

Weekly Technical Commentary

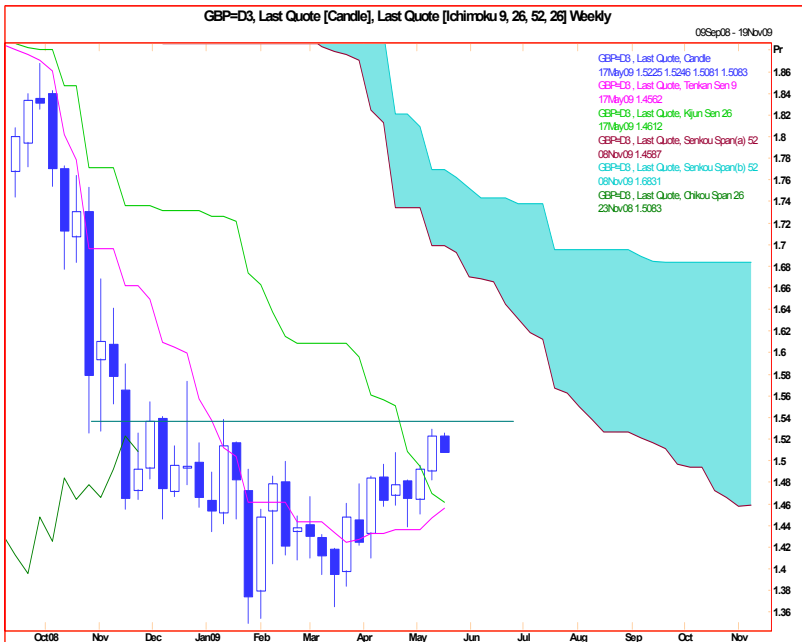
11 May 2009

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

Bloomberg Page: MIZH

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

GBP/USD Chart Levels: Support 1.5000..1.4835..1.4500..1.4350. Resistance 1.5280..1.5375..1.5535..1.5725.

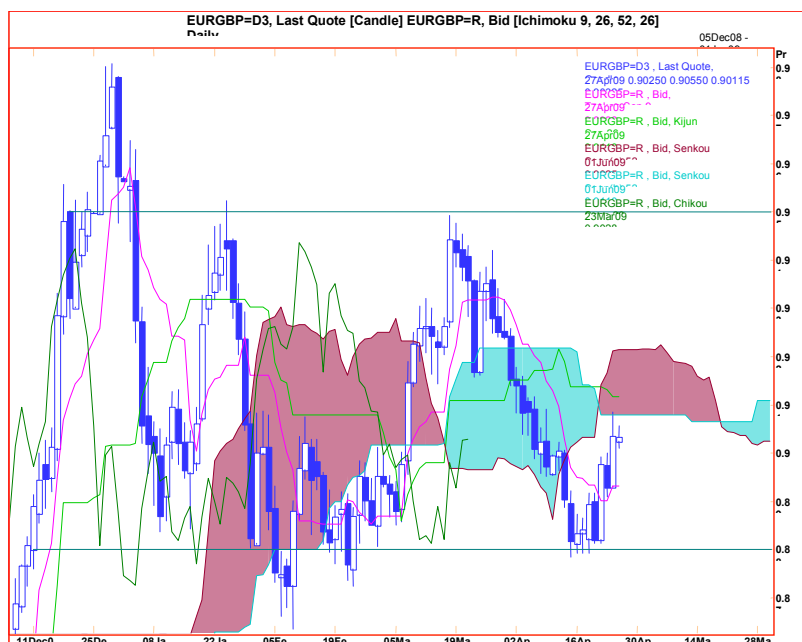


This week
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This month
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One of the leaders, probably to the surprise of many, as consensus opinion swerves 180 degrees so that the pound is now the most 'undervalued' currency in a recent poll. As for risk-aversion causing people to buy US dollars, the words 'head' and 'examining' spring to mind. The weekly close above 1.5000 and the moving averages ought to help but a shame Cable did not manage a weekly close above the highest close since October (1.5365). Maybe it will this week, causing the averages to turn bullish. Note that open interest while rising, is still roughly half of the peaks in 2007 and 2008. One-month at the money implied volatility appears to have based against the 12.00% area and our target is now 18.00%.

EUR/GBP Chart Levels: Support 0.8880..0.8785..0.8750..0.8635. Resistance 0.9050..0.9100..0.9200..0.9320.



This week
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This month
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Bouncing from the lower edge of the broad trading band that has dominated since December. For the next week or two we shall allow for a series of random messy moves roughly between 0.8750 and 0.9100. Over the next six weeks we continue to pencil in a re-test of February's low at 0.8635. A sustained break below 0.8600 very late in Q2 2009 should see the pair move slowly lower towards 0.8250. This would only take it back to levels last seen in Q4 2008, in turn the weakest that sterling had ever been against the Euro up until that time. One-month at-the-money implied volatility, which collapsed from 21.00% to 12.00%, should form an interim base.

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