

Weekly Technical Commentary

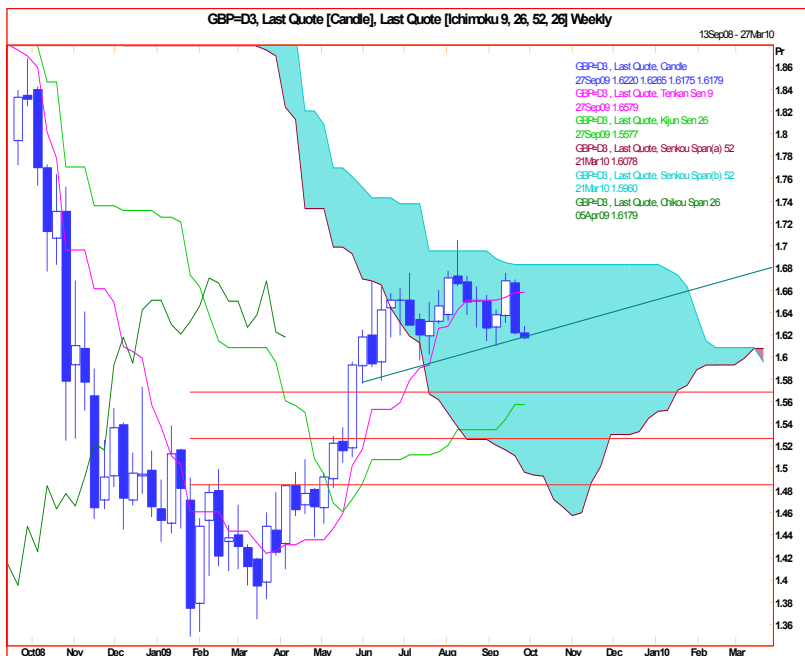
21 September 2009

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

Bloomberg Page: MIZH

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

GBP/USD Chart Levels: Support 1.6100..1.6000..1.5800..1.5700. Resistance 1.6400..1.6600..1.6745..1.7045.

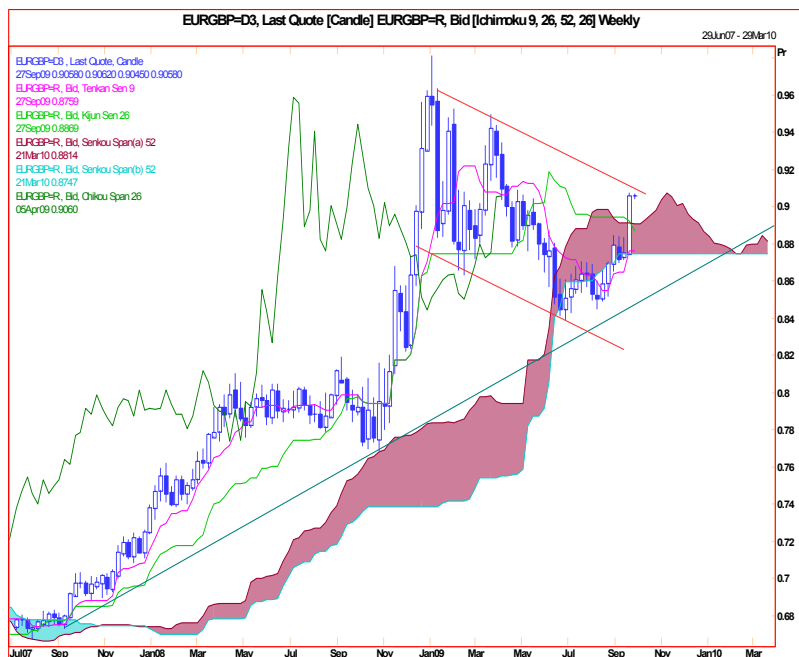


This week
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This month
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Dreary, messy and increasingly top-heavy as the pound lost ground against all major currencies last week. While below the flat top of a massive weekly Ichimoku 'cloud' we shall have to allow for a lot more consolidation inside it. While trendline support has limited declines for many weeks, the formation since June looks increasingly like an irregular 'head-and-shoulders' top. Therefore there is a strong chance first support will yield in thin markets this week setting off a sudden sharp drop to the 1.5575 area, and no lower than 1.5275. The drop should end suddenly, probably with a 'spike low'. One-month at-the-money implied volatility should hold above 10.65% for quite some time to come.

EUR/GBP Chart Levels: Support 0.8900..0.8750..0.8635..0.8400. Resistance 0.9085..0.9130..0.9340..0.9500.



This week
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This month
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Losing over three pence last week courtesy of bankers' comments. Bursting above the top of a good-sized Ichimoku weekly 'cloud' and moving averages in the biggest weekly rally since March 2009. Not what we had expected, forcing us to review Sterling generally. There is a small chance that the top of the downward-sloping 'channel' will now limit this most recent rally. More worryingly the whole of the formation since October 2008 might be seen as a huge 'flag' – which is usually a continuation pattern. The implications are too awful to contemplate as a conservative measured target would be 1.0300 and a squeeze to 1.1000 a possibility. The authorities had better be very careful indeed for what they wish for.

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

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