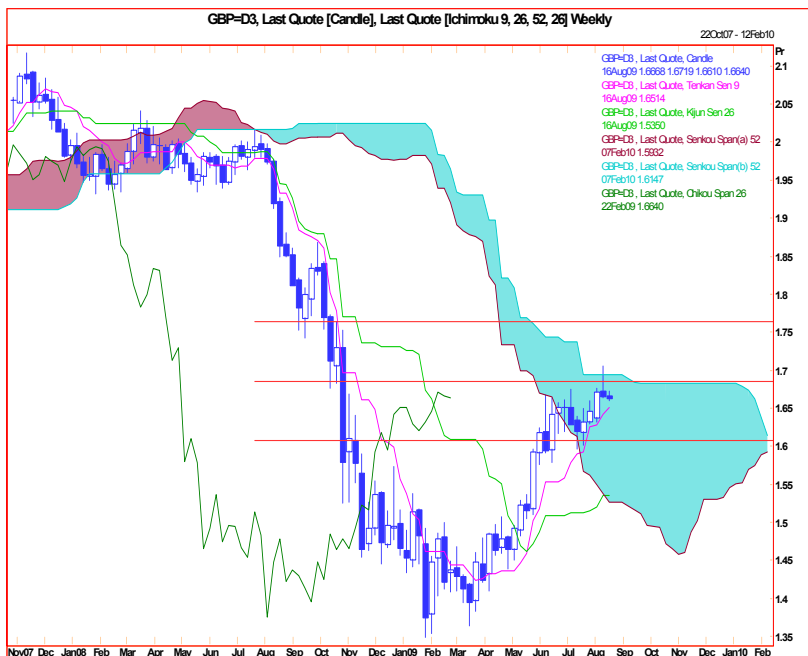
10 August 2009

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

Bloomberg Page: MIZH

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

GBP/USD chart Levels: Support 1.6600..1.6500..1.6300..1.6000. Resistance 1.6760..1.6855..1.7044..1.7500.

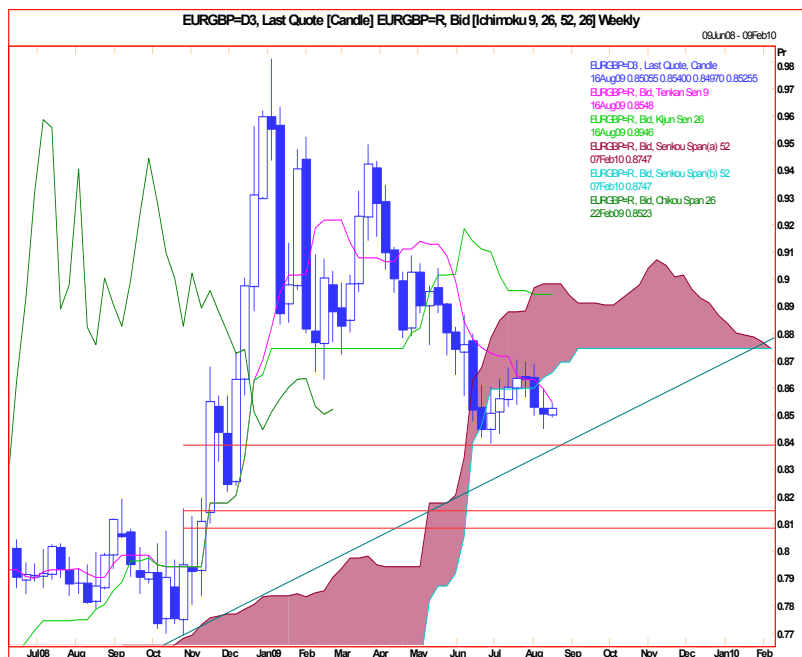


This week
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This month
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Glee in the bear camp as Cable retreats from a new high for the year at 1.7044 forming an 'evening star' weekly candle. We feel that the combination of the psychological level at 1.7000, the top of a massive Ichimoku 'cloud', and Fibonacci retracement resistance means that prices will have to consolidate under here for another week at least. Futures volume has been good and open interest is picking up (though still well below last year's peak). Note that on the Bank of England's Trade Weighted basis sterling has recovered less than 38% of the terrible losses of the last two years. One-month at-the-money implied volatility has snapped back up from a low at 10.65% and should hold above here for quite some time to come.

EUR/GBP chart Levels: Support 0.8450..0.8400..0.8200..0.8100. Resistance 0.8540..0.8600..0.8700..0.8750.



This week
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This month
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A slightly mixed picture but realistically we should probably allow for another week's worth of consolidation above this year's low at 0.8400. A monthly close below here completes a massive long term top, so that sterling would be unlikely to move above this area for many years to come. Further out the big Ichimoku 'cloud' should push the Euro lower, through trendline and Fibonacci support to 0.8100. Until then rallies, which will probably struggle to move significantly above 0.8600, are therefore selling opportunities. Note that Plan B, rather than a clean break lower, involves a series of swings either side of 0.8400, something which is currently seen as a very real possibility.

Produced by London Branch - Nicole Elliott +44-20-7786-2509 (email: Nicole.Elliott@mhcb.co.uk)

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